

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

A regular meeting of the Board of Directors of the Leucadia Wastewater District (LWD) was held Wednesday, November 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 5:00 p.m.

**2. Roll Call**

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

DIRECTORS ABSENT:

OTHERS PRESENT: General Manager Paul Bushee, General Counsel Wayne Brechtel, Administrative Services Manager Richard Duffey, Field Services Superintendent Jeff Stecker, Executive Assistant Tianne Baity, Administrative Services Supervisor Trisha Hill, District Engineer Dexter Wilson, Steven Henderson from Dexter Wilson Engineering Corporation, Shannon Ayala from Davis Farr LLP, and Volker Hoehne from Watermen’s Alliance

**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	Yes
Director Juliussen	Yes
Director Omsted	Yes
Director Hanson	Yes

**6. Presentations and Awards**

None.

**CONSENT CALENDAR**

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

Minutes of the following meetings:

- October 10, 2018 Closed Session Meeting
- October 10, 2018 Regular Board Meeting
- October 24, 2018 Special Board Meeting
- November 7, 2018 Engineering Committee Meeting

**8. Approval of Demands for October/November 2018**

Payroll Checks numbered 20141-21023; General Checking – Checks numbered 51721-52227

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

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

**11. Quarterly Treasurer’s Investment Report**

This report discloses investments for the quarter ending September 30, 2018.

**12. Disclosure of Reimbursements**

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

Upon a motion duly made by Director Juliussen, seconded by Director Omsted, 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>	Yes
<b>Director Juliussen</b>	Yes
<b>Director Omsted</b>	Yes
<b>Director Hanson</b>	Yes

**EWA and COMMITTEE REPORTS**

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

A. EWA Board Report – Meeting held on October 24, 2018.

President Sullivan reported on EWA’s October 24, 2018 Board meeting.

B. An EWA Member Agency Manager’s (MAM) Meeting was held November 6, 2018.

GM Bushee reported on EWA’s MAM November 6, 2018 meeting.

**14. Committee Reports**

A. Engineering Committee (EC) Meeting was held on November 7, 2018.

Director Juliussen reported that the EC reviewed a recommendation to receive and file the Sanitary Sewer Management Plan (SSMP) Fiscal Year 2018 Audit conducted by Dexter Wilson Engineering, Inc. The EC concurred with staff to present this recommendation to the Board of Directors and it will be discussed later in the agenda.

The EC also received an update on the 2018 Gravity Pipeline Cured-In-Place Pipe (CIPP) Lining Rehabilitation Project. This item was for information purposes and no action was taken.

B. Investment and Finance Committee (IFC) Meeting was held on November 8, 2018.

Director Hanson reported that the IFC reviewed the following recommendations:

- Receive and file the Fiscal Year 18 (Comprehensive Annual Financial Report (CAFR));

- Authorize the General Manager to execute Amendment No.1 with Davis Farr LLP for Financial Auditing Services for Fiscal Year 2019 and Fiscal Year 2020 in an amount not to exceed \$45,550; and
- CalPERS Update

The IFC agreed with staff to present these recommendations to the Board of Directors and they will be discussed later in the agenda.

C. Human Resources Committee (HRC) Meeting was held on November 8, 2018.

Director Omsted reported that the HRC reviewed the recommendation to receive and file the annual review of the LWD Board-General Manager/Staff Relations Policy. He noted that the HRC suggested amending section IX of the policy and establishing two year committee appointment terms. Following discussion, staff and the HRC agreed to postpone consideration of this item. Staff agreed to revise and present this item to the HRC in December.

Director Omsted also reported that the HRC reviewed the recommendation to adopt Resolution No. 2307 Updating LWD's Anti-Harassment/Discrimination Policy and Complaint Procedures. The HRC agreed with staff to present this recommendation to the Board of Directors and it will be discussed later in the agenda.

## ACTION ITEMS

### 15. Fiscal Year 2018 (FY18) Comprehensive Annual Financial Report (CAFR)

Receive and file the FY18 CAFR conducted by Davis Farr LLP.

ASM Duffey provided background information on this item stating it is a FY19 tactical goal and it was reviewed by the Investment and Finance Committee at its November 8<sup>th</sup> meeting. He provided a summary of the CAFR's Management's Discussion and Analysis (MD&A) highlighting and discussing the following areas:

- Financial Highlights;
- Net Position;
- Reserve Balances Compared to Cash and Investment Balances; and
- FY18 Budget to Actual Expenses

The Board thanked ASM Duffey. ASM Duffey then introduced Shannon Ayala of Davis Farr LLP to provide a summary of the auditor's reports and auditing process.

Ms. Ayala stated that the auditor's internal report indicated that the audit was a clean, unmodified opinion for the year ending FY18. She stated there were no instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that have a material effect on the determination of financial statement amounts. Ms. Ayala noted the areas of audit focus included internal controls, sewer service charge testing and other post employment benefit obligations.

In conclusion, Ms. Ayala stated that staff was prepared for the audit, and the auditors had no recommended material audit adjustments and noted no material weaknesses or significant deficiencies in internal controls.

The Board thanked Ms. Ayala for her presentation.

Following discussion, upon a motion duly made by Vice President Kulchin, seconded by Director Juliussen and unanimously carried, the Board of Directors received and filed the FY18 CAFR by the following vote:

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

**16. Financial Auditing Services for Fiscal Year 2019 (FY19) and Fiscal Year 2020 (FY20)**

Authorize the General Manager to execute Amendment No.1 with Davis Farr LLP for Financial Auditing Services for FY19 and FY20 in an amount not to exceed \$45,550.

ASM Duffey presented the item stating it was reviewed by the Investment and Finance Committee at its November 8<sup>th</sup> meeting. He noted that the Board authorized a three year contract with Davis Farr LLP for auditing services in 2016 and that an option to renew for an additional two year extension was included in the agreement. He stated that during these past three years staff has worked closely with the auditors during the audit process and believes it is in the District's best interest to execute the two year extension.

Following discussion, upon a motion duly made by Director Hanson, seconded by Director Omsted and unanimously carried, the Board of Directors authorized the General Manager to execute Amendment No.1 with Davis Farr LLP for Financial Auditing Services for Fiscal Year 2019 (FY19) and Fiscal Year 2020 (FY20) in an amount not to exceed \$45,550 by the following vote:

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

**17. Sewer System Management Plan (SSMP) Fiscal Year 2018 (FY18) Audit**

Receive and file the Sewer System Management Plan (SSMP) Fiscal Year 2018 (FY18) Audit conducted by Dexter Wilson Engineering, Inc.

FSS Stecker presented this item and provided background information on the SSMP. He noted it was reviewed by the Engineering Committee at its November 7<sup>th</sup> meeting. He introduced Mr. Steven Henderson of Dexter Wilson Engineering, Inc. to provide an overview of the audit and its results.

Mr. Henderson provided an overview of the FY18 SSMP Audit. He stated that the audit concluded that the District's activities, programs, and efforts meet or exceed the requirements of its SSMP. He noted that minor changes in the District's organization, practices, or regulations that occurred during the year were not significant enough to require a revision of the SSMP prior to June 2019, the required five year SSMP review cycle.

The Board thanked Mr. Henderson for his presentation.

Following discussion, upon a motion duly made Director Juliussen, seconded by Director Omsted, and unanimously carried, the Board of Directors received and filed the SSMP FY18 Audit conducted by Dexter Wilson Engineering, Inc. by the following vote:

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

## **18. CalPERS Update**

ASM Duffey presented the item stating it was reviewed by the Investment and Finance Committee at its November 8<sup>th</sup> meeting. He then presented background information on the item noting that at the March 2018 Board meeting staff presented an overview of recent changes to the CalPERS assumptions and the impact they will have on LWD's future employer contributions. At that time, the Board directed staff to follow-up with potential options to address this issue once CalPERS completed its fiscal year (FY) 2017 actuarial report, which was expected to be released in October 2018.

ASM Duffey presented the projected employer CalPERS pension contributions by class, the projected employer CalPERS pension contributions by cost, and the CalPERS unfunded accrued liability (UAL) calculations for FY13 through FY19. ASM Duffey then reviewed the following four options LWD could use to address the UAL and reduce pension expense:

1. State Quo – 30 Year Amortization;
2. Fresh Start – Reduce Amortization Period;
3. Ad Hoc Basis – Make additional payments on a periodic basis; and
4. Pay off current UAL balance in full.

President Sullivan asked if the CalPERS UAL calculations could change across all four options. ASM Duffey answered affirmatively.

Director Juliussen asked if the District pays the current UAL balance in full, is there a guarantee that CalPERS will not ask for more money in the future. ASM Duffey answered there is no guarantee and the UAL is a moving target that can change year to year.

Director Juliussen asked if the District can have an option for a reserve fund to pay CalPERS. GM Bushee stated it is an option.

ASM Duffey reviewed the pros and cons of all four options. ASM Duffey and GM Bushee stated that the option number 3, Ad Hoc Basis – 10 Year Period, is the best option to address the UAL and reduce pension expense. Following discussion, the Board agreed with staff to go with option 3. GM Bushee stated that staff would come back to the Board with a guideline recommendation in December or January and budget for the CalPERS UAL payments in the next fiscal year.

There was no action taken.

**19. Adopt Resolution No. 2307 Updating LWD's Anti-Harassment/Discrimination Policy and Complaint Procedures.**

ASsup Hill presented the item stating it is a FY19 tactical goal and it was reviewed by the Human Resources Committee at its November 8<sup>th</sup> meeting. She noted LWD's original No-Harassment Policy was adopted by the Board of Directors in March 2006. She stated that staff reviewed LWD's current policy and the information contained in this policy is outdated. She stated that the policy was updated and revised to meet new CA laws/regulations and training requirements. ASsup Hill then provided a brief summary of these new changes.

Following discussion, upon a motion duly made by Director Omsted, seconded by Director Juliussen, and unanimously carried, the Board of Directors adopted Resolution No. 2307 Updating LWD's Anti-Harassment/Discrimination Policy and Complaint Procedures by the following vote:

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

**20. Adopt Resolution No. 2306 Requesting the Local Agency Formation Commission (LAFCO) to take proceedings for the proposed Ryan Change of Organization.**

DE Wilson presented the item stating that this annexation involves one parcel totaling 0.69 acres located at 1112 Eolus Avenue. He noted the annexation is within the District's sphere of influence and includes one parcel with an existing single-family residence that is currently connected to a septic tank system. Per the City of Encinitas, the parcel is required to connect to the public sanitary sewer system to satisfy a permit condition for a proposed lot split along with a new single-family residence.

Following discussion, upon a motion duly made by Director Hanson, seconded by Director Juliussen, and unanimously carried, the Board of Directors adopted Resolution No. 2306 Requesting the Local Agency Formation Commission (LAFCO) to take proceedings for the proposed Ryan Change of Organization by the following vote:

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

**21. Calendar Year 2019 (CY19) Board of Directors' Meeting Schedule**

Approve the CY19 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 CY19 Board meeting schedule and coordinated the meetings with upcoming conferences in 2019. She also noted that staff suggests moving the April 2019 Board

meeting to the third Wednesday of the month so it would not conflict with the CWEA Annual Conference dates.

EA Baity noted that as of November 8, 2018, there is no date available for the CASA/WateReuse Joint Public Policy Forum. Should the CASA/WateReuse Joint Public Policy Forum conflict with the April 17<sup>th</sup> Board meeting, the April Board meeting can be moved at the Board's discretion.

Following discussion, upon a motion duly made by Director Juliussen, seconded by Vice President Kulchin, and unanimously carried, the Board of Directors approved the CY19 Board of Directors' meeting schedule by the following vote:

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

## **22. Potential Strategic Planning Facilitator**

GM Bushee presented the item and provided background information noting that the last Board Strategic Planning Session was held in February 2017 and was facilitated by Michele Tamayo of the Tamayo Group. GM Bushee stated that this item is to seek direction from the Board on a potential strategic planning facilitator for the next Board Strategic Planning Session which is planned for some time in February or March 2019. He noted that shortly after the November Board Agenda was distributed, Ms. Tamayo notified him that she would be able to facilitate the next strategic planning session should the Board choose to use her services. GM Bushee noted that feedback from the previous strategic planning session with Ms. Tamayo was positive. He stated strategic planning facilitator services cost around \$10K and this amount is within his signature authority.

Following discussion, the Board of Directors reached consensus to use the Tamayo Group as the strategic planning facilitator for the next Board Strategic Planning Session. GM Bushee stated he would follow up with Ms. Tamayo.

There was no action taken.

## **INFORMATION ITEMS**

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

#### **A. CSRMA 2019 Executive Board Elections**

GM Bushee stated the CSRMA Executive Board has formed a Nominating Committee to recommend a slate of candidates for the 2019 Board Elections. GM Bushee noted that if anyone is interested in nominating someone for the Executive Board to contact the Nominating Committee.

#### **B. CSDA Quarterly Dinner Meeting is scheduled for Thursday, November 15, 2018 at The Butcher Shop Steakhouse in Kearny Mesa.**

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

C. LWD Annual Holiday Luncheon is scheduled for Thursday, December 13, 2018 at The Crossings in Carlsbad.

EA Baity stated the date and the time of LWD Holiday Luncheon.

D. CASA Winter Conference is scheduled for Wednesday, January 23 – Friday, January 25, 2019 at the Renaissance Indian Wells in Indian Wells, CA.

EA Baity announced the dates of the CASA Winter Conference.

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

None.

**25. General Manager's Report**

GM Bushee reported on the following item:

- He will be on vacation next week and ASM Duffey will be acting GM.

**26. General Counsel's Report**

GC Brechtel reported on the following item:

- JPA member agencies contracting out of liability for JPA CalPERS pension obligations.

**27. Board of Directors' Comments**

Director Juliussen stated he would like to add an item to the December Board Agenda on Encina Wastewater Authority's High Strength Waste Feasibility Study. GM Bushee stated he would provide a brief overview at the December Board meeting.

President Sullivan wished everyone a happy and safe Thanksgiving.


**28. Closed Session**

Conference with Legal Counsel to discuss exposure to litigation pursuant to California Government Code Sec. 54956.9(d)(2) – City of Carlsbad Cease and Desist Notice.

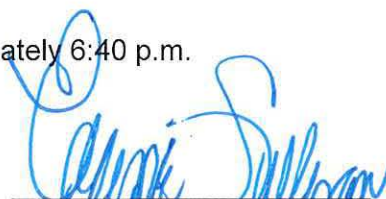
There was no reportable action.

**29. Adjournment**

President Sullivan adjourned the meeting at approximately 6:40 p.m.



Paul J. Bushee  
Secretary/General Manager  
(SEAL)

  
Elaine Sullivan, President