



**BOARD OF DIRECTORS  
SPECIAL BOARD MEETING**

DATE: Thursday, April 6, 2023  
TIME: 10:00 a.m.  
PLACE: Leucadia Wastewater District  
1960 La Costa Avenue, Carlsbad, CA 92009

**AGENDA**

Items on the agenda may be taken out of sequential order as their priority is determined by the Board of Directors. In the case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. Also, items that arise after posting of the Agenda may be added, per Government Code Section 54954.2, by a 2/3 vote of the Board. All agenda materials can be accessed at the District website at <https://www.lwwd.org/agendas/board> and are also available for public inspection in the Administration Office located at 1960 La Costa Avenue, Carlsbad, CA 92009 during normal business hours.

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the Executive Assistant at (760) 753-0155. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

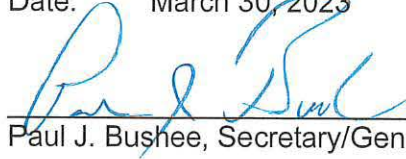
- 1. Call to Order**
- 2. Roll Call**
- 3. Pledge of Allegiance**
- 4. General Public Comment Period**
- 5. Approval of Agenda**
- 6. Financial Plan Update**
  - A. Review and discuss various financial models that the Leucadia Wastewater District (LWD) could use to meet its future financial obligations. (Pages 4-5)
- 7. Information Items**

None.
- 8. Adjournment**

AFFIDAVIT OF POSTING

I, Paul J. Bushee, Secretary of the Leucadia Wastewater District, hereby certify that I posted a copy of the foregoing agenda in the lobby of the District office at 1960 La Costa Avenue, Carlsbad, California at least 72 hours prior to the meeting, in accordance with Govt. Code Section 54954.2(a).

Date: March 30, 2023



---

Paul J. Bushee, Secretary/General Manager

### Board of Directors' Code of Conduct

- ◆ *I will openly communicate during Board meetings and voice my views, in the meetings, on all matters regarding the District.*
- ◆ *I will support the decisions of the Board once they are voted on.*
- ◆ *I will concentrate on issues of governance and strategic import to the District and will expect support from staff on issues of operational import and detail.*
- ◆ *I will treat fellow Board members with dignity and respect.*
- ◆ *I will be prepared to discuss Board issues and agree to spend the necessary time and attention to Board matters.*
- ◆ *If I have concerns or questions, I will ask. If I need clarification of Board agenda items, I will call ahead and discuss with the General Manager.*
- ◆ *I will support the general manager as the primary spokesperson for the district.*
- ◆ *I will conduct myself in the highest ethical manner and comply with all appropriate government regulations.*


### Role of Staff

- ◆ *Implement policies of LWD Board*
- ◆ *Create tactics and action plans that address how policies should be implemented*
- ◆ *Provide technical competence in addressing issues of how tactics should be implemented*
- ◆ *Provide relevant facts and recommendations*
- ◆ *Provide effective leadership*
- ◆ *Administer day-to-day operations of the district*
- ◆ *Respond to reasonable board requests for information*

MEMORANDUM

Ref: 23-8378

**DATE:** March 30, 2023  
**TO:** Board of Directors  
**FROM:** Paul J. Bushee, General Manager  
**SUBJECT:** Review of Financial Plan Update



---

**RECOMMENDATION:**

Staff recommends that the Board of Directors:

1. Review and discuss various financial models that the Leucadia Wastewater District (LWD) could use to meet its future financial obligations.
2. Provide direction to staff and IB Consulting, Inc. to refine LWD's preferred approach for meeting its future financial obligations.

**BACKGROUND:**

**Tactical Goal: Financial / Comprehensive Wastewater Financial Plan Update**

The Leucadia Wastewater District adopted its current Financial Plan Update in June 2018. As a result of the 2018 update, LWD implemented changes to its financial policies and practices to meet the needs that were identified at that time. Key outcomes from the 2018 Financial Plan were as follows:

- Increase the wastewater service rate at 10% per year over 3 years beginning in fiscal year 2021 (however, the increases began in fiscal year 2022 due to the COVID-19 pandemic)
- Continue “pay as you go” or “PAYGO” approach for funding capital projects
- Maintain positive Wastewater and Recycled Water Operating Reserve balances and an Emergency Reserve
- Maintain positive balances in the Wastewater Capital Replacement Reserve with a minimum reserve target balance, and Recycled Water Capital Replacement Reserve

Since 2018, staff has updated the model each year to reflect actual revenues and expenses. Over this period, staff has observed some changes in certain revenues and expenditures when compared to the projected revenues and expenditures in the 2018 plan. Most notably, Encina’s capital costs have been significantly higher than projected. To offset this overage, the District has deferred rehabilitation projects at LWD facilities. The net changes in reserves and the resulting reserve balances in total have been tracking well with the projected balances thus far.

The District is in the final stages of updating its Asset Management Plan, and projected capital expenditures have changed from the previous projections. To effectively plan for the future, the Fiscal Year 2023 (FY 23) Tactic & Actions Plan included a goal to update the Financial Plan.

## DISCUSSION:

In November 2023, the Board of Directors retained IB Consultants, Inc. to develop the Financial Plan Update. Since that time staff has worked closely with IB Consultants, Inc. to develop various models that LWD will use to guide its finances over the next 5 to 20 years.

The biggest cost driver of the various models is LWD's contribution to Encina Wastewater Authority, particularly for capital projects. The District owns 16.8% of the Encina facility and contributes proportionally towards the facility's capital needs. Since 2013, Encina's actual annual capital expenditures have varied from \$6 million to \$26 million. Over this same period, Encina's long-range (20-year) capital replacement estimates have increased from \$303 million to \$677 million in 2023. The draft FY 24 budget is now projecting the 20-year capital replacement costs to be \$789 million. Significant rate increases will be required to support Encina's current cost projection.

At the upcoming meeting, staff along with Ms. Andrea Boehling of IB Consultants, Inc. will present various models that reflect projected operating and capital expenditures and the corresponding revenue needs over the next 20 years. The following information will be presented:

- Wastewater Enterprise Model
  1. LWD continues with "pay as you go" policy for capital replacement assuming Encina spends according to its 20-year capital projection from the preliminary fiscal year 2024 budget
  2. LWD continues with "pay as you go" policy for capital replacement for capital replacement assuming Encina spends at a rate similar to the past 10-years
  3. LWD implements scenario to bond for a portion of Encina's capital replacement costs

Staff is requesting that the Board of Directors review and discuss the various models presented. Based on the discussion, staff is seeking direction from the Board on whether LWD should continue with its "pay as you go" policy or consider bonding options for future capital replacement. Staff plans to use the Board's input to develop the final Financial Plan Update. It is anticipated that the Financial Plan Update will be presented for the Board's approval in May 2023.

reg:PJB