

LEUCADIA WASTEWATER DISTRICT
 Minutes of a Special Board Meeting
 Tuesday, May 30, 2017

A special meeting of the Board of Directors of the Leucadia Wastewater District (LWD) was held Tuesday, May 30, 2017 at 9:00 a.m., at the District Administration Office at 1960 La Costa Ave., Carlsbad, California.

1. Call to Order

President Hanson called the meeting to order at 9 a.m.

2. Roll Call

DIRECTORS PRESENT: Hanson, Sullivan, Kulchin, Juliussen, and Omsted
 DIRECTORS ABSENT: None
 OTHERS PRESENT: General Manager Paul Bushee, General Counsel Wayne Brechtel, Administrative Services Manager Richard Duffey, Technical Services Manager Robin Morishita, Executive Assistant Tianne Baity, Administrative Services Supervisor Trisha Hill, Field Services Superintendent Jeff Stecker, and District Engineer Steve Deering

3. Pledge of Allegiance

President Hanson led the pledge of allegiance.

4. Public Comment

No public comment was received.

5. Approval of Agenda

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

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

6. Overview of Recommended Fiscal Year 2018 (FY18) Budget

A. Review and discuss the recommended FY18 Budget.

GM Bushee stated that this is the Board's fifth Budget workshop and that no action is required. He noted that staff is seeking direction or comments during the meeting. Staff will incorporate the Board's comments/direction at today's meeting and present the FY18 Budget for approval during the June Board meeting. He introduced ASM Duffey to provide the highlights of the FY18 Budget. ASM Duffey provided FY18 Budget highlights that included the following items:

- Principal Budget Objectives;
- Expense Summaries for each program;
- Revenue Projections for each program;

- The FY17 wastewater service charge will remain the same for FY18 at \$343.68 per EDU per year;
- Projected personnel budget, noting this will be discussed in closed session;
- Cost allocation by program; and
- Reserve Contributions

He stated that overall revenues are projected to increase 3.4% from the FY17 Budget. He also stated that the proposed overall operating expenses represent a 2.7% increase and the capital expenditures represent a 4.9% increase from the FY17 Budget.

He provided a summary of the revenue projections stating that the total wastewater program revenues for FY18 are \$12.6 million with the largest category being sewer service charges at 78% or \$9.8 million, and recycled water program revenues are \$361K with recycled water sales at 75% or \$272K.

ASM Duffey provided recent operating expense budget trends over the last five years, indicating that the budgeted expenses have been relatively flat over this period with a slight increase. He noted that the FY18 Budget is projecting \$6.5 million in wastewater operating expenses while the 2013 update for the FY18 Financial Plan projected \$6.8 million in wastewater operating expenses.

ASM Duffey also reviewed the reserve contributions noting that the wastewater program has a reserve increase of \$359K and the recycled water program has a reserve decrease of \$682K.

Director Kulchin asked about LWD's status on the existing recycled water sales contract and negotiations with the City of Carlsbad. ASM Duffey stated that the current recycled water contract expires in August 2018. ASM Duffey noted that negotiating a new contract with the City of Carlsbad or directly with the Omni La Costa is one of the tactical goals for FY18.

GM Bushee stated that there is a six month notice of termination with the existing recycled water contract. He stated that LWD plans to contact Omni la Costa within the next month to start discussions on a recycled water sales agreement.

ASM Duffey then introduced ASsup Hill to present the administrative services budget.

ASsup Hill stated that the administrative expenses totaled approximately \$1.9 million with salaries/benefits accounting for \$1.1 million of that total while non-labor expenses totaled \$782K. ASsup Hill summarized the administrative expenses indicating that salaries/benefits are projected to increase 8% from FY17 and non-labor expenses will increase 10%. She noted that there is an increase of 4% for board support however, there are no election expenses for FY18.

Director Kulchin asked if ASsup Hill could provide more detail on the 37% increase in professional services. ASsup Hill answered stating that the increase was due to the addition of professional services needed for the financial plan update, OPEB actuarial, and the fall open house event.

President Hanson asked why CWEA isn't listed under directors' conferences. ASsup Hill answered that CWEA falls under the category miscellaneous directors' conferences. GM Bushee stated that CWEA is captured financially but is grouped in the miscellaneous conference category. GM Bushee stated staff will add CWEA as a separate line item to the budget under director's compensation and director's conferences.

ASsup Hill then introduced FSS Stecker to present an overview of the operating expenses. FSS Stecker stated that the operating expenses for LWD facilities are projected to be \$6.0 million with Encina Treatment Plant expenses accounting for \$1.9 million of that total. He summarized the field

services expenses indicating they are projected to increase 4% from FY17 partially due to a 14% increase in office expenses and the replacement of the smart cover meters. For the Batiquitos facilities, he noted that total operating expenses are projected to be \$437K which represents a 0% increase over the FY17 Budget. He also noted that labor at Batiquitos is projected to increase 18% due to more time spent de-ragging pumps while there is a 50% decrease in professional services due to the completion of the baseline sampling program of the District service area. For the Recycled Water Enterprise, FSS Stecker indicated that the proposed operating expenses are \$200K which is a decrease of 2% over the FY17s budget. FSS Stecker then introduced TSM Morishita to present the development and capital budgets.

TSM Morishita explained that development pays for development and noted that the operating expenses for development are projected at \$118K. TSM Morishita then presented the capital acquisition budgets for the wastewater program and the recycled water program. He noted the proposed capital acquisition budget is \$258.8K. He added that capital acquisition items typically cost more than \$5,000 and have a life expectancy greater than one year. He further explained that the majority of the capital acquisition budget will go towards the purchase of a new confined space entry equipment trailer and a replacement for the dump truck. He also talked about the additional capital acquisitions, such as, sewer maintenance equipment, office equipment and pump station equipment.

TSM Morishita provided detailed information on the capital improvement budget by reviewing Leucadia multi-year capital improvement projects, Leucadia ongoing rehabilitation projects, and other major projects which have a projected cost of \$6.2 million. He stated that the capital budget also includes Encina Treatment Plant capital improvement costs of \$2.4 million, recycled water program costs of \$821K, and jointly owned facilities costs of \$15K.

Director Omsted asked what the \$2.4 million to Encina covers. GM Bushee answered stating LWD's share covers updating the energy management facilities, evaluating the heat drying system, and updating the SCADA system. GM Bushee stated he will send more detailed information to the Board following the meeting.

Director Kulchin asked what happens to LWD's assets if LWD cannot reach an agreement with the City of Carlsbad or Omni La Costa for the sale of recycled water. GM Bushee answered that LWD would shut down the facility and the assets would be stranded.

Director Juliussen stated that if LWD cannot come to agreement with a second recycled water customer it may not make sense in the future for LWD to continue the program with only one customer. The high cost of replacement will likely outweigh the revenue from one customer and LWD should consider disbanding the program. GM Bushee stated that could be a possibility in the future if the revenues received do not cover the costs, however, he does not believe that LWD is at that point yet.

ASM Duffey then concluded the FY18 Recommended Budget Overview by presenting a graph showing monthly sewer rates for San Diego agencies as of January 2017. He noted that LWD is the third lowest after the City of Carlsbad and San Diego County. He noted that LWD has no planned rate increases for the next fiscal year and LWD could drop to the lowest or second lowest if other agencies have rate increases.

Director Omsted asked why \$3 million was being taken out of the reserves. GM Bushee answered stating that money moves back and forth between the capital replacement reserve and the wastewater reserves over the course of the year but the wastewater reserves reflect a net increase of \$359K.

Director Kulchin thanked staff for their presentations and noted that the proposed budget was well done. Director Kulchin suggested that staff have their presentations reference the corresponding page numbers in the proposed budget. GM Bushee stated staff would do this in future presentations.

No action was taken.

7. Information Items

None.

GM Bushee called for a break at 10:10 a.m.

The meeting reconvened to Closed Session at 10:20 a.m.

8. Closed Session

A. Meet with District representatives General Manager Bushee and Administrative Services Manager Duffey to discuss the FY18 Informal Input Process and provide direction regarding salaries, salary schedules and employee benefits, as authorized under Government Code Section 54957.6

General Counsel Brechtel stated that the Board will meet in closed session with District representatives General Manager Bushee and Administrative Services Manager Duffey to discuss the FY18 informal input process regarding salaries, salary schedules and employee benefits, as authorized under Government Code Section 54957.6.

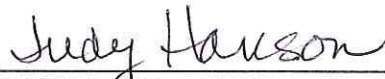
The Board of Directors met in closed session and provided direction to the District's representatives. There was no other reportable action.

9. Adjournment

President Hanson adjourned the meeting at 10:55 a.m.



Paul J. Bushee
Secretary/General Manager (SEAL)



Judy Hanson, President