

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON SEPTEMBER 12, 2016
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Catherine Blakespear, Chair

Ginger Marshall, Vice Chair

A meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, September 12, 2016, 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 Blakespear called the meeting to order at 9:00 a.m.

2. ROLL CALL

Directors Present:

Catherine Blakespear
Ginger Marshall
Mark Muir
David Zito

Directors Absent:

None

Others Present:

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

Michael Thornton
Christopher Trees
Paul Kinkel
Mike Konicke
Carrie Cook
Jennifer Basco

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Greg Moser

City of Solana Beach:

City Manager
Director of Engineering/Public Works

Greg Wade
Mohammad "Mo" Sammak

City of Encinitas:

Director of Engineering and Public Works
Public Works Management Analyst

Glenn Pruum
Bill Wilson

Santa Fe Irrigation District

General Manager

Michael Bardin

St. Francis Court HOA

Al Evans

3. PLEDGE OF ALLEGIANCE

Chair Blakespear led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

Al Evans, member of St. Francis Court HOA, addressed the Board of Directors regarding the SEJPA's potential recycled water rate increase. Mr. Evans thanked the Board and staff for their efforts in developing a successful recycled water program. He recommended that the Board consider reducing the proposed recycled water rate increase to less than 4% annually.

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

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

Motion carried with unanimous vote of approval.

Agenda Item No. 7	Approval of Minutes for the July 11, 2016 meeting and July 12, 2016 special 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. RECYCLED WATER COST OF SERVICE STUDY AND PROPOSED WHOLESAL
RATE INCREASE

General Manager Thornton stated that the SEJPA retained Raftelis Financial Consultants (RFC) to prepare a recycled water cost of service report and to develop recommendations for future rate increases. The report provides the basis for the cost of recycled water service, which was developed through a detailed review of current and estimated future expenses including operational, capital, debt, and reserve requirements of the Recycled Water Program. The report included an analysis of the program's

current and estimated future recycled water sales, grants, and incentives, to determine adequacy of revenues to meet expenses. Mr. Thornton stated that although the report recommends 4% annual price increases for both the interruptible and non-interruptible customers through FYE 2020, it is Staff's recommendation to only extend this increase through FYE 2018. At that time, the need for further rate increases can be reviewed. The proposed rate increase is intended to provide adequate revenues to fund 90 days operating cash, one year of debt service, and begin funding asset repair and replacement reserves.

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

1. Accept and file the Raftelis Financial Consultants Recycled Water Rate Review and Update; and
2. Approve 4% 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 October 1, 2016 and again beginning July 1, 2017.

Motion carried with unanimous vote of approval.

13. SAN ELIJO JOINT POWERS AUTHORITY (SEJPA) RECYCLED WATER PROGRAM – PROPOSED WHOLESALE AGREEMENT AMENDMENT

General Manager Thornton gave a brief background on the SEJPA's wholesale water agreement with Santa Fe Irrigation District (SFID). The current agreement amendment is set to expire on January 1, 2017. The proposed agreement amendment has an end date of June 30, 2021. The amendment includes the allowance of annual price increases of no less than 2% and no more than 5% based on a cost-of-service methodology. Staff from SFID participated in the development of the agreement amendment and SFID is scheduled to present it to their Board for consideration on September 15, 2016.

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

1. Approve the Fifth Amendment to the Agreement for Sale of Reclaimed Water to the Santa Fe Irrigation District by the San Elijo Joint Powers Authority.

Motion carried with unanimous vote of approval.

14. ENCINITAS RANCH RECYCLED WATER EXPANSION PROJECT

General Manager Thornton stated that the SEJPA works in partnership with local districts and cities to reduce potable water consumption by using recycled water, where applicable. The expansion of recycled water service to the Encinitas Ranch Community Association (ERCA), Encinitas Park Trails, and Fox Point Farms is estimated to conserve 45 acre-feet (14.6 million gallons) of potable water per year. The proposed project includes installing approximately 1.5 miles of small diameter recycled water pipe and a booster station to provide adequate water pressure to customers. The ideal location of the booster station is likely near Quail Gardens Drive and Paseo de Las Flores. The Encinitas Ranch Golf Authority (ERGA) has expressed a willingness to

negotiate a “no cost” easement for the pump station on golf course property in return for an extension of their recycled water service agreement. The current agreement with ERGA is set to expire in 2017. Staff has developed a draft agreement to extend recycled water service to ERGA for 7 years. The General Manager also stated that staff has developed a draft agreement with ERCA for cost sharing on the booster pump station and for utility easements. Both draft agreements are included as attachments to the staff report.

The estimated cost of the Encinitas Ranch Recycled Water Expansion Project is \$1.16 million. Grant funding and cost sharing by the project customers is approximately half of the project cost.

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

15. BUILDING IMPROVEMENT PROGRAM

The General Manager stated that in 2015, SEJPA initiated a Building Improvement Program to develop options to replace or modernize existing buildings due to significant deficiencies including seismic, fire suppression, ADA access, and other code issues. Working with RNT Architects, Staff prepared a Building Alternatives Analysis to examine potential building alternatives that would meet SEJPA building needs. After evaluating multiple building options and incorporating Board comments, Staff’s recommendation is to proceed with Alternative 1 – construction of a single building located near the SEWRF site entrance that co-locates Administration, Operations, and Laboratory functions. Mr. Thornton stated that Staff anticipates developing and advertising a Request for Proposal for the final design of the building within the next 60 days. The cost of final design is estimated at \$430,000. The SEJPA has collected \$565,000 of capital funding for project permitting and design.

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

1. Approve building alternative selection; and
2. Authorize General Manager to request Proposals for Building Final Design.

Motion carried with unanimous vote of approval.

16. CONTRACT AMENDMENT FOR SAN ELIJO LAND OUTFALL FINAL DESIGN AND PERMITTING

The San Elijo Land Outfall Replacement is a priority capital project for the SEJPA based on environmental, financial, and social considerations. In 2015, the Board of Directors authorized the General Manager to initiate Preliminary Design of the Land Outfall Replacement and Permitting project with Kennedy/Jenks Consultants. Upon completion of the Preliminary Design, the Board awarded Final Design to Kennedy/Jenks. During final design, additional work was identified beyond the original agreement with Kennedy/Jenks. The new scope of work includes additional permit and easement support, as well as new design work due to conflicts with existing underground utilities. Funding for the proposed contract amendment is available in the Ocean Outfall Capital Program. Costs are shared based on capacity ownership of 21% SEJPA and 79% City of Escondido.

Moved by Board Member Muir and seconded by Vice Chair Marshall to:

1. Authorize the General Manager to compensate the County of San Diego in the amount of \$42,800 for the easement through parcel 261-191-03; and
2. Authorize amendment of the professional services agreement with Kennedy/Jenks Consultants for an amount not to exceed \$70,079.

Motion carried with unanimous vote of approval.

17. GENERAL MANAGER'S REPORT

General Manager Thornton reported to the Board of Directors that the Cadillac Tax issue (which was raised at a previous meeting) is scheduled to be effective in 2020, which is beyond the term of SEJPA's current Employee Agreement. Next, Mr. Thornton stated that he plans to step down from his position as the General Manager of the SEJPA and that he would work with the Board to develop an exit strategy.

18. GENERAL COUNSEL'S REPORT

Greg Moser updated the Board of Directors on an amendment to the Brown Act for 2017, which will require recommended changes in management compensation to be described in open session in detail prior to being voted on in open session.

19. BOARD MEMBER COMMENTS

None

20. CLOSED SESSION

None

A closed session may be held at any time during this meeting of the San Elijo Joint Powers Authority for the purposes of discussing potential or pending litigation or other appropriate matters pursuant to the "Ralph M. Brown Act".

21. ADJOURNMENT

The meeting adjourned at 10:15 a.m. The next Board of Directors meeting will be held on October 10, 2016.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager