

**AGENDA**

**INVESTMENT AND FINANCE COMMITTEE MEETING  
LEUCADIA WASTEWATER DISTRICT**

Wednesday, April 7, 2021 – 1:00 p.m.  
Via Teleconference

Pursuant to the State of California Executive Order N-29-20, and in the interest of public health, the District is temporarily taking actions to mitigate the COVID-19 pandemic by holding meetings by teleconference. The general public may not attend this meeting at the District's office due to social distancing requirements.

Members of the public attending via teleconference will be provided with an opportunity to comment on each agenda item prior to Committee discussion.

**To join this meeting via Teleconference please dial: (669) 900-6833**  
**Meeting ID: 849 4140 6337      Password: 799827**

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- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment**
- 4. New Business**
  - A. Authorize the General Manager to execute an agreement with Time Value Investments, Inc., (TVI) to add them as an additional authorized financial broker-dealer and provide fixed-income securities broker-dealer services.  
(Pages 2-3)
  - B. Authorize the General Manager to execute a Professional Services Agreement with Clifton Larsen Allen LLP (CLA) for Financial Management & Accounting Support Services for an amount not to exceed \$120,000.  
(Pages 4-9)
  - C. Authorize the General Manager to Proceed with the Proposition 218 Process and Schedule a Public Hearing to Consider Adoption of an Ordinance increasing the Sewer Service Charges for Fiscal Years 2022, 2023, and 2024.  
(Pages 10-13)
- 5. Information Items**

None.
- 6. Directors' Comments**
- 7. General Manager's Comments**
- 8. Adjournment**

## MEMORANDUM

**DATE:** April 1, 2021  
**TO:** Investment and Finance Committee  
**FROM:** Paul J. Bushee, General Manager   
**SUBJECT:** Adding Time Value Investments, Inc. (TVI) as an authorized financial broker-dealer.

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**RECOMMENDATION:**

Staff requests that the Investment and Finance committee (IFC) recommend that the Board of Directors:

1. Authorize the General Manager to execute an agreement with Time Value Investments, Inc., (TVI), to add them as an additional authorized financial broker-dealer and provide fixed-income securities broker-dealer services.
2. Discuss and take other action as appropriate.

**BACKGROUND & DISCUSSION:****Tactical Goal: Financial / Evaluate Adding Additional Security Broker/Dealer**

The Leucadia Wastewater District (LWD) currently utilizes three options to manage its investments:

1. Investment Pools – LWD is a member of the Local Agency Formation Commission (LAIF), California Asset Management Program (CAMP) and the San Diego County Pool. These pools typically invest in short term securities. As such, the pools are very liquid and staff moves money in and out of the pools to cover operating and capital expenses.
2. CAMP Individual Portfolio – Public Financial Management (PFM) administers LWD's portfolio and coordinates with staff to invest in things such as federal agency securities, corporate bonds, etc. for periods up to five years.
3. Multi Bank Securities, Inc. (MBS) – is a broker dealer that staff uses to invest primarily in insured certificates of deposits (CD) but also other authorized investments for up to five years.

To diversify and to enlarge the pool of available authorized investment options, staff is recommending adding an additional broker/dealer to our list. Time Value Investments (TVI) is a broker/dealer that has comprehensive market access to institutional fixed income investments. TVI has over 400 public entity clients across the Western States and would offer investment reporting to help manage LWD's portfolio.

TVI frequently teaches on the subject of public fund investing at several organizations, including the California Municipal Treasurers Association (CMTA) and the California Municipal Finance Officers Association (CSMFO). All securities purchased through TVI would be held in a third-party custodial account in accordance with LWD's investment policy. LWD's Investment Policy allows the use of authorized financial dealers and institutions as long as certain requirements have been met such as; a review of the entity's credit worthiness, credit characteristics, and financial history; and insuring it's a member of the federally regulated securities exchange. Staff

has performed these preliminary steps and has contacted three references who provided positive reviews of TVI.

Staff requests that the IFC recommend that the Board of Directors authorize the General Manager to sign an agreement with TVI to provide broker-dealer services for the purchasing of authorized investments.

rad:PJB

**MEMORANDUM**

**DATE:** April 1, 2021  
**TO:** Investment and Finance Committee  
**FROM:** Paul J. Bushee, General Manager   
**SUBJECT:** **Clifton Larsen Allen LLP (CLA) Professional Services Agreement for Financial Management and Accounting Support Services**

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**RECOMMENDATION:**

Staff requests that the Investment and Finance committee (IFC) recommend that the Board of Directors:

1. Authorize the General Manager to execute a Professional Services Agreement with Clifton Larsen Allen LLP (CLA) for Financial Management & Accounting Support Services for an amount not to exceed \$120,000.
2. Discuss and take other action as appropriate.

**DISCUSSION:**

As discussed at the January 2021 Board of Director's meeting, LWD's Administrative Services Manager Richard Duffey will be retiring in the near future. Mr. Duffey has been employed with LWD for the past five years. One of his primary functions has been to manage LWD's finances. For the prior seventeen years, Mr. Duffey served as a LWD's financial consultant through his firm of Brownell & Duffey.

Staff has reviewed options for managing the finances and believes LWD's best option is to return to outsourcing the financial and accounting services. Staff has identified CLA (formerly White Nelson Diehl Evans LLP) as the most viable option. CLA maintains a staff of Certified Public Accountants (CPA) who are familiar with LWD finance and accounting practices. CLA has performed independent audits of LWD's finances a number of times in the past 40 years.

CLA's principal in charge of the LWD work would be David Foreman, CPA, who has extensive accounting experience and an excellent working relationship with LWD staff. David and his team would perform the weekly, monthly, quarterly and annual accounting functions that are essential to LWD. The CLA team is based out of Carlsbad so they are readily available to perform in-person and remote work. CLA is also performing similar work for the Encina Wastewater Authority.

Under the proposed agreement, CLA would charge LWD a flat rate of \$160 per hour with an amount not to exceed \$120,000 for the first year. Staff believes that CLA's fee is fair and reasonable based on industry standards.

**FISCAL IMPACT:**

There are sufficient funds in the Fiscal Year 21 (FY 21) Budget to absorb CLA's expenses through the end of June. If approved, staff plans to propose sufficient funds to cover the agreement as part of the FY 22 Budget.

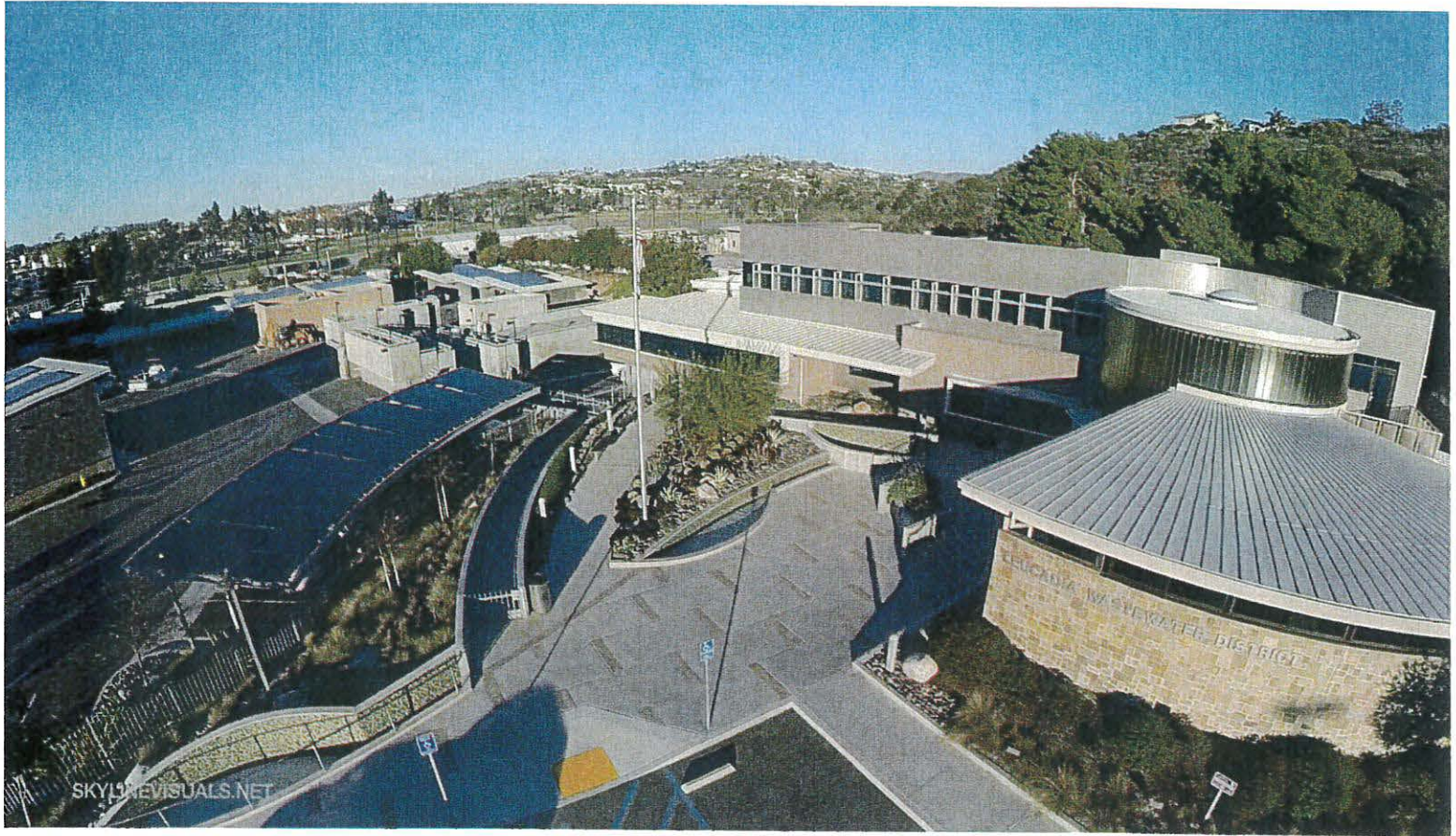
Staff therefore requests that the IFC recommend that the Board of Directors authorize the General Manager to execute a Professional Services Agreement with CLA for Financial Management & Accounting Support Services for an amount not to exceed \$120,000.

rad:PJB

Attachment



Create Opportunities



March 29, 2021

**Proposal to provide professional financial management and accounting services support to the:**

## **Leucadia Wastewater District**



*Prepared by:*

**David Forman, CPA, Principal**  
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Direct Line: 760-994-4029

[CLAconnect.com](https://CLAconnect.com)

WEALTH ADVISORY

OUTSOURCING

AUDIT, TAX, AND  
CONSULTING



CLA (CliftonLarsonAllen LLP)  
2965 Roosevelt Street  
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760-729-2343 | fax 760-729-2234  
CLAconnect.com

March 29, 2021

Leucadia Wastewater District  
Paul J. Bushee, General Manager  
Richard A. Duffey, Administrative Services Manager

RE: Professional financial management and accounting services support to the Leucadia Wastewater District

Dear Mr. Bushee and Mr. Duffey:

Thank you for inviting us to propose our services to you. CLA (CliftonLarsonAllen LLP) gladly welcomes the opportunity to propose on the outsourcing of your professional financial management and accounting services for the Leucadia Wastewater District.

### Nature of services

CLA will assist the District with weekly, monthly, quarterly and annual tasks, including (but not limited to):

- Review cash receipts, accounts payable, payroll and bank reconciliations prepared by District staff.
- Review monthly billings and prepare monthly financial reports for management and the Board.
- Review quarterly treasurer's report and payroll reports (including payroll tax returns).
- Prepare financial records for annual audit, as well as State Controller's Reports and submit Comprehensive Annual Financial Report (CAFR) to the GFOA.
- Review existing processes and procedures and provide feedback on areas for process improvement, if requested.

It is understood and agreed that CLA services will include advice and recommendations; however, all decisions in connection with the implementation of such advice and recommendations is the sole responsibility of, and made by, the District.





## Rates

We agree to charge a flat rate of \$160 per hour for the first year of our service for work to be more specifically outlined in a detailed scope of work. We anticipate, based on your input during our preliminary discussions that the hours involved in this project will approximate 750 hours per year. Based on this estimate of hours, we estimate our fees to be \$120,000 for the first year. These hours were derived from estimates of weekly, monthly, quarterly and annual task as follows below. If in the process of working on this engagement it becomes apparent that the hours involved vary significantly from these estimates, we reserve the right to discuss additional fees with management.

Professional Services	Estimate of Cost
Weekly Tasks (estimate of 200 annual hours)	\$32,000
Monthly Tasks (estimate of 200 annual hours)	\$32,000
Quarterly Tasks (estimate of 64 annual hours)	\$10,240
Annual Tasks (estimate of 286 annual hours)	\$45,760
<b>Total Not to Exceed Amount</b>	<b>\$120,000</b>

## Timing and Roles

CLA anticipates one to two staff members either working at the District or remotely (when type of works allows) at least one day per week. This would likely increase during times involving end of the year closing of books and records, preparing for audit and during the audit process. CLA anticipates three staff members involved in this engagement: a Principal, a Director and a Senior Accountant. All three staff are well versed in governmental accounting procedures and requirements of preparing a year-end CAFR. Staffing levels and duration of service can be based on engagement needs as determined by District management.

The engagement Principal will be Mr. David Forman, CPA. Mr. Forman has more than 27 years of experience with accounting and audits of local governments. He will oversee work performed by Ms. Hoodenpyle and will attend any meeting as necessary throughout the engagement.

The engagement Director will be Ms. Lauren Hoodenpyle, CPA. Ms. Hoodenpyle has more than 7 years of experience with accounting and audits of local governments. She will be the primary contact for the District. She will perform or oversee staff accountants for all work performed whether onsite or remotely.

We make a commitment to retain the same personnel on the engagement from year to year, except when such personnel leave the firm, or when the change is approved by the District. If a staff member is replaced, we make a commitment to replace that person with staff of at least equal experience

## References

CLA offers its clients the best of two worlds — a firm with national experience providing financial management and accounting services to governmental entities as well as a local team who understands the needs and dynamics of San Diego public agencies. We are pleased to provide you with references upon request, who can describe their experience in greater detail.



We are eager to work with you and welcome the chance to present our proposal to the management team and Board of Directors. If you have any questions about our offerings, please do not hesitate to contact us via the below information.

Sincerely,

**CliftonLarsonAllen LLP**



David Forman, CPA  
Principal, State and Local Government  
david.forman @CLAconnect.com  
Direct Line: 760-994-4029

## MEMORANDUM

Ref: 21-7493

**DATE:** April 1, 2021  
**TO:** Investment & Finance Committee  
**FROM:** Paul J. Bushee, General Manager   
**SUBJECT:** **Proposition 218 Process and Schedule a Public Hearing to Consider Adoption of an Ordinance increasing the Sewer Service Charges for Fiscal Years 2022, 2023 and 2024**

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### RECOMMENDATION:

Staff requests that the Investment and Finance Committee (IFC) recommend that the Board of Directors:

1. Authorize the General Manager to Proceed with the Proposition 218 Process; and,
2. Schedule a Public Hearing to Consider Adoption of an Ordinance Increasing the Sewer Service Charges for Fiscal Years 2022, 2023 and 2024; or
3. Discuss and take other action, as appropriate.

### BACKGROUND:

The LWD Board of Directors adopted a Financial Plan Study on June 6, 2018. This Plan provides critical information regarding required operating and capital expenditures for the next 20 years. The Financial Plan Study indicated that in order for the District to meet the projected future operating and capital expenditures necessary to maintain the integrity of its collection system, a sewer service charge increase was required beginning fiscal year 2021.

In accordance with the plan, the Board directed staff to move forward with the sewer service rate increase for fiscal year 2021. Subsequently the COVID pandemic occurred and due to the severe economic impacts associated with it, the Board voted to postpone the rate increase and cancel the associated public hearing.

### DISCUSSION:

At the January 13, 2021 Board meeting, staff presented an update of the Financial Plan tracking module. Staff explained that each year following the final audit, staff updates the Financial Plan tracking module to monitor how the District's revenues, expenditures, and reserves are tracking with the Financial Plan's projections.

Based on the Financial Plan Update tracking and previous proposed sewer rate increase discussions, the Board directed staff to move forward with the planned sewer service rate increase for fiscal year 2022 and proceed with the Proposition 218 Notice process.

The Proposition 218 Notice is attached for the IFC's review. This notice meets State legal and regulatory requirements and will be sent to the LWD customer base 45 days prior to the June public hearing as required.

Staff recommends that the Board of Director's authorize staff to proceed with the Proposition 218 process, set a public hearing to consider adoption of an Ordinance increasing the sewer service charges for Fiscal Years 2022, 2023 and 2024.

th:PJB

Attachment



## PUBLIC HEARING INFORMATION

A public hearing will be held on the proposed increases to sewer service charge rates in fiscal years 2022, 2023, and 2024.

Pursuant to the San Diego County Public Health Order, the public hearing will be held on **Wednesday, June 9, 2021 at 5 p.m.** via Zoom Teleconference.

The Zoom teleconference information will be posted on the District website 72 hours prior to June 9, 2021. If the restrictions are lifted, then the meeting will be held live in the Boardroom located at 1960 La Costa Avenue, Carlsbad, CA 92009.

The Board of Directors will hear and consider oral testimony and written protests regarding the proposed rate increases at the hearing. Any written protest must include a name, signature and the property address or Assessor Parcel Number (APN). One written protest per parcel will be counted in calculating a majority protest to the proposed increase.

Written protest may be mailed to the Leucadia Wastewater District at 1960 La Costa Avenue, Carlsbad, CA 92009 or submitted prior to and during the public hearing. Submissions will be accepted if they are received prior to the close of the public hearing. At the close of the public hearing, the Board of Directors will consider and may approve the rate increases. **Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest.** If, by the close of the public hearing, written protests against the rate increase are not presented by a majority of property owners, the Board of Directors will be authorized to adopt an ordinance to increase the sewer rate charge. Although the public hearing will be held to consider proposed rates for three fiscal years, the Board of Directors will annually confirm the need for the annual rate prior to July 1st of the last two years of the rate period. The time and place for these future meetings will be provided in published newspaper notices and posted on the District's Website at [www.lwwd.org](http://www.lwwd.org)



**LEUCADIA  
WASTEWATER  
DISTRICT**

LEADERS IN  
ENVIRONMENTAL  
PROTECTION

1960 La Costa Avenue, Carlsbad, CA 92009

## NOTICE OF PUBLIC HEARING

### Sewer Service Charge Increase

The Leucadia Wastewater District is considering sewer service rate changes that will affect your property tax bill. This document explains the public hearing and protest process, the rate increases being proposed and it will further explain the reasoning behind the proposed rate adjustments.

## RATE INCREASE BREAKDOWN

The Leucadia Wastewater District Board of Directors is proposing rate increases for the next three fiscal years in accordance with the following chart. All rates are based on one Equivalent Dwelling Unit (EDU).

FISCAL YEAR	ANNUAL RATE	MONTHLY RATE
2021 (current)	\$343.68	\$28.64
2022	\$378.04	\$31.50
2023	\$415.84	\$34.65
2024	\$457.42	\$38.12

The current San Diego County average monthly sewer charge, as of January 2021, is \$53.06 per month per EDU.<sup>1</sup>

<sup>1</sup> Wastewater User Charge Survey Report, January 2021



## ABOUT LEUCADIA WASTEWATER DISTRICT

The Leucadia Wastewater District (District) was formed in April 1959 pursuant to the County Water District Law. Established as an Enterprise Special District, the District is authorized to provide wastewater collection and treatment services, and to levy rates and fees to support those services.

The District provides wastewater service to the Leucadia and Village Park areas of Encinitas and the La Costa area of Carlsbad. The District encompasses 16 square miles and serves approximately 62,600 residents. Wastewater from the District's service area is transported to the Encina Water Pollution Control Facility where it is treated to federally-mandated standards to protect public health. The Encina plant is a regional facility located in Carlsbad that is jointly owned by the District and five other public entities.

The District also owns and operates the Gafner Water Reclamation Facility, which has a treatment capacity of 1 million gallons per day. Recycled water produced at the Gafner Facility is sold to the Omni La Costa Resort and Spa for use as irrigation for its golf course.

Leucadia Wastewater District  
1960 La Costa Avenue  
Carlsbad, Ca 92009

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☎ (760) 753-0155    📠 (760) 753-3094

Monday-Friday 8am-5pm

## EXPLANATION of Annual Sewer Service Charge Increases

The Leucadia Wastewater District proactively plans for increases in costs associated with operations, maintenance, and replacement or rehabilitation of its infrastructure. The District also pays a percentage of the cost to operate and maintain the jointly owned Encina Wastewater Treatment Plant. To cover anticipated increases in costs, the District proposes to raise wastewater rates over the next three years. This would be the first rate increase in four years. During that time, the District has continually inspected its sewer lines and pump stations and has maintained them in excellent working order. This work has cost over \$29 million in operating and maintenance expenses and over \$30 million in infrastructure replacement expenses. The District used an engineering firm to develop an Asset Management Plan which determines when capital facilities will need to be replaced, and at what cost. The District also used a financial firm to prepare a Financial Plan Study, which projects the District's revenue and expenditures over the next twenty years and determines the timing of necessary sewer rate increases.

The proposed sewer rate increases for the next three years were recommended by the latest Financial Plan Study. These increases are necessary to meet the operations and infrastructure needs of the District. It is anticipated that the District will spend approximately \$25 million for operating and maintenance costs and \$26 million on capital replacement and rehabilitation costs over the next three years.

The District's current sewer service charge is \$28.64 per month, or \$343.68 annually, per household or Equivalent Dwelling Unit (EDU). Currently, the District has the lowest sewer service rate in San Diego County. To help keep costs down, the District utilizes a pay as you go methodology. The District has no financing debt but collects funds ahead of time to pay for upcoming capital needs, thus saving significant amounts on financing and interest expense.

