

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON NOVEMBER 10, 2014
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Mark Muir, Chair

David Zito, Vice Chair

A meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, November 10, 2014, 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 Muir called the meeting to order at 9:02 a.m.

2. ROLL CALL

Directors Present:

Teresa Barth
Thomas M. Campbell
Mark Muir
David Zito

Directors Absent:

None

Others Present:

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

Michael Thornton
Christopher Trees
Paul Kinkel
Marisa Buckles
Jennifer Basco

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Adriana Ochoa

City of Encinitas:

Senior Management Analyst/Project Manager

Bryce Wilson

Carollo Engineers:

Senior Project Engineer

Jeff Weishaar
Martin Ramirez

3. PLEDGE OF ALLEGIANCE

Board Member Barth led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

Moved by Board Member Barth and seconded by Vice Chair Zito to approve the Consent Calendar.

Motion carried with unanimous vote of approval.

Consent Calendar:

Agenda Item No. 7 Approval of Minutes for the October 13, 2014 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

Paul Kinkel, Director of Finance and Administration presented the 2013-14 Fiscal Year Audit. Mr. Kinkel stated that the Auditor's report indicated that there were no significant difficulties or disagreements with management in performing and completing the audit. The list of minor adjustments made during the audit process were due to the reconciliation of the 2011 Bond Issuance Costs amortized over the life of the bond, the final Member and Government Agencies' contributions and charges for services, and the Other Post Benefit Employment Benefit adjustment ("OPEB") based on the actuarial report. Mr. Kinkel then introduced Mike Zizzi from Leaf & Cole, LLP to give an overview of the audit findings.

Mr. Zizzi stated that the SEJPA's financial statements are in conformity with accounting principles generally accepted in the United States of America. Mr. Zizzi reviewed the financials and statement of cash flows, and then answered Board Member questions.

Board Member Campbell inquired why the Rancho Santa Fe Community Services District (CSD) has not paid their capital contribution portion in the past two years.

General Manager Thornton stated that the CSD is disputing the requirement of capital payments under their current lease agreement with the SEJPA. The General Manager reported that they are in discussion with the CSD to resolve this issue. If an amicable resolution can be achieved, the General Manager stated that he will provide the proposal to the Board for approval consideration. If an amicable resolution cannot be reached, then legal action may be required. The General Manager reported that conversations with CSD staff have been slow but productive and that he has been working with SEJPA's legal counsel to draft a new wastewater treatment lease agreement that more clearly states payment obligations for operating, maintenance, and capital costs.

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

1. Accept and file the 2013-14 Fiscal Year Audit for the San Elijo Joint Powers Authority.

Motion carried with unanimous vote of approval.

13. SAN ELIJO JOINT POWERS AUTHORITY END OF YEAR REVIEW OF THE FISCAL YEAR 2013-14 FINANCIAL STATEMENT

Paul Kinkel, Director of Finance and Administration provided a financial review for Fiscal Year 2013-14. Overall, the SEJPA was below budget by \$323,755 or 7.8% in Wastewater Treatment, Pump Stations, Ocean Outfall, and Storm Water programs. Examining the programs individually, Wastewater Treatment was over budget by \$18,813 primarily due to unplanned repairs for the primary clarifiers and dissolved floatation thickeners. The Laboratory Services program was under budget by \$48,981 as a result of lower than planned personnel expenses. The Ocean Outfall program was under budget by \$165,911 primarily due to an advantageous contract negotiation for ocean outfall monitoring. Cardiff Sanitation, Encinitas Sanitation (Moonlight Pump Station), and the Encinitas Storm Water programs were under budget by \$73,499 due to lower personnel expenses, repairs and maintenance, utility, and unspent contingency. The City of Solana Beach pump stations and storm water programs were under budget by \$54,177 due to lower personnel expenses, repairs and maintenance, utility, and unspent contingency. The Reclaimed Water program, which is funded through the sale of recycled water, experienced significant sales growth in Fiscal Year 2013-14 and revenues exceeded budget by \$322,155 or 14.7%. With increased sales, recycled water expenditures increased but not to the same extent. The Reclaimed Water program expenses exceeded budget by \$111,318 or 10.7%.

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

14. 2014-2015 RECYCLED WATER PRICE ADJUSTMENT BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY AND THE OLIVENHAIN MUNICIPAL WATER DISTRICT

General Manager Thornton provided a brief history of the SEJPA's recycled water wholesale agreements and the rate setting methodologies as specified by each individual agreement. Most of these agreements now utilize a cost of service methodology for setting the price of the recycled water. The General Manager stated that the agreement between the SEJPA and the Olivenhain Municipal Water District

(OMWD) is now open for an annual price increase as prescribed through a cost of service model. The SEJPA retained Raftelis Financial Consultants (RFC) to prepare a cost of service analysis. Based on this analysis, a rate increase was recommended. SEJPA staff has presented the RFC analysis and proposed rate increase to OMWD. The proposed increase is consistent with current pricing provided to Santa Fe Irrigation District and the San Dieguito Water District, and moves the SEJPA towards its goal of uniform pricing to the multiple water purveyors that purchase SEJPA recycled water.

Moved by Member Barth and seconded by Vice Chair Zito to:

1. Approve recycled water rate increase to the Olivenhain Municipal Water District beginning December 1, 2014 to an amount of \$1,310 per acre-foot and beginning July 1, 2015 to an amount of \$1,356 per acre-foot.

Motion carried with unanimous vote of approval.

15. ACCEPTANCE OF COMPLETION – SOLANA BEACH STORM WATER DIVERSION STRUCTURE

Chris Trees, Director of Operations, reported that construction of the Storm Water Diverter project in Solana Beach has been completed. The Solana Beach storm water diversion Structure is located at Seascape Sur on South Sierra Avenue in Solana Beach where there is a documented history of high coliform bacteria in the storm drain system. This project is part of the North San Diego County Cooperative Demineralization Project and was funded by Proposition 84 grant funding.

Moved by Vice Chair Zito and seconded by Member Campbell to:

1. Authorize the General Manager to accept the Solana Beach Storm Water Diversion Structure Project and sign and record a Notice of Completion.

Motion carried with unanimous vote of approval.

16. GENERAL MANAGER'S REPORT

General Manager Thornton updated the Board of Directors on the two Air Pollution Control District (APCD) violations that were incurred by the SEJPA in July 2014. The APCD found Odor Scrubber No. 1 exceeded its one day threshold for hydrogen sulfide. Although this violation is considered a minor infraction, the SEJPA works diligently to have zero violations and efforts are underway to improve the reliability of this scrubber. The scrubber is more than 20 years old and is no longer supported by the original manufacturer. Therefore, Staff is working with Carollo Engineers to assess design and operational improvements. The second violation noted by APCD was the absence of an operating permit for the on-site heating boilers that utilize biogas as a fuel source. These boilers were installed in the early 1990's and should have been permitted then. To resolve both infractions, a penalty settlement of \$1,100 was negotiated and the SEJPA has obtained an operating permit from the APCD for the heating boilers.

The General Manager also highlighted some of the recent findings of the SEJPA's facility plan update. As part of the plan update, the land portion of the Ocean Outfall was evaluated for estimated operating life. Based on the construction material and

installation environment of the outfall, the estimated life of the pipe is between 50 to 70 years. The original outfall pipeline is approximately 49 years old, and Staff is working to determine options for replacing the aging pipe. Concurrently, the San Elijo Lagoon is in the design phase of a major restoration project with construction targeted for 2016. Staff is in communications with the lagoon restoration project team to discuss replacing the outfall pipeline portion through the lagoon during the restoration project.

17. GENERAL COUNSEL'S REPORT

None

18. BOARD MEMBER COMMENTS

Board Member Zito requested information about the recently passed water bonds (Proposition 1) in the coming year.

19. CLOSED SESSION

The Board of Directors adjourned to closed session at 10:05 a.m., with Michael Thornton per Government Code Section 54956.9(d)(2).

The Board of Directors came out of closed session at 10:30 a.m. with no reportable action.

20. ADJOURNMENT

The meeting adjourned at 10:30 a.m. The next Board of Directors meeting will be held on December 8, 2014.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager