

**LEUCADIA WASTEWATER DISTRICT**

Minutes of a Regular Board Meeting  
November 9, 2016

A regular meeting of the Board of Directors of the Leucadia Wastewater District (LWD) was held Wednesday, November 9, 2016 at 5:00 p.m., at the District Administration Office at 1960 La Costa Ave., Carlsbad, California.

**1. Call to Order**

President Omsted called the meeting to order at 5:00 p.m.

**2. Roll Call**

DIRECTORS PRESENT: Omsted, Hanson, Sullivan, Kulchin, and Juliussen

DIRECTORS ABSENT: None.

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, Administrative Services Supervisor Trisha Hill, and District Engineer Steve Deering

**3. Pledge of Allegiance**

President Omsted 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 Sullivan, and unanimously carried, the Board of Directors approved the Agenda by the following vote:

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

**6. Presentations and Awards**

None.

**CONSENT CALENDAR**

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

Minutes of the following meetings:

- October 19, 2016 Regular Board Meeting
- October 24, 2016 Human Resources Committee Meeting
- October 25, 2016 Community Affairs Committee Meeting
- November 2, 2016 Engineering Committee Meeting

**8. Approval of Demands for October/November 2016**

Payroll Checks numbered 18868-18910; General Checking – Checks numbered 48858-48971.

**9. Operations Report** (A copy was included in the original November 9, 2016 Agenda)

**10. Finance Report** (A copy was included in the original November 9, 2016 Agenda)

**11. Disclosure of Reimbursements**

This report discloses travel expense reimbursements for the month of October 2016.

**12. Board-General Manager/Staff Relations Policy**

Receive and file the annual review of the Board-General Manager/Staff Relations Policy.

President Omsted asked the Board of Directors if there were any objections to the approval of the Consent Calendar, and seeing none, the Board approved the Consent Calendar by the following vote:

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

**EWA and COMMITTEE REPORTS**

**13. Encina Wastewater Authority (EWA) Reports**

A. EWA Board Report – Meeting held on October 26, 2016.

Director Sullivan reported on EWA's October 26, 2016 Board meeting.

B. EWA Member Agency Manager's (MAM) - Meeting held on November 1, 2016.

GM Bushee reported on MAM's November 1, 2016 meeting.

**14. Committee Reports**

A. Human Resources Committee (HRC) meeting held on October 24, 2016.

Director Hanson reported that the HRC met with staff as a follow-up to the discussion regarding an efficiency analysis at the September 26<sup>th</sup> HRC meeting.

Staff contacted three firms and provided the HRC with ballpark costs associated with conducting an efficiency analysis.

Following discussion, the HRC recommended that this item be presented at the November 9<sup>th</sup> Board meeting for review.

This item will be reviewed by the Board of Directors later in the agenda.

B. Community Affairs Committee (CAC) meeting held on October 25, 2016.

Director Sullivan reported the CAC reviewed and agreed with the following newsletter article topics, along with the production schedule:

- LWD semi-annual performance May 1, 2016 through November 1, 2016;
- Keeping the Pipes Clear and Free of Obstructions, Pipeline Blockages, and Illegal Dumping;
- Outreach Efforts and Assets;
- Employee and Agency Recognition;
- Capital Improvements; and
- Recycled Water

The CAC directed staff to move forward with the newsletter and production schedule.

The CAC also received an update on LWD's Facebook page and reviewed the District's surf cam on the LWD website. These items were for information only. No action was taken.

C. Engineering Committee (EC) meeting held on November 2, 2016.

Director Juliussen stated that the EC reviewed updates on the following:

- Village Park No.5 Pump Station replacement;
- Leucadia (L1) Force Main Project; and
- Batiquitos Pump Station Solar Panel Cost Analysis

These items were for information only. No action was taken.

## **ACTION ITEMS**

### **15. Quarterly Treasurer's Investment Report**

ASM Duffey presented the item noting the Quarterly Treasurer's Report is normally covered in the Consent Calendar. ASM Duffey stated that due to recent changes in the Investment Policy, staff thought it would be a good time to review some highlights of the most recent Quarterly Treasurer's Report.

ASM Duffey compared LWD's Cash and Investments by type from the previous quarter ending 6/30/2016 to the recent quarter ending 9/30/2016. He also presented a list of corporate notes held by LWD as of 9/30/2016 along with their ratings.

Director Juliussen asked if the corporate notes have a fixed interest rate and a maturity date. ASM Duffey answered affirmatively.

President Omsted asked if the District's financial advisor selects the companies for the corporate notes. ASM Duffey answered affirmatively.

ASM Duffey also compared the investment distribution, remaining maturities, and investment ratings between the two quarters.

ASM Duffey noted that LWD had shifted a little more of its allocation into corporate notes from the LAIF Pool, and extended its average maturity from 109 days to 144 days between quarters. This helped increase the average rate of return from 0.75% to 0.83%, which exceeded the LAIF benchmark.

Director Kulchin asked why the average rate of return is low. ASM Duffey stated that the investments were previously in investment pools that paid a lower rate of return. ASM Duffey noted that one of the reasons the Investment Policy was modified was so that the District could take advantage of higher yielding investments, while still being conservative.

Director Juliussen asked if the rate of return was annually or quarterly. ASM Duffey answered his question stating it was annually.

Director Kulchin asked if the rate of return will gradually escalate. ASM Duffey answered affirmatively.

GM Bushee noted that CSRMA, like the District, has an investment portfolio managed by PFM. He stated that CSRMA has a more flexible investment policy that allows a better rate of return while still remaining safe. GM Bushee stated that CSRMA's more flexible investment policy produced higher yields and this result is what led LWD to modify its own Investment Policy.

Following discussion, upon a motion duly made by Vice President Hanson, seconded by Director Sullivan, and unanimously carried, the Board of Directors received and filed the Quarterly Treasurer's Investment Report by the following vote:

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

## **16. Discussion of LWD Organizational Efficiency Study**

GM Bushee presented the item and noted that this discussion stemmed from the June 26<sup>th</sup> Board meeting and Vice President Hanson's concerns with LWD's compensation process. Subsequently, these concerns were referred to the HRC for further discussion. These discussions took place at HRC meetings on September 26<sup>th</sup> and October 24<sup>th</sup>. GM Bushee stated that following discussion at the October 24<sup>th</sup> HRC meeting, the HRC was split on whether LWD should conduct an organizational efficiency analysis.

GM Bushee presented background information and ballpark costs on three firms that perform efficiencies analyses and they included: BHI Management Consulting, Black & Veatch, and EMA, Inc.

GM Bushee also presented background information on LWD's compensation program. He provided a handout on agencies similar to LWD based on population, number of accounts, service area size, miles of pipeline, number of employees and personnel budget figures. GM Bushee also provided several PowerPoint slides showing both staff and Board compensation trends. He noted that both trends have been relatively flat over the past 6 years.

Prior to Board discussion, GM Bushee summarized his closing thoughts in the following areas:

- Finance – The District conducts annual financial audits, while maintaining strong reserves, no debt and a low service rate.
- Human Resources – The District has a history of stable compensation, lean staffing combined with strategic outsourcing, and high morale with low turnover.
- Operations – The District has a strong performance record while continuously striving for a clean

environmental record of no spills.

- Legal – The District has few closed sessions and no litigation.
- Infrastructure – The District infrastructure is in excellent condition and the District has invested \$68 million since FY 2006 to repair and/or replace pump stations, force mains, and gravity lines.

Vice President Hanson stated that she thinks the District can always do things better. She stated that the District has never had an efficiency study conducted before and it is important to have one at some point. She noted that other public agencies have conducted efficiency studies. Vice President Hanson also noted that whatever is found in the study may save the District the money to pay for the study, over time.

Director Sullivan asked Vice President Hanson if there is something specific she has seen that she wants to address. Vice President Hanson answered stating she thinks salaries are high and she doesn't agree with them. Vice President Hanson also stated she doesn't understand enough about what people do at the District.

Director Kulchin stated that he agreed with GM Bushee's closing thoughts. He stated that if the District had high turnover, poor morale, or excessive compensation, he might agree with Vice President Hanson. Director Kulchin stated LWD operates a very efficient system and spending \$70K on the scope of work for an efficiency study was not warranted. Director Kulchin also noted that the District does annual job and wage comparisons to other similar sized agencies.

Director Sullivan stated she agreed with Director Kulchin. Director Sullivan also stated she didn't think the District would find \$60K in savings by conducting an efficiency study.

Director Juliussen stated that he thought the District had competitive pay.

Following discussion, Vice President Hanson made a motion to conduct an LWD Organizational Efficiency Study. There was no second, therefore the motion did not carry.

## **17. Potential Strategic Planning Facilitators**

GM Bushee presented the item noting it is a follow-up to last month's October Board meeting and the Board strategic planning session is a tactical goal for fiscal year 2017. GM Bushee stated that at the October meeting the Board directed staff to provide some biographical information from a couple of strategic planning firms for the Board's consideration. GM Bushee noted that staff had contacted BHI Management and the Tamayo Group Inc. and he provided background information on each firm.

Director Kulchin made a recommendation for the Tamayo Group, Inc. noting that he likes BHI Management but the District used them at the previous strategic planning session. Director Kulchin stated that making a change for this strategic planning session is in the District's best interest.

Vice President Hanson and Director Sullivan also agreed with Director Kulchin.

Following discussion, the Board of Directors unanimously agreed to use the Tamayo Group Inc. for the strategic planning session which is earmarked for late February 2017.

GM Bushee stated he would request a proposal from the Tamayo Group Inc for a three-quarter day to full day strategic planning session and procure services with a sole source agreement.

There was no other action taken.

**18. Calendar Year 2017 (CY17) Board of Directors' Meeting**

Approve the CY17 Board of Directors' meeting schedule.

EA Baity presented the item stating that the Board approved a resolution in 2009 that indicates that the Board meetings will be held on the second Wednesday of each month at 5:00 PM. She stated that staff developed the proposed CY17 Board meeting schedule. She also noted that there are no conflicts between conferences and Board meeting dates for CY17.

Following discussion, upon a motion duly made by Director Kulchin, seconded by Director Juliussen, and unanimously carried, the Board of Directors approved the CY17 Board of Directors' meeting schedule by the following vote:

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

**INFORMATION ITEMS**

**19. Project Status Updates and Other Informational Reports**

A. Batiquitos Pump Station Electrical Cost Analysis.

FSSupt Stecker presented a cost analysis of the Batiquitos Pump Station electrical rate and provided back ground information on this item. He stated that in May 2015 the District switched to a new electrical rate at the Batiquitos Pump Station. He explained that the new rate required the District to reduce on-peak demand kWhrs at the pump station. FSSupt Stecker stated that the installation of the Solar Panels satisfied that requirement and he provided a rate comparison of electrical costs before and after the rate switch for a one year period over the same months.

FSSupt Stecker also reviewed the Batiquitos Pump Station electrical usage and costs, solar panel costs, and solar panel payback costs. FSSupt noted that the District has saved enough to pay for the cost of the solar panels within 10 months.

The Board thanked staff for the presentation.

B. 2017 CSRMA Executive Board Elections.

GM Bushee stated the CSRMA Executive Board has formed a Nominating Committee to recommend a slate of candidates for the 2017 Board Elections. GM Bushee noted that if anyone is interested in nominating someone for the Executive Board to contact the Nominating Committee.

C. CSDA Quarterly Dinner Meeting is scheduled for Thursday, November 17, 2016 at The Butcher Shop Steakhouse in Kearny Mesa.

EA Baity stated the date and time of the CSDA Quarterly Dinner Meeting. GM Bushee stated a carpool will be leaving from the District office at 5:30 p.m. and that he will send an email reminder.

D. LWD Holiday Luncheon is scheduled for Thursday, December 8, 2016 at 12noon at Bistro West.

EA Baity announced the date of the Holiday luncheon noting that it is scheduled for the week before the December Board meeting.

**20. Directors' Meetings and Conference Reports**

None.

**21. General Manager's Report**

GM Bushee reported on the following items:

- GM Bushee reported that last week the District received two bids for the L1 Force Main West Section Replacement Project. Based on the high pricing of both bids and the fact that one of the bids did not meet the bid requirements, both bids have been rejected and the project will be rebid in order to receive more competitive bids.

**22. General Counsel's Report**

GC Brechtel reported on the following items:

- SB 1069 Accessory Dwelling Units and standardization of District fees

**23. Board of Directors' Comments**

Director Juliussen stated he was looking forward to the next four years on the Board and serving the rate payers.

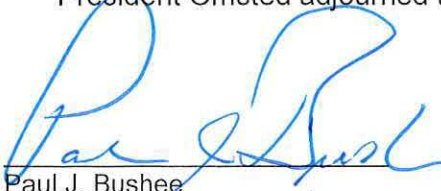
Director Kulchin congratulated the three re-elected Board members and also congratulated staff for doing a great job. He also acknowledged ASM Duffey for providing good financial management and noting we should all be very proud of the District.

Director Sullivan concurred with Director Kulchin and also congratulated the three re-elected Board members.

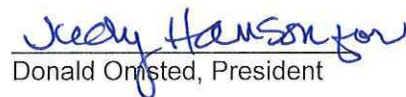
Vice President Hanson stated she attended the San Diego Local Agency Formation Commission (LAFCO) Board meeting on November 7, 2016. She noted that at the October CALAFCO Conference, San Diego LAFCO was recognized by CALAFCO.

**24. Adjournment**

President Omsted adjourned the meeting at 6:12 p.m.



Paul J. Bushee  
Secretary/General Manager  
(SEAL)



Donald Omsted, President