

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON APRIL 9, 2012
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Teresa Barth, Chair

David Roberts, Vice Chair

A Meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, April 9, 2012, 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
Thomas M. Campbell
Mark Muir
David W. Roberts

Others Present:

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

Michael Thornton
Greg Lewis
Christopher Trees
Monica Blake
Carrie Cook
Marisa Buckles

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Greg Moser

City of Encinitas,
City Manager
Public Works Management Analyst

Gus Vina
Bill Wilson

City of Solana Beach,
City Manager

David Ott

City of Solana Beach,
Director of Engineering/Public Works

Mohammad "Mo" Sammak

3. PLEDGE OF ALLEGIANCE

Gus Vina led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

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

Consent Calendar:

Agenda Item No. 7	Approval of Minutes for the March 12, 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. PRESENTATION OF THE SAN ELIJO JOINT POWERS AUTHORITY FISCAL YEAR 2012-13 RECOMMENDED BUDGET

The Director of Finance/Administration provided a PowerPoint presentation on the Fiscal Year (FY) 2012-13 Recommended Budget and answered questions from the Board of Directors. The total recommended FY 2012-13 budget for the Wastewater Treatment Fund, which includes operations and debt service, is \$5,374,877, a 4.7 percent decrease from the previous year. Revenues to support the Wastewater Treatment Fund come from the users of the provided services including the Member Agencies, Rancho Santa Fe Community Service Districts and Escondido. The total recommended FY 2012-13 operating budget for the Water Reclamation Fund, which includes operations and debt service, is \$1,957,028, a 7.2 percent increase from the previous year. The increase is attributable to new debt issued for the Advanced Water Treatment Project. Water Reclamation Fund revenues come from the sale of recycled water. The FY 2012-13 appropriation for the Capital Project fund is \$1,032,000, up from \$942,000 and is funded based on ownership or leased capacity of the facilities being improved or constructed.

It was reported that the total cost to the Member Agencies of the FY 2012-13 recommended budget for all programs funded including capital improvements and debt service will decrease from a year ago. The City of Encinitas will see a reduction of cost of 6.9 percent, while the City of Solana Beach will see a reduction of 3.4 percent.

The Director of Finance/Administration stated that on the basis of 15,992 connected equivalent dwelling units (EDU's) through December 2011, the services provided to the Member Agencies by the SEJPA for wastewater treatment and disposal will cost an average of \$153.14 per EDU. This represents a decrease of 4.7 percent from a year ago.

It was recommended that the Board of Directors take the Recommended Budget to their respective Councils for further discussion and support. The budget will then be discussed at the next scheduled Board meeting.

This was an informational report not requiring Board action.

13. FINAL ARBITRAGE REPORT ON THE REFUNDED 2003 REVENUE BONDS

The Director of Finance/Administration reported that the final step in refunding the 2003 Bonds is to complete the federal arbitrage report to ensure the tax exempt status of the bonds is not compromised by excess earnings on the reserve account during the life of the bonds. When the bonds were originally issued, the arbitrage yield was calculated to be 3.847 percent, and the reserves cannot earn more than that during the life of the bonds.

The Director of Finance/Administration stated that during the refunding process, the SEJPA negotiated a settlement with the reserve account investor, Wells Fargo Bank, to end the forward purchase agreement that the bond reserves were invested in. Since the yield on the investment instrument was above current market rates, Wells Fargo was willing to pay a premium to terminate the contract. This premium is considered interest earnings for the purpose of arbitrage and is added to the earnings of the reserve over its life. This caused the reserve to earn in excess of the arbitrage yield for the period 2003 through 2011. The final arbitrage report requires earnings in excess of the arbitrage yield be relinquished to the Internal Revenue Service to maintain the tax exempt status of the bonds. The final arbitrage report was completed by Willdan Financial Service in March 2012 and the report concluded that the SEJPA reserve fund earnings exceeded the arbitrage yield calculation by \$158,838.86.

The Director of Finance/Administration stated that the amount due the Internal Revenue Service has no impact on the SEJPA or Member Agencies' budgets since the rebate is taken from the proceeds paid by Wells Fargo Bank during the refunding process.

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

1. Authorize the General Manager to submit form 8038-T to the Internal Revenue Service along with the \$158,838.86 payment due.

Motion carried with unanimous vote of approval.

14. PARTNERSHIP WITH OLIVENHAIN MUNICIPAL WATER DISTRICT (OMWD) REGARDING LOCAL WATER SUPPLY DEVELOPMENT

The General Manager stated that as part of the North San Diego County Cooperative Demineralization Project, OMWD is studying the feasibility of a brackish water purification project known as the San Elijo Valley Groundwater Project (SEVGP). To determine the water quality and quantity in a deep aquifer beneath the San Elijo Lagoon, a test well needs to be constructed and a three-day pump test performed. OMWD contacted the SEJPA to inquire if treatment and disposal of the water extracted from the three-day test could be provided. SEJPA staff has evaluated this request and is in favor of approving it. The General Manager reported that OMWD will provide full cost recovery to the SEJPA for the treatment and disposal of the test water. Therefore, this is a cost neutral project to the SEJPA.

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

1. Authorize the General Manager to enter into Agreement with the Olivenhain Municipal Water District for the conveyance, treatment, and recycling or disposal of test water associated with the proposed San Elijo Valley Groundwater Project.

Motion carried with unanimous vote of approval.

15. GENERAL MANAGER'S REPORT

The General Manager reported that on March 15th he made a presentation to the San Diego Regional Chapter of WaterReuse on the San Elijo Advanced Water Treatment Project. The presentation focused on the proactive approach of the SEJPA to address water quality concerns, being innovative in the capture and treatment of urban runoff, and the SEJPA's success in securing grant funding and low-interest financing. The General Manager stated that the City of San Diego presented on their first single-family residence use of recycled water for landscaping, which will likely pave the way for more recycled water use in this application.

The General Manager stated that he spoke at the 6th Annual World Water Day Festival at the Agua Hedionda Lagoon Discovery Center. His presentation focused on what recycled water is and how it benefits our community, which provided an opportunity to highlight the SEJPA's recycled water program.

16. GENERAL COUNSEL'S REPORT

General Counsel Greg Moser stated that Cal-LAFCO's interest in the regulation of joint powers authorities did not make their list of legislative priorities. Also, the California Fair Political Practices Commission (FPPC) adopted changes to its regulations so that boards voting on committee appointments do not create conflicts of interest.

17. BOARD MEMBER COMMENTS

None

18. CLOSED SESSION

The Board of Directors adjourned to closed session at 10:07 a.m., with Labor Negotiators Michael Thornton and Greg Lewis, per Government Code Section 54957.6: Labor Negotiations.

19. ADJOURNMENT

The Board of Directors came out of closed session at 10:22 a.m. with no reportable action and adjourned at 10:23 a.m. The next Board of Directors meeting will be held on May 14, 2012.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager