



July 22, 2014

**TO:** LOCSD Board of Directors  
**FROM:** Kathy A. Kivley, General Manager  
**SUBJECT:** **Agenda Item 11F – 8/7/2014 Board Meeting**  
Adopt Resolution Authorizing an Interfund Loan to Vista de Oro

**President**  
Craig V. Baltimore

**Vice President**  
R. Michael Wright

**Directors**  
Leonard A. Moothart  
Marshall E. Ochylski  
Jon-Erik G. Storm

**General Manager**  
Kathy A. Kivley

**Temporary District Accountant**  
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**DESCRIPTION**

Approval of a Resolution authorizing an Interfund Loan to the Vista de Oro Fund 400 from the Water Fund 500 General Contingency Reserve in an amount not to exceed \$30,000 to cover operating deficits.

**SUMMARY OF STAFF RECOMMENDATION**

Staff recommends that the Board adopt the following motion:

***Motion: I move that the Board adopt Resolution No. 2014-13 authorizing an interfund loan to Fund 400 Vista de Oro to cover operating deficits.***

**DISCUSSION**

Vista de Oro is a subdivision with a dedicated residential community septic system. There are 73 parcels in this subdivision. The fund provides septic management, storm water drainage, street and open space management. The key source of funding is assessments for lighting and septic services in the amount of \$15,768. A Proposition 218 ballot request to increase the funding was successfully defeated by a majority protest on June 20, 2013. The assessment rate therefore remains the same \$216/parcel. This requires the District to continue to subsidize this operation to insure healthy and viable system operations.

The Vista de Oro Fund 400 continues to operate in a deficit. It is necessary for the fund to borrow from another fund to cover the actual costs of operations.

Upon completion of the County project providing sewer collection services to the subdivision, the septic system will be abandoned at a cost. The assessments will remain on the parcels until the fund settles all liabilities due to the District for providing the services.

**FINANCIAL IMPACT**

The recommended action will have no significant financial impact on the daily operations of Water Fund 500. Currently the Water General Contingency Reserve has a balance as of June 1, 2014 of \$178,783. The Loan Agreement states Fund 400 will borrow the funds at the close of the respective fiscal year. Upon completion of the financial audit any differences will be reconciled. All terms and conditions are outlined in the attached Interfund Loan Agreement.

Attachment: Resolution 2014-13 and Exhibit A

RESOLUTION NO. 2014-13

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
LOS OSOS COMMUNITY SERVICES DISTRICT  
APPROVING AN INTERFUND LOAN FROM THE DISTRICT'S WATER FUND TO THE VISTA DE ORO  
FUND TO COVER OPERATING DEFICITS FOR FY 2012/2013, 2013/2014 AND 2014/2015

**WHEREAS**, the Board of Directors of the Los Osos Community Services District (District) acknowledges due to the successful for stalling of a rate increase to cover on-going operating cost increases by the seventy-three residents in Vista de Oro revenues due not equal operating costs (expenses); and

**WHEREAS**, the Board of Directors recognizes that standard governmental accounting procedures require that governmental expenses balance with revenues; and

**WHEREAS**, the Board of Directors know that unrestricted Reserves may be used to support an interfund loan; and

**WHEREAS**, the Board of Directors hereby finds that there are sufficient reserves in the Water Fund to accommodate an interfund loan to cover operating expenses.

**NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED** by the Board of Directors of the Los Osos Community Services District as follows:

1. An interfund loan from the Water Fund to Vista de Oro is approved in the amount not to exceed \$30,000.
2. The interfund loan is approved subject to the terms of the agreement incorporated herein as Exhibit A.

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

AYES: \_\_\_\_\_  
NOES: \_\_\_\_\_  
ABSENT: \_\_\_\_\_  
CONFLICTS: \_\_\_\_\_

The foregoing resolution is hereby passed, approved and adopted by the Board of Directors of the Los Osos Community Services District this 7<sup>th</sup> day of August, 2014.

\_\_\_\_\_  
R. Michael Wright  
Vice President, Board of Directors  
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Kathy A. Kivley  
General Manager and Secretary to the Board

\_\_\_\_\_  
Michael W. Seitz  
District Legal Counsel

## EXHIBIT A

### Interfund Loan Agreement

The interfund loan agreement, made and entered into this the \_\_\_\_\_ day of \_\_\_\_\_ 2014, effective \_\_\_\_\_ for FY 2012/2013, FY 2013/2014 and FY 2014/2015 by and between the Water Fund 500 and the Vista de Oro Fund 400;

#### WITNESSETH:

**WHEREAS**, the Board of Directors of the Los Osos Community Services (LOCSD) has determined that the LOCSD must continue to provide public services Vista de Oro Fund 400; and

**WHEREAS**, the Board of Directors recognizes the employees of the LOCSD provide storm water drainage, street, septic and open space management services; and

**WHEREAS**, the Board of Directors recognizes there are not sufficient funds available from the current assessment rate of \$216/parcel to cover the expenses related to these services; and

**WHEREAS**, the Board of Directors understands the LOCSD must continue to subsidize the operation to insure healthy and viable septic system operations; and

**WHEREAS**, the Board of Directors realizes when the Los Osos Wastewater Project built by San Luis Obispo County County) is complete the Vista de Oro subdivision will be connected to the County System; and

**WHEREAS**, the Board of Directors recognizes the current septic system will be abandoned at a cost to the residents and expensed through this fund; and

**WHEREAS**, the Board of Directors recognizes the assessments will remain on the parcels until the fund settles all the liabilities due to the LOCSD for providing the services both septic maintenance as well as septic abandonment costs; and

**WHEREAS**, the Board of Directors understands according to Government Code Section 66006 and 66013 the LOCSD may provide interfund loans and according to Government Code Section 61116 (b) allows for borrowing; and

**WHEREAS**, the Board of Directors agrees to provide an interfund loan to the Vista de Oro Fund, in an amount not to exceed \$30,000 to cover the operating deficits.

**NOW THEREFORE**, in consideration of the mutual covenants therein contained, the Board agrees as follows:

1. The Water Fund will transfer an amount not to exceed of \$30,000 from the Water General Contingency Reserve (3111) as necessary to cover any remaining deficit for FY 2012/2013, FY 2013/2014 projected deficit based on the adopted budget and FY 2014/2015 projected deficit based on the adopted budget.
2. The Vista de Oro Fund will pay back the Water Fund principal and interest with the payment to begin after connection to San Luis Obispo County Water Recycling System and abandonment of the septic system.
3. The interest rate will be based on the West Coast Prime plus 1% at the time of borrowing/transfer from the Water Fund General Contingency Reserve to the Vista de Oro Fund.
4. Transfers will only occur at the close of the respective Fiscal Year.
5. Any discrepancy between the closing balance and Audit Financial Statement will be reconciled based on the year end Audit Financial Statements for the Fiscal Year with the appropriate adjustments to follow.
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 \$30,000 requires action by the Board of Directors.
8. This interfund loan will be recorded according to the guidelines as established by GASB Summary of Statement No. 34.

The Board of Director hereby agrees with all the terms and conditions as outlined. This agreement was passed by Resolution No. 2014-13 adopted on the 7th day of August 2014 and incorporated therein by reference.

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R. Michael Wright  
Vice President, Board of Directors  
Los Osos Community Services District

ATTEST:

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Kathy A. Kivley  
General Manager and Secretary to the Board