

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON NOVEMBER 14, 2011
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Thomas M. Campbell, Chair

Teresa Barth, Vice Chair

A Meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, November 14, 2011, at 9:00 a.m., at the San Elijo Water Reclamation Facility at 2695 Manchester Avenue, Cardiff by the Sea, California.

1. CALL TO ORDER

Chair Campbell called the meeting to order at 9:00 a.m. and welcomed newly appointed Board Member Mark Muir.

2. ROLL CALL

Directors Present:

Teresa Barth
Thomas M. Campbell
Mark Muir
Dave W. Roberts

Others Present:

General Manager
Director of Finance/Administration
Director of Operations
Administrative Assistant
Accounting Technician
Safety/HR Administrator

Michael Thornton
Greg Lewis
Christopher Trees
Monica Blake
Carrie Cook
Marisa Buckles

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Greg Moser

City of Encinitas,

Director of Public Works

Larry Watt

City of Encinitas,

Public Works Management Analyst

Bill Wilson

City of Solana Beach,

City Manager

David Ott

City of Solana Beach,

Director of Engineering/Public Works

Mohammad "Mo" Sammak

Leaf & Cole, LLP

Michael Zizzi, CPA

Kennedy Jenks Consultants

Pat Huston

Brandis Tallman, LLC

Richard Brandis

Jeff Land

W. M. Lyles, LLC

Stan Simmons

3. PLEDGE OF ALLEGIANCE

Board Member Muir led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

Moved by Vice Chair Barth and seconded by Board Member Roberts to approve the Consent Calendar with the following vote of approval:

AYES: T. Barth, T. Campbell, D. Roberts, M. Muir on Agenda Items No. 8-10

NOES: None

ABSTAIN: M. Muir, on Agenda Item No. 7

ABSENT: None

Consent Calendar:

Agenda Item No. 7 Approval of Minutes for the October 10, 2011 meeting

Agenda Item No. 8 Approval for Payment of Warrants and Monthly Investment Report

Agenda Item No. 9 San Elijo Water Reclamation Facility Treated Effluent Flows – Monthly Report

Agenda Item No. 10 San Elijo Joint Powers Authority Recycled Water Program – Monthly Report

11. ITEMS REMOVED FROM CONSENT CALENDAR

None

12. SAN ELIJO JOINT POWERS AUTHORITY ANNUAL AUDIT

Director of Finance/Administration, Gregory Lewis, introduced Michael Zizzi, partner with Leaf & Cole, LLP. Mr. Zizzi gave a verbal presentation of the Fiscal Year 2010-11 Audit Draft Financial Statements. Mr. Zizzi reported that the results of the audit show the SEJPA performance is extremely consistent with the prior year and is in a strong

financial position with no instances of noncompliance and no deficiencies in internal control.

Vice Chair Barth requested adjusting the wording in Note 12 – Postretirement Benefits: Plan Description, to better describe this benefit.

General Manager Michael Thornton suggested the following wording for Note 12:

The SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the SEJPA's vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by the SEJPA to the retiree is \$108 per month, which is established by CalPERS.

Board Member Muir inquired on the SEJPA's policy regarding the interaction between the auditor and the Board of Directors.

Chair Campbell requested a future agenda item to address the audit policy to include more in-depth contact between the auditor and the Board of Directors.

Moved by Board Member Roberts and seconded by Vice Chair Barth to:

1. Accept and file the 2010-11 Fiscal Year Audit for the San Elijo Joint Powers Authority, with wording clarification to Note 12 – Postretirement Benefits, Plan Description, paragraph one.

Motion carried with unanimous vote of approval.

13. AUTHORIZATION OF ISSUANCE OF REFUNDING BONDS AND ACCEPTANCE OF PROFESSIONAL SERVICE CONTRACTS FOR TRUSTEE AND VERIFICATION RELATING TO THE BONDS.

General Manager Michael Thornton reported that current conditions in the bond market have provided a significant cost saving opportunity for the SEJPA and its Member Agencies. As a result, staff is preparing the necessary documents, agreements, and resolutions to refinance existing agency infrastructure debt to reduce interest payments. This transaction would include refunding the existing 2003 revenue bonds and the 2007 California Energy Commission loan. The total debt to be refinanced is \$12.7 million.

Based on current market conditions, the refunding would result in a net present value savings to the SEJPA of approximately \$1.0 million, which equates to an estimated annual savings of approximately \$160,000 per year.

Moved by Board Member Muir and seconded by Board Member Roberts to:

1. Approve the recommendations of the General Manager regarding the acceptance of the attached resolution entitled:

Resolution Authorizing the Issuance of Revenue Bonds Relating to the Refunding of 2003 Refunding Revenue Bonds (San Elijo Water Pollution Control Facility), and the California Energy

Resources Conservation and Development Commission Loan, Authorizing and Directing Execution of a Related Indenture of Trust, and Third Amended and Restated Loan Agreements, Authorizing Sale of Bonds, Approving Official Statement, and Authorizing Official Action

2. Approve the recommendations of the General Manager regarding the acceptance of professional service contracts with Union Bank of California, as trustee for the revenue bonds, and Berens Tate Consulting, as verification agent for the revenue bonds; and
3. Authorize the General Manager to execute contracts with these organizations.

Motion carried with unanimous vote of approval.

14. PROPOSED CONSTRUCTION PHASE OF THE ADVANCED WATER (DEMINERALIZATION) TREATMENT SYSTEM AT THE SAN ELIJO WATER RECLAMATION FACILITY

General Manager Michael Thornton stated that over the last three years the SEJPA has planned, designed, and permitted an advanced water treatment system at the San Elijo Water Reclamation Facility. This new treatment system will allow the agency to maximize its recycling efforts, comply with permit requirements, and to improve water quality. In 2008, the conceptual design was prepared and in 2009 the SEJPA Board approved the preparation of the preliminary design report and California Environmental Quality Act (CEQA) review for the proposed project. In 2010, the project moved into the final design and financing phase. The SEJPA successfully obtained approximately \$700,000 through a competitive grant process. In early 2011 several financing options were pursued. In October 2011 the lease-purchase negotiations were completed with W.M. Lyles, LLC, including a fallback position with Brandis Tallman, LLC, in the event that the lease-purchase financing negotiations were unsuccessful. Financing was secured through Brandis Tallman, LLC in November, 2011.

SEJPA staff has negotiated a contract for construction management services with Kennedy/Jenks Consultants. The construction management budget for the project is \$350,000 and the negotiated agreement fee with Kennedy/Jenks is not to exceed \$259,360.

Moved by Board Member Roberts and seconded by Vice Chair Barth to:

1. Adopt Resolution 2012-03 "A Resolution of the Board of Directors of the San Elijo Joint Powers Authority Authorizing the Execution of Leases and Related Agreements for the Advanced Water Treatment Project and Approving Certain Matters in Connection Therewith; and
2. Authorize the General Manager to execute the agreement with Kennedy/Jenks Consultants to provide engineering services during construction of the recycled water demineralization facility for an amount not to exceed \$259,360.

Motion carried with unanimous vote of approval.

15. GENERAL MANAGER'S REPORT

General Manager Michael Thornton reported that the North County Times published an article on the North San Diego County Regional Recycled Water Project that includes the SEJPA. Although the article was focused on the City of Oceanside's recycled water project, it did highlight the North County Regional Project and its goals of greater regional cooperation between water districts, cities, and recycled water producers in an effort to maximize recycled water use in the region.

The General Manager stated that he hosted delegates from the Encinitas Coastal Rotary Club and the Rotary Club from Uganda, Africa last week for a tour of the San Elijo Water Reclamation Facility. The tour and presentation focused on innovative practices used by the SEJPA for cost effectively treating wastewater and producing a renewable water supply through water recycling.

Michael Thornton stated that he has had preliminary discussions with the City of Del Mar regarding wastewater treatment services. Del Mar purchases recycled water from the SEJPA but sends its wastewater to the San Diego Metro Wastewater Joint Powers Authority for treatment and disposal. Upon the completion of the 2009 Performance Optimization of the Activated Sludge System project, the SEJPA now has additional unused wastewater treatment capacity. This treatment capacity could be sold or leased to Del Mar, producing new revenues to the SEJPA and therefore cost saving to the SEJPA Member Agencies. The General Manager stated that a fatal-flaw analysis would be the next step, which would examine critical issues related to conveying the wastewater from Del Mar to the SEJPA, treatment system impacts, and contractual issues. Chair Campbell stated that this topic needs to come to the Board at a future meeting for in-depth discussions before staff pursues further.

16. GENERAL COUNSEL'S REPORT

General Counsel Greg Moser stated that AB1344 has been passed, because of the City of Bell, noting a change in practices such as agendas must be posted on an existing website, special meetings may not be held to set General Manager compensation, but ad-hoc committee meetings would not be affected, no 'evergreen' clauses in your contracts that provide for above CPI increases, and lastly there is 'claw-back' language now required for instances of manager misconduct.

17. BOARD MEMBER COMMENTS

Board Member Roberts stated that while attending the ribbon cutting for San Dieguito Park, a board member from Santa Fe Irrigation District noted the successful collaboration between SFID, SEJPA, City of Solana Beach, and the County for completing the project and suggested this effort continue. Whether that means periodic ad-hoc meetings, or something else, Board Member Roberts asked SEJPA staff to look into it and report back to the Board of Directors.

18. CLOSED SESSION

None

19. ADJOURNMENT

The Board of Directors adjourned at 9:40 a.m. The next Board of Directors meeting will be held on December 12, 2011.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Thornton", written over a horizontal line.

Michael T. Thornton, P.E.
General Manager