



SCOTIA COMMUNITY SERVICE DISTRICT
NOTICE IS HEREBY GIVEN THAT A
REGULAR MEETING
OF THE BOARD OF DIRECTORS

WILL BE HELD AT:
122 MAIN STREET
SCOTIA, CALIFORNIA

Thursday, April 16, 2015
Regular Meeting at 6:30 P.M.

AGENDA

B. CALL TO ORDER The Presiding officer will call the meeting to order and call the roll of members to determine the presence of a quorum.

ROLL CALL (DIRECTORS IN ATTENDANCE)
PLEDGE OF ALLEGIANCE

C. SETTING OF AGENDA

The Board may adopt/ revise the order of the agenda as presented.

D. CONSENT CALENDAR

• **APPROVAL/DISAPPROVAL OF MINUTES FROM PREVIOUS MEETINGS**

March 5, 2015

March 19, 2015

E. PUBLIC COMMENTS & WRITTEN COMMUNICATIONS

Regularly scheduled meetings provide an opportunity for members of the public to directly address the SCSD Board Members on any action item that has been described in the agenda for the meeting, before or during consideration of that item, or on matters not identified on the agenda within the Board jurisdiction. Comments are not generally taken on non-action items such as reports or information.

F. PUBLIC HEARING

No public hearing.

G. REPORTS

No specific action is required on these items, but the Board may briefly discuss any particular item raised.

Board and Staff Reports

- **President's Report:** Measure T information and impartial analysis
- **Interim Manager's Report:** Revisit Facilities Plan, Special Meeting April 30 on Rate Study?
- **Special Counsel's Report:** Governor's Executive Order

- **Engineer's Report:** Not attending
- **Fire Chief's Status Report:** Quarterly Report

H. CONTINUED AND NEW BUSINESS

G1. New Business –

- **Consider Approval Assignment of Contract Obligations related to Legal Services Contract Between Scotia CSD and Law Offices of Nancy Diamond.**
- **Consider Approval of Agreement Between The Scotia Community Services District and Planwest Partners, Inc. For Professional Services.**
- **Consider Approval Assignment of Contract Obligations related to Professional Clerk Services Contract Between Scotia CSD and Planwest Partners.**
- **Capital Improvement Responsibilities – presented by Frank Bacik**
- **Consider Adopting Resolution 2015-2: Establishing a Depository of District Money for the SCSD and Appointment of a Treasurer.**
- **Consider Adoption of Resolution 2015-3: Establishing signatory assignments for the SCSD.**

G2. Continued Business –

- **Update on Preliminary Budget for 2015-2016**
 - **Ron Stillmaker/Steve Davidson Budget**
 - **Preliminary Questions on Budget**
- **Establish working group to review ordinances.**

I. ADJOURNMENT

Next Regular Meeting of the SCSD will be May 21, 2015 at 6:30 PM.

Notice regarding the Americans with Disabilities Act: The District adheres to the Americans with Disabilities Act. Persons requiring special accommodations or more information about accessibility should contact the District Office. Notice regarding Rights of Appeal: Persons who are dissatisfied with the decisions of the SCSD Board of Directors have the right to have the decision reviewed by a State Court. The District has adopted Section 1094.6 of the Code of Civil Procedure which generally limits the time within which the decision may be judicially challenged to 90 days.

DRAFT
Minutes of the Special Meeting of
The Scotia Community Service District
Thursday, March 5, 2015
at 5:30 PM
122 Main Street, Scotia, CA

Agenda Item A - Call to Order, Roll Call

The special meeting of the Board of Directors of the Scotia Community Service District convened at 5:30 pm with the following directors and staff in attendance:

Rick Walsh,	Director - present
John Broadstock,	Director - present
Gayle McKnight,	Director - present
Diane Bristol,	Director - scheduled absent
Susan Pryor,	Director - present

Agenda Item B - Setting of the Agenda

No changes were proposed to the agenda.

Agenda Item C - Business

C1: Board review of proposed budget timeline – presentation by Steve Davidson. Attorney Boobar commented that by law the preliminary budget is due June 30. A final due in September. Boobar also commented that special meetings may be scheduled at any time. TOS Bacik commented that Mr. Davidson's proposed schedule allows for 5 meetings to consider the budget, which should be more than sufficient.

C2: TMF review process – presentation by SHN Engineer, Mike Foget, and discussion regarding components TMF analysis, who pays for preparation, who conducts analysis who reviews assessment.

10 minute break requested by Chair, Rick Walsh.

C3: Proposition 218/Rate Study – presentation by Frank Bacik and Mike Foget. Discussed revenue options available to district, including benefit assessments, water/sewer fees and other utility charges. Bacik described procedural and substantive prerequisites and requirements for establishing utility rates by special districts, including weighted ballot "voting and "election" processes.

C4: Updates and Reminders:

1. **Statements of Economic Interest (Form 700).** Attorney Boobar reminded the board that their disclosure forms due April 1.

2. **TOS/SHN Binder Handout and discussion including: Annual Report 2014 of WWTF, Municipal Service Review (MSR), Detailed Engineering Analysis (DEA), and Financial Study.** Presentation by District Engineer, Steve Davidson about key documents and information provided to each board member regarding district formation and capital financing.

3. **Overview of the Municipal Bio-Solid Waste Disposal Process:** brief comment by Attny Boobar.

4. **Discussion of Recruitment Process for CSD Clerk.** Board informally agreed Attny Boobar may commence Board Clerk recruitment process.

Agenda Item D: Meeting Adjourned at 8:06 PM.

DRAFT
Minutes of the Regular Meeting of
The Scotia Community Services District
Thursday, March 19, 2015 – 6:30 pm
122 Main St, Scotia, CA

Closed Session Meeting

Agenda Item A – Call Closed Session to Order/Roll Call

A.1 Closed Session of the regular meeting of the Board of Directors of the Scotia Community Services District Closed Session convened at 5:30 pm.

A.2 The following directors in attendance:

Rick Walsh	President – present
John Broadstock	Director – present
Gayle McKnight	Director – present
Diane Bristol	Director – present
Susan Pryor	Director – present

A.3 Closed Session: Conference with Legal Counsel - Meeting to Consider Personnel Matters pursuant to Gov't Code §54957, General Manager.

A.5 Report out of Closed Session – discussed Mark Richardson's departure from employment and possible future personnel options going forward. No action taken.

Agenda Item B – Call Open Session to Order/Roll Call

Open Session of the regular meeting of the Board of Directors of the Scotia Community Services District convened at 6:30 pm with the following directors in attendance:

Rick Walsh	President – present
John Broadstock	Director – present
Gayle McKnight	Director – present
Diane Bristol	Director – present
Susan Pryor	Director – present

Agenda Item C – Setting the Agenda

Additions/revisions to the agenda: None

Agenda Item D – Consent Calendar

Consent Items: None

Agenda Item E – Public Comments & Written Communication

Frank Bacik initiated a discussion regarding the Capital Finance Plan in the Municipal Service Review which calls for 17.2 million dollars of debt service incurred by the Town of Scotia, LLC and 5 million dollars of debt service incurred by the Scotia CSD to pay for the town infrastructure improvements. Frank expressed concern the most recent budget version did not note debt service. He reminded the board that Steve Davidson, in a March 5 memo, recommended that the board include debt service in their first year operating budget. Tracy Boobar, legal counsel for Scotia CSD, responded that the 5 million dollar debt service to potentially be incurred by Scotia CSD was an option for financing the infrastructure project but was not required by LAFCO.

President Rick Walsh brought up concern over not being notified by TOS that Mark Richardson was no longer employed by the TOS. TOS will no longer provide employees to support CSD and issue should not happen again.

Tracy Boobar acknowledged receipt of correspondence and discussed county elections office notice of appointments and completion/submission of CA Forms 700 and roster of public officials.

Rick Walsh - Announced California Water Resources Control Board workshop for onsite technical assistance and more on March 26th, if board members would like to attend.

Agenda Item F – Public Hearing

Public Hearing: None

Agenda Item G – Reports

Board and Staff Reports

- President's Report: Rick Walsh and Tracy Boobar met with Rex Bohn and Tom Madsen. They received contact information for local CSD employees who can view water plants. Tracy will look into grant funding from Headwaters Fund for start up money.
- Special Counsel's Report: Street maintenance (alleyways) and lighting will not be maintained by the County. CSD will need to provide for maintenance and repair. Need quote for repair and maintenance before budget finalized. The rate study may reflect a flat fee per household for lighting maintenance and repair.
- Engineers Report: None
- Fire Chief's Status Report (bimonthly): None

Agenda Item H – New and Continued Business

H1. New Business

a. Consider motion to approve an amendment to legal services contract between Scotia CSD and The Law Offices of Nancy Diamond. Tracy Boobar discussed the occasional need for her office to take on general manager role on behalf of the board and to offer occasional needed administrative services at a rate lower than her contracted legal services.

Motion: It was moved to approve an amendment to the legal services contract between Scotia CSD and The Law Offices of Nancy Diamond for Tracy Boobar to act in specific cases as Interim General Manager and to provide administrative duties as necessary at the request of the board.

Motion: John Broadstock; Second: Gayle McKnight
Motion Vote: Ayes - All Opposed - None

H2. Continued Business

a. Consider motion to approve organizational chart for initial staffing of SCSD. Tracy Boobar reviewed the organizational charts provided in board packet. Options were briefly discussed by the board. There were no public comments and no additional comments from the board.

Motion: It was moved to approve organizational chart 1.

Motion: Gayle McKnight; Second: Susan Pryor
Motion Vote: Ayes - All Opposed - None

b. Consider motion to approve a clerk recruitment option. Tracy Boobar recommended hiring an interim clerk through Planwest Partners to immediately provide clerk services. Public question was asked regarding whether CSD or TOS will pay for services and who will be directly managing the temporary employee. Frank Bacik responded that the TOS will pay for services until CSD has the resources to pay directly and the CSD will be responsible for directing the work.

Motion: It was moved to approve hiring a temporary clerk through Planwest Partners.

Motion: John Broadstock; Second: Diane Bristol
Motion Vote: Ayes - All Opposed - None

c. Consider motion to approve job description for clerk position. A sample job description was reviewed. Tracy Boobar led a discussion of the scope of services provided by the clerk. It was requested that the motion be tabled until a job description is drawn up specifically for the Scotia CSD.

d. Update on 2015-2016 budget. No updated budget was provided. Tracy Boobar led discussion regarding contract services and personnel costs. John Broadstock clarified that the personnel salaries in the most recent budget were based on local comparisons. There was a discussion regarding the importance of assessing/clarifying the needed capital improvements

and ongoing operational expenses of the district in order to consider an appropriate amount of debt service. Public comment was made regarding the budgeting of 50% of salary for benefits and noted that 35% was more in line with comparable agencies.

Agenda Item I – Adjournment

Meeting adjourned at 8:31pm by Board President Rick Walsh.

Next regular meeting of the SCSD will be Thursday, April 16th at 6:30 pm.

IMPARTIAL ANALYSIS OF MEASURE T

A majority "yes" vote by voters on this measure will confirm approval for formation of the Scotia Community Services District (hereafter "Scotia CSD" or "district"), as approved by, and subject to the terms and conditions set forth in, Local Agency Formation Commission (LAFCo) Resolution No. 10-09, adopted on October 13, 2010.

A majority "no" vote will deny formation of the Scotia CSD.

The Scotia CSD would provide the following services to the community of Scotia: wastewater collection and treatment; water treatment and distribution; fire protection (by absorbing the Scotia Volunteer Fire Department); storm drainage collection and disposal; street lighting; road maintenance; parks, recreation and open space; and landscape maintenance within the public right-of-way.

The Scotia CSD would have the same boundaries as the established community known as the Town of Scotia, comprising approximately 420 acres. Specific boundaries are described in LAFCo Resolution 10-09.

If the Scotia CSD is formed, the Town of Scotia LLC will transfer its infrastructure, after substantial upgrading, and other community facilities to the district.

The proposed Scotia CSD is related to the plan by Town of Scotia LLC to subdivide its holdings in Scotia into 340 parcels and sell individual homes and other property. In its November 2009 approval of the related vesting subdivision map, the County established conditions of approval including conditions that require the formation of a community services district or other public entity for the management of water and sewer utilities and open space. Therefore, if the Scotia CSD is not formed, the subdivision as approved by the County may not be completed unless another type of acceptable public entity is formed to satisfy the conditions of approval.

During consideration of the proposal to form the Scotia CSD, LAFCo determined that there is no existing agency, including the City of Rio Dell, that successfully demonstrated that it could feasibly provide the services in a more efficient manner than the proposed district.

LAFCo has reviewed and approved a municipal services review, a plan for services, and a finance plan for the proposed district. LAFCo's conditions of approval for formation of the Scotia CSD include a condition stipulating that the district shall have the authority to incur up to \$5 million of indebtedness within the first 5 years of operation, unless additional debt is necessitated by emergency. Also, the initial total of monthly user fees, including payment for any and all debt service, shall not initially exceed \$188 per equivalent dwelling unit. That initial amount, which would constitute the theoretical maximum monthly "household" fee, may be less. In time, the district board could increase fees pursuant to state laws regulating fee increases.

If approved, the Scotia CSD will be governed by a five-member board of directors elected at large within the community, each of whom shall be a voter residing within the district. Therefore, this measure has an accompanying opportunity to vote for individuals who will serve on the board of directors if voters approve formation of the Scotia CSD.

The above statement is an impartial analysis of Measure "T". If you desire a copy of the proposition, please call the elections official's office at (707) 445-7481 and a copy will be mailed at no cost to you.

The foregoing Impartial Analysis was approved by the Humboldt Local Agency Formation Commission on March 16, 2011.

Merie Anderson,
Executive Officer Humboldt LAFCo

ARGUMENT IN FAVOR OF MEASURE T

Under the terms of the Court-Ordered Reorganization which concluded the PALCO Bankruptcy, all the homes and businesses in Scotia are slated to be sold.

- They can be sold in an orderly process, over the course of *several years*, under the terms of the approved subdivision, with governance by the independent Scotia Community Services District (CSD); OR
- They can be sold all at once, to a new single owner, to be used for its own special purposes.

That's what's at stake in this election.

Substantive advantages of Measure T include:

Orderly CSD formation,
Continued rental tenancies,
Preservation of existing community institutions;
Improvement of the quality and condition of the town's infrastructure;
and;
Direct, Democratic control by *elected community members*,
Whom you may now select.

Failure of Measure T renders formation of the CSD and Scotia subdivision impossible. As a consequence, all of Scotia's neighborhoods may be *promptly sold as a unit*. Such a sale can occur tomorrow, without any permit or permission, from anyone.

There is no way to know what a new owner of Scotia will do. It might well *terminate all tenancies*, for it is simply not economic for anyone to own or operate Scotia solely as a rental landlord.

Under a new Owner, Scotia may be used exclusively for *that owners' special purpose*:

- Native tribal land,
- Senior residence/ care center,
- Tax Exempt Religious organization / community,
- Movie production studio, etc.

With a NO vote on Measure T this may become an economic necessity. However, it could drastically change Scotia -- soon and forever.

A YES vote on measure T preserves Scotia and maintains its independence.

Please Support Measure T, and select *your representatives* from among your friends and neighbors who have declared their candidacy.

/s/ Frank Shaw Bacik, JD
President, Town of Scotia Company, LLC

LAW OFFICES OF

NANCY DIAMOND

Nancy Diamond
ndiamond@ndiamondlaw.com

Tracy M. Boobar
tboobar@ndiamondlaw.com

822 G Street, Suite 3
Arcata, California 95521
Telephone: 707-826-8540
Facsimile: 707-826-8541

Memorandum

To: SCSD Board of Directors
From: Tracy M. Boobar
Date: April 16, 2015
Re: Impact of Drought Conditions on the SCSD

Introduction:

Due to the ongoing severe drought conditions, the Governor has ordered a 25% reduction in potable water use through February 28, 2016. This does include small water districts like the SCSD. This type of reduction will have a significant impact on the SCSD Budget and Rate Study.

In addition, there is the possibility of water right curtailment in 2015. Since we have a very senior water right (1920?), we are less likely to be curtailed. The older the water right the more senior the water right. However, if there is not enough water, our water right may be limited.

Background:

Mandatory Conservation

On January 17, 2014, the Governor of California proclaimed a State of Emergency in California due to the severe drought conditions. The drought conditions have persisted and are expected to stretch into 2016.

Due to these conditions, the State of California has responded with a number of water reduction orders and regulations. First, on April 1, 2015, the Governor of California issued Executive

Order B-29-15. This Order imposed restrictions to achieve a statewide 25% reduction in potable water usage as compared to 2013.

In addition, the Order directs the Water Board to implement Water Code §1058.5, allowing the Water Board to implement emergency regulations. These regulations are to be used to facilitate the water usage reduction necessary by order of the Governor and by the drought conditions. The Water Board has released Draft Regulatory Framework to achieve this reduction.

Water Right Curtailment

In January of 2015, water right holders were informed by the Water Board that curtailments were likely in 2015 because there is not enough water in the watersheds to meet the needs of all water right holders. However, the water right priority system determines who shall get water in times of shortage. Among water right holders, "first in time, first in right." In other words, the older the water right, the more senior is the water right. Water rights which are more junior will have their rights curtailed before more senior water rights. The water rights of the SCSD facility are from the 1920s. Thus, this curtailment may not directly affect us. Nevertheless, the availability of water in the Eel River in the fall may be an indirect curtailment.

Discussion:

The Water Board's proposed regulations would require from small water suppliers such as the SCSD the following:

1. Irrigations shall be restricted to achieve a 20% reduction.
2. Additionally, the SCSD would be required to achieve a 25% water savings compared to the 2013 water use.
3. SCSD would be required to produce a one-time report to the State Water Board, 180 days after the effective date of the emergency regulation, addressing the potable water production from June-November 2013 and June-November 2015. Compliance would be based on submitting the required data and meeting the 25% reduction.

The SCSD Budget will be directly affected by these regulations. From July 1, 2015 -- February, 28, 2015, the expected revenues from water usage should be reduced by 25%. This would not affect the baseline fees. The SCSD should consider basing expected revenues on baseline fees and not water usage fees.

Conclusion:

While Humboldt County may not feel the immediate impact of state-wide drought, the SCSD Water District shall be affected by a 25% decrease in consumption or water usage and the correlating 25% decrease in fees. Drought conditions in California are likely to persist. Thus, the SCSD should consider the effects of the drought on the budget's revenue stream. For the time being, water curtailment is not a significant concern.

Assignment of Contract Financial Obligations (Law Offices of Nancy Diamond)

For good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged by the parties hereto, Scotia Community Services District ("Assignor") hereby assigns and otherwise transfers ("Assigns") to Town of Scotia, LLC ("Assignee") all financial obligations and "Compensation for Services" by Assignor in and to the contract described as follows:

Contract for Legal Services Between Scotia Community Services District and Law Offices of Nancy Diamond ("Contract") effective December 1, 2014, between Scotia Community Services District ("SCSD") and Law Offices of Nancy Diamond ("Nancy Diamond") and concerning professional legal services provided by Nancy Diamond to the SCSD.

Assignor warrants and represents that said Contract is in full force and effect and is assignable for purposes described herein. Assignor further warrants that it has the full right and authority to transfer said financial obligations and compensation for services within the contract. The Contract has not been modified and remains on the terms contained therein and is attached in its entirety as Exhibit A.

Assignee hereby assumes and agrees to be bound by and perform all obligations to Nancy Diamond as described in Section II, Subsections A through D: "Compensation and Expense Reimbursement" under the Contract and agrees to indemnify and hold Assignor harmless from any claim or demand resulting from non-performance by Assignee.

This Assignment shall include the following protocol for compensation:

1. All Detailed invoices, including descriptions of work completed, and Simple invoices, including only the total amount due, shall be sent to the SCSD Board President.
2. After review by Board President, a copy of the simple invoices shall be signed by Board President to indicate approval and forwarded to TOS.
3. TOS shall pay the amount in full within 30 days of receipt of invoice from the SCSD. Any invoices not paid in full within 15 days shall incur a late penalty of 10%. This late penalty shall be paid by TOS.
4. Professional Legal Services provided by the Law Offices of Nancy Diamond are expected to not exceed 30 hours per week. This amount may increase with more frequent Board meetings, continued unfilled position of General Manager or other similar circumstances that may increase the time commitments of the Special Counsel position. If an unexpected increase in hours should occur, TOS shall still be obligated to pay invoices as presented.

This Assignment shall become effective as of the date last executed and shall be binding upon and inure to the benefit of the parties, their successors and assigns.

Dated: _____

Scotia Community Services District,
President Rick Walsh, Assignor

Dated: _____

Town of Scotia, LLC
President Frank Bacik, Assignee

Consent

I hereby consent to this Assignment of Contract affirming that no modification of the contract is made or intended, except that Assignee is now and hereafter substituted for Assignor with regards to only the payment of the financial obligations or Section II, Subsections A through D: "Compensation and Expense Reimbursement"

Dated: _____

Law Offices of Nancy Diamond
Nancy Diamond

Exhibit A

**CONTRACT FOR LEGAL SERVICES
BETWEEN
SCOTIA COMMUNITY SERVICES DISTRICT
AND LAW OFFICES OF NANCY DIAMOND**

THIS CONTRACT FOR LEGAL SERVICES, effective December 1, 2014, is made by and between SCOTIA COMMUNITY SERVICES DISTRICT, hereinafter referred to as "Scotia CSD" or the "District," and LAW OFFICES OF NANCY DIAMOND, hereinafter referred to as "Law Firm."

I. SCOPE OF SERVICES

Scotia CSD shall retain The Law Offices of Nancy Diamond as special counsel, and Law Firm shall provide Scotia CSD with advice, counsel and representation in Authority legal matters and litigation pursuant to the terms and conditions hereafter set forth. Tracy M. Boobar of the Law Firm shall act as primary counsel to Scotia CSD under the terms of this contract. Services of Law Firm are generally described as follows:

A. Basic Legal Services: Law Firm shall provide the following basic legal services:

1. Preparation of Documents: Law Firm shall develop, review, or comment on ordinances, resolutions, contracts, agreements and other documents at the request of Scotia CSD.

2. Legal Advice: Law Firm shall provide Scotia CSD with advice and counsel in oral or written form pertaining to Authority legal matters at the request of the Scotia CSD Board or Scotia CSD Executive Director, including but not limited to resolutions, ordinances, claims for damages, and contracts. Law Firm shall be available for consultation with Scotia CSD staff.

B. Other Legal Services: Law Firm shall provide other legal services to Scotia CSD as follows:

1. Legal review of documents for audits, grant applications, and matters pertaining to funding sought or obtained from other governmental entities.

2. Legal advice in connection with environmental review of major projects proposed for Scotia CSD.

3. Legal services in connection with pending or threatened litigation, including appeals.

4. Legal advice and/or training to the Scotia CSD Board and staff on conflict of interest and ethics statutes, financial disclosure laws, open meetings laws and other matters to ensure compliance with statutory requirements.

C. Litigation: At the request of the Scotia CSD Board, Law Firm shall represent Scotia CSD in litigation. "Litigation," for the purposes of this Contract, means any proceeding in any court or before any local, state or federal administrative agency including, but not limited to, the following services:

1. Acting as defense attorney to fully represent Scotia CSD, its officers and employees against lawsuits filed against Scotia CSD unless said defense is provided by attorneys engaged by Scotia CSD's insurance carriers to represent Scotia CSD, in which

case Law Firm shall fully cooperate with insurance attorneys.

2. Prosecuting all legal actions as directed by the Scotia CSD Board.

D. Meetings: Law Firm shall, upon the request of the President or General Manager, attend Scotia CSD Board of Director meetings. Law Firm shall attend Scotia CSD staff meetings and/or other Scotia CSD meetings when requested by the Scotia CSD President, General Manager or Scotia CSD Board.

E. Services Not Covered: It is expressly understood and agreed that Law Firm shall have no general responsibility for overseeing Scotia CSD operations; and that Law Firm shall have no duty or authority to prosecute criminal violations of any law or ordinance, except as otherwise expressly provided by ordinance or resolution of the Scotia CSD Board. It is also understood and agreed that Scotia CSD may obtain legal services from time to time from other attorneys concerning special matters.

II. COMPENSATION AND EXPENSE REIMBURSEMENT

A. Compensation: Scotia CSD agrees to compensate Law Firm for services and expenses incurred on Scotia CSD's behalf based on the fee schedule in Exhibit A, attached hereto and incorporated herein.

B. Travel Reimbursement: If Law Firm is requested to attend Board Meetings or other staff meetings, the City shall pay for all travel time at the rate set out in Exhibit A. If Law Firm is requested by the Scotia CSD Board or Scotia CSD Executive Director to travel outside Humboldt County on Scotia CSD business, Scotia CSD shall reimburse Law Firm for all travel expenses actually incurred, including reasonable charges for meals, lodging, mileage, airfare, taxi service, ground transportation, parking fees, bridge tolls and other similar charges. Said reimbursement will only be paid upon submission of an itemized bill and the appropriate receipts to the Scotia CSD General Manager. Reimbursement for these expenses shall be based on Scotia CSD practices and rates.

C. Miscellaneous:

1. Office Expenses: Scotia CSD shall reimburse Law Firm for all costs actually advanced by Law Firm on Scotia CSD's behalf, including but not limited to long distance telephone charges, Fed-Ex, UPS or Overnight Mail delivery costs, Westlaw charges, charges for recordation and certification of documents and extraordinary postal expenses. In addition, copies shall be charged at a rate of \$.20 per copy.

2. Litigation Expenses: Scotia CSD shall reimburse Law Firm for all litigation expenses actually advanced by Law Firm on Scotia CSD's behalf, including but not limited to court filing fees, jury fees, witness fees, deposition costs, costs of obtaining documents by subpoena, and other ordinary and necessary litigation expenses.

D. Payment: Scotia CSD will pay Law Firm within fifteen (15) days after receipt of billing which itemizes services, time and charges.

III. ERRORS AND OMISSIONS INSURANCE

At all times during this Contract, Law Firm shall maintain a policy of professional errors and omissions insurance in the amount not less than, Two Million Dollars (\$2,000,000.00) per claim and Two Million Dollars (\$2,000,000.00) annual aggregate.

IV. TERM

This Contract shall be effective beginning December 1, 2014 and terminating June 31, 2015, unless

terminated as provided under Section V.

V. TERMINATION OF CONTRACT

Either party may terminate this Contract by giving ninety (90) days' written notice to the other party. In the event of termination, Law Firm shall receive compensation and reimbursement for all services rendered and expenses due at the time of termination.

VI. CONTRACT TERMS TO BE SOLE AGREEMENT

This written Contract contains the sole and entire agreement between the parties. It supersedes any and all other agreements between the parties, including, without limitation, prior contracts for legal services, saving and excepting applicable indemnification provisions therein and any sums due and owing to Law Firm for services rendered, costs or expenses incurred by Law Firm under any prior contract. The parties acknowledge and agree that neither of them has made any representation with respect to the subject matter of this agreement or any representations inducing the execution and delivery thereof except such representations as are specifically set forth herein; and each party acknowledges that it has relied on its own judgment in entering into this Contract.

VII. WAIVER OR MODIFICATION INEFFECTIVE UNLESS IN WRITING

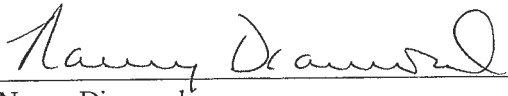
No waiver or modification of this agreement or of any covenant, condition or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith.

VIII. CONTRACT GOVERNED BY LAW OF STATE OF CALIFORNIA

This Contract and performance hereunder, and all suits and special proceedings hereunder, shall be construed in accordance with the laws of the State of California. In any action, special proceeding or other proceeding that may be brought arising out of, in connection with, or by reason of this Contract, the laws of the State of California shall be applicable and shall govern to the exclusion of the law of any other forum, without regard to the jurisdiction in which the action or special proceeding may be instituted.

IN WITNESS WHEREOF, the parties have entered into this Contract as of the date above written.

LAW OFFICES OF NANCY DIAMOND

By: 
Nancy Diamond

SCOTIA COMMUNITY SERVICES DISTRICT

By: 
President, Scotia Community Services District Board

EXHIBIT A
FEE SCHEDULE
(Effective December 1, 2014)

Attorney Services, Nancy Diamond: December 1, 2014 – August 31, 2015: \$ 195.00 per hour

Attorney Services, Tracy M. Boobar: December 1, 2014 – August 31, 2015: \$ 150.00 per hour

Paralegal Services: December 1, 2014 – August 31, 2015: \$ 90.00 per hour

Assignment of Contract Financial Obligations (Planwest Partners, Inc.)

For good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged by the parties hereto, Scotia Community Services District ("Assignor") hereby assigns and otherwise transfers ("Assigns") to Town of Scotia, LLC ("Assignee") all financial obligations and "Compensation for Services" by Assignor in and to the contract described as follows:

Agreement Between the Scotia Community Services District and Planwest Partners Inc. For Professional Services ("Contract") dated April __, 2015, between Scotia Community Services District ("SCSD") and Planwest Partners, Inc. ("Planwest") and concerning professional services provided by Planwest to the SCSD.

Assignor warrants and represents that said Contract is in full force and effect and is assignable for purposes described herein. Assignor further warrants that it has the full right and authority to transfer said financial obligations and compensation for services within the contract. The Contract has not been modified and remains on the terms contained therein and is attached in its entirety as Exhibit A.

Assignee hereby assumes and agrees to be bound by and perform all obligations to Planwest as described in Section 3: "Compensation for Services" under the Contract and agrees to indemnify and hold Assignor harmless from any claim or demand resulting from non-performance by Assignee.

This Assignment shall include the following protocol for compensation:

1. All Detailed invoices, including descriptions of work completed, and Simple invoices, including only the total amount due, shall be sent to the SCSD Board President.
2. After review by Board President, a copy of the simple invoices shall be signed by Board President to indicate approval and forwarded to TOS.
3. TOS shall pay the amount in full within 30 days of receipt of invoice from the SCSD. Any invoices not paid in full within 15 days shall incur a late penalty of 10%. This late penalty shall be paid by TOS.
4. Professional Clerk Services provided by Planwest are expected to not exceed 30 hours per week. This amount may increase with more frequent Board meetings, continued unfilled position of General Manager or other similar circumstances that may increase the time commitments of the SCSD Clerk position. If an unexpected increase in hours should occur, TOS shall still be obligated to pay invoices as presented.

This Assignment shall become effective as of the date last executed and shall be binding upon and inure to the benefit of the parties, their successors and assigns.

Dated: _____

Scotia Community Services District,
President Rick Walsh, Assignor

Dated: _____

Town of Scotia, LLC
President Frank Bacik, Assignee

Consent

I hereby consent to this Assignment of Contract affirming that no modification of the contract is made or intended, except that Assignee is now and hereafter substituted for Assignor with regards to only the payment of the financial obligations or Section 3: "Compensation for Services."

Dated: _____

Planwest Partners, Inc.
George Williamson

Exhibit A

**AGREEMENT BETWEEN
THE SCOTIA COMMUNITY SERVICES DISTRICT
AND
PLANWEST PARTNERS INC.
FOR PROFESSIONAL SERVICES**

THIS AGREEMENT for Professional Services ("Agreement") is made by and between Planwest Partners Inc., a planning consulting firm, hereinafter referred to as "Consultant," and the Scotia Community Services District, hereinafter referred to as "District." This Agreement is effective as of date signed by both parties.

1. **Scope of Services.** Consultant will perform professional services for District in accordance with Exhibit A, Scope of Services, attached hereto and incorporated herein.
2. **Term.**
 - a) **Commencement.** No services shall be performed or furnished under this Agreement until District has provided notice to commence services to the Consultant, which shall not occur until after full execution of this Agreement by both parties and receipt by District of all insurance certificates.
 - b) **Termination.** Either party may terminate this Agreement upon 10 days written notice. In such event, Consultant will be entitled to invoice District for and to receive payment for all acceptable services performed or furnished under the Agreement, if applicable, and all reimbursable expenses incurred through the effective date of termination.
 - c) **Time for Completion.** Consultant shall complete specific tasks in accordance with time frames mutually agreed to by District and Consultant.
3. **Compensation for Services.**
 - a) **Payment.** District shall pay Consultant on a time and materials basis at the rates specified in Exhibit B, Payment Schedule, attached hereto and incorporated herein.
 - b) **Invoicing.** Consultant shall prepare and submit its invoices to District no more than once per month and shall provide a time summary of work performed. District to pay undisputed invoices within 30 days of receipt. If District disputes an invoice, it may withhold that portion so contested and shall pay the undisputed amount.
4. **Professional Standards.** The standard of care for all professional services performed or furnished by Consultant under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the same locality. Consultant shall be responsible for the professional and technical soundness, accuracy, and adequacy of all work and materials furnished under this Agreement.
5. **Independent Contractor Status.** Consultant is performing services as an independent contractor for District, and is neither an employee nor an agent of District. Except as otherwise provided in this Agreement, Consultant shall have sole control over the manner and method of performance of the services, and District's only interest shall be in the results of such services. District's liability hereunder shall be limited to payment of the compensation provided in this Agreement. Consultant agrees and acknowledges that it is not entitled to any benefits or insurance, including without limitation any medical, unemployment, or disability benefits, on District's account. This Section shall also apply to any of Consultant's subcontractors.

