

AGENDA
REGULAR BOARD MEETING OF THE
SAN ELIJO JOINT POWERS AUTHORITY
DECEMBER 13, 2022 AT 8:30 A.M.
SAN ELIJO WATER CAMPUS – BOARD MEETING ROOM
2695 MANCHESTER AVENUE
CARDIFF BY THE SEA, CALIFORNIA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. ORAL COMMUNICATIONS/PUBLIC COMMENT PERIOD (NON-ACTION ITEM)
5. AWARDS AND RECOGNITION
6. * **CONSENT CALENDAR**
7. * [APPROVAL OF MINUTES FOR NOVEMBER 15, 2022 MEETING](#)
8. * [APPROVAL FOR PAYMENT OF WARRANTS AND MONTHLY INVESTMENT REPORTS](#)
9. * [WASTEWATER TREATMENT REPORT](#)
10. * [RECYCLED WATER REPORT](#)
11. * [REPORTABLE MEETINGS](#)
12. * 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

13. [FY 2021-22 FINANCIAL AUDIT REPORT ACCEPTANCE](#)
 1. Accept and file the FY 2021-22 Audited Financial Statements for San Elijo Joint Powers Authority;
 2. Accept and file the FY 2021-22 SAS 114 Letter; and
 3. Discuss and take action as appropriate.

Staff Reference: Director of Finance and Administration

14. [SAN ELIJO JOINT POWERS AUTHORITY FISCAL YEAR 2021-22 OPERATING AND DEBT SERVICE EXPENSES END OF YEAR REVIEW](#)

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

Staff Reference: Director of Finance and Administration

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

The Board will adjourn to Closed Session to discuss item(s) identified below. Closed Session is not open to the public; however, an opportunity will be provided at this time if members of the public would like to comment on any item listed below. (Three-minute limit.) 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".

None.

19. ADJOURNMENT

The next regularly scheduled San Elijo Joint Powers Authority Board Meeting will be Tuesday, January 17, 2023 at 8:30 a.m.

NOTICE:

The San Elijo Joint Powers Authority's open and public meetings comply with 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 generally held on the third Tuesday of each month, with no scheduled meetings in August.

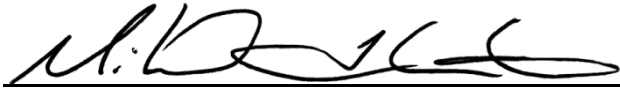
AFFIDAVIT OF POSTING

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 on the SEJPA website at www.sejpa.org, and in the following locations:

San Elijo Water Campus (formerly known as 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: December 8, 2022

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

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

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON NOVEMBER 15, 2022
AT THE SAN ELIJO WATER CAMPUS

Kellie Hinze, Chair

David Zito, Vice Chair

A meeting of the Board of Directors of San Elijo Joint Powers Authority (SEJPA) was held Tuesday, November 15, 2022, at 8:30 a.m., at the San Elijo Water Campus

1. CALL TO ORDER

Chair Hinze called the meeting to order at 8:32 a.m.

2. ROLL CALL

Directors Present:

Kellie Hinze
David Zito
Kristi Becker

Others Present:

General Manager	Michael Thornton
Director of Operations	Chris Trees
Director of Infrastructure and Sustainability	Tom Falk
Director of Finance and Administration	Amy Chang
Administrative Coordinator	Vanessa Hackney
Administrative Assistant I	Tamara Cooper

SEJPA Counsel:

Procopio	Adriana Ochoa
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City of Encinitas:

Utilities Superintendent	Shawn Atherton
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City of Solana Beach:

City Manager	Greg Wade
Director of Engineering/Public Works	Mohammad "Mo" Sammak

Michael R. Welch Consulting:

CEO	Michael R. Welch, Ph. D., P.E.
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Trussell Technologies:

President and CEO	Shane Trussell, Ph. D., P.E.
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3. PLEDGE OF ALLEGIANCE

General Manager, Michael Thornton, led the Pledge of Allegiance.

4. ORAL COMMUNICATION/PUBLIC COMMENT PERIOD

None.

5. AWARDS AND RECOGNITION

Tom Falk – New Hire – Director of Infrastructure and Sustainability

6. CONSENT CALENDAR

Moved by Board Member Becker and seconded by Vice Chair Zito to approve the Consent Calendar.

Agenda Item No. 7	Approval of Minutes for the October 18, 2022 Meeting
Agenda Item No. 8	Approval for Payment of Warrants and Monthly Investment Report
Agenda Item No. 9	Wastewater Treatment Report
Agenda Item No. 10	Recycled Water Report
Agenda Item No. 11	Reportable Meetings
Agenda Item No. 12	Recycled Water Valve Replacement Project – Revised Strategy for Project Delivery

Motion carried with the following vote of approval:

AYES:	Hinze, Zito, Becker
NOES	None
ABSENT:	Blakespear
ABSTAIN:	None

14. RECEIVING WATER MONITORING REPORT

Guest Speaker Michael R. Welch of Michael R. Welch Consulting gave a presentation on the conclusions of the Receiving Water Monitoring Report, summarized as follows:

- The SEWC achieves a high degree of treatment compared with typical secondary treatment ocean discharges.
- The SEWC discharge consistently achieves compliance with NDPES effluent limitations, performance goals, and effluent toxicity standards.
- The SEOO discharge consistently achieves compliance with State of California Ocean Plan receiving water standards.
- The SEOO discharge has no discernible effect on sediment conditions.
- The SEOO discharge has no discernible adverse effects on benthic species populations or diversity.
- The SEOO discharge has no discernible adverse effect on the health of fish.
- The SEOO discharge zone (which is a marine protected area) is characterized by high quality ocean water and abundant sea life.

No action required.

15. RECYCLED WATER QUALITY AND SYSTEM EXPANSION STUDY

Guest Speaker Shane Trussell of Trussell Technologies gave a presentation on an engineering study conducted by Trussell Technologies to evaluate options for improving SEJPA's recycled water quality and system performance. The study outlined a stepwise approach that addresses desired near-term improvements, benefiting the current recycled water program as well as being foundational for future pure water treatment. By advancing projects in a stepwise manner, SEJPA can achieve project benefits at the earliest, economically viable time while avoiding the risk of stranded assets should future criteria favor an alternative strategy for expanding the recycled water program. The study identified four sequential projects:

- Nitrification and Denitrification (NDN) Upgrades and CCB Retrofit
- Membrane Filtration Expansion
- 1 MGD of Potable Reuse to Expand Water Recycling, "Pure Water" (Initial Phase)
- Expand Potable Reuse Capacity to 3 MGD to Maximize Reuse, "Pure Water" (Buildout)

With the concurrence of the Board, the next steps would be to (1) validate the business case for immediate implementation Project 1 - NDN and CCB Retrofit; (2) request engineering proposals to prepare design and construction documents for Project 1; and (3) prepare financing options to fund Project 1. The business case validation, engineering proposals and project funding plan will be presented to the Board at a future meeting for discussion and consideration of approval.

SEJPA has received notice from the US Bureau of Reclamation for a grant award associated with recycled water development. This could bring up to \$2.5 million in federal funding for the first project, however it should be noted that the grant has a 2025 calendar year completion requirement.

No action required.

16. GENERAL MANAGER'S REPORT

General Manager, Michael Thornton stated that SEJPA hosted a women's junior high and high school STEM engagement at the Water Campus on Saturday, October 22, 2022.

General Manager Thornton also stated that SEJPA has signed two resource sharing agreements. One with Olivenhain Municipal Water District for shared safety trainings and operator resource sharing and one with Leucadia Wastewater District for Recycled Water Facility Assistance.

17. GENERAL COUNSEL'S REPORT

General Counsel, Adriana Ochoa, gave an update that Procopio attended the CASA meeting which reviewed approximately six to nine new legislation items that will go into effect January 1, 2023, that could impact public wastewater agencies. Procopio will be providing a summary of these items to share with the board.

18. BOARD MEMBER COMMENTS

None.

19. CLOSED SESSION

None.

20. ADJOURNMENT

The meeting adjourned at 9:33 a.m. The next Board of Directors meeting is scheduled to be held on Tuesday, December 13, 2022 at 8:30 a.m.

Respectfully submitted,

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

Michael T. Thornton, P.E.
General Manager

**SAN ELIJO JOINT POWERS AUTHORITY
PAYMENT OF WARRANTS
22-12**

For the Month of November 2022

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
41665	AWWA	Dues & Memberships	Membership - M. Henke	\$ 106.00
41666	Adam Kaye	Services - Professional	Public communications	100.00
41667	Akeso Occupation Health	Services - Medical	Covid-19 test, New hire screening	357.00
41668	Amiad U.S.A., Inc.	Repair Parts Expense	Replacement filter housing	3,672.02
41669	American Water Chemicals, Inc.	Supplies - Chemicals	Antiscalant	9,405.33
41670	Black & Veatch	Services - Engineering	Dewatering facilities upgrade through 09/30/22	3,772.50
41671	Boot World, Inc.	Uniforms - Boots	Safety boots - R. Bandyopadhyay	218.15
41672	California Water Technologies	Supplies - Chem - Ferric Chlo	Ferric chloride solution	7,984.17
41673	City of Solana Beach	Solana Beach RW Pipeline	Pipeline reimbursement	9,630.00
41674	The Coast News Group	Advertising	Public notice - bids biosolids	630.00
41675	Tamara Cooper	Subsistence - Travel/Rm & Bd	Employee reimbursement - Mileage	22.32
41676	Denali Water Solutions LLC	Services - Biosolids Hauling	Biosolids hauling and reuse	1,076.87
41677	Environmental Express, Inc.	Supplies - Lab	Disposable BOD bottles	612.68
41678	Evoqua Water Technologies	Supplies - Chem - Odor	Bioxide	13,145.83
41679	Excel Landscape, Inc.	Services - Maintenance	Ground maintenance service - Oct	4,202.00
41680	Ferguson Enterprises LLC	Repair Parts Expense	Steel tubes	1,635.65
41681	Golden Bell Products	Supplies - Shop & Field	Granular chlorine	711.15
41682	Grainger, Inc.	Repair Parts Expense	Various parts	629.25
41683	Hach Company	Repair Parts Expense	Sensor plug adaptors	423.70
41684	Hardy Diagnostics	Supplies - Lab	Various supplies	2,221.65
41685	Liquid Environmental Solution	Services - Grease & Scum	Pumping service - 10/25/22	337.00
41686	McMaster-Carr Supply Co.	Repair Parts Expense	Various parts	2,424.13
41687	Oasis Palm Nursery, Inc.	Services - Landscape	Fall service - Palm maintenance	925.00
41688	Olin Corp - Chlor Alkali	Supplies - Chem - Sodium Hypo	Procurement of Sodium Hypochlorite	14,568.26
41689	Olivenhain Municipal Water Dis	Services - Lobbying	BlueWater Strategies LLC - 10/01/22 - 03/31/23	9,750.00
41690	OneSource Distributors, Inc.	Repair Parts Expense	Various parts	3,533.64
41691	ProBuild Company, LLC	Supplies - Shop & Field	Rust reformer spray paint	21.02
41692	Rusty Wallis, Inc.	Services - Maintenance	Water softener, tank service, salt bags	207.76
41693	San Dieguito Water District	Utilities - Water	Water	11,874.40
41694	SWRCB	Direct Salaries and Wages	Certificate renewal - M. Piper	60.00
41695	Michael Thornton	Training - Safety	Employee reimbursement	111.39
41696	Christopher A. Trees	Supplies - Chemicals	Employee reimbursement - Chlorine neutralizer	149.32
41697	Unifirst Corporation	Supplies - Chemicals	Uniform service and gloves	541.90
41698	United Blower, Inc.	Repair Parts Expense	Gas compressor silencer	1,401.00
41699	Underground Service Alert/SC	Services - Alarm	Dig alert, Safe excavation board	122.45
41700	USA Bluebook	Supplies - Shop & Field, Repair Parts Expense	Various supplies, Air compressor, Pump	6,180.17
41701	Verizon Wireless	Utilities - Telephone	09/11/22 - 10/10/22	614.22
41702	Volt Management Corp	Services - Temp	Internship program	10,671.52
41703	VWR International, Inc.	Supplies - Lab	Hydrochloric acid, Glass filters, other	2,292.62
41704	WageWorks	Payroll Processing Fees	Admin fee - Oct	139.25
41705	VOID			-
41706	Allied Storage Containers	Equipment Rental/Lease	20' and 40' storage containers - 10/29/22 - 11/22/22	359.89
41707	American Backflow	Dues & Memberships	Membership - M. Piper	80.00
41708	AT&T	Utilities - Telephone	Alarm service - Oct	410.89
41709	Boot World, Inc.	Uniforms - Boots	Safety boots (3)	663.30
41710	California Water Technologies	Supplies - Chem - Ferric Chlo	Ferric chloride solution	8,051.17
41711	Corodata	Rent	Record storage - Oct	111.94
41712	Dale Kreinbring	Subsistence - Meals	Employee reimbursement - D. Kreinbring meal	57.37
41713	Devin McGinness	Seminars/Education	Employee reimbursement - D. McGinnes Grade II exam	155.00
41714	The Reinalt-Thomas Corp.	Repair Parts Expense	Lug nuts	161.63
41715	Westbound Solar 2, LLC	Utilities - Solar Power	Solar - Oct	10,137.09
41716	Enthalpy Analytical, LLC	Services - Laboratory	Laboratory toxicity testing services for Sep 2022	1,050.00
41717	Eurofins Calscience, LLC	Services - Laboratory	Testing water samples	74.50
41718	Firehawk Fire & Safety	Services - Maintenance	Annual fire extinguisher service	1,606.83
41719	Golden Bell Products	Supplies - Shop & Field	Recycled water tank disinfection supplies	732.70
41720	Joncwest LTD	Supplies - Janitorial	Janitorial services and supplies - Jul, Aug	5,578.32
41721	McCrometer, Inc.	Interest Expense	Backwash flow meter	3,192.14
41722	McMaster-Carr Supply Co.	Repair Parts Expense	Various repair parts	1,776.39
41723	Michael Baker International	Services - Engineering	Plume tracking study	16,975.92
41724	Michael R. Welch, Ph.D., P.E.	Services - Professional	As-needed regulatory services, NPDES permit renewal	39,220.00
41725	Cosby Oil Company, Inc	Fuel	Fuel - Oct, Nov	1,219.98
41726	Olivenhain Municipal Water Dis	Services - Maintenance	Wiegand Zona Gale - 1st quarter 2023	3,480.66
41727	OneSource Distributors, Inc.	Direct Salaries and Wages	Replacement parts	1,544.23
41728	Procopio Cory Hargreaves	Services - Legal	Oct	7,373.00
41729	Santa Fe Irrigation District	Utilities - Water, SFID Distribution Pipeline	Water, Pipeline purchase payment	4,076.99
41730	SCAP	Seminars/Education	Annual general meeting - T. Falk, C. Trees and M. Thornton	130.00
41731	Southcoast Heating & A/C	Services - Maintenance	HVAC repairs	801.00
41732	Southland Manufacturing, Inc.	Supplies - Shop & Field	Stormwater supplies	753.39
41733	Terminix Processing Center	Services - Maintenance	Pest control service	535.00
41734	Thatcher Company of California	Supplies - Chemicals	Aluminum sulfate	4,228.11
41735	Univar Solutions USA Inc.	Supplies - Chem - Odor	Caustic soda	2,780.82
41736	USA Bluebook	Supplies - Lab	Various supplies	1,704.11
41737	Vantagepoint Transfer Agents	EE Deduction Benefits	ICMA - 457	14,262.03
41738	Vantagepoint Transfer Agents	ICMA Retirement	ICMA - 401a	9,337.05
41739	Verizon Wireless	Utilities - Telephone	Cell phone -10/08/22 -11/07/22	1,006.59
41740	Benefits Coordinators Corp.	Dental/Vision	Vision - Nov	291.90
41741	VWR International, Inc.	Supplies - Lab	Various supplies	404.76
On-line 723	Michelle Pizer	Training	Executive coaching	7,500.00
On-line 724	Aflac	EE Deduction Benefits	Aflac - Nov	375.00
On-line 725	BankCard Center	Vehicle Maintenance	Shop field, office supplies and parts	12,087.16
On-line 726	EDCO Waste & Recycling Service	Utilities - Trash	Aug, Sep, Oct	1,402.44
On-line 727	VOID			-
On-line 728	Public Employees- Retirement	Retirement Plan - PERS	Retirement - 10/15/22 - 10/28/22	16,368.65
On-line 729	VOID			-
On-line 730	ReadyRefresh	Supplies - Lab	Kitchen and lab supplies	1,806.77

**SAN ELIJO JOINT POWERS AUTHORITY
PAYMENT OF WARRANTS
22-12**

For the Month of November 2022

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
On-line 731	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 10/08/22 - 11/07/22	88,555.32
On-line 732	Sun Life Financial	Life Insurance/Disability	Life and disability insurance - Dec	1,896.01
On-line 733	P.E.R.S.	Medical Insurance - Pers	Health - Nov, Dec	51,120.94
On-line 734	Public Employees- Retirement	Retirement Plan - PERS	Retirement - 10/29/22 - 11/11/22	16,879.99
	San Elijo Payroll Account	Payroll	Payroll - 11/04/2022	88,750.06
	San Elijo Payroll Account	Payroll	Payroll - 11/18/2022	89,602.22
				<u><u>\$ 647,150.58</u></u>

SAN ELIJO JOINT POWERS AUTHORITY

PAYMENT OF WARRANTS SUMMARY

**For the Month of November 2022
As of November 30, 2022**

PAYMENT OF WARRANTS	\$ 647,150.58
Reference Number	22-12

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 SEJPA, including the Member Agency commitment in their operating budgets to support the operations of SEJPA, are expected to be adequate to meet SEJPA's obligations over the next six months. I also certify that SEJPA's investment portfolio complies with SEJPA's investment policy.



Amy Chang
Director of Finance & Administration

STATEMENT OF FUNDS AVAILABLE FOR PAYMENT OF WARRANTS
AND INVESTMENT INFORMATION
As of November 30, 2022

FUNDS ON DEPOSIT WITH	AMOUNT
LOCAL AGENCY INVESTMENT FUND	
<i>(OCTOBER 2022 YIELD 1.772%)</i>	
UNRESTRICTED DEPOSITS	\$ 18,883,373.05
CALIFORNIA BANK AND TRUST	
<i>(NOVEMBER 2022 YIELD 0.01%)</i>	
REGULAR CHECKING	212,410.81
PAYROLL CHECKING	92,263.49
PARS - TRUSTEE (POST-EMPLOYMENT BENEFITS TRUST)	385,062.65
<i>(OCTOBER 2022 YIELD 2.85%)</i>	
TOTAL RESOURCES	<u>\$ 19,573,110.00</u>

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 13, 2022

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: WASTEWATER TREATMENT REPORT

RECOMMENDATION

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

DISCUSSION

Monthly Treatment Plant Performance and Evaluation

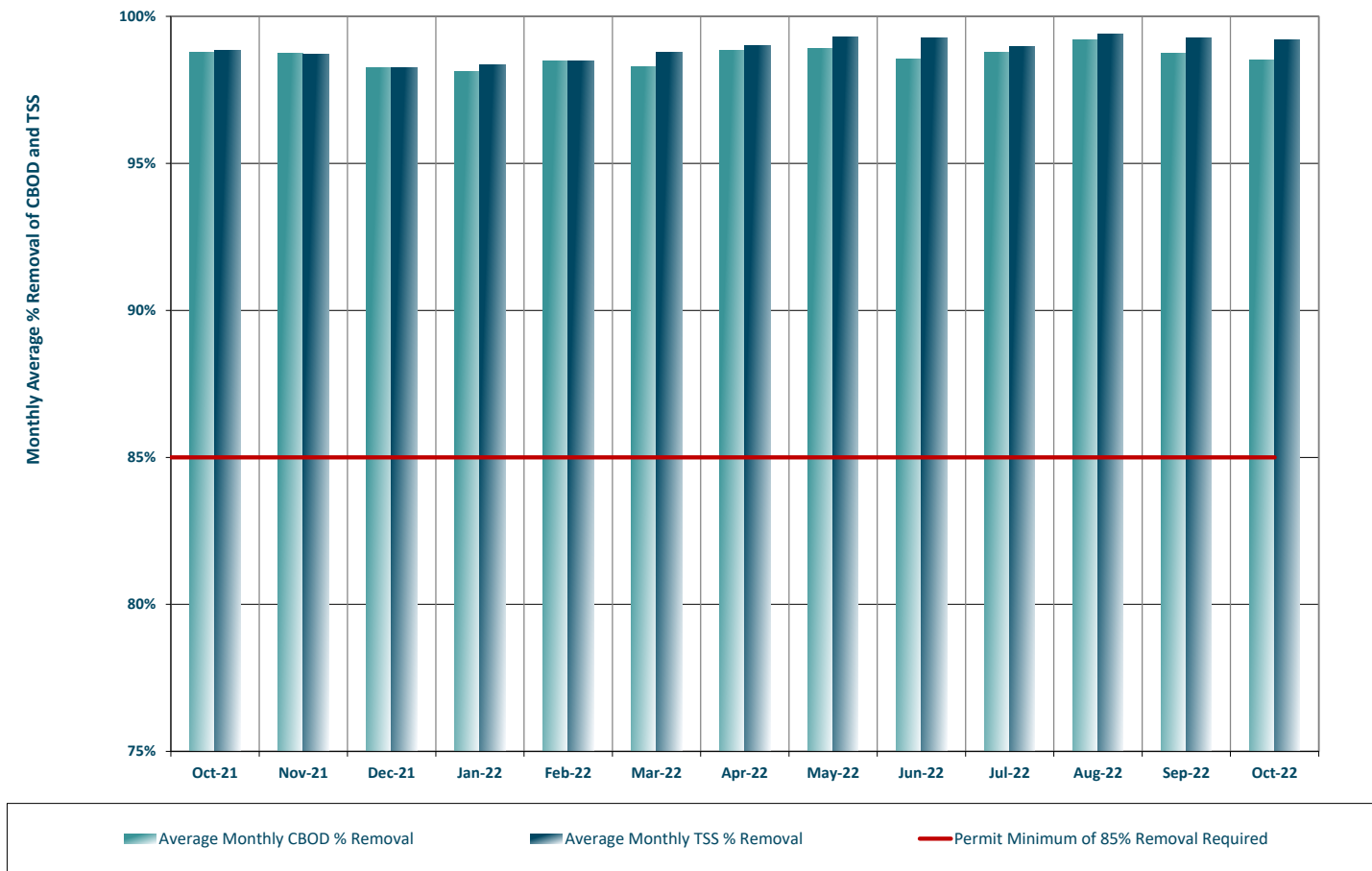
Wastewater treatment for the San Elijo Joint Powers Authority (SEJPA) met all National Pollutant Discharge Elimination System (NPDES) ocean effluent limitation requirements for the month of October 2022. The primary indicators of treatment performance include the removal of Carbonaceous Biochemical Oxygen 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 **98.5** and **99.2** percent removal, respectively, during the month of October.

Exceptional Water Treatment



Figure 1 (below) shows historic treatment performance trends for the removal of CBOD and TSS over the last 13 months compared to the permit minimum removal requirement of 85%.

Figure 1: Wastewater Treatment Performance of the SEJPA % Removal of Carbonaceous Biochemical Oxygen Demand (CBOD) and Total Suspended Solids (TSS)



Figures 2 and 3 (below) show historic influent vs effluent CBOD and TSS concentration fluctuations in the strength of the wastewater being received and discharged by the SEJPA.

FIGURE 2: TREATED EFFLUENT FLOWS REMOVAL OF CBOD

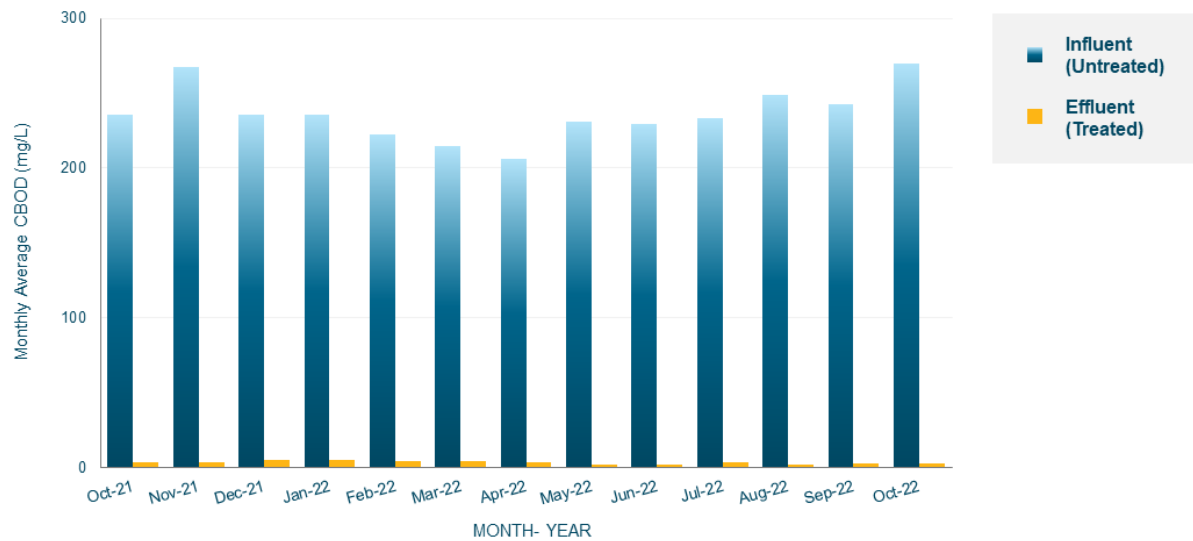
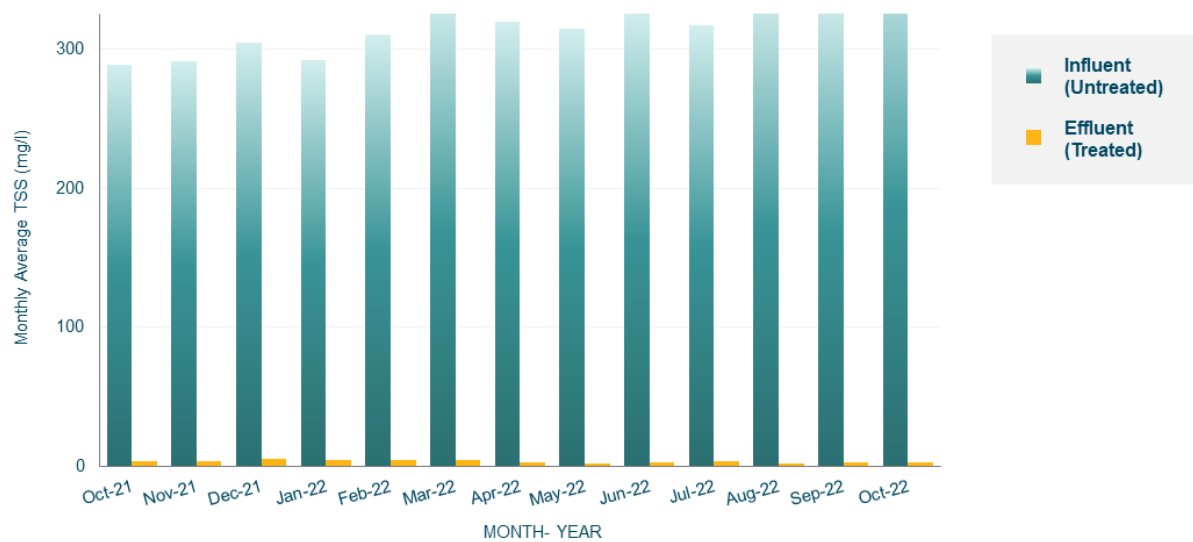


FIGURE 3: TREATED EFFLUENT FLOWS REMOVAL OF TSS



Member Agency Flows

Table 1 (below) presents the influent and effluent flows for the month of October. Average daily influent flows were recorded for each Member Agency. Total effluent flow was calculated for the San Elijo Water Campus. Approximately 66% of the influent flow was diverted for recycled water use in October.

TABLE 1 – INFLUENT AND EFFLUENT FLOWS IN OCTOBER

OCTOBER			
	Influent (mgd)	Recycled Water (mgd)	Effluent (mgd)*
Cardiff Sanitary Division	1.083	0.715	0.368
City of Solana Beach	0.890	0.587	0.303
Rancho Santa Fe SID	0.128	0.084	0.044
City of Del Mar	0.295	0.195	0.100
Total San Elijo Water Campus Flow	2.396	1.581	0.815

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

Table 2 (below) presents the historical average and unit influent rates per month for each of the Member Agencies during the past 3 years. It also presents the number of connected Equivalent Dwelling Units (EDUs) for each of the Member Agencies during this same time period.

TABLE 2 - SAN ELJO WATER CAMPUS MONTHLY REPORT - FLOWS AND EDUS

MONTH	AVERAGE DAILY INFLUENT FLOW RATE (MGD)					CONNECTED EDUs					AVERAGE UNIT INFLUENT FLOW RATE (GAL/EDU/DAY)				
	CSD	RSF	SB	DM	TOTAL PLANT	CSD	RSF	SB	DM	TOTAL EDUS	CSD	RSF	SB	DM	TOTAL PLANT
Aug-19	1.148	0.126	0.938	0.567	2.779	8,505	570	8,105	2,612	19,792	135	221	116	217	140
Sep-19	1.131	0.132	0.918	0.393	2.574	8,507	570	8,105	2,612	19,794	133	232	113	150	130
Oct-19	1.120	0.124	0.914	0.378	2.536	8,507	571	8,105	2,612	19,795	132	217	113	145	128
Nov-19	1.230	0.137	0.927	0.437	2.731	8,510	571	8,105	2,612	19,798	145	240	114	172	138
Dec-19	1.347	0.173	0.946	0.483	2.949	8,516	571	8,105	2,612	19,804	158	303	117	185	149
Jan-20	1.194	0.163	0.917	0.410	2.684	8,517	571	8,105	2,612	19,805	140	286	113	157	136
Feb-20	1.176	0.146	0.919	0.352	2.593	8,517	571	8,105	2,612	19,805	138	256	113	135	131
Mar-20	1.432	0.185	0.907	0.389	2.913	8,519	572	8,105	2,612	19,808	168	324	112	149	147
Apr-20	1.720	0.231	0.912	0.377	3.240	8,522	572	8,105	2,612	19,811	202	404	113	153	164
May-20	1.293	0.158	0.853	0.304	2.608	8,523	573	8,105	2,612	19,813	152	276	105	133	132
Jun-20	1.251	0.164	0.897	0.434	2.746	8,534	576	8,105	2,612	19,826	147	285	111	179	139
Jul-20	1.231	0.157	0.937	0.548	2.873	8,535	576	8,110	2,616	19,837	144	273	116	222	145
Aug-20	1.226	0.156	0.950	0.478	2.810	8,540	577	8,110	2,616	19,843	144	271	117	194	142
Sep-20	1.225	0.151	0.956	0.362	2.694	8,540	578	8,110	2,616	19,844	143	261	118	146	136
Oct-20	1.197	0.142	0.940	0.316	2.595	8,543	579	8,110	2,616	19,848	140	245	116	128	131
Nov-20	1.200	0.142	0.927	0.341	2.610	8,543	579	8,110	2,616	19,848	140	245	114	138	131
Dec-20	1.217	0.141	0.893	0.304	2.555	8,543	579	8,110	2,616	19,848	142	244	110	123	129
Jan-21	1.238	0.150	0.909	0.323	2.620	8,543	579	8,110	2,616	19,848	145	259	112	129	132
Feb-21	1.224	0.151	0.926	0.306	2.607	8,548	579	8,110	2,616	19,853	143	261	114	121	131
Mar-21	1.291	0.160	0.968	0.332	2.751	8,548	579	8,110	2,616	19,853	151	277	119	131	139
Apr-21	1.232	0.160	0.925	0.320	2.637	8,552	579	8,110	2,616	19,857	144	277	114	129	133
May-21	1.189	0.157	0.932	0.323	2.601	8,552	579	8,110	2,616	19,857	139	271	115	130	131
Jun-21	1.218	0.148	0.938	0.358	2.662	8,554	579	8,110	2,616	19,859	142	256	116	145	134
Jul-21	1.183	0.144	0.972	0.435	2.734	8,554	579	8,124	2,616	19,873	138	249	120	178	138
Aug-21	1.178	0.150	0.966	0.480	2.774	8,556	579	8,124	2,616	19,875	138	259	119	196	140
Sep-21	1.153	0.129	0.948	0.353	2.583	8,557	579	8,124	2,616	19,876	135	223	117	144	130
Oct-21	1.225	0.126	0.885	0.329	2.565	8,557	579	8,124	2,616	19,876	143	218	109	139	129
Nov-21	1.156	0.131	0.911	0.329	2.527	8,557	581	8,124	2,616	19,878	135	226	112	135	127
Dec-21	1.264	0.145	0.913	0.310	2.632	8,557	581	8,124	2,616	19,878	148	250	112	127	132
Jan-22	1.174	0.140	0.906	0.357	2.577	8,557	581	8,124	2,616	19,878	137	241	112	145	130
Feb-22	1.113	0.158	0.929	0.300	2.500	8,557	581	8,124	2,616	19,878	130	272	114	120	126
Mar-22	1.176	0.142	0.946	0.307	2.571	8,557	581	8,124	2,616	19,878	137	245	116	123	129
Apr-22	1.134	0.140	0.875	0.315	2.464	8,557	582	8,124	2,616	19,879	133	241	108	129	124
May-22	1.146	0.140	0.877	0.301	2.464	8,557	582	8,124	2,616	19,879	134	241	108	123	124
Jun-22	1.133	0.138	0.921	0.452	2.644	8,557	583	8,124	2,616	19,880	132	237	113	184	133
Jul-22	1.124	0.129	0.948	0.438	2.639	8,557	583	8,142	2,616	19,898	131	221	116	179	133
Aug-22	1.163	0.133	0.929	0.448	2.673	8,557	583	8,142	2,616	19,898	136	228	114	185	134
Sep-22	1.139	0.125	0.904	0.381	2.549	8,557	584	8,142	2,616	19,899	133	214	111	158	128
Oct-22	1.083	0.128	0.890	0.295	2.396	8,557	584	8,142	2,616	19,899	127	219	109	122	120

