



LEADERS IN
ENVIRONMENTAL
PROTECTION

**BOARD OF DIRECTORS
SPECIAL BOARD MEETING**

DATE: Thursday, March 21, 2013
TIME: 9:00 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 or unanimous vote of the Board.

Any writings or documents provided to a majority of the members of Leucadia Wastewater District regarding any item on this Agenda will be made available for public inspection in the Administration Office located at 1960 La Costa Avenue, Carlsbad, CA 92009 during normal business hours.

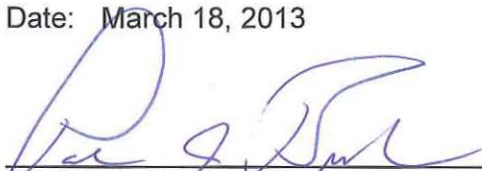
- 1. Call to Order**
- 2. Roll Call**
- 3. Pledge of Allegiance**
- 4. General Public Comment Period**
- 5. Approval of Agenda**
- 6. Financial Plan Update**
 - A. Review and discuss various financial models that the Leucadia Wastewater District (LWD) could use to meet its future financial obligations.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

None.
- 8. Adjournment**

AFFADAVIT 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 18, 2013



Paul J. Bushee, Secretary/General Manager

MEMORANDUM

Ref: 13-3601

DATE: March 18, 2013
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 Black & Veatch in order to refine LWD's preferred approach for meeting its future financial obligations.

BACKGROUND:

The Leucadia Wastewater District (LWD) adopted its current Financial Plan Update in May 2008. At that time, LWD was continuing the transition from a "growth" base capital program to a "replacement" based program which began in 2004. As a result of the 2008 review, LWD implemented changes to its financial policies and practices to meet the needs that were identified at that time. Key outcomes from the 2008 Financial Plan were as follows:

- Increase the wastewater service rate, with a suggested pattern of 10% increases per year for 3 years followed by 3 years of no increases;
- Reaffirm "pay as you go" policy for funding capital replacement;
- Maintain Operating Reserve and Emergency Reserve at certain levels and maintain positive balances in remaining reserves; and
- Increase capacity fee and consider it as a 100% "buy-in" charge.

Since 2008, 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 2008. However, the net changes in reserves and the resulting reserve balances are tracking well with the projected balances so far. The District recently completed its Asset Management Plan Update and near term projected capital expenditures have changed from the previous projections. To effectively plan for the future, the Fiscal Year 2013 (FY 13) Tactic & Actions Plan included a goal to update the Financial Plan.

DISCUSSION:

In October 2012, the Board of Directors retained Black & Veatch to develop the Financial Plan Update. Since that time staff has been working closely with Black & Veatch to develop the various models that LWD will use to guide its finances over the next 5 to 20 years. As in 2008, this Financial Plan Update will reflect the transition from a "growth" based capital program to a "replacement" based program.

At the upcoming meeting, staff along with Mr. Brian Jewett of Black & Veatch 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
 - LWD continues with “pay as you go” policy for capital replacement
 - 3 different rate and revenue scenarios
 - LWD implements scenario to bond for future capital replacement
- Capacity Fee Model

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 2013.

cal:PJB