TO: BOARD OF DIRECTORS

FROM: MICHAEL LEBRUN MEL
INTERIM GENERAL MANAGER

DATE: MARCH 4, 2011

AGENDA ITEM
F
MARCH 9, 2011

GENERAL MANAGER'S REPORT

ITEM

Standing report to your Honorable Board -- *Period covered by this report is February 18, 2011 through March 4, 2011.*

DISTRICT BUSINESS

Administrative

- Part time administrative assistant Lisa Haslett began work on Monday February 28
- Waterline Intertie/Supplemental Water Project Cost Summary (Attached)
- Public Pensions for Retirement Security – February 2011 Little Hoover Commission, Executive Summary (Attached)
- California Special Districts Association, Legislative Days May 3 and 4, 2011 (Attached)
- Time-line for 2011-2012 Fiscal Year Budget development (Attached)
- March 16, 2011, Director's field trip to Fillmore and Moorpark Waste Water Treatment Facilities
- Follow-up from Director Training on February 26, 2011
- LAFCO Ballot Information and District Candidate profile (Attached)
- Industry News: 'Smart' Water Meter benefits, Tiered Rate efforts

Operations

- Willow Road Closure Notice (Attached)

Meetings

Meetings attended:

- February 22, with Blacklake Golf Resort Owner Robin Rossi, Chief Operations Officer Jo Armstrong and General Manger Mike Brabanac
- February 22, with Maria Vista new owner representative Roger Hoss
- February 24, Cabinet (Management staff)
- February 24, Operations (Managers and Supervisors)
- February 24, Conference call with WIP Outreach Consultant team
- February 24, Conference call with County Environmental Health staff and Property Services staff on Miller Park status
- February 25, Regional Water Quality Control board staff to discuss and inspect District wastewater treatment facilities
- February 25, with District Counsel including meeting with County representative on 3090 in-lieu fee
- February 28, with Board President
- February 28, with Assessment Engineer to discuss draft Assessment Maps
- March 1, Finance Committee
- March 3, Staff Management Team

Meetings Scheduled:

- March 4, NMMA Technical Group
- March 7, Southland Upgrade Design Team
- March 7, Southland Upgrade Committee
- March 7, with County Bond Counsel on assessment proceedings
- March 8, WIP outreach conferences
- March 9, Regular Board Meeting
- March 10, Staff Management Team
- March 10, with Supervisor Teixeixra
- March 15, Finance Committee
- March 18, CSDA SLO Chapter

Safety Program

- One minor incident (fall) with minor injury (bruise).
- One serious incident (battery failure/explosion), no injury. Full investigation ongoing with a report to your Board scheduled for 3/23/11.

RECOMMENDATION

Staff seeks direction and input from your Honorable Board.

ATTACHMENT

- Waterline Intertie Project Accounting Summary
- Public Pensions Summary Report
- Legislative Days Information
- 2011-2012 Budget Development Schedule
- LAFCO Ballot Information
- Meters; A Smart Investment
- LAGUNA NIGUEL – Rate Unrest
- SLO County Roads Closure Notice

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NIPOMO COMMUNITY SERVICES DISTRICT
WATERLINE INTERTIE PROJECT
MONTHLY REPORT TO THE BOARD OF DIRECTORS
(FY JUNE 30, 2011)

	REVENUES FY 2010-2011 (1)	MONTH OF JANUARY	FISCAL YEAR 7/1/2010 TO 6/30/2011
	Supplemental Water Capacity Fees Collected	42,480.00	120,358.00
	Interest Income (monthly & quarterly posting)	774.27	7,194.97
	Revenue Subtotal	43,254.27	127,552.97
	EXPENDITURES FY 2010-2011 (2)		
	CONSULTANTS		
1590-A1	Feasibility Study (Cannon)	0.00	0.00
1590-A2	EIR Preparation (Wood & Assoc)	0.00	0.00
1590-A3	Estimate/Preliminary Schedule (Cannon)	0.00	0.00
1590-A4	Proposed Routes/Facilities (Cannon)	0.00	0.00
1590-A5	Prop 50 Grant Applicatin	0.00	0.00
1590-A6	Project Support (Cannon)	0.00	0.00
1590-A7	Groundwater Grant Assistance (SAIC)	0.00	0.00
	LEGAL		
1590-B1	Shipsey & Seitz	2,112.00	14,291.20
1590-B2	McDonough, Holland & Allen	0.00	0.00
1590-B3	Richards, Watson & Gershon	0.00	0.00
	LAND ACQUISITION		0.00
1590-C1	Appraisals (Tarvin & Reeder Gilman)	0.00	0.00
1590-C2	Property Negotiations (Hamner Jewell)	4,713.70	24,591.60
1590-C3	Property Acquisitions	500.00	500.00
	FINANCIAL		
1590-D1	Reed Group and Wallace Group	0.00	0.00
1590-D2	Lobbying	0.00	9,000.00
	ENGINEERING		
1590-E1	Preliminary Engineering Design (AECOM)	0.00	0.00
1590-E2	Water Modeling by Carollo (City of Santa Maria)	0.00	0.00
1590-E3	Alternative Water Supplies (AECOM)	0.00	0.00
1590-E4	Project Information (AECOM)	0.00	0.00
1590-E5	Project Design (AECOM)	18,441.00	169,459.29
1590-E6	Pressure Testing	0.00	0.00
1590-E7	Peer Review	0.00	12,134.80
1590-E8	Pot Holing	0.00	0.00
	OTHER		
1590-F1	FGL Environmental	0.00	0.00
1590-F2	Copy/Print	0.00	0.00
	PERMITS		
1590-G1	Santa Maria Valley Water Conservation District	0.00	0.00
	ASSESSMENT DISTRICT		
1590-H1	Wallace Group	2,698.00	49,912.14
1590-H2	SLO County Reimbursement Agreement for JPA	0.00	1,155.76
1590-H3	Purveyor Partner Reimbursements to NCSD	(18,750.00)	(47,992.04)
1590-H4	A/D Financial Advisor	0.00	8,835.63
1590-H5	A/D Outreach/Education	0.00	19,182.90
	CONSTRUCTION		
1590-I1	Construction Management (MNS)	0.00	0.00
1590-I2	Arborist (A&T Arborists)	0.00	0.00
	SALARY AND BENEFITS (3)		
1590-Z1	Wages-Capitalized	3,838.28	25,999.09
1590-Z2	Payroll Taxes-Capitalized	381.60	766.51
1590-Z3	Retirement-Capitalized	268.12	4,912.80
1590-Z4	Medical-Capitalized	147.65	2,614.67
1590-Z5	Dental/Vision-Capitalized	19.76	141.03
1590-Z6	Workers Compensation-Capitalized	21.34	162.54
	Expenditure Subtotal	14,391.45	295,667.92
	Net Revenues less Expenditures	28,862.82	(168,114.95)
	Beginning Fund Balance as of July 1, 2010		2,373,651.69
	Ending Fund Balance as of January 31, 2011		2,205,536.74

(1) See attached "Supplemental Water Fees Collected" Schedule for more detail.
(2) See attached "Supplemental Water Cost Summary" for more detail.
(3) Salary and Benefits of GM and District Engineer are allocated among NCSD projects and capitalized as part of the cost of the project.

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NIPOMO COMMUNITY SERVICES DISTRICT
SUPPLEMENTAL WATER COST SUMMARY

A/C #	DESCRIPTION	7/1/2004 TO 6/30/2005	7/1/2005 TO 6/30/2006	7/1/2006 TO 6/30/2007	7/1/2007 TO 6/30/2008	7/1/2008 TO 6/30/2009	7/1/2009 TO 6/30/2010	7/1/2010 TO 6/30/2011 (July -Jan)	GRAND TOTAL
1645	Reservation Fee-City of Santa Maria	37,500.00	0.00	0.00	0.00	0.00	0.00	0.00	37,500.00
1590-A1	Feasibility Study (Cannon)	25,887.29	0.00	0.00	0.00	0.00	0.00	0.00	25,887.29
1590-A2	EIR Preparation (Wood & Assoc)	29,037.48	87,100.23	16,053.83	45,407.70	76,544.11	500.00	0.00	254,643.35
1590-A3	Est/Preliminary Schedule (Cannon)	3,706.19	2,602.75	0.00	0.00	0.00	0.00	0.00	6,308.94
1590-A4	Proposed Routes/Facilities (Cannon)	5,050.07	520.00	0.00	0.00	0.00	0.00	0.00	5,570.07
1590-A5	Prop 50 Grant Application	2,757.00	6,210.00	0.00	1,857.60	0.00	0.00	0.00	10,824.60
1590-A6	Project Support (Cannon)	0.00	11,797.44	0.00	0.00	0.00	0.00	0.00	11,797.44
1590-A7	Groundwater Grant Assistance (SAIC)	0.00	0.00	0.00	15,000.00	0.00	0.00	0.00	15,000.00
1590-B1	Shipsey & Seitz	0.00	23,095.55	17,564.25	2,201.50	18,224.00	16,601.58	14,291.20	91,978.08
1590-B2	McDonough, Holland & Allen	0.00	34,177.28	15,871.65	0.00	0.00	0.00	0.00	50,048.93
1590-B3	Richard, Watson & Gershon	0.00	9,472.38	27,954.81	0.00	0.00	0.00	0.00	37,427.19
1590-C1	Appraisals (Tarvin & Reeder Gilman)	0.00	0.00	16,170.00	10,000.00	0.00	8,000.00	0.00	34,170.00
1590-C2	Property Negotiations (Hamner Jewell)	0.00	0.00	0.00	0.00	15,250.00	14,748.75	24,591.60	54,590.35
1590-C3	Property Acquisitions	0.00	0.00	0.00	0.00	673.00	2,772.00	500.00	3,945.00
1590-D1	Reed Group and Wallace Group	0.00	2,809.85	0.00	0.00	7,585.45	4,476.25	0.00	14,871.55
1590-D2	Lobbying	0.00	0.00	0.00	38,801.11	38,950.00	54,000.00	9,000.00	140,751.11
1590-E1	Preliminary Engineering Design (Boyle)	0.00	6,470.33	223,286.67	103,460.19	2,194.43	0.00	0.00	335,411.62
1590-E2	Water Modeling by Carollo (City of SM)	0.00	0.00	24,942.00	0.00	0.00	0.00	0.00	24,942.00
1590-E3	Alternative Water Supplies (Boyle)	0.00	0.00	164,230.48	70,772.01	0.00	0.00	0.00	235,002.49
1590-E4	Project Information (Boyle)	0.00	0.00	0.00	6,000.00	0.00	0.00	0.00	6,000.00
1590-E5	Project Design (AECOM)	0.00	0.00	0.00	0.00	752,319.66	228,952.01	169,459.29	1,150,730.96
1590-E6	Pressure Testing	0.00	0.00	0.00	0.00	8,682.92	0.00	0.00	8,682.92
1590-E7	Peer Review	0.00	0.00	0.00	0.00	7,571.05	37,349.25	12,134.80	57,055.10
1590-E8	Pot Holing	0.00	0.00	0.00	0.00	0.00	29,053.05	0.00	29,053.05
1590-F1	Lab Testing (FGL Environmental)	0.00	0.00	5,047.00	0.00	0.00	0.00	0.00	5,047.00
1590-F2	Copy/Print	0.00	0.00	740.24	1,022.01	0.00	0.00	0.00	1,762.25
1590-G1	Permits	0.00	0.00	0.00	0.00	130.00	0.00	0.00	130.00
1590-H1	Assessment District	0.00	0.00	0.00	0.00	83,030.71	21,227.92	49,912.14	154,170.77
1590-H2	SLO County Reimb Agreement-JPA	0.00	0.00	0.00	0.00	0.00	36,603.80	1,155.76	37,759.56
1590-H3	Purveyor Partner Reimbursements to NCSD	0.00	0.00	0.00	0.00	0.00	0.00	(47,992.04)	(47,992.04)
1590-H4	A/D Financial Advisor	0.00	0.00	0.00	0.00	0.00	0.00	8,835.63	8,835.63
1590-H5	A/D Outreach/Education	0.00	0.00	0.00	0.00	0.00	0.00	19,182.90	19,182.90
1590-I1	Construction Management (MNS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1590-I2	Arborist (A&T Arborist)	0.00	0.00	0.00	0.00	0.00	2,830.00	0.00	2,830.00
1590-Z1	Wages-Capitalized	0.00	29,076.92	35,884.51	28,197.08	31,926.57	50,005.29	25,999.09	201,089.46
1590-Z2	Payroll Taxes-Capitalized	0.00	587.22	587.42	455.96	504.53	2,058.44	766.51	4,960.08
1590-Z3	Retirement-Capitalized	0.00	8,418.08	10,344.53	8,110.84	8,690.47	9,443.17	4,912.80	49,919.89
1590-Z4	Medical-Capitalized	0.00	2,861.36	3,367.02	2,564.88	2,757.36	3,390.94	2,614.67	17,556.23
1590-Z5	Dental/Vision-Capitalized	0.00	0.00	247.90	328.23	348.15	459.62	141.03	1,524.93
1590-Z6	Workers Compensation-Capitalized	0.00	260.35	341.83	225.21	259.81	271.21	162.54	1,520.95
		103,938.03	225,459.74	562,634.14	334,404.32	1,055,642.22	522,743.28	295,667.92	3,100,489.65

NIPOMO COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
DEBT SERVICE SCHEDULE

	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	PRINCIPAL BALANCE
				4,000,000.00
FY June 30, 2004	0.00	136,384.79	136,384.79	4,000,000.00
FY June 30, 2005	75,000.00	169,950.00	244,950.00	3,925,000.00
FY June 30, 2006	80,000.00	167,625.00	247,625.00	3,845,000.00
FY June 30, 2007	80,000.00	165,225.00	245,225.00	3,765,000.00
FY June 30, 2008	85,000.00	163,132.50	248,132.50	3,680,000.00
FY June 30, 2009	85,000.00	161,198.75	246,198.75	3,595,000.00
FY June 30, 2010	85,000.00	158,988.75	243,988.75	3,510,000.00
FY June 30, 2011	90,000.00	156,425.00	246,425.00	3,420,000.00
FY June 30, 2012	90,000.00	153,545.00	243,545.00	3,330,000.00
FY June 30, 2013	95,000.00	150,397.50	245,397.50	3,235,000.00

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PUBLIC PENSIONS FOR RETIREMENT SECURITY

LITTLE HOOVER COMMISSION

February 2011

LITTLE HOOVER COMMISSION

February 24, 2011

The Honorable Edmund G. Brown, Jr.
Governor of California

The Honorable Darrell Steinberg
President pro Tempore of the Senate
and members of the Senate

The Honorable Robert D. Dutton
Senate Minority Leader

The Honorable John A. Pérez
Speaker of the Assembly
and members of the Assembly

The Honorable Connie Conway
Assembly Minority Leader

Dear Governor and Members of the Legislature:

California's pension plans are dangerously underfunded, the result of overly generous benefit promises, wishful thinking and an unwillingness to plan prudently. Unless aggressive reforms are implemented now, the problem will get far worse, forcing counties and cities to severely reduce services and layoff employees to meet pension obligations.

The public agency managers responsible for administering California's dozens of pension plans need the Governor's and Legislature's help to impose the structural discipline they lack and to provide alternatives that can put the system on a path to sustainability.

One need look no further than the actions of some 200 public agencies in the months since the steep decline in the stock market and housing values in 2008: Rather than foreswear risky behaviors, these public agencies in California instead have improved pension benefits for their employees. Up and down the state, cities, counties, and fire and water districts rewarded employees with "golden handshake" agreements that provide extra service credit to retire early; introduced favorable methods to calculate pension benefits based on the single highest year of compensation; and lowered retirement ages that extend the government's obligation to pay lifetime retirement benefits. These actions further burden pension plans that already are unsustainable.

In its study of public pensions, the Commission found that the state's 10 largest pension funds – encompassing 90 percent of all public employees – are overextended in their promises to current workers and retirees. The ability and willingness of leaders to contain growing pension obligations should concern not only taxpayers who are seeing vital services and programs cut to balance budgets, but the public employees who have the most to lose. A pension is worthless without a job to back it.

The Legislature has the tools to put state and local public employee pensions back on a path that can restore stability and public confidence to state and local pension systems. Marginal changes, however, will fall short of the need for serious action. Adding a "second tier" of lower pension benefits for new hires, for example, will not deliver savings for a generation, while pension costs are swelling now as Baby Boomers retire.

In this report, the Commission confronts the elephant in the room: The legal obstacles that limit the options of state and local pension plans to reduce future, as-yet-unearned pension benefits promised to current workers. These promises, protected by decades of court decisions, were made under the illusion that the stock market returns of the dot-com boom were the new normal. After years of benefit enhancements, pay raises and government hiring sprees, the drop in stock and home values made it clear that the promised benefits are unaffordable and leave taxpayers facing all the risk as the bill becomes due.

While recognizing the legal challenges, this is a path that the state has no choice but to pursue. Public agencies must have the flexibility and authority to freeze accrued pension benefits for current workers, and make changes to pension formulas going forward to protect state and local public employees and the public good.

The Commission further urges the Legislature to pursue structural changes that realign pension costs and expectations of employees, employers and taxpayers.

A hybrid model, which combines a lower defined-benefit pension with an employer-matched defined-contribution plan, is a model that must be made available to public agencies. The state needs to collapse unsustainable pension formulas and create a lower defined-benefit formula to facilitate this approach. A cap also must be put in place on the maximum salary that can be used to determine pension payments, or on the maximum pension that an employee can earn. The cap should protect pensions for lower-wage earners, but it is not the government's burden to exclusively fund the retirement of public employees and executives earning high salaries. Earnings that exceed the threshold should be steered into a portable defined-contribution plan, with the ability of employers to match employees' contributions, to encourage workers to remain employed, and to serve a mobile and professional workforce.

California's pension system – a conglomeration of 85 defined-benefit pension plans – demands more uniformity and oversight. Standard definitions for final compensation must be adopted to prevent the type of mischief that erodes public confidence in public employee pensions. Retroactive benefit increases must be banned. More independent members should be added to retirement boards to add needed perspectives about the public's tolerance for risk when setting aggressive assumptions for investment returns. Voters, too, deserve a say in benefit increases that they ultimately have to pay.

All parties must pay a fair share. Contribution holidays from employers should be allowed only in rare cases of fiscal emergency – not when pension assets appear inflated by temporary market surges. Employees must contribute equally to their pensions. And discussion must continue on the federal government's responsibility to share in retirement costs by extending Social Security to uncovered workers, a controversial idea that may become more advantageous as the retirement burden on state and local governments grows.

Fixing the system will not be easy or be done quickly. Government agencies will have to bear for decades the retirement costs already accrued for public employees. The state can, however, make immediate course corrections. It can do so in a way that remains fair to both the public and the worker.

Sincerely,

Daniel W. Hancock
Chairman

PUBLIC PENSIONS FOR RETIREMENT SECURITY

Table of Contents

Table of Sidebars & Charts

Executive Summary

The 2008-09 stock market collapse and housing bust exposed the structural vulnerabilities of California's public pension systems and the risky political behaviors that have led to a growing retirement obligation for state and local governments, the scale of which taxpayers are just beginning to understand.

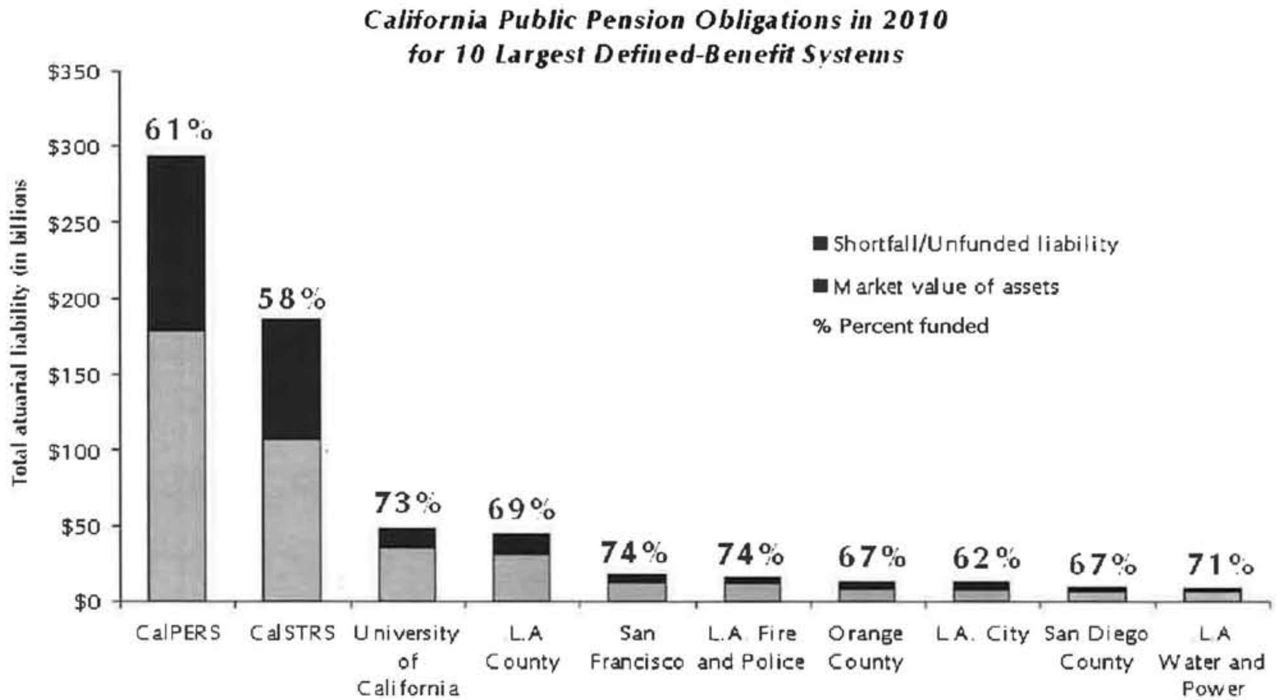
Treated like another speculative house during the boom, the state allowed public agencies and employees to pull equity in the form of increased retirement benefits from the pension funds whose value was inflated by optimistic market return estimates. The retirement promises that elected officials made to public employees over the last decade are not affordable, yet this is a mortgage that taxpayers cannot walk away from easily.

When the economy crashed, another lesson from the housing bubble became just as important. A public pension, like a house, is not a get-quick-rich investment. As a house is for shelter, a pension is for long-term financial security. Even the "teaser rates" reflecting aggressive investment assumptions are re-setting, revealing a higher cost to maintain a level of benefits that have become more generous than reasonable.

Boom and bust cycles are natural, if unpredictable, but political leaders agreed to changes in the pension system at the peak of a boom, and as a major demographic event began unfolding – the start of the retirements of the Baby Boomers.

Pension benefits promised to retirees are irrevocable, as are the promised benefits that current workers have accrued since their employment began. It also remains difficult to alter the theoretical, yet-to-be earned benefits for current workers. This situation, reinforced by decades of legal precedent, leaves little room for state and local governments to control mounting retirement costs, particularly when the only venue for change is the bargaining table.

Taxpayer groups, citizen grand juries and think tanks have sounded the alarm for reform, a call that is beginning to resonate in city councils,



The 10 largest public pension plans in California – encompassing 90 percent of all assets and members in the state's defined benefit systems – faced a combined shortfall of more than $240 billion in 2010. As a point-in-time measurement to gauge the financial health of these systems, this chart includes the percent of actuarial liabilities that are covered by the market value of assets in each fund. An 80 percent funded status is considered the low threshold for a stable system. Actuarial methodology used by each system to determine liabilities can vary, which can complicate comparisons between systems. This chart was assembled using the unaltered information as reported by the pension systems.

See end notes for sources.

county boards of supervisors, school boards and among trustees of specials districts now that they face the prospect of increasing required contributions into their pension funds by 40 to 80 percent of their payroll costs for decades to come. It is practically enough money to fund a second government, and it will – a retired government workforce.

Public employees might appear to have little incentive to push for reforms, yet they will pay a price for inaction: salary freezes, layoffs, increased payroll deductions and the threat of a city or county bankruptcy. Doing nothing to current pension obligations will cost public employees everything. A pension cannot grow without a job attached to it.

Public employees also share in the prospect of a very different California, as cities such as Los Angeles, San Diego, San Francisco and San Jose prepare to spend one third of their operating budgets on retirement costs in coming years. Pensions are at the center of what will be an intensifying fight for diminishing resources from which government can pay for schools, police officers, libraries and health services. With 86 percent of the retirees and beneficiaries of the California Public Employees' Retirement System remaining in the state, in what sort of communities do they want to live? Without reform, it will be communities with dwindling services and less police and fire protection.

The Little Hoover Commission began its study of California's public pension systems in April 2010 to understand the scale of the problem and develop recommendations to control growing pension costs in state and local governments. Over a six-month period, the Commission held a series of hearings at the State Capitol and conducted several other public meetings with stakeholders to address these issues. Through these hearings and additional research, the Commission found:

> ***Pension costs will crush government.*** Government budgets are being cut while pension costs continue to rise and squeeze other government priorities. As the Commission heard during its hearings, the tension between rising pension costs and lean government budgets is often presented today in a political context, with stakeholders debating the severity of the problem and how long it will last. In another five years, when pension contributions from government are expected to jump and remain at higher levels for decades in order to keep retirement systems solvent, there will be no debate about the magnitude of the problem. Even with the introduction of two-tiered pension plans, barring a miraculous market advance, few government entities – especially at the local level – will be able to absorb the blow without severe cuts to services.

The math doesn't work. Investment losses in 2008-09 certainly shocked the system, but several other factors have contributed to an unsustainable pension environment. Payroll growth – in terms of both compensation for public employees and the number of employees – has ballooned pension liabilities. The minimum retirement age has dropped to 55 – earlier for public safety employees – as people live longer, creating an upside-down scenario where governments potentially will send retirement checks to an employee for more years than they earned paychecks. At the same time, state and local governments have increased what used to be considered a good pension into pensions that are the most generous in the country. Banking on high fund returns and an aggressive investment strategy, employers and employees also have failed to contribute sufficiently – and on occasion, stopped paying into the system at all. Today, the state's largest pension systems are dangerously underfunded.

The system lacks discipline. The purpose of the public pension system has shifted away from providing retirement security to public employees. Today, the pension system is regarded as deferred compensation – the perceived tradeoff of earning a lower salary in the public sector in exchange for a good retirement package. The retirement systems invest aggressively to help workers accumulate wealth, which leaves taxpayers facing all the risk when returns fail to meet system needs. A lesson from history would suggest that, when the market eventually recovers, the pressure from employees will return to ramp up pension formulas and undo any reforms being made today. The ability or willingness of elected officials to hold the line on their own is in serious doubt.

The system lacks oversight and accountability. CalPERS, the largest pension plan in the country, covers state workers and many city, county and school district workers – roughly half of all public employees in California, 1.6 million altogether. Two million other public workers in universities, cities, counties, school districts and special districts receive retirement benefits through dozens of other independently run pension plans. The collective-bargaining environment also allows numerous employee unions within each government entity to negotiate separately for benefits, resulting in thousands of different retirement packages across the state. Since 2008, fewer than 30 of the 1,500 local public agencies in the CalPERS network have adopted a lower level of pension benefits for new hires. As pension portfolios shrunk and tax revenues plunged, nearly 200 public agencies in CalPERS continued to increase retirement benefits for current workers. This lack of uniformity:

- Clouds transparency.
- Invites mischief and abuse, such as pension "spiking."
- Creates a compensation arms race among communities.
- Delegates complicated decisions to often inexperienced, local officials.

With needed reforms, defined-benefit pensions can remain a core component of public employee retirement plans.

The problem, however, cannot be solved without addressing the pension liabilities of current employees. The state and local governments need the authority to restructure future, unearned retirement benefits for their employees. The Legislature should pass legislation giving this explicit authority to state and local government agencies. While this legislation may entail the courts having to revisit prior court decisions, failure to seek this authority will prevent the Legislature from having the tools it needs to address the magnitude of the pension shortfall facing state and local governments.

The situation is dire, and the menu of proposed changes that include increasing contributions and introducing a second tier of benefits for new employees will not be enough to reduce unfunded liabilities to manageable levels, particularly for county and city pension plans. The only way to manage the growing size of California governments' growing liabilities is to address the cost of future, unearned benefits to current employees, which at current levels is unsustainable. Employers in the private sector have the ability and the authority to change future, un-accrued benefits for current employees. California public employers require the ability to do the same, to both protect the integrity of California's public pension systems as well as the broader public good.

Freezing earned pension benefits and re-setting pension formulas at a more realistic level going forward for current employees would allow governments to reduce their overall liabilities – particularly in public safety budgets. Police officers, firefighters and corrections officers have to be involved in the discussion because they, as a group, are younger, retire earlier and often comprise a larger share of personnel costs at both the state and local level. Public safety pensions cannot be exempted from the discussion because of political inconvenience.

Hybrid model. A new "hybrid" model for public employee retirement should be made available to state and local agencies to reinforce the principles of retirement security and shared responsibility. The model, being tested in Orange County for miscellaneous workers, combines a lower defined-benefit pension with an employer-matched 401(k)-style plan. The 401(k) element is risk-managed to protect employee investments from market volatility in order to generate an adequate retirement income.

The idea is not new. The federal government adopted a similar approach more than 25 years ago for federal employees. Federal employees hired after 1987 have joined a three-tiered retirement plan that provides a defined-benefit formula up to 1.1 percent of final compensation for every year of service; a 401(k) plan with an employer match of up to 5 percent of salary (the first 1 percent is automatic); and, Social Security benefits (previously not provided) to augment the workers' retirement income. The newer defined-benefit pension plan requires lower contributions for employees and federal agencies – and it was 100 percent funded as of 2009. Employees hired after July 1, 2010 are automatically enrolled in the 401(k) element, with a 3 percent payroll deduction unless they change the contribution level.

Roughly half of all public employees in California do not participate in or receive Social Security benefits, so many public employees rely more heavily on state and local governments to provide larger retirement benefits. Serious consideration must be given to extending Social Security to non-covered, public-sector workers, toward the goal of building a three-part retirement strategy as has the federal government.

Uniformity. The state also must establish standards for more uniform and reasonable pensions. The public outrage over the "spiking" of benefits to provide a larger retirement income cannot continue to be ignored, nor can the increasing number of six-figure pensions for some managers and high-wage earners. The gaming and abuses of the pension system must end. To restore public confidence in the public pension system, the state must impose a cap in the $80,000 to $90,000 range on the salary used to determine pension benefits, or alternatively, a cap on pensionable income. Under such an arrangement, compensation above the cap would be factored into contributions toward an employee's 401(k)-style plan.

Transparency. The Legislature also must take steps to improve transparency of the state and local government costs of providing retirement benefits to current and future retirees. The debate over discount rates used to determine unfunded pension liabilities has laid bare the volatility of pension assets and raised important questions about the public's exposure to systemic pension obligation risk. A measure of liability is a way for the public to understand and start a fact-based discussion about solutions to the problem. It is reasonable to try to come up with a "bottom line" on how much taxpayers owe, but it is an imperfect process. Numbers that have been used by think tanks and researchers to estimate the unfunded liabilities of California public pension plans can vary by hundreds of billions of dollars. Methodologies across studies are often inconsistent – using different asset bases, investment assumptions, the number of pension plans captured in the estimates, and the inclusion of retiree health benefits – leading to more confusion. There is no one "right" number that the state should mandate to determine actuarial liabilities. But an honest and public assessment of the risks and options about determining obligations can inform decision-makers when setting contribution rates and making investment strategies. Adding more independent, public members to retirement boards can help broaden perspectives to facilitate this conversation.

The Commission offers its recommendations in the spirit of Governor Brown's call in his State of the State address for pension reforms to be "fair to both taxpayers and workers alike." The Commission asks the Governor and the Legislature to take immediate and bold steps to put the state's pension plans on a path to sustainability and to add oversight to protect current employees, retirees and taxpayers. Delay will continue to create concern over California's ability to pay for its promises, distort local government budgets and further erode California governments' standing in the municipal bond market. The stakes are too high to continue making temporary changes at the margin.

Recommendations

Recommendation 1: To reduce growing pension liabilities of current public workers, state and local governments must pursue aggressive strategies on multiple fronts.

- ❑ The Legislature should give state and local governments the authority to alter the future, unaccrued retirement benefits for current public employees.
- ❑ State and local governments must slow down pension costs by controlling payroll growth and staffing levels.

Recommendation 2: To restore the financial health and security in California's public pension systems, California should move to a "hybrid" retirement model.

- ❑ The Legislature must create pension options for state and local governments that would retain the defined-benefit formula – but at a lower level – combined with an employer-matched 401(k)-style defined-contribution plan.

- ✓ The 401(k)-style component must be risk-managed to provide retirement security and minimize investment volatility.

Recommendation 3: To build a sustainable pension model that the public can support, the state must take immediate action to realign pension benefits and expectations.

- ❑ To provide more uniform direction to state and local agencies, the Legislature must:
  - ✓ Cap the salary that can be used to determine pension allowances, or cap the pension, at a level that is reasonable and fair. Once the employee exceeds the threshold, employees and employers could make additional retirement contributions into a risk-managed, 401(k)-type defined-contribution plan.
  - ✓ Set appropriate pension eligibility ages to discourage early retirement of productive and valuable employees.
  - ✓ Set a tight definition of final compensation, computed on base pay only, over a five-year average to prevent and discourage pension "spiking."
  - ✓ Set uniform standards for the maximum hours that retirees can return to work and continue to receive public-sector pensions.
  - ✓ Set uniform standards and definitions for disability benefits.
  - ✓ Restrict pension allowances to exclude service in an elected office.
  - ✓ Eliminate the purchase of "air time."
  - ✓ Strengthen standards for revoking or reducing pensions of public employees and elected officials convicted of certain crimes involving the public trust.
- ❑ To minimize risk to taxpayers, the responsibility for funding a sustainable pension system must be spread more equally among parties.
  - ✓ The Legislature must prohibit employees and employers from taking contribution "holidays," except under rare circumstances.
  - ✓ The Legislature must prohibit retroactive pension increases.
  - ✓ The Legislature must require employees and employers to annually adjust pension contributions based on an equal sharing of the normal costs of the plan.
  - ✓ State and local governments must explore options for coordinating pension benefits with Social Security.

Recommendation 4: To improve transparency and accountability, more information about pension costs must be provided regularly to the public.

- ❑ The Legislature must require government retirement boards to restructure their boards to add a majority or a substantial minority of independent, public members to ensure greater representation of taxpayer interests.

- ❑ All proposed pension increases must be submitted to voters in their respective jurisdictions.

  - ✓ The ballot measures must by accompanied by sound actuarial information, written in a clear and concise format.

- ❑ The Legislature must require all public pension systems to include in their annual financial reports:

  - ✓ The present value of liabilities of individual pension funds, using a sensitivity analysis of high, medium and low discount rates.

  - ✓ The government entity's pension contributions as a portion of the general operating budget and as a portion of personnel costs, trended from the past and projected into the future.

- ❑ The State Controller must expand the *Public Retirement Systems Annual Report* to include the above information. Administrative fees to pension systems should be considered as a funding source to support actuarial expertise and the timely production of the report.

- ❑ The Legislature must require pension fund administrators to improve procedures for detecting and alerting the public about unusually high salary increases of government officials that will push pension costs upward.

2011 Special Districts Legislative Days

Back Register

SDLD is a dynamic two-day legislative conference. Take advantage of this opportunity to join together with districts of all types and engage in the important legislative issues facing the special district community.

Come prepared to exchange ideas with legislators and Capitol staff who are crucial to the success of special districts. Hear from key elected officials and policy experts on topics that directly impact districts, and mingle with them at a private reception.

SDLD 2011 will be held at the Sacramento Convention Center, located two blocks from the State Capitol. Secure your spaces at SDLD and register online today. The first 20 attendees to register will receive a $50 discount!

CSDA Member - $225
Non-Member - $275

Cancellations must be made IN WRITING and received via fax, mail, or email no later than three days prior to the seminar. All cancellations made within the specified time will be refunded less a $25 processing fee. PLEASE REMEMBER: CSDA WILL SCHEDULE ALL LEGISLATIVE VISITS DURING LEGISLATIVE DAYS. In order to leave enough time for scheduling, please register no later than Tuesday, April 19, 2011 to guarantee your spot in these meetings. If you have any questions, please contact the CSDA office at tollfree 877-924-2732.

Start Date:	Tuesday, May 03, 2011
End Date:	Wednesday, May 04, 2011
Coordinators:	For more information please contact Megan Hemming, Education Director at 916.442.7887 or email at meganh@csda.net.
Address:	Sacramento Convention Center 1400 J Street Sacramento, CA 95814
Directions:	Hyatt Regency Sacramento: located at 1209 L Street http://sacramento.hyatt.com/hyatt/hotels/index.jsp Call: 916-443-1234 Sheraton Grand Sacramento Hotel: located at 13 and J Website: http://www.starwoodhotels.com/sheraton/property/overview/index.html?propertyID=1247 Call: 916-447-1700 Clarion Hotel Mansion Inn: 700 16th Street Website: http://clarion-mansion-inn.pacificahost.com/ Call: 916-442-8129 Best Western Sutter House: 1100 H Street http://www.thesutterhouse.com/index.html Call: 916-774-1314 The Citizen Hotel: 926 J Street Website: http://www.citizenhotel.com/ Call: 916-492-4440 Holiday Inn Capitol Plaza: 300 J Street http://www.holidayinn.com/hotels/gb/en/sacramento/saccp/hoteldetail? Call: 916-446-0100

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California State Treasurer Confirmed for CSDA Legislative Days!

CSDA is excited to announce that Bill Lockyer, California State Treasurer, has confirmed to be a keynote speaker at Special Districts Legislative Days (SDLD). Lockyer's public service career has spanned more than three decades. From 1999-2006, he served as California Attorney General, and prior to his election as Attorney General in 1998, Lockyer served 25 years in the California Legislature. He culminated his Capitol career as Senate President pro Tempore. The Treasurer will address the conference regarding his role in public financing and realignment.

Participants in SDLD will engage in the very latest issues affecting the way special districts receive funding, how they are regulated, and their overall role in delivering vital services. Each year numerous special district leaders and staffers travel to Sacramento to educate themselves on the key policy issues confronting special districts. **If you would like to attend SDLD, registration for the event can be completed here.**

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED TIME LINE FOR
2011-2012 FISCAL YEAR BUDGET

February 28	Capital Improvement Projects Budget, Utility Field and District Engineer submittals to Lisa
March 15	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

Michael LeBrun

From:	Donna Bloyd [dbloyd@slolafco.com]
Sent:	Friday, February 25, 2011 9:26 AM
To:	Michael LeBrun; smdc@tcsn.net; 'Steve McGrath'; cvcsd@sbcglobal.net; jhodge@templetoncsd.org
Cc:	'David Church'
Subject:	Nominee Statements

The following Directors have been nominated by their Boards as candidates for the Special District seat on the Local Agency Formation Commission (LAFCO) currently held by Ed Eby of the Nipomo CSD:

Ed Eby	Nipomo Community Services District
Rosie Flynn	San Miguel Cemetery District
Brian Kreowski	Port San Luis Harbor District
Lisa Marrone	California Valley Community Services District
Greg O'Sullivan	Templeton Community Services District

Ballots for the election are scheduled to be sent out later next week via e-mail to each Special District. If you would like us to include a one-page statement from the candidate with the ballots, please fax, email or mail it no later than Friday, March 4, 2011 to LAFCO:

Email: dbloyd@slolafco.com

Fax: 805-788-2072

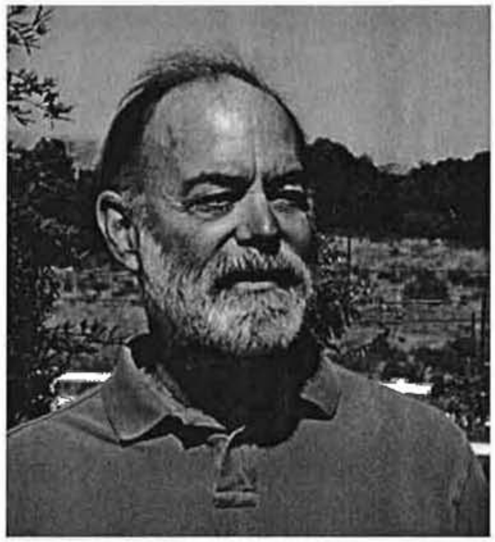
SLO LAFCO
Donna Bloyd, Clerk
1042 Pacific St. Suite A
San Luis Obispo, CA 93401

Please do not hesitate to call us if you have questions.

Donna J. Bloyd
LAFCO Commission Clerk

Ed Eby

Nominee for LAFCO Special District Member



San Luis Obispo County Activities

•LAFCO Commissioner and LAFCO Alternate Commissioner representing Special Districts - Ed has held elected positions on LAFCO since 2006, attending all LAFCO meetings during his terms.
•Director, Nipomo Community Services District since 2004 - Reappointed in 2008 with no opposing candidates
•Chairman NCSD Waterline Intertie Project Committee
•Chairman, 2006-2007 South County Advisory Council
•Past Elected Representative, Nipomo Community Advisory Council
•Past NCSD Delegate, Nipomo Community Advisory Council
•Member and Alternate Member of, Water Resources Advisory Committee since 2005
•Former Member, Technical Review Committee, South County Air Quality Mitigation Program
•Advisory Board Member, Dana Adobe Nipomo Amigos
•Member, The Land Conservancy of San Luis Obispo County

Background

Prior to his 1999 retirement from Hughes Space and Communications Co., Ed spent 35 years as a design engineer and program manager in Southern California's aerospace industry. Ed is a UCLA graduate with Bachelor of Science and Master of Science in Engineering degrees, and post-graduate studies in technical and management programs. He has lived in Nipomo for the nearly 10 years. In his spare time, he enjoys hiking and growing fruits, vegetables, and native plants.

Meters a smart investment

The upgraded technology can detect water leaks before a property owner even notices them, officials say.

By Bill Kisliuk, bill.kisliuk@latimes.com

February 16, 2011 | 6:10

Glendale has only installed about one third of its new smart meters, but already they have uncovered significant leaks totaling 700 gallons of water per hour, officials said.

City officials on Wednesday said the upgraded technology recently identified a commercial building losing 450 gallons an hour to an underground leak. The system also detected an apartment complex losing as much as 250 gallons an hour because of a leaking toilet, as well as several other smaller leaks.

"I was pleasantly surprised we were able to catch these as quickly as we did," Glendale Water & Power General Manager Glenn Steiger said. "It is something we never would have been able to do in the past." That's because the outgoing utility meters lack the technology to communicate possible problems. The average person uses about 80 gallons a day on indoor routines, such as showering and washing dishes and clothes, according to the U.S. Geological Survey.

Tami Vallier, customer services administrator with Glendale Water & Power, said she has been reviewing reports from the new meters and flagging customers whose water use never seems to drop off, even in off-peak periods. In the case of a 19-tenant commercial building, she said, "the meter was never registering less than 60 cubic feet per hour."

The city first inspected the meter box to make sure its readings were reliable, she said, then contacted the property manager on Tuesday. "You could hear the water flowing into the building," she said. The property manager identified the underground source of the trouble and was working on repairs Wednesday, she said.

Similarly, Vallier noted that usage never fell below 32 cubic feet per hour at an eight-unit apartment complex. The city contacted the property manager, and workers spotted and repaired a running toilet in one of the units.

The new meters are part of a $70-million smart grid system that Glendale Water & Power began installing last year with the help of a $20-million federal stimulus grant.

One benefit is that residents and the city can track water and electrical use on a regular basis, instead of the up to two months it could take before property owners saw their water bills and knew how much they were using.

Another benefit, Vallier said, is that sensors have been installed on water mains, allowing the utility to detect trouble on the network of water lines.

Crews began installing the new water meters in December, and should finish the process by June, Steiger said.

LAGUNA NIGUEL – Customers voiced outrage and demanded answers Wednesday night about the Moulton Niguel Water District's new tiered-rate system – compelling the district's board of directors to table the proposal until customers have a better understanding of it.

More than 60 customers showed up to Wednesday's meeting – about 25 of whom spoke out against the rate structure that the district has said would likely increase monthly bills. Another 49 customers submitted letters to the board, the majority of which objected to changes to the rate structure, according to General Manager Robert Gumerman.

The Moulton Niguel Water District's proposed tiered rate structure - which prompted outrage from customers Wednesday - is an effort to increase how efficient customers are with their water. A broken sprinkler head (pictured) on an unoccupied home was cause for a water conservation and enforcement officer for the City of Brea to stop and leave a door tag letting people know that they have a water problem.
The district has proposed a five-tiered rate structure that would be based on individualized water budgets for each home or business. The rate structure would affect the 167,000 customers MNWD serves in Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo and Dana Point.

Chief among customers' concerns: why rates would likely increase for customers; how individual water budgets would be calculated accurately; skepticism that new rates would be revenue neutral for the district; and whether customers would be rewarded for their efforts to conserve. Board members, acknowledging customers' anger, said the district clearly had failed to communicate the details of the new rate structure. "We certainly missed the boat in communicating," said Director Richard Fiore, "so that we would all be in agreement of what the facts are."

Directors asked district staff to address questions raised by customers at a March 9 meeting, and to provide a plan for community outreach efforts before the board would take a vote on the rate structure.

Under the new structure, customers would be assigned water budgets by the district based on the number of people in a home – assuming a person uses 65 gallons of water per day – the square footage of landscaped area, and outdoor evaporation rates. A customer's budget would be based on the sum of the indoor and outdoor use.

The district is considering the change to economize water usage because of limited supply and based on a 2007-08 Orange County Grand Jury Report recommending districts implement tiered rates, Gumerman said.

El Toro and Irvine Ranch water districts also use water budgets and a tiered rate system. Trabuco Canyon Water District does not use water budgets, but does have a tiered rate system. Gumerman said the rate changes will not generate more money for the district, because penalty revenue would be used for outreach or education. District staff will meet on March 9 at 9 a.m. at 27500 La Paz Road.

Contact the writer: 949-454-7363 or cwebb@ocregister.com or twitter.com/ocregistercwebb

SAN LUIS OBISPO COUNTY
DEPARTMENT OF PUBLIC WORKS
Paavo Ogren, Director

County Government Center, Room 207 • San Luis Obispo CA 93408 • (805) 781-5252
Fax (805) 781-1229 email address: pwd@co.slo.ca.us

Contact: Dale Ramey
Telephone: (805) 788-2931

PRESS RELEASE

SAN LUIS OBISPO COUNTY - NEW "WILLOW ROAD EXTENSION" PHASE I CONSTRUCTION, WILL REQUIRE WILLOW ROAD TO BE CLOSED BETWEEN MISTY GLEN PLACE AND POMEROY ROAD – MARCH 1, 2011 – To correct existing Willow Road to the new alignment beginning at Pomeroy Road, **Willow Road will be closed between Misty Glen Place and Pomeroy Road beginning March 14, 2011, and ending March 28, 2011.**

The detour will be Via Concha Road to Dawn Road to Callie Fresa to Pomeroy Road. The Willow Road closure will not block primary access to any residences or businesses.

Please plan on providing additional time to travel this detour during this time period. The County anticipates the Willow Road Phase I project concluding in April, which will provide improved routes and access in the future.

Questions regarding the project can be directed to Dale Ramey, Project Manager at (805) 788-2931. While this closure will create a near term inconvenience, construction of the project will ultimately provide improved access to the Nipomo Mesa.

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TO: BOARD OF DIRECTORS

FROM: MICHAEL LEBRUN MBL
INTERIM GENERAL MANAGER

DATE: MARCH 4, 2011

AGENDA ITEM

G

MARCH 9, 2011

COMMITTEE REPORTS

ITEM

Consider review of Committee meeting minutes.

BACKGROUND

The following meetings were held for which meeting minutes are being provided:

- March 1, 2011, Finance and Audit Committee Meeting Minutes

RECOMMENDATION

It is recommended that your Honorable Board discuss the meeting minutes as appropriate.

ATTACHMENTS

- Finance and Audit Committee Meeting Minutes

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NIPOMO COMMUNITY SERVICES DISTRICT

MARCH 1, 2011
SPECIAL MEETING MINUTES

FINANCE AND AUDIT COMMITTEE

1. CALL TO ORDER, ROLL CALL AND FLAG SALUTE

Chairman Vierheilig called the meeting to order at 9:00 a.m. Chairman Vierheilig and Director Eby were in attendance along with staff members Michael LeBrun and Lisa Bognuda. There were no members of the public present.

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

The Committee reviewed the proposed schedule and set Tuesday, March 15, 2011 at 1:00 p.m. for the next Finance and Audit Committee meeting to review the fixed assets and capital improvement requests for inclusion into the FY 11-12 draft budget. Michael LeBrun, General Manager, will include the proposed schedule in his next Manager's Report.

3. REVIEW EMPLOYEE COST OF LIVING ADJUSTMENT (COLA)

The Committee reviewed the Cost of Living Adjustment and discussed the Consumer Price Indexes. The Committee unanimously approved forwarding the recommendation of approval of a 1.645% COLA for employees in FY 11-12 to the Board of Directors.

4. REVIEW CalPERS BENEFITS

The Committee reviewed the Actuarial Valuations prepared by CalPERS based on the options requested by the Board of Directors in December 2010. Any change to the CalPERS retirement option will create a second tier plan for new hires. By law, the retirement formula for current employees (first tier) cannot be changed.

The Employer Paid Member Contribution (EPMC) Rate, which is paid by the District, can be changed at the discretion of the Board. The Committee indicated that that the EPMC should remain the same for current employees, but that the District should consider a lower percentage EPMC for new hires.

The Committee unanimously directed Staff to add an Option 3A to the Staff Report to reflect the savings to the District for new hires at 2% @ 60, 3 Year Final Compensation and the District funding one-half of the EPMC for new hires would equate to 3.5% (7% x 50%).

The Committee unanimously agreed to recommend to the Board of Directors to implement Option 3 (6.326% savings for second tier employees) or new Option 3A for new hires (second tier) (9.826% savings for second tier employees).

Medical benefits review will be brought back to the Committee at a later date.

5. REVIEW THE PROCESS TO IMPLEMENT THE ACCEPTANCE OF CREDIT/DEBIT CARDS TO UTILITY BILL PAYMENTS

The Committee reviewed the costs and implementation of accepting credit/debit cards over-the-counter and over-the-phone. The Committee directed Staff to quantify the savings the District may incur by accepting credit/debit cards. Staff stated that analysis of on-line payments would be deferred until a review of the current billing software is complete.

The Committee directed Staff to include an analysis of the estimated savings may be to the District and unanimously agreed to recommend to the Board of Directors to implement a one-year pilot program.

6. ADJOURN – The meeting was adjourned at 11:25 a.m.