

LEUCADIA WASTEWATER DISTRICT
Minutes of an Investment & Finance Committee Meeting
February 6, 2024

A meeting of the Investment & Finance Committee (IFC) of the Leucadia Wastewater District (LWD) was held Tuesday, February 6, 2024 at 1:30 p.m. at the District office located at 1960 La Costa Avenue, Carlsbad, California.

1. Call to Order

Chairperson Pacilio called the meeting to order at 1:32 p.m.

2. Roll Call

DIRECTORS PRESENT: Pacilio and Sullivan

DIRECTORS ABSENT: None

OTHERS PRESENT: General Manager Paul Bushee, Director of Finance and Administration Ryan Green, Administrative Services Supervisor Trisha Hill, Executive Assistant Tianne Baity

3. Public Comment

No public comment was received.

4. Annual Review of LWD Reserve Fund Policy

DFA Green presented the recommendation indicating the purpose of the policy. He noted that the policy calls for annual review of the level of reserve funds by the Board of Directors. DFA Green stated that the Reserve Fund Policy was last revised in February 2023.

DFA Green then provided an overview of the fiscal year 2023 reserve activity.

DFA Green noted that staff had reviewed the Reserve Policy and is recommending a change to the policy. He then reviewed the change.

Wastewater Replacement Reserve Target Update

On June 14th the Board adopted the 2023 Wastewater Financial Plan Study which recommended the District update its Capital Replacement Reserve Target. Staff and IB Consulting recommend adjusting the Wastewater Capital Replacement reserve targets from a minimum requirement of the twenty-year average CIP to one year of the 5-year average of capital funding and a target of two years of the five-year average of capital funding. Capital costs may vary substantially based on the size of a specific project and the number of projects that need to be addressed in one particular year. Therefore, adjusting the capital reserve targets to what is planned over the next five years will ensure funding is available and adjusts with the ebbs and flows of the District's capital planning.

Following discussion, the IFC concurred with staff to recommend that the Board of Directors adopt a Revised Reserve Fund Policy.

5. Financial Plan Update

DFA Green introduced the item and explained the purpose of the Financial Plan. He stated that LWD updates its Financial Plan every 5 years because financial conditions and assumptions change over time. He noted that the most recent Financial Plan Update was completed in 2023 and staff does an internal update of the Financial Plan on an annual basis to see how actual results are tracking with the original projections.

DFA Green stated the financial plan model looks out over 20 years. He noted that information from the Fiscal Year 2023 (FY23) Audit and FY24 budgeted amounts were used to update revenues, expenses, and capital projections in the financial plan model. He then provided an overview on the following topics.

- Comparison of projected and actual revenues and expenditures;
- Comparison of projected and updated reserve balances; and
- Monthly Sewer Service Rate Comparison

DFA Green concluded that the District's finances remain strong, while maintaining low rates, and the District is tracking well with the Financial Plan. DFA Green also noted that the largest concern is the Encina Wastewater Authority's future capital plan and staff will continue to monitor LWD's finances closely.

This item was for informational purposes and no action was taken.

6. Proposition 218 Process and Schedule a Public Hearing to Consider Adoption of an Ordinance Increasing the Sewer Service Charges for Fiscal Years 2025, 2026, and 2027

DFA Green presented the item and provided background information noting that the District adopted a Financial Plan on June 14, 2023. He stated that the Financial Plan 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 three-year sewer rate increase would be needed beginning fiscal year 2025.

DFA Green explained that at the April 6, 2023 Special Board Meeting the Board directed staff to move forward with the planned three-year sewer rate increases for FY 25–27 and proceed with the Proposition 218 Notice process.

Chairperson Pacilio stated the draft Prop 218 Notice was well done and informative.

Following discussion, the IFC agreed to recommend that the Board of Directors authorize staff 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 2025, 2026, and 2027.

7. Information Items

None.

8. Directors' Comments

None.

9. General Manager's Comments

None.

10. Adjournment

Chairperson Pacilio adjourned the meeting at 2:23 p.m.



Paul J. Bushee
Secretary/General Manager
(Seal)