

LEUCADIA WASTEWATER DISTRICT
 Minutes of a Special Board Meeting
 May 16, 2018

A special meeting of the Board of Directors of the Leucadia Wastewater District (LWD) was held Wednesday, May 16, 2018 at 10:00 a.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 10:00 a.m.

2. Roll Call

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

DIRECTORS ABSENT:

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, District Engineer Dexter Wilson, and Andrea Boehling of Raftelis Financial Consultants

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 Omsted, seconded by Director Kulchin, and unanimously carried, the Board of Directors approved the agenda by the following vote:

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

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.

ASM Duffey presented the item stating the purpose of the meeting and providing background on the financial planning process. He noted that in January 2018 the Board retained Raftelis Financial Consultants (Raftelis) to develop the Financial Plan Update. He then introduced Ms. Andrea Boehling of Raftelis to provide an overview of the 2018 Financial Plan Update.

Ms. Boehling presented an overview of the 2018 Financial Plan Update. She provided a recent sewer rate survey that indicated that the current average sewer rate is approximately \$48.97/month. She noted that the District's sewer rate is well below this rate at \$28.64/month.

Vice President Kulchin asked who has the lowest sewer rate in the county. Ms. Boehling answered the City of Carlsbad.

Ms. Boehling also provided information on the inflationary assumptions, key inputs/assumptions, and revenue assumptions used in the two wastewater Financial Plan models. She noted that the Capital Improvement Reserve of \$645,049 will be fully depleted by the end of fiscal year 2018 (FY18) and that recycled water is treated as a separate utility.

Ms. Boehling presented the two scenarios that could be used to meet future financial obligations for the District. She stated that Scenario 1 maintains the District's current approach, which is a pay-as-you-go option. She noted Scenario 1 was based on three years on and three years off with the first increase beginning in FY21. She provided details on this scenario and stated that it includes three different rates increases: 10%, 7%, and 6%, 3 years each. Ms. Boehling then presented Scenario 2, noting it is also based on three years on and three years off. However, Scenario 2 issues a \$40M debt in fiscal year ending 2021 to fund the capital improvement plan and while there will be lower rate adjustments in the first three year increase, higher rate adjustments will be needed in the out years. She then provided details on Scenario 2.

Following the presentation on the two scenarios, Ms. Boehling stated that the recommendation is for Scenario 1. She stated that this approach has worked well for the District in the past and maintaining the pay-as-you-go capital funding avoids debt related expenses.

Ms. Boehling also reviewed the Recycled Water Financials and noted that recycled water financials continue to cover ongoing operational costs. She noted that capital needs will be underfunded since the reserves are insufficient to fund planned capital by FY20.

The Board of Directors asked various questions regarding District investments and inflation rates. Staff answered their questions.

Ms. Boehling then reviewed the District's capacity fees and noted that they were last increased in 2013. She stated that an increase of 27%, or \$1,083, is recommended. She provided details on the buy-in method and noted that this proposed buy-in approach would increase the capacity fees from \$4,006 to \$5,089 per equivalent dwelling unit (EDU). Ms. Boehling also reviewed a capacity fee comparison survey of other agencies in San Diego County noting that the current average capacity fee is \$5,687. She noted that this is still well above LWD's proposed capacity fee of \$5,089.

Director Omsted asked how a granny flat EDU is assessed. GC Brechtel answered that granny flats that are additional construction and up to 1,000 square feet are assessed at .5 EDU. Granny flats over 1,000 square feet are charged 1 EDU.

Director Hanson asked if capacity fees should be reviewed on a yearly basis. GM Bushee stated that capacity fees can be reviewed annually if the Board wishes to do so.

ASM Duffey noted that capacity fees are not normally reviewed every year since the district is close to build out and the financial impact is relatively small. Ms. Boehling also noted that a typical capacity fee study is done about every five years.

GM Bushee thanked Mark Brechbiel for compiling the data used in the Sewer Rate Survey and the Capacity Fee Survey.

Following discussion, the Board provided direction to staff to continue with the District's current pay-as-you-go approach of Scenario 1 and update the 2018 Financial Plan by using the 10%, 7%, 6% rate increases for periods of three years on. The first rate increase of 10% would begin in FY21 followed by periods of three years off.

Following discussion, the Board directed staff to prepare and notice for a public hearing at the June Board Meeting to increase the capacity fees from \$4,006 to \$5,089 per EDU.

The Board of Directors also provided direction to staff to annually review the capacity fees every May and if an increase is recommended, authorize staff to prepare, notice, and schedule a public hearing regarding the rate increase.

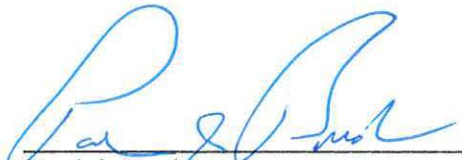
7. Information Items

GM Bushee reported that the San Dieguito Reservoir Dam Centennial and Pump Station Dedication is Wednesday, May 30 from 10 a.m. to 12noon and the final day to RSVP is May 18, 2018.

GM Bushee also reported that the CSDA Quarterly Dinner is tomorrow night and a carpool will leave the District office at 5:30 p.m.

8. Adjournment

President Sullivan adjourned the meeting at approximately 11:11 a.m.



Paul J. Bushee
Secretary/General Manager
(SEAL)



Elaine Sullivan, President