

# NIPOMO COMMUNITY SERVICES DISTRICT

TUESDAY, MARCH 1, 2011

9:00 A.M.

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

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### COMMITTEE MEMBERS

LARRY VIERHEILIG, CHAIRMAN  
ED EBY, MEMBER

### PRINCIPAL STAFF

MICHAEL LEBRUN, INTERIM GENERAL MANAGER  
LISA BOGNUDA, ASST GM/FINANCE DIRECTOR  
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. **PROPOSED SCHEDULE FOR THE PREPARATION OF THE 2011-2012 FISCAL YEAR BUDGET**  
  
ACTION RECOMMENDED: Receive Report and make a recommendation to the Board of Directors.
3. **REVIEW EMPLOYEE COST OF LIVING ADJUSTMENT (COLA)**  
  
ACTION RECOMMENDED: Receive Report and make a recommendation to the Board of Directors.
4. **REVIEW CaIPERS BENEFITS**  
  
ACTION RECOMMENDED: Receive Report and make a recommendation to the Board of Directors.
5. **REVIEW THE PROCESS TO IMPLEMENT THE ACCEPTANCE OF CREDIT/DEBIT CARDS TO UTILITY BILL PAYMENTS**  
  
ACTION RECOMMENDED: Receive Report and make a recommendation to the Board of Directors.
6. **ADJOURN**

TO: BOARD OF DIRECTORS  
FROM: MICHAEL LEBRUN *MSL*  
INTERIM GENERAL MANAGER  
DATE: FEBRUARY 25, 2011



**PROPOSED SCHEDULE FOR PREPARATION OF THE  
2011-2012 FISCAL YEAR BUDGET**

**ITEM**

Proposed schedule for preparation of the 2011-2012 Fiscal Year Budget

**BACKGROUND**

Below is a proposed schedule for the preparation of the 2011-2012 Fiscal Year Budget. These dates are subject to change, however, Staff plans to adhere to this schedule.

February 28	Capital Improvement Projects Budget, Utility Field and District Engineer submittals to Lisa
Week of March 7 or 14	Kick off meeting with Finance Committee to hear input
Week of March 28	Staff circulates draft Budget to Finance Committee
Week of April 11	Staff meets with Finance Committee and receives recommendations/changes/deletions
Week of April 25	Staff circulates draft Budget to entire Board of Directors based on Finance Committee recommendations
Week of May 9	Staff prepares for public notice of adoption for newspaper (publish on May 25 and June 1)
May 18	Study Session with Board of Directors
May 27	Staff circulates final draft budget based on recommendations received at Study Session
June 8	Public Hearing
June 22	Public Hearing and Adoption

**RECOMMENDATION**

It is recommended that the Committee review the proposed schedule and recommend to the Board of Directors that a Study Session be held on May 18, the Public Hearing be held on June 8 and the Public Hearing/Adoption take place on June 22.

**ATTACHMENT**

None

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TO: BOARD OF DIRECTORS  
FROM: MICHAEL LEBRUN *MSL*  
INTERIM GENERAL MANAGER  
DATE: FEBRUARY 25, 2011

## AGENDA ITEM

# 3

MARCH 1, 2011

### REVIEW EMPLOYEE COST OF LIVING ADJUSTMENT (COLA)

#### ITEM

Review employee Cost of Living Adjustment (COLA)

#### BACKGROUND

The NCSD Personnel Policies & Procedures Manual, Section 3030(4) states the following:

Cost of Living Adjustments – Annually, the Board may consider a Cost of Living Adjustment (COLA). If the COLA is approved, the step plan will be adjusted accordingly, thus keeping the plan current. Therefore, an employee may receive both a Cost of Living Adjustment and an increase in compensation pursuant to Section 3030(2) in any given year until the employee reaches Step 5. Upon reaching Step 5, the only salary adjustments an employee will receive will be Board-approved Cost of Living Adjustments.

On December 13, 2006, the Board of Directors approved Resolution 2006-1000 which included:

Approve the use of the Consumer Price Index-Urban Wage Earners and Clerical Workers (Average of annual increase for the Los Angeles-Riverside-Orange County and San Francisco-Oakland-San Jose) for all future Cost of Living Adjustments (COLA).

Staff computed the average of annual increase for the Consumer Price Index of Los Angeles-Riverside-Orange County and San Francisco-Oakland-San Jose to be 1.645%. (see Page 3d)

Last year the COLA computation was a negative (.30%) and the employees were not granted a Cost of Living Adjustment on July 1, 2010.

#### STRATEGIC PLAN

Strategic Plan Item 4.1 – Retain long-term employees and attract new employees by providing industry competitive salary/benefits.

#### RECOMMENDATION

It is recommended that the Committee review the COLA and forward its recommendation to the Board of Directors.

#### ATTACHMENT

Section 3030(4) from NCSD Personnel Policies and Procedures (Page 3a)  
Resolution 2006-1000 (Page 3b)  
Excerpt from Bureau of Labor Statistics on how to compute the CPI (Page 3c)  
Consumer Price Index information and computation (Page 3d)

4. Cost of Living Adjustments – Annually, the Board may consider a Cost of Living Adjustment (COLA). If the COLA is approved, the step plan will be adjusted accordingly, thus keeping the plan current. Therefore, an employee may receive both a Cost of Living Adjustment and an increase in compensation pursuant to Section 3030(2) in any given year until the employee reaches Step 5. Upon reaching Step 5, the only salary adjustments an employee will receive will be Board-approved Cost of Living Adjustments.
5. Promotion - Employees promoted to a position with a higher salary range shall be placed on the step of the range allocated to the new classification which would grant such employee an increase in pay, provided, however, the increase may exceed five percent at the discretion of the General Manager, and that such increase shall not exceed the top step of the range allocated to the new classification. Such action shall require the General Manager to establish a new anniversary date in accordance with the following criteria:
  - A. For employees who are promoted to a permanent position and placed at the first step of the salary range, the anniversary date shall be the date following the completion of 12 months of service at such step.
  - B. For employees who are promoted to a permanent position and placed at a step other than the first step, the anniversary date shall be the day following the completion of 12 months of service at such step.
6. Incentive Pay - For Utility Operators who successfully achieve Water or Wastewater Grade certificates over and above those required for the position while employed with the District will be entitled to receive a one time incentive pay of \$500.00 for each certificate obtained.

NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2006-1000

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
NIPOMO COMMUNITY SERVICES DISTRICT  
ADOPTING THE MONTHLY SALARY SCHEDULE, PROPOSED SALARY  
RANGE PLACEMENT, AND GPI INDEX

WHEREAS, the Nipomo Community Services District (herein "District") Board of Directors (herein "Board") is a local governmental agency formed and authorized to provide services within its jurisdiction, pursuant to Section 61000 et seq. of the California Government Code; and

WHEREAS, the Nipomo Community Services District contracted with a Koff & Associates, Inc. to perform a professional Salary and Benefits Survey; and

WHEREAS, the Board of Directors accepted and filed the final report titled "Total Compensation Study for the Nipomo Community Services District" on December 13, 2006; and

WHEREAS, Koff & Associates, Inc. recommended a new Monthly Salary Schedule and proposed Salary Range Placement in the report; and

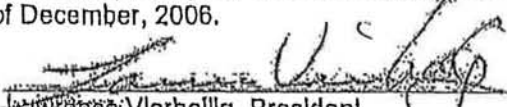
NOW, THEREFORE, the Board of Directors of the Nipomo Community Services District does hereby resolve, declare, determine and order as follows:

1. Adopt the Monthly Salary Schedule (Exhibit "A")
2. Adopt the Proposed Salary Range Placement (Exhibit "B")
3. Approve the use of the Consumer Price Index-Urban Wage Earners and Clerical Workers (Average of annual increase for the Los Angeles-Riverside-Orange County and San Francisco-Oakland-San Jose) for all future Cost of Living Adjustments (COLA).
4. Authorize Staff to advertise for the positions of District Engineer, Utility Foreman and Water Conservation Specialist at the newly approved monthly salary schedule

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

AYES: Director Trotter, Harrison, Eby, Winn and Vierhellg  
NOES: None  
ABSENT: None


The foregoing resolution is hereby passed, approved and adopted by the Board of Directors of the Nipomo Community Services District this 13th day of December, 2006.

  
Lawrence Vierhellg, President  
Nipomo Community Services District

ATTEST:

  
Donna K. Johnson  
Secretary to the Board

APPROVED AS TO FORM:

  
Don Seltz  
General Counsel

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## The CPI and escalation: Some points to consider

The CPI is calculated for two population groups: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers (CPI-W). The CPI-U represents about 87 percent of the total U.S. population and is based on the expenditures of *all* families living in urban areas. The CPI-W is a subset of the CPI-U and is based on the expenditures of families living in urban areas who meet additional requirements related to employment: more than one-half of the family's income has to be earned from clerical or hourly-wage occupations. The CPI-W represents about 32 percent of the total U.S. population.

There can be small differences in movement of the two indexes over short periods of time because differences in the spending habits of the two population groups result in slightly different weighting. The long-term movements in the indexes are similar. CPI-U and CPI-W indexes are calculated using measurement of price changes for goods and services with the same specifications and from the same retail outlets. The CPI-W is used for escalation primarily in blue-collar cost-of-living adjustments (COLA's). Because the CPI-U population coverage is more comprehensive, it is used in most other escalation agreements.

The 26 metropolitan areas for which BLS publishes separate index series are by-products of the U.S. City Average Index. Metropolitan area indexes have a relatively small sample size and, therefore, are subject to substantially larger sampling errors. Metropolitan area and other sub-components of the national indexes (regions, size-classes) often exhibit greater volatility than the national index. BLS strongly recommends that users adopt the U.S. City Average CPI for use in escalator clauses.

The U.S. City Average CPI's are published on a seasonally adjusted basis as well as on an unadjusted basis. The purpose of seasonal adjustment is to remove the estimated effect of price changes that normally occur at the same time and in about the same magnitude every year (e.g., price movements due to the change in weather patterns, model change-overs, holidays, end-of-season sales, etc.). The primary use of seasonally adjusted data is for current economic analysis. In addition, the factors that are used to seasonally adjust the data are updated annually. Also, seasonally adjusted data that have been published earlier are subject to revision for up to 5 years after their original release. For these reasons, the use of seasonally adjusted data in escalation agreements is inappropriate.

Escalation agreements using the CPI usually involve changing the base payment by the percent change in the level of the CPI between the reference period and a subsequent time period. This is calculated by first determining the index point change between the two periods and then the percent change. The following example illustrates the computation of percent change:

CPI for current period	136.0
Less CPI for previous period	129.9
Equals Index point change	6.1
Divided by previous period CPI	129.9
Equals	0.047
Result multiplied by 100	0.047 x 100
Equals percent change	4.7


The Bureau of Labor Statistics neither encourages nor discourages the use of price adjustment measures in contractual agreements. Also, while BLS can provide technical and statistical assistance to parties developing escalation agreements, we can neither develop specific wording for contracts nor mediate legal or interpretive disputes which might arise between the parties to the agreement.

<http://www.bls.gov/cpi/cpi1998d.htm>

Data extracted on: February 22, 2011 (5:50:24 PM)


**Consumer Price Index - Urban Wage Earners and Clerical Workers**

Series Id: CWURA421SA0  
 Not Seasonally Adjusted  
 Area: Los Angeles-Riverside-Orange County, CA  
 Item: All items  
 Base Period: 1982-84=100

Download:  .xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2001	167.3	168.3	169.1	169.6	170.5	171.9	171.3	171.1	171.5	171.0	170.7	169.7	170.2	169.5	170.9
2002	171.5	172.8	173.8	174.8	175.4	174.7	175.0	175.6	176.3	176.5	177.0	176.7	175.0	173.8	176.2
2003	177.8	179.6	181.6	180.9	179.9	179.6	179.6	180.5	181.9	181.2	180.5	180.2	180.3	179.9	180.7
2004	181.7	183.4	184.9	185.2	186.8	187.4	186.8	186.5	187.8	189.8	190.3	188.5	186.6	184.9	188.3
2005	188.5	190.3	192.1	194.2	194.6	193.7	194.6	196.4	199.0	200.0	198.4	196.5	194.9	192.2	197.5
2006	198.3	199.9	200.8	202.9	205.0	204.2	204.5	205.0	205.3	203.5	203.3	202.9	203.0	201.9	204.1
2007	204.498	206.632	208.929	210.195	211.145	209.614	209.444	209.240	209.849	211.259	212.844	212.282	209.661	208.502	210.820
2008	213.825	214.231	216.493	217.914	219.702	222.435	223.245	221.230	220.285	218.726	214.083	211.007	217.765	217.433	218.096
2009	212.454	213.234	213.013	213.405	214.446	216.145	216.128	216.628	217.302	217.474	216.618	216.233	215.257	213.783	216.730
2010	217.290	217.090	218.157	218.475	218.787	218.222	218.367	218.752	218.427	219.339	218.694	219.619	218.435	218.004	218.866
2011	221.540														

Series Id: CWURA422SA0  
 Not Seasonally Adjusted  
 Area: San Francisco-Oakland-San Jose, CA  
 Item: All items  
 Base Period: 1982-84=100

Download:  .xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2001		183.5		184.9		186.9		186.7		187.5		186.5	185.7	184.5	186.9
2002		186.8		188.8		189.1		189.3		190.0		189.6	188.8	188.0	189.6
2003		193.7		193.6		192.2		192.3		191.9		191.1	192.4	192.9	191.9
2004		194.1		194.7		195.4		195.0		196.4		195.9	195.0	194.4	195.7
2005		197.3		199.3		197.5		199.5		202.6		199.3	199.1	197.9	200.3
2006		202.5		204.9		205.2		206.7		206.2		205.6	204.9	203.7	206.1
2007		208.803		211.189		211.422		211.620		213.133		214.204	211.370	209.986	212.754
2008		214.913		217.913		221.454		221.385		221.192		213.685	218.441	217.487	219.396
2009		216.797		218.587		220.996		221.279		221.708		220.121	219.645	218.182	221.109
2010		222.049		223.821		224.185		224.195		224.352		224.152	223.624	223.012	224.236

<http://data.bls.gov/cgi-bin/surveymost>

2/22/2011

**NIPOMO COMMUNITY SERVICES DISTRICT  
 CONSUMER PRICE INDEX ADJUSTMENT  
 PROPOSED FOR JULY 1, 2011**

	SF	LA	AVERAGE
CPI for current period	223.624	218.435	
Less CPI for previous period	<u>(219.645)</u>	<u>(215.257)</u>	
Equals index point change	3.979	3.178	
Divide by previous period CPI	219.645	215.257	
Equals	0.0181	0.0148	
Result multiplied by 100	0.0181 x 100	0.0148 x 100	
	<u>1.810</u>	<u>1.480</u>	<u>1.645</u>

3d

TO: BOARD OF DIRECTORS  
 FROM: MICHAEL LEBRUN *MSL*  
 INTERIM GENERAL MANAGER  
 DATE: FEBRUARY 25, 2011

**AGENDA ITEM**  
**4**  
**MARCH 1, 2011**

**REVIEW CALPERS BENEFITS**

**ITEM**

Review CalPERS benefits.

**BACKGROUND**

CalPERS Retirement Formula

The District has been member of the California Public Employees' Retirement System (CalPERS) since 1975 and contracts with CalPERS to provide retirement benefits for its employees. The District does not participate in Social Security.

The District's current retirement formula is 3% @ 60, 1 year Final Average Compensation (FAC). In December 2010, the Board of Directors directed Staff to request actuarial valuations from CalPERS to review the fiscal impact of creating a second tier plan for new hires. By law, the retirement formula for current employees (first tier) cannot be changed.

CalPERS provided the District with three actuarial valuations (attachments 4a-4f). Each actuarial compares the existing retirement formula of 3% @ 60, 1 year final compensation to the optional second tier plans.

Option 1 (remain at 3% @ 60, but change to 3 year final average compensation)

As of June 30, 2008 (see Page 4a)	Existing Plan	New First Tier Plan	New Second Tier Plan
	3% @ 60, 1-year FAC	3% @ 60, 1-year FAC	3% @ 60, 3 year FAC
Total Employer Contribution Rate	18.015%	18.015%	15.187%
2010-2011 Employee Contribution Rate (paid by District)	8%	8%	8%

**For 2010-2011 and 2011-2012 the annual dollar savings is 0.673% times the second tier fiscal year payroll.**

Option 2 (Change to 2% @ 60, but remain at 1 year final average compensation)

As of June 30, 2008 (see Page 4c)	Existing Plan	New First Tier Plan	New Second Tier Plan
	3% @ 60, 1-year FAC	3% @ 60, 1-year FAC	2% @ 60, 1 year FAC
Total Employer Contribution Rate	18.015%	18.015%	8.902%
2010-2011 Employee Contribution Rate (paid by District)	8%	8%	7%

**For 2010-2011 the annual dollar savings is 5.872% times the second tier fiscal year payroll.**

Option 3 (Change to 2% @ 60, and change to 3 year final compensation)

As of June 30, 2008 (see Page 4e)	Existing Plan	New First Tier Plan	New Second Tier Plan
	3% @ 60, 1-year FAC	3% @ 60, 1-year FAC	3% @ 60, 3 year FAC
Total Employer Contribution Rate	18.015%	18.015%	8.438%
2010-2011 Employee Contribution Rate (paid by District)	8%	8%	7%

**For 2010-2011 the annual dollar savings is 6.326% times the second tier fiscal year payroll.**



The annual dollar savings presented above will apply to only new hires eligible to participate in CalPERS after the date of the adoption of the resolution.

In addition, the District may consider modifying the amount it contributes on behalf of the employee for the employee's share. This would provide additional cost savings to the District.

#### CalPERS Medical Benefits

The District has been contracting with California Public Employees' Retirement System (CalPERS) to provide its employees and dependents with medical coverage since 1990. In 2005, the Board of Directors adopted Resolution 2005-959 to create a second tier of employees for medical coverage upon retirement. A retiree must work for the District at least five years and have a total of 20 years in the CalPERS system to be fully vested for medical coverage.

CalPERS does not offer further tiering of medical benefits. All employees – current, retirees and new hires – must be treated equally when it comes to medical benefits. This means the Board of Directors may make changes to the funding, however, it will affect all participants equally. In discussion with CalPERS Staff, they have indicated this very question has arisen quite frequently and that CalPERS may look into sponsoring legislation to change this in the future.

#### STRATEGIC PLAN

Strategic Plan Item 4.1 – Retain long-term employees and attract new employees by providing industry competitive salary/benefits.

#### RECOMMENDATION

It is recommended that the Committee review the CalPERS Actuarial Valuations and forward its recommendation to the Board of Directors.

#### ATTACHMENTS

- CalPERS Actuarial Valuations (4a-4f)
- Schedule of Agency Actions for Planning Your Amendment to Contract (4g)
- CalPERS Tables for Percentage of Final Compensation for 3% @ 60 and 2% @ 60(4h-fi)
- CalPERS Formulas for other agencies in SLO County (4j)



**Actuarial Office**  
 P.O. Box 1494  
 Sacramento, CA 95812-1494  
 TTY for Speech and Hearing Impaired - (916) 795-3240  
 (888) CalPERS (or 888-225-7377) FAX (916) 795-3005

December 9, 2010

Employer Number: 1067  
 New Rate Plan Name: NIPOMO COMMUNITY SERVICES DISTRICT MISCELLANEOUS SECOND TIER PLAN

Re: New Second Tier Plan for Pooled Plans (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

Enclosed is the June 30, 2009 Section 2 Risk Pool actuarial valuation report applicable to your new second tier plan.

In the tables below, we show your 2010-2011 and 2011-2012 employer contribution rates before and after opening a second tier.

Of the five rate components, the first three are specific to the pool to which the plan belongs and the last two are specific to your agency. However, the Phase out of Normal Cost Difference will be 0% beginning with rates established for 2011-2012, so it has no impact from that time on.

The Side Fund will continue to be paid off by the first tier plan since all the past service on which it is based belongs to those current members who will continue in the first tier. The scheduled dollar amounts payable will continue as before. However, because newly hired members will be covered by the second tier, the number of members and payroll in the first tier will (after several years) gradually decline. The Amortization of Side Fund rate component is the dollars needed to pay off the side fund divided by the payroll. So as long as the Side Fund remains, **the first tier rate will increase as its payroll decreases.** The first tier side fund is scheduled to be paid off after 7 years from June 30, 2011.

Therefore, in determining the employer contributions savings, Amortization of Side Fund should be excluded. For your agency, the ultimate annual employer savings equals the difference between the pool-specific rates times the second tier payroll. For 2010-2011 the percentage savings is  $(10.492\% + 1.560\% + 1.815\%) - (10.492\% + 1.560\% + 1.142\%) = 0.673\%$ . **The annual dollar savings is then 0.673% times the second tier fiscal year payroll.**

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>3% @ 60, 3-YEAR FAC for newly hired members</b>
2010-2011 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	10.492%	10.492%	10.492%
Risk Pool's Payment on Amortization Bases	1.560%	1.560%	1.560%
Surcharges for Class 1 Benefits	1.815%	1.815%	1.142%
Phase out of Normal Cost Difference	0.000%	0.000%	0.000%
Amortization of Side Fund	4.148%	4.148%	0.000%
<b>Total Employer Contribution Rate</b>	<b>18.015%</b>	<b>18.015%</b>	<b>13.194%</b>
2010-2011 Employee Contribution Rate	8.000%	8.000%	8.000%

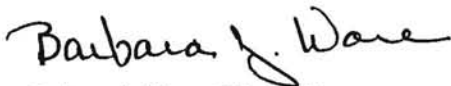
For 2011-2012 the percentage savings is  $(10.257\%+3.896\%+1.707\%) - (10.257\%+3.896\%+1.034\%) = 0.673\%$ .  
**The annual dollar savings is then 0.673% times the second tier fiscal year payroll.**

As of June 30, 2009	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>3% @ 60, 3-YEAR FAC for newly hired members</b>
<b>2011-2012 Employer Contribution Rate:</b>			
Risk Pool's Net Employer Normal Cost	<b>10.257%</b>	<b>10.257%</b>	<b>10.257%</b>
Risk Pool's Payment on Amortization Bases	<b>3.896%</b>	<b>3.896%</b>	<b>3.896%</b>
Surcharges for Class 1 Benefits	<b>1.707%</b>	<b>1.707%</b>	<b>1.034%</b>
Phase out of Normal Cost Difference	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>
Amortization of Side Fund	<b>4.436%</b>	<b>4.436%</b>	<b>0.000%</b>
<b>Total Employer Contribution Rate</b>	<b>20.296%</b>	<b>20.296%</b>	<b>15.187%</b>
<b>2011-2012 Employee Contribution Rate</b>	<b>8.000%</b>	<b>8.000%</b>	<b>8.000%</b>

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).



Barbara J. Ware, FSA, MAAA  
 Enrolled Actuary  
 Senior Pension Actuary, CalPERS



**Actuarial Office**  
 P.O. Box 1494  
 Sacramento, CA 95812-1494  
 TTY for Speech and Hearing Impaired - (916) 795-3240  
 (888) CalPERS (or 888-225-7377) FAX (916) 795-3005

December 9, 2010

Employer Number: 1067  
 New Rate Plan Name: NIPOMO COMMUNITY SERVICES DISTRICT MISCELLANEOUS SECOND TIER PLAN

Re: New Second Tier Plan for Pooled Plans (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

Enclosed is the June 30, 2009 Section 2 Risk Pool actuarial valuation report applicable to your new second tier plan.

In the tables below, we show your 2010-2011 and 2011-2012 employer contribution rates before and after opening a second tier.

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The Side Fund will continue to be paid off by the first tier plan since all the past service on which it is based belongs to those current members who will continue in the first tier. The scheduled dollar amounts payable will continue as before. However, because newly hired members will be covered by the second tier, the number of members and payroll in the first tier will (after several years) gradually decline. The Amortization of Side Fund rate component is the dollars needed to pay off the side fund divided by the payroll. So as long as the Side Fund remains, **the first tier rate will increase as its payroll decreases**. The first tier side fund is scheduled to be paid off after 7 years from June 30, 2011.

Therefore, in determining the employer contributions savings, Amortization of Side Fund should be excluded. For your agency, the ultimate annual employer savings equals the difference between the pool-specific rates times the second tier payroll. For 2010-2011 the percentage savings is  $(10.492\% + 1.560\% + 1.815\%) - (6.553\% + 0.202\% + 1.240\%) = 5.872\%$ . **The annual dollar savings is then 5.872% times the second tier fiscal year payroll.**

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 1-YEAR FAC for newly hired members</b>
2010-2011 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	10.492%	10.492%	6.553%
Risk Pool's Payment on Amortization Bases	1.560%	1.560%	0.202%
Surcharges for Class 1 Benefits	1.815%	1.815%	1.240%
Phase out of Normal Cost Difference	0.000%	0.000%	0.000%
Amortization of Side Fund	4.148%	4.148%	0.000%
<b>Total Employer Contribution Rate</b>	<b>18.015%</b>	<b>18.015%</b>	<b>7.995%</b>
2010-2011 Employee Contribution Rate	8.000%	8.000%	7.000%

For 2011-2012 the percentage savings is  $(10.257\%+3.896\%+1.707\%) - (6.622\%+1.111\%+1.169\%) = 6.958\%$ .  
**The annual dollar savings is then 6.958% times the second tier fiscal year payroll.**

As of June 30, 2009	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 1-YEAR FAC for newly hired members</b>
2011-2012 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	<b>10.257%</b>	<b>10.257%</b>	<b>6.622%</b>
Risk Pool's Payment on Amortization Bases	<b>3.896%</b>	<b>3.896%</b>	<b>1.111%</b>
Surcharges for Class 1 Benefits	<b>1.707%</b>	<b>1.707%</b>	<b>1.169%</b>
Phase out of Normal Cost Difference	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>
Amortization of Side Fund	<b>4.436%</b>	<b>4.436%</b>	<b>0.000%</b>
<b>Total Employer Contribution Rate</b>	<b>20.296%</b>	<b>20.296%</b>	<b>8.902%</b>
2011-2012 Employee Contribution Rate	<b>8.000%</b>	<b>8.000%</b>	<b>7.000%</b>

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).



Barbara J. Ware, FSA, MAAA  
 Enrolled Actuary  
 Senior Pension Actuary, CalPERS



**Actuarial Office**  
 P.O. Box 1494  
 Sacramento, CA 95812-1494  
 TTY for Speech and Hearing Impaired - (916) 795-3240  
 (888) CalPERS (or 888-225-7377)      FAX (916) 795-3005

December 9, 2010

Employer Number: 1067

New Rate Plan Name: NIPOMO COMMUNITY SERVICES DISTRICT MISCELLANEOUS SECOND TIER PLAN

Re: New Second Tier Plan for Pooled Plans (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

Enclosed is the June 30, 2009 Section 2 Risk Pool actuarial valuation report applicable to your new second tier plan.

In the tables below, we show your 2010-2011 and 2011-2012 employer contribution rates before and after opening a second tier.

Of the five rate components, the first three are specific to the pool to which the plan belongs and the last two are specific to your agency. However, the Phase out of Normal Cost Difference will be 0% beginning with rates established for 2011-2012, so it has no impact from that time on.

The Side Fund will continue to be paid off by the first tier plan since all the past service on which it is based belongs to those current members who will continue in the first tier. The scheduled dollar amounts payable will continue as before. However, because newly hired members will be covered by the second tier, the number of members and payroll in the first tier will (after several years) gradually decline. The Amortization of Side Fund rate component is the dollars needed to pay off the side fund divided by the payroll. So as long as the Side Fund remains, **the first tier rate will increase as its payroll decreases.** The first tier side fund is scheduled to be paid off after 7 years from June 30, 2011.

Therefore, in determining the employer contributions savings, Amortization of Side Fund should be excluded. For your agency, the ultimate annual employer savings equals the difference between the pool-specific rates times the second tier payroll. For 2010-2011 the percentage savings is  $(10.492\% + 1.560\% + 1.815\%) - (6.553\% + 0.202\% + 0.786\%) = 6.326\%$ . **The annual dollar savings is then 6.326% times the second tier fiscal year payroll.**

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 3-YEAR FAC for newly hired members</b>
2010-2011 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	10.492%	10.492%	6.553%
Risk Pool's Payment on Amortization Bases	1.560%	1.560%	0.202%
Surcharges for Class 1 Benefits	1.815%	1.815%	0.786%
Phase out of Normal Cost Difference	0.000%	0.000%	0.000%
Amortization of Side Fund	4.148%	4.148%	0.000%
<b>Total Employer Contribution Rate</b>	<b>18.015%</b>	<b>18.015%</b>	<b>7.541%</b>
2010-2011 Employee Contribution Rate	8.000%	8.000%	7.000%

California Public Employees' Retirement System

[www.calpers.ca.gov](http://www.calpers.ca.gov)

Copy of document found at [www.NoNewWpTax.com](http://www.NoNewWpTax.com)

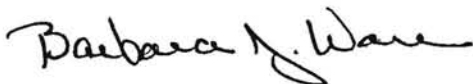
For 2011-2012 the percentage savings is  $(10.257\%+3.896\%+1.707\%) - (6.622\%+1.111\%+0.705\%) = 7.422\%$ .  
**The annual dollar savings is then 7.422% times the second tier fiscal year payroll.**

As of June 30, 2009	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 3-YEAR FAC for newly hired members</b>
2011-2012 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	<b>10.257%</b>	<b>10.257%</b>	<b>6.622%</b>
Risk Pool's Payment on Amortization Bases	<b>3.896%</b>	<b>3.896%</b>	<b>1.111%</b>
Surcharges for Class 1 Benefits	<b>1.707%</b>	<b>1.707%</b>	<b>0.705%</b>
Phase out of Normal Cost Difference	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>
Amortization of Side Fund	<b>4.436%</b>	<b>4.436%</b>	<b>0.000%</b>
<b>Total Employer Contribution Rate</b>	<b>20.296%</b>	<b>20.296%</b>	<b>8.438%</b>
2011-2012 Employee Contribution Rate	<b>8.000%</b>	<b>8.000%</b>	<b>7.000%</b>

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).



Barbara J. Ware, FSA, MAAA  
 Enrolled Actuary  
 Senior Pension Actuary, CalPERS

**SCHEDULE OF AGENCY ACTIONS  
FOR PLANNING YOUR AMENDMENT TO CONTRACT**

**CalPERS will prepare the documents necessary to amend your contract and provide them to you within 30 days of receipt of the Contract Amendment Request in our office. The contracting agency must have a current Amendment Cost Analysis before proceeding with an amendment to the contract.**

1. \_\_\_\_\_ ENTER A DATE THAT IS 30 DAYS FROM THE DATE YOU EXPECT CalPERS TO RECEIVE THE CONTRACT AMENDMENT REQUEST FORM YOU SUBMITTED OR WILL BE SUBMITTING. This is the date you may expect to receive the documents from CalPERS that you will need to amend the Contract.
2. \_\_\_\_\_ THE DATE AN ACTUARY WILL BE PRESENT TO PROVIDE INFORMATION REGARDING THE ACTUARIAL IMPACT UPON FUTURE ANNUAL COSTS. (The presence of an actuary is required if future costs of the benefit changes exceed ½ of 1% of the future annual costs of the existing benefits.)
3. \_\_\_\_\_ ENTER THE DATE THE GOVERNING BODY WILL ADOPT THE RESOLUTION OF INTENTION DOCUMENT. Allow the necessary time after the date you expect to receive the needed documents from CalPERS (#1 above) to include adoption of the Resolution of Intention on the Governing Body's meeting agenda.
4. \_\_\_\_\_ ENTER THE DATE THE EMPLOYEE ELECTION WILL BE HELD. An employee election is required only if the employee contribution rate will change. If required, this election must follow the Governing Body's adoption of the Resolution of Intention (#3 above) and must be prior to the Adoption of the Final Resolution (#5 below).
5. \_\_\_\_\_ ENTER THE DATE THE GOVERNING BODY WILL ADOPT THE FINAL RESOLUTION. This date must be at least 20 days after the date the Governing Body adopts the Resolution of Intention (#3 above).
6. \_\_\_\_\_ ENTER THE EFFECTIVE DATE OF THE AMENDMENT TO CONTRACT. If there is no change in the employee or the employer contribution rates this date may be as early as the day after the date the final Resolution is adopted (#5 above). If there is a change in the employee and/or the employer contribution rates, this date must be the first day of a payroll period and may not be earlier than the day after the date the final Resolution is adopted (#5 above).

**THIS FORM IS USED FOR PROPERLY PLANNING AND SCHEDULING THE AGENCY ACTIONS TO AMEND THE CONTRACT WITH CalPERS. CAREFULLY FOLLOWING THE GUIDELINES IN THIS FORM CAN PREVENT THE NEED TO RESCIND ACTIONS TAKEN BY YOUR GOVERNING BODY AND REPEATING THE PROCESS AS WELL AS AVOIDING UNNECESSARY DELAYS IN THE AMENDMENT EFFECTIVE DATE. THIS FORM SHOULD BE COMPLETED AND A COPY RETURNED TO THIS OFFICE WITH THE CONTRACT AMENDMENT REQUEST. PLEASE CALL YOUR CONTRACT ANALYST AT (888) 225-7377 IF YOU HAVE QUESTIONS.**



PERCENTAGE OF FINAL COMPENSATION

3<sup>percent</sup>  
@60

Age Benefit Factor	50 2.00	51 2.10	52 2.20	53 2.30	54 2.40	55 2.50	56 2.60	57 2.70	58 2.80	59 2.90	60 3.00
Years of Service	Percentage of Final Compensation										
5	10.00	10.50	11.00	11.50	12.00	12.50	13.00	13.50	14.00	14.50	15.00
6	12.00	12.60	13.20	13.80	14.40	15.00	15.60	16.20	16.80	17.40	18.00
7	14.00	14.70	15.40	16.10	16.80	17.50	18.20	18.90	19.60	20.30	21.00
8	16.00	16.80	17.60	18.40	19.20	20.00	20.80	21.60	22.40	23.20	24.00
9	18.00	18.90	19.80	20.70	21.60	22.50	23.40	24.30	25.20	26.10	27.00
10	20.00	21.00	22.00	23.00	24.00	25.00	26.00	27.00	28.00	29.00	30.00
11	22.00	23.10	24.20	25.30	26.40	27.50	28.60	29.70	30.80	31.90	33.00
12	24.00	25.20	26.40	27.60	28.80	30.00	31.20	32.40	33.60	34.80	36.00
13	26.00	27.30	28.60	29.90	31.20	32.50	33.80	35.10	36.40	37.70	39.00
14	28.00	29.40	30.80	32.20	33.60	35.00	36.40	37.80	39.20	40.60	42.00
15	30.00	31.50	33.00	34.50	36.00	37.50	39.00	40.50	42.00	43.50	45.00
16	32.00	33.60	35.20	36.80	38.40	40.00	41.60	43.20	44.80	46.40	48.00
17	34.00	35.70	37.40	39.10	40.80	42.50	44.20	45.90	47.60	49.30	51.00
18	36.00	37.80	39.60	41.40	43.20	45.00	46.80	48.60	50.40	52.20	54.00
19	38.00	39.90	41.80	43.70	45.60	47.50	49.40	51.30	53.20	55.10	57.00
20	40.00	42.00	44.00	46.00	48.00	50.00	52.00	54.00	56.00	58.00	60.00
21	42.00	44.10	46.20	48.30	50.40	52.50	54.60	56.70	58.80	60.90	63.00
22	44.00	46.20	48.40	50.60	52.80	55.00	57.20	59.40	61.60	63.80	66.00
23	46.00	48.30	50.60	52.90	55.20	57.50	59.80	62.10	64.40	66.70	69.00
24	48.00	50.40	52.80	55.20	57.60	60.00	62.40	64.80	67.20	69.60	72.00
25	50.00	52.50	55.00	57.50	60.00	62.50	65.00	67.50	70.00	72.50	75.00
26	52.00	54.60	57.20	59.80	62.40	65.00	67.60	70.20	72.80	75.40	78.00
27	54.00	56.70	59.40	62.10	64.80	67.50	70.20	72.90	75.60	78.30	81.00
28	56.00	58.80	61.60	64.40	67.20	70.00	72.80	75.60	78.40	81.20	84.00
29	58.00	60.90	63.80	66.70	69.60	72.50	75.40	78.30	81.20	84.10	87.00
30	60.00	63.00	66.00	69.00	72.00	75.00	78.00	81.00	84.00	87.00	90.00
31	62.00	65.10	68.20	71.30	74.40	77.50	80.60	83.70	86.80	89.90	93.00
32	64.00	67.20	70.40	73.60	76.80	80.00	83.20	86.40	89.60	92.80	96.00
33	66.00	69.30	72.60	75.90	79.20	82.50	85.80	89.10	92.40	95.70	99.00
34	—	71.40	74.80	78.20	81.60	85.00	88.40	91.80	95.20	98.60	102.00
35	—	—	77.00	80.50	84.00	87.50	91.00	94.50	98.00	101.50	105.00
36	—	—	—	82.80	86.40	90.00	93.60	97.20	100.80	104.40	108.00
37	—	—	—	—	88.80	92.50	96.20	99.90	103.60	107.30	111.00
38	—	—	—	—	—	95.00	98.80	102.60	106.40	110.20	114.00
39	—	—	—	—	—	—	101.40	105.30	109.20	113.10	117.00
40	—	—	—	—	—	—	—	108.00	112.00	116.00	120.00

PERCENTAGE OF FINAL COMPENSATION

2<sup>percent</sup>  
@60

Age	50	51	52	53	54	55	56	57	58	59	60	61	62	63+
Benefit Factor	1.092	1.156	1.224	1.296	1.376	1.460	1.552	1.650	1.758	1.874	2.000	2.134	2.272	2.418
Years of Service	Percentage of Final Compensation													
5	5.46	5.78	6.12	6.48	6.88	7.30	7.76	8.25	8.79	9.37	10.00	10.67	11.36	12.09
6	6.55	6.94	7.34	7.78	8.26	8.76	9.31	9.90	10.55	11.24	12.00	12.80	13.63	14.51
7	7.64	8.09	8.57	9.07	9.63	10.22	10.86	11.55	12.31	13.12	14.00	14.94	15.90	16.93
8	8.74	9.25	9.79	10.37	11.01	11.68	12.42	13.20	14.06	14.99	16.00	17.07	18.18	19.34
9	9.83	10.40	11.02	11.66	12.38	13.14	13.97	14.85	15.82	16.87	18.00	19.21	20.45	21.76
10	10.92	11.56	12.24	12.96	13.76	14.60	15.52	16.50	17.58	18.74	20.00	21.34	22.72	24.18
11	12.01	12.72	13.46	14.26	15.14	16.06	17.07	18.15	19.34	20.61	22.00	23.47	24.99	26.60
12	13.10	13.87	14.69	15.55	16.51	17.52	18.62	19.80	21.10	22.49	24.00	25.61	27.26	29.02
13	14.20	15.03	15.91	16.85	17.89	18.98	20.18	21.45	22.85	24.36	26.00	27.74	29.54	31.43
14	15.29	16.18	17.14	18.14	19.26	20.44	21.73	23.10	24.61	26.24	28.00	29.88	31.81	33.85
15	16.38	17.34	18.36	19.44	20.64	21.90	23.28	24.75	26.37	28.11	30.00	32.01	34.08	36.27
16	17.47	18.50	19.58	20.74	22.02	23.36	24.83	26.40	28.13	29.98	32.00	34.14	36.35	38.69
17	18.56	19.65	20.81	22.03	23.39	24.82	26.38	28.05	29.89	31.85	34.00	36.28	38.62	41.11
18	19.66	20.81	22.03	23.33	24.77	26.28	27.94	29.70	31.64	33.73	36.00	38.41	40.90	43.52
19	20.75	21.96	23.26	24.62	26.14	27.74	29.49	31.35	33.40	35.61	38.00	40.55	43.17	45.94
20	21.84	23.12	24.48	25.92	27.52	29.20	31.04	33.00	35.16	37.48	40.00	42.68	45.44	48.36
21	22.93	24.28	25.70	27.22	28.90	30.66	32.59	34.65	36.92	39.35	42.00	44.81	47.71	50.78
22	24.02	25.43	26.93	28.51	30.27	32.12	34.14	36.30	38.68	41.23	44.00	46.95	49.98	53.20
23	25.12	26.59	28.15	29.81	31.65	33.58	35.70	37.95	40.43	43.10	46.00	49.08	52.26	55.61
24	26.21	27.74	29.38	31.10	33.02	35.04	37.25	39.60	42.19	44.98	48.00	51.22	54.53	58.03
25	27.30	28.90	30.60	32.40	34.40	36.50	38.80	41.25	43.95	46.85	50.00	53.35	56.80	60.45
26	28.39	30.06	31.82	33.70	35.78	37.96	40.35	42.90	45.71	48.72	52.00	55.48	59.07	62.87
27	29.48	31.21	33.05	34.99	37.15	39.42	41.90	44.55	47.47	50.60	54.00	57.62	61.34	65.29
28	30.58	32.37	34.27	36.29	38.53	40.88	43.46	46.20	49.22	52.47	56.00	59.75	63.62	67.70
29	31.67	33.52	35.50	37.58	39.90	42.34	45.01	47.85	50.98	54.35	58.00	61.89	65.89	70.12
30	32.76	34.68	36.72	38.88	41.28	43.80	46.56	49.50	52.74	56.22	60.00	64.02	68.16	72.54
31	33.85	35.84	37.94	40.18	42.66	45.26	48.11	51.15	54.50	58.09	62.00	66.15	70.43	74.96
32	34.94	36.99	39.17	41.47	44.03	46.72	49.66	52.80	56.26	59.97	64.00	68.29	72.70	77.38
33	36.04	38.15	40.39	42.77	45.41	48.18	51.22	54.45	58.01	61.84	66.00	70.42	74.98	79.79
34	—	39.30	41.62	44.06	46.78	49.64	52.77	56.10	59.77	63.72	68.00	72.56	77.25	82.21
35	—	—	42.84	45.36	48.16	51.10	54.32	57.75	61.53	65.59	70.00	74.69	79.52	84.63
36	—	—	—	46.66	49.54	52.56	55.87	59.40	63.29	67.46	72.00	76.82	81.79	87.05
37	—	—	—	—	50.91	54.02	57.42	61.05	65.05	69.34	74.00	78.96	84.06	89.47
38	—	—	—	—	—	55.48	58.98	62.70	66.80	71.21	76.00	81.09	86.34	91.88
39	—	—	—	—	—	—	60.53	64.35	68.56	73.09	78.00	83.23	88.61	94.30
40	—	—	—	—	—	—	—	66.00	70.32	74.96	80.00	85.36	90.88	96.72

