

# NIPOMO COMMUNITY SERVICES DISTRICT

MONDAY, MARCH 16, 2009

9:00 A.M.

## **SPECIAL MEETING NOTICE & AGENDA** **FINANCE AND AUDIT COMMITTEE**

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### COMMITTEE MEMBERS

LARRY VIERHEILIG  
JAMES HARRISON

### PRINCIPAL STAFF

BRUCE BUEL, GENERAL MANAGER  
LISA BOGNUDA, ASSISTANT GM  
DONNA JOHNSON, BOARD SECRETARY  
JON SEITZ, GENERAL COUNSEL

**MEETING LOCATION - District Board Room**  
**148 S. Wilson Street, Nipomo, California**

1. **CALL TO ORDER, ROLL CALL AND FLAG SALUTE**
2. **REVIEW THE COST BENEFIT ANALYSIS**
  - Laboratory Operation
  - Out-sourcing preventive maintenance workACTION RECOMMENDED: Provide direction to Staff
3. **REVIEW DIRECT LABOR AND OVERHEAD ALLOCATIONS**  
ACTION RECOMMENDED: Provide direction to Staff
4. **REVIEW REPLACEMENT STUDY RECOMMENDATIONS**  
ACTION RECOMMENDED: Provide direction to Staff
5. **REVIEW TERMINOLOGY USED IN THE BUDGET DOCUMENT**  
ACTION RECOMMENDED: Provide direction to Staff
6. **SET NEXT MEETING DATE**  
ACTION RECOMMENDED: Set next meeting date

TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL *BBB*  
DATE: MARCH 13, 2009



## REVIEW THE COST BENEFIT ANALYSIS

### ITEM

Review the cost benefit analysis for Laboratory Operation and Out-sourcing Preventive Maintenance Work

### BACKGROUND

The Finance Committee directed Staff to prepare a cost benefit analysis for the following:

- **Laboratory Operation**  
The analysis was prepared assuming NCSD performing 3 BOD tests per week and 2 Suspended Solids tests per week at the Southland WWTF. The cost benefit analysis illustrates that it is not cost effective for NCSD to perform these analysis in-house at this time. It should be noted that in the future when the Southland WWTF is upgraded, in-house laboratory work will be required.
- **Preventive Maintenance Work**  
The analysis was prepared assuming NCSD would hire 2 additional Utility Workers and purchase the equipment necessary to perform sewer cleaning, valve exercising and hydrant exercising. The cost benefit analysis illustrates that it is cost effective for NCSD to perform this work in-house.

### RECOMMENDATION

It is recommended that the Committee provide direction to Staff.

### ATTACHMENT

- Cost Benefit analysis for Laboratory Operation (Page 1)
- Cost Benefit analysis for Preventive Maintenance Work (Page 2 and 3)

**NIPOMO COMMUNITY SERVICES DISTRICT  
 COST BENEFIT ANALYSIS OF LABORATORY OPERATIONS  
 FOR BOD AND SUSPENDED SOLIDS**

This cost benefit analysis compares the cost of NCSD performing 3 BOD tests per week and 2 Suspended Solids tests per week at the Southland WWTF

**NCSD PERFORMING TEST**

Cost of Equipment depreciated over 7 years ( $\$13,338 \div 7$ )	1,905
Supplies to run the tests ( $\$11 \times 52$ weeks)	572
Labor** estimated 4 hours per week ( $\$35 \times 4 \times 52$ )	7,280
Estimate-miscellaneous replacements and repairs	500
	10,257

**OUT-SOURCING LAB TESTS**

3 BOD per week ( $\$45 \times 3 \times 52$ )	7,020
1 SS per week ( $\$20 \times 2 \times 52$ )	2,080
	9,100

Savings to NCSD by Out-Sourcing Lab Tests	1,157
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\*\* Includes wages and benefits

**NIPOMO COMMUNITY SERVICES DISTRICT  
COST BENEFIT ANALYSIS OF OUT-SOURCING  
PREVENTIVE MAINTENANCE**

This cost benefit analysis compares the cost of NCSD performing preventive maintenance of sewer cleaning, valve exercising and hydrant exercising versus out-sourcing this work

<b><u>NCSD PERFORMING PREVENTIVE MAINTENANCE</u></b>	
Labor** 2 full-time utility workers (\$30.64 x 2080 hours x 2)	127,462
Equipment required - annualized (see page 3)	35,000
Annual maintenance and supplies	<u>20,000</u>
	<u><u>182,462</u></u>
 <b><u>OUT-SOURCING PREVENTIVE MAINTENANCE</u></b>	
Annual Contract Cost (see page 3)	<u>274,900</u>
 Savings to NCSD by performing Preventive Maintenance in-house	 <u><u>92,438</u></u>

\*\* Includes wages and benefits

**Additional 2 Person Maintenance Crew**

**Estimation of Crew Days**

176000 feet	3000 feet/day	59 Crew Days	Sewer Cleaning
1860 valves	20 valves/day	93 Crew Days	Valve Exercising
660 hydrants	10 hydrants/day	66 Crew Days	Hydrant Exercising
<b>Total Crew Days</b>		<b>218 Crew Days</b>	

1 Crew Day = 2 persons X 8 hours = 16 labor hours

**Estimation of Labor Costs**

2 Full-time Utility Workers

**Equipment Required**

Sewer Jet Truck	\$200,000	10 Estimated Life
Nozzles	\$20,000	5 Estimated Life
Pickup Truck with Tools	\$20,000	10 Estimated Life
Valve Exerciser	\$50,000	10 Estimated Life
<b>Total Equipment Cost</b>	<b>\$290,000</b>	
Annualized Equipment Cost	\$35,000	
Annual Maintenance/Supplies	\$20,000	
<b>Total Annual Equipment Cost</b>	<b>\$55,000</b>	

**Total Estimated In-House Cost**

**Current Annual Contract Costs**

176000 feet	0.5 \$/foot	\$88,000 Sewer Cleaning
1860 valves	65 \$/valve	\$120,900 Valve Exercising
660 hydrants	100 \$/hydrant	\$66,000 Hydrant Exercising
<b>Total Annual Contract Cost</b>		<b>\$274,900</b>



TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL *BBB*  
DATE: MARCH 13, 2009



## REVIEW DIRECT LABOR AND OVERHEAD ALLOCATIONS

### ITEM

Review direct labor and overhead allocations

### BACKGROUND

The expenditures of the District are accounted for the in the following manner (examples are for illustration purposes only):

- Direct Cost – A direct cost is charged directly to the fund which incurred the expenditure and received the direct benefit. (For example: a lab test that is taken for the Southland WWTF costs \$100.00) The \$100 is charged directly to the fund as follows:

Fund #130 - \$100.00

- Indirect (Overhead) Cost (Utility) – An indirect cost is charged on an allocation basis to the funds which indirectly receive benefit. (For example: the Utility crew wear uniforms that cost \$100.00). The \$100.00 is charged indirectly to the utility funds based on the following current allocation:

Fund #120 - \$ 60.00  
Fund #130 - \$ 23.00  
Fund #140 - \$ 8.00  
Fund #150 - \$ 9.00  
TOTAL \$100.00

- Indirect Overhead Cost (Administrative) – An indirect cost is charged on an allocation basis to the funds which indirectly receive benefit. (For example: The District pays a monthly telephone bill that costs \$100.00). The \$100.00 is charged indirectly to the administrative and utility funds based on the following current allocation:

Fund #110 - \$ 15.00  
Fund #120 - \$ 50.00  
Fund #130 - \$ 20.00  
Fund #140 - \$ 7.00  
Fund #150 - \$ 8.00  
TOTAL \$100.00

- Labor Costs are charged directly to each fund based on each employee's job duties and the percentage of their time spent on each job duty.

**ITEM 3**  
**MARCH 16, 2009**

This is a summary of the current and proposed weighted allocation percentages. The detailed information is presented on pages 3 and 4.

**Administrative Overhead Items**

Fund	Fund #	Current Weighted Allocation	Proposed Weighted Allocation	Difference
Administration	110	15%	20%	5%
Town Water	120	50%	0%	(50%)
Blacklake Water	140	7%	0%	(7%)
Water-Merged	125	0%	60%	60%
Town Sewer	130	20%	17%	(3%)
Blacklake Sewer	150	8%	3%	(5%)

**Utility Overhead Items**

Fund	Fund #	Current Weighted Allocation	Proposed Weighted Allocation	Difference
Town Water	120	60%	0%	(60%)
Blacklake Water	140	8%	0%	(8%)
Water-Merged	125	0%	66%	66%
Town Sewer	130	23%	22%	(1%)
Blacklake Sewer	150	9%	12%	3%

**RECOMMENDATION**

It is recommended that the Committee provide direction to Staff.

**ATTACHMENT**

Proposed allocation of overhead for Administrative Staff (Page 3)

Proposed allocation of overhead for Utility Staff (Page 4)

Comparison of number of Town Sewer Customers to Blacklake Sewer Customers (Page 5)

**NIPOMO COMMUNITY SERVICES DISTRICT  
PROPOSED ALLOCATION OF OVERHEAD FOR ADMINISTRATIVE ITEMS**

FUND	FUND	BRUCE	LISA	DONNA	KATHY	CELESTE	PETER	WEIGHTED AVERAGE	
ADMINISTRATION	110	25.0%	50.0%	30.0%	0.0%	0.0%	0.0%	105.0%	20%
TOWN WATER	120	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
WATER - MERGED	125	20.0%	35.0%	49.0%	85.0%	64.0%	65.0%	318.0%	60%
TOWN SEWER	130	25.0%	14.0%	20.0%	10.0%	5.0%	20.0%	94.0%	17%
BLACKLAKE WATER	140	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
BLACKLAKE SEWER	150	5.0%	1.0%	1.0%	5.0%	1.0%	2.5%	15.5%	3%
SUBTOTAL		75.0%	100.0%	100.0%	100.0%	70.0%	87.5%	532.5%	100%
SOLID WASTE	300	0.0%	0.0%	0.0%	0.0%	30.0%	2.5%		
SUPPLEMENTAL WATER	500	25.0%	0.0%	0.0%	0.0%	0.0%	10.0%		
TOTAL		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

FUND	FUND	CURRENT WEIGHTED ALLOCATION	PROPOSED WEIGHTED ALLOCATION	DIFFERENCE
ADMINISTRATION	110	15%	20%	5%
TOWN WATER	120	50%	0%	-50%
WATER - MERGED	125	0%	60%	60%
TOWN SEWER	130	20%	17%	-3%
BLACKLAKE WATER	140	7%	0%	-7%
BLACKLAKE SEWER	150	8%	3%	-5%
		100%	100%	0%

The weighted average allocation for administrative staff is used to allocate overhead items such as office supplies, telephone, office utilities, etc.

Administrative staff percentages were based on observation and experience.



**NIPOMO COMMUNITY SERVICES DISTRICT  
PROPOSED ALLOCATION OF OVERHEAD FOR UTILITY ITEMS**

FUND	FUND	TINA	RICK	RIGO	SCOTT	REED	PETER	WEIGHTED AVERAGE	
TOWN WATER	120	57.0%	62.0%	35.0%	27.0%	73.0%	80.0%	334.0%	55.67%
WATER - MERGED	125	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
TOWN SEWER	130	25.0%	13.0%	43.0%	36.0%	4.0%	8.0%	129.0%	21.50%
BLACKLAKE WATER	140	8.0%	19.0%	1.0%	4.0%	20.0%	11.0%	63.0%	10.50%
BLACKLAKE SEWER	150	10.0%	6.0%	21.0%	33.0%	3.0%	1.0%	74.0%	12.33%
TOTAL		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	600.0%	100%

FUND	FUND	CURRENT WEIGHTED ALLOCATION	PROPOSED WEIGHTED ALLOCATION	DIFFERENCE
TOWN WATER	120	60%	0%	-60%
WATER - MERGED	125	0%	66%	66%
TOWN SEWER	130	23%	22%	-1%
BLACKLAKE WATER	140	8%	0%	-8%
BLACKLAKE SEWER	150	9%	12%	3%
		100%	100%	0%

The weighted average allocation for utility staff is used to allocate overhead items such as fuel, uniforms, vehicle repairs and maintenance, etc.

All direct costs are charged directly to the specific fund. For example, a lab test taken for the Town Sewer is charged 100% to Fund #130 and a lab test taken for the Blacklake Sewer is charged 100% to Fund #150.

Utility staff percentages were based on a time study for the month of February 2009.

NIPOMO COMMUNITY SERVICES DISTRICT  
TOWN SEWER CUSTOMERS/DUES COMPARED  
TO BLACKLAKE SEWER CUSTOMERS/DUES  
JANUARY AND FEBRUARY 2009 UTILITY BILLING DATA

ROUTE	SEWER CUSTOMERS	SEWER DUES
1	108	108
2	401	531
3	312	341
4	0	0
5	310	314
7	284	293
9	0	0
11	494	676
12	463	465
13	2	2
94	460	460
95	1	1
TOWN	2835	3191
BL	556	556
TOTAL	3391	3747
BL%	16%	15%
TOWN %	84%	85%
TOTAL%	100%	100%

TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL *BB*  
DATE: MARCH 13, 2009



## REVIEW REPLACEMENT STUDY RECOMMENDATIONS

### ITEM

Review Replacement Study recommendations

### BACKGROUND

Director Vierheilig requested Staff to review the Replacement Study recommendations. On August 27, 2008, Malcolm McEwen of Boyle Engineering presented the study to the Board of Directors. No action was taken at that meeting. On September 10, 2008, the Board of Directors unanimously adopted the 2007 Water and Sewer Replacement Study and directed staff to forward the study to any rate consultant preparing subsequent rate studies as the initial basis for fee calculation.

On March 25, 2009, the Board of Directors will be asked to approve a Request for Proposals for the preparation of a water rate study. As part of that scope of work, the rate consultant will be requested to review the adopted Water and Sewer Replacement Study and incorporate the funding requirements into the rate study.

### RECOMMENDATION

It is recommended that the Committee provide direction to Staff.

### ATTACHMENT

Minutes from August 27, 2009, Regular Board Meeting  
Minutes from September 10, 2009, Regular Board Meeting



Minutes

D. CONSENT AGENDA (CONTINUED)

D-6) DIRECT STAFF TO INCLUDE A FISCAL STATEMENT TO ALL SUBSEQUENT ADMINISTRATIVE ITEM BOARD LETTERS

Upon motion by Director Harrison and seconded by Director Eby, the Board unanimously approved the Consent Agenda with the revised Minutes, as presented. Vote 4-0, with Director Vierheilig being absent.

YES VOTES	NO VOTES	ABSENT
Directors Harrison, Eby, Trotter, and Winn	None	Director Vierheilig

The Board took a break at 10:09 a.m. to allow Mr. McEwen to set up his display. The Board reconvened at 10:19 a.m.

C-4) MALCOLM McEWEN OF BOYLE ENGINEERING

Presentation re: Town & Blacklake Water and Sewer Replacement Study

Bruce Buel, General Manager, introduced the presentation of the draft Town & Blacklake Water and Sewer Replacement Study. The study was commissioned in 2007. The Finance Committee wanted the results of the study to be presented when the rates were considered. Director Trotter asked if the study would modify the depreciation schedule. Mr. Buel stated that the study will modify funding and give the District the mechanism to gather funds to replace assets as they fail.

Malcolm McEwen, Boyle Engineering Project Manager, stated that the purpose of this study is to determine how much money the District should stash away to cover expenses, as assets wear out. He presented slides showing budgeted replacement funding alternatives. He explained that Boyle Engineer's Scope of Work included the following:

- Analyze useful and remaining life of system components
- Estimate replacement costs for water and wastewater component
- Develop replacement schedule
- Develop alternatives plans for funding
- Provide recommendations for the District

He provided funding alternatives including:

- Model 1: 20 year savings program  
Spread costs and save 20 years in advance
- Model 2: Service Life Savings Program  
Costs not "spread" and save over service life
- Model 3: Pay-as-you-go Set-Aside Program  
Set aside estimated "spread" replacement costs

Mike Nunley, Boyle Engineering Manager, answered questions from the Board.

Director Eby asked if the items in the study would be replaced at the end of the "life expectancy" or when the items actually fail.

Mr. McEwen answered that if the assets do not need to be replaced as often, the amount put in the Replacement Fund would be modified.

Recording started over in the middle of Mr. McEwen's presentation. 00:00:00



Nipomo Community Services District  
REGULAR MEETING  
Minutes

C-4) MALCOLM McEWEN OF BOYLE ENGINEERING (CONTINUED)

Mr. Buel stated that the report will be brought back to the September 10, 2008 meeting. Model 2 will probably be recommended.

The following member of the public spoke:

Bill Nelson, NCS D resident, stated that homeowners associations have faced similar problems for years. If money is put aside while customers are using the assets, they pay for the use of the assets rather than having the new customers pay for what the older customers have used up. He suggested that the Board look at that system.

Director Harrison suggested that Model 2 seems to be what Mr. Nelson was referring to and is the best method to save for replacements.

Director Winn stated that he realized that the Town Division as well as the Blacklake Division is also behind the curve in replacement reserves.

Director Trotter asked if the longstanding depreciation schedule used by the District will be altered by this study. Bruce Buel, General Manager, said that it would.

D. ADMINISTRATIVE ITEMS

00:12:56

E-1) APPROVE PHASING OF SOUTHLAND WWTF UPGRADE PROJECT AND AMEND AGREEMENT WITH BOYLE ENGINEERING TO COMPARE WASTEWATER DISPOSAL OPTIONS

Bruce Buel, General Manager, explained that the District is trying to find a suitable disposal option to augment the capacity available at the existing percolation ponds south of the Southland Wastewater Treatment Facility. The Central Coast RWQCB is anxious for the District to complete the upgrades to the collection system and the treatment works so that the District's discharge satisfies the requirements of the District's existing discharge order. Staff's proposal is to phase the WWTF upgrade project so that the funded collection system and treatment upgrades proceed immediately and the disposal options follow in a second phase.

The Board asked questions concerning the disposal alternatives listed on the spread sheet provided in the packet. The first phase will cost \$12 million.

The following member of the public spoke:

John Snyder, Nipomo resident, stated that there are two options that are not on the list in the packet. There could be a pond in the coastal zone. Consider energy costs. There is a downhill slope toward the ocean and transport costs may be less. Piping through ag lands could be less than through asphalt. Also, the refinery may need to be paid for taking the water rather than the District being paid for the water. Look at Laguna Sanitation as an example. Also, look at the quality of the water leaving the basin as well as the water that is leaving the Mesa.

Mr. Buel explained that anytime water is being pumped over a long distance, it takes considerable energy. The Board discussed looking into a disposal site west of Highway 1 to the beach area. The cost of the length of the pipeline may rule out the option. Other agencies in California are disposing of their effluent in a similar manner.

