

**LEUCADIA WASTEWATER DISTRICT**  
 Minutes of a Regular Board Meeting  
 March 14, 2018

A regular meeting of the Board of Directors of the Leucadia Wastewater District (LWD) was held Wednesday, March 14, 2018 at 5:00 p.m., at the District Administration Office at 1960 La Costa Avenue, Carlsbad, California.

**1. Call to Order**

President Sullivan called the meeting to order at 5:03 p.m.

**2. Roll Call**

DIRECTORS PRESENT: Sullivan, Juliussen, Omsted, Hanson  
 DIRECTORS ABSENT: Kulchin  
 OTHERS PRESENT: General Manager Paul Bushee, General Counsel Wayne Brechtel, Administrative Services Manager Richard Duffey, Technical Services Manager Robin Morishita, Field Services Superintendent Jeff Stecker, Executive Assistant Tianne Baity, Field Services Technician II Ryan Rodriguez, District Engineer Dexter Wilson, Richard Babbe of PFM, Krishna Masur and First Lego League Team #13420 Turbo Falcons

**3. Pledge of Allegiance**

President Sullivan led the pledge of allegiance.

**4. General Public Comment Period**

None.

**5. Approval of Agenda**

Upon a motion duly made by Director Juliussen, seconded by Director Omsted, and unanimously carried, the Board of Directors approved the agenda by the following vote:

Director	Vote
President Sullivan	Yes
Vice President Kulchin	Absent
Director Juliussen	Yes
Director Omsted	Yes
Director Hanson	Yes

**6. Presentations and Awards**

**A. Achievement of Individual Award – Ryan Rodriguez**

GM Bushee introduced Field Services Technician II Ryan Rodriguez stating that Ryan recently received his Collection System Grade 2 certification from the California Water Environment Association. GM Bushee presented background information about Ryan and noted that Ryan is eligible for a \$500 incentive award under the District's incentive program.

The Board of Directors congratulated Ryan for his efforts.

B. Lego League Presentations

Krishna Masur, coach of First Lego League Team #13420, introduced his team Turbo Falcons stating that his team recently toured the Gafner AWT Plant. The Turbo Falcons then gave a presentation on their recycled water plant modeled after the Gafner AWT Plant. The Turbo Falcons noted that their model used a ferris wheel to remove sludge rather than using the chemical polyalum.

The Board asked the team various questions relating to their model and the team answered the questions. The Board was impressed with the Turbo Falcons and congratulated them on their presentation.

C. Certificate of Award for Outstanding Financial Reporting

GM Bushee presented the item. He stated that the District received this award for its outstanding financial reporting associated with the District's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2017. He noted that this is the 9th time the District has received this award and he thanked ASM Duffey and AT McEniry for their efforts with the CAFR.

The Board of Directors congratulated staff for receiving this award.

**CONSENT CALENDAR**

**7. Approval of Board and Committee Minutes**

Minutes of the following meetings:

- February 14, 2018 Regular Board Meeting
- February 26, 2018 Community Affairs Committee Meeting
- March 7, 2018 Investment and Finance Committee Meeting
- March 7, 2018 Engineering Committee Meeting

**8. Approval of Demands for February/March 2018**

Payroll Checks numbered 19725-19785; General Checking – Checks numbered 50742-50861

**9. Operations Report** (A copy was included in the original March 14, 2018 Agenda)

**10. Finance Report** (A copy was included in the original March 14, 2018 Agenda)

**11. Disclosure of Reimbursements**

This report discloses travel expense reimbursements for the month of February 2018.

Upon a motion duly made by Director Omsted, seconded by Director Juliussen, and unanimously carried, the Board of Directors approved the Consent Calendar by the following vote:

<b>Director</b>	<b>Vote</b>
<b>President Sullivan</b>	Yes
<b>Vice President Kulchin</b>	Absent
<b>Director Juliussen</b>	Yes
<b>Director Omsted</b>	Yes
<b>Director Hanson</b>	Yes

## **EWA and COMMITTEE REPORTS**

### **12. Encina Wastewater Authority (EWA) Reports**

A. EWA Board Report – Meeting held on February 28, 2018.

Director Juliussen reported on EWA's February 28, 2018 Board meeting.

B. EWA Member Agency Manager's (MAM) - Meeting held on March 6, 2018.

GM Bushee reported on EWA's MAM March 6, 2018 meeting.

### **13. Committee Reports**

A. Community Affairs Committee (CAC) Meeting was held on February 26, 2018.

President Sullivan reported that the CAC and staff reviewed and commented on the draft layout of the 2018 Winter newsletter.

The CAC directed staff to move forward with the production of the newsletter and forward the final to the Board for their review prior to printing.

B. Investment and Finance (IFC) Meeting was held on March 7, 2018.

Director Hanson reported that the IFC received updates on the following:

- Comprehensive Financial Plan Tracking; and
- CalPERS

These items were for informational purposes and they will be discussed later in the agenda.

C. Engineering Committee (EC) Meeting was held on March 7, 2018.

Director Juliussen reported that the Engineering Committee (EC) received an update on the status on the direct sale of recycled water to Omni La Costa Resort. This item was for informational purposes and it will be discussed later in the agenda.

The EC also received updates on the Gafner AWT Improvements Project and the Poinsettia Train Station Parallel Gravity Pipeline Project.

These items were for informational purposes and no action was taken.

## **ACTION ITEMS**

### **14. California Asset Management Program (CAMP) Individual Portfolio Program Status Report**

GM Bushee presented the item introducing Mr. Richard Babbe with PFM to provide a status report on LWD's CAMP Individual Portfolio.

Mr. Babbe presented an overview of the economy, market trends and status of the portfolio. He indicated that the stock market and interest rates have increased significantly over the past year. He noted that there has been increased volatility as the market adjusts to current conditions. He

stated that these changes in market conditions will mean higher yields, higher interest rates, and market value depreciation in the short term as the District portfolio adjusts. Mr. Babbe stated that he is not recommending any changes in the District's portfolio.

Mr. Babbe also provided a brief summary of the portfolio indicating that small modifications have been made. He stated that the portfolio is well diversified due to the addition of more corporate securities.

Director Omsted asked why interest rates go up when employment rates are high. Mr. Babbe answered that good news in the market can lead to the stock market acting negatively because it changes expectations about the future.

Director Omsted asked if there will be a recession in the future. Mr. Babbe answered that basic economic fundamentals don't suggest that there will be a recession through 2018. Mr. Babbe noted that recessions are driven by human behavior, so inevitably there will be one in the future.

Director Juliussen asked if bonds are safer than stocks. Mr. Babbe answered that it depends on how long you keep the bond for, noting that bond value fluctuates on a daily basis, but if you hold it until maturity you will get your full return on investment.

The Board thanked Mr. Babbe for his report.

This item was informational and no action was taken.

## **15. Comprehensive Financial Plan Tracking**

ASM Duffey presented the item noting that the IFC reviewed it during their March 7<sup>th</sup> meeting. He noted that the District has a Comprehensive Financial Plan prepared every 5 years, since conditions and assumptions change. He also noted that staff performs an internal update of the Financial Plan annually to determine how actual results are tracking with the original projections.

ASM Duffey provided an overview of how LWD is tracking with its Financial Plan. The overview included the following topics.

- Comparison of projected and updated reserve balances;
- Comparison of projected and actual revenues and expenditures for the first five years of the Financial Plan; and
- Future financial challenges

ASM Duffey concluded that the District's finances remain strong, while maintaining low rates, and the District is tracking well with its Financial Plan. He noted that the new Financial Plan is in progress and the District anticipates no rate increases for fiscal year 2019.

This item was informational and no action was taken.

## **16. CalPERS Update**

ASM Duffey presented the item noting that the IFC reviewed it during their March 7<sup>th</sup> meeting. ASM Duffey stated that the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption from 7.5% to 7.0% over the next three years. ASM Duffey noted that beginning

in Fiscal Year 2019 (FY19) LWD's CalPERS contribution costs will increase. He stated that LWD's unfunded accrued liability (UAL) will be amortized over the next 30 years and the resulting increase in required contributions are expected to continue from FY19 through FY25.

President Sullivan asked if the CalPERS projected costs uses the same ratio of Classic to PEPRAs employees that we currently have. ASM Duffey stated that CalPERS uses some assumptions to calculate the costs over the next 8 years but noted that there is still the unfunded accrued liability that needs to be paid off regardless of the ratio of Classic to PEPRAs employees.

ASM Duffey then reviewed the following four options LWD could use to address the required PERS employer contributions increase:

- State Quo – 30 Year Amortization;
- Fresh Start – Reduce Amortization Period;
- Ad Hoc Basis – Make additional payments; and
- Pay off UAL in full

ASM Duffey then stated that staff would follow up on this issue after further research and after the next actuarial valuation.

GM Bushee noted that the District will receive the actuarial valuation report during the fall and the District will develop various scenarios based on the valuation and then report back to the Board.

This item was informational and no action was taken.

#### **17. Fiscal Year 2019 (FY19) Budget Development Schedule**

ASM Duffey presented the item stating that staff is in the process of preparing the FY19 Budget. He provided the recommended dates for the Special Board meeting to review the Preliminary FY19 Budget.

Following discussion, the Board of Directors scheduled a Special Board Meeting for Tuesday, May 29, 2018 to review the Preliminary FY19 Budget.

No action was taken.

#### **18. Board of Directors Compensation Adjustment**

GM Bushee presented the item and explained that this item is for the Board to consider whether to direct staff to prepare and notice for a public hearing at the April Board Meeting, after which it could take action on a proposed a Board compensation adjustment.

Following discussion, the Board of Directors decided to reconsider this item at the April Board Meeting.

No action was taken.

#### **19. Call for Nominations to the CSDA Board of Directors Seat A**

EA Baity presented the item stating that CSDA is seeking nominations for its Board of Directors and staff has no recommendation on this matter.

The Board of Directors did not nominate anyone and no action was taken.

## **20. Recycled Water Program Update**

GM Bushee presented information on the status of the direct sale of recycled water to the Omni La Costa Resort & Spa (La Costa). He stated that the District received a cease and desist order from Carlsbad Municipal Water District (Carlsbad) on February 20<sup>th</sup>. He explained that the order was to stop negotiations with La Costa on an agreement for the direct sale of recycled water. GM Bushee stated that staff responded with a letter to Carlsbad stating that the District does have statutory authority under the Water Code to conduct the direct sale of recycled water to La Costa. He continued that this authority was confirmed by LAFCO. GM Bushee stated that, additionally, on February 27<sup>th</sup>, the Board of Directors of the Carlsbad Municipal Water District approved the termination of the recycled water agreement between the District and Carlsbad in 180 days. He continued that the District has not received the formal termination notice from Carlsbad.

GM Bushee stated that staff is working to keep LWD's options open with the goal of keeping the Gafner Water Recycling Facility operating into the future.

This item was informational and no action was taken.

## **INFORMATION ITEMS**

### **21. Project Status Updates and Other Informational Reports**

CSDA Legislative Days is scheduled for May 22-23, 2018 at the Grand Events Center in Sacramento, CA.

EA Baity reviewed the date and location for the upcoming conference.

### **22. Directors' Meetings and Conference Reports**

None.

### **23. General Manager's Report**

GM Bushee provided an update on the Employee Satisfaction Survey.

Director Juliussen asked how the survey was conducted. GM Bushee answered that the survey was conducted using confidential one on one interviews with every staff member.

GM Bushee indicated that survey results were available upon request. All Board members expressed intent in seeing the results. GM Bushee indicated that he would email the survey results to the Board.

### **24. General Counsel's Report**

GC Brechtel reported on the following items:

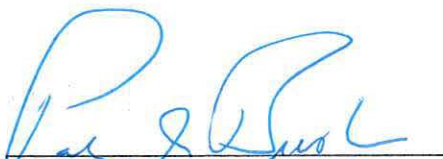
- Senate Bill 831- Accessory Dwelling Units; and
- City of Oroville v. California Joint Powers Risk Management Authority (CJPMA)

### **25. Board of Directors' Comments**

Director Omsted provided information on the Schools and Communities First coalition campaign.

**26. Adjournment**

President Sullivan adjourned the meeting at approximately 6:57 p.m.



Paul J. Bushee  
Secretary/General Manager  
(SEAL)



Elaine Sullivan, President