

February 10, 2021

STATEMENT OF PROCEEDINGS

The Minutes of the

***SANITATION DISTRICT
REGULAR MEETING***

COUNTY OF SAN DIEGO

STATEMENT OF PROCEEDINGS
COUNTY OF SAN DIEGO SANITATION DISTRICT
REGULAR MEETING
MEETING AGENDA
WEDNESDAY, FEBRUARY 10, 2021, 9:00 AM
BOARD OF SUPERVISORS NORTH CHAMBER
1600 PACIFIC HIGHWAY
SAN DIEGO, CA 92101

A. **REGULAR SESSION:** Meeting was called to order at 9:00 a.m.

PRESENT: Directors Nathan Fletcher, Chair; Nora Vargas, Vice-Chair; Joel Anderson, Terra Lawson-Remer; Jim Desmond; also, Andrew Potter, Clerk of the Board of Supervisors.

(Please note, California Governor Gavin Newsom issued Executive Order N-29-20 on March 17, 2020, relating to the convening of public meetings in response to the COVID-19 pandemic. Pursuant to the Executive Order, and to maintain the orderly conduct of the meeting, all members of the Sanitation District attended the meeting via teleconference and participated in the meeting to the same extent as if they were present.)

B. **Non-Agenda Public Communication:** No Speakers

NOTICE: THE BOARD OF SUPERVISORS MAY TAKE ANY ACTION WITH RESPECT TO THE ITEMS INCLUDED ON THIS AGENDA. RECOMMENDATIONS MADE BY COUNTY STAFF DO NOT LIMIT ACTIONS THAT THE BOARD OF SUPERVISORS MAY TAKE. MEMBERS OF THE PUBLIC SHOULD NOT RELY UPON THE RECOMMENDATIONS IN THE BOARD LETTER AS DETERMINATIVE OF THE ACTION THE BOARD OF SUPERVISORS MAY TAKE ON A PARTICULAR MATTER.

Agenda Items

Agenda # Subject

1. EAST COUNTY ADVANCED WATER PURIFICATION PAYMENT AGREEMENT FOR WASTEWATER SERVICE
[FUNDING SOURCE: CHARGES TO SANITATION DISTRICT RATEPAYERS]

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1. SUBJECT: EAST COUNTY ADVANCED WATER PURIFICATION PAYMENT AGREEMENT FOR WASTEWATER SERVICE (DISTRICTS: 1 & 2)

OVERVIEW

The San Diego County Sanitation District (Sanitation District) is a dependent special district governed by the County Board of Supervisors, who serve as the District's Board of Directors (Board). The Sanitation District serves over 36,000 customers in eight unincorporated communities and is funded almost entirely through service charges collected from ratepayers. Sanitation District service areas include the communities of Alpine, Lakeside, Winter Gardens, Spring Valley and Bonita, East Otay Mesa, Julian, Campo, and Pine Valley.

The East County Advanced Water Purification (ECAWP) program is a proposed regional water reuse project that is being developed by the ECAWP Joint Powers Authority (JPA), which was formed in November 2019 by the Sanitation District, City of El Cajon, and Padre Dam Municipal Water District (Padre Dam) (Member Agencies). These agencies provide wastewater services to the east county cities and communities of El Cajon, Santee, Alpine, Lakeside, and Winter Gardens. Water service for these communities is provided by the Padre Dam and Helix Water Districts.

The ECAWP program will consist of new wastewater and water treatment facilities that will treat over 15 million gallons per day of wastewater collected in the east county communities of Alpine, Lakeside, Winter Gardens, El Cajon, and Santee. The treatment facilities will produce purified drinking water that will be pumped to the Lake Jennings reservoir for storage and will be available for sale to Helix Water District and Padre Dam customers. This process is otherwise known as Indirect Potable Reuse. This will reduce east county's reliance on the City of San Diego's Metro Wastewater System for wastewater services and the San Diego County Water Authority for imported water supplies. The ECAWP program is projected to provide less costly and more reliable wastewater and water services to residents in east county, while also enhancing the environmental sustainability of the region's water supply by eliminating the wasteful discharge of millions of gallons of treated water to the ocean and by creating a new, local source of potable drinking water that will replace up to one-third of east county's current imported water supply.

The JPA awarded contracts for design and construction of the project in the Fall of 2020, with the goal of being fully operational by early 2025. The estimated cost for design and construction is expected to exceed \$530 million and funding will be provided through State and federal loans and grants, and if required, debt financing issued by the JPA. These funding sources will be secured and repaid through customer revenue that is generated from wastewater treatment services and water purchase agreements.

A Wastewater Service Agreement was approved between the ECAWP JPA and the Member Agencies in May 2020. The Sanitation District Board of Directors approved the agreement on May 20, 2020 (SA01). The agreement commits the Member Agencies to long term contracts for service with the JPA based on the cost to operate the program, including repayment of the capital cost.

Since the approval of the Wastewater Service Agreement, the JPA has continued to pursue outside funding opportunities, including a long-term, low interest loan through the Federal Water Infrastructure Finance and Innovation Act (WIFIA) program, which is administered by

the U.S. Environmental Protection Agency (EPA). The application, which was submitted in July 2020, has been reviewed, questions and data requests have been satisfied, and key terms for the loan document have been agreed upon. The loan documents are being finalized and EPA has requested that the JPA and its Member Agencies execute the proposed East County Advanced Water Purification Payment Agreement for Wastewater Service (Payment Agreement) as a condition for closing on a WIFIA loan for the ECAWP Project. The loan application is requesting \$390 million through the WIFIA program, which will provide significant costs savings to wastewater ratepayers compared to other financing sources.

The Payment Agreement is intended to provide further assurances regarding the payment of the JPA's capital, operation and maintenance, and administrative costs through the payments made by the Member Agencies under the Wastewater Service Agreement. The Payment Agreement does not change the amount or structure of the payments under the previously approved Wastewater Service Agreement; rather, the Payment Agreement provides additional financial assurances to the JPA and its debtholders that the Member Agencies will make their payments to the JPA for wastewater service. The ECAWP JPA Board unanimously approved the Payment Agreement on December 10, 2020.

The action requested today will authorize the Clerk of the Board to execute the ECAWP Payment Agreement for Wastewater Service (Attachment B) between the ECAWP JPA, City of El Cajon, Padre Dam, and the Sanitation District. The Payment Agreement obligates the Sanitation District to make all payments due under the terms of the executed Wastewater Services Agreement. The agreement does not create any new payment obligations, nor does it make any changes to the amount or structure of the payments under the previously approved Wastewater Service Agreement, which specifies charges for service will be based on the volume and strength of wastewater treated.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Find that this project is exempt from review under the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(3) of the State CEQA Guidelines because it is not a project as defined by Section 15378 of the State CEQA Guidelines.
2. Approve and Authorize the Clerk of the Board to execute the East County Advanced Water Purification (ECAWP) Payment Agreement for Wastewater Service among the ECAWP Joint Powers Authority, the City of El Cajon, the Padre Dam Municipal Water District, and the San Diego County Sanitation District.

FISCAL IMPACT

Funds for this request are included in the Fiscal Year (FY) 2020-21 Operational Plan for the San Diego County Sanitation District. Approval of the East County Advance Water Purification Payment Agreement will result in no change to the estimated expenditures for City of San Diego Metro services of \$13.2 million in FY 2020-21. The funding source is charges to Sanitation District ratepayers. There will be no change in net General Fund cost and no additional staff years.

If approved, payment will begin when the East County Advanced Water Purification (ECAWP) treatment facility is fully operational, anticipated to be in 2025. Payments to the ECAWP will offset payments made to the City of San Diego for similar services, resulting in an average cost savings to the Sanitation District of between \$500,000 and \$4,000,000 per

year over the first 20 years of program operation. Payment amount will be determined in accordance with the terms of previously approved services agreement between the Sanitation District and the ECAWP and will be included in future years Operational Plans in the San Diego County Sanitation District.

BUSINESS IMPACT STATEMENT

N/A

ACTION:

ON MOTION of Director Anderson, seconded by Director Lawson-Remer, the Board of Directors of the San Diego County Sanitation District took action as recommended, on Consent.

AYES: Vargas, Anderson, Lawson-Remer, Fletcher, Desmond

There being no further business, the Board of Directors of the San Diego County Sanitation District adjourned at 2:04 p.m.

ANDREW POTTER
Clerk of the Board of Directors
of Sanitation District

Notes By: Rodriguez

NOTE: This Statement of Proceedings sets forth all actions taken by the County of San Diego Board of Directors of the Sanitation District on the matters stated, but not necessarily the chronological sequence in which the matters were taken up.

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Approved by the Board of Directors, on Wednesday, May 5, 2021.



NATHAN FLETCHER
Chair

Attest:



ANDREW POTTER
Clerk of the Board