CSD: Cardiff Sanitary Division

RSF: Ranch Santa Fe Community Service District

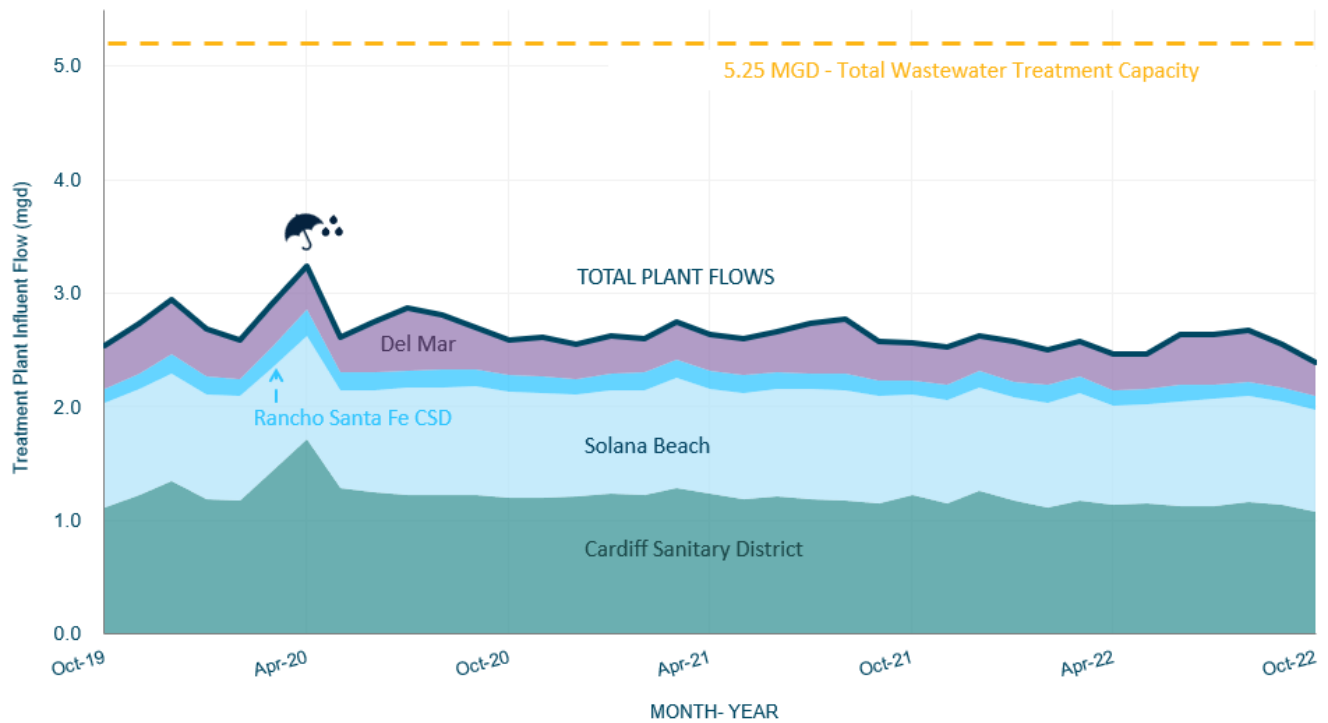
SB: Solana Beach

DM: City of Del Mar

EDU: Equivalent Dwelling Unit

Figure 4 (below) presents the 3-year historical average daily flows per month for each Member Agency. This is to provide a historical overview of the average flow treated for each agency. Also shown in Figure 4 is the total wastewater treatment capacity of the water campus, 5.25 mgd, of which each Member Agency has the right to 2.2 mgd, Rancho Santa Fe Community Service District leases 0.25 mgd, and the City of Del Mar leases 0.60 mgd.

FIGURE 4: SEJPA AVERAGE DAILY FLOWS OVER THE PAST 3 YEARS



City of Escondido Flows

The average and peak flow rate for the month of October 2022 from the City of Escondido's Hale Avenue Resource Recovery Facility, which discharges through the San Elijo Ocean Outfall, is reported below in Table 3.

TABLE 3 – CITY OF ESCONDIDO FLOWS

	Flow (mgd)
Escondido (Average flow rate)	7.6
Escondido (Peak flow rate)	17.8

Connected Equivalent Dwelling Units

The Cities of Encinitas, Solana Beach and Del Mar updated the number of connected EDUs that are reported to the SEJPA in July 2022. The Rancho Santa Fe CSD update their connected EDUs report every month. The number of EDUs connected for each of the Member Agencies and lease agencies is reported in Table 4 below.

TABLE 4 – CONNECTED EDUs BY AGENCY

	Connected (EDU)
Cardiff Sanitary Division	8,557
Rancho Santa Fe SID	584
City of Solana Beach	7,806
San Diego (to Solana Beach)	337
City of Del Mar	2,616
Total EDUs to System	19,899

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 13, 2022

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: RECYCLED WATER REPORT

RECOMMENDATION

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

DISCUSSION

Recycled Water Production

For the month of October 2022, recycled water demand was 171.1 acre-feet (AF), which was met using 167.3 AF of recycled water and supplemented with 3.8 AF of potable water. October demand was 18.3% above budget expectations of 145 AF. The total water production of 886 AF for the first four months of FY 2022-23 was above budget by 14.6%.

Difficulties in water quality treatment were encountered in October that resulted in total coliform bacteria being present in the recycled water on several occasions throughout the month. Monitoring data of the wastewater entering the San Elijo Water Campus revealed that high strength wastewater likely impaired the biological treatment and subsequently led to the total coliform presence in the recycled water. Low level coliform concentrations ranging between less than 1.0 and 14.8 MPN/100mL) were recorded from grab samples of the recycled water, which caused the 7-day median concentration to be above 2.2 MPN/100mL (permit threshold) for a total of 11 days during October.

Staff acted immediately and implemented actions including the following:

1. Reviewed pertinent water quality data and treatment set points.
2. Inspected the treatment processes and identified that coliform was associated with the sand filtration process, which was promptly removed from service.
3. Continued recycled water production using only microfiltration (MF) treatment, which produced water within permit specifications.
4. Thoroughly cleaned and disinfected sand filters to remove suspected, accumulated biological growth.
5. Soaked sand filters for 24 hours with high strength (2,500 mg/L) chlorine solution, and then thoroughly mixed sand to flush out any remaining foreign material.

6. Cleaned, power washed, and disinfected upstream channels and basins.
7. Increased coliform sampling to 2-3 times per day to verify effectiveness of cleaning efforts and improve operational readiness for returning sand filters to service.
8. Consulted with Shane Trussell, Ph.D., P.E., to review staff efforts, water quality data, and provide recommendations.

Upon completing these actions and adjusting the biological treatment process, recycled water quality returned to normal parameters. Staff is monitoring influent wastewater quality to identify if illicit discharges are occurring.

Despite coliform challenges, other recycled water parameters such as turbidity and chlorine contact time remained within permit limits. Secondary effluent water quality (discharge to the ocean) remained within permit limits during the month. Recycled water deliveries to customers were not interrupted and remained on track for the month. Figure 1 (attached) provides a graphical view of annual recycled water demand spanning the last 10 fiscal years, with the overlay of annual rainfall. Since the recycled water program primarily serves outdoor irrigation, annual demand is reduced during wet periods and increases during times of drought. Figure 2 (attached) shows the monthly recycled water demand for each October for the last ten years to provide a year-over-year comparison. Figure 3 (attached) compares budget versus actual recycled water sales for FY 2022-23.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M. Thornton', with a horizontal line drawn underneath it.

Michael T. Thornton, P.E.
General Manager

FIGURE 1: RECYCLED WATER DEMAND AND RAINFALL COMPARISON



FIGURE 2: OCTOBER RECYCLED WATER DEMAND

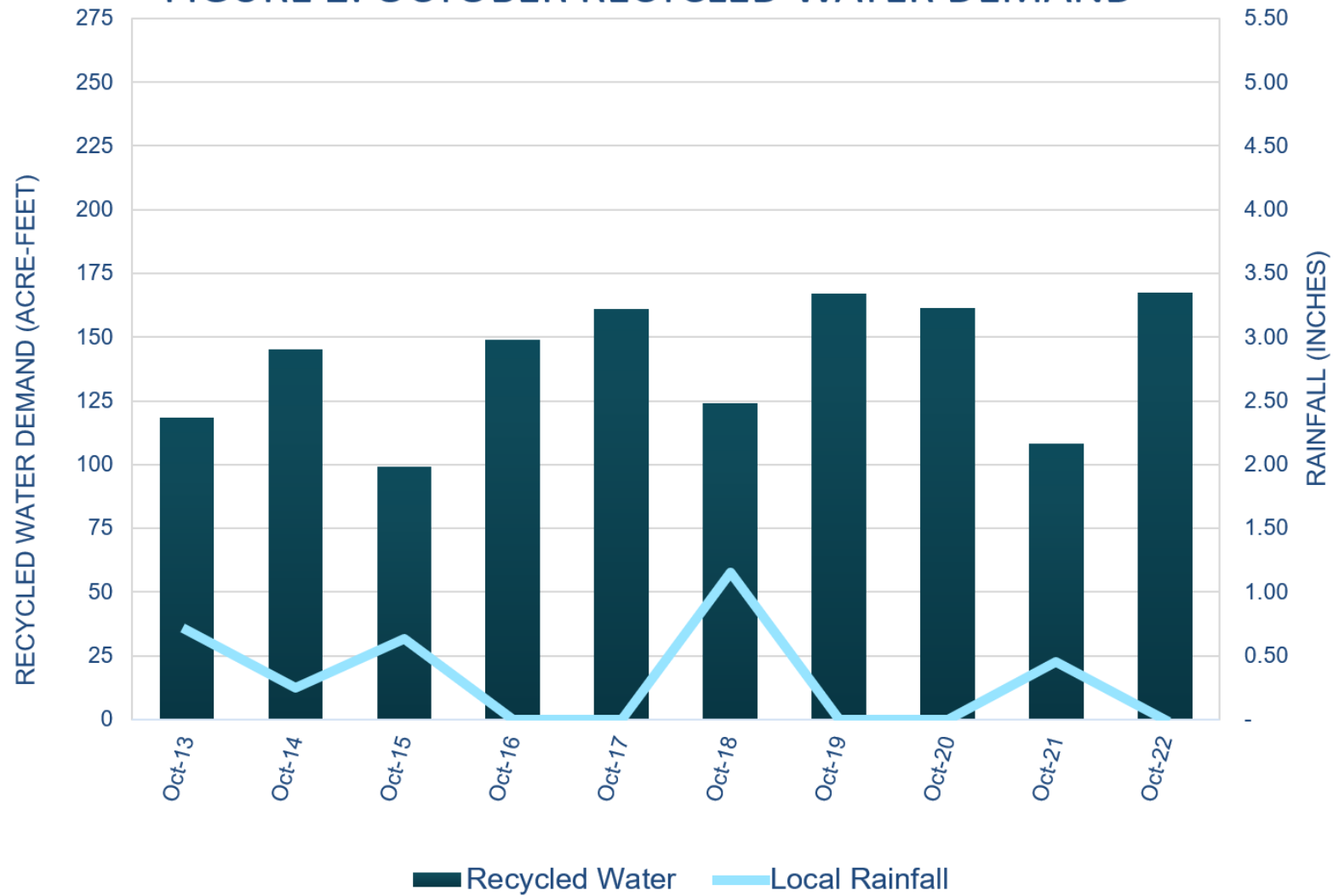
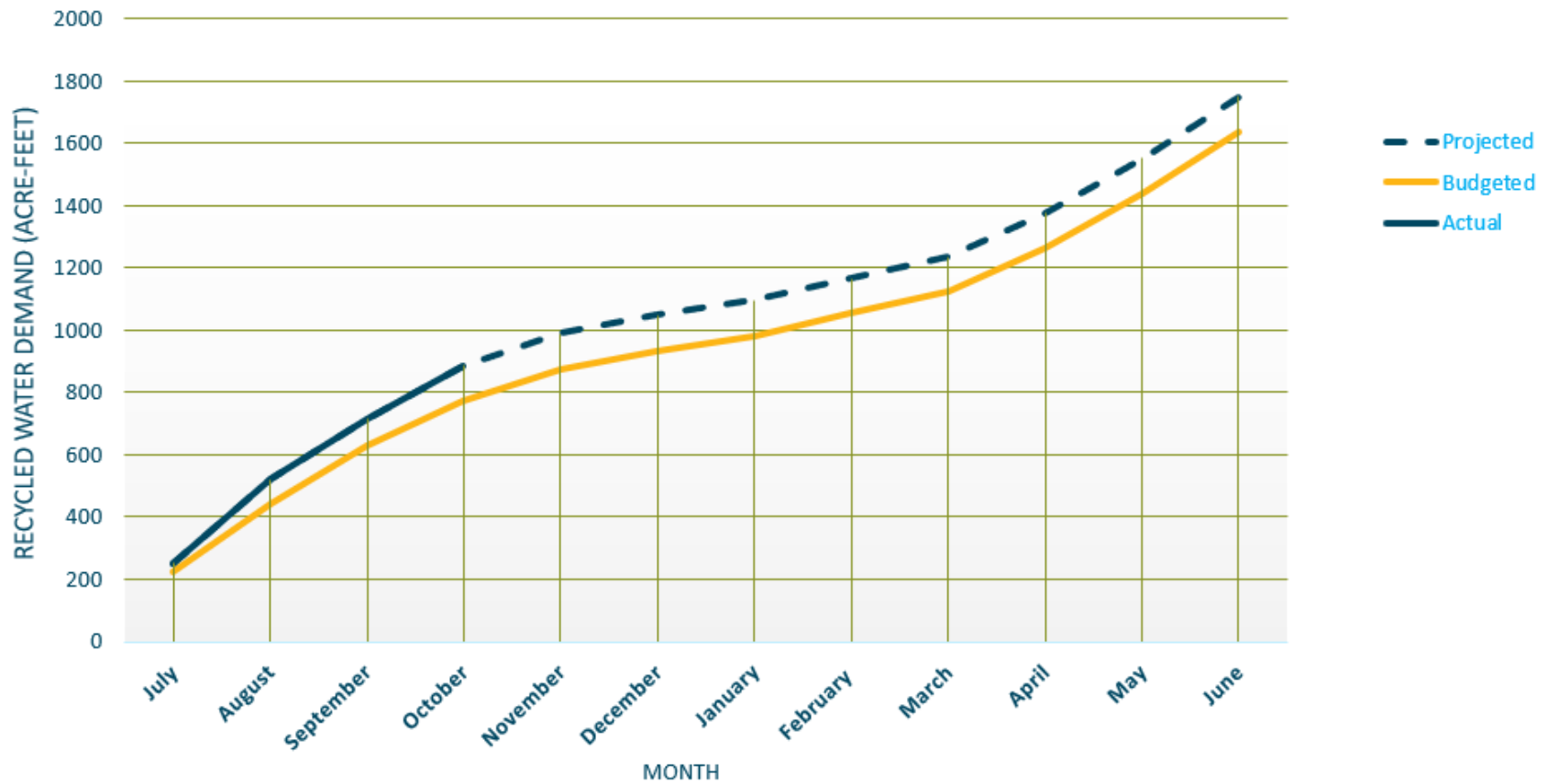


FIGURE 3: FY2022/23 CUMULATIVE DEMAND VS BUDGET



SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 13, 2022

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: REPORTABLE MEETINGS

RECOMMENDATION

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

BACKGROUND

The General Manager or his designee may meet monthly with one or more Board Members in preparation for the Board Meeting.

DISCUSSION

The following meetings have taken place since the previous Board Meeting:

1. Meeting to review Board Meeting Agenda with Board Chair Hinze on November 14, 2022.

FINANCIAL IMPACT

Per the SEJPA Restatement Agreement, SEJPA pays the Board Member \$160 for each reportable meeting. These meetings are accounted for in our annual budget.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 13, 2022

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance and Administration

SUBJECT: FY 2021-22 FINANCIAL AUDIT REPORT ACCEPTANCE

RECOMMENDATION

It is recommended that the Board of Directors:

1. Accept and file the FY 2021-22 Audited Financial Statements for San Elijo Joint Powers Authority;
2. Accept and file the FY 2021-22 SAS 114 Letter; and
3. Discuss and take action as appropriate.

BACKGROUND

San Elijo Joint Powers Authority (SEJPA) is required by California Government Code and Board policy to annually conduct an audit of its financial records. Leaf & Cole, LLP was awarded a professional service agreement at the May 18, 2021 Board meeting for a 3-year period with an option to extend the contract annually for the following two years. The agreement provides for an audit of the financial records, to express an opinion on the financial statements, and to attend a Board meeting to present the year-end audit report to SEJPA's Board of Directors.

DISCUSSION

The financial audit of SEJPA for FY 2021-22 has been completed and it is the auditor's opinion that SEJPA's June 30, 2022 financial statements are presented fairly in all material aspects. The audit was performed in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. As part of the audit, Leaf & Cole, LLP is required by professional standards to communicate to the Board of Directors specific information related to the audit. This communication to those charged with governance (auditor's SAS 114 letter) includes information related to accounting practices, audit difficulties, disagreements with management (if any), management representations, corrected and uncorrected misstatements, and other audit findings, issues or matters. Upon completion of the audit, Leaf & Cole, LLP stated that no

transactions were noted where there was a lack of authoritative guidance or consensus. In addition, there were no difficulties or disagreements with management in performing and completing the audit.

The audited financial statements include the following sections:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statement
- Required Supplementary Information
- Supplementary Information
- Other Information

Mr. Michael Zizzi, CPA, a Partner for Leaf & Cole, LLP, will present a summary of audit findings to the Board of Directors and answer questions.

RECOMMENDATION

It is therefore recommended that the Board of Directors:

1. Accept and file the FY 2021-22 Audited Financial Statements for San Elijo Joint Powers Authority;
2. Accept and file the FY 2021-22 SAS 114 Letter; and
3. Discuss and take action as appropriate.

Respectfully submitted,



Amy Chang
Director of Finance & Administration

Attachment 1: San Elijo Joint Powers Authority, Financial Statements and Independent Auditors' Report for the Year Ended June 30, 2022

Attachment 2: FY 2021-22 SAS 114 Letter

Attachment 1

SAN ELIJO JOINT POWERS AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2022

DRAFT



Leaf & Cole, LLP
Certified Public Accountants

**SAN ELIJO JOINT POWERS AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2022**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
San Elijo Joint Powers Authority
2695 Manchester Avenue
Cardiff by the Sea, California 92007-7077

Opinion

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the San Elijo Joint Powers Authority ("SEJPA"), as of and for the year June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Elijo Joint Powers Authority, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Elijo Joint Powers Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Elijo Joint Powers Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 42 to 45 as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise San Elijo Joint Powers Authority's basic financial statements. The combining schedule of net position, the combining schedule of revenues, expenses and changes in net position, and the combining schedule of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of net position, combining schedule of revenues, expenses, and changes in net position and combining schedule of cash flows are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the operating budget comparison schedule - wastewater and the operating budget comparison schedule - recycled but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be material misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to described it in our report.

San Diego, California
December __, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of San Elijo Joint Powers Authority ("SEJPA") provides an overview of SEJPA's financial activities for the year ended June 30, 2022. Please read it in conjunction with SEJPA's financial statements which begin on page 9.

Financial Statements

This discussion and analysis provides an introduction and a brief description of SEJPA's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. SEJPA's financial statements include six components.

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

The statement of net position and statement of fiduciary net position include all of SEJPA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position may be displayed in three categories:

- Net Investment in Capital Assets
- Restricted Net Position
- Unrestricted Net Position

The statement of net position and statement of fiduciary net position provide the basis for computing rate of return, evaluating the capital structure of SEJPA and assessing its liquidity and financial flexibility.

The statement of revenues, expense and changes in net position and statement of changes in fiduciary net position present information which shows how SEJPA's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses, and changes in net position and statement of changes in fiduciary net position measure the results of SEJPA's operations over the past year and determines whether SEJPA has recovered its costs through user charges for services and other revenues.

The statement of cash flows provides information regarding SEJPA's cash receipts and cash disbursements in its business-type activities during the year. This statement may report cash activity in four categories:

- Operating
- Noncapital and related financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Statements (Continued)

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

Net position increased by \$1,759,967 in the business-type activities and \$127,427 in the fiduciary fund for the year ended June 30, 2022.

Revenues totaled \$12,785,244 in the business-type activities and \$129,615 in the fiduciary fund for the year ended June 30, 2022, an increase of \$672,112 in the business-type activities resulting from a significant increase in charges for services to other governmental agencies and plume tracking study income.

Expenses totaled \$11,025,277 in the business-type activities for the year ended June 30, 2022. Expense increase \$186,113 or 1.72% over the previous year primarily due to increases in engineering and professional services as well as gas and electric costs.

Financial Analysis of SEJPA

Net Position

The following is a summary of the statements of net position for the business-type activities at June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Assets:</u>				
Current and other assets	\$ 40,843,633	\$ 40,388,410	\$ 455,223	1.13%
Capital assets	65,425,121	64,163,664	1,261,457	1.97%
Total Assets	<u>106,268,754</u>	<u>104,552,074</u>	<u>1,716,680</u>	1.64%
<u>Deferred Outflows of Resources</u>	<u>923,666</u>	<u>815,911</u>	<u>107,755</u>	13.21%
<u>Liabilities:</u>				
Current liabilities	4,861,288	4,548,974	312,314	6.87%
Noncurrent liabilities	27,005,689	29,596,906	(2,591,217)	(8.76)%
Total Liabilities	<u>31,866,977</u>	<u>34,145,880</u>	<u>(2,278,903)</u>	(6.67)%
<u>Deferred Inflows of Resources</u>	<u>2,404,088</u>	<u>60,717</u>	<u>2,343,371</u>	3.859%
<u>Net Position:</u>				
Net investment in capital assets	40,652,157	38,679,158	1,972,999	5.10%
Unrestricted	32,269,198	32,482,230	(213,032)	(0.66)%
Total Net Position	<u>\$ 72,921,355</u>	<u>\$ 71,161,388</u>	<u>\$ 1,759,967</u>	2.47%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of SEJPA (Continued)

Net Position (Continued)

Net position increased by \$1,759,967 in the business-type activities from fiscal year 2021 to 2022. Net investment in capital assets increased \$1,972,999 in fiscal year 2022. This increase is the result of principal paid on long-term debt, and the investment in capital assets, net of depreciation expense including the Water Campus Improvement Project.

Unrestricted net position (those that can be used to finance day-to-day operations) decreased \$213,032 primarily due to funding for the Water Campus Improvement Project.

Revenues, Expenses and Change in Net Position

The following is a summary of revenues, expenses and changes in net position in the business-type activities for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Revenues:</u>				
Operating contributions from members	\$ 3,858,608	\$ 3,705,549	\$ 153,059	4.13%
Charges for services to other government agencies	5,471,608	5,088,992	382,616	7.52%
Other nonoperating revenue	1,307,331	1,155,994	151,337	13.09%
Member agency assessments	1,436,701	1,157,490	279,211	24.12%
State grants	710,996	1,005,107	(294,111)	(29.26)%
Total Operating Revenues	<u>12,785,244</u>	<u>12,113,132</u>	<u>672,112</u>	5.55%
<u>Expenses:</u>				
Operating expenses	10,164,493	9,957,449	207,044	2.08%
Nonoperating expenses	860,784	881,715	(20,931)	(2.37)%
Total Expenses	<u>11,025,277</u>	<u>10,839,164</u>	<u>186,113</u>	1.72%
Increase in Net Position	<u>\$ 1,759,967</u>	<u>\$ 1,273,968</u>	<u>\$ 485,999</u>	38.15%

Capital Assets

Capital assets consist of the following at June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Construction in progress	\$ 1,500,754	\$ 15,520,248	\$ (14,019,494)	(90.33)%
Plant equipment	107,952,404	90,434,314	17,518,090	19.37%
Lab equipment	74,584	81,270	(6,686)	(8.23)%
Office equipment	76,136	76,136	-	0.00%
Vehicles	488,234	488,234	-	0.00%
Subtotal	<u>110,092,112</u>	<u>106,600,202</u>	<u>3,491,910</u>	3.28%
Less: Accumulated depreciation	<u>(44,666,991)</u>	<u>(42,436,538)</u>	<u>2,230,453</u>	5.26%
Total Capital Assets, Net	<u>\$ 65,425,121</u>	<u>\$ 64,163,664</u>	<u>\$ 1,261,457</u>	1.97%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the SEJPA (Continued)

Capital Assets (Continued)

The net additions to capital assets for fiscal year 2022 totaled \$1,261,457. Capital asset additions are primarily related to the Water Campus Improvement project.

Long-Term Debt

The following is a summary of long-term debt at June 30:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
2017 Revenue Bonds	\$ 22,525,600	\$ 23,055,823	\$ (530,223)	(2.30)%
Private placement loan payable	1,153,413	1,250,662	(97,249)	(7.78)%
SFID Reimbursement Agreement	394,456	415,508	(21,052)	(5.07)%
Solana Beach Reimbursement Agreement	432,554	442,184	(9,630)	(2.18)%
SDG&E financing agreement	266,941	320,329	(53,388)	(16.67)%
Total Long-Term Debt	<u>\$ 24,772,964</u>	<u>\$ 25,484,506</u>	<u>\$ (711,542)</u>	(2.79)%

The total long-term debt decreased by \$711,542 primarily due to principal payments on the 2017 Revenue Bonds and the private placement loan payable.

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2022-23 sanitary fund operations and maintenance budget is \$2,562,032. The water reclamation budget is \$2,349,413. Sales of reclaimed water are budgeted to be 1,637 acre-feet in the upcoming year.

Contingency funding for each program area has been reviewed and budgeted on the basis of the potential for unforeseen events within each activity area. For all programs, the amount in contingency funding is \$209,000 and is \$50,000 higher than last year's budget levels due to increase to the recycled water program.

The capital project program will have a budget of \$3,180,000 during the upcoming year. This is primarily for improvements to the wastewater, ocean outfall, pump stations, and reclamation programs.

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) for wastewater treatment provided to the member agencies, the budgeted cost is approximately \$201 per EDU per year for 2022-23. This represents a 9.5% increase from 2021-22. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service. For the remaining water agencies, recycled water sales are based on individual contracts which may include minimum annual purchase volumes and negotiated water rates. These revenues are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors (Continued)

On October 8, 2012, the Board adopted a resolution to amend the contract between CalPERS and SEJPA. This resolution amended the contract to include Section 20475 (Difference Level of Benefits) for new Miscellaneous Members of the Public Employees' Retirement System, Section 21353 (2% at 60 Full Formula), and Section 20037 (Three-Year Final Compensation). This resolution is applicable to all SEJPA employees entering membership for the first time in the miscellaneous classification after June 30, 2012. The lower benefit payout will result in a lower contribution rate for the SEJPA workforce. All employees will pay the full employee portion of the CalPERS retirement benefit.

Contacting the Authority's Financial Manager

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of SEJPA's finances and to demonstrate SEJPA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact SEJPA, at (760) 753-6203, ext. 73.

DRAFT

SAN ELIJO JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Current Assets: (Notes 1, 2, 3 and 4)

Cash and cash equivalents	\$ 17,557,317
Due from other governmental agencies	1,654,430
Accrued interest receivable	318,273
Prepaid expenses	78,171
Current portion of loans receivable	475,000
Total Current Assets	<u>20,083,191</u>

Noncurrent Assets: (Notes 1, 2, 4 and 5)

Restricted Assets:

Cash and cash equivalents	2,589
Total Restricted Assets	<u>2,589</u>

Lease receivable	462,853
Loans receivable, net of current portion	20,295,000

Capital Assets:

Nondepreciable	1,500,754
Depreciable, net of accumulated depreciation	63,924,367
Total Capital Assets	<u>65,425,121</u>

Total Noncurrent Assets	<u>86,185,563</u>
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TOTAL ASSETS	<u>106,268,754</u>
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DEFERRED OUTFLOWS OF RESOURCES: (Notes 1, 11 and 12)

Deferred outflows related to pensions	860,070
Deferred outflows related to OPEB	<u>63,596</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 923,666</u>
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The accompanying notes are an integral part of the financial statements.

SAN ELIJO JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2022

LIABILITIES

Current Liabilities: (Notes 3, 6, 7 and 9)

Accounts payable	\$ 866,018
Accrued liabilities	153,364
Accrued interest payable	291,464
Due to other government agencies	183,013
Due to other funds	185,000
Unearned revenue	2,477,271
Current portion of revenue bonds	475,000
Current portion of private placement loan payable	101,327
Current portion of SDG&E financing agreement	53,388
Current portion of compensated absences	75,443
Total Current Liabilities	<u>4,861,288</u>

Noncurrent Liabilities: (Notes 1, 6, 7, 8, 9, 10, 11 and 12)

Long-Term Debt:

Revenue bonds, net of current portion	22,050,600
Private placement loan payable, net of current portion	1,052,086
SFID reimbursement agreement payable	394,456
Solana Beach reimbursement agreement payable	432,554
SDG&E financing agreement, net of current portion	213,553
Total Long-Term Debt	<u>24,143,249</u>

Other Noncurrent Liabilities:

Net pension liability	1,883,516
Net OPEB obligation	470,663
Compensated absences, net of current portion	508,261
Total Other Noncurrent Liabilities	<u>2,862,440</u>

Total Noncurrent Liabilities	<u>27,005,689</u>
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Total Liabilities	<u>31,866,977</u>
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DEFERRED INFLOWS OF RESOURCES: (Notes 1 and 12)

Deferred inflows related to pensions	1,807,989
Deferred inflows related to OPEB	133,246
Deferred inflows related to leases	462,853
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,404,088</u>

Commitments and Contingencies (Notes 11, 12 and 13)

NET POSITION:

Net investment in capital assets	40,652,157
Unrestricted	32,269,198
Total Net Position	<u>\$ 72,921,355</u>

The accompanying notes are an integral part of the financial statements.

SAN ELIJO JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Operating Revenues:

Charges for services to other government agencies	\$ 5,471,608
Contributions from City of Encinitas	2,175,358
Contributions from City of Solana Beach	1,683,250
Total Operating Revenues	<u>9,330,216</u>

Operating Expenses:

Personnel costs	3,718,257
Depreciation and amortization	2,252,609
Contracted services	1,434,041
Utilities	1,021,976
Supplies	742,864
Disposal services	271,742
Repair parts expense	225,364
Rent	143,729
Permit/purveyor fees	136,237
Miscellaneous	109,949
Insurance	107,725
Total Operating Expenses	<u>10,164,493</u>

Operating Loss	<u>(834,277)</u>
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Nonoperating Revenues (Expenses):

Investment income	946,457
State grants	710,996
Other	344,396
Rental income	16,478
Loss on disposal of capital assets	(4,722)
Interest expense	(856,062)
Total Nonoperating Revenues (Expenses)	<u>1,157,543</u>

Income Before Capital Contributions	<u>323,266</u>
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Capital Contributions:

Member agency assessments	1,436,701
Total Capital Contributions	<u>1,436,701</u>

Change in Net Position	1,759,967
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Net Position at Beginning of Year, Restated	<u>71,161,388</u>
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NET POSITION AT END OF YEAR	<u>\$ 72,921,355</u>
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The accompanying notes are an integral part of the financial statements.

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash Flows From Operating Activities:

Cash received from customers	\$ 11,449,759
Cash payments to suppliers for goods and services	(4,809,733)
Cash payments to employees for services	(3,903,831)
Net Cash Provided by Operating Activities	<u>2,736,195</u>

Cash Flows From Noncapital and Related Financing Activities:

Rental and other nonoperating income	360,874
Net Cash Provided by Noncapital and Related Financing Activities	<u>360,874</u>

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(3,518,788)
Principal paid on long-term debt	(641,319)
Interest paid on long-term debt	(931,221)
Proceeds of state grants	710,996
Capital contributions	1,436,701
Net Cash Used in Capital and Related Financial Activities	<u>(2,943,631)</u>

Cash Flows From Investing Activities:

Proceeds from loans receivable	460,000
Investment income	931,461
Net Cash Provided by Investing Activities	<u>1,391,461</u>

Net Increase in Cash and Cash Equivalents	1,544,899
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Cash and Cash Equivalents at Beginning of Year	<u>16,015,007</u>
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CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 17,559,906</u>
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(Continued)

The accompanying notes are an integral part of the financial statements.

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Reconciliation of Operating Loss to

Net Cash Provided by Operating Activities:

Operating loss	\$ (834,277)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,252,609
Change in assets and liabilities:	
Due from other governmental agencies	1,139,359
Prepaid expenses	(31,834)
Deferred outflows related to pensions	18,864
Deferred outflows related to OPEB	6,704
Accounts payable	(584,272)
Accrued liabilities	(151,095)
Due to other government agencies	(188,240)
Due to other funds	80,000
Unearned revenue	1,168,424
Net pension liability	(1,735,563)
Net OPEB obligation	(124,876)
Compensated absences	(26,803)
Deferred inflows related to pensions	1,613,949
Deferred Inflows related to OPEB	133,246
Net Cash Provided by Operating Activities	<u><u>\$ 2,736,195</u></u>

Cash and Cash Equivalents:

Financial Statement Classification

Cash and cash equivalents	\$ 17,557,317
Restricted cash and cash equivalents	2,589
Total Cash and Cash Equivalents	<u><u>\$ 17,559,906</u></u>

The accompanying notes are an integral part of the financial statements.

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Post-Employment Benefits Trust</u>
ASSETS	
Cash	\$ 392,737
Due from other funds	<u>185,000</u>
Total Assets	<u>\$ 577,737</u>
 NET POSITION	
Held in trust for the benefit of employees of the San Elijo Joint Powers Authority	 <u>\$ 577,737</u>

The accompanying notes are an integral part of the financial statements.

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**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Post-Employment Benefits Trust</u>
ADDITIONS:	
Contributions	\$ 185,000
Investment loss	<u>(55,385)</u>
Total Additions	<u>129,615</u>
DEDUCTIONS:	
Administrative fees	<u>2,188</u>
Total deductions	<u>2,188</u>
Change in Net Assets	127,427
Net Position - Beginning of Year - Restated	<u>450,310</u>
Net Position - End of year	\$ <u><u>577,737</u></u>

The accompanying notes are an integral part of the financial statements.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization and Significant Accounting Policies:

Organization

San Elijo Joint Powers Authority (SEJPA) was established on June 17, 1987 with the power to own, operate, maintain and upgrade the San Elijo Water Reclamation Facility (WRF) through an agreement between the Cardiff Sanitation District (Cardiff) and the Solana Beach Sanitation District (Solana Beach)(the member agencies). SEJPA which is governed by a board consisting of four members, two from each member agency; serves as a wastewater treatment facility for the member agencies as well as portions of Rancho Santa Fe Community Services District, Improvement Areas 2 and 3, City of Del Mar and portions of the City of San Diego. On July 1, 1990, the City of Solana Beach succeeded to the powers and responsibilities of the Solana Beach Sanitation District; and on October 18, 2001, the City of Encinitas succeeded to the powers and responsibilities of the Cardiff Sanitation District.

Under the agreement establishing SEJPA, Cardiff retained its right to 56% of the available treatment capacity of the plant, and Solana Beach retained its right to the remaining 44%. In May 1989 through an agreement between SEJPA and the member agencies to upgrade and expand the WRF; Solana Beach paid Cardiff to increase its ownership percentage and capacity rights to 50%.

SEJPA and the City of Escondido are joint owners and users, 21% and 79% respectively, of the San Elijo Ocean Outfall which is generally comprised of a regulator station, effluent pump station, and piping extending from an on-shore location out into the ocean.

SEJPA adopted resolution 2019-001 creating Employment Benefits Trust, San Elijo Joint Powers Authority. Funding of the irrevocable trust provides restricted funds that may be used at the Board's discretion to smooth the pension expense that can fluctuate due to changes in investment market conditions and CalPERS policies, in addition to making additional contributions to reduce the Unfunded Actuarial Liability (UAL).

The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Cod. Sec, 2100 "Defining the Financial Reporting Entity". SEJPA is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because SEJPA appoints a voting majority of the component units board, or because the component unit will provide a financial benefit or impose a financial burden on SEJPA. SEJPA has no component units.

Significant Accounting Policies

A summary of SEJPA's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

SEJPA utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly the statement of net position and the statement of revenues, expenses, and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The Post-Employment Benefits Trust is used to account for contributions and distributions, related to the miscellaneous plan of San Elijo Joint Powers Authority.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization and Significant Accounting Policies: (Continued)

Method of Accounting (Continued)

SEJPA has not elected to apply the option allowed in GASB Cod. Sec. P80.103 “Proprietary Fund Accounting and Financial Reporting” and, as a consequence, will continue to apply GASB statements and interpretations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

SEJPA recognizes revenue from charges for services to other government agencies and contributions from its members when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, SEJPA considers charges for services to other government agencies and contributions from the cities to be operating revenues.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management’s evaluation of outstanding receivables. Management believes that all amounts due from other government agencies and loans receivable were fully collectible; therefore no allowance for doubtful accounts was recorded at June 30, 2022.

Leases

SEJPA is a lessor as detailed in Note 12. SEJPA recognizes a lease receivable and a deferred inflow of resources.

At the commencement of the lease, SEJPA initially measures the lease receivable at the present value of the payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently the deferred inflows of resources is recognized as revenue over the lease term.

Key estimates and judgments include how SEJPA determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- SEJPA used the 3% annual increase in the lease as the discount rate.
- The lease term includes the noncancellable period of the lease as well as any extensions available to the lessee. SEJPA expects that the lessee will exercise those options, fully. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization and Significant Accounting Policies: (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding \$15,000 and an estimated useful life of more than one year are reported at historical cost. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession agreements are reported at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Plant equipment	5 - 50 years
Lab equipment	5 - 40 years
Office equipment	5 - 20 years
Vehicles	5 years

Depreciation totaled \$2,252,609 for the year ended June 30, 2022.

Amortization

2017 Revenue Bonds

The original issue premium on the 2017 Revenue bonds is being amortized on the straight-line method over 30 years. Amortization expense totaled \$70,223 for the year ended June 30, 2022 and is included in interest expense.

Compensated Absences

Employees are entitled to accrue vacation leave up to a maximum amount equal to twice the employees' annual accrual rate, after which accrual ceases until the balance accrued falls below the maximum accumulation (208 - 368 hours, depending on length of service). Upon separation of employment, accrued vacation benefits that have not been used are paid to the employee. Sick leave benefits may be accrued up to a maximum of 1,000 hours after which accrual ceases. Employees who are not terminated for cause and have given SEPJA 14 calendar days written notice are paid for 50% of the sick leave balance upon separation. Accumulated and unpaid vacation and sick-leave totaling \$583,704 is accrued when incurred and included in noncurrent liabilities at June 30, 2022.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflows of resources (expense) until that time. SEJPA has the following items that qualify for reporting in this category:

- Deferred outflows related to Other Post-Employment Benefits (OPEB) equal to differences between actual and expected experience and adjustments due to difference in proportions.
- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability, differences between actual and expected experience, and adjustment due to differences in proportions.

In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. SEJPA has the following that qualify for reporting in this category:

- Deferred inflows related to OPEB resulting from the net difference between expected and actual experience and adjustments due to differences in proportions.
- Deferred inflows related to pensions resulting from the net difference between projected and actual earnings on pension plan investments, and differences between actual and required contributions.

Risk Management

SEJPA is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of CSRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each insured agency pays for its proportionate share of its individually contracted insurance coverage and consulting services. At June 30, 2022, SEJPA participated in the programs of CSRMA as follows:

General Liability including Bodily Injury, Property Damage, Public Entity Errors and Omissions, Employment Practices Liability and Automobile Liability - The CSRMA Pooled Liability (shared risk) Program provides \$25,000,000 per occurrence and in aggregate. CSRMA is self-insured up to \$15,500,000 and additional \$10,000,000 in excess insurance has been purchased to bring the total limit of liability coverage to \$25,500,000. SEJPA has a \$100,000 deductible in the CSRMA Pooled Liability Program.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management (Continued)

Property Damage - \$62,615,596 in scheduled values through the APIP Property Program with a \$1,000,000,000 shared loss limit per occurrence with a \$25,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. SEJPA has a \$25,000 deductible for boiler and machinery coverage.

Faithful Performance/Employee Dishonesty Bond - Insured up to \$2,000,000 with a \$25,000 deductible. Coverage includes: employee dishonesty, faithful performance forgery or alteration, computer fraud, money and securities theft, disappearance and destruction.

Workers' Compensation - SEJPA participates in CSRMA's Workers' Compensation Program, which currently self-insures the first \$750,000 of each claim. The members have no deductible or self-insured retention. Excess insurance provides statutory limits for Workers' Compensation and \$750,000 for each accident or each employee for disease in limits for Employers Liability.

SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. SEJPA's insurance expense totaled \$107,725 for the year ended June 30, 2022. There were no instances in the past three years where a settlement exceeded SEJPA's coverage.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Other Postemployment Benefit Programs of San Elijo Joint Powers Authority (OPEB Plan), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

SEJPA's statement of net position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided by LAIF.
- Investment in mutual funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Economic Dependency

SEJPA received approximately 41% of its operating revenues from its member agencies for the year ended June 30, 2022.

Cash and Cash Equivalents

For purposes of the statement of cash flows SEJPA considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, SEJPA has evaluated events and transactions for potential recognition or disclosure through December ___, 2022, the date the financial statements were available to be issued.

Reclassification

SEJPA has reclassified certain prior year information to conform with the current year presentation.

Note 2 - Cash and Cash Equivalents:

Investments Authorized by the California Government Code and SEJPA's Investment Policy

The table below identifies the investment types that are authorized for SEJPA by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of SEJPA, rather than the general provision of the California Government Code or SEJPA's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Cash and Cash Equivalents: (Continued)

Investments Authorized by the California Government Code and SEJPA's Investment Policy (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

Investments Authorized by the California Government Code and the SEJPA's Investment Policy

SEJPA's Investment Policy is more restrictive than the California Government Code. SEJPA may invest in the California Local Agency Investment Fund and the San Diego County Pooled Money Investment account.

Cash and cash equivalents held by the SEJPA were comprised of the following at June 30, 2022:

	Maturity in Years	
	1 Year or Less	Total
Cash on hand	\$ 177	\$ 177
California Local Agency Investment Fund (LAIF)	16,097,365	16,097,365
Deposits with financial institutions	1,462,364	1,462,364
Mutual funds	392,737	392,737
Total Cash and Cash Equivalents	<u>\$ 17,952,643</u>	<u>\$ 17,952,643</u>
Statement of Net Position:		
Cash and cash equivalents	\$ 17,557,317	\$ 17,557,317
Restricted cash and cash equivalents	2,589	2,589
Total Statement of Net Position	<u>17,559,906</u>	<u>17,559,906</u>
Statement of Fiduciary Net Position:		
Cash	392,737	392,737
Total Statement of Fiduciary Net Position	<u>392,737</u>	<u>392,737</u>
Total Cash and Cash Equivalents	<u>\$ 17,952,643</u>	<u>\$ 17,952,643</u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Cash and Cash Equivalents: (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. SEJPA manages its exposure to interest rate risk by purchasing shorter term investments so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of SEJPA's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of SEJPA's investments by maturity at June 30, 2022.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type:

	<u>Rating as of Year End Standard & Poor's</u>
California Local Agency Investment Fund	Not Rated
Mutual Funds	Not Rated

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to SEJPA's investment in a single issue.

The investment policy of SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. SEJPA holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of SEJPA's total investments at June 30, 2022.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SEJPA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) SEJPA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and SEJPA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SEJPA's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Cash and Cash Equivalents: (Continued)

Custodial Credit Risk (Continued)

At June 30, 2022, none of SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2022, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by SEJPA to buy the securities.

Investment in State Investment Pool

SEJPA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of SEJPA's investment in this pool is reported in the accompanying financial statements at amounts based upon SEJPA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The statement of cash flows has been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30, 2022:

California Local Agency Investment Fund (LAIF)	\$ 16,097,365
Deposits with financial institutions	1,462,364
Cash on hand	177
Total	<u>\$ 17,559,906</u>

Note 3 - Due From Other Government Agencies:

SEJPA provides reclaimed water and wastewater treatment to a variety of governmental agencies within San Diego County. The following is a detail of amounts owed to/from SEJPA by these agencies at June 30, 2022:

San Diego County Water Authority	\$ 1,144,013
San Dieguito Water District	235,628
Santa Fe Irrigation District	150,804
Encina Wastewater Authority	78,720
Olivenhain Municipal Water District	58,447
Other	17,100
City of Del Mar	5,699
Encinitas Ranch Golf Authority	2,912
City of Solana Beach	(24,711)
Rancho Santa Fe CSD No. 2 and No. 3	(28,769)
City of Escondido	(43,817)
City of Encinitas	(124,609)
Total	<u>\$ 1,471,417</u>

Financial Statement Classification:

Due from other government agencies	\$ 1,654,430
Due to other government agencies	(183,013)
Total	<u>\$ 1,471,417</u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 4 - Loans Receivable:

The City of Encinitas and the City of Solana Beach have entered into the fourth amendment and restated loan agreements with SEJPA. The loans bear interest from 2% to 4%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 of each year, in order to provide SEJPA with sufficient funds to service the debt on the 2017 Revenue Bonds (See Note 7). Loans receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
City of Solana Beach	\$ 10,385,000	\$ 10,615,000
City of Encinitas	10,385,000	10,615,000
Subtotal	<u>20,770,000</u>	<u>21,230,000</u>
Less current portion	<u>(475,000)</u>	<u>(460,000)</u>
Total	<u><u>\$ 20,295,000</u></u>	<u><u>\$ 20,770,000</u></u>

Note 5 - Capital Assets:

Capital assets consist of the following at June 30:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 15,520,248	\$ 5,800,665	\$ (19,820,159)	\$ 1,500,754
Capital Assets Being Depreciated:				
Plant equipment	90,434,314	17,538,282	(20,192)	107,952,404
Lab equipment	81,270	-	(6,686)	74,584
Office equipment	76,136	-	-	76,136
Vehicles	488,234	-	-	488,234
Total Capital Assets Being Depreciated	<u>91,079,954</u>	<u>17,538,282</u>	<u>(26,878)</u>	<u>108,591,358</u>
Less: Accumulated depreciation for:				
Plant equipment	(42,060,819)	2,191,838	17,476	(44,235,181)
Lab equipment	(73,166)	(2,418)	4,680	(66,068)
Office equipment	(74,490)	981	-	(75,471)
Vehicles	(228,063)	62,208	-	(290,271)
Net Capital Assets Being Depreciated	<u>48,643,416</u>	<u>15,285,673</u>	<u>(4,722)</u>	<u>63,924,367</u>
Net Capital Assets	<u><u>\$ 64,163,664</u></u>	<u><u>\$ 21,086,338</u></u>	<u><u>\$ (19,824,881)</u></u>	<u><u>\$ 65,425,121</u></u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 6 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30, 2022:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Due Within One Year	Due in More Than One year
Long-Term Debt:						
2017 Revenue Bonds	\$ 21,230,000	\$ -	\$ (460,000)	\$ 20,770,000	\$ 475,000	\$ 20,295,000
Original issue premium	1,825,823	-	(70,223)	1,755,600	-	1,755,600
Private placement loan payable	1,250,662	-	(97,249)	1,153,413	101,327	1,052,086
Reimbursement agreements payable:						
Santa Fe Irrigation	415,508	-	(21,052)	394,456	-	394,456
Solana Beach	442,184	-	(9,630)	432,554	-	432,554
SDG&E financing agreement	320,329	-	(53,388)	266,941	53,388	213,553
Total Long-Term Debt	<u>25,484,506</u>	<u>-</u>	<u>(711,542)</u>	<u>24,772,964</u>	<u>629,715</u>	<u>24,143,249</u>
Other Noncurrent Liabilities:						
Compensated absences	610,507	255,120	(281,923)	583,704	75,443	508,261
Total OPEB liability	595,539	46,450	(171,326)	470,663	-	470,663
Net pension liability	3,619,079	-	(1,735,563)	1,883,516	-	1,883,516
Total Other Noncurrent Liabilities	<u>4,825,125</u>	<u>301,570</u>	<u>(2,188,812)</u>	<u>2,937,883</u>	<u>75,443</u>	<u>2,862,440</u>
Total Noncurrent Liabilities	<u>\$ 30,309,631</u>	<u>\$ 301,570</u>	<u>\$ (2,900,354)</u>	<u>\$ 27,710,847</u>	<u>\$ 705,158</u>	<u>\$ 27,005,689</u>

Note 7 - Revenue Bonds:

2017 Revenue Bonds

On June 21, 2017, SEJPA issued \$22,115,000 of 2017 Revenue Bonds (Clean Water Projects) (the “Bonds”) that were funded on July 6, 2017. The Bonds were issued for the purpose of funding facilities and improvements as part of SEJPA’s capital improvement plan. SEJPA entered into *Series 2017 Loan Agreements* with the City of Encinitas and the City of Solana Beach (together the “Cities”) to assist in the financing of the Cities’ respective shares of the Bond. Each *Series 2017 Loan Agreement* is an absolute and unconditional obligation of the City of Encinitas and the City of Solana Beach, respectively, to make payments from and secured by a pledge of system revenues and other funds of each respective City lawfully available therefore and does not constitute an obligation of the other City. Each of the Cities has agreed to pay its respective loan installments from its system comprised of gross revenues derived from its respective wastewater collection and disposal system (including SEJPA’s treatment of wastewater collected by its system) after the deduction of operation and maintenance expenses, in an amount sufficient to pay the annual principal and interest due under its respective *Series 2017 Loan Agreement*. In addition, each City has made covenants under its respective *Series 2017 Loan Agreement* regarding the collection of its System Revenues, and SEJPA has made certain covenants with respect to the operation and maintenance of its facilities.

The 2017 Revenue Bonds are payable in annual principal installments from \$435,000 to \$1,285,000 beginning March 1, 2020 through March 1, 2047. Interest payments are due semi-annually on September 1 and March 1 beginning September 1, 2017. Interest rates on the revenue bonds range from 3% to 5%. The revenue bonds outstanding totaled \$20,770,000 and accrued interest totaled \$287,475 at June 30, 2022, respectively. The 2017 revenue bonds are special obligations of SEJPA, secured by a first lien on the pledge of all of the revenues.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 7 - Revenue Bonds: (Continued)

2017 Revenue Bonds (Continued)

The Loan Installments paid by Encinitas would pay approximately 50% of the total debt service on the Bonds and the Loan Installments paid by Solana Beach would pay approximately 50% of the debt service on the Bonds.

Debt service requirements of the Revenue Bonds are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 475,000	\$ 862,425
2024	490,000	848,175
2025	510,000	828,575
2026	535,000	803,075
2027	560,000	776,325
2028-2032	3,255,000	3,431,625
2033-2037	4,085,000	2,605,925
2038-2042	4,905,000	1,772,562
2043-2047	5,955,000	733,000
Total	<u>\$ 20,770,000</u>	<u>\$ 12,661,687</u>

Note 8 - Private Placement Loan Payable:

In November 2011, SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advanced water treatment improvements (Advanced Water Treatment Project) at the San Elijo Water Reclamation Facility. Interest accrues at 4.15% on the unpaid principal balance and is payable in forty (40) semi-annual payments of \$74,077 including principal and interest and continue through December 2031. The private placement loan payable outstanding totaled \$1,153,413 at June 30, 2022. Accrued interest totaled \$3,989 at June 30, 2022. SEJPA's obligation to pay the loan repayments is a special obligation limited solely to the net revenues as defined in the loan agreement. SEJPA has covenanted that it will fix, prescribe and collect rates, fees and charges sufficient to generate net revenues at least equal to 115% of the amount of the maximum annual debt service.

Debt service requirements on the private placement loan payable are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 101,327	\$ 46,826
2024	105,576	42,577
2025	110,003	38,151
2026	114,615	33,538
2027	119,421	28,732
2028-2032	602,471	64,218
	<u>\$ 1,153,413</u>	<u>\$ 254,042</u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 9 - Reimbursement Agreements Payable:

SFID

The Santa Fe Irrigation District (SFID) constructed a reclaimed water distribution pipeline extension of 3,400 linear feet to SEJPA's reclaimed water distribution system in order to extend SEJPA's existing recycled water distribution system and enable the SFID to serve new reclaimed water customers. SEJPA agreed to reimburse SFID for the cost of design and construction of the extension in the amount of \$526,149 and the SFID agreed to convey ownership of the extension to SEJPA. Under the terms of the agreement, the reimbursement amount shall be increased each July 1st by adding interest at the rate equivalent to the average LAIF rate for the past four quarters, but not less than 1% nor greater than 2.5% calculated on the unpaid monthly balance. SEJPA shall reimburse SFID at a monthly rate of \$450 per acre foot of recycled water delivered through the extension including water delivered to purveyors other than SFID. In addition, SEJPA made an initial down payment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20th year of this agreement if the average annual delivery volume of the extension from year 13 through year 15 exceeds 50 acre feet annually. Future payments on the SFID reimbursement agreement payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated and the agreement is considered noncurrent. The SFID reimbursement agreement payable totaled \$394,456 at June 30, 2022.

Solana Beach

Solana Beach constructed a reclaimed water distribution pipeline extension of 7,920 linear feet to SEJPA's reclaimed water distribution system in order to extend SEJPA's existing recycled distribution system and enable Solana Beach to serve new reclaimed water customers. SEJPA agreed to reimburse Solana Beach the cost of design and construction of the extension in the amount of \$478,319 and Solana Beach agreed to convey of the extension to SEJPA. SEJPA shall reimburse Solana Beach at a monthly rate of \$450 per acre foot of recycled water delivered to any customers through the extension. Future payments on the Solana Beach Reimbursement Agreement Payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated and the agreement is considered noncurrent. The Solana Beach Reimbursement Agreement Payable totaled \$432,554 at June 30, 2022.

San Diego Gas & Electric Financing Agreement

On July 3, 2017, SEJPA entered into an on-bill financing loan agreement with San Diego Gas & Electric (SDG&E) in the amount of \$533,883 in order to retrofit certain electric equipment. SEJPA will pay an additional \$4,449 on their monthly SDG&E bills. This retrofitting is expected to save SEJPA \$68,120 per year and be paid off in under five years.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 9 - Reimbursement Agreement Payable: (Continued)

San Diego Gas & Electric Loan (Continued)

Debt service requirements on the SDG&E loan payable are as follows:

<u>Years Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 53,388	\$ -	\$ 53,388
2024	53,388	-	53,388
2025	53,388	-	53,388
2026	53,388	-	53,388
2027	53,389	-	53,389
Total	<u>\$ 266,941</u>	<u>\$ -</u>	<u>\$ 266,941</u>

Note 10 - Postemployment Benefits:

Plan Description

SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the SEJPA's vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by SEJPA to the retiree is \$149 per month, which is the minimum amount set by CalPERS.

Eligibility

Employees of SEJPA are eligible for retiree health benefits if they retire within 120 days of their separation date. Membership in the plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Active plan members	18
Retirees	<u>6</u>
Total	<u><u>24</u></u>

Contributions

The obligations of SEJPA to contribute to the plan is established and may be amended by the Board of Directors. The Board of Directors has established a policy of funding the actuarially determined contribution (ADC) on a pay as you go basis.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 10 - Postemployment Benefits: (Continued)

Net OPEB Liability

SEJPA's OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Discount Rate	4.09%
Inflation	2.75%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	N/A
Mortality, Termination, and Disability	Most recent CalPERS pension plan experience study.
Mortality Improvement Scale	Modified MP-2020, which converge to ultimate mortality improvement rates in 2022.
Pre-retirement turnover	Ranging from 0.01% to 17.42% based on termination rates under the CalPERS pension Plan
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.25% initially reduced by decrements to an ultimate of 4.5% therefore.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2019 through June 30, 2021. SEJPA completes a new actuarial valuation every two years. The next valuation will be dated June 30, 2023 and will be used for financial reporting for fiscal years ending June 30, 2023 and 2024.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. This discount rate is the mid-point, rounded to five basis points, of the range of 3 - 20 year municipal bond rate indices; S&P Municipal bond 20-Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity 20-Year Go Municipal Bond Index.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 10 - Postemployment Benefits: (Continued)

Change in the Total OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2021	\$ 595,539	\$ -	\$ 595,539
<u>Changes Recognized for the Measurement Period:</u>			
Service cost	32,952	-	32,952
Interest	13,498	-	13,498
Change in assumptions	(140,644)	-	(140,644)
Difference between expected and actual experience	(6,277)	-	(6,277)
Contributions - Employer	-	24,405	(24,405)
Benefit payments	(24,405)	(24,405)	-
Net Changes	(124,876)	-	(124,876)
Balance at June 30, 2022	\$ 470,663	\$ -	\$ 470,663

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of SEJPA, as well as what SEJPA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current discount rate:

	<u>Plan's Total OPEB Liability/(Asset)</u>		
	<u>Discount Rate - 1% (3.09%)</u>	<u>Current Discount Rate (4.09%)</u>	<u>Discount Rate +1% (5.09%)</u>
Net OPEB Liability	\$ 537,438	\$ 470,663	\$ 416,352

Change in Assumptions

For the measurement period ended June 30, 2022, the discount rate used to calculate the net OPEB liability changed from 2.19% to 4.09%.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 10 - Postemployment Benefits: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of SEJPA, as well as what SEJPA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (7.5 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	Plan's Total OPEB Liability		
	Discount Rate - 1% (5.25% Decreasing to 3.5%)	Healthcare Cost Trend Rates (6.25% Decreasing to 4.5%)	Discount Rate +1% (7.25% Decreasing to 5.5%)
Net OPEB Liability	\$ <u>405,207</u>	\$ <u>470,663</u>	\$ <u>553,310</u>

OPEB Expense

For the fiscal year ended June 30, 2022, SEJPA recognized OPEB expense of \$39,479.

Deferred outflows or deferred inflows of resources associated with OPEB at June 30, 2022 were the following:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 9,363	\$ (5,580)
Changes of assumptions	54,233	(127,666)
Total	\$ <u>63,596</u>	\$ <u>(133,246)</u>

These deferred outflows or deferred inflows related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2023	\$ (6,971)
2024	(6,970)
2025	(5,646)
2026	(5,640)
2027	(7,524)
Thereafter	<u>(36,899)</u>
Total	\$ <u>(69,650)</u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 - Defined Benefit Pension Plan:

General Information About the Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of San Elijo Joint Powers Authority, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. SEJPA participates in the miscellaneous 2.5% at 55 pool, for those employees hired before July 1, 2012. New employees with no prior CalPERS membership and those with prior CalPERS membership with a break in service greater than six months, hired on or after July 1, 2012 participate in the miscellaneous 2% at 62 pool. Employees hired on or after July 1, 2012 with prior CalPERS membership with less than six months break in service, participate in the miscellaneous 2% at 60 pool.

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Prior to July 1, 2012	Miscellaneous	
		On or After July 1, 2012 Second Tier	PEPRA
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52*
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.75%
Required employer contribution rates	12.20%	8.65%	7.59%

* Minimum retirement age is 50 years when participant has combined classic and PEPRA services

In addition to the contribution rates above, SEJPA was required to make payments of \$270,625 toward the unfunded actuarial liability during the year ended June 30, 2022. The miscellaneous 2.5% at 55 pool is closed to new members that are not already CalPERS eligible participants and existing members hired on or after July 1, 2012.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plans (Continued)

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SEJPA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions

SEJPA reported the following net pension liability for its proportionate share of the net pension liability of the risk pool at June 30, 2022:

	Proportionate Share of Net Pension Liability
Miscellaneous Risk Pool	\$ <u>1,883,516</u>

SEJPA's net pension liability for the risk pool is measured as the proportionate share of the risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

SEJPA's proportionate share of the net pension liability as of June 30, 2021, the measurement date, was calculated as follows:

- Each risk pool's total pension liability was computed at the measurement date, June 30, 2021, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2020, was computed by subtracting the respective risk pool's fiduciary net pension from its total pension liability.
- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2021, was calculated by applying SEJPA's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2021, to obtain the total pension liability and fiduciary net position as of June 30, 2021. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 - Defined Benefit Pension Plan: (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions
(Continued)

The District's proportionate share percentage of the net position liability as of June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous Risk Pool</u>
Proportionate at Measurement Date - June 30, 2020	0.085799
Proportionate at Measurement Date - June 30, 2021	<u>0.099195</u>
Change - Increase (Decrease)	<u>0.013396</u>

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions

For the year ended June 30, 2022, SEJPA recognized pension expense of \$419,778. At June 30, 2022, SEJPA reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 511,854	\$ -
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(163,779)
Changes in proportions	137,000	-
Differences between actual and expected experience	211,216	-
Net difference between projected and actual earnings on plan investments	-	(1,644,210)
Total	<u>\$ 860,070</u>	<u>\$ (1,807,989)</u>

The \$511,854 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Years Ended June 30</u>	
2023	\$ (308,851)
2024	(328,216)
2025	(368,334)
2026	(454,374)
2027	-
Total	<u>\$ (1,459,775)</u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 - Defined Benefit Pension Plan: (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	2.5% @ 55	2% @ 60	2% @ 62
Valuation Date	June 30, 2020	June 30, 2020	June 30, 2020
Measurement Date	June 30, 2021	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry-Age Cost Method	Entry-Age Cost Method	Entry-Age Cost Method
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.0%	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2%(1)	3.3% - 14.2%(1)	3.3% - 14.2%(1)
Investment Rate of Return	7.5% (2)	7.5% (2)	7.5% (2)
Mortality	CalPERS Specific	CalPERS Specific	CalPERS Specific

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2021 based on June 30, 2020 Valuations*, that can be obtained from the CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 - Defined Benefit Pension Plan: (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued) - The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategy Allocation</u>	<u>Real Return Years 1 - 10^(a)</u>	<u>Real Return Years 11 +^(b)</u>
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)
	<u>100.0%</u>		

^(a)An expected inflation of 2.0% used for this period

^(b)An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the risk pool, as of the measurement date calculated using the discount rate as well as what SEJPA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
SEJPA's proportionate share of the miscellaneous risk pool's pension liability	\$ <u>4,061,859</u>	\$ <u>1,883,516</u>	\$ <u>82,710</u>

Note 12 - Commitments and Contingencies:

Contracts

SEJPA has entered into various contracts for the purchase of materials and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2022, the total unpaid amount on these contracts is approximately \$2,103,591.

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the SEJPA's financial position.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 12 - Commitments and Contingencies: (Continued)

Cell Site Lease

The SEJPA has entered into a Communications Site License Agreement as lessor with a five-year renewal options lease term. The lessees are required to make annual fixed payments starting at \$20,400 and increasing 3% annually. At June 30, 2022; the lease receivable totaled \$462,853 and deferred inflow of resources totaled \$462,853. The District recognized \$29,086 in lease revenue during the year ended June 30, 2022.

Coronavirus Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. SEJPA is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on SEJPA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on SEJPA's customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact SEJPA's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 13 - New Governmental Accounting Standards:

GASB No. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. SEJPA has not determined the effects of this pronouncement on the financial statements of SEJPA in the year of implementation.

GASB No. 92

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 "Omnibus 2020". The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of SEJPA in the year of implementation.

GASB No. 93

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 "Replacement of Interbank Offered Rates". The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to have a material effect on the financial statements of SEJPA in the year of implementation.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 13 - New Governmental Accounting Standards:

GASB No. 94

In March 2020, the Governmental Accounting Standards Board issued Statement No. 94 “Public - Private and Public - Public Partnerships and Availability Payment Arrangements”. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncement these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. SEJPA has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

GASB No. 95

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

GASB No. 96

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITA’s). This Statement (1) defines SBITA’s (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. SEJPA has not determined the effects of this pronouncement on the financial statements of SEJPA in the year of implementation.

GASB No. 97

In June 2020, the Governmental Accounting Standards issued Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84 and Supersession of GASB Statement No. 32”. This statement requires that for purposes of determining whether a primary government is financial accountable for a potential component unit, the absence of a governing board should be treated the same as the appointment of a voting majority. The statement requires that a Section 457 plan be classified as either pension or other employee benefit plan depending on whether the plan meets the definition of a pension plan. This statement supersedes the remaining provisions of GASB Statement No. 32.

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 13 - New Governmental Accounting Standards: (Continued)

GASB No. 98

In October 2021 Governmental Accounting Standards Board issued Statement No. 98 “The Annual Comprehensive Financial Report”. The statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. Application of this statement did not have a material effect on SEJPA’s financial statements for the fiscal year ending June 30, 2022.

GASB No. 99

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99 “Omnibus 2022”. This statement enhances the comparability in accounting and financial reporting and improves consistency in authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GAB Statements and (2) accounting and financial reporting for financial guarantees. The requirement of this pronouncement are effective on various dates ranging from upon issuance through fiscal years beginning through fiscal years beginning after June 2023. This pronouncement did not and is not expected to have a material effect on the financial statements of SEJPA in the year of implementation.

GASB No. 100

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100 “Accounting Changes and Error Corrections an amendment of GASB Statement No. 62”. This statement defined accounting changes. This statement also addresses corrections of errors in previously issued financial statements. The requirements of this statement effective for fiscal years ending after June 15, 2023. This pronouncement is not anticipated to have a material effect on the financial statements of SEJPA in the year of implementation.

GASB No. 101

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101 “Compensated Absences”. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this statement effective for fiscal years ending after December 15, 2023. This pronouncement is not anticipated to have a material effect on the financial statements of SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

**SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS**

	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
Proportion of the Net Pension Liability	0.099195%	0.085799%	0.082537%	0.079550%	0.081861%
Proportionate Share of the Net Pension Liability	\$ 1,883,516	\$ 3,619,079	\$ 3,305,214	\$ 2,998,025	\$ 3,227,017
Covered Payroll - Measurement Period	\$ 2,286,481	\$ 2,118,208	\$ 2,072,596	\$ 1,930,102	\$ 1,916,333
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	82.38%	170.86%	159.47%	155.33%	168.40%
Plan's Fiduciary Net Position	\$ 14,615,225	\$ 11,895,680	\$ 11,362,690	10,450,711	\$ 9,717,557
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	88.58%	76.67%	77.47%	77.71%	75.07%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 574,840	\$ 531,495	\$ 470,825	\$ 398,079	\$ 367,677
	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014	Measurement Date June 30, 2013	Measurement Date June 30, 2012
Proportion of the Net Pension Liability	0.079200%	0.089800%	0.081140%	N/A	N/A
Proportionate Share of the Net Pension Liability	\$ 2,924,994	\$ 2,463,640	\$ 1,937,636	\$ N/A	\$ N/A
Covered Payroll - Measurement Period	\$ 1,829,430	\$ 1,718,001	\$ 1,707,696	\$ N/A	\$ N/A
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	159.89%	143.40%	113.46%	N/A	N/A
Plan's Fiduciary Net Position	\$ 8,477,710	\$ 8,203,952	\$ 7,976,883	\$ N/A	\$ N/A
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.35%	76.91%	80.46%	N/A	N/A
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 315,703	\$ 308,067	\$ 215,709	\$ N/A	\$ N/A

Notes to Schedules:

Change in Benefit Terms - In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five-year.

Changes in Assumptions - In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of miscellaneous employees.

Omitted Years - GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

*Fiscal year 2015 was the first year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

**SCHEDULES OF CONTRIBUTIONS TO THE PENSION PLAN
LAST TEN YEARS**

	Fiscal Year 2021 - 2022	Fiscal Year 2020 - 2021	Fiscal Year 2019 - 2020	Fiscal Year 2018 - 2019	Fiscal Year 2017 - 2018
Actuarially Determined Contribution	\$ 511,854	\$ 466,121	\$ 403,880	\$ 356,338	\$ 302,451
Contributions in Relation to the Actuarially Determined Contributions	<u>(511,854)</u>	<u>(466,121)</u>	<u>(404,110)</u>	<u>(356,338)</u>	<u>(302,451)</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (230)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll - Fiscal Year	<u>\$ 2,420,193</u>	<u>\$ 2,286,481</u>	<u>\$ 2,118,208</u>	<u>\$ 2,072,596</u>	<u>\$ 1,930,102</u>
Contributions as a Percentage of Covered Payroll	21.15%	20.39%	19.08%	17.19%	15.67%
Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015	Fiscal Year 2013 - 2014	Fiscal Year 2012 - 2013
Actuarially Determined Contribution	\$ 302,683	\$ 286,852	\$ 267,504	\$ 256,232	\$ N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>(437,683)</u>	<u>(441,852)</u>	<u>(267,504)</u>	<u>(256,232)</u>	<u>N/A</u>
Contributions Deficiency (Excess)	<u>\$ (135,000)</u>	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>
Covered Payroll - Fiscal Year	<u>\$ 1,916,333</u>	<u>\$ 1,829,430</u>	<u>\$ 1,718,001</u>	<u>\$ 1,707,696</u>	<u>\$ N/A</u>
Contributions as a Percentage of Covered Payroll	22.84%	22.51%	15.57%	15.00%	N/A
Valuation Date	June 30, 2015	June 30, 2014	June 20, 2013	June 20, 2012	

Notes to Schedules:

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level Percentage of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

Omitted Years - GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.

**SAN ELIJO JOINT POWERS AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

**SCHEDULES OF CHANGES IN THE AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS**

Measurement Period	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total OPEB Liability										
Service cost	\$ 32,952	\$ 27,919	\$ 23,405	\$ 19,445	\$ 18,879	\$ 18,267	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	13,498	13,759	15,314	15,625	14,565	13,926	N/A	N/A	N/A	N/A
Change of benefit terms	-	-	-	-	-	-	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(6,277)	6,728	-	8,259	-	-	N/A	N/A	N/A	N/A
Changes of assumptions	(140,644)	22,755	49,719	6,771	(9,274)	-	N/A	N/A	N/A	N/A
Benefit payments	(24,405)	(18,556)	(16,528)	(12,096)	(14,170)	(13,242)	N/A	N/A	N/A	N/A
Net Change in Total OPEB Liability	<u>(124,876)</u>	<u>52,605</u>	<u>71,910</u>	<u>38,004</u>	<u>10,000</u>	<u>18,951</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total OPEB Liability - Beginning	<u>595,539</u>	<u>542,934</u>	<u>471,024</u>	<u>433,020</u>	<u>423,020</u>	<u>404,069</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total OPEB Liability - Ending (a)	<u>\$ 470,663</u>	<u>\$ 595,539</u>	<u>\$ 542,934</u>	<u>\$ 471,024</u>	<u>\$ 433,020</u>	<u>\$ 423,020</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 24,405	\$ 18,556	\$ 16,528	\$ 12,096	\$ 14,170	\$ 13,242	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net investment income	-	-	-	-	-	-	N/A	N/A	N/A	N/A
Benefit payments	(24,405)	(18,556)	(16,528)	(12,096)	(14,170)	(13,242)	N/A	N/A	N/A	N/A
Administrative expense	-	-	-	-	-	-	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's Net OPEB Liability - Ending (a) - (b)	<u>\$ 470,663</u>	<u>\$ 595,539</u>	<u>\$ 542,934</u>	<u>\$ 471,024</u>	<u>\$ 433,020</u>	<u>\$ 423,020</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Covered Employee Payroll - Measurement Period	<u>\$ 2,420,193</u>	<u>\$ 2,188,001</u>	<u>\$ 2,104,992</u>	<u>\$ 2,043,682</u>	<u>\$ N/A</u>	<u>\$ 1,856,890</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net OPEB Liability as a Percentage of Covered - Employee Payroll	19.45%	27.22%	25.79%	23.05%	N/A	22.78%	N/A	N/A	N/A	N/A

**SAN ELIJO JOINT POWERS AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

**SCHEDULES OF CHANGES IN THE AUTHORITY'S NET OPEB LIABILITY AND RELATED
RATIOS
LAST TEN YEARS**

Notes to Schedules:

Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement Period - Fiscal Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Valuation Date	June 30, 2016
Measurement Period - Fiscal Year Ended	June 30, 2017

Benefit Changes - None

Changes in Assumptions - During 2018, the discount rate was changed from 7.5% to 7.0%

Omitted Years - GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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**SAN ELIJO JOINT POWERS AUTHORITY
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2022**

ASSETS

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 13,244,827	\$ 4,312,490	\$ 17,557,317
Due from other government agencies	13,256	1,641,174	1,654,430
Accrued interest receivable	314,979	3,294	318,273
Prepaid expenses	60,478	17,693	78,171
Current portion of loan receivable	475,000	-	475,000
Total Current Assets	<u>14,108,540</u>	<u>5,974,651</u>	<u>20,083,191</u>
<u>Noncurrent Assets:</u>			
Cash and cash equivalents	2,589	-	2,589
Total Restricted Assets	<u>2,589</u>	<u>-</u>	<u>2,589</u>
Lease receivable	462,853	-	462,853
Loans receivable, net of current portion	20,295,000	-	20,295,000
Capital Assets:			
Nondepreciable	856,425	644,329	1,500,754
Depreciable, net of accumulated depreciation	47,080,372	16,843,995	63,924,367
Total Capital Assets	<u>47,936,797</u>	<u>17,488,324</u>	<u>65,425,121</u>
TOTAL ASSETS	<u>82,805,779</u>	<u>23,462,975</u>	<u>106,268,754</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows related to pensions	725,039	135,031	860,070
Deferred outflows related to OPEB	53,611	9,985	63,596
Total Deferred Outflows of Resources	<u>778,650</u>	<u>145,016</u>	<u>923,666</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2022

LIABILITIES

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
Current Liabilities:			
Accounts payable	\$ 556,492	\$ 309,526	\$ 866,018
Accrued liabilities	120,433	32,931	153,364
Accrued interest payable	287,475	3,989	291,464
Due to other government agencies	183,013	-	183,013
Due to other funds	185,000	-	185,000
Unearned revenue	640	2,476,631	2,477,271
Current portion of noncurrent liabilities	592,982	112,176	705,158
Total Current Liabilities	<u>1,926,035</u>	<u>2,935,253</u>	<u>4,861,288</u>
Noncurrent Liabilities:			
Long-Term Debt:			
Revenue bonds, net of current portion	22,050,600	-	22,050,600
Private placement loan payable, net of current portion	-	1,052,086	1,052,086
SFID reimbursement agreement payable	-	394,456	394,456
Solana Beach reimbursement agreement payable	-	432,554	432,554
SDG&E financing agreement, net of current portion	213,553	-	213,553
Total Long-Term Debt	<u>22,264,153</u>	<u>1,879,096</u>	<u>24,143,249</u>
Other Noncurrent Liabilities:			
Net pension liability	1,587,804	295,712	1,883,516
Net OPEB obligation	396,769	73,894	470,663
Compensated absences, net of current portion	435,195	73,066	508,261
Total Other Noncurrent Liabilities	<u>2,419,768</u>	<u>442,672</u>	<u>2,862,440</u>
Total Noncurrent Liabilities	<u>24,683,921</u>	<u>2,321,768</u>	<u>27,005,689</u>
Total Liabilities	<u>26,609,956</u>	<u>5,257,021</u>	<u>31,866,977</u>
DEFERRED INFLOWS OF RESOURCES: (Notes 1 and 9)			
Deferred inflows related to pensions	1,524,135	283,854	1,807,989
Deferred inflows related to OPEB	112,326	20,920	133,246
Deferred inflows related to leases	462,853	-	462,853
Total Deferred Inflows of Resources	<u>2,099,314</u>	<u>304,774</u>	<u>2,404,088</u>
NET POSITION:			
Net investment in capital assets	25,144,256	15,507,901	40,652,157
Unrestricted	29,730,903	2,538,295	32,269,198
Total Net Position	<u>\$ 54,875,159</u>	<u>\$ 18,046,196</u>	<u>\$ 72,921,355</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<u>Operating Revenues:</u>			
Charges for services to other government agencies	\$ 2,153,247	\$ 3,318,361	\$ 5,471,608
Contributions from City of Encinitas	2,175,358	-	2,175,358
Contributions from City of Solana Beach	1,683,250	-	1,683,250
Total Operating Revenues	<u>6,011,855</u>	<u>3,318,361</u>	<u>9,330,216</u>
<u>Operating Expenses:</u>			
Personnel costs	3,021,555	696,702	3,718,257
Depreciation and amortization	1,541,133	711,476	2,252,609
Contracted services	1,209,313	224,728	1,434,041
Utilities	594,839	427,137	1,021,976
Supplies	491,796	251,068	742,864
Disposal services	271,742	-	271,742
Repair parts expense	162,977	62,387	225,364
Rent	18,086	125,643	143,729
Permit/purveyor fees	84,233	52,004	136,237
Miscellaneous	68,664	41,285	109,949
Insurance	90,258	17,467	107,725
Total Operating Expenses	<u>7,554,596</u>	<u>2,609,897</u>	<u>10,164,493</u>
Operating (Loss)	<u>(1,542,741)</u>	<u>708,464</u>	<u>(834,277)</u>
<u>Nonoperating Revenues (Expenses):</u>			
Investment income	940,042	6,415	946,457
State grants	-	710,996	710,996
Other	308,996	35,400	344,396
Rental income	16,478	-	16,478
Loss on disposal of capital assets	(4,722)	-	(4,722)
Interest expense	(801,401)	(54,661)	(856,062)
Total Nonoperating Revenues (Expenses)	<u>459,393</u>	<u>698,150</u>	<u>1,157,543</u>
(Loss) Before Capital Contributions	<u>(1,083,348)</u>	<u>1,406,614</u>	<u>323,266</u>
<u>Capital Contributions:</u>			
Member agency assessments	1,436,701	-	1,436,701
Total Capital Contributions	<u>1,436,701</u>	<u>-</u>	<u>1,436,701</u>
Change in Net Position	353,353	1,406,614	1,759,967
Net Position at Beginning of Year, Restated	<u>54,521,807</u>	<u>16,639,581</u>	<u>71,161,388</u>
NET POSITION AT END OF YEAR	<u>\$ 54,875,160</u>	<u>\$ 18,046,195</u>	<u>\$ 72,921,355</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>			
Cash received from customers	\$ 6,399,272	\$ 5,050,487	\$ 11,449,759
Cash payments to suppliers for goods and services	(2,932,000)	(1,797,733)	(4,729,733)
Cash payments to employees for services	(3,235,277)	(748,554)	(3,983,831)
Net Cash Provided by Operating Activities	<u>231,995</u>	<u>2,504,200</u>	<u>2,736,195</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>			
Rental and other nonoperating income	325,474	35,400	360,874
Net Cash Provided by Noncapital and Related Financing Activities	<u>325,474</u>	<u>35,400</u>	<u>360,874</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(3,160,467)	(358,321)	(3,518,788)
Principal paid on long-term debt	(513,388)	(127,931)	(641,319)
Interest paid on long-term debt	(876,224)	(54,997)	(931,221)
Proceeds of state grants	-	710,996	710,996
Capital contributions	1,436,701	-	1,436,701
Net Cash Used in Capital and Related Financial Activities	<u>(3,113,378)</u>	<u>169,747</u>	<u>(2,943,631)</u>
<u>Cash Flows From Investing Activities:</u>			
Proceeds from loans receivable	460,000	-	460,000
Investment income	928,385	3,076	931,461
Net Cash Provided by Investing Activities	<u>1,388,385</u>	<u>3,076</u>	<u>1,391,461</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,167,524)	2,712,423	1,544,899
Cash and Cash Equivalents at Beginning of Year	<u>14,414,940</u>	<u>1,600,067</u>	<u>16,015,007</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>\$ 13,247,416</u></u>	<u><u>\$ 4,312,490</u></u>	<u><u>\$ 17,559,906</u></u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<u>Reconciliation of Operating (Loss) Income to</u>			
<u>Net Cash Provided by Operating Activities:</u>			
Operating income (loss)	\$ (1,542,741)	\$ 708,464	\$ (834,277)
Adjustments to reconcile operating income (loss) to			
net cash provided by operating activities:			
Depreciation	1,541,133	711,476	2,252,609
Change in assets and liabilities:			
Due from other governmental agencies	575,017	564,342	1,139,359
Prepaid expenses	(31,554)	(280)	(31,834)
Deferred outflows related to pensions	15,902	2,962	18,864
Deferred outflows related to OPEB	5,652	1,052	6,704
Accounts payable	11,462	(595,734)	(584,272)
Accrued liabilities	(117,741)	(33,354)	(151,095)
Due to other government agencies	(188,240)	-	(188,240)
Due to other funds	80,000	-	80,000
Unearned revenue	640	1,167,784	1,168,424
Net pension liability	(1,463,080)	(272,483)	(1,735,563)
Net OPEB obligation	(105,270)	(19,606)	(124,876)
Compensated absences	(22,070)	(4,733)	(26,803)
Deferred inflows related to pensions	1,360,559	253,390	1,613,949
Deferred inflows related to OPEB	112,326	20,920	133,246
Net Cash Provided by Operating Activities	<u>\$ 231,995</u>	<u>\$ 2,504,200</u>	<u>\$ 2,736,195</u>

The accompanying notes are an integral part of the financial statements.

SAN ELIJO JOINT POWERS AUTHORITY
SCHDULE OF OPERATING BUDGET COMPARISON - WASTEWATER
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Revenues:</u>			
Charges for services to other government agencies	\$ 2,246,069	\$ 2,153,247	\$ 92,822
Contributions from the City of Encinitas	2,299,968	2,175,358	124,610
Contributions from the City of Solana Beach	1,707,961	1,683,250	24,711
Total Operating Revenues	<u>6,253,998</u>	<u>6,011,855</u>	<u>242,143</u>
<u>Operating Expenses:</u>			
Personnel costs	3,065,319	3,021,555	43,764
Utilities	558,190	594,839	(36,649)
Contracted services	1,138,533	1,209,313	(70,780)
Miscellaneous	189,283	68,664	120,619
Supplies	386,099	491,796	(105,697)
Rent	12,913	18,086	(5,173)
Repair parts expense	153,900	162,977	(9,077)
Insurance	90,767	90,258	509
Disposal services	267,900	271,742	(3,842)
Permit/purveyor fees	97,509	84,233	13,276
Contingency	159,000	-	159,000
Total Operating Expenses	<u>6,119,413</u>	<u>6,013,463</u>	<u>105,950</u>
Depreciation and Amortization	-	1,541,133	(1,541,133)
Operating Expenses, Net	<u>6,119,413</u>	<u>7,554,596</u>	<u>(1,435,183)</u>
Operating Income (Loss)	<u>\$ 134,585</u>	<u>\$ (1,542,741)</u>	<u>\$ 1,677,326</u>

SAN ELIJO JOINT POWERS AUTHORITY
SCHEDULE OF OPERATING BUDGET COMPARISON - RECYCLED
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Revenues:</u>			
Charges for services to other government agencies	\$ 3,843,407	\$ 3,318,361	\$ 525,046
Total Operating Revenues	<u>3,843,407</u>	<u>3,318,361</u>	<u>525,046</u>
<u>Operating Expenses:</u>			
Personnel costs	658,874	696,702	(37,828)
Utilities	351,750	427,137	(75,387)
Contracted services	324,294	224,728	99,566
Miscellaneous	33,997	41,286	(7,289)
Supplies	298,275	251,068	47,207
Rent	117,100	125,643	(8,543)
Repair parts expense	50,000	62,387	(12,387)
Insurance	16,816	17,467	(651)
Permit/purveyor fees	32,594	52,004	(19,410)
Total Operating Expenses	<u>1,883,700</u>	<u>1,898,422</u>	<u>(14,722)</u>
Depreciation and Amortization	<u>-</u>	<u>711,475</u>	<u>(711,475)</u>
Operating Expenses, Net	<u>1,883,700</u>	<u>2,609,897</u>	<u>(726,197)</u>
Operating Income	<u>\$ 1,959,707</u>	<u>\$ 708,464</u>	<u>\$ 1,251,243</u>



Attachment 2

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

To the Board of Directors
San Elijo Joint Powers Authority
2695 Manchester Avenue
Cardiff By The Sea, California 92007

We have audited the financial statements of the business-type activities, and the remaining fund information of San Elijo Joint Powers Authority (“SEJPA”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2022. Professional standards also required that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SEJPA are described in Note 1 to the financial statements. As described in Note 12 to the financial statements SEJPA changed accounting policies related to lease accounting by adopting Statement of Governmental Accounting Standards No. 87 “Leases” effective July 1, 2021. We noted no transactions entered into by SEJPA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting SEJPA’s financial statements were:

- Management’s estimate of the useful lives assigned to capital assets are based upon the intended use of the assets as well as management’s experience with similar assets.
- Management’s estimate that no long-lived assets have been impaired is based upon their assessment of currently known facts which could have an affect on the value of long-lived assets.
- The fair value of investments is reported to SEJPA on the valuation methodologies deemed appropriate by the California Local Agency Investment Fund (LAIF) and the fund managers. SEJPA reviews and evaluates the values provided by the LAIF and the fund managers.

- Management's estimate of the net OPEB obligation is based upon an actuarial study performed by the actuarial consultant.
- Management's estimate of the net pension liability is based upon the actuarial study performed by CalPERS.

The financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Cash and Cash Equivalents (Note 2)
- Due From Other Government Agencies (Note 3)
- Capital Assets (Note 5)
- Revenue Bonds (Note 7)
- Reimbursement Agreements Payable (Note 9)
- Postemployment Benefits (Note 10)
- Defined Benefit Pension Plan (Note 11)

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements were corrected by management:

AJE 8

1700.10	Deferred Outflows-PERS	38,552.92	
1700.20	Deferred Outflows-PERS	7,180.08	
1710.10	Deferred Outflows-Actuarial	15,341.76	
1710.20	Deferred Outflows-Actuarial	2,857.24	
1720.10	Deferred Outflow-Experience	20,833.90	
1720.20	Deferred Outflow-Experience	3,880.10	
1740.10	Deferred Outflow-Pension-Assum	21,760.36	
1740.20	Deferred Outflow-Pension-Assum	4,052.64	
2700.10	Net Pension Liability	1,463,079.61	
2700.20	Net Pension Liability	272,483.39	
2710.10	Deferred Inflows-Actuarial	3,749.66	
2710.20	Deferred Inflows-Actuarial	698.34	
2750.10	Deferred Inflow-Earnings		1,476,699.96
2750.20	Deferred Inflow-Earnings		275,020.04
5147.10	Retirement Plan - PERS		86,618.25
5147.20	Retirement Plan - PERS		16,131.75
			102,750.00

To record GASB 68 activity based on actuarial report.

AJE 11

1000.10	General Checking	1.10		
1480.10	Construction in Progress		1.10	
1480.20	Construction in Progress	3.39		
1000.20	General Checking		1.10	
5606.20	Supplies - Office		2.29	
4940.50	Other Contributions	2,292,836.74		
1480.50	Construction in Progress		2,292,836.74	(2,292,834.45)
To adjust CIP balances and funds to actual.				

