

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON JUNE 13, 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, June 13, 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.

2. ROLL CALL

Directors Present:

Teresa Barth
Thomas M. Campbell
Maggie Houlihan
David W. Roberts

Others Present:

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

Michael Thornton
Greg Lewis
Christopher Trees
Monica Blake
Carrie Cook

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,

Director of Engineering/Public Works

Mohammad "Mo" Sammak

St. Francis Court HOA

Al Evans

3. PLEDGE OF ALLEGIANCE

General Manager Michael Thornton led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

Moved by Board Member Roberts and seconded by Board Member Houlihan to approve the Consent Calendar with unanimous vote of approval.

Consent Calendar:

Agenda Item No. 7	Approval of Minutes for the May 9, 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
Agenda Item No. 11	Award of Annual Supplies and Services Contracts for the San Elijo Joint Powers Authority

12. ITEMS REMOVED FROM CONSENT CALENDAR

None

13. ADOPTION OF THE SAN ELIJO JOINT POWERS AUTHORITY FISCAL YEAR 2011-12 BUDGET, INVESTMENT POLICY, AND APPOINTMENT OF SEJPA TREASURER

Director of Finance/Administration Gregory Lewis reported that the Fiscal Year (FY) 2011-12 Recommended Budget was presented publicly to the Board of Directors at the April and May 2011 Board meetings for discussion, comments, and direction. SEJPA staff also conducted meetings with staff from both Member Agencies to review the recommended budget. From the conclusion of these meetings, there were no recommendations made to change or alter the FY 2011-12 Recommended Budget.

Gregory Lewis stated that the operating budget for the Wastewater Treatment Fund for the SEJPA is \$5,641,616 and the operating budget for the Water Reclamation Fund is \$1,826,025. The FY 2011-12 appropriation for the Capital Project Fund is \$942,000.

Gregory Lewis stated that State law requires that the Investment Policy be reviewed and adopted annually. The SEJPA investment policy allows for investment in the State Local Agency Investment Fund (LAIF) and in the San Diego County Investment Pool. In addition, State law requires that a SEJPA Treasurer be appointed annually.

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

1. Adopt Resolution No. 2011-07, Resolution Approving the San Elijo Joint Powers Authority Operating and Capital Improvement Budgets for Fiscal Year 2011-12; and
2. Adopt Resolution No. 2011-08, Resolution Approving the San Elijo Joint Powers Authority Investment Policy and Guidelines and Appointment of SEJPA Treasurer.

Motion carried with unanimous vote of approval.

14. PRELIMINARY FINDINGS FOR CAPITAL FINANCING OF THE PROPOSED DEMINERALIZATION TREATMENT SYSTEM AT THE SAN ELIJO WATER RECLAMATION FACILITY

The General Manager Michael Thornton reported that the Demineralization Treatment System Project is estimated to cost \$5 million. The SEJPA is proposing to fund the project through a combination of grants, program reserves, and loan or bond issuance. In general terms, the SEJPA anticipates funding approximately \$3 million from its Recycled Water Program reserves and grants, with the remaining estimated \$2 million funded through a construction loan or bond issue.

The General Manager stated that staff has worked aggressively to identify competitive alternatives. The best option at this time appears to be a lease-purchase arrangement through W.M. Lyles, LLC where they offer funding for the project as well as a delivery method through a financing agreement called a Guaranteed Maximum Price. The terms to be agreed upon would be an interest rate of roughly below 4.7% for a 15 year loan. One advantage to this funding method would be a lower cost on construction management as well as having an active role in negotiating the price of the project.

Chair Campbell asked if research had been done to see if other companies have used this method of lease-purchase. The General Manager reported that W.M. Lyles is developing a reference list for the SEJPA of about 30 projects.

Chair Campbell asked for a chart on the history of the SEJPA's reserves for the last ten years and how this debt service will impact the initial projections of when the Member Agencies will be paid back on their initial capital loans with the SEJPA.

Moved by Chair Campbell and seconded by Board Member Roberts to:

1. Direct staff to negotiate a lease-purchase agreement with W.M. Lyles, LLC to be returned to the Board for consideration of approval; and
2. If an acceptable lease-purchase agreement cannot be negotiated with W.M.

Lyles, LLC, then negotiate an agreement with Brandis Tallman, LLC for Board consideration.

Motion carried with unanimous vote of approval.

15. UPDATE – RECYCLED WATER DISCUSSIONS BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY, SANTA FE IRRIGATION DISTRICT, SAN DIEGUITO WATER DISTRICT, AND CITY OF DEL MAR

General Manager Michael Thornton stated that under the previous direction of the SEJPA Board of Directors, staff has continued working with SFID, as well as the SEJPA's other water purveyors, to begin negotiating new long-term recycled water wholesale agreements. Construction of the extended Santa Fe Irrigation District (SFID) recycled water pipeline has been completed and use at the San Dieguito Park is expected to begin in late 2011. SFID is interested in the SEJPA purchasing the pipeline, as the SEJPA owns the entire distribution system up to that point.

The San Dieguito Water District (SDWD), the SEJPA, and the Encinitas Ranch Golf Authority have developed an interruptible-surplus water agreement, which provides a cost structure that allows the golf course to resume watering usage at pre-drought consumption levels, while providing water storage benefits to the SEJPA. In addition, the City of Encinitas, SDWD, and SEJPA have worked jointly on the planned 44-acre Encinitas Community Park, which will use recycled water, and on retrofitting the Oak Crest Middle School athletic fields. The SEJPA is working on developing amenable changes to the original agreement to maintain competitive recycled water pricing to the customers while meeting the economic needs of both the SDWD and SEJPA.

The City of Del Mar and the 22nd Agricultural District are only using a portion of their minimum purchase volume. The Agricultural District is continuing planning for converting irrigation demands to recycled water. The SEJPA is providing technical assistance as requested by the Agricultural District.

Informational report only not requiring Board approval.

16. GENERAL MANAGER'S REPORT

The General Manager Michael Thornton stated that a letter of support for collaborative efforts between San Diego State University and the SEJPA for the production of electricity generation at wastewater treatment plants from algal methane gas has been submitted. Also, the General Manager reported that the San Elijo Joint Powers Authority has received an investment rating of "AA" by Fitch Ratings.

17. GENERAL COUNSEL'S REPORT

None

18. BOARD MEMBER COMMENTS

None

19. CLOSED SESSION

The Board of Directors went into closed session at 9:48 a.m. pursuant to Government Code Section 54957 with respect to Public Employee Performance Evaluation for the General Manager.

The Board of Directors came out of closed session at 10:06 a.m. with the following reportable action:

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

Accept General Manager Michael Thornton's contract with a salary of \$169,300, with a \$5,000 merit/bonus for the past year, and retain the bonus in the current contract, and add a cell phone/PDA allowance of \$75 per month.

The Board of Directors thanked the General Manager for his excellent work this past year.

Motion carried with unanimous vote of approval.

20. ADJOURNMENT

The Board of Directors adjourned at 10:07 a.m. The next Board of Directors meeting will be held on July 11, 2011.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager