



Los Osos Community Services District

General Manager's Monthly Report

August 4, 2016

Honorable Board of Directors,

This report presents a summary of general administrative, operating and other information covering the prior month's activities, and which are important to gauging how well the Los Osos Community Services District (LOCSD) is doing in providing the public services to our community. This report also includes highlights of recent District accomplishments, news of general information and items on which the Board may wish to focus attention in the coming months. This report is intended to supplement the information provided in the current Utilities and Fire Department Activity Reports.

Status Updates

Summarized below are updates on Board directives and general management activities:

Management Objectives Report

Attached hereto is a brief report listing each of the management objectives approved by the Board on June 2, 2016, their completion schedule and status. Although all objectives are presented on the report to gain familiarity, only the status of the immediate and first six month action items are addressed in this report. Although the report will typically be presented on a quarterly basis and discussed as a general action item, I felt it important to provide a status update on a number of items presented to the Board as immediate priorities. I also seek your feedback on the report presentation format and content. The intent of the summary report is to ensure that management actions are constantly in alignment with Board vision and directives, as well as for public information to improve transparency.

Office Relocation Consideration

As detailed in the management Objectives report, we believe we have reached a final proposal for expansion in the current office location and renovation of the facilities and layout to improve air circulation, heating and cooling efficiency, work spaces and their function. The Board will be considering the final associated terms and conditions at this meeting during closed session.

District Transparency Program

Additional documentation and archives are added to the website on a daily basis, and other improvements have been made based on public and Board member comment. The District's transparency program should be in a condition meeting the state criteria for Excellence Certification by your October meeting.

Financial Highlights

With the completion of the 2014/15 fiscal year audit, all attention is focused on developing a final budget for committee review on August 8, 9 and 10 and the Board's consideration on August 17, 2016. The final budget is being developed to meet the criteria outlined by the board at its June 29, 2016 meeting. I have also received other requests that I address specific questions and issues in the final budget; which are beyond the scope of the Board's direction and in much more detail than can be produced in the 5 week timeframe from preliminary to final budget completion. Please know that requests from individual directors and individual directors working in concert with

fire department staff and public members are very important to me, and to the District. However, I must answer to the full Board only, and although many of the questions posed outside the meeting should be answered in the final budget, the questions requesting evaluation of why funds were documented in a certain manner or presented by past staff in a certain way are very difficult, if not impossible to quickly address.

Status of Profit/Loss Reports:

For our September 1 Board meeting, the Board will receive a financial report for the first month of the new fiscal year, as well as the past several months of the recently past fiscal year. Our contract accountant has had to balance all bank accounts for the entire 2015/2016 fiscal year and reconcile all accounts, which were not completed through much of the year.

Other Activities

- **Wastewater Assessment District Administration**
For clarification of a question raised at the July Board meeting, Wallace Associates previously provided limited wastewater assessment district administration services at an annual fee of \$6000, and the new agreement with NBS Government Financial for full compliance assessment administration will cost \$9250 per year.

Attachment

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MANAGEMENT OBJECTIVES UPDATE REPORT

Item Reference Number	Objectives	Start Date	Completion Date	Status
Immediately - All Financial Related				
1	Complete the 2014/15 Audit	2/2016	7/7/2016	Completed
2	Complete the 2014/15 State Controller's report of financial transactions and compensation report	2/2016	6/1/2016	Completed
3	Implement the programmed water rate increase		7/1/2016	Completed
4	Update and validate all District financial statements and reports (including reserve reports, investment reports, profit/loss reports)	2/2016	9/1/2016	Behind Schedule – Revised Timeline – The delayed completion of the 2014/15 audit pushed all subsequent work out an additional month. Bank reconciliations completed for 2015/16 and in process of reconciling all accounts to the General Ledger, reconciling reserve funds. Developed revised monthly financial reporting format. Planning to present an update on September 1, 2016 Board meeting
5	Prepare the 2016/17 Budget for adoption of a preliminary budget before July 1 and final budget before September 1; prepared in a comprehensive, accurate and understandable format	4/2016	8/5/2016	On Schedule – Final budget scheduled for Committee review on August 8 th , 9 th , and 10 th , and final Board consideration on August 17 th
6	Evaluate the overhead cost allocation methodology; determine options or alternative application methods if appropriate and prepare a simplified description for the Board and public	6/2016	8/5/2016	Behind Schedule – Numerous variations of overhead allocation methodologies have been reviewed, and the most relevant being consistent with the District's past allocation practices. Currently updating the administrative task/time allocation data to be presented with the final budget

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7	Review and incorporate the draft Cal Fire Schedule A contract into the Fire Department budget and future financial and operational strategies	5/2016	8/5/2016	Completed – The Cal Fire Schedule A cost was included in the Preliminary budget. The fact that the cost of this contract will increase at a rate higher than the annual increase in special tax revenue was identified and will drive policy and financial evaluations in Item 13
First Six Months - Financial				
8	Prepare revised and new financial policies to provide the highest level of internal control over the accuracy and compliance of all financial matters including a Board orientation and ongoing (District) financial education program	4/2016		On Track – The revised Board orientation manual is being developed with a late fall 2016 presentation planned. Purchasing policies have been updated and approved, and revised internal processes and accounting/staffing plans are being implemented and effectiveness evaluated
9	Continuously track water enterprise revenue and expenses for the purpose of informing the Board's decision on whether to implement Stage 4 water emergency rates	3/2016		On Track – Every month, we continue to see lower water consumption than expected in the 2014 Financial Plan. However, implementing punitive water rates is not the answer to the water enterprise's revenue shortfall. Staff recommends that Emergency Stage 4 rates be reserved to bridge a short term water shortage crisis, not a long term revenue shortfall. Staff is evaluating all options to reduce the cost of capital project funding through grants, pooled financing and subsidized interest loans
10	Closely evaluate water enterprise funds to determine opportunities for expense reductions as well as revenue generating opportunities to reduce or eliminate the cash shortfall caused by overestimated water sales revenue (2014 Financial Plan and Rate Study)	5/2016		On Track – As stated in #9 above, our best cost savings option involves carefully planning our capital improvement project funding options. A review of capital improvement projects and available funding sources will be presented to the Board in September or October 2016.

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11	Complete the 2015/16 annual audit and related reports	7/1/16		On Track – Prepared scope of work for contract accountant and compiling the necessary end of year documentation. Accountant is completing all necessary reconciliations as detailed in #4 above
12	Develop funding and financing plans for the various scheduled infrastructure projects and capital equipment replacement; and complete the planning, design and implementation of planned projects on schedule	5/2016		On Track – Bidding the drilling of a new well on the 8 th Street property and evaluating other water supply options. Approved agreement for interconnection with the Golden State Water system and planning project implementation. Preparing a project funding and financing plan for presentation as described in #10 above
13	Evaluate Fire Department 10 year expense and service needs projections and develop associated service financing plans	6/2016		On Track – Currently reviewing historical actions and evaluations of department operation. Reviewing the potential for a response fee ordinance to recover costs incurred in response to emergency calls resulting from nonresidents, who do not currently contribute to department funding. The operational evaluation is detailed in Item #18 below; which will be combined for future reporting.
First Six Months - Organization				
14	By the Board's August 2016 meeting, working in close collaboration with the Basin Management Board of Directors (BMBD), recommend the top two priority projects to be pursued during the forthcoming fiscal year.			Behind Schedule , Revised Timeline – Although we are in the process of proceeding with one of the priority projects in the 8 th Street well, the next priority projects must be identified and an implementation and financing plan approved. The GM will increase effort with the District Engineer and staff to seek LOCSB Board agreement with identified priorities. Project selection will be presented to the Board in September and finalized by the October meeting
15	By the Board's October 2016 meeting, working in close collaboration with the Basin Management Board of Directors (BMBD), develop an Ad Hoc			Behind Schedule, Revised Timeline – This item is addressed in 14 above and will be combined for future reports

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	Action Team to prepare an action plan for funding and executing the top two priority projects.			
16	Achieve the industry benchmark District Transparency Certificate of Excellence issued by the Special District Leadership Foundation	3/2016		On Track – With the adoption of an Ethics policy in September, the approved by the Leadership Foundation by the October Board mee
17	Complete the transfer of sewer facilities located in the neighborhoods of Bayridge and Vista De Oro to the County of San Luis Obispo			Behind Schedule – This item has been planned for Board action each of the last three months, and should be prepared for action in September. Changes in management, legal counsel and approach to the transfer have caused some minor delays in its completion. It was previously planned to transfer ownership of entire parcels to the county, and the current plan is to grant easements to the county for sewer system operation while allowing District use of the remaining property if desired
18	Complete evaluation of various fire department staffing options including full-four person and develop associated Board reports and recommendations			On Track – This item will be combined in the future with item # 13 above. Currently reviewing the staffing and funding plans of other similar fire departments.
19	Complete an evaluation of the District organizational structure, staffing, responsibilities, opportunities for efficiencies and personnel needs	5/2016		On Track – On June 2, 2016 reviewed with the Board the District organizational chart and responsibilities related to the various positions. Receiving general consensus to proceed with planning for mid management position reinstatement, currently evaluating staffing needs and potential cost savings in performing accounting functions under contract versus in-house

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20	Complete a compensation and classification study as required in the Memorandum of Understanding with the Employee association (SLOCEA - union)	8/3/16		On Track – Reviewing RFPs prepared by other entities, study cost and results. Meeting with SLOCEA on August 3 to discuss the scope and cost of the study, as the union agreed to fund ½ of the cost
21	Complete the office needs evaluation, improvement plan outline and relocation plan if needed	2/2016		Complete – Recommending final proposal to the Board on August 4 meeting. On approval, an implementation plan will be developed. The estimated cost of an office move and necessary renovations was included in the Preliminary budget
First Six Months - Administration				
22	Complete the personnel policy update (employee handbook) for Board approval	4/2016		On Track – Working with District legal counsel, will present to the Board in September 2016. Potential updates
23	Evaluate processes to determine opportunities for paperwork and process time reduction to increase staff efficiency			On Track – Staff implemented a process to outsource both payroll and accounts payable in an attempt to reduce costs and increase productivity in specific records management areas. The evaluation process may extend past the six month timeline
24	Establish draft Board policies and protocol for the effective use of committees to assist management and inform Board decisions and actions	4/2016		On Track – Presented a first draft Committee work plan and schedule at the July 2016 Board meeting and received substantial direction from the Board. A revised proposed committee work plan will be reviewed with the various committees in August and September, and proposed to the Board in October 2016

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Twelve to Eighteen Months- Administration				
25	Update all necessary Titles, Policies and Ordinances			
26	Establish a system of performance benchmarks to compare the performance of LOCS D to others in our industry as a means of evaluating productivity, efficiency and service value			
27	Develop an internal and external communication program to improve community understanding of the District services and operations			
28	Develop a written system of (internal/staff) procedures and expectations for all critical aspects of the District			
29	Develop a recognition program to inform the public of the excellent public services provided by the District and retain highly performing employees			
Twelve to Eighteen Months - Organization				
30	Assist and participate in development of a Strategic Plan for the District	5/2016		On Track – Prepared Management Objectives to begin alignment of Board vision with management actions
31	Complete a succession planning evaluation for all district positions and propose associated Board policies			
32	Conduct an evaluation of the District utility and other major projects to maximize efficiency in their completion, maximize grant participation, secure			

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	low cost financing, and identify partnership opportunities			
33	Monitor District financial performance in all services and develop appropriate action plans and strategies for consideration by the Board to ensure that the District's established financial targets and benchmarks are met, projects are completed and reserves funded			
34	Achieve the industry benchmark for District of Distinction certification issued by the Special District Leadership Foundation			
35	By the Board's October 2017 (and annual) meeting, working in close collaboration with the Basin Management Board of Directors (BMBD), develop preliminary data and practical outcomes achieved by the Ad Hoc Action Team regarding the preferred top two projects			
Ongoing				
36	Ensure compliance with all permits, standards and regulations through appropriate staff resources and training, ongoing education and participation in state and regional association training			
37	Participate locally, regionally and statewide to stay informed and influence solid public policy			
38	Oversee budget			
39	Pursue grant funds where possible and position the District to receive grants and low interest money for projects			

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40	Advise Board on policies, programs, finances, long and short range service plans
41	Develop and maintain productive relationships with key partners such as Golden State Water Company, the County, State Legislators, LOCAC and local civic and charitable organizations
42	Continue to implement actions, initiatives, outreach and evaluation of the community service needs to improve the image and value of the district and its services
43	Continue to evaluate opportunities to develop additional water supplies through greywater and rainwater reuse, and the provision of non-potable supplies for irrigation and other beneficial uses of water