6. **Document Submission and Title to Documents.** Consultant agrees that all data, plans, reports, maps, memoranda, manuals, letters and other written or graphic work produced in the performance of this Agreement is considered work made for hire and shall be the property of District upon delivery. District may disclose, disseminate and use in whole or in part, any final form data and information received, collected, and developed under this Agreement.
7. **Designation of Representative.** Consultant and District shall designate specific individuals to act as representatives (“Designated Representative”), who shall have District to transmit instructions, receive information, and implement the Agreement on behalf of each respective party. Either party may change its Designated Representative or the address of its Designated Representative by giving reasonable notice to the other party.
8. **Notice.** All notices required or permitted hereunder shall be in writing and shall be deemed to have been properly given and delivered when delivered personally (including by commercial messenger or courier or by facsimile transmission) or four (4) days after deposit in the U. S. mail with all postage or charges fully prepaid and addressed to the authorized representative of the appropriate party.

Scotia Community Services District
Rick Walsh, Board President
122 Main Street
Scotia, CA 95565

Planwest Partners Inc.
George Williamson, Principal Planner
1125 16th Street, Suite 200
Arcata, CA 95521

9. **Indemnification.**

When the law establishes a professional standard of care for Consultant’s services, to the fullest extent permitted by law, Consultant shall indemnify and hold harmless District and its boards, task forces, officials, employees and agents (collectively “Indemnified Parties”) from and against any and all losses, liabilities, damages, costs and expenses, including attorney’s fees and costs to the extent same are caused in whole or in part by any negligent or wrongful act, error or omission of Consultant, its officers, agents, employees or sub-contractors or any entity or individual for which Consultant shall bear legal liability in the performance of professional services under this Agreement.

10. **Insurance.**

a) Insurance Requirements.

- i. Prior to performing any services hereunder and until the services have been completed in accordance with this Agreement and accepted by District, the Consultant shall maintain insurance in full compliance with all of the provisions of this Section 10. In the event the Consultant sublets or subcontracts any part of the services, each subcontractor shall be bound by the same terms and conditions concerning insurance as outlined herein and this Section 10 will be made a part of any such subcontract agreement.
- ii. As evidence of specified insurance coverage, District may, in lieu of actual policies, accept certificates issued by the insurance carrier showing such policies in force for the specified period and naming District as an additional insured thereunder, except Professional Liability Insurance and Workers Compensation.
- iii. District reserves the right at any time during the term of the Agreement to change the amounts and types of insurance required by giving the Consultant ninety (90) days advance written notice.

- b) Professional or Errors and Omissions Insurance. Consultant shall purchase and maintain such Professional or Errors and Omissions Insurance for the services performed and furnished as will provide protection from any claim arising out of any negligent act, error

or omission in rendering or failing to render professional services either committed or alleged to have been committed by Consultant or by anyone employed by Consultant to perform or furnish any of the services, or by anyone for whose acts any of them may be liable. Such coverage shall not be subject to a Self-Insured Retention (SIR) greater than \$100,000, and for not less than \$1,000,000 Single Limit, any one claim and annual aggregate.

- c) Workers' Compensation Insurance. Consultant shall purchase and maintain such Workers' Compensation covering all employees and volunteers as required by the State of California, and on a state-approved policy form.
- d) Commercial General Liability. Insurance Services Office (ISO) "Commercial General Liability" policy form CG 00 01 or equivalent. Coverage for additional insured shall not be limited to vicarious liability. Defense costs must be paid in addition to limits. Limits shall be no less than \$1,000,000 general aggregate.
- e) Automobile Liability Insurance. ISO Business Auto Coverage for CA 0001 including symbol 1 or equivalent. Limits are subject to review, but in no event to be less than \$1,000,000 per accident. If Consultant or Consultant's employees will use personal autos in the performance of any duties under this Agreement, Consultant shall provide evidence of personal auto liability coverage for each such person.

11. **Dispute Resolution.** The parties agree to negotiate any disputes over the performance of their respective rights and obligations under this Agreement in good faith for a period of at least 30 days after the date of notice invoking the need for dispute resolution or exercising rights under law. Neither party may initiate court action prior to such good faith negotiation and following that prior to good faith third-party mediation.
12. **Governing Law, Venue.** This Agreement and performance hereunder and all suits and special proceedings shall be interpreted in accordance with California law. Venue shall be fixed in Humboldt County.
13. **Authority.** Each party hereto warrants and represents to the other party that such party has the full right, power and District to enter into this Agreement and has obtained all necessary consents and approvals to consummate the transaction contemplated hereby.
14. **Negotiated Agreement, Interpretation.** This Agreement has been negotiated by the parties hereto. Each of the parties has had full opportunity to have this Agreement reviewed by an attorney acting on such party's behalf. The language of the Agreement shall not be construed for or against either party by reason of the authorship or alleged authorship of any provision hereof or by reason of the status of the respective parties.
15. **Entire Agreement/Modifications and Amendments.** This Agreement and all attachments constitutes the entire agreement between District and Consultant as to the subject matter hereof. It supersedes all prior communications, representations, or agreements, whether oral or written. No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required.
16. **Assignment, Subcontract.** Consultant may assign its rights, interests, duties or obligations under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date of the last party signing.

SCOTIA COMMUNITY SERVICES DISTRICT: **Designated Representative:**

Name: Rick Walsh, Board President
Phone: (707) 506-3030

Date: _____

Attest:

PLANWEST PARTNERS INC:

Designated Representative:

By Its: Principal

Name: George Williamson
Phone: (707) 825-8260
Fax: (707) 825-9181
E-mail: georgew@planwestpartners.com

Date: _____

EXHIBIT A SCOPE OF SERVICES

Statement of Services:

The Consultant shall provide Board Secretary/Clerk services, including preparation and recording of the activities and decisions of the District Board and codification and maintenance of official District records; administers board elections; coordinates assigned activities with other departments and outside agencies; and provides highly responsible and complex administrative support to the General Manager and Board of Directors.

General Board Secretary/Clerk Duties:

1. Oversee and participate in the development and administration of the annual budget; participate in the forecast of funds needed for staffing, equipment, materials, and supplies; monitor and authorize expenditures within the framework and limitations of the annual budget, subject to the approval of the General Manager.
2. Staff the District office.
3. Prepare Board agendas, minutes, resolutions, ordinances, notices and other related matters.
4. Attend Regular, Special, Emergency, and Adjourned Board meetings and other meetings as required, taking non-verbatim notes of business transacted and prepare minutes; post/publish all notices and agendas required by law.
5. Prepare reports, memoranda and other documents; serve as filing officer or filing official.
6. Maintain resolutions, ordinances, Board approved policies and District agreements; attest to ordinances, resolutions and other official documents.
7. Accept correspondence on behalf of the Board; oversee all public records requests; work with legal counsel in preparation of required documents
8. Coordinate election procedures with Humboldt County Elections office and candidates; administer Oaths or affirmations of newly elected and appointed Board members; facilitate compliance with the Fair Political Practices Act; administer state campaign financing and disclosure laws.
9. Assist General Manager in preparation of development agreement contract negotiations and administration. Administration may include, but is not limited to the following:
 - a. Insurance coverage certification
 - b. Recordation of Memorandum of Agreement
 - c. Easement acquisition
 - d. General Contract compliance
 - e. Will-serve commitments
 - f. Performance/Maintenance Bonds
 - g. Map approvals
 - h. System Dedications
10. Responsible for the District's short-term and long-term records management program.
11. Perform other duties as required.

EXHIBIT B - PAYMENT SCHEDULE

Compensation for Scope of Services

Board Secretary/Clerk: \$40.00 per hour

GIS Analyst: \$58.00 per hour

Analyst: \$78.00 per hour

Principal: \$104.00 per hour

+ direct expenses

**The Board of Directors
Of the Scotia Community Service District**

**Resolution No. 2015-2
ESTABLISHING A DEPOSITORY OF DISTRICT MONEY
FOR THE SCOTIA COMMUNITY SERVICE DISTRICT AND APPOINTMENT OF
THE HUMBOLDT COUNTY TREASURER AS DISTRICT TREASURER**

WHEREAS, the Board of the Scotia Community Service District (“SCSD”), pursuant to SCSD Bylaws, Article 6.1, is required to establish a Depository for District Money; and

WHEREAS, Government Code §61052(a) provides the county treasurer of the principal county shall be treasurer of the District and shall be the depository and have custody of all of the District’s money; and

WHEREAS, the SCSD desires to appoint the Humboldt County Treasurer as the depository for the District; and

WHEREAS, the SCSD, after consultation with the Humboldt County Treasurer, intends to identify this District account as the “Scotia Community Service District Trust Fund.”

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Scotia Community Service District:

- The above recitals are true and correct and shall be incorporated herein.
- The County Treasurer shall be the depository of the District’s money.
- The Board hereby establishes the Humboldt County Treasurer to serve as the treasurer of the District.
- The Board hereby authorizes the County Treasurer to implement the function of the treasurer as provided by law and pay all warrants presented for payment drawn on the Scotia Community Service District Trust Fund account.

This Resolution shall be effective upon adoption.

PASSED AND ADOPTED by the Scotia Board of Directors of the Scotia Community Service District, County of Humboldt, State of California.

DATED:

APPROVED:

ATTEST:

Rick Walsh, President of the Board

Kathy Miller, Interim Clerk

CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of Resolution No. 2015-2 passed and adopted at a special meeting of the Scotia Community Service District, County of Humboldt, State of California, held on April 16th, 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Kathy Miller, Interim Clerk

**The Board of Directors
Of the Scotia Community Service District**

Resolution No. 2015-3

**ESTABLISHING THE SIGNATORY ASSIGNMENT FOR WARRANTS
FOR THE SCOTIA COMMUNITY SERVICE DISTRICT**

WHEREAS, the Board of the Scotia Community Service District (“SCSD”), pursuant to SCSD Bylaws, Article 6.4, Checks, Drafts, Etc. which states, "All checks, drafts and other orders for payment of money, notes or other evidence of indebtedness, issued in name of or payable to the District, shall be signed or endorsed by the General Manager or the President of the Board, plus one (1) additional Director"; and

WHEREAS, the SCSD board has adopted a resolution pursuant to California Government Code, Section 61052 to name the County Treasurer of Humboldt County as the SCSD's Treasurer and depository of funds; and

WHEREAS, the SCSD has previously authorized the County of Humboldt to make payments from the funds of the Scotia Community Service District Trust Fund based on checks or drafts signed by the SCSD; and

WHEREAS, the SCSD board will require from time to time drafts and other warrants to be signed for deposit of issuance, the payment of funds and other designated actions.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Scotia CSD:

- The above recitals are true and correct and shall be incorporated herein.
- The SCSD Board has designated Rick Walsh and Diane Bristol as the individuals authorized and empowered to cause to be deposited in any bank account of the SCSD all moneys, checks, notes, or other warrants belonging to the SCSD.
- The above-named individuals are hereby authorized to sign, endorse, accept, make and execute any and all checks or other warrants in the name of the SCSD.

This Resolution shall be effective upon adoption.

PASSED AND ADOPTED by the Scotia Board of Directors of the Scotia Community Service District, County of Humboldt, State of California.

DATED:

APPROVED:

ATTEST:

Rick Walsh, President of the Board

Kathy Miller, Interim Clerk

CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of Resolution No. 2015-3 passed and adopted at a regular meeting of the Scotia Community Service District, County of Humboldt, State of California, held on April 16, 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Kathy Miller, Interim Clerk

**Scotia Community Services District Start-Up Budget
Proposed First Full Year Operating Budget**

Revenues

Fund Type	Water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Department	Total All Services
Available Cash on Hand	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings						\$7,660	\$7,660
Property Tax ¹							\$0
TOS Initial Funding of Contingency	\$40,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
TOS Start-up Funding	\$7,000	\$6,000	\$3,000	\$3,000	\$1,000	\$766,000	\$786,000
Special Use Income					\$2,000	\$0	\$2,000
User Fee Revenues Necessary to Balance Budget	\$291,042	\$315,642	\$37,842	\$23,842	\$79,443	\$184,396	\$932,206
Connection Fees	\$1,000	\$1,000					\$2,000
Miscellaneous	\$100	\$100	\$100	\$100	\$0	\$0	\$400
Sub-Total Resources	\$339,142	\$366,742	\$55,942	\$40,942	\$87,443	\$975,056	\$1,865,266
Outside Revenue Sources To Pay for Capital Expenditures							
CSD Debt Finance w/User Fee Revenues							\$0
TOTAL CAPITAL EXPENDITURE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL RESOURCES	\$339,142	\$366,742	\$55,942	\$40,942	\$87,443	\$975,056	\$1,865,266

Expenditures

	Water	Wastewater	Streets & Street Lighting	Storm	Parks & Recreation	Fire Dept.	Total All Services
Personal Services							
Attorney	\$8,000	\$8,000	\$1,000	\$1,000	\$1,000	\$1,000	\$20,000
Bookkeeping/CPA Consult	\$4,000	\$4,000	\$100	\$100	\$1,000	\$800	\$10,000
Engineering	\$3,000	\$3,000	\$0	\$0	\$0	\$0	\$6,000
Operations/Maintenance Staff (Salaries & Benefits)	\$156,492	\$156,492	\$19,127	\$19,127	\$61,893	\$98,849	\$511,980
TOTAL PERSONAL SERVICES	\$171,492	\$171,492	\$20,227	\$20,227	\$63,893	\$100,649	\$547,980
Materials and Services							
Bond, Dues, Publications	\$2,500	\$2,500	\$200	\$200	\$100	\$2,000	\$7,500
General Supplies, Lab, Permitting & Monitoring	\$15,000	\$55,000	\$500	\$2,000	\$4,500	\$6,150	\$83,150
Utilities- water, sewer communications	\$2,700	\$4,800	\$500	\$0	\$4,800	\$1,200	\$14,000
General Maint & Repair	\$15,000	\$10,000	\$6,000	\$1,000	\$5,000	\$7,000	\$44,000
Insurance	\$30,000	\$40,000	\$5,000	\$500	\$1,000	\$5,000	\$81,500
Electrical	\$50,000	\$25,000	\$4,500	\$0	\$1,000	\$5,000	\$85,500
Contracted Maintenance Services	\$5,000	\$7,500	\$1,000	\$0	\$1,000	\$500	\$15,000
TOTAL MATERIALS AND SERVICES	\$120,200	\$144,800	\$17,700	\$3,700	\$17,400	\$26,850	\$330,650
Annual Payment for Overhead							
Office/shop	\$450	\$450	\$15	\$15	\$150	\$420	\$1,500
Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Overhead Payment	\$450	\$450	\$15	\$15	\$150	\$420	\$1,500
TOTAL O&M	\$292,142	\$316,742	\$37,942	\$23,942	\$81,443	\$127,919	\$880,130
Other Expenditures							
Contingency Fund	\$40,000	\$44,000	\$15,000	\$14,000	\$5,000	\$17,000	\$135,000
Other Expenditures ²						\$64,136	\$64,136
TOTAL OTHER EXPENDITURES	\$40,000	\$44,000	\$15,000	\$14,000	\$5,000	\$81,136	\$199,136
TOTAL EXPENDITURES	\$339,142	\$366,742	\$55,942	\$40,942	\$87,443	\$209,056	\$1,099,266
Capital Outlay							
Fire Apparatus and Personal Gear Upgrade							\$0
Office Equipment/furnishings Start-up	\$7,000	\$6,000	\$3,000	\$3,000	\$1,000		\$20,000
Estimated Capital Outlay - System Upgrades							
Total Capital Expenditures	\$7,000	\$6,000	\$3,000	\$3,000	\$1,000	\$0	\$20,000
Unexpended Fund Balance	\$0	\$0	\$0	\$0	\$0	\$766,000	

**Scotia Community Services District Start-up Budget
July 1, 2015 - June 30, 2016**

Preliminary questions regarding updated budget submitted by Steve Davidson on 3/30/15.

Revenues

1. **Interest Earnings** - The fire department shows \$7,660 interest earned from \$766,000 TOS will provide for needed equipment and facility upgrades. The SVFD plans to spend the funds immediately and will not be earning interest for an entire calendar year.
2. **TOS Initial Funding of Contingency Fund** - The MSR, Appendix C, pg. 12 sites operating contingency funding should consist of 2 months' operating costs. The \$135,000 committed for the contingency has not been updated to reflect 2 months worth of operating costs for FY 2015/2016. A contingency fund is designated for unforeseen future expenses and is not a fund for start-up operations. The contingency fund amount should remain at the end of the year.
3. **TOS Start-up Funding –**
 - \$20,000 is designated for start up expenses that the district will incur for purchase of equipment and supplies (computers, software packages, printer/scanner, etc...). Concern this amount will suffice.
 - There is also \$766,000 designated for the fire department to purchase new equipment and improve facilities. The cost for the fire department's needed equipment and improvements was estimated at \$766,000 in 2010. The amount will need to be adjusted based on an appropriate consumer performance index multiplier or new estimates for costs will need to be obtained. Additionally, it will cost the fire department \$100,000 to extend their bays to accommodate the size of the newly purchased modern fire engine.
 - The start-up funding is not designated for cash flow needs associated with start-up operations. When the CSD begins operations, there will be a 60-day lag time from when the CSD starts services and when payment for the first month's services is due. Start up funds will be necessary to pay for expenses during this time period.
4. **Special Use Income** - Need to verify whether CSD can operate Winema Theatre and sports fields when there are not ADA compliant restrooms available to the public. If not, the \$2,000 income will need to be removed from the budget and ADA upgrades will need to be figured into the capital improvement projects undertaken by the CSD.

5. **User Fee Revenues Necessary to Balance the Budget** - Will need to be updated with the budget, as they rely on the total income and expenses listed in the rest of the budget.
6. **Connection Fees** - Need to know how the amounts were calculated.
7. **Miscellaneous** - Need to know how the amounts were calculated.

Outside Revenue Sources to Pay for Capital Expenditures

1. **CSD Debt Financing w/User Fee Revenues** - no debt services has been calculated for the budget yet. In order to accurately determine an appropriate amount of debt service, an assessment of capital improvements completed by TOS, and additional improvements that need to be performed by CSD, needs to be done. Additionally, an assessment of inventory/condition of equipment, for all equipment slated to be conveyed to CSD, needs to be done. Improvements which will need to be completed in the near future (5-10 years) need to be included in the capital improvement amount. (Example: Second fire engine will need to be replaced in 5 years. The capital should be spread out over the five years prior to this expenditure. Example: Computers and software will need to be updated after five years.)

Expenditures

1. **Personnel Services** - Attorney fees for the district will be significantly higher in the first year of operation of the CSD which will include preparation of documents for the conveyance of assets to the CSD and ongoing support after the transition. CPA consultation services and engineering fees were significantly reduced in the current budget to reflect what would be charged under typical conditions. Does this mean the TOS will continue to fund extraordinary start-up costs of the CSD after the CSD begins operation? If so, this amount should be placed in revenue and then subtracted under expenses. Additional expenses will need to be included for board member stipends, audit services, and engineering services related to capital improvements funded by the CSD.
2. **Materials and Services** - TOS adjusted line items to reflect expenses based on current costs. The CSD needs to understand the categories of expenses included in each line item under materials and services and what the costs are for those categories. The electrical expenses have been reduced to reflect lower usage based on capital improvements that are anticipated to reduce usage of electricity, however, the cost of electricity will be going up. Are the higher rates reflected in the estimates?
3. **Annual Payment for Overhead** - \$1,500 appears low for office/shop overhead. Need to know what the numbers are based on. Also, there are no expenses for equipment.

4. **Other Expenditures** - Money in the contingency fund is showing as being expensed in the first year. The funds should not be anticipated to be spent in the first year as it is designated for unknown future expenses. Also, there is \$64,136 in other expenditure designated for the fire department sinking fund. How will the \$64,136 come to the CSD in order to be expensed into the sinking fund as required?

Capital Outlay

1. **Office Equipment/Furnishing Start-up** - It is anticipated that the fire department will spend 850,000 on equipment and capital improvements as designated in the MSR. It will cost an additional 100,000 to extend the bays in the fire department to accommodate a new engine. These expenses are not reflected in the budget. Additional outlay for office start-up costs.

Additional Questions and Concerns

1. When the initial Rate Study was completed, the power plant was operational and EDU's were calculated including the usage of water from the plant. The plant is currently operating seasonally. Now that the Korbel Lumber Mill is closed, there is question/concern that there may not be enough low cost, readily available raw materials for the power plant to be operational during their on season. Does the current Rate Study reflect the power plant contributing to the number of EDU's the water rates are based on?