Source: Heritage Ranch Community Services District

February 2009

Agency	CalPERS	
	Formula	Employer paid Employee contribution
Heritage Ranch Community Services District	2.5% @ 55	8%
Cambria Community Services District	3% @ 60	8%
City of Morro Bay	2.7% @ 55	7%
City of Paso Robles	2.5% @ 55	7%
City of Pismo Beach	2.5% @ 55	5.85% (Remaining 2.15% was added to posted salaries)
City of San Luis Obispo	2.7% @ 55	8%
Nipomo Community Services District	3% @ 60	8%
Oceano Community Services District	2% @ 55	7%
San Miguel Community Services District	2.5% @ 55	8%
Templeton Community Services District	3% @ 60	8%

TO: BOARD OF DIRECTORS  
 FROM: MICHAEL LEBRUN *MSL*  
 INTERIM GENERAL MANAGER  
 DATE: FEBRUARY 25, 2011

**AGENDA ITEM**  
**5**  
 MARCH 1, 2011

**REVIEW THE PROCESS TO IMPLEMENT THE ACCEPTANCE OF  
 CREDIT/DEBIT CARDS FOR UTILITY BILL PAYMENTS**

**ITEM**

Review the process to implement the acceptance of credit/debit cards for utility bill payments

**BACKGROUND**

The District accepts cash, check or money order for payment of utility bills. Customers have requested that the District consider accepting credit/debit cards as an additional form of payment.

**Phase 1**

Staff has researched the process and costs associated with accepting credit/debit cards. First Data, a Rabobank business partner, can provide the service and has a local support team.

The District qualifies for the Utility Interchange Reimbursement Fee Program which provide for lower fees per transaction to the District provided the District agrees to pay the per transaction fee and not pass it on to its customers (i.e. convenience fee). In addition, there will be no Interchange Fee charged to the District on qualified transactions. An Interchange Fee is the amount of money the credit card company keeps on each transaction (i.e. processing fee). Qualified transactions must meet qualification criteria such as the District verifying identity of the person using the card and inputting the three-digit code from the back of the card to minimize fraud.

An Interchange Fee will be charged on Non-qualified transactions. The fee ranges from 1.65% to 2.90% in addition to the per transaction charge depending on the type of card presented for payment. The use of corporate, company issued and commercial cards are classified as non-qualified transactions. The District cannot exclude the acceptance of these types of cards when presented and would assume the cost of the Interchange Fee. It is not anticipated that many customers would use a business credit card to pay a utility bill.

**Cost of Implementation (paid to First Data)**

TYPE OF FEE	SET UP FEE	MONTHLY COST	ANNUALIZED COST
Application Fee	\$49.00	\$5.00	\$60.00
FD200 Terminal (leased equipment)	\$0.00	\$25.94	\$311.28
Global Gateway (payments over-the-phone)	\$99.00	\$14.95	\$179.40
PCI Compliance (required by law)	\$0.00	\$9.98	\$119.76
<b>TOTAL</b>	<b>\$148.00</b>	<b>\$55.87</b>	<b>\$670.44</b>

**Cost of Accepting a Credit/Debit Card (paid to credit card company)**  
**(over-the-counter and over-the phone payments by customers)**

TYPE OF CARD	MINIMUM CHARGE PER TRANSACTION	MAXIMUM CHARGE PER TRANSACTION
Visa Credit/Debit	\$0.75	\$1.50
MasterCard Credit/Debit	\$0.65	\$1.50

Phase 2

Phase 2 of the implementation would be to work with the District's utility billing company (Corbin Willits, Inc. aka MOM) to allow customers to view their utility bills on-line and provide for payment of their utility bills on-line via credit/debit card. The fees for these services are much higher than Phase 1 and will be brought forward to the Committee and Board at a later date for consideration.

**FISCAL IMPACT – PHASE 1**

Known Fiscal Impact – Phase 1

The initial set-up fee of \$148.00 plus the annual re-occurring cost of \$670.00.

Unknown Fiscal Impact – Phase 1

Staff cannot predict how many customers will choose to use a credit/debit card as a payment option.

For example (Assume 25% of our customers pay with a credit/debit card per billing cycle)

CUSTOMERS	MINIMUM CHARGE	MAXIMUM CHARGE
4,154 customers x 25% = 1,038	1,038 x \$.065 = \$674.70	1,038 x \$1.50 = \$1,557.00
ANNUALIZED (6 bills per year)	\$674.70 x 6 = \$4,048.20	\$1,557.00 x 6 = \$9,342.00

Based upon the example above, the total annual cost to the District could range from \$4,718 (\$670+\$4,048) to \$10,012 (\$670+\$9,342) per year assuming 25% of our customers choose to pay with a credit/debit card.

The other unknown fiscal impact would be the savings to the District. The savings may be incurred by:

- Increased customer satisfaction by providing more payment options (pay quicker).
- More customers pay by the due date and less second notices (pink notices) processed and mailed. On average, the District sends out between 300 – 500 pink notices every month).
- More customers pay before the door hangers are processed and hung on the doors. On average, the District hangs 130-150 door hangers every month.
- Less customer turn offs for non-payment. On average, the District turns off 25-35 customers every month for non-payment.

Templeton CSD, Heritage Ranch CSD and Vandenberg Village CSD currently accept credit cards and do not charge a convenience fee. Cambria CSD and Los Oosos CSD are considering the option.

**STRATEGIC PLAN**

Strategic Plan Item 5.3 – Provide for Excellent Customer Service

**RECOMMENDATION**

It is recommended that the Committee review the information and make a recommendation to the Board of Directors.

**ATTACHMENT**

None