Upon motion by Director Harrison and seconded by Director Eby, the Board unanimously agreed to splitting the project of the disposal from the collection and treatment into two phases, and move forward with the wastewater treatment facility. Vote 4-0.

YES VOTES	NO VOTES	ABSENT
Directors Harrison, Eby, Trotter, and Winn	None	Director Vierheilig



04:11

E-6) AUTHORIZE SUBMITTAL OF COMMENTS TO SLO COUNTY ON RETROFIT PROPOSALS

Bruce Buel, General Manager, explained that the consumption of water in the Nipomo Mesa Water Conservation Area (NMWCA) has resulted in lowered groundwater levels, threatening water quality. San Luis Obispo County has proposed water conservation measures to reduce the amount of water being used. The Amendment to Title 8 of the County Code, the Health and Sanitation Ordinance requires sellers of real property within the Nipomo Mesa Conservation area to retrofit plumbing fixtures with low water-consuming plumbing fixtures at the time of sale.

Mr. Buel gave copies of the September 8, 2008 Water Conservation Committee meeting and made copies available to the public.

Director Harrison asked if toilets on the list will actually work.

Celeste Whitlow, Water Conservation Specialist, stated that she does not know if the current list is for the one for the Nipomo Mesa. The County is very interested in having toilets that work. There are a number of toilets at 1.28 gallons per flush available.

The Board questioned if the required toilets are available and what effect the low-flow toilets will have on on-site septic systems.

Peter Sevcik, District Engineer, noted that if plenty of liquid is flushed (such as any house with a shower), the toilets work; but if too much water is flushed, it pushes the solids into the leach field.

The Board discussed whether the proposed measures will save water. Suggestions were made how to respond to the County's request for comments on the proposed amendment to Title 8 of the County Code.

Jon Seitz, District Legal Counsel, stated that the measures will save water, but the amount is unknown.

Upon motion by Director Harrison and seconded by Director Vierheilig, the Board unanimously agreed to direct staff to incorporate the Board's suggestions and comments into the measures listed in the Board letter in a transmittal to the SLO County Planning Department concerning Title 19 and 22 of the County Code. There was no public comment. Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Harrison, Vierheilig, Trotter, Eby, and Winn	None	None

E-7) AUTHORIZE SUBMITTAL OF COMMENTS TO SLO COUNTY ON WILLOW ROAD FUNDING OPTIONS

This item was tabled to a future meeting.

04:23:46

E-8) ADOPT WATER AND SEWER REPLACEMENT STUDY AND PROVIDE GUIDANCE ON IMPLEMENTATION

Bruce Buel, General Manager, explained that in November 2007, the Board retained Boyle Engineering to prepare a Water and Sewer Replacement Study. The Study recommends that the Board set aside the following in 2008 to pre-fund future replacement costs:



**Nipomo Community Services District  
REGULAR MEETING  
MINUTES**

E-8) ADOPT WATER AND SEWER REPLACEMENT STUDY AND PROVIDE GUIDANCE ON IMPLEMENTATION (CONTINUED)

Set Aside Amount	Fund	Accrued total in the replacement fund
\$960,000	Town Water	\$28,000,000
171,999	Blacklake Water	2,600,000
540,000	Town Sewer	9,400,000
162,000	Blacklake Sewer	2,000,000

Adoption of the Study would cause a future rate consultant to use the proposed set-aside amount as the initial contribution to the respective fund budgets.

Upon motion by Director Trotter and seconded by Director Eby, the Board unanimously agreed to adopt the 2007 Water and Sewer Replacement Study and directed staff to forward the study to any rate consultant preparing subsequent rate studies as the initial basis of fee calculation. There was no public comment. Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Trotter, Eby, Vierheilg, Harrison, and Winn	None	None

04:32:40

F. MANAGER'S REPORT

Bruce Buel, General Manager, presented the Manager's Report as printed in the Board packet. He added that Mr. Chuck Baker has approached the District concerning the sewer system at Cypress Ridge. He and President Winn will be meeting with Mr. Baker this week.

04:42:22

G. COMMITTEE REPORT

1. 9/1/08 Ad Hoc Blacklake Sewer Rate Adjustment Committee Meeting
2. 9/3/08 Ad Hoc Blacklake Sewer Rate Adjustment Committee Meeting

The Water Conservation Committee met Monday, 9/8/08. Informal minutes have been forwarded to the Board.

The Supplemental Water Committee met Monday, 9/8/08. The minutes for that meeting will be forwarded to the Board.

The Finance and Audit Committee will meet September 26, 2008, at 9:00 a.m.

A Supplemental Water Project Committee is planned for October 20, 2008.

The Southland Wastewater Treatment Facility Upgrade Project Committee meeting will be planned soon.

H. DIRECTORS' REQUESTS TO STAFF AND SUPPLEMENTAL REPORTS

Director Trotter again suggested fax machines for the Board members, but only one of the other Board members desired having one loaned to them. The subject was dropped.

Director Eby stated that the District needs to track well levels on a monthly basis, as well as rainfall for the area.

Director Vierheilg would like an updated committee assignment list.

TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL *BB*  
DATE: MARCH 13, 2009



## REVIEW TERMINOLOGY USED IN THE BUDGET DOCUMENT

### ITEM

Review terminology used in the budget document

### BACKGROUND

Throughout the year Staff and the Board of Directors reference the approved Budget document. The Budget document includes many accounting terms and it was suggested that a list of definitions be included to aid the reader in better understanding the document.

Staff has prepared a listing of terminology used in the budget document for your review. In addition, Staff has prepared a flow chart depicting the Fund Balance categories.

### RECOMMENDATION

It is recommended that the Committee provide direction to Staff.

### ATTACHMENT

Listing of terminology used in the budget document  
Flow Chart depicting Fund Balance categories  
California Government Code Section 61112



## BUDGET DOCUMENT TERMINOLOGY

Budget	A plan of financial operation embodying an estimate of proposed expenditures for a given period of time and the proposed means of financing them. <sup>1</sup>
Fund	A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated from the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. <sup>2</sup>
Proprietary Funds	Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.
Enterprise Fund	Enterprise funds are used by governmental units to account for services provided to the general public on a user charge basis. Enterprise funds may also be used to account for any operations "where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes." <sup>2</sup>
Fiduciary Funds	Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds. <sup>5</sup>
Operating Activities	Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or other investing activities. <sup>4</sup>
Non Operating Activities	Term used in connection the proprietary fund statement of revenues, expenses, and changes in net assets. Revenues and expenses not qualifying as operating items typically include interest revenue and expenses, taxes and grants that are not equivalent to contracts for services.
Capital Assets aka Fixed Assets	Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and all other tangible and intangible assets that are used in operations that have initial useful lives extending beyond a single reporting period. <sup>5</sup>
Capital and related financing activities aka Capital Improvements	Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for the capital assets obtained from vendors on credit. <sup>4</sup>
Infrastructure	Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. <sup>5</sup>



## BUDGET DOCUMENT TERMINOLOGY

OPEB	Other Post Employment Benefits are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income.
PERS	Public Employee Retirement System. A State governmental entity entrusted with administering one or more pension plans; it also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans. <sup>3</sup>
Capacity Charges	Charges for facilities in existence at the time the charge is imposed or charges for new facilities to be constructed in the future that are of benefit to the person or property being charged. <sup>6</sup>
Funded Replacement	Board approved funds set aside for the reconstruction of existing facilities for which it is no longer effective to keep in service. That time or date can vary considerably. For a pump, it may be when the efficiency drops below a predetermined acceptable level. For a pipeline, it may be when the costs of repair and reliability are excessive. <sup>7</sup>
Sinking Fund	Board approved funds set aside to pay debt service payments (principal and interest)
Fund Balance aka (Retained Earnings)	Difference between assets and liabilities, known as fund balance which is divided into reserved and unreserved portions. <sup>8</sup>
Reserved Fund Balance	The function of reserved Fund Balance is to simply isolate the portion of fund balance that is not available for the following period's budget or has a legal restriction on spending. <sup>8</sup>
Unreserved Fund Balance	Unreserved Fund Balance may include undesignated and undesignated portions. <sup>8</sup>
Unreserved Fund Balance- Designated and Undesignated	Designations represent management's intended use of resources and should reflect actual plans approved by the government's senior management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available current financial resources. <sup>8</sup>

