

AGENDA
SAN ELIJO JOINT POWERS AUTHORITY
MONDAY FEBRUARY 11, 2013 AT 9:00 AM
SAN ELIJO WATER RECLAMATION FACILITY – CONFERENCE ROOM
2695 MANCHESTER AVENUE
CARDIFF BY THE SEA, CALIFORNIA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. ORAL COMMUNICATIONS (NON-ACTION ITEM)
5. PRESENTATION OF AWARDS
 - California Sanitation Risk Management Authority (CSRMA)
– 2011/12 Workers' Compensation Excellence – Small Agency Category
 - California Water Environment Association (CWEA), San Diego Section
– Safety Award, 1-25 Employees
6. * **CONSENT CALENDAR**
7. * APPROVAL OF MINUTES FOR THE JANUARY 14, 2013 MEETING
8. * APPROVAL FOR PAYMENT OF WARRANTS AND MONTHLY INVESTMENT REPORTS
9. * SAN ELIJO WATER RECLAMATION FACILITY TREATED EFFLUENT FLOWS – MONTHLY REPORT
10. * SAN ELIJO JOINT POWERS AUTHORITY RECYCLED WATER PROGRAM – MONTHLY REPORT
11. * ITEMS REMOVED FROM CONSENT CALENDAR

Items on the Consent Calendar are routine matters and there will be no discussion unless an item is removed from the Consent Calendar. Items removed by a "Request to Speak" form from the public will be handled immediately following adoption of the Consent Calendar. Items removed by a Board Member will be handled as directed by the Board.

REGULAR AGENDA

12. **SAN ELIJO JOINT POWERS AUTHORITY MID-YEAR REVIEW OF THE FISCAL YEAR 2012-13 OPERATING BUDGET**

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

Staff Reference: Director of Finance/Administration

13. **BRIEFING - RECYCLED WATER PROGRAM RESERVE FUND POLICY**

It is recommended that the Board of Directors:

1. Discuss and take action as appropriate.

Staff Reference: General Manager

14. **SAN ELIJO JOINT POWERS AUTHORITY ADMINISTRATION BUILDING**

It is recommended that the Board of Directors:

1. Discuss and take action as appropriate.

Staff Reference: General Manager

15. **GENERAL MANAGER'S REPORT**

Informational report by the General Manager on items not requiring Board action.

16. **GENERAL COUNSEL'S REPORT**

Informational report by the General Counsel on items not requiring Board action.

17. **BOARD MEMBER COMMENTS**

This item is placed on the agenda to allow individual Board Members to briefly convey information to the Board or public, or to request staff to place a matter on a future agenda and/or report back on any matter. There is no discussion or action taken on comments by Board Members.

18. **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".

19. **ADJOURNMENT**

The next regularly scheduled San Elijo Joint Powers Authority Board Meeting will be Monday, March 11, 2013 at 9:00 a.m.

NOTICE:

The San Elijo Joint Powers Authority's open and public meetings meet the protections and prohibitions contained in Section 202 of the Americans With Disabilities Act of 1990 (42 U.S.C Section 12132), and the federal rules and regulations adopted in implementation thereof. Any person with a disability who requires a modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting of the SEJPA Board of Directors may request such modification or accommodation from Michael T. Thornton, General Manager, (760) 753-6203 ext. 72.

The agenda package and materials related to an agenda item submitted after the packet's distribution to the Board is available for public review in the lobby of the SEJPA Administrative Office during normal business hours. Agendas and minutes are available at www.sejpa.org. The SEJPA Board meetings are held on the second Monday of the month, except August.

AFFIDAVIT OF POSTING

I, Michael T. Thornton, Secretary of the San Elijo Joint Powers Authority, hereby certify that I posted, or have caused to be posted, a copy of the foregoing agenda in the following locations:

San Elijo Water Reclamation Facility, 2695 Manchester Avenue, Cardiff, California
City of Encinitas, 505 South Vulcan Avenue, Encinitas, California
City of Solana Beach, 635 South Highway 101, Solana Beach, California

The notice was posted at least 72 hours prior to the meeting, in accordance with Government Code Section 54954.2(a).

Date: February 6, 2013



Michael T. Thornton, P.E.
Secretary / General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON JANUARY 14, 2013
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Teresa Barth, Chair

A Meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, January 14, 2013, 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 Barth called the meeting to order at 9:00 a.m.

2. ROLL CALL

Directors Present:

Teresa Barth
Mark Muir
Thomas M. Campbell

Directors Absent:

David Zito

Others Present:

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

Michael Thornton
Greg Lewis
Christopher Trees
Jennifer Basco
Carrie Cook

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Greg Moser

City of Encinitas,
Public Works Management Analyst
City of Solana Beach,
Director of Engineering/Public Works
San Dieguito Water District,
Assistant General Manager

Bill Wilson
Mohammad "Mo" Sammak
Bill O'Donnell

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

Motion carried with the following vote of approval:

AYES: Barth, Muir, Campbell
NOES: None
ABSENT: Zito
ABSTAIN: None

Consent Calendar:

Agenda Item No. 7	Approval of Minutes for the December 10, 2012 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. ELECTION OF OFFICERS AND SCHEDULE OF BOARD MEETINGS

General Manager Michael Thornton stated that in accordance with Article 3 of the San Elijo Joint Powers Authority (SEJPA) formation agreement, the SEJPA Board is required to appoint a chairperson and vice chairperson and establish the time and place for its regular meeting by the second meeting of each calendar year. The General Manager reported that the SEJPA's regular meeting schedule has been generally set as 9:00 a.m. on the second Monday of each month, with no meeting in August. The regular meetings have been held at the San Elijo Water Reclamation Facility, located at 2695

Manchester Avenue, Cardiff-by-the-Sea, CA 92007. He stated that should this be acceptable to the Board of Directors, the proposed listing of scheduled meetings for 2013 is attached to this staff report. He noted that the proposed November meeting is scheduled for Tuesday, November 12, 2013, as Monday is the observed Veteran's Day Holiday. With the conclusion of the staff report the Board of Directors took the following actions.

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

1. Appoint Thomas M. Campbell as Chairperson and Mark Muir as Vice Chair for the 2013 SEJPA Board of Directors; and
2. Establish the SEJPA regular meeting schedule for 2013 as the second Monday of each month with no planned meeting for August and for the November meeting to be held on Tuesday, November 12, 2013, with the meeting location as the San Elijo Water Reclamation Facility.

Motion carried with the following vote of approval:

AYES: Barth, Muir and Campbell
NOES: None
ABSENT: Zito
ABSTAIN: None

13. PROPOSED STAFFING CHANGES

General Manager Michael Thornton stated that when two employees retired in the fourth quarter of 2012, management seized the opportunity to evaluate the organization for effectiveness and efficiency of duties. Results included recommendations for changes to the reporting structure and to some positions. The intent was to streamline reporting channels, and increase focus on critical success areas. The proposed staffing changes would have no net impact to the existing personnel budget allowance.

The organizational changes include replacing the Operations Supervisor position with the Mechanical Systems Supervisor position, replacing the Electrical Instrumentation Technician position with the Systems Integration Supervisor position, eliminating the Senior Maintenance Mechanic position and replacing it with a Systems Integration Series position.

General Manager Michael Thornton also reported on discussions with the Encina Wastewater Authority (EWA) about their internship program. The program is a cost effective way to recruit new staff and train potential new employees. Intern positions were added to the Table of Organization and were included in this Agenda item.

Board Member Muir commended the General Manager on taking the steps to re-evaluate and make changes when necessary in an otherwise static environment.

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

1. Approve General Manager's proposed classification and compensation schedule changes.

Motion carried with the following vote of approval:

AYES: Barth, Muir and Campbell
NOES: None
ABSENT: Zito
ABSTAIN: None

14. PRINCIPLES OF UNDERSTANDING FOR AMENDING RECYCLED WATER AGREEMENTS BETWEEN THE SAN DIEGUITO WATER DISTRICT AND THE SAN ELIJO JOINT POWERS AUTHORITY

General Manager Thornton reported that the San Dieguito Water District (SDWD) expressed interest in amending their 1997 Agreement for Sale of Reclaimed Water with the SEJPA. General Manager Thornton presented Principles of Understanding to the Board of Directors, which was previously submitted to the SDWD for discussion purposes. If the Principles of Understanding are acceptable to all parties, then detailed work can commence on creating an agreement amendment based on the approved principles.

Board Chair Campbell asked about the status of discussions with Santa Fe Irrigation District (SFID) on this same topic and the status of the Cost of Service Study.

General Manager Thornton reported that the Recycled Water Cost of Service Study is currently being drafted. The Cost of Service Study will provide a detailed analysis of the revenues and expenses of the recycled water program and is expected to provide the Board with important information for setting future recycled water wholesale rates. The results of the Study will likely drive the conversation with SFID.

Board Chair Campbell stated that the Board of Directors would like an opportunity to review the Cost of Service Study before it is shared with the other parties. Also, Board Chair Campbell requested that the Study be completed before staff discussions preceded beyond the Principles of Understanding with SDWD.

The General Manager stated that he will provide the Board Members an update on the Cost of Service Study at the next Board meeting.

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

15. GENERAL MANAGER'S REPORT

General Manager Michael Thornton presented a news article to the Board of Directors entitled "California Water System Upgrade Overdue", by Timothy Quinn of the Association of California Water Agencies. The article describes how California's water system is aging, as much of it was constructed more than 40 years ago. The General

Manager explained that significant capital improvements are likely required to maintaining the current water system, which will put future pricing pressure on potable water.

The General Manager stated that construction is nearly complete on the Advanced Water Treatment Project, and the contractor expects system startup in a month. This project will improve recycled water quality and expand opportunities in new markets with increased water sales.

16. GENERAL COUNSEL'S REPORT

General Counsel Greg Moser reported on a U.S. Supreme Court decision last week in a Los Angeles County Flood Control District (District) case, brought by Santa Monica Baykeeper and the Natural Resources Defense Council, Inc. (NRDC), in which they alleged that the District was violating its NRDC permit limits. The Court found that since the District was not discharging into the municipal separate storm sewer system, only channeling the water, then there was no violation of the Clean Water Act.

17. BOARD MEMBER COMMENTS

Chair Barth stated that she and General Manager Michael Thornton were invited to meet with Marty Brown, Board Member of the Equinox Center, to discuss smart water policy. The Equinox Center, as a non-partisan think tank, can help influence public attitude and legislative positions. By creating a partnership with each other and with non-governmental organizations (NGOs), everyone benefits with clean water.

18. CLOSED SESSION

None

19. ADJOURNMENT

The Board of Directors adjourned at 9:46 a.m. The next Board of Directors meeting will be held on February 11, 2013.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

PAYMENT OF WARRANTS

13-02

1-Feb-13

VENDOR	DESCRIPTION OF EXPENSE	AMOUNT
<u>13-02 Warrants</u>		
A-1 Broadway Foto	New employee digital ID card	\$12.00
A-Check America, Inc.	New employee background check	\$99.50
Abcana Industries	Hydrochloric acid	\$439.39
Abcana Industries	Sodium Hypochlorite	\$176.69
Action Chemical Co.	Heat loop water treatment	\$295.00
Affordable Drain Service, Inc.	Main line clean out - pump storage building	\$108.00
AG Tech, LLC	Biosolids hauling - December	\$8,970.92
All American First Aid & Safety	First aid supplies	\$73.17
ARB, Inc.	Emergency repair 12" reclaimed water line	\$13,800.00
ARB, Inc.	Paving repair 12" reclaimed water line - ocean cove	\$3,104.00
Arizona Instrument	Jerome 631 calibration and sensor assembly	\$1,289.87
AT&T	Alarm service	\$383.54
AT&T	Phone service - 12/31/12 - 01/12/13	\$367.98
AT&T - Olivenhain	DSL - 12/10/12 - 01/09/13	\$73.03
Atlas Pumping Service	Grease and scum pumping trailer - January	\$2,710.00
Atlas Pumping Service	Grease and scum pumping - January	\$277.44
Atlas Pumping Service	Grease and scum pumping - January	\$277.44
Atlas Pumping Service	Grease and scum pumping - January	\$277.44
Atlas Pumping Service	Grease and scum pumping - December	\$277.44
BankCard Center	Internet support, office supplies, meetings, annual fee	\$1,235.98
Barracuda Networks, Inc.	Network back-up	\$50.00
Basco, Jennifer	Expense report - mileage	\$38.46
BAVCO	Backflow for AWT station	\$498.00
Brenntag Pacific, Inc.	Sodium hydroxide - odor control	\$1,305.20
Brithinee Electric	Digester #2 heat exchanger pump	\$319.11
Broding's Battery Warehouse	Batteries	\$198.62
Cal State Compliance & Consulting	Review of certified payrolls, wage documents - AWT	\$2,500.00
California Water Technologies	Ferric chloride - plant	\$5,962.77
Calscience Environmental Lab	Lab testing	\$664.00
CDM Smith	Design of electrical upgrades	\$8,615.00
Coast Waste Management, Inc.	Bin - 12/09/12 - 12/31/12	\$115.00
Complete Office	Office supplies	\$296.68
Corodata	Record storage - December	\$70.13
CSRMA	Liability insurance - 12/31/12 - 12/30/13	\$32,988.00
CWEA-TCP	Certification - M. Dietrich	\$220.00
CWEA-TCP	Membership - D. Kreinbring	\$140.00
Department of Public Health	Recycled water - review 07/01/11 - 06/30/12	\$3,187.80
DMV	Safety records	\$7.00
Dudek & Associates	AWT special inspection services	\$497.20
Dwyer Instruments, Inc.	Brass housing for emergency eyewash stand	\$193.88
EDCO Waste & Recycling	Trash service - December	\$198.77
Electric Motor Specialists	Test, dismantle, and inspect motor and install heaters	\$3,466.26
Galco Industrial Electronics	Panel meter	\$169.25
Gierlich-Mitchell, Inc.	Repair parts - shear pin	\$460.02
Golden State Overnight	Mailing - lab samples and parts	\$80.56

PAYMENT OF WARRANTS

13-02

1-Feb-13

VENDOR	DESCRIPTION OF EXPENSE	AMOUNT
Grainger, Inc.	Tube, hydrogen sulfides	\$204.51
Guardian	Dental - 01/01/13 - 01/31/13	\$1,371.71
Guardian	Dental - 12/01/12 - 12/31/12	\$1,279.22
Hach Company	Repair parts - weather and sun shield, controller, and wiper	\$6,419.75
Hardy Diagnostics	Azide dextrose and lauryl tryptose broth	\$249.04
Health & Human Resource	Employee assistance program - January	\$317.68
Hoch Consulting	AWT Project	\$6,062.52
Hoch Consulting	Professional engineering services	\$718.75
Hoch Consulting	RW administration and field services	\$300.00
Hoch Consulting	Pump station energy management	\$525.00
Home Depot Credit Services	Wire wheel, jigsaw, bits, thermometer, and holiday tree	\$228.34
Jani-King	Janitorial service - January	\$882.64
Jani-King	Janitorial supplies	\$531.10
Kennedy/Jenks Consultants	AWT Project	\$2,585.00
Konica Minolta	Monthly copier maintenance	\$116.05
Lomas Santa Fe Country Club	Staff luncheon - 12/18/12	\$120.00
Marine Taxonomic Services	Ocean offshore monitoring	\$1,480.00
McMaster-Carr Supply Co.	Repair parts - Plant	\$344.29
McMaster-Carr Supply Co.	Repair parts - Plant and RW	\$351.81
MegaPath Inc.	T-1 service - January	\$284.22
Napa Auto Parts	Wiper blades and oil	\$74.39
Napa Auto Parts	Relay and bulb	\$13.18
Olin Corp - Chlor Alkali	Sodium Hypochlorite	\$3,127.25
OMWD	Manchester - 11/07/12 - 12/10/12	\$345.07
OneSource Distributors, Inc.	Electrical parts	\$365.21
PERS - Health	February health premium	\$18,960.88
PERS - Retirement	Retirement premium - 12/22/12 - 01/04/13	\$14,618.12
PERS - Retirement	Retirement premium - 01/05/13 - 01/18/13	\$14,351.31
Pacific Green Landscape	Monthly landscaping service	\$1,025.00
Piper, Michael	Expense report - water treatment plant operation book	\$64.68
Polydyne Inc.	Clarifloc	\$11,399.96
Preferred Benefit Insurance	Vision insurance - 01/01/13 - 01/31/13	\$278.90
Probuild	Repairs, shop and field supplies	\$28.20
Procopio, Cory, Hargreaves	General - legal services - December	\$3,078.00
Rain for Rent, Inc.	Hose and pipe - delivery, fuel, and labor	\$1,895.43
Rain for Rent, Inc.	Hose and pipe rental - 11/30/12 - 12/18/12	\$3,948.47
RSF Security Systems	Installation of caddx security system	\$724.00
RSF Security Systems	Wired up panel, AC fail	\$225.00
Rohan & Sons, Inc.	Blower assembly and installation	\$1,840.10
SDG&E	Gas & electric 12/04/12 - 01/06/13	\$25,946.03
SDG&E	Gas & electric - plant MS-1 12/06/12 - 01/08/13	\$1,933.45
SDG&E	Gas & electric - Cardiff 12/05/12 - 01/07/13	\$1,631.10
SDG&E	Gas & electric - Valley 12/05/12 - 01/07/13	\$1,848.75
SDWD	Manchester RWM 1 11/29/12 - 12/29/12	\$137.19
SDWD	Manchester RWM 3 11/29/12 - 12/28/12	\$166.78
SDWD	Manchester RWM 4 11/29/12 - 12/28/12	\$88.77
SDWD	Manchester RWM 6 11/29/12 - 12/28/12	\$3,386.71
SFID	Water - Lomas Santa Fe PS 10/17/12 - 12/17/12	\$179.10

PAYMENT OF WARRANTS

13-02

1-Feb-13

VENDOR	DESCRIPTION OF EXPENSE	AMOUNT
SFID	Water - Eden Gardens PS 11/28/12 - 12/27/12	\$110.83
SFID	Water - Solana Beach PS 11/02/12 - 01/03/13	\$61.57
Sage Software	Annual software maintenance and support	\$622.22
San Elijo Payroll Account	Payroll - 01/11/2013	\$101,092.93
San Elijo Payroll Account	Payroll - 01/25/2013	\$72,736.37
Smart & Final	Kitchen supplies and employee luncheon	\$198.62
State Water Resources Control	Annual Stormwater Permit fee - 01/01/13 - 12/31/13	\$1,359.00
Sun Life Financial	Life and disability insurance	\$1,338.88
Terminix Processing Center	Pest control	\$120.00
Terminix Processing Center	Pest control	\$197.00
Terra Renewal	Biosolids hauling - December	\$3,043.67
Thornton, Michael	Expense report - Encina and admin meetings	\$66.45
Trussell Technologies, Inc.	Process engineer and water quality services	\$1,746.50
Trussell Technologies, Inc.	Process engineer and water quality services	\$1,075.00
Trussell Technologies, Inc.	Operations plan update and recommendations	\$10,309.50
Underground Service Alert	Dig alert - December	\$22.50
Unifirst Corporation	Uniform service - December	\$183.08
Unifirst Corporation	Uniform service - January	\$84.07
Unifirst Corporation	Uniform service - January	\$84.07
Unifirst Corporation	Uniform service - January	\$84.07
Unifirst Corporation	Uniform service - January	\$219.15
UPS	Shipping - meter parts	\$146.50
USA Bluebook	Plumbing part	\$225.89
Vista Valley Tree Service, Inc.	Tree trimming	\$7,055.00
Verizon Wireless	Cellular phone service - 01/08/13 - 02/07/13	\$588.05
Vulcan Industries, Inc.	Wiper blades and wear plate	\$235.64
VWR International, Inc.	Glass filters, tubes, and gloves	\$777.69
W.M. Lyles Co.	AWT Project	\$223,168.70
Water Environment Federation	Membership - A. Simonson	\$187.00
Western Water Works	Combination air vac and ball valve	\$1,120.40
WEX Bank	Fuel - December	\$1,315.16
Wonderware West	Standard licenses and support	\$8,173.71
WorkPartners Occupational	New employees physicals	\$174.00

Total 13-02 Warrants

\$670,466.42

SAN ELIJO JOINT POWERS AUTHORITY

PAYMENT OF WARRANTS SUMMARY

1-Feb-13

PAYMENT OF WARRANTS		\$670,466.42
Reference Number	13-02	

I hereby certify that the demands listed and covered by warrants are correct and just to the best of my knowledge, and that the money is available in the proper funds to pay these demands. The cash flows of the SEJPA, including the Member Agency commitment in their operating budgets to support the operations of the SEJPA, are expected to be adequate to meet the SEJPA's obligations over the next six months. I also certify that the SEJPA's investment portfolio complies with the SEJPA's investment policy.



Gregory Lewis
Director of Finance/Administration
Treasurer

STATEMENT OF FUNDS AVAILABLE FOR PAYMENT OF WARRANTS
AND INVESTMENT INFORMATION
AS OF

1-Feb-13

<u>FUNDS ON DEPOSIT WITH</u>	<u>AMOUNT</u>
LOCAL AGENCY INVESTMENT FUND <i>(NOVEMBER 2012 YIELD 0.324%)</i>	
RESTRICTED SRF RESERVE	\$ 630,000.00
UNRESTRICTED DEPOSITS	\$ 7,515,830.64
CALIFORNIA BANK AND TRUST <i>(DECEMBER 2012 YIELD 0.01%)</i>	
REGULAR CHECKING	\$ 23,068.83
PAYROLL CHECKING	\$ 5,000.00
 TOTAL RESOURCES	 \$ 8,173,899.47

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SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

February 11, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO WATER RECLAMATION FACILITY TREATED EFFLUENT FLOWS –
MONTHLY REPORT

RECOMMENDATION

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

DISCUSSION

Monthly Treatment Plant Performance and Evaluation

Wastewater treatment for the San Elijo Joint Powers Authority (SEJPA) met all NPDES ocean effluent limitation requirements for the month of December 2012. The primary indicators of treatment performance include the removal of Carbonaceous Biochemical Oxygen Demand (CBOD) and Total Suspended Solids (TSS). The SEJPA is required to remove a minimum of 85 percent of the CBOD and TSS from the wastewater. Treatment levels for CBOD and TSS were 98.3 percent and 97.3 percent, respectively, for December (as shown in Figure 1 and Figure 2).

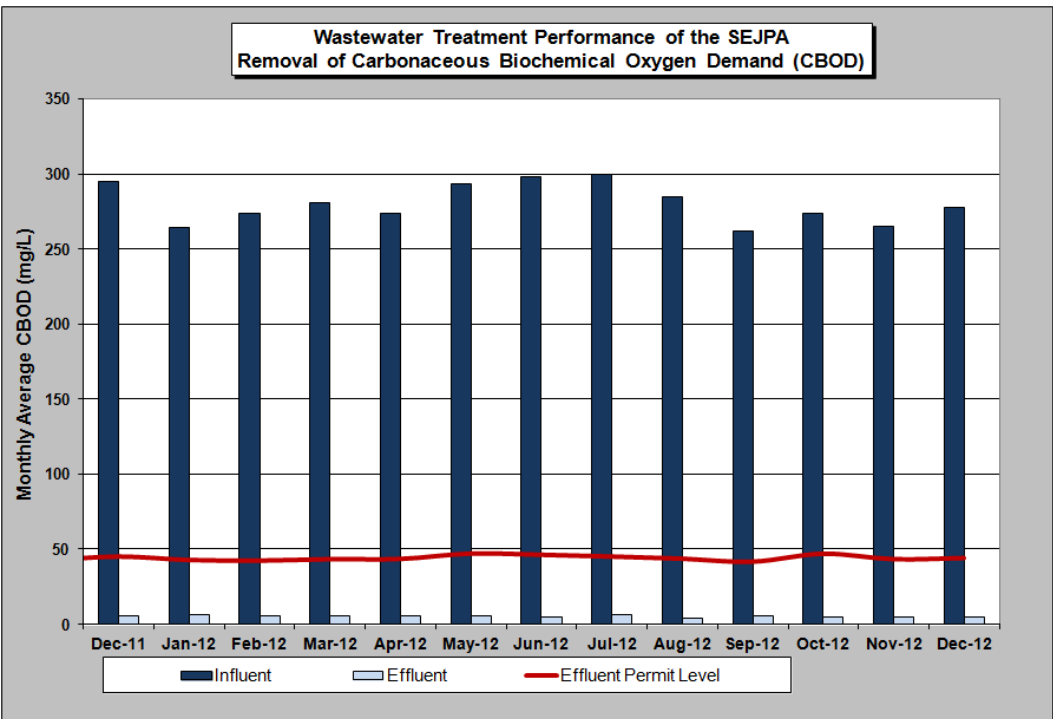


FIGURE 1

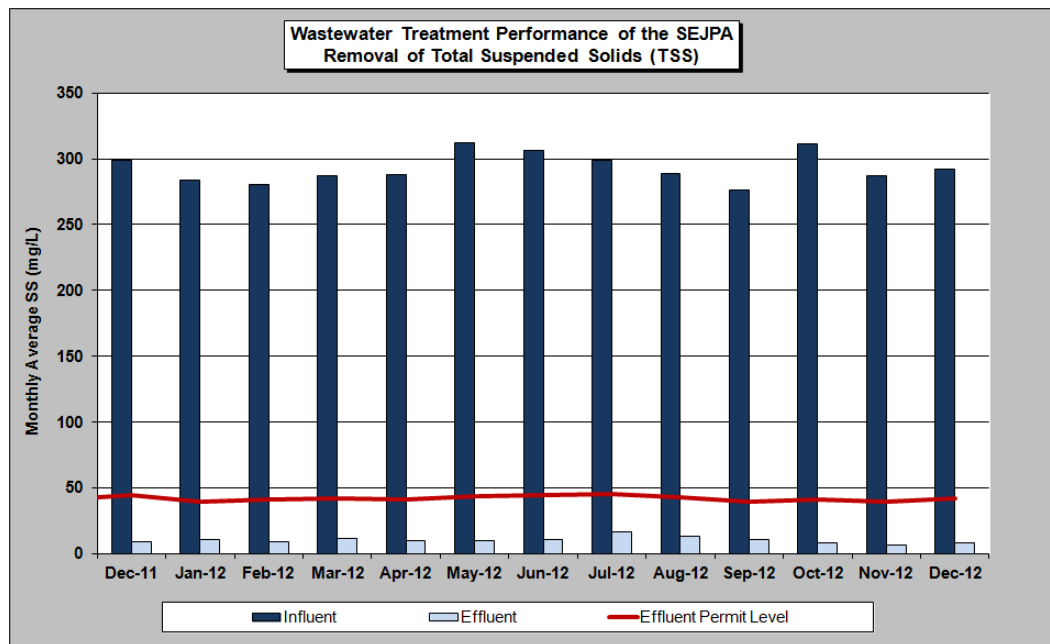


FIGURE 2

Member Agency Flows

Presented below are the influent and effluent flows for the month of December. Average daily influent flows were recorded for each Member Agency. Total effluent flow was calculated for the San Elijo Water Reclamation Facility.

	December	
	Influent (mgd)	Effluent (mgd)*
Cardiff Sanitary Division	1.383	1.261
City of Solana Beach	1.197	1.091
Rancho Santa Fe SID	0.141	0.129
Total San Elijo WRF Flow	2.721	2.481

Notes: As of July 1995, Rancho Santa Fe Community Services District (CSD) combined SID #2 and SID #3 into one Sewer Improvement District (SID).

* Effluent is calculated by subtracting the recycled water production from the influent wastewater.

Table 1 (below) presents the historical average, maximum, and unit influent and effluent flow rates per month for each of the Member Agencies since July 2008. It also presents the number of connected Equivalent Dwelling Units (EDUs) for each of the Member Agencies during this same time period.

Figure 3 (below) presents the historical average daily flows per month for each Member Agency. This is to provide a historical overview of the average treated flow by each agency. As shown in the figure, the average treated flow has been approximately 2.7 million gallons per day (mgd). Also shown in Figure 3 is the total wastewater treatment capacity of the plant, 5.25 mgd, of which each Member Agency has the right to 2.5 mgd, and Rancho Santa Fe Community Service District has the right to 0.25 mgd.

SAN ELIJO WATER RECLAMATION FACILITY MONTHLY REPORT - FLOWS AND EDUS

MONTH	AVERAGE DAILY INFLUENT FLOW RATE (MGD)				AVERAGE DAILY EFFLUENT FLOW RATE (MGD)				CONNECTED EDUS				AVERAGE UNIT INFLUENT FLOW RATE (GAL/EDU/DAY)			
	CSD	RSF CSD	SB	TOTAL PLANT	CSD	RSF CSD	SB	TOTAL PLANT	CSD EDUS	RSF CSD EDUS	SB EDUS	TOTAL EDUS	CSD	RSF	SB	TOTAL PLANT
Jul-08	1.713	0.131	1.324	3.168	0.722	0.055	0.558	1.335	8,163	456	7,728	16,347	210	288	171	194
Aug-08	1.562	0.125	1.483	3.170	0.608	0.048	0.577	1.233	8,165	457	7,728	16,350	191	274	192	194
Sep-08	1.547	0.121	1.378	3.046	0.813	0.064	0.724	1.601	8,167	459	7,728	16,354	189	264	178	186
Oct-08	1.478	0.111	1.319	2.908	0.671	0.051	0.599	1.321	8,170	460	7,728	16,358	181	242	171	178
Nov-08	1.511	0.118	1.329	2.958	1.080	0.084	0.950	2.114	8,171	462	7,728	16,361	185	256	172	181
Dec-08	1.580	0.156	1.362	3.098	1.446	0.143	1.246	2.835	8,172	462	7,728	16,362	193	338	176	189
Jan-09	1.522	0.141	1.354	3.017	1.256	0.116	1.117	2.489	8,177	462	7,728	16,367	186	306	175	184
Feb-09	1.599	0.145	1.330	3.074	1.408	0.128	1.171	2.707	8,179	462	7,728	16,369	196	314	172	188
Mar-09	1.510	0.124	1.307	2.941	1.030	0.085	0.892	2.007	8,180	463	7,728	16,371	185	268	169	180
Apr-09	1.463	0.116	1.262	2.841	0.731	0.058	0.630	1.419	8,183	463	7,728	16,374	179	251	163	174
May-09	1.465	0.117	1.247	2.829	0.712	0.057	0.606	1.375	8,185	464	7,728	16,377	179	252	161	173
Jun-09	1.479	0.115	1.319	2.913	0.712	0.056	0.635	1.403	8,185	465	7,728	16,378	181	248	171	178
Jul-09	1.437	0.109	1.376	2.922	0.599	0.045	0.573	1.217	8,186	467	7,728	16,381	176	234	178	178
Aug-09	1.431	0.113	1.419	2.963	0.603	0.047	0.598	1.248	8,186	467	7,728	16,381	175	242	184	181
Sep-09	1.404	0.108	1.346	2.858	0.690	0.053	0.661	1.404	8,187	468	7,728	16,383	171	231	174	174
Oct-09	1.375	0.108	1.332	2.815	0.744	0.058	0.721	1.523	8,187	468	7,728	16,383	168	231	172	172
Nov-09	1.366	0.111	1.323	2.800	0.843	0.069	0.816	1.728	8,189	469	7,728	16,386	167	237	171	171
Dec-09	1.401	0.127	1.322	2.850	1.149	0.104	1.084	2.337	8,193	469	7,728	16,390	171	271	171	174
Jan-10	1.532	0.155	1.372	3.059	1.271	0.128	1.138	2.537	8,196	472	7,728	16,396	187	329	178	187
Feb-10	1.487	0.148	1.382	3.017	1.371	0.136	1.274	2.781	8,197	474	7,728	16,399	181	313	179	184
Mar-10	1.455	0.145	1.398	2.998	1.108	0.110	1.064	2.282	8,198	474	7,728	16,400	177	306	181	183
Apr-10	1.451	0.137	1.391	2.979	1.058	0.100	1.014	2.172	8,198	474	7,728	16,400	177	289	180	182
May-10	1.379	0.128	1.385	2.892	0.672	0.063	0.675	1.410	8,201	474	7,728	16,403	168	270	179	176
Jun-10	1.437	0.122	1.453	3.012	0.650	0.055	0.657	1.362	8,202	474	7,728	16,404	175	258	188	184
Jul-10	1.375	0.119	1.466	2.960	0.694	0.061	0.740	1.495	8,204	475	7,728	16,407	168	251	190	180
Aug-10	1.366	0.125	1.451	2.942	0.585	0.053	0.621	1.259	8,205	475	7,728	16,408	166	263	188	179
Sep-10	1.346	0.114	1.342	2.802	0.627	0.053	0.626	1.306	8,207	475	7,728	16,410	164	240	174	171
Oct-10	1.413	0.123	1.311	2.847	1.177	0.102	1.092	2.371	8,207	477	7,728	16,412	172	258	170	173
Nov-10	1.399	0.117	1.297	2.813	1.090	0.091	1.011	2.192	8,209	478	7,728	16,415	170	245	168	171
Dec-10	1.605	0.215	1.375	3.195	1.417	0.189	1.214	2.820	8,212	478	7,728	16,418	195	450	178	195
Jan-11	1.452	0.158	1.338	2.948	1.272	0.139	1.172	2.583	8,227	478	7,728	16,433	176	331	173	179
Feb-11	1.413	0.156	1.339	2.908	1.176	0.130	1.114	2.420	8,228	480	7,728	16,436	172	325	173	177
Mar-11	1.387	0.208	1.343	2.938	1.186	0.178	1.148	2.512	8,229	480	7,728	16,437	169	434	174	179
Apr-11	1.320	0.181	1.323	2.824	0.867	0.118	0.869	1.854	8,248	482	7,728	16,458	160	376	171	172
May-11	1.327	0.162	1.320	2.809	0.564	0.069	0.561	1.194	8,248	483	7,728	16,459	161	336	171	171
Jun-11	1.343	0.156	1.390	2.889	0.545	0.063	0.564	1.172	8,249	483	7,728	16,460	163	323	180	176
Jul-11	1.293	0.151	1.430	2.874	0.425	0.050	0.470	0.945	8,250	484	7,728	16,462	157	312	185	175
Aug-11	1.292	0.150	1.405	2.847	0.479	0.056	0.521	1.056	8,252	485	7,728	16,465	157	310	182	173
Sep-11	1.262	0.146	1.333	2.741	0.564	0.066	0.596	1.226	8,254	486	7,728	16,468	153	301	172	166
Oct-11	1.260	0.142	1.303	2.705	0.730	0.082	0.755	1.567	8,260	486	7,728	16,474	153	292	169	164
Nov-11	1.338	0.167	1.307	2.812	1.099	0.137	1.074	2.310	8,261	486	7,728	16,475	162	344	169	171
Dec-11	1.299	0.164	1.305	2.768	1.103	0.139	1.108	2.350	8,264	487	7,728	16,479	157	337	169	168
Jan-12	1.291	0.145	1.303	2.739	1.032	0.116	1.042	2.190	8,266	488	7,728	16,482	160	232	169	166
Feb-12	1.259	0.137	1.283	2.679	1.006	0.109	1.025	2.140	8,268	488	7,728	16,484	152	281	166	163
Mar-12	1.313	0.153	1.255	2.721	0.968	0.113	0.925	2.006	8,269	488	7,728	16,485	159	314	162	165
Apr-12	1.348	0.145	1.209	2.702	0.906	0.097	0.813	1.816	8,278	488	7,728	16,494	163	297	156	164
May-12	1.333	0.150	1.211	2.694	0.577	0.065	0.525	1.167	8,280	488	7,728	16,496	161	308	157	163
Jun-12	1.365	0.143	1.237	2.745	0.547	0.057	0.496	1.100	8,284	489	7,728	16,501	165	293	160	166
Jul-12	1.372	0.126	1.296	2.794	0.457	0.042	0.431	0.930	8,289	489	7,728	16,506	166	258	168	169
Aug-12	1.383	0.128	1.291	2.802	0.473	0.044	0.441	0.958	8,290	490	7,728	16,508	167	261	167	170
Sep-12	1.349	0.142	1.220	2.711	0.544	0.058	0.492	1.094	8,291	490	7,728	16,509	163	290	158	164
Oct-12	1.327	0.123	1.203	2.653	0.678	0.063	0.615	1.356	8,294	490	7,728	16,512	160	251	156	161
Nov-12	1.343	0.128	1.181	2.652	0.862	0.082	0.758	1.702	8,299	490	7,728	16,517	162	261	153	161
Dec-12	1.383	0.141	1.197	2.721	1.261	0.129	1.091	2.481	8,300	490	7,728	16,518	167	288	155	165

TABLE 1

CSD: Cardiff Sanitary Division

RSF CSD: Ranch Santa Fe Community Service District

SB: Solana Beach

EDU: Equivalent Dwelling Unit

ASSUMPTIONS: SB average flow includes San Elijo Hills flow of 0.131 mgd

SB Connected EDUs includes 300 EDUs for the City of San Diego

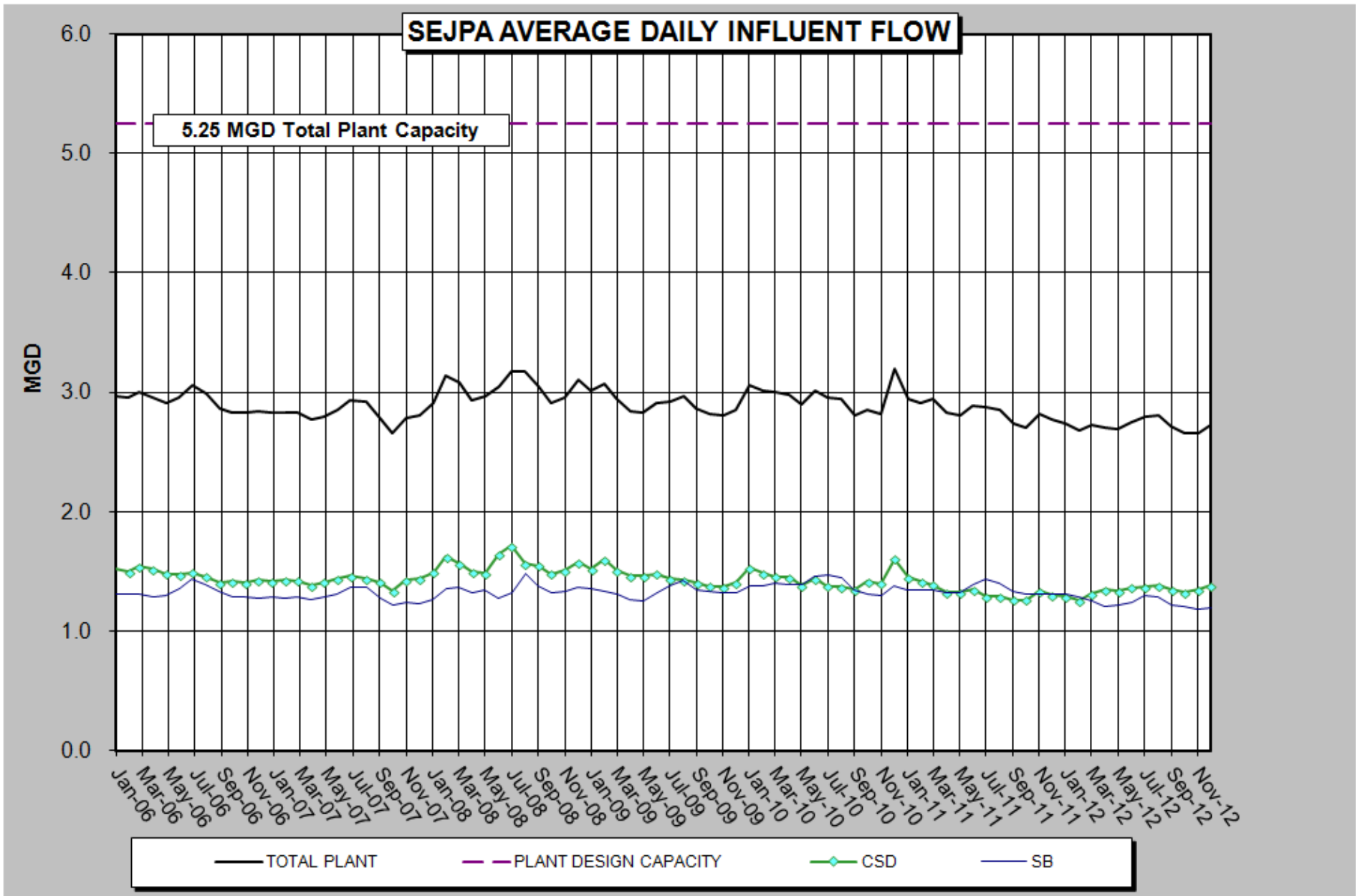


Figure 3

City of Escondido Flows

The average and peak flow rate from the City of Escondido's Hale Avenue Resource Recovery Facility, which discharges through the San Elijo Ocean Outfall, is reported below. The following average flow rate and peak flow rate is reported by the City of Escondido for the month of December.

	December (mgd)
Escondido (Average flow rate)	9.8
Escondido (Peak flow rate)	18.0

Connected Equivalent Dwelling Units

The number of EDUs connected for each of the Member Agencies for the month of December is as follows:

	December (EDU)
Cardiff Sanitary Division	8,300
Rancho Santa Fe SID	490
City of Solana Beach	7,428
San Diego (to Solana Beach)	300
Total EDUs to System	16,518

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

February 11, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO WATER RECLAMATION PROGRAM – MONTHLY REPORT

RECOMMENDATION

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

DISCUSSION

Recycled Water Production

For the month of December 2012, recycled water demand was 15.67 acre-feet (AF), which was met using 15.67 AF of recycled water and 0.00 AF of supplementation with potable water. This equates to a blend mix for December of 100.0 percent recycled water and 0.0 percent potable water supplementation.

Figure 1 (attached) provides monthly supply demands for recycled water over the last five years. Figure 2 (attached) provides a graphical view of annual recycled water demand spanning the last twelve fiscal years. Recycled water demand can fluctuate from year to year, which is typically a function of weather. For example, Fiscal Years 2003-04, 2006-07, and 2008-09, unusually dry years, resulted in increased recycled water demand; and Fiscal Years 2004-05 and 2010-11, unusually wet years, resulted in lower recycled water demand.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

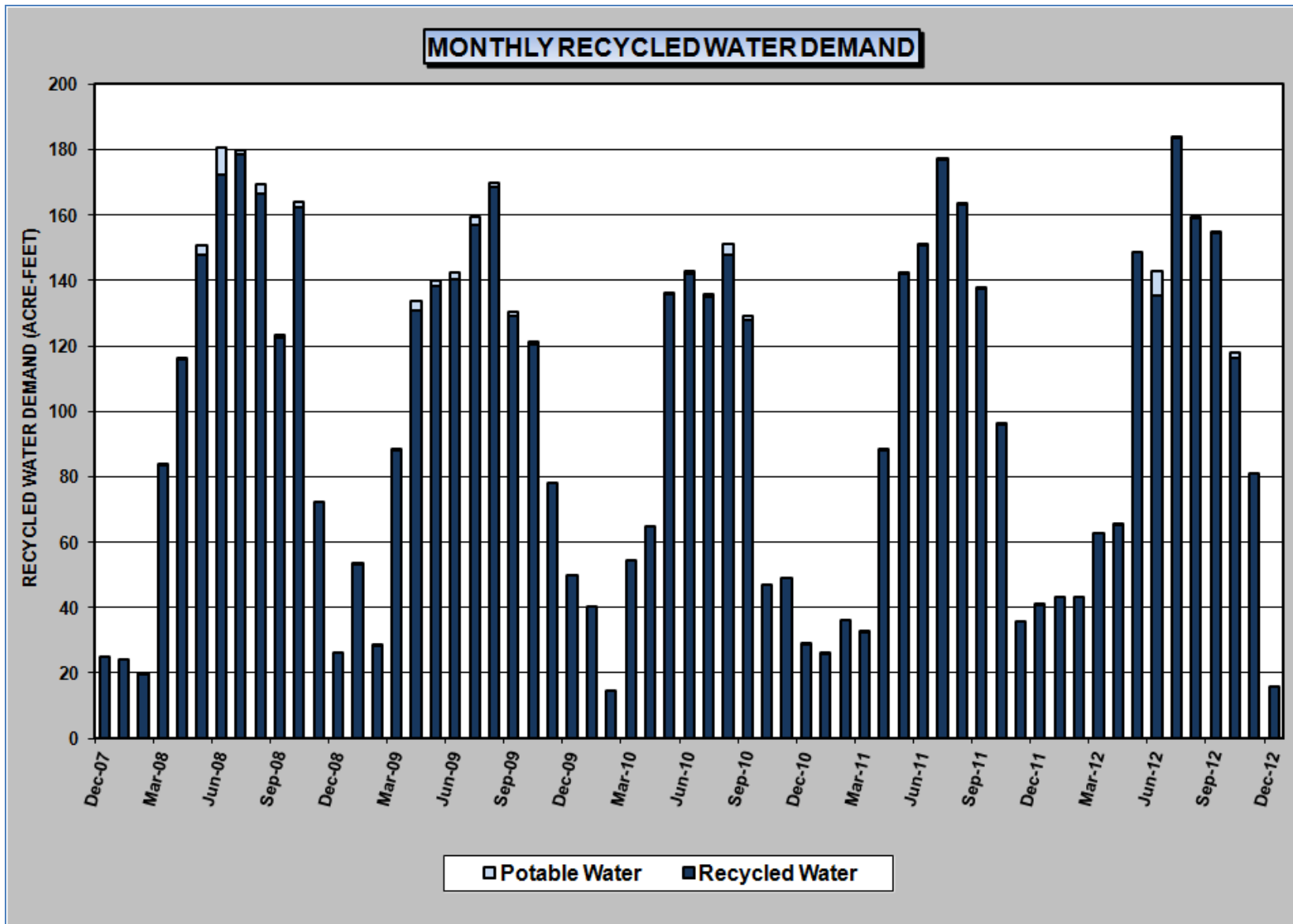


Figure 1

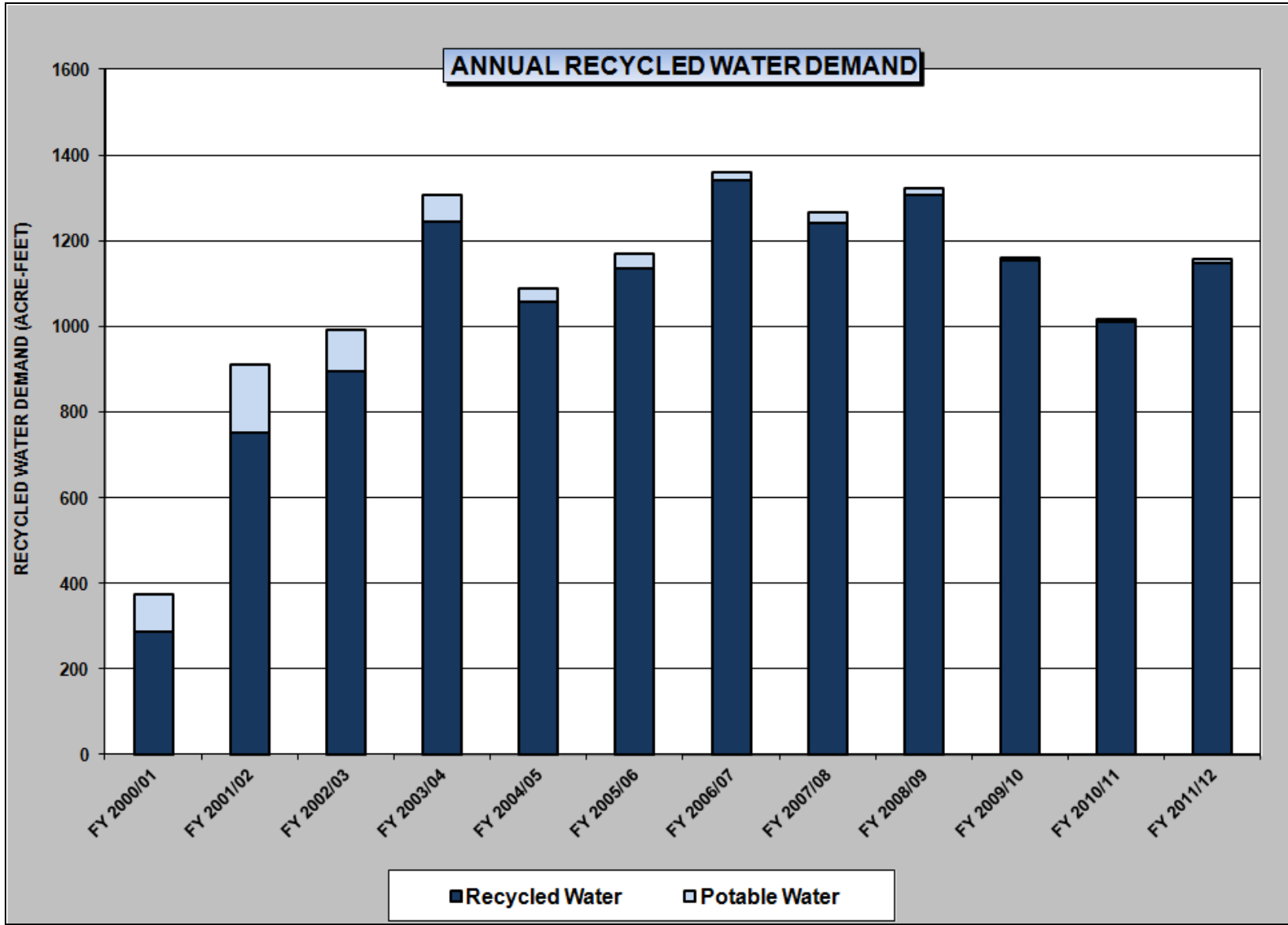


Figure 2

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

February 11, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance/Administration

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY MID-YEAR REVIEW OF THE
FISCAL YEAR 2012-13 OPERATING BUDGET

RECOMMENDATION

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

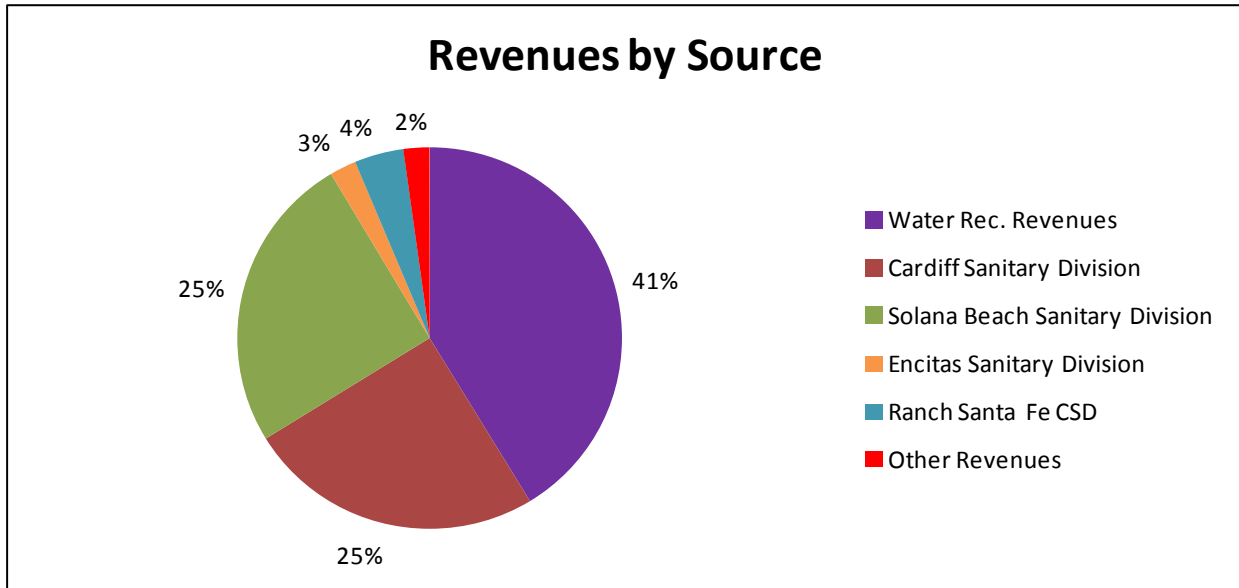
BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) operates a variety of programs as part of its mission to provide safe and reliable wastewater and recycled water services. The individual programs include Wastewater Treatment, Laboratory Services, Ocean Outfall, Cardiff Sanitary Division Pump Stations, Encinitas Sanitary Pump Stations, Solana Beach Pump Stations, Storm Water, and Water Recycling. Each program is funded by the customer base it serves. The largest funding source to the SEJPA is the sale of reclaimed water, followed by the sanitation divisions of the Member Agencies (Cities of Encinitas and Solana Beach), the City of Escondido, and the Rancho Santa Fe Community Service Districts. The total operating budget for the SEJPA for Fiscal Year (FY) 2012-13 is \$4,868,260.

DISCUSSION

The following information is an analysis of estimated operating revenues and expenditures for the SEJPA through the end of FY 2012-13. Although this is only an estimate, it is expected that the SEJPA will conclude the fiscal year at or slightly below budget. The projected revenue listed as a percent by source is shown in Figure 1. Overall, personnel and non-personnel costs are projected to be below budgeted levels. Each program has designated contingency funding to address emergency issues, unforeseen repairs, or other unplanned events.

FIGURE 1



Budget and estimated expenditure projections by classification for all SEJPA programs are presented in Table 1 and graphically illustrated in Figure 2. Based on current data, all programs are forecast to finish at or below budget for the fiscal year.

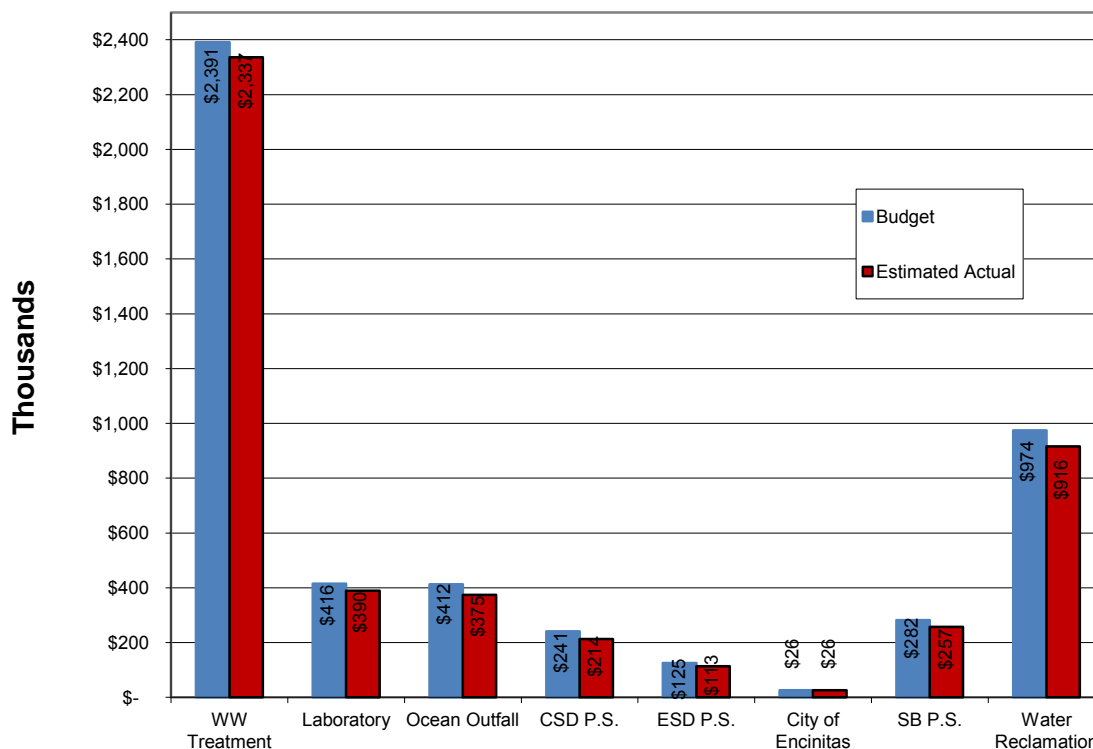
TABLE 1
Statement of Estimated Expenditures through 6/30/13
By Program

<i>Program</i>	<i>Current Budget*</i>	<i>Estimated Expenditures</i>	<i>Expected Savings*</i>	<i>Percent Spent</i>
WW Treatment	\$2,336,150	\$2,336,659	\$ (509)	100%
Laboratory Services	410,290	389,770	20,520	95%
Ocean Outfall	399,800	374,795	25,005	94%
CSD Pump Stations	225,300	213,508	11,792	95%
ESD Pump Stations	115,120	113,280	1,840	98%
City of Encinitas	26,470	26,293	177	99%
SB Pump Stations	257,840	252,575	5,265	98%
SB Storm Drain Sed.	4,460	4,454	6	100%
Sanitary subtotal	3,775,430	3,711,334	\$ 64,096	98%
Water Recycling	974,200	915,781	58,419	94%
Total	\$4,749,630	\$4,627,115	\$122,515	97%

*Budget excluding contingency

FIGURE 2

**San Elijo Water Reclamation Facility
Fiscal Year 2012-13
Budget vs. Estimated Actual
TOTAL COST**



Wastewater Treatment Program

Wastewater treatment operations are projected to end the year approximately 2%, or roughly \$54,211, under budget. Major components of the wastewater treatment budget include personnel, insurances, chemicals, repair and maintenance parts, professional services, utilities, waste hauling and disposal, and capital outlay. Table 2 lists budgets and estimated expenditures by classification.

Personnel costs for this program are forecast to be approximately \$8,560 below budgeted levels this year. Non-personnel costs such as supplies and services are expected to be approximately \$44,861 below budget. The most significant savings occurred in the reduction in chemical use \$8,000, professional services such as legal and engineering \$10,000, insurances \$6,000, and solids handling \$8,000.

However, it appears that the use of contingency funding will be required for the Wastewater Treatment Program. During a routine load test of the wastewater treatment plant's 250 KW Emergency Generator No. 1, the generator experienced a massive engine failure. It appears this failure will require a complete rebuild of the diesel engine. However, due to the age of the overall generator set, which includes many components beyond the diesel engine, staff is evaluating if replacing the entire generator is more reliable and cost-effective than just rebuilding the engine. This emergency generator is approximately 22 years old and this is the second significant repair encountered in the last two years. The estimated cost of replacing the entire generator set is anticipated to be on the order of \$100,000. If the SEJPA proceeds with replacing the generator set, then it is likely that \$54,720 of the Wastewater Treatment Program contingency funding will be used along with approximately \$45,000 from the Wastewater Treatment Program's supplies and services funding. If costs exceed the \$100,000 cost

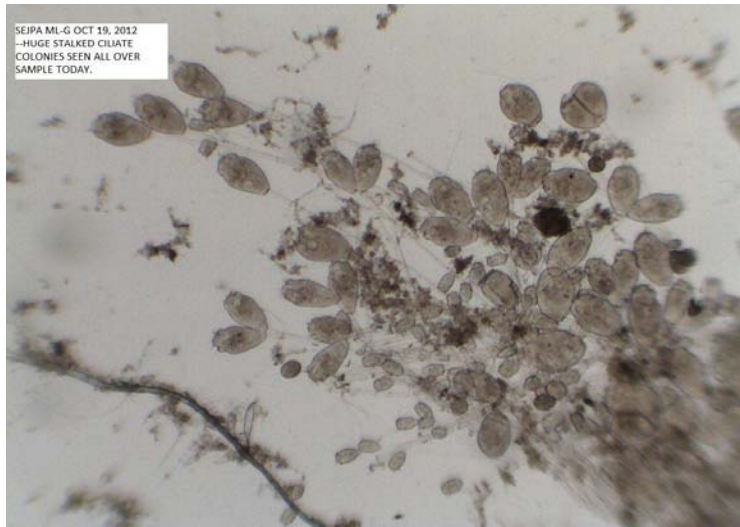
estimate, then additional funding may come from capital funds, or will be included in the FY2013-14 Annual Budget.

TABLE 2
Statement of Estimated Expenditures through 6/30/13
Wastewater Treatment Program

<i>Classification</i>	<i>Current Budget</i>	<i>Estimated Expenditures</i>	<i>Expected Savings</i>	<i>Percent Spent</i>
Personnel	\$1,241,810	\$1,233,250	\$ 8,560	99%
Non-Personnel	1,074,340	1,029,479	44,861	96%
Capital Outlay	20,000	19,210	790	96%
Sub-Total	\$2,336,150	\$2,281,939	\$ 54,211	98%
Contingency	54,720	54,720	0	100%
Total	\$2,390,870	\$2,336,659	\$54,211	98%

Laboratory Services

Laboratory services are expected to be approximately \$20,520 under budget. The savings were primarily in personnel costs which are charged based on the time spent by staff on each program. Contingency funding of \$5,320 is not anticipated to be used.



10/19/12 – Huge stalked ciliate colonies. Note the juvenile cells mixed in with the adult cells.

Ocean Outfall

The Ocean Outfall Program is expected to be approximately \$25,005 under budget this year. Personnel costs are projected to be slightly under budget. The savings are comprised of personnel costs \$14,000, engineering services \$3,000, legal services \$2,000, and insurances \$2,000. Contingency funding of \$12,580 is not anticipated to be used this fiscal year.

Other Facilities

The SEJPA manages, operates, and maintains other industrial facilities for the SEJPA Member Agencies. The other facilities are divided into four divisions: Cardiff Sanitary Division (CSD), Encinitas Sanitary Division (ESD), the City of Encinitas, and the City of Solana Beach

(SB). Each division has an established budget based on forecast costs of operating and maintaining the facilities within that division. Table 3 lists the facilities of each division.

**TABLE 3
Remote Facilities
Operated and Maintained by the SEJPA**

<i>Cardiff Sanitary Division (CSD)</i>	<i>Encinitas Sanitary Division (ESD)</i>	<i>City of Encinitas</i>	<i>City of Solana Beach (SB)</i>
Cardiff Pump Station	Moonlight Beach Pump Station	Phoebe Stormwater Pump Station	Eden Gardens Pump Station
Olivenhain Pump Station		Urban Runoff Treatment Facility	Solana Beach Pump Station
Coast Pump Station		Storm Drain Sediment Drying	San Elijo Hills Pump Station
			Fletcher Cove Pump Station
			Storm Drain Sediment Drying

The CSD remote facilities should see savings this year of approximately \$11,800. It is estimated that \$7,000 of this would be in personnel costs and the other \$4,800 in supplies and services. The use of contingency funding of \$15,870 is not anticipated to be used. Capital funding in the amount of \$50,000 was appropriated this year to fund odor control at the Olivenhain Pump Station. It is anticipated that the odor control improvements will begin in FY 2013-14.



New Olivenhain Pump Station under construction.

It is anticipated that the ESD pump station will be \$1,840 below budget this year. The contingency funding of \$10,110 is not anticipated to be used.

The City of Encinitas facilities, which include the Pheobe Storm Drain, the Urban Runoff Station, and the Storm Drain Sediment Drying and Disposal program, are anticipated to end the year at budgeted levels.

The SB pump stations should be \$5,265 under budget this year. Savings of approximately \$3,000 and \$2,000 should be seen in personnel and non-personnel, respectively. Contingency funding of \$20,030 is not anticipated to be required this year.

The Storm Drain Sediment Drying and Disposal program for the City of Solana Beach is anticipated to be at budgeted levels this year.

Water Recycling Program

FY 2012-13 is the 12th full year of the Water Recycling Program. This program receives revenue from different customers with different levels of service. The first group consists of the original three water purveyors: San Dieguito Water District (SDWD), Santa Fe Irrigation District, and the City of Del Mar. Water rates from these purveyors did not increase this year and base recycled water wholesaled between \$1,170 and \$1,310 per acre-foot (AF). Last year, the program began selling recycled water directly to the Encinitas Ranch Golf Authority (ERGA) under an interruptible water supply agreement. Under the agreement, the rate charged to ERGA increased by 5% this year. Since ERGA was a customer of SDWD, this agreement decreased the minimum purchase obligation of the SDWD to the SEJPA. This year, the SEJPA entered into an agreement with the Olivenhain Municipal Water District (OMWD) to provide recycled water to OMWD, if available. Delivery should begin around the end of this fiscal year. The recycled water program also receives performance incentives in the amount of \$250 per AF from the Metropolitan Water District (MWD) and \$200 per AF from the San Diego County Water Authority (SDCWA).



Advanced Water Treatment project under construction.

Budgeted revenue for the recycled water program is \$2,070,542, while actual revenues are anticipated to be \$2,062,440. Based on mid-year projections, the SEJPA could realize approximately \$8,102 less in revenues than budgeted. Although total water sales in dollars for each agency were at or slightly below budget, the total volume of recycled water sold and therefore eligible for the SDCWA/MWD incentives was above budgeted levels. Table 4 identifies recycled water revenues by source.

TABLE 4
Statement of Estimated Revenues through 6/30/13
Recycled Water Program

<i>Agency</i>	<i>Current Budget</i>	<i>Estimated Revenue</i>	<i>Over/ (Under)</i>	<i>Percent</i>
San Dieguito Water District	\$498,000	\$498,000	\$ 0	100%
Encinitas Ranch Golf Course	204,750	204,750	0	100%
Santa Fe Irrigation District	694,782	639,280	(55,502)	92%
City of Del Mar	155,510	155,510	0	100%
Olivenhain Municipal Water	0	9,600	9,600	
Metropolitan Water District	230,000	246,800	16,800	107%
San Diego County Water Auth.	287,500	308,500	21,000	107%
Total	\$2,070,542	\$2,062,440	\$ 8,102	100%

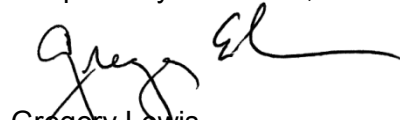
As shown in Table 5, budgeted operating expenditures total \$974,200 and estimated expenditures are projected to be \$915,781, resulting in a projected savings of \$58,419 for the program. Contingency funding for this program is provided by the Recycled Water Program Unrestricted Reserves. At this time, it is not anticipated that contingency funding will be required by the program. Infrastructure debt service for the Water Recycling Program remains unchanged at the budgeted amount of \$834,675 for the State Revolving Fund loan and \$148,153 for the advanced water treatment loan.

TABLE 5
Statement of Estimated Expenditures through 6/30/13
Recycled Water Program

<i>Classification</i>	<i>Current Budget</i>	<i>Estimated Expenditures</i>	<i>Expected Savings</i>	<i>Percent Spent</i>
Personnel	\$463,510	\$433,840	\$ 29,670	94%
Non-Personnel	505,890	471,521	34,369	93%
Capital Outlay	4,800	10,420	(5,620)	217%
Sub-Total	\$974,200	\$915,781	\$ 58,419	94%
Contingency	0	0	0	0%
Total	\$974,200	\$915,781	\$ 58,419	94%

Overall, all of the SEJPA program expenditures are in line with budget estimates. The programs associated with wastewater treatment and disposal are expected to be at 98% of budget and the program for recycled water is expected to finish the year at 94% of budget. Only contingency funding associated with the Wastewater Treatment Program is expected to be needed this year.

Respectfully submitted,



Gregory Lewis
 Director of Finance/Administration

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

February 11, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: BRIEFING - RECYCLED WATER PROGRAM RESERVE FUND POLICY

RECOMMENDATION

It is recommended that the Board of Directors:

1. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) owns and operates a municipal recycled water utility that is located in the cities of Encinitas, Solana Beach, and Del Mar. The SEJPA owns the infrastructure of this utility, including the treatment, storage, and distribution facilities, which has an asset value of approximately \$20 million. Currently, the SEJPA has retained a consulting firm to conduct a cost of service study (draft study) for the recycled water program to assist the agency in determining future cost of recycled water. The cost of recycled water includes three major elements: debt service, operations, and capital infrastructure including repair and replacement costs. SEJPA currently budgets for debt service and operations costs and retains an unrestricted fund balance, which allows it to manage expenses that fall outside of the budgeted categories. One element of the cost of service study is to quantify future capital costs including an allowance for asset depreciation, so that formally established reserve funds could be put in place. This staff report discusses the current reserve fund policy and provides information and recommendations for the Board's consideration for updating the reserve fund policy.

DISCUSSION

Purpose of Policy

Establishing and maintaining a reserve fund balance is considered a best management practice for government agencies. The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy to address the level of unrestricted fund balance that should be maintained, how the balance should be increased or decreased based on specific criteria, the resources to be set aside for the fund, and how the monies should be used. Establishing and maintaining a Reserve Funds Policy, and an appropriate reserve fund target balance, supports the SEJPA's goal of maintaining a sound financial condition through reasonable customer rates and prudent balance among revenue, expenses, and reserves. Maintaining adequate reserve funds accomplishes the following:

1. Provides flexibility in managing risks and responding to uncertainties
2. Ensures cash availability for operational costs
3. Provides a funding source for capital improvements and repair and replacement projects
4. Maintains good standing with rating agencies

Current Practice & Driving Factors for Change

Currently, the Recycled Water Program is funded by revenues from wholesale water agreements with the City of Del Mar, Encinitas Ranch Golf Authority, Olivenhain Municipal Water District, San Dieguito Water District, and Santa Fe Irrigation District, as well as local water development incentives provided by the Metropolitan Water District and the San Diego County Water Authority. Recycled water is currently sold at a price point at or below 85% of the cost of “like service” potable water as set by each water purveyor, which means the price of recycled water is slightly different for each potable water purveyor.

Several of these SEJPA’s wholesale water agreements are expected to expire in the next four years and SEJPA staff has begun discussions for extension with the various purveyors. Based on these discussions, it is likely that in future years, the SEJPA will have the opportunity to price the recycled water independent of the price of potable water and more uniformly throughout its service area. A uniformed rate offers benefits in the form of simplicity and predictability for both the SEJPA and the water purveyors, but will require the SEJPA to determine the price of recycled water or “cost of service” based on program costs such as operating expenses, debt service, capital improvements, and infrastructure repair and replacement costs.

At this time, the recycled water revenues have been sufficient to cover the program’s debt service and annual operations and maintenance costs, as well as to fund a limited repair and replacement reserve as required by SEJPA’s State Revolving Fund (SRF) Loan. In addition, revenues have been sufficient to fund some capital improvement projects as approved each year with the SEJPA’s Fiscal Budget. However, SEJPA has no formal policy that captures the future costs of capital improvement or repair and replacement projects.

Options for Funding Capital Improvements and Repair and Replacement

There are two main options for funding capital improvement and repair and replacement costs: a debt service program and a “sinking fund” reserve program. These options are discussed below.

1. Debt Service Program

SEJPA has historically funded its improvements through a debt service program. This concept can work indefinitely as long as SEJPA can match the life of its various assets to the term of its debt service (e.g. fund short-lived assets with short term debt and longer-lived assets with longer term debt).

A well-structured debt service program can have the advantage of “equity” in that each user will pay the slice-of-debt service that supports its share of the SEJPA’s assets during the time that the user benefits from the assets. However, relying solely on debt service to fund all capital and repair and replacement needs can create difficulties with overall program flexibility. Any municipal borrowing takes time to structure and may require adjustments to rates in order to support the borrowing. While the schedule for a planned capital improvement can accommodate the timing of borrowing, emergency repair and replacement work may require a more agile schedule which favors cash reserves.

2. Sinking Fund Reserve Program

The sinking fund concept is based on an agency making annual deposits into a dedicated fund that will then be used to pay the cost of improvements, repairs or replacements as they occur. In its simplest form, the sinking fund can be modeled by a straight-line asset depreciation. For SEJPA, a straight-line approach would require depositing approximately \$565,000 annually into a sinking fund. However, straight-line depreciation may not be the best fit for the recycled water program. First, program revenues are simply not sufficient to satisfy operational expenses, debt service payments, and straight-line asset depreciation. Second, straight-line depreciation may not provide the most accurate reflection of asset consumption. Typically long-lived assets, like pipelines, retain much of their value for the early portion of their life and decay quickly at the end. More sophisticated sinking fund concepts take this into account and vary the deposits into the fund on an annual basis to more closely match asset life. This concept supports developing a sinking fund with smaller deposits in the early years of an asset's life and larger deposits as the asset ages. Using an asset depreciation curve, to help set the sinking fund deposits may be a better match for the SEJPA's recycled water program as it pairs well with the type of assets owned and the revenue allowances of the program.

Practically, most utilities utilize a hybrid program with some reserve funding based on an asset depreciation concept and some strategic borrowing. Because SEJPA must price its recycled water competitively, the Board may wish to consider a hybrid policy that includes a formally funded repair and replacement reserve, at a rate that can be supported by recycled water rates, together with some strategic borrowing. As noted above, SEJPA currently maintains a repair and replacement fund, as required by its SRF loan. This fund has a balance of \$630,000, which is the minimum required by its State Revolving Fund (SRF) contract. The draft study includes a preliminary recommendation that the SEJPA build upon these funds in order to develop a more robust repair and replacement reserve.

Operational Reserve

The draft study documents that a high percentage of SEJPA's annual costs are fixed costs including debt service and much of the operational budget. However, like most water utilities, SEJPA's revenues are variable because they are based on water purchases. This variability will only increase if future wholesale water agreements are less focused on minimum purchase volumes. For future planning, the draft study recommends that the SEJPA establish an operational reserve goal of one year of operational costs. This will provide the SEJPA funding to manage fluctuating water sales or unforeseen disruptions in revenues. The draft study recommends that the SEJPA consider funding the Operational Reserve from existing funding in the Recycled Water Program Fund. Remaining funds in the Recycled Water Program Fund could remain or be allocated to the Capital Reserve.

Direction Needed to Complete the Recycled Water Cost of Service Study

The consultant has completed much of the work to finish the cost of service study. The remaining effort is in confirming revenue needs based on SEJPA's goals for operational and repair and replacement reserves. This information, coupled with assumptions on variable-cost inflation and future water sales, will be modeled to gain insights on the complex revenue relationships of the multiple wholesale water agreements and incentive funding programs. In order to complete the modeling, we are asking the Board the following:

- Confirm staff recommendation to establish a dedicated repair and replacement fund that goes beyond the minimum required by the SRF Loan contract.

- Confirm staff recommendation to maintain an unrestricted operating reserve equal to one year of operating plus debt service expenses.
- Confirm the goal of uniform recycled water rate by 2020.
- Direct staff to complete the Cost of Service study with this direction and return with recommendations on “target” repair and replacement reserve funding based on projected future revenue.

RECOMMENDATION

It is recommended that the Board of Directors:

1. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

February 11, 2013

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY ADMINISTRATION BUILDING

RECOMMENDATION

It is recommended that the Board of Directors:

1. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) was created in 1986 to operate a variety of programs as part of its mission to provide safe and reliable wastewater services. In 2000, the SEJPA expanded its mission to include recycled water services. At that time, the SEJPA hired permanent management staff and located them at the San Elijo Water Reclamation Facility in a modular office building.

DISCUSSION

In fiscal year 2010-11 the SEJPA budgeted \$225,000 for building improvements to provide new office space and to gain compliance with OSHA (Occupational Safety and Health Administration) and ADA (Americans with Disabilities Act) regulations.

The current modular administration building is located in the San Diego Gas and Electric easement under high voltage high power lines. This building was originally established as a temporary office building and has been in place for approximately 13 years. Due to its location within the SDGE transmission line easement, the modular building should be relocated and minor ADA compliance issues corrected.

Prior to spending funds on the existing building, it is prudent to research and identify alternative locations for the SEJPA offices of the future. For security and safety reasons, the ideal location for these facilities would be at the front of the facility, which would provide greater site security and improved public access.

The attached aerial photo of the facility identifies three possible locations for the new facilities. It is proposed that the new facilities would be of the modular building construction and would include offices, rest rooms, and a Board meeting/training room. Two of the three possible building sites are at the front of the facility, which improves site security and would allow public access to SEJPA administration building without allowing access to the entire facility. For these reasons, staff is focusing on these two sites as preferred locations.

FINANCIAL IMPACT

Staff is currently developing the preliminary cost estimates for this project. Upon completion of this task, budgetary information will be provided to the Board for discussion and approval.

It is recommended that the Board of Directors:

1. Discuss and take action as appropriate.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Thornton", written over a horizontal line.

Michael Thornton, P.E.
General Manager



Option A

Option B

Option C

SDG&E Easement