

**LEUCADIA WASTEWATER DISTRICT**  
Minutes of an Investment & Finance Committee Meeting  
November 8, 2018

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A meeting of the Investment & Finance Committee (IFC) of the Leucadia Wastewater District (LWD) was held Thursday, November 8, 2018 at 9:00 a.m. at the District Administration Office at 1960 La Costa Avenue, Carlsbad, California.

**1. Call to Order**

Chairperson Hanson called the meeting to order at 9:07 a.m.

**2. Roll Call**

DIRECTORS PRESENT: Hanson and Omsted

DIRECTORS ABSENT: None

OTHERS PRESENT: General Manager Paul Bushee, Administrative Services  
Manager Richard Duffey, Administrative Services  
Supervisor Trisha Hill, Executive Assistant Tianne Baity,  
and Shannon Ayala from Davis Farr LLP

**3. Public Comment**

None.

**4. New Business**

A. Receive and file the Fiscal Year 18 (FY18) Comprehensive Annual Financial Report (CAFR).

ASM Duffey presented the item. He provided a summary of the CAFR, highlighting the Management's Discussion and Analysis (MD&A). ASM Duffey discussed the District's FY18 Revenues and Expenses, Key Financial Ratios, Net Position, Unrestricted Reserve Balances, Reserves vs. Cash Investment Balances, Operating Revenues by Source, Operating Expenses by Activity, Net Position by Component, and the FY18 Budget to Actual Expenses.

ASM Duffey 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.

Directors Hanson and Omsted thanked Ms. Ayala for her summary.

Following discussion, the IFC agreed with staff to recommend that the Board of Directors receive and file the FY18 CAFR.

- B. Authorize 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.

ASM Duffey presented the item stating 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, the IFC concurred with staff to forward Amendment No.1 with Davis Farr LLP for Financial Auditing Services for FY19 and FY20, in an amount not to exceed \$45,550, to the Board of Directors.

C. CalPERS Update

ASM Duffey presented background information on the item stating 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 pension contributions. At that time, the Board directed staff to follow-up with potential options to address this issue once CalPERS completed its fiscal year 2017 (FY17) actuarial valuation 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.

Following discussion, the IFC agreed with staff to make a soft recommendation that the Board of Directors select option no. 3, Ad Hoc Basis, to reduce the District's UAL expense.

**5. Information Items**

None.

**6. Directors' Comments**

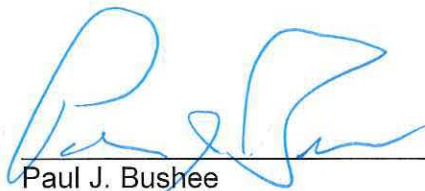
None.

**7. General Manager's Comments**

GM Bushee thanked staff and Ms. Shannon Ayala with Davis Farr LLP for their work on the FY18 CAFR.

**8. Adjournment**

Chairperson Hanson adjourned the meeting at 10:27 a.m.



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Paul J. Bushee  
Secretary/General Manager  
(Seal)