Disagreements With Management

For purposes of this letter a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December ___, 2022

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SEJPA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SEJPA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining schedules and operating budget comparisons, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of San Elijo Joint Powers Authority and is not intended to be and should not be used by anyone other than these specified parties.

San Diego, California
December __, 2022

DRAFT

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

December 13, 2022

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance and Administration

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY FISCAL YEAR 2021-22 OPERATING
AND DEBT SERVICE EXPENSES END OF YEAR REVIEW

RECOMMENDATION

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

BACKGROUND

San Elijo Joint Powers Authority (SEJPA) owns and operates the San Elijo Water Campus, San Elijo Recycled Water Utility, and is a co-owner of the San Elijo Ocean Outfall. SEJPA also manages several related service programs to support the cities of Encinitas, Solana Beach, and Del Mar, as well as other local government agencies.

Operational programs include:

- Wastewater Treatment
- Laboratory Services
- Ocean Outfall
- Cardiff Sanitary Division Pump Stations
- Encinitas Sanitary Division Pump Station
- City of Encinitas Urban & Stormwater
- City of Solana Beach Pump Stations
- City of Solana Beach Generator Services
- City of Del Mar Pump Station
- Recycled Water

In providing these services, SEJPA seeks to accomplish its mission in an environmentally, socially, and fiscally responsible manner. Each of the above programs is funded by the customer base served. Cost allocations are applied based on actual flows treated or level of effort provided. The total operating budget for the FY 2021-22 was \$8,003,113.

DISCUSSION

The following information is the actual operating and debt services expenses for FY 2021-22, which ended June 30, 2022. Overall, SEJPA completed FY 2021-22 under budget, which allowed the application of some program savings to build reserves for future pension liabilities. The FY 2021-22 contribution to the pension reserve (PARS trust) totaled \$185,000. The financial performance of each program operated by SEJPA is presented below in further detail.

SUMMARY OF EXPENSES

The table below summarizes program expenses and budget variance for FY 2021-22. SEJPA programs were collectively \$131,404 or 1.6% under budget, including the \$185,000 pension contribution. Wastewater Treatment and Disposal, which includes pump stations and other services, was \$120,096 or 2.0% under budget. Recycled Water was \$11,308 or 0.6% under budget. Below is a summary table of all SEJPA programs followed by detailed discussion of each program.

Program	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Wastewater Treatment	\$ 3,202,668	\$ 3,047,936	\$ 154,732	95.2%
Laboratory	841,210	820,193	21,017	97.5%
Ocean Outfall	1,103,408	1,212,337	(108,929)	109.9%
Cardiff Sanitary Division	296,008	300,545	(4,537)	101.5%
Encinitas Sanitary Division	151,184	142,988	8,196	94.6%
City of Encinitas	35,048	47,887	(12,839)	136.6%
City of Solana Beach	418,351	369,381	48,970	88.3%
City of Solana Beach Services	14,111	8,486	5,625	60.1%
City of Del Mar	57,425	49,564	7,861	86.3%
Programs before Recycled Water	\$ 6,119,413	\$ 5,999,317	\$ 120,096	98.0%
Recycled Water	1,883,700	1,872,392	11,308	99.4%
Total All SEJPA Programs	\$ 8,003,113	\$ 7,871,709	\$ 131,404	98.4%

WASTEWATER TREATMENT

This program is the cost center for all operations and maintenance activities for wastewater treatment at the San Elijo Water Campus. Activities include wastewater treatment for the cities of Encinitas, Solana Beach, and Del Mar as well as the Rancho Santa Fe Community Services District, with the effluent being recycled or disposed to the ocean. Wastewater biosolids are treated and dewatered, then hauled by contractor to Arizona for beneficial reuse through land application.

Wastewater Treatment finished the fiscal year below budget by \$154,732 or 4.8%. Supplies & Services ended with \$90,186 or 5.3% under budget, representing unspent multi-year engineering service contracts and construction service contracts. Personnel and Capital Outlay were slightly above budget. These expenditures were offset by unspent budget in Contingency category.

<i>Expense Category</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 1,408,137	\$ 1,416,798	\$ (8,661)	100.6%
Supplies & Services	1,692,531	1,602,345	90,186	94.7%
Capital Outlay	26,000	28,793	(2,793)	110.7%
Contingency	76,000	-	76,000	0.0%
Total JPA Wastewater Treatment	\$ 3,202,668	\$ 3,047,936	\$ 154,732	95.2%

LABORATORY SERVICES

The laboratory located at the San Elijo Water Campus provides analytical laboratory services for SEJPA Wastewater Treatment, Ocean Outfall, and Recycled Water programs as well as to other entities through contract agreements. For FY 2021-22, contract agreements include the Fairbanks Ranch Community Services District, the Rancho Santa Fe Community Services District, the Santa Fe Valley Community Services District, and the Whispering Palms Community Services District. Overall Laboratory Services expenses were below budget by 2.5%. Supplies and Services expenses were higher due to compliance with the Environmental Laboratory Accreditation Program (ELAP) regulations and legal consultation related to leasing of laboratory space. This is offset by the unspent budget in the Personnel and Contingency categories. Personnel ended the year under budget as a result of two vacant positions for part of the fiscal year.

<i>Expense Category</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 641,788	\$ 587,318	\$ 54,470	91.5%
Supplies & Services	180,522	219,909	(39,387)	121.8%
Capital Outlay	13,900	12,966	934	93.3%
Contingency	5,000	-	5,000	0.0%
Total JPA Laboratory	\$ 841,210	\$ 820,193	\$ 21,017	97.5%

OCEAN OUTFALL

This program provides a cost center for all operation and maintenance services related to the ocean outfall system. These activities include secondary effluent pump station operation and maintenance; ocean monitoring; sampling and testing; and bi-annual outfall inspection. As the outfall capacity is shared through an agreement with the City of Escondido, all operations and maintenance costs are shared on the basis of actual usage measured by discharged flow to the outfall (for FY 2021-22 cost share was 89% City of Escondido and 11% SEJPA). Capital improvement project costs are shared based on owned capacity (79% City of Escondido and 21% SEJPA).

Ocean Outfall was over budget by \$108,929 or 9.9%. This was primarily due to the Plume Tracking Study work delays from prior fiscal year that was completed in FY 2021-22 under the Supplies & Services category. All other expense categories for the Ocean Outfall program were under budget for this fiscal year. Personnel category finished the year under budget as a result of two vacant positions for part of the fiscal year.

<i>Expense Category</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 483,760	\$ 442,859	\$ 40,901	91.5%
Supplies & Services	591,648	769,478	(177,830)	130.1%
Capital Outlay	3,000	-	3,000	0.0%
Contingency	25,000	-	25,000	0.0%
Total JPA Ocean Outfall	\$ 1,103,408	\$ 1,212,337	\$ (108,929)	109.9%

CARDIFF SANITARY DIVISION PUMP STATIONS

Under this program, SEJPA provides pump station maintenance and operation services to the City of Encinitas, Cardiff Sanitary Division (CSD). These facilities include the Cardiff, Coast Highway, and Olivenhain pump stations. The actual costs incurred are borne solely by the CSD.

This program was over budget by \$4,537 or 1.5% due to various expenses in the Supplies and Services category including utilities, maintenance, and chemicals. This year SEJPA took over payment of the electric bill for Olivenhain Pump Station that was previously paid directly by the City of Encinitas and not included in the budget. This excess expense was funded by the unspent budget from Personnel and Contingency Expense Categories.

<i>Expense Category</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 162,888	\$ 157,153	\$ 5,735	96.5%
Supplies & Services	113,620	143,392	(29,772)	126.2%
Capital Outlay	-	-	-	-
Contingency	19,500	-	19,500	0.0%
Total Cardiff Sanitary Division	\$ 296,008	\$ 300,545	\$ (4,537)	101.5%

ENCINITAS SANITARY DIVISION PUMP STATION

Pump station maintenance and operation services are provided to the City of Encinitas, Encinitas Sanitary Division (ESD), for the Moonlight Beach pump station. The actual costs incurred are the responsibility of ESD.

The program was under budget by \$8,196 or 5.4%. Unspent Capital Outlay and Contingency contributed to the unspent budget. However, Personnel and Supplies & Services categories exceeded budget to cover unanticipated repair cost.

<i>Expense Category</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 76,019	\$ 79,792	\$ (3,773)	105.0%
Supplies & Services	61,165	63,197	(2,032)	103.3%
Capital Outlay	4,000	-	4,000	0.0%
Contingency	10,000	-	10,000	0.0%
Total Encinitas Sanitary Division	\$ 151,184	\$ 142,988	\$ 8,196	94.6%

CITY OF ENCINITAS URBAN & STORMWATER

SEJPA provides maintenance and operation services to the City of Encinitas that includes the Urban Runoff Treatment Facility, the Phoebe Stormwater Pump Station, Cardiff Stormwater Diversion Structure, and the Storm Drain Sediment Drying and Disposal program. The actual costs incurred are paid for by the City of Encinitas. This program was \$12,839 or 36.6% over budget primarily in the Supplies and Services category due to additional storm drain sediment cleaning being completed by the City of Encinitas with the sediment being hauled to SEJPA for dewatering, testing, and disposal.

<i>Expense Category</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 25,263	\$ 22,023	\$ 3,240	87.2%
Supplies & Services	8,285	25,864	(17,579)	312.2%
Capital Outlay	-	-	-	-
Contingency	1,500	-	1,500	0.0%
Total City of Encinitas	\$ 35,048	\$ 47,887	\$ (12,839)	136.6%

CITY OF SOLANA BEACH PUMP STATIONS

This program provides pump station maintenance and operation services to the City of Solana Beach. These facilities include the Eden Gardens, Solana Beach, San Elijo Hills, and Fletcher Cove pump stations, as well as the Storm Drain Sediment Drying & Disposal Program. The actual expenses incurred are solely paid by the City of Solana Beach. This program finished the year under budget from unspent funds in the areas of repair, disposal, chemical, and utilities.

Expense Category	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 218,898	\$ 208,949	\$ 9,949	95.5%
Supplies & Services	179,453	160,433	19,020	89.4%
Capital Outlay	-	-	-	-
Contingency	20,000	-	20,000	0.0%
Total City of Solana Beach	\$ 418,351	\$ 369,381	\$ 48,970	88.3%

CITY OF SOLANA BEACH GENERATOR SERVICES

This program provides generator services to the Solana Beach City Hall and the Lomas Santa Fe Fire Station. This program was \$5,625 or 39.9% under budget.

Expense Category	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 7,134	\$ 5,068	\$ 2,066	71.0%
Supplies & Services	6,977	3,418	3,559	49.0%
Capital Outlay	-	-	-	-
Contingency	-	-	-	-
Total City of Solana Beach Services	\$ 14,111	\$ 8,486	\$ 5,625	60.1%

DEL MAR PUMP STATION SERVICES

Under this program, SEJPA provides pump station operation and maintenance services to the City of Del Mar. The FY 2021-22 was \$7,861 or 13.7% under budget. Personnel costs were slightly over budget due to unanticipated repairs required at the pump station. Costs incurred by this program are the sole responsibility of the City of Del Mar.

Expense Category	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 41,432	\$ 43,354	\$ (1,922)	104.6%
Supplies & Services	13,993	6,210	7,783	44.4%
Capital Outlay	-	-	-	-
Contingency	2,000	-	2,000	0.0%
Total City of Del Mar	\$ 57,425	\$ 49,564	\$ 7,861	86.3%

RECYCLED WATER

SEJPA owns and operates a recycled water utility that wholesales recycled water to the Santa Fe Irrigation District, the San Dieguito Water District, the City of Del Mar, and the Olivenhain Municipal Water District, as well as provides direct water sales to the Encinitas Ranch Golf Authority (ERGA). SEJPA's recycled water program typically delivers between 1,400 and 1,600 acre-feet per year (AFY) of recycled water to its retail partners.

The total operating expenses (excluding debt service) for Recycled Water was \$1,872,392, which was \$11,308 or 0.6% under budget. Personnel was over budget primarily due to allocation to PARS trust. Supplies and Services and Capital Outlay were under budget expectations for retrofit and capital outlay expenses. Below is a summary of Recycled Water expenses.

<i>Expense Category</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% Budget Spent
Personnel	\$ 658,874	\$ 710,537	\$ (51,663)	107.8%
Supplies & Services	1,174,826	1,146,920	27,906	97.6%
Capital Outlay	50,000	14,936	35,064	29.9%
Contingency	-	-	-	
Total Operating Expense	\$ 1,883,700	\$ 1,872,392	\$ 11,308	99.4%

For FY 2021-22, SEJPA budgeted recycled water sales at 1,604 acre-feet (AF). Due to relatively warm and dry weather and the addition of new customers, actual sales were 1,783 AF or 11.2% more than budgeted. Total revenues for the Recycled Water program were approximately \$4.0 million, including San Diego County Water Authority and Metropolitan Water District incentive revenues and State grant revenues.

Program revenues exceeded total operational expenditures, capital expenditures, and debt service (discussed further below) by \$1,974,035. These funds will be placed in the Recycled Water program reserve for future capital projects. Below is a summary of Recycled Water revenues.

FY 2021-22 Recycled Water Revenues Budget versus Actual

<i>Recycled Water Customer</i>	Budget FY 2021-22	Actual FY 2021-22	(Over) / Under Budget	% of Budget
Santa Fe Irrigation District	\$ 930,846	\$ 1,024,615	\$ (93,769)	110.1%
San Dieguito Water District	665,848	656,210	9,638	98.6%
City of Del Mar	191,201	127,737	63,464	66.8%
Encinitas Ranch Golf Association	302,794	302,794	-	100.0%
Olivenhain Municipal Water District	432,718	487,003	(54,285)	112.5%
Total Customer Revenue	\$ 2,523,407	\$ 2,598,359	\$ (74,952)	103.0%
MWD and CWA Incentives	720,000	720,000	-	100.0%
State Grants	600,000	710,997	(110,997)	118.5%
Total Recycled Water Revenue	\$ 3,843,407	\$ 4,029,356	\$ (185,949)	104.8%

FY 2021-22 Recycled Water Revenues over Expenses

Recycled Water	Actual FY 2021-22
Revenue	\$ 4,029,356
Operating Expense	(1,872,392)
Debt Service	(182,929)
Net Recycled Water Revenue	\$ 1,974,035

NEW PROGRAM – 22nd DISTRICT AGRICULTURAL ASSOCIATION

This is a new program developed to support the Del Mar Fairgrounds with their Infield Treatment system. This program was initially expected to begin in FY 2022-23 and subsequently changed to start on May 1, 2022 per the request of Del Mar Fairground staff due to an early retirement. SEJPA staff began conducting weekly treatment system and pump station review, after-hours alarm monitoring and emergency response, equipment preventative maintenance, PLC programming, instrumentation calibration, and rotating drum filter maintenance. No funds were budgeted in FY 2021-22, but the actual costs of \$8,736 incurred are borne solely by the 22nd District Agricultural Association. This program is included in the current FY 2022-23 budget at \$120,000 annually.

DEBT SERVICES

SEJPA long-term debt service includes one bond issuance and three capital loans. The 2017 Revenue Bonds (Clean Water Bonds) were issued in FY 2016-17 to provide the primary funding source for the SEJPA's Capital Improvement Program. The Private Placement Loan provided funding for the construction of advanced water purification and is scheduled for retirement in FY 2031-32. The Santa Fe Irrigation loan funded the purchase of a recycled water pipeline that expanded the distribution system. The repayment of the SFID loan is based on the volume of recycled water sold via the pipeline and therefore the debt does not have a predetermined retirement date. The City of Solana Beach loan funded the purchase of a recycled water distribution pipeline. The repayment of this loan is also based on the volume of recycled water sold via the pipeline and therefore the debt does not have a predetermined retirement date. The SDG&E On-Bill Financing is an interest free loan that financed energy efficiency improvements to reduce energy consumption. The repayment is paid through monthly billing and the debt will be paid in full during FY 2026-27.

All of SEJPA's loans and bonds were paid timely and in accordance with the agreement provisions. SEJPA's Standard & Poor's bond credit rating is AA+. Below is a table showing the principal balances paid on each loan.

Long-Term Debt*	Original Balance	Paid in Prior Years	Paid in FY 2021-22	FY 2021-22 Balance
2017 Revenue Bonds (Clean Water)	22,115,000	885,000	460,000	20,770,000
Private Placement Loan (AWP)	2,000,000	749,338	97,249	1,153,413
Santa Fe Irrigation Loan (SFID)	526,149	110,640	21,053	394,456
Solana Beach Pipeline Reimbursement	1,191,652	36,135	9,630	1,145,887
SDG&E On Bill Financing	533,883	213,553	53,388	266,942
Total Long Term Debt Outstanding	\$ 26,366,684	\$ 1,994,666	\$ 641,320	\$ 23,730,698

* Amounts shown are principal only

OVERALL SUMMARY

In summary, Wastewater Treatment, Laboratory Services, Pump Stations, Ocean Outfall, and Storm Drains programs were under budget by \$120,096 or 2.0%. Recycled Water expenditures were \$11,308 or 0.6% under budget. Overall, SEJPA was below budget by \$131,404 or 1.6%, which includes the \$185,000 contribution to the PARS trust to reduce future pension liability. All debt service payments were paid according to the loan agreements.

RECOMMENDATION

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

Respectfully submitted,



Amy Chang
Director of Finance & Administration