

TO: FINANCE AND AUDIT COMMITTEE

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

FROM: LISA BOGNUDA (LSB)
FINANCE DIRECTOR

DATE: MARCH 13, 2018

AGENDA ITEM

2

MARCH 15, 2018

REVIEW FY 2018-2019 BUDGET PREPARATION TIME LINE

ITEM

Review FY 2018-2019 Budget preparation time line

BACKGROUND

Below is a proposed schedule for the preparation of the 2018-2019 Fiscal Year Budget.

Week of March 12	Kick off meeting with Finance Committee to hear input
Week of April 16	Staff meets with Finance Committee and receives recommendations/changes/deletions on draft Budget
Week of May 14	Staff prepares public notice of adoption for newspaper (publish on May 30 and June 6)
May 23	Review of draft Budget by Board of Directors at Regular Board Meeting
June 13	Public Hearing and adoption of 2018-2019 Budget

RECOMMENDATION

It is recommended that the Committee review the proposed schedule and provide direction to Staff.

ATTACHMENT

None

TO: FINANCE AND AUDIT COMMITTEE

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GENERAL MANAGER

FROM: LISA BOGNUDA (LSB)
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DATE: MARCH 13, 2018

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3

MARCH 15, 2018

REVIEW INFORMATION FOR INCLUSION IN THE 2018-2019 FISCAL YEAR BUDGET

ITEM

Review various schedules and financial information in the 2018-2019 fiscal year budget.

BACKGROUND

The following information is provided for the Committee's review:

- Attachment A PROPOSED CAPITAL IMPROVEMENT PLAN AND FUNDED REPLACEMENT PLAN AND CASH FLOW PROJECTIONS
- Attachment B PROPOSED FIXED ASSET PURCHASES
- Attachment C PROPOSED DISTRICT PERSONNEL
- Attachment D PROPOSED FLEET SCHEDULE

RECOMMENDATION

It is recommended that the Committee provide direction to Staff. Staff will incorporate the Committee's comments and recommendations into the draft 2018-2019 budget.

ATTACHMENTS

- See above

MARCH 15, 2018

ITEM 3

ATTACHMENT A

**CAPITAL IMPROVEMENT PLAN
AND
CASH FLOW PROJECTIONS**

Fund #500 Supplemental Water Project

Fund #700 Water Capacity Fees

Fund #710 Town Sewer Capacity Fees

**NIPOMO COMMUNITY SERVICES DISTRICT
FIVE YEAR CAPITAL IMPROVEMENT PLAN
AND CASH FLOW PROJECTION
SUPPLEMENTAL WATER PROJECT**

CAPITAL IMPROVEMENT PLAN

FOR PLANNING PURPOSES ONLY

Line #	SUPPLEMENTAL WATER - FUND #500	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
1	Interconnects (1)	630,000	0	0	0	0	0	630,000
2	Pump Station Improvements (2)	300,000	0	0	0	0	400,000	700,000
3	Orchard/Southland to Teriff/Oak Glen Water Line (3)	0	0	0	0	450,000	3,050,000	3,500,000
4	Pomeroy Water Line from Augusta to Aden Way (4)	0	0	0	0	180,000	1,270,000	1,450,000
	TOTAL	930,000	0	0	0	630,000	4,720,000	6,280,000

- (1) Golden State interconnect at Orchard and Primavera; Woodlands interconnect at Camino Caballo and Via Concha; Golden State interconnect on Lyn Road
- (2) Includes 1 new 800 gpm pump/VFD at Joshua Road Pump Station in FY 18-19 and 2 replacement 800 gpm pumps/removal of 2@400 gpm pumps in FY 23-24.
- (3) 12,000 linear feet of 12 inch diameter waterline. Design in FY 22-23 and construct in FY 23-24.
- (4) 4600 linear feet of 12 inch diameter waterline. Design in FY 22-23 and construct in FY 23-24.

CASH FLOW PROJECTION

Sources of Funds	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
5 Funds on Hand at Beginning of Year-projected	1,675,000	1,695,908	2,119,999	2,556,796	3,010,017	2,852,850	1,675,000
6 Interest Income (1)	25,125	25,439	31,800	38,352	45,150	42,793	208,659
7 Principal and Interest Payments from WMMW & GSW	521,238	521,238	521,238	521,238	521,238	521,238	3,127,428
8 Capacity Charges (2)	0	0	0	0	0	0	0
9 Transfer in from Prop Tax Fund #600 for Debt Service	404,545	411,702	419,172	429,656	442,545	455,822	2,563,442
10 Transfer in from Water Funded Replacement #805	0	0	0	0	0	1,400,000	1,400,000
11 Total Sources of Funds	2,625,908	2,654,287	3,092,209	3,546,042	4,018,950	5,272,703	8,974,529

Uses of Funds

12 Capital Project	930,000	0	0	0	630,000	4,720,000	6,280,000
13 Debt Service Payments 2013 COP	529,640	531,288	532,413	533,025	533,100	527,900	3,187,366
14 Bond Administration	3,000	3,000	3,000	3,000	3,000	3,000	18,000
15 Total Uses of Funds	930,000	534,288	535,413	536,025	1,166,100	5,250,900	8,952,726
16 Funds on Hand at End of Year-projected	1,695,908	2,119,999	2,556,796	3,010,017	2,852,850	21,803	21,803

- (1) Assumes an interest rate of 1.5%
- (2) Assumes no new connections (worst case scenario)

**NIPOMO COMMUNITY SERVICES DISTRICT
FIVE YEAR CAPITAL IMPROVEMENT PLAN
AND CASH FLOW PROJECTION
WATER DIVISION**

CAPITAL IMPROVEMENT PLAN

FOR PLANNING PURPOSES ONLY

Line #	WATER CAPACITY - FUND #700	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
1	Tract 2650 Connection to Blacklake Pressure Zone	0	180,000	0	0	0	0	180,000
2	Water Master Plan	0	220,000	0	0	0	0	220,000
3	New Water Storage Tank (3)	0	0	0	0	300,000	2,300,000	2,600,000
		<u>0</u>	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>2,300,000</u>	<u>3,000,000</u>

CASH FLOW PROJECTION

Sources of Funds

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total	
4	Funds on Hand at Beginning of Year-projected	1,675,000	1,700,125	1,325,627	1,345,511	1,365,694	1,086,179	1,675,000
5	Interest Income (1)	25,125	25,502	19,884	20,183	20,485	16,293	127,472
6	Capacity Charges (2)	0	0	0	0	0	0	0
7	Total Sources of Funds	<u>1,700,125</u>	<u>1,725,627</u>	<u>1,345,511</u>	<u>1,365,694</u>	<u>1,386,179</u>	<u>1,102,472</u>	<u>1,802,472</u>

Uses of Funds

8	Capital Project	0	400,000	0	0	300,000	2,300,000	3,000,000
9	Total Uses of Funds	<u>0</u>	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>2,300,000</u>	<u>3,000,000</u>
10	Funds on Hand at End of Year-projected	<u>1,700,125</u>	<u>1,325,627</u>	<u>1,345,511</u>	<u>1,365,694</u>	<u>1,086,179</u>	<u>(1,197,528)</u>	<u>(1,197,528)</u>

- (1) Assumes an interest rate of 1.5%
- (2) Assumes no new connections (worst case scenario)
- (3) Tank not needed if no new connections are added

**NIPOMO COMMUNITY SERVICES DISTRICT
FIVE YEAR CAPITAL IMPROVEMENT PLAN
AND CASH FLOW PROJECTION
TOWN SEWER DIVISION**

CAPITAL IMPROVEMENT PLAN

FOR PLANNING PURPOSES ONLY

Line #	TOWN SEWER CAPACITY - FUND #710	FY 18-19
1	Southland WWTF Operational Improvements	150,000
2	Southland WWTF 2nd Aeration Basin (3)	0
3	Sewer Collection System Master Plan	0
	150,000	

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
	0	0	0	0	0	150,000
	0	0	0	2,000,000	0	2,000,000
	150,000	0	0	0	0	150,000
	150,000	0	0	2,000,000	0	2,300,000

CASH FLOW PROJECTION

	FY 18-19	
Sources of Funds		
4	Funds on Hand at Beginning of Year-projected	425,000
5	Interest Income (1)	6,375
6	Capacity Charges (2)	0
7	Total Sources of Funds	431,375

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
	204,325	130,340	90,115	91,467	(1,907,161)	425,000
	3,065	1,955	1,352	1,372	0	14,119
	0	0	0	0	0	0
	207,390	132,295	91,467	92,839	(1,907,161)	439,119

Uses of Funds

8	Debt Service Payment	77,050
9	Capital Project	150,000
10	Total Uses of Funds	227,050

	77,050	42,180	0	0	0	196,280
	0	0	0	2,000,000	0	2,150,000
	77,050	42,180	0	2,000,000	0	2,346,280

11	Funds on Hand at End of Year-projected	204,325
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	130,340	90,115	91,467	(1,907,161)	(1,907,161)	(1,907,161)
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- (1) Assumes an interest rate of 1.5%
- (2) Assumes no new connections (worst case scenario)
- (3) Aeration basin not needed if no new connections are added

**FUNDED REPLACEMENT PLAN
AND
CASH FLOW PROJECTIONS**

Fund #805 Water Replacement Fund

Fund #810 Town Sewer Replacement Fund

Fund #830 Blacklake Sewer Replacement Fund

**NIPOMO COMMUNITY SERVICES DISTRICT
FIVE YEAR FUNDED REPLACEMENT PLAN
AND CASH FLOW PROJECTION
WATER DIVISION**

**WATER
FUNDED REPLACEMENT PLAN** **FOR PLANNING PURPOSES ONLY**

Line #	WATER - FUND #805	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
1	Branch Street Waterline Replacement	\$ 650,000	0	0	0	0	0	650,000
2	Eureka Well Replacement	\$ 1,000,000	0	0	0	0	0	1,000,000
3	Blow-Off Replacement	\$ 20,000	20,000	20,000	20,000	20,000	20,000	120,000
4	Air Vac Replacement	\$ 20,000	20,000	20,000	20,000	20,000	20,000	120,000
5	Fire Hydrant Replacement	\$ 20,000	50,000	50,000	50,000	50,000	50,000	270,000
6	Valve Replacement	\$ 20,000	100,000	100,000	100,000	100,000	100,000	520,000
7	Well Refurbishment	\$ -	100,000	100,000	100,000	100,000	100,000	500,000
8	Quad Tank Disinfection System	\$ -	0	0	0	0	300,000	300,000
		1,730,000	290,000	290,000	290,000	290,000	590,000	3,480,000

CASH FLOW PROJECTION

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
Sources of Funds							
Funds on Hand at Beginning of Year- projected	3,560,000	2,478,400	2,835,576	3,213,110	3,612,306	4,017,491	3,560,000
Interest Income (1)	53,400	37,176	42,534	48,197	54,185	60,262	295,753
Transfer from Water for funded replacement	595,000	610,000	625,000	641,000	641,000	641,000	3,753,000
Total Sources of Funds	4,208,400	3,125,576	3,503,110	3,902,306	4,307,491	4,718,753	7,608,753
Uses of Funds							
Funded Replacement Projects	1,730,000	290,000	290,000	290,000	290,000	590,000	3,480,000
Transfer to Supplemental Water Project Fund #500	0	0	0	0	0	1,400,000	1,400,000
Total Uses of Funds	1,730,000	290,000	290,000	290,000	290,000	1,990,000	4,880,000
Funds on Hand at End of Year-projected	2,478,400	2,835,576	3,213,110	3,612,306	4,017,491	2,728,753	2,728,753

(1) Assumes an interest rate of 1.5%

**NIPOMO COMMUNITY SERVICES DISTRICT
FIVE YEAR FUNDED REPLACEMENT PLAN
AND CASH FLOW PROJECTION
TOWN SEWER FUNDED REPLACEMENT**

**TOWN SEWER
FUNDED REPLACEMENT PLAN**

FOR PLANNING PURPOSES ONLY

Line #	TOWN SEWER - FUND #810	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
1	Southland WWTF Biosolids Dewatering	920,000	0	0	0	0	0	920,000
2	Manhole Rehabilitation	150,000	150,000	150,000	150,000	150,000	150,000	900,000
3	Lift Station Rehabilitation	820,000	820,000	820,000	820,000	820,000	0	2,460,000
		1,890,000	970,000	970,000	150,000	970,000	150,000	4,280,000

CASH FLOW PROJECTION

FOR PLANNING PURPOSES ONLY

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
Sources of Funds							
4	Funds on Hand at Beginning of Year-projected	3,848,000	2,691,881	2,157,259	2,434,618	1,896,137	3,848,000
5	Interest Income (1)	57,720	40,378	32,359	36,519	28,442	231,579
6	Transfer from Town Sewer for funded replacement	395,000	395,000	395,000	395,000	395,000	2,370,000
7	Total Sources of Funds	4,300,720	3,127,259	2,584,618	2,866,137	2,319,579	6,449,579

Uses of Funds

8	Funded Replacement Projects	1,890,000	970,000	150,000	970,000	150,000	4,280,000
9	Total Uses of Funds	1,890,000	970,000	150,000	970,000	150,000	4,280,000
10	Funds on Hand at End of Year-projected	2,410,720	2,157,259	2,434,618	1,896,137	2,169,579	2,169,579

(1) Assumes an interest rate of 1.5%

**NIPOMO COMMUNITY SERVICES DISTRICT
FIVE YEAR FUNDED REPLACEMENT PLAN
AND CASH FLOW PROJECTION
BLACKLAKE FUNDED REPLACEMENT**

**BLACKLAKE SEWER
FUNDED REPLACEMENT PLAN**

FOR PLANNING PURPOSES ONLY

Line #	Pjct ID (1)	BLACKLAKE FUNDED REPLACEMENT - FUND #83	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
1	CS-CIP-1	Lift Station Rehabilitation - Woodgreen	590,000	0	0	0	0	0	590,000
2	WRF-CIP-2	Blacklake Sludge Removal	400,000	0	0	0	0	0	400,000
3	CS-CIP-4	Trunk Main Replacement	0	470,000	0	0	0	0	470,000
4	CS-CIP-5	Tourney Hill Sewer Main Replacement	0	268,000	0	0	0	0	268,000
5	WRF-CIP-1	WRF Treatment Plant Pond Rehabilitation - Pond	0	0	313,000	0	0	0	313,000
6	CS-CIP-2	Lift Station Rehabilitation - The Oaks	0	0	0	81,000	0	0	81,000
7	WRF-CIP-3	WRF Chlorine Contact Chamber Rehabilitation	0	0	0	310,000	0	0	310,000
8	CS-CIP-6	Oakmont Sewer Main Replacement	0	0	155,000	0	0	0	155,000
9	WRF-CIP-4	WRF Site Improvements	0	0	0	0	198,000	0	198,000
10	CS-CIP-5	Tourney Hill Sewer Main Replacement	0	0	0	0	268,000	0	268,000
11	CS-CIP-3	Lift Station Rehabilitation - The Oaks	0	0	0	0	75,000	0	75,000
12	CS-CIP-7	Augusta Sewer Main Replacement	0	0	0	0	0	53,000	53,000
13	WRF-CIP-5	WRF Electrical Improvements	0	0	0	0	0	431,000	431,000
14	CS-CIP-8	Repair Off-set Joints - Sewer Main	0	0	0	0	0	26,000	26,000
			990,000	738,000	313,000	546,000	541,000	510,000	3,638,000

		FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
3	Sources of Funds						
	Funds on Hand at Beginning of Year- projected	9,285	(560,576)	(705,576)	(1,083,576)	(1,456,576)	819,000
	Interest Income (2)	139	0	0	0	0	12,424
	Transfer from BL Sewer for funded replacement	168,000	168,000	168,000	168,000	-68,000	1,008,000
	Total Sources of Funds	177,424	(392,576)	(537,576)	(915,576)	(1,288,576)	1,839,424
Uses of Funds							
	Funded Replacement Projects	738,000	313,000	546,000	541,000	510,000	3,638,000
	Total Uses of Funds	738,000	313,000	546,000	541,000	510,000	3,638,000
	Funds on Hand at End of Year-projected	(560,576)	(705,576)	(1,083,576)	(1,456,576)	(1,798,576)	(1,798,576)

(1) Pjct ID reference found in Blacklake Sewer Master Plan
(2) Assumes an interest rate of 1.5%

MARCH 15, 2018

ITEM 3

ATTACHMENT B

NIPOMO COMMUNITY SERVICES DISTRICT
FIXED ASSET PURCHASES
2018-2019

BUDGET ITEMS FOR 2018-2019	#110 ADMIN	#125 WATER	#130 TOWN SEWER	#150 BL SEWER	TOTAL
Replacement Truck	0	19,800	6,600	3,600	30,000
SCADA Server Replacement carryover (approved 11/8/17)	0	99,000	33,000	18,000	150,000
Asset Management Software - Phase 2	0	42,900	14,300	7,800	65,000
Water Laboratory Management Software	0	25,000	0	0	25,000
	<u>0</u>	<u>186,700</u>	<u>53,900</u>	<u>29,400</u>	<u>270,000</u>

Fixed assets will be purchased from the Enterprise Funds

MARCH 15, 2018

ITEM 3

ATTACHMENT C

NIPOMO COMMUNITY SERVICES DISTRICT
DISTRICT PERSONNEL
2018-2019

ADMINISTRATION	MONTHLY SALARY STEP/RANGE (PAGE 11)	Budgeted FY 17-18	Re-organization FY 17-18	Additions 18-19	Budgeted 18-19
General Manager	Contract	1	1	0	1
Assist General Manager/Finance Director	44	1	1	0	1
Billing Clerk	13	1	1	0	1
Secretary/Clerk	5	1	1	0	1
Public Information Director/Clerk	10	1	1	0	1
Customer Service Specialist	21	1	1 (**)	0	1
ADMINISTRATION SUBTOTAL		6	6	0	6

OPERATIONS					
Director of Engineering and Operations	60	1	1	0	1
Assistant Engineer	29	1	1	0	1
Water Supervisor	32	1	1	0	1
Wastewater Supervisor	38	1	1	0	1
Wastewater Operator III	24	0	0	0	0
Wastewater Operator II	20	1	3	0	3
Wastewater Operator I	16	4	2	0	2
Water Operator III	17	0	0	0	0
Water Operator II	13	0	1	0	1
Water Operator I	9	4	3	1 (**)	4
Utility Office Assistant	Contract	0.5	0.5	0	0.5
OPERATIONS SUBTOTAL		13.5	13.5	1	14.5

TOTAL		19.5	19.5	1	20.5
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Position unfilled as of 3/15/18

(**) 2017 Rate Study included:

- 1) FY 17-18 Customer Service Specialist
- 2) FY 18-19 Water Operator I
- 3) FY 19-20 Billing Clerk

MARCH 15, 2018

ITEM 3

ATTACHMENT D

NIPOMO COMMUNITY SERVICES DISTRICT
FLEET SCHEDULE
2018-2019

	OPERATIONS VEHICLES	YEAR	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE (March 2018)
1	FORD F250 4x4	2007	8/25/06	2007	102,904
2	FORD F150 (1)	2008	1/28/08	2008	91313
3	FORD F150 4x4	2009	12/29/08	2009	103,236
4	FORD F150	2009	1/6/09	2009	90,137
5	FORD RANGER	2010	11/7/09	2010	20,731
6	FORD F250 4X4	2010	1/15/10	2010	53,908
7	FORD F150	2013	1/23/13	2013	36,757
8	FORD F150	2013	9/26/13	2014	61,293
9	FORD F250	2015	11/7/14	2015	14,529
10	FORD F250	2016	4/5/16	2016	

(1) To be replaced in 2018

	ADMIN VEHICLES	YEAR	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE (March 2018)
11	FORD ESCAPE	2007	12/1/06	2007	27,336

	OTHER OPERATIONS EQUIPMENT	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE/ HOURS (March 2018)
12	FORD DUMP TRUCK	6/25/06	2006	25,993
13	JOHN DEERE LOADER/BACKHOE JD110	1/2/08	2008	5,531 hrs
14	JOHN DEERE BACKHOE JD310	9/3/09	2010	419 hrs
15	VAC CON	2/10/10	2010	16,128
16	FORD F550 SERVICE TRUCK	04/16/13	2013	8,932
17	JOHN DEERE GATOR CART	4/18/14	2014	928 hrs

TO: FINANCE AND AUDIT COMMITTEE
REVIEWED: MARIO IGLESIAS
GENERAL MANAGER
FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR
DATE: MARCH 13, 2018



REVIEW EMPLOYEE COST OF LIVING ADJUSTMENT (COLA)

ITEM

Review employee Cost of Living Adjustment (COLA)

BACKGROUND

The NCSD Employee Handbook, Section 3000(D) states the following:

Cost of Living Adjustments – Annually, the Board may consider a Cost of Living Adjustment (COLA). If the COLA is approved, District Salary Schedule will be adjusted accordingly, thus keeping the schedule current. Therefore, an employee may receive both a Cost of Living Adjustment and an increase in compensation pursuant to subdivision C above 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 COLA, unless the employee is eligible for longevity pay.

On April 12, 2017, the Board of Directors approved Resolution 2017-1440 which included:

Cost of Living Adjustments shall use the Consumer Price Index for the California Consumer Price Index All Items for Urban Wage Earners and Clerical Workers.

Staff computed the Consumer Price Index for California All Items for Urban Wage Earners and Clerical Workers to be 2.87%. (Attachment D)

The five previous years COLA computation and Board approval has been as follows:

Fiscal year	Methodology Used	COLA Computation	Board Approved	Difference
7/1/17	California CPI	1.880%	1.880%	0.00%
7/1/16	Avg of LA/SF	1.400%	1.400%	0.00%
7/1/15	Avg of LA/SF	1.900%	1.900%	0.00%
7/1/14	Avg of LA/SF	1.625%	1.625%	0.00%
7/1/13	Avg of LA/SF	2.480%	2.480%	0.00%

STRATEGIC PLAN

Strategic Plan Goal 3 – Maintain a qualified, long-term and productive workforce to assure an effective organization.

RECOMMENDATION

It is recommended that the Committee review the COLA and direct Staff for budget preparation purposes.

ATTACHMENTS

- A. Section 3000(D) from NCSD Employee Handbook
- B. Resolution 2017-1440
- C. Excerpt from Bureau of Labor Statistics on how to compute the CPI
- D. Consumer Price Index information and computation

MARCH 15, 2018

ITEM 4

ATTACHMENT A

CHAPTER THREE – HOURS OF WORK AND COMPENSATION

3000 - COMPENSATION

- A. New Introductory Employees:** All newly appointed introductory employees shall be paid at the first step of the salary range for the position to which the introductory employee is appointed except as provided elsewhere herein.
- B. Advanced Step Hiring:** If the General Manager finds that qualified applicants have greater experience or competencies than required at the first step of the salary range, the General Manager can extend an offer higher than the first step.
- C. Increase in compensation other than Cost of Living Adjustments (Step-Merit Increase):** After one year in a salary step (on the employee's Anniversary Date), employees may qualify for a step merit increase to the next step, provided the employee has performed satisfactorily, and provided management has determined that a step merit increase is appropriate. All decisions about step merit increases are subject to management's sole discretion; employees are not automatically entitled to or eligible for a step merit increase. A report verifying satisfactory performance of each employee recommended for advancement shall be submitted to and approved by the General Manager prior to final action on such recommendation.
- D. Cost of Living Adjustments:** Annually, the Board may consider a Cost of Living Adjustment (COLA). If the COLA is approved, the District Salary Schedule will be adjusted accordingly, thus keeping the schedule current. Therefore, an employee may receive both a Cost of Living Adjustment and an increase in compensation pursuant to subdivision C above 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 COLA, unless the employee is eligible for longevity pay.
- E. 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 no greater than five percent (5%). The increase may exceed five percent (5%) at the discretion of the General Manager, but shall not exceed the top step of the range allocated to the new classification. Employees who are promoted retain the same Anniversary Date for purposes of years of service and benefit accruals, but have a new Promotion Date for purposes of performance reviews and merit step increases.
- F. Lateral Transfer:** When an employee transfers to a different position or classification with similar responsibilities as his/her existing position (and has not been demoted), the affected employee shall be placed at a salary range within the new classification that is most consistent with the employee's existing salary range not to exceed Step 5 unless employee is eligible for longevity pay.
- G. Incentive Pay:** Operations Staff 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. Once the employee achieves the certificate, it is their

CHAPTER THREE – HOURS OF WORK AND COMPENSATION

MARCH 15, 2018

ITEM 4

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2017-1440**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
COMMUNITY SERVICES DISTRICT ESTABLISHING THE
METHODOLOGY FOR COMPUTING EMPLOYEE COST OF LIVING
ADJUSTMENTS (COLA)**

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

WHEREAS, the Board annually reviews the employee Cost of Living Adjustment (COLA) based on the policy and procedures adopted in Resolution 2006-1000 and amended by Resolution 2017-1437, which repealed Section 3 of Resolution 2006-1000 that had approved the use of the Consumer Price Index-Urban Wage Earners and Clerical Workers using the average of annual increases for the Los Angeles-Riverside-Orange County and San Francisco-Oakland-San Jose; and

WHEREAS, the Board believes the California Consumer Price Index is more reflective of the economy of the Central Coast; and

WHEREAS, the Board wishes to establish that the employee COLA computation shall use the Consumer Price Index for the California Consumer Price Index All Items for Urban Wage Earners and Clerical Workers, and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District:

Section 1. The above recitals are true and correct.

Section 2. All future Cost of Living Adjustments shall use the Consumer Price Index for the California Consumer Price Index All Items for Urban Wage Earners and Clerical Workers.

Section 3. This resolution shall take effect immediately.

Upon a motion by Director Armstrong, seconded by Director Eby, on the following roll call vote, to wit:

AYES: Directors Armstrong, Eby, Blair, Woodson, and Gaddis
NOES: None
ABSTAIN: None
ABSENT: None

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2017-1440**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY
SERVICES DISTRICT ESTABLISHING THE METHODOLOGY OF COMPUTING
EMPLOYEE COST OF LIVING ADJUSTMENTS (COLA)**

the foregoing resolution is hereby passed and adopted on this 12th day of April, 2017.



DAN A. GADDIS
President of the Board

ATTEST:

APPROVED AS TO FORM AND
LEGAL EFFECT:



MARIO IGLESIAS
General Manager and Secretary to the Board



WHITNEY G. McDONALD
District Legal Counsel

MARCH 15, 2018

ITEM 4

ATTACHMENT C

Consumer Price Index

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How to Use the Consumer Price Index for Escalation

The Consumer Price Index (CPI) measures the average change in the prices paid for a market basket of goods and services. These items are purchased for consumption by the two groups covered by the index: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers, (CPI-W).

Escalation agreements often use the CPI—the most widely used measure of price change—to adjust payments for changes in prices. The most frequently used escalation applications are in private sector collective bargaining agreements, rental contracts, insurance policies with automatic inflation protection, and alimony and child support payments.

The following are general guidelines to consider when developing an escalation agreement using the CPI:

Define the base payment

Define clearly the base payment (rent, wage rate, alimony, child support, or other value) that is subject to escalation.

Identify which CPI series will be used

Identify precisely which CPI index series will be used to escalate the base payment. This should include the population coverage (CPI-U or CPI-W), area coverage (U.S. City Average, West Region, Chicago, etc.), series title (all items, rent of primary residence, etc.), and index base period (1982-84=100).

Specify reference period

Specify a reference period from which changes in the CPI will be measured. This is usually a single month (the CPI does not correspond to a specific day or week of the month), or an annual average. There is about a two-week lag from the reference month to the date on which the index is released (that is, the CPI for May is released in mid-June). The CPIs for most metropolitan areas are not published as frequently as are the data for the U.S. City Average and the four regions. Indexes for the U.S. City Average, the four regions, nine divisions, two city-size classes, eight region-by-size classes, and three major metropolitan areas (Chicago, Los Angeles, and New York) are published monthly. Indexes for the remaining 20 published metropolitan areas are available only on a bimonthly basis. Contact BLS for information on the frequency of publication for the 23 metropolitan areas.

State frequency of adjustment

Adjustments are usually made at fixed intervals, such as quarterly, semiannually, or, most often, annually.

Determine adjustment formula

Determine the formula for the adjustment calculation. Usually the change in payments is directly proportional to the percent change in the CPI index between two specified periods. Consider whether to make an allowance for a "cap" that places an upper limit on the increase in wages, rents, etc., or a "floor" that promises a minimum increase regardless of the percent change (up or down) in the CPI.

Provide for revisions

Provide a built-in method for handling situations that may arise because of major CPI revisions or changes in the CPI index base period. The Bureau always provides timely notification of upcoming revisions or changes in the index base.

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 94 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 is earned from clerical or hourly-wage occupations. The CPI-W represents about 28 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 of 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 (COLAs). Because the CPI-U population coverage is more comprehensive, it is used in most other escalation agreements.

The 23 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 subcomponents of the national indexes (regions, size-classes) often exhibit greater volatility than the national index. BLS recommends that users adopt the U.S. City Average CPI for use in escalator clauses.

The U.S. City Average CPIs 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, holidays, model change-overs, 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 and seasonally adjusted data 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 period. This is calculated by first determining the index point change between the two periods and then determining the percent change. The following example illustrates the computation of a percent change:

CPI for current period	232.945
Less CPI for previous period	229.815
Equals index point change	3.130
Divided by previous period CPI	229.815
Equals	0.0136
Result multiplied by 100	0.0136 x 100
Equals percent change	1.4%

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.

Additional information may be obtained from the Consumer Price Index Information Office at cpi_info@bls.gov or 202-691-7000. Information on the CPI's overall methodology can be found in [Chapter 17](#) of the BLS Handbook of Methods.