<sup>1</sup> National Committee on Governmental Accounting, *Governmental Accounting, Auditing and Financial Reporting*, (Chicago; Municipal Finance Officers Association, 1968), p. 5.

<sup>2</sup> National Committee on Governmental Accounting, *Governmental Accounting, Auditing and Financial Reporting*, (Chicago; Municipal Finance Officers Association, 1979), p. 2.

<sup>3</sup> Statement of Governmental Accounting Standards 25

<sup>4</sup> Statement of Governmental Accounting Standards 9

<sup>5</sup> Statement of Governmental Accounting Standards 34

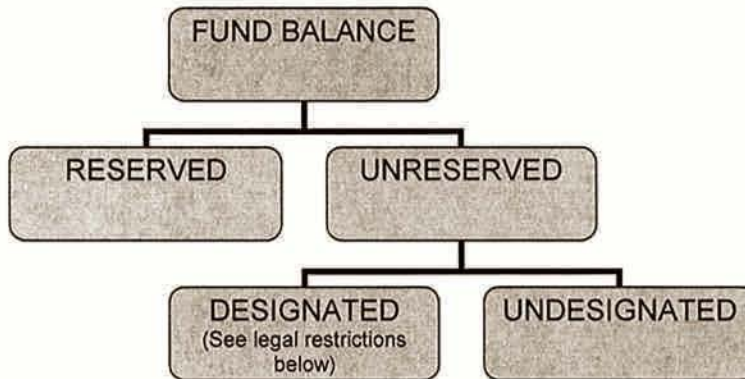
<sup>6</sup> Government Code Section 66013(3)

<sup>7</sup> 2007 Water and Replacement Study dated April 2008 prepared by Boyle Engineering, p. ES-2

<sup>8</sup> See Flow Chart of Fund Balance Categories on Page 3

# BUDGET DOCUMENT TERMINOLOGY

## FUND BALANCE CATEGORIES



California Government Code

### § 61112. Reserves

- (a) **In its budget, the board of directors may establish a designated reserve for capital outlay and a designated reserve for contingencies.** When the board of directors establishes a designated reserve, **it shall declare the exclusive purposes for which the funds in the reserve may be spent.** The funds in the designated reserve shall be spent **only for the exclusive purposes for which the board of directors established the designated reserve.** The reserves shall be maintained according to generally accepted accounting principles.
- (b) Any time after the establishment of a designated reserve, the board of directors may transfer any funds to that designated reserve.
- (c) **If the board of directors finds that the funds in a designated reserve are no longer required for the purpose for which it established the designated reserve, the board of directors may, by a four-fifths vote of the total membership of the board of directors, discontinue the designated reserve or transfer any funds that are no longer required from the designated reserve to the district's general fund.**
- (d) Notwithstanding any other provision of this section, in a state of emergency or in a local emergency, as defined in Section 8558, a board of directors may temporarily transfer funds from the designated reserve for capital outlay or the designated reserve for contingencies to the district's general fund. The board of directors shall restore these funds to the designated reserves when feasible.
- (e) **The board of directors of each district that has designated an alternative depository pursuant to Section 61053 and appointed a district treasurer shall adopt and annually review a policy for the management of reserves.**