

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON DECEMBER 12, 2023
AT THE SAN ELIJO WATER CAMPUS

David Zito, Chair

Tony Kranz, Vice Chair

A meeting of the Board of Directors of San Elijo Joint Powers Authority (SEJPA) was held Tuesday, December 12, 2023, at 8:30 a.m., at the San Elijo Water Campus.

1. CALL TO ORDER

Chair Zito called the meeting to order at 8:30 a.m.

2. ROLL CALL

Directors Present:

David Zito
Tony Kranz
Kristi Becker
Kellie Hinze

Others Present:

General Manager
Director of Operations
Director of Infrastructure and Sustainability
Director of Finance and Administration
Management Analyst I

Michael Thornton
Chris Trees
Tom Falk
Amy Chang
Abby Schlenk

SEJPA Counsel:

Procopio

Adriana Ochoa

City of Solana Beach:

Director of Engineering/Public Works

Mohammad "Mo" Sammak

Leaf & Cole, LLP:

Partner

Michael Zizzi

3. PLEDGE OF ALLEGIANCE

Board Chair, David Zito, led the Pledge of Allegiance.

4. ORAL COMMUNICATION/PUBLIC COMMENT PERIOD

None.

5. AWARDS AND RECOGNITION

General Manger recognized four new employees that were recently hired: Austin Harp, Jeff Valdes, Evan Fox, and Nina Holtz.

6. CONSENT CALENDAR

Moved by Board Member Becker and seconded by Vice Chair Kranz to approve the Consent Calendar.

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|---------------------|---|
| Agenda Item No. 7 | Approval of Minutes for the October 17, 2023 Board Meeting |
| Agenda Item No. 8a | Approval for Payment of Warrants and Monthly Investment Report – October |
| Agenda Item No. 8b | Approval for Payment of Warrants and Monthly Investment Report – November |
| Agenda Item No. 9a | Wastewater Treatment Report – September |
| Agenda Item No. 9b | Wastewater Treatment Report – October |
| Agenda Item No. 10a | Recycled Water Report – September |
| Agenda Item No. 10b | Recycled Water Report – October |
| Agenda Item No. 11 | Reportable Meetings |

Motion carried with the following vote of approval:

AYES: Zito, Kranz, Becker, Hinze
NOES: None
ABSENT: None
ABSTAIN: None

13. FY 2022-23 FINANCIAL AUDIT REPORT ACCEPTANCE

Guest Speaker Michael Zizzi, CPA, a Partner for Leaf & Cole, LLP, gave a presentation reporting on the financial audit of SEJPA for Fiscal Year (FY) 2022-23, conducted annually as required by California Government Code and Board policy. The financial audit for FY 2022-23 has been completed and it is the auditor's opinion that SEJPA's June 30, 2023 financial statements are presented fairly in all material aspects. Mr. Zizzi also stated that the audit was performed in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Upon completion of the audit, Leaf & Cole stated that no transactions were noted where there was a lack of authoritative guidance or consensus. In addition, there were no difficulties or disagreements with management in performing and completing the audit.

Moved by Board Member Kranz and seconded by Board Member Becker to:

1. Accept and file the FY 2022-23 Audited Financial Statements for San Elijo Joint Powers Authority;
2. Accept and file the FY 2022-23 SAS 114 Letter; and

3. Discuss and take action as appropriate.

Motion carried with the following vote of approval:

AYES: Zito, Kranz, Becker, Hinze
NOES: None
ABSENT: None
ABSTAIN: None

14. SAN ELIJO JOINT POWERS AUTHORITY FISCAL YEAR 2022-23 OPERATING AND DEBT SERVICE EXPENSES END OF YEAR REVIEW

Director of Finance and Administration, Amy Chang, gave a presentation reviewing the operating and debt service expenses of SEJPA for FY 2022-23, which ended June 30, 2023. The presentation included an overview of expenses of all SEJPA programs. In summary, Wastewater Treatment, Laboratory Services, Pump Stations, Ocean Outfall, and Storm Water programs were under budget by \$140,227 or 2.1%. Recycled Water expenditures were \$32,781 or 1.4% over budget. Overall, SEJPA was below budget by \$107,446 or 1.2%, which includes the \$309,000 contribution to the PARS trust to reduce future pension liability. All debt service payments were paid according to the terms of the loan agreements, with an outstanding balance of \$32,361,271. Furthermore, SEJPA's Standard & Poor's bond credit rating remains AA+.

No action required. This item was submitted for information only.

15. RECYCLED WATER COST OF SERVICE STUDY

General Manager, Michael Thornton, reported that in 2020, SEJPA retained Carollo Engineers to conduct the 2021 Recycled Water Rate Study. The study assessed SEJPA's current recycled water financial metrics, program expenses and revenues, planned capital expenditures, and reserve goals to provide rate recommendations for Fiscal Year Ending (FYE) 2022 through 2026. Upon analyzing the actual financial data (including revenues, expenses, and reserve balances) for the initial two fiscal years of the study period, staff has identified materially higher expenses for energy, chemicals, supplies, and service than forecast in the five-year Study. This variance is primarily attributed to higher-than-expected inflation.

Furthermore, the actual revenue from water sales is below the anticipated levels, mainly due to higher-than-normal rainfall. To validate the adequacy of the planned water rate increases of 3.9%, staff has engaged Carollo to review the current financial conditions of the Recycled Water program.

The outcomes of this financial review, along with any recommended rate adjustments, will be presented by staff at an upcoming Board meeting.

No action required. This item was submitted for information only.

16. AWARD CONSTRUCTION CONTRACT FOR THE WANKET RECYCLED WATER PIPELINE PROJECT

General Manager, Michael Thornton, presented on the procurement process for the award and execution of the contract for the construction of the Wanket Recycled Water Pipeline Project. After rejecting an initial single bid in October 2023 for a combined project strategy that was nearly \$1.4 million higher than expected, SEJPA re-organized the pipeline element as a stand-alone construction package and re-advertised the bid in November 2023. The pipeline project will construct approximately 950 linear feet of 16-inch diameter PVC pipe from Quail Gardens Drive, through the Encinitas Ranch Golf Course, to the Wanket Tank site. The tank refurbishment and valve replacements will be bid as separate projects in the future.

General Manager Thornton listed the three bids received for the pipeline project, and gave the recommendation to award the project to the lowest responsive and responsible bid submitted by Ahrens Mechanical at \$1,176,500 – which is within 1% of the Engineer’s Opinion of Probably Construction Cost. When including soft costs for engineering, design, and bidding support, construction management and inspection, and a 10% contingency, the total anticipated cost for the pipeline project is \$1.51 million. There are adequate funds in the Recycled Water capital program for the award of the Wanket Recycled Water Pipeline Project construction contract.

Moved by Board Member Hinze and seconded by Board Member Becker to:

- 1. Authorize the General Manager to award and execute a contract for the construction of the Wanket Recycled Water Pipeline Project to Ahrens Mechanical in the lump sum amount of \$1,176,500; and
- 2. Discuss and take action as appropriate.

Motion carried with the following vote of approval:

AYES: Zito, Kranz, Becker, Hinze
NOES: None
ABSENT: None
ABSTAIN: None

17. CAPITAL PROGRAM UPDATE

Director of Infrastructure and Sustainability, Tom Falk, reviewed SEJPA’s 3-year capital plan delivery schedule and cost summary. He also reviewed the status of ongoing projects, reviewed SEJPA’s strategy for an upcoming Facility Plan Update, and provided a 3-month lookahead for the upcoming quarter.

No action required. This item was submitted for information only.

18. GENERAL MANAGER'S REPORT

General Manager, Michael Thornton, took the opportunity to compliment SEJPA staff on their outstanding job during a time of high staff rotation due to the pandemic and the transition period that followed. General Manager Thornton gave background information on these changes and the statistics that resulted, including 11 new full-time employees and 5 new temps or interns out of 36 total current employees, in addition to offboarding a similar number of employees and interns. He showed great appreciation for the recruitment team and current staff for maintaining a high standard of performance during a time of many changes.

19. GENERAL COUNSEL'S REPORT

Legal Counsel, Adriana Ochoa, provided a report from the recent California Association of Sanitation Agencies (CASA) conference and offered further information on the ongoing PFAS litigation. Ochoa reported that AB 557 passed and will be effective as of January 1, 2024, with slightly updated teleconferencing rules which, she explained, is not largely relevant to this Board given the in-person nature of meetings. She reported the provisions of AB 361, which were enacted during the COVID-19 pandemic, were set to sunset at the end of 2023, however these provisions will be extended with some small adjustments.

20. BOARD MEMBER COMMENTS

None.

21. CLOSED SESSION

None.

22. ADJOURNMENT

The meeting adjourned at 9:43 a.m. The next Board of Directors meeting is scheduled to be held on Tuesday, January 16, 2024 at 8:30 a.m.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager