

LEUCADIA WASTEWATER DISTRICT
Minutes of a Special Board Meeting
March 21, 2013

A special meeting of the Board of Directors of the Leucadia Wastewater District (LWD) was held Thursday, March 21, 2013 at 9:00 a.m., at the District Administration Office at 1960 La Costa Ave., Carlsbad, California.

1. Call to Order

President Sullivan called the meeting to order at 9:00 a.m.

2. Roll Call

DIRECTORS PRESENT: Sullivan, Kulchin, Juliussen, Omsted and Hanson
DIRECTORS ABSENT: None.
OTHERS PRESENT: General Manager Paul Bushee, District Counsel Wayne Brechtel, Administrative Services Manager Chuck LeMay, Technical Services Manager Robin Morishita, Executive Assistant Trisha Hill, Richard Duffey with Brownell and Duffey, District Engineer Steve Deering, Brian Jewett with Black & Veatch.

3. Pledge of Allegiance

4. Approval of Agenda

Upon a motion duly made by Director Juliussen, seconded by Director Hanson, and carried, the Board of Directors approved the agenda.

5. Public Comment

There was no public comment.

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.

GM Bushee presented the item stating the purpose of the meeting, noting that the meeting is an interactive workshop. He provided a brief summary and results of the 2008 Financial Plan update and the need to update the Financial Plan. He introduced Mr. Jewett of Black & Veatch to provide an overview of the 2013 Financial Plan update.

Mr. Jewett presented an overview of the 2013 Financial Plan update. He provided information on the background of the financial planning process, the financial assumptions used in the model, and the four scenarios that could be used to meet future financial obligations for the District.

He also provided a recent sewer rate survey that indicated that the current median sewer rate is approximately \$52/month. The District's sewer rate is well below this rate at \$21.52/month.

He stated that the model includes a capacity fee increase to \$4,006 per EDU from the current rate at \$3,732 per EDU. He noted that this rate is competitive with other agencies capacity fee. He also stated that the model included an operating reserve with a minimum balance of 33% of the operating funds. He added that the emergency reserve will remain at \$7.5 million.

He stated that the model includes four financial scenarios that include three pay as you go options and one bonding option. He provided details on each scenario that include three different rates increases: 9%, 10%, and 11%. Each scenario was based on three years on and three years off with the first increase beginning in FY 15. He also provided details on the bonding scenario indicating that the rate increases are low in the initial years, but the District would have higher rate increases later to pay off the bond and pay for capital expenditures.

The Board of Directors discussed these options in detail, asking Mr. Jewett several questions. Mr. Jewett answered their questions, noting that the District has done an excellent job of following its financial plan, which is not the case with some agencies. He also stated that the LWD's plan allows flexibility and that the District can change the plan based on its financial needs.

GM Bushee noted that this plan is a guide for the District and that the Board could change the rates or stabilize the rates based on the District's financial position at any given point in time. He stated that staff is not recommending a rate increase for FY 14. If the Board directs staff to move forward with the pay as you go option with, the initial rate increase will be in FY 15.

Director Kulchin stated that the proposed pay as you go plan with the rate increase for three on and three off has worked well for the District. He stated that he is not in favor of rate increase each year and that the District has been well operated using this approach.

Director Juliussen noted that a 10% increase for three years seemed to be high. GM Bushee stated that since our rate is low, the 10% increase, from a dollar standpoint, is not high when compared with other agencies.

The Board of Directors requested a copy of the PowerPoint presentation. EA Hill provided a copy of the presentation as a handout.

Director Juliussen suggested using a 9% increase for FY 14. GM Bushee stated that staff did not recommend increasing the rates next fiscal year because the District was stabilizing the rates until FY14 and there is no need for a rate increase based on the 2008 Financial Plan. In addition, time was short for staff to meet Prop. 218 requirements and notice a public hearing for a proposed rate increase.

Director Omsted suggested that staff use the 10% rate increase model to finalize the Financial Plan Update. President Sullivan concurred, along with the other Board members.

Following discussion, the Board of Directors provided direction to staff to continue with the "Pay as you go" policy for capital replacement and update the 2013 Financial Plan by using the 10% rate increase for a period of three years, beginning in FY 2015.

7. Information Items

None.

8. Adjournment

President Sullivan adjourned the meeting at 10:00 a.m.



Paul J. Bushee
Secretary/General Manager
(SEAL)



Elaine Sullivan, President