Last Modified Date: February 14, 2018

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MARCH 15, 2018

ITEM 4

ATTACHMENT D

CALIFORNIA CONSUMER PRICE INDEX (1955-2017)

ALL ITEMS (1982-1984=100)

Year	Month	All Urban Consumers	Urban Wage Earners and Clerical Workers
2017	Annual	262.802	253.244
2017	December	265.652	256.131
2017	October	265.472	255.682
2017	August	263.473	253.874
2017	June	262.286	252.839
2017	April	261.850	252.316
2017	February	260.111	250.485
2016	Annual	255.303	246.184
2016	December	256.953	247.411
2016	October	257.836	248.408
2016	August	R/256.097	R/246.735
2016	June	R/255.576	R/246.505
2016	April	254.134	245.321
2016	February	252.649	243.748
2015	Annual	249.666	241.635
2015	December	250.711	242.222
2015	October	251.255	242.884
2015	August	251.253	243.753
2015	June	250.404	242.680
2015	April	248.637	240.661
2015	February	246.218	237.836
2014	Annual	246.055	238.960
2014	December	244.812	236.733
2014	October	247.481	240.082
2014	August	247.259	240.289
2014	June	247.228	240.612
2014	April	245.900	239.144
2014	February	244.037	237.021
2013	Annual	241.623	234.947
2013	December	241.526	234.654
2013	October	242.633	235.783
2013	August	241.967	235.196
2013	June	241.926	235.333
2013	April	241.399	234.695
2013	February	241.242	234.887
2012	Annual	238.155	231.610
2012	December	237.705	230.922
2012	October	241.537	235.382
2012	August	239.034	232.427
2012	June	237.781	231.042
2012	April	238.090	231.722
2012	February	235.828	229.430
2011	Annual	232.930	226.364



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TO: FINANCE AND AUDIT COMMITTEE

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR

DATE: MARCH 13, 2018

AGENDA ITEM
5
MARCH 15, 2018

REVIEW BLACKLAKE STREET LIGHT ASSESSMENT

ITEM

Review Blacklake Street Light Assessment

BACKGROUND

The District has provided street lighting services to Blacklake Village since annexing the area in 1992. Upon annexation, the District took over the developer-petitioned assessment district formed by the County. In order to maintain the street lighting, an annual assessment is levied on each parcel for the service rendered. The annual assessment is currently \$44.00, which is less than the approved maximum assessment of \$50.00¹ per parcel. Note, San Luis Obispo County adds \$2.00 per parcel handling fee for processing the property tax collection, making the total proposed annual assessment billed to each parcel owner \$46.00. The assessment cannot be increased above \$50.00 without the District initiating a Prop 218 proceedings.

History of per parcel assessment:

<u>Year</u>	<u>Charge</u>	<u>County Fee</u>	<u>Total</u>
1992-93	\$48.00	\$2.00	\$50.00
1993-94	\$50.00	\$2.00	\$52.00
1994-95	\$48.00	\$2.00	\$50.00
1995-96	\$40.00	\$2.00	\$42.00
1996-97 to 2012-13	\$34.00	\$2.00	\$36.00
2013-14 to 2016-17	\$44.00	\$2.00	\$46.00
2017-18	\$44.00	\$2.00	\$46.00

Below is a summary of actual assessments and expenses for the past four fiscal years and the estimate for the current fiscal year:

	<u>Actual</u> <u>6/30/2014</u>	<u>Actual</u> <u>6/30/2015</u>	<u>Actual</u> <u>6/30/2016</u>	<u>Actual</u> <u>6/30/2017</u>	<u>Estimated</u> <u>6/30/2018</u>
Assessments	24,508	24,508	24,508	24,508	24,508
Electricity	(20,711)	(22,328)	(24,015)	(26,924)	(27,860)
Insurance	(500)	(500)	(500)	(500)	(500)
Public Notice	(225)	(243)	(103)	(243)	(250)
Other	(720)	(500)	(500)	(500)	(500)
Total Expenses	(22,156)	(23,571)	(25,118)	(28,167)	(29,110)
Surplus/(Deficit)	2,352	937	(610)	(3,659)	(4,602)
Cash Balance	28,630	29,653	29,238	24,011	19,400
Cash Reserve Goal	30,000	30,000	30,000	30,000	30,000

¹ Not including County administrative fee.

The electricity costs have increased 8%, 8%, and 12% over the past 3 years and estimated to increase 3% this fiscal year.

The assessment can be increased \$6.00 per parcel per fiscal year without initiating a Prop 218 proceedings (\$50.00 max from FY 1993-1994 less \$44.00 current assessment).

This would generate an additional \$3,342 in assessments (\$6.00 x 557 parcels).

The District is responsible for maintaining a limited number street light poles and heads within the lighting district. The reserves would be used for such maintenance. The last maintenance on these poles was completed in 2006.

RECOMMENDATION

It is recommended that the Committee review the Staff report and direct Staff for budget preparation purposes.

ATTACHMENTS

None