

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON JUNE 12, 2017
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Ginger Marshall, Chair

Tasha Boerner Horvath, Vice Chair

A meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, June 12, 2017, 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 Marshall called the meeting to order at 9:00 a.m.

2. ROLL CALL

Directors Present:

Ginger Marshall
Tasha Boerner Horvath (*arrived at 9:05 a.m.*)
David Zito
Joe Mosca

Directors Absent:

None

Others Present:

General Manager
Director of Operations
Director of Finance & Administration
Associate Engineer
Administrative Assistant/Board Clerk

Michael Thornton
Chris Trees
Paul Kinkel
Mike Konicke
Jennifer Basco

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Adriana Ochoa

City of Solana Beach:

City Manager
Director of Engineering/Public Works

Greg Wade
Mohammad "Mo" Sammak

City of Encinitas:

Public Works Management Analyst

Bill Wilson

San Dieguito Water District:

General Manager

Bill O'Donnell

Hilltop Securities Inc.

Mike Cavanaugh

3. PLEDGE OF ALLEGIANCE

Chair Marshall led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

The General Manager informed the Board of Directors that Todd Hutchinson, Lead Operator, was selected as 2017 Outstanding Plant Operator by the Southwest Membrane Operators Association.

6. CONSENT CALENDAR

Moved by Board Member Zito and seconded by Board Member Boerner Horvath to approve the Consent Calendar.

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| Agenda Item No. 7 | Approval of Minutes for the May 8, 2017 Meeting |
| 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 |
| Agenda Item No. 11 | Emergency Repair – Industrial Hot Water Pipeline |
| Agenda Item No. 12 | Acceptance of Completion – Construction Contract for the Blower Replacement Project |
| Agenda Item No. 13 | Acceptance of Completion – Construction Contract for the Meter Valve and Air Vacuum Valve Replacement Project |

Motion carried with the following vote of approval:

AYES:	Marshall, Boerner Horvath, Zito, Mosca
NOES	None
ABSENT:	None
ABSTAIN:	None

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| Agenda Item No. 8 | Approval for Payment of Warrants and Monthly Investment Report |
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Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito
NOES: None
ABSENT: None
ABSTAIN: Mosca

14. ITEMS REMOVED FROM CONSENT CALENDAR

None

15. ADOPTION OF THE SAN ELIJO JOINT POWERS AUTHORITY (SEJPA) FISCAL YEAR 2017-18 BUDGET, INVESTMENT POLICY, AND APPOINTMENT OF TREASURER

Paul F. Kinkel, Director of Finance and Administration, reported that the Recommended Budget for FY 2017-18 was presented at the April 2017 Board meeting in addition to communication with both Member Agencies and other government agencies that receive services by the SEJPA. Suggested changes have been incorporated into the Recommended Budget, of which the most significant was the addition of \$344,650 for the Cardiff Force Main Replacement capital program. Other minor changes included the updated 2017 Revenue Bond debt service costs, adjusting the Classification and Salary Schedule to include an additional operator within the existing funding, and including interns across all functional areas in the Organizational Chart. These changes have no substantive impact to the Recommended Budget. Mr. Kinkel also stated that Staff is not recommending any changes to the SEJPA's investment policy. The General Manager recommended that the appointment of Paul F. Kinkel as SEJPA Treasurer be continued for FY 2017-18.

Moved by Board Member Mosca and seconded by Vice Chair Boerner Horvath to:

1. Adopt Resolution No. 2017-05, Resolution Approving the San Elijo Joint Powers Authority Operating and Capital Improvement Budgets for Fiscal Year 2017-18; and
2. Adopt Resolution No. 2017-06, Resolution Approving the San Elijo Joint Powers Authority Investment Policy and Guidelines and Appointment of Paul F. Kinkel as SEJPA Treasurer.

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

16. CALPERS UNFUNDED ACTUARIAL LIABILITY – SUPPLEMENTAL PAYMENT

Paul Kinkel, Director of Finance and Administration stated that the SEJPA participates in CalPERS' defined benefit retirement program. Each year CalPERS prepares an

individualized actuarial valuation report that values the plans as of the prior year, and provides the current and projected employer contributions. As of June 30, 2015, the Unfunded Actuarial Valuation (UAL) for all SEJPA plans was \$2,601,855. Mr. Kinkel stated that SEJPA anticipates finishing FY 2016-17 under budget, and recommended applying unspent operational funds to the UAL. By prepaying an estimated \$100,000, the SEJPA will reduce its unfunded liability and avoid approximately \$22,000 in future interest payments using a 7.0% rate of return over a 5 year period.

Moved by Board Member Zito and seconded by Board Member Mosca to:

1. Authorize the General Manager to apply positive FY 2016-17 Budget variances to the CalPERS Unfunded Actuarial Liability ("UAL").

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

17. SAN ELIJO OCEAN OUTFALL 2017 ANNUAL INSPECTION CONTRACT

Chris Trees, Director of Operations, presented a brief history of the Ocean Outfall to the Board Members. Recently, Staff identified the opportunity for jointly bidding the ocean outfall maintenance and inspection services with Encina Wastewater Authority (EWA). SEJPA and EWA both have similar ocean outfalls that require annual or biennial inspections to ensure that they are in sound operating condition. Four proposals were received and reviewed; Undersea Graphics Inc.'s proposal was ranked the highest. The total anticipated expenditure to Undersea Graphics for external inspection and maintenance of the San Elijo Ocean Outfall is \$51,000. This task will be funded by the Ocean Outfall Program operations and maintenance budget.

Moved by Board Member Mosca and seconded by Board Member Zito to:

1. Authorize the General Manger to execute a contract in the amount of \$51,000 for the San Elijo Ocean Outfall Maintenance and External Inspection with Undersea Graphics, Inc.

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

18. APPROVAL OF DOCUMENTS RELATED TO THE ISSUANCE OF 2017 REVENUE BONDS, AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICE CONTRACT FOR BOND TRUSTEE

General Manager Thornton introduced Mike Cavanaugh from Hilltop Securities, Inc. and acknowledged the whole bond team for their performance related to the issuance. Hilltop Securities estimates that the funding package will provide a deposit to the Project Construction Fund of \$23.8 million based on current market conditions and a 30-year repayment term. The estimated annual debt service payment is \$1,345,000. The Cities will pay their share of the debt service based on capacity rights which is currently 50 percent each. Bond Counsel has prepared documentation to implement the transaction. In order to complete the transaction, it is necessary for the SEJPA to retain the services of a financial institution to serve as trustee for the Revenue Bonds. Union Bank has been chosen as the trustee due to their experience with the SEJPA.

Moved by Board Member Mosca and seconded by Chair Marshall to:

1. Approve the recommendations of the General Manager regarding the acceptance of the following documents entitled:
 - Resolution No. 2017-07 Resolution Authorizing the Issuance, Sale and Delivery of not to exceed \$25,000,000 Aggregate Principal Amount of San Elijo Joint Powers Authority 2017 Revenue Bonds (Clean Water Projects) and Approving Agreements, Certificates and Other Documents and Instruments Pertaining Thereto and Authorizing Official Action
 - Series 2017 Indenture of Trust
 - Series 2017 Loan Agreement
 - Draft Preliminary Official Statement
 - Continuing Disclosure Agreement
 - Bond Purchase Contract
2. Authorize the General Manager to execute a professional service contract with Union Bank of California, to serve as trustee for the revenue bonds.

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

19. PURCHASE OF PROCESS CONTROL EQUIPMENT

General Manager Thornton stated that the SEWRF uses conventional activated sludge treatment as a critical step in achieving State and Federal water quality requirements. The process consists of a bioreactor tank that is designed to use microorganisms within the wastewater, combined with diffused oxygen, to provide biological treatment. The SEWRF is currently operated in non-nitrifying mode since the treatment plant was

originally designed to discharge to the ocean, which does not require nutrient removal. Mr. Thornton stated that to improve water quality and treatment reliability, Staff is in the process of evaluating the cost and capital requirements to convert the existing conventional activated sludge bioreactor from non-nitrified to a nitrification and partial denitrification (N/pDN) process. The N/pDN biological process provides more reliable and robust treatment. This improved quality can increase recycled water production rates, reduce maintenance periods for filter cleaning, and enhance disinfection. Hach Company is willing to provide their nitrification control system to the SEJPA for a trial period to demonstrate its performance and ability to efficiently monitor and control the N/pDN process. Staff requests authorization to purchase the Hach nitrification system, which is a proprietary system, upon successful completion of the 60-day trial period. The system costs \$85,000; funding is available in the Capital Project Fund for Wastewater Plant Improvements.

Moved by Board Member Zito and seconded by Board Member Boerner Horvath to:

1. Authorize the General Manager to purchase Hach Nitrification Information System in the amount of \$85,000, and
2. Acknowledge the Hach Nitification Information System is proprietary, patented equipment and not viable under a bidding process.

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

20. GENERAL MANAGER'S REPORT

None

21. GENERAL COUNSEL'S REPORT

None

22. BOARD MEMBER COMMENTS

None

23. CLOSED SESSION

The Board of Directors adjourned to closed session at 10:08 a.m., pursuant to Government Code Section 54957: Employee Performance Evaluation. Title: General Manager.

The Board of Directors came out of closed session at 10:24 a.m., with no reportable action.

24. ADJOURNMENT

The meeting adjourned at 10:25 a.m. The next Board of Directors meeting will be held on July 10, 2017.

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