

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON MAY 18, 2021
VIA VIDEO CONFERENCE

Kristi Becker, Chair

Kellie Hinze, Vice Chair

A meeting of the Board of Directors of San Elijo Joint Powers Authority (SEJPA) was held Tuesday, May 18, 2021, at 8:30 a.m., via a public web conference.

1. CALL TO ORDER

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

2. ROLL CALL

Directors Present:

Kristi Becker
Kellie Hinze
Catherine Blakespear
David Zito

Directors Absent:

None

Others Present:

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| General Manager | Michael Thornton |
| Director of Operations | Chris Trees |
| Director of Finance and Administration | Amy Chang |
| Administrative Coordinator | Vanessa Hackney |
| Senior Project Manager | Mike Konicke |

SEJPA Counsel:

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| Procopio, Cory, Hargreaves & Savitch | Adriana Ochoa |
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City of Encinitas:

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| Assistant Director of Public Works Department | Isam Hireish |
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City of Solana Beach:

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| City Manager | Greg Wade |
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City of Del Mar:

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| Public Works Director/City Engineer | Joe Bride |
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3. PLEDGE OF ALLEGIANCE

General Manager Thornton led the Pledge of Allegiance.

4. ORAL COMMUNICATION

None.

5. AWARDS AND RECOGNITION

None.

6. CONSENT CALENDAR

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

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| Agenda Item No. 7 | Approval of Minutes for the April 20, 2021 Meeting |
| Agenda Item No. 8 | Approval for Payment of Warrants and Monthly Investment Report |
| Agenda Item No. 9 | Wastewater Treatment Report |
| Agenda Item No. 10 | Recycled Water Report |
| Agenda Item No. 11 | San Elijo Joint Powers Authority Fiscal Year 2021-22 Recommended Budget Update |
| Agenda Item No. 12 | Appointment of the San Elijo Joint Powers Authority Auditor |

Motion carried with the following vote of approval:

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

14. SAN ELIJO JOINT POWERS AUTHORITY RECYCLED WATER PROGRAM – PROPOSED WHOLESALE AGREEMENT AMENDMENT

General Manager Thornton stated that the San Elijo Joint Powers Authority (SEJPA) operates a recycled water utility that sells recycled water to four water purveyors; Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD) and the City of Del Mar. SEJPA has individual wholesale water agreements with each water purveyor that includes pricing structure, water quality, and minimum purchase volume.

SEJPA executed the original wholesale agreement with SFID approximately 24 years ago, the current agreement amendment is set to expire on June 30, 2021. Staff has met with representatives from SFID to prepare the Sixth Amendment.

This proposed amendment with SFID extends the term of the Agreement to June 30, 2031 with price increases of no less than 2% and no more than 5% based on a cost-of-service methodology. It is substantially similar to the fifth agreement amendment with the most material change being the reduction of the guaranteed minimum annual purchase volume from 450 AFY to 375 AFY.

SFID is scheduled to present the proposed agreement to their Board of Directors for consideration on May 20, 2021. Approval of this amendment will be consistent with other purveyor's agreements and correspond with the proposed Cost of Service Study.

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

1. Authorize the General Manager to execute a Sixth Amendment to the Agreement for Sale of Reclaimed Water to the Santa Fe Irrigation District by the San Elijo Joint Powers Authority, subject to the General Manager's final negotiations with the District and General Counsel's final review; and
2. Discuss and take action as appropriate.

Motion carried with the following vote of approval:

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

15. RECYCLED WATER COST OF SERVICE AND PROPOSED WHOLESALE RATES AND RESERVE POLICY

Director of Finance and Administration, Amy Chang, stated that in 2020, San Elijo Joint Powers Authority (SEJPA) retained Carollo Engineers (Carollo) to conduct the 2021 Recycled Water Rate Study (Study). The purpose of this Study is to assess SEJPA's current recycled water wholesale rates, financial metrics, and recycled water demands and provide rate recommendations for FYE 2022 through 2026.

At the March 2021 SEJPA Board meeting, staff presented the recycled water cost-of-service and capital improvement program (CIP) workshop and received Board direction to incorporate a revised and formalized reserve policy and a 10-year capital improvement plan in the draft cost-of-service study.

At the April 2021 SEJPA Board meeting, staff presented the Study prepared by Carollo and discussed the recommended 3.9% annual rate increases for the non-interruptible customers through FYE 2026 coupled with financing approximately half of the expected CIP expense (\$5.5 million) which provided the optimal financial plan.

Staff has discussed the Study and associated rate increase with the water purveyors served by the recycled water utility. The recommendation is a 3.9% annual rate increase for FY 2021-22, FY 2022-23, FY 2023-24, FY 2024-25, and FY 2025-26, and \$5.5 million debt financing, with the consideration to reduce the rate increase if the reserve fund level exceeds 75% of the reserve policy requirements on or after July 1, 2024.

The proposed 3.9% rate increases coupled with PAYGO and \$5.5 million debt financing will result in adequate funding for the recycled water utility for the 5-year period, FYE 2022 through FYE 2026.

Moved by Board Member Zito with modification to item 3, being that if conditions are met to decrease the annual rate increase, the decision shall be brought to the Board for approval, and seconded by Chair Becker to:

1. Accept and file the Carollo Engineers Recycled Water Rate Study;
2. Approve 3.9% annual Recycled Water Rate increase to Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD), and the City of Del Mar beginning July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and again beginning July 1, 2025;
3. Authorize the General Manager to decrease annual rate increase if San Elijo Joint Powers Authority's recycled water reserve fund exceeds 75% of the Recycled Water Reserve Fund Policy requirements on or after July 1, 2024;
4. Adopt the Resolution of the Board of Directors of the San Elijo Joint Powers Authority Establishing the Recycled Water Reserve Fund Policy; and
5. Discuss and take action as appropriate.

Motion carried with the following vote of approval:

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

16. WATER CAMPUS IMPROVEMENT PROJECT UPDATE

Senior Project Manager, Michael Konicke, stated San Elijo Joint Powers Authority (SEJPA) is currently in construction of the Water Campus Improvements (WCI) project. The Water Campus Improvements are approximately 70% complete and trending on schedule and budget.

In March 2020, the Board of Directors approved a professional services contract with Atlas (formerly Southern California Soils & Testing) to provide geotechnical, testing, and inspection services for \$119,609.

During construction, unforeseen conditions were encountered that required additional testing and inspection work by Atlas. The conditions included abandoned utilities, unstable soils, and higher than anticipated groundwater levels. Additionally, Atlas provided services required for the Caltrans' multi-use path that were not identified initially by the engineer of record but were required by the City inspector.

The proposed cost for the additional services is \$54,801, and is available in the Construction Fees and Support Services budget.

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

1. Authorize the General Manager to amend the professional services agreement with Atlas for additional geotechnical, test, and inspection services in the amount of \$54,801; and

2. Discuss and take action as appropriate.

Motion carried with the following vote of approval:

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

17. CLIMATE CHANGE ACTION PLAN

General Manager Thornton stated that the San Elijo Joint Powers Authority (SEJPA) seeks to develop its Climate Change Action Plan (CCAP) as a communication tool with its elected Board of Directors, the communities and local government agencies it serves, and the regulatory community.

The CCAP is intended to provide guidance and transparency to the SEJPA's strategy for planning and adapting to climate change. The CCAP will be submitted to the Regional Water Quality Control Board in compliance with Special Studies Requirement VI.A of RWQCB Order No. R9-2018-0003. To address the requirements of this Order, the CCAP summarizes:

- Potential Climate Change Effects: Projected climate change effects and their impact on SEJPA and tributary wastewater facilities if current climate change trends continue
- Greenhouse Gas Emissions (GHG): Address GHG emissions, identify reduction goals, and achieve those reduction goals
- Planning Process for Addressing Climate Change: Steps taken or planned, to address projected climate change effects and GHG Emissions
- Implementation: The process and schedule for updating the CCAP and support studies, financing issues, and any required climate related NPDES permit revisions

In the near future, SEJPA treatment facilities and processes are not projected to be impacted by climate-related effects. Nonetheless, climate change has represented an important planning consideration in implementing improvements at SEJPA.

It is required that SEJPA CCAP include a proposed schedule for updating the CCAP as more information on climate change and its effects become more available. SEJPA proposes to complete an update to this CCAP by the earlier of the following:

- As required by the RWQCB in an update or amendment to Order No. R9-2018-0003
- As directed by the SEJPA Board of Directors
- By the end of the succeeding NPDES permit term (anticipated to be May 31, 2028)

The CCAP will serve as an overarching guide that leads to continual improvement and advancements in GHG reduction and climate change adaptation.

Moved by Chair Becker and seconded by Board Member Zito to:

1. Accept and File the San Elijo Water Campus Climate Change Action Plan; and
2. Discuss and take action as appropriate.

Motion carried with the following vote of approval:

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

18. GENERAL MANAGER'S REPORT

General Manager Thornton reported a meeting with Board Chair Becker in preparation for the May Board Meeting, announced that the General Manager Performance Evaluation will occur at the June Board Meeting during a closed session, and that the San Elijo Joint Powers Authority Restatement is expected to be brought to the Member Agencies' City Councils for approval. Once approved, it will be sent to the State for filing. General Manager Thornton also stated that some staff members will be attending the California Water Environment Associate Annual Virtual Conference in June.

17. GENERAL COUNSEL'S REPORT

Adriana Ochoa stated that it is anticipated that the provision allowing for virtual public board meetings will continue for the remainder of the year, however there may be allowances for in person meetings in the near future.

18. BOARD MEMBER COMMENTS

Board Member Blakespear requested staff to bring an agenda item to the Board to report on SEJPA facilities' energy outputs for the Board to vote on an option to opt into a 100% renewable option.

19. CLOSED SESSION

None.

20. ADJOURNMENT

The meeting adjourned at 9:17 a.m. The next Board of Directors meeting is scheduled to be held on Tuesday, June 15, 2021 at 8:30 a.m.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager