

**AGENDA**  
**REGULAR BOARD MEETING OF THE**  
**SAN ELIJO JOINT POWERS AUTHORITY**  
**SEPTEMBER 16, 2025 AT 8:30 A.M.**  
**SAN ELIJO WATER CAMPUS – BOARD MEETING ROOM**  
**2695 MANCHESTER AVENUE**  
**CARDIFF BY THE SEA, CALIFORNIA**

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1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. ORAL COMMUNICATIONS/PUBLIC COMMENT PERIOD (NON-ACTION ITEM)
5. NEW HIRES, AWARDS AND RECOGNITION –  
  
Recognition of Service to SEJPA –  
  
Michael (Mike) Henke – 25 Years  
Devin McGinness – 5 Years  
  
Recognition of Recent Achievement –  
  
Evan Fox – Associate of Science (AS) degree major in – Wastewater Technology  
Associate of Science (AS) degree major in – Water Technology
6. \* **CONSENT CALENDAR**
7. \* [APPROVAL OF MINUTES FOR AUGUST 19, 2025 MEETING](#)
8. \* [APPROVAL FOR PAYMENT OF WARRANTS AND MONTHLY INVESTMENT REPORTS – AUGUST 2025](#)
9. \* [WASTEWATER TREATMENT REPORT – JULY 2025](#)
10. \* [RECYCLED WATER REPORT – JULY 2025](#)
11. \* [REPORTABLE MEETINGS](#)
12. \* [SAN ELIJO JOINT POWERS AUTHORITY CONTRACT FOR SINGLE AUDIT PREPARATION AND COMPLIANCE REVIEW](#)

13. \* [AMENDMENT TO SAN ELIJO JOINT POWERS AUTHORITY PROFESSIONAL SERVICES AGREEMENT TO INCLUDE SINGLE AUDIT SERVICES FOR FY 2024-25](#)
14. \* [ACCEPT THE STORMWATER CAPTURE AND REUSE PROJECT](#)
15. \* 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**

16. [RECYCLED WATER COST OF SERVICE AND PROPOSED WHOLESALE RATES ADOPTION](#)

1. Accept and file the Carollo Engineers Recycled Water Rate Study;
2. Approve a series of annual Recycled Water Rate increases to Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD), and the 22<sup>nd</sup> District Agricultural Association (22<sup>nd</sup> DAA). These increases would be the following:  
  
January 1, 2026 – 10% Increase  
January 1, 2027 – 10% Increase  
January 1, 2028 – 8% Increase  
January 1, 2029 – 8% Increase
3. Authorize the General Manager to annually evaluate and propose revisions to an annual rate increase should financial performance exceed projections, or if other favorable financial conditions arise.
4. Discuss and take action as appropriate.

Staff Reference: Director of Finance/Administration

17. [CAPITAL PROGRAM UPDATE](#)

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

Staff Reference: Director of Infrastructure and Sustainability

18. GENERAL MANAGER'S REPORT

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

19. GENERAL COUNSEL'S REPORT

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

20. 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.

21. 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".*

PUBLIC EMPLOYEE PERFORMANCE EVALUATION (Government Code Section 54957 (b)(1), Title: General Manager

22. DISCUSSION AND POSSIBLE ACTION ON GENERAL MANAGER EMPLOYMENT AGREEMENT

1. Discussion and possible action to amend General Manager's Employment Contract; and
2. Discuss and take action as appropriate.

Staff Reference: General Manager

23. ADJOURNMENT

The next regularly scheduled San Elijo Joint Powers Authority Board Meeting will be Tuesday, October 21, 2025 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 are 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](http://www.sejpa.org). The 2025 SEJPA Board meetings schedule, adopted following the January 2025 SEJPA Board Meeting, is available at [SEJPA Board Meeting Dates](#).

#### 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](http://www.sejpa.org), and in the following locations:

- San Elijo Water Campus (formerly known as San Elijo Water Reclamation Facility), 2695 Manchester Avenue, Encinitas, California
- City of Encinitas, 505 South Vulcan Avenue, Encinitas, California
- City of Solana Beach, 635 South Highway 101, Solana Beach, California

The original agenda was published on Thursday, September 11, 2025, at least 72 hours prior to the meeting, in accordance with Government Code Section 54954.2(a).

Date: September 16, 2025

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 AUGUST 19, 2025  
AT THE SAN ELIJO WATER CAMPUS

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Kristi Becker, Chair

Luke Shaffer, Vice Chair

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A meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Tuesday, August 19, 2025, at 8:30 a.m., at the San Elijo Water Campus.

1. CALL TO ORDER

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

2. ROLL CALL

*Directors Present:*

Board Chair

Kristi Becker

Vice Chair

Luke Shaffer

Board Member

David Zito

Board Member

Jim O'Hara (arrived 8:39 a.m.)

*Others Present:*

General Manager

Michael Thornton

Director of Operations

Christopher Trees

Director of Infrastructure and Sustainability

Thomas Falk

Director of Finance and Administration

Kevin Lang

Senior Project Manager

Michael Konicke

Administrative Coordinator

Vanessa Hackney

*SEJPA Counsel:*

Snell and Wilmer

Tracie Stender

*City of Encinitas:*

Principal Engineer SDWD

Elmer Alex

Finance Manager

Shoshana Aguilar

Contract Senior Management Analyst

Ashlee Stratakis

Intern to Board Member O'Hara

Aarya Dave

*City of Solana Beach:*

Public Works Director

Orelia DeBraal

*Santa Fe Irrigation District:*

Director, Division #2

Director, Division #1

Director of Administrative Services

Dana Friehauf

Kenneth Westphal

Seth Gates

3. PLEDGE OF ALLEGIANCE

Board Chair Becker led the Pledge of Allegiance.

4. ORAL COMMUNICATION/PUBLIC COMMENT PERIOD

Two public comments were made prior to the presentation of Item No. 15, Draft Recycled Water Cost of Service Study and Proposed Wholesale Rate Increase:

- Dana Friehauf, Division #2 Director of the Santa Fe Irrigation District (SFID):

Dana expressed appreciation for the coordination between SFID and SEJPA, noting that SEJPA considered SFID's input when setting rate schedules and adjusting the implementation timeline. Dana requested that staff review the Cost-of-Service Study annually to ensure rate adjustments do not result in over or under collection, and that the final report clearly specify the cost controls identified in the draft study.

- Kenneth Westphal, Division #1 Director of the Santa Fe Irrigation District:

Kenneth concurred with Dana's comments and emphasized the importance of conducting annual reviews of rate adjustments to ensure their accuracy, making modifications as necessary, and communicating the outcomes to the community.

5. AWARDS AND RECOGNITION

None.

6. CONSENT CALENDAR

Agenda Item No. 7	Approval of Minutes for the June 17, 2025 Board Meeting
Agenda Item No. 8a	Approval for Payment of Warrants and Monthly Investment Report – June 2025
Agenda Item No. 8b	Approval for Payment of Warrants and Monthly Investment Report – July 2025
Agenda Item No. 9a	Wastewater Treatment Report – June 2025
Agenda Item No. 9b	Wastewater Treatment Report – July 2025
Agenda Item No. 10a	Recycled Water Report – June 2025
Agenda Item No. 10b	Recycled Water Report – July 2025
Agenda Item No. 11	Reportable Meetings

- Agenda Item No. 12      Contract for Procurement of Polymer for Fiscal Year 2025-26
- Agenda Item No. 13      Construction Phase Contract Amendments for the Biosolids  
Dewatering Facility Project

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

Motion carried with the following vote of approval:

AYES:            Becker, Shaffer, O'Hara, Zito  
NOES:           None  
ABSENT:        None  
ABSTAIN:       None

15.      DRAFT RECYCLED WATER COST OF SERVICE STUDY AND PROPOSED WHOLESALE RATE INCREASE

Director of Finance and Administration Kevin Lang reported that San Elijo staff, in collaboration with Carollo Engineers, have been closely evaluating the potential rate scenarios presented to the Board at the May 2025 Recycled Water Workshop #2. He explained that an updated rate increase is necessary for two primary reasons: the expiration of incentive revenues—currently covering approximately 29% of operating costs—in September 2025, and the impact of high inflation on both capital and operating expenses.

Referencing the March and May workshops, Mr. Lang stated that Carollo, with the support of San Elijo staff, recommends moving forward with **Alternative Rate Schedule One**, which includes an already in place increase of 3.9% on July 1, 2025, to be followed by annual increases of 10%, 10%, 8%, and 8% on January 1 of calendar years 2026 through 2029, respectively.

Mr. Lang emphasized that future capital projects have been carefully prioritized to meet current facility and process needs while also positioning the agency for long-term improvements. He clarified that the larger rate adjustments in FY 2026 and FY 2027 are driven primarily by the loss of incentive revenues, rather than by new capital expenditures.

He also highlighted San Elijo's two debt agreements, which require a minimum Debt Service Coverage Ratio (DSCR) of 1.15x. While this is the contractual threshold, Mr. Lang noted that a more prudent target is at least 1.25x, with healthier levels ranging from 1.5x to 2.0x. Under Alternative One, the agency is projected to maintain this 1.25x buffer even in FY 2027, when the DSCR is expected to be at its lowest point.

Following comments and discussion from Board Members, Mr. Lang indicated that SEJPA staff will work with Carollo to finalize the Cost of Service Study and will present an action item to the Board in September for the adoption of **Alternative Rate Schedule One**.

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

16. GENERAL MANAGER'S REPORT

General Manager Michael Thornton reported that in July of 2025 he, along with General Manager Paul Bushee, of Leucadia Wastewater District, presented at the California Association of Sanitation Agencies (CASA) annual conference. The presentation focused on workforce development, which included highlighting the inaugural 2024 Water Career Day that took place at the San Elijo Water Campus.

17. GENERAL COUNSEL'S REPORT

None.

18. BOARD MEMBER COMMENTS

Board Member Jim O'Hara reported that he and Vice Chair Shaffer were grateful to General Manager Thornton for hosting a tour of the San Elijo Water Campus.

19. CLOSED SESSION

A closed session was held per Government Code Section 54957 (b)(1), Public Employee Evaluation, Title: General Manager

20. DISCUSSION AND POSSIBLE ACTION ON GENERAL MANAGER EMPLOYMENT AGREEMENT

The board formed an ad hoc committee to develop a compensation philosophy for SEJPA and to continue negotiations with the General Manager.

21. ADJOURNMENT

The meeting adjourned at 9:55 a.m. The next Board of Directors meeting is scheduled to be held on Tuesday, September 16, 2025 at 8:30 a.m.



# SAN ELIJO JOINT POWERS AUTHORITY

## PAYMENT OF WARRANTS

### For the Month of AUGUST 2025

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
45501	Allied Storage Containers	Equipment Rental/Lease	20' and 40' storage containers - Aug	\$ 359.89
45502	Scott Best	Subsistence - Travel/Rm & Bd	Employee reimbursement - Mileage	47.25
45503	bkm OfficeWorks, LLC	Supplies - Office	Office furniture - Lead operators	4,140.18
45504	Black & Veatch	Services - Engineering	Dewatering facilities upgrades and Facility plan update	27,507.50
45505	Brax Process and Pump Equip.	Repair Parts Expense	Various supplies	6,354.45
45506	California Water Technologies	Supplies - Chem - Ferric Chlo	Ferric chloride solution	11,871.17
45507	City of Solana Beach	Solana Beach RW Pipeline	Pipeline reimbursement - FY 25	12,960.00
45508	County of San Diego	Fees - Permits	Moonlight Beach Pump Station	623.00
45509	Dell Marketing L.P.	Supplies - IT Equipment	IT equipment	3,508.08
45510	EDCO Waste & Recycling Service	Utilities - Trash	Trash Services - Jul	520.68
45511	Eurofins Calscience, LLC	Services - Laboratory	Testing water samples	2,292.50
45512	Excel Landscape, Inc.	Services - Landscape	Grounds maintenance service - Jun and Jul	8,764.00
45513	J.R. Filanc Construction Co.	Services - Contractors	Wanket Tank Refurbishment - May - Jun	298,350.96
45514	Evan E Fox	Fuel	Employee reimbursement - Fuel	40.27
45515	Global Power Group Inc.	Services - Maintenance	As needed generator repair service - Solana Beach City Hall	225.11
45516	Golden Bell Products	Supplies - Chemicals	Lift station degreaser	509.12
45517	Grainger, Inc.	Repair Parts Expense	LSF pressure switches and fan bearings	1,280.37
45518	Hach Company	Shop Tools and Equip.	Urban runoff station turbidity meter part	1,222.99
45519	Hardy Diagnostics	Supplies - Lab	Various lab supplies	883.03
45520	Hoch Consulting, APC	Services - Professional	Prop 1 Rd Project 7 and Prop 1 Rd 2 Project 6 - Jun	2,835.00
45521	Idexx Distribution, Inc.	Supplies - Lab	Various supplies	3,972.89
45522	Liquid Environmental Solution	Services - Grit & Screenings, Grease & Scum	Roll off box and pumping service - offset by credit memo	-
45523	McMaster-Carr Supply Co.	Repair Parts Expense, Supplies - Shop & Field	Various supplies	3,100.85
45524	Nautilus Environmental, Inc	Services - Laboratory	Laboratory toxicity testing services - Jun 25	1,215.00
45525	Cosby Oil Company, Inc	Fuel	Fuel - Jul	1,196.44
45526	Olin Corp - Chlor Alkali	Supplies - Chem - Sodium Hypo	Procurement of Sodium Hypochlorite	11,166.96
45527	Olivenhain Municipal Water Dis	Services - Professional, Landscape, Rent	Rincon NSDWRC, Wanket reservoir maint., Pipeline rental, Woodward & Curran	16,968.05
45528	Robert Half International, Inc	Services - Temp	Temporary staffing service	7,605.65
45529	Rusty Wallis, Inc.	Supplies - Shop & Field	Water softener, tank service and salt bags	395.50
45530	San Dieguito Water District	Utilities - Water	Water	4,777.14
45531	Unifirst Corporation	Services - Uniforms	Uniform service	1,066.62
45532	Underground Service Alert/SC	Services - Alarm	Dig alert, Safe excavation board	150.78
45533	USA Bluebook	Repair Parts Expense, Supplies - Lab	Various supplies	2,717.72
45534	VEGA Americas, Inc	Repair Parts Expense	Level sensor for City of Del Mar, San Dieguito P.S.	1,647.88
45535	Volt Management Corp	Services - Temp	Internship program and temp service	4,113.40
45536	Benefits Coordinators Corp.	Dental/Vision	Vision - Aug	451.70
45537	VWR International, Inc.	Supplies - Lab	Various lab supplies	95.80
45538	WageWorks	Payroll Processing Fees	Admin fee - Jul	170.75
45539	McMaster-Carr Supply Co.	Repair Parts Expense, Supplies - Safety	Various supplies	892.03
45540	County of San Diego	Fines	Olivenhain Pump Stiation	350.00
45541	Abila	Licenses	Accounting software support and subscription	394.32
45542	Affordable Drain Services	Services - Maintenance	Jet vac cleaning services	1,420.00
45543	Aflac	EE Deduction Benefits Payable	Aflac - Aug	717.16
45544	Ag Tech, LLC	Services - Biosolids Hauling	Biosolids hauling and reuse - Jul	19,495.26
45545	Aguilar Plant Care, Inc	Services - Maintenance	Palm treatment	2,875.00

# **SAN ELIJO JOINT POWERS AUTHORITY** **PAYMENT OF WARRANTS** **For the Month of AUGUST 2025**

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
45546	Akeso Occupation Health	Services - Medical	Hearing test and new hire	325.00
45547	Asbury Environmental Services	Fees - Disposal	Used oil disposal	433.05
45548	At&T	Utilities - Internet	Internet service - Jul	2,175.16
45549	Babcock Laboratories, Inc	Services - Laboratory	Annual water suitability test	580.00
45550	Brenntag Pacific, Inc	Supplies - Chemicals, Chem - Odor	Citric acid and Sodium Hydroxide	5,108.99
45551	CA. Office Cleaning, Inc.	Services - Janitorial	Office and window cleaning	3,390.00
45552	CalPERS Educational Forum	Seminars/Education	CalPers Edu. Forum 25 - Y. Reyes-Heyer	549.00
45553	Canyon Springs Enterprises	Services - Contractors	Stormwater Capture and Reuse - Jul	268,413.00
45554	CDM Smith	Services - Engineering	Services for Wanket Tank, Moonlight Pump Station and Recycled Water Pipeline	101,688.29
45555	Columbia Analytical Instr. Inc	Supplies - Lab	Test standard	897.03
45556	Corodata	Rent	Record storage - Jul	125.82
45557	CS-Amsco	Repair Parts Expense	Plug valves with electric actuators	16,138.61
45558	CWEA	Dues & Memberships	Membership renewal - W. Mutscheller	251.00
45559	Cosby Oil Company, Inc	Fuel	Fuel - Aug	748.23
45560	Concepcion Yani Reyes-Heyer	Seminars/Education	Employee reimbursement - Tuition	3,078.00
45561	Devin McGinness	Subsistence - Travel/Rm & Bd	Employee reimbursement - Mileage	56.00
45562	Dixieline Lumber Company	Repair Parts Expense, Supplies - Safety, Shop Tools and Equip.	Various supplies	878.87
45563	Emerson LLP	Repair Parts Expense	RW flowmeter for Lomas Santa Fe Pump Station	14,336.17
45564	Enthalpy Analytical, LLC	Services - Laboratory	Lab sampling	1,464.00
45565	Eurofins Calscience, LLC	Services - Laboratory	Testing water samples	2,200.00
45566	Ferguson Enterprises LLC	Shop Tools and Equip.	Various supplies	1,388.76
45567	Fluid Components International	Services - Maintenance	Annual calibrations of gas flow meters	1,157.22
45568	Evan E Fox	Other Personnel Cost	Employee reimbursement - Health and wellness	110.79
45569	Golden Bell Products	Supplies - Chemicals	Various supplies	1,317.24
45570	Grainger, Inc.	Repair Parts Expense, Supplies - Shop & Field, Safety	Various supplies	432.02
45571	GSE Construction Company Inc.	Services - Contractors	Biosolids facilities improvements - Jul	346,250.30
45572	Hach Company	Repair Parts Expense	Odor scrubber #1 ORP probe	1,508.50
45573	Hardy Diagnostics	Supplies - Lab	Various lab supplies	983.37
45574	Helix Environmental Planning	Services - Professional	Environmental consulting - Stormwater Capture and Reuse	807.86
45575	Idexx Distribution, Inc.	Supplies - Lab	Various supplies	621.22
45576	Daniel Verdon	Supplies - Lab	Employee reimbursement - Lab supplies	109.80
45577	Sterling Infosystems, Inc	Preemployment Screening	Security clearance reports	181.23
45578	Ryan C. Aguilar	Other Personnel Cost	Employee reimbursement - Health and wellness	120.00
45579	Miguel A Becerra	Dues & Memberships	Employee reimbursement - CWEA membership	251.00
45580	Westbound Solar 2, LLC	Utilities - Solar Power	Solar - Jul	15,941.84
45581	Unifirst First Aid Corp	Supplies - Safety	First aid supplies	186.86
45582	Lee's Lock & Safe	Services - Maintenance	Lock service for biosolids project	378.00
45583	Liquid Environmental Solution	Services - Grit & Screenings, Grease & Scum	Roll off box and pumping service - offset by credit memo	-
45584	Marine Taxonomic Services, LTD	Services - Contractors	Intensive water quality monitoring / plume tracking Q2 July 25	2,870.00
45585	McMaster-Carr Supply Co.	Repair Parts Expense, Supplies - Shop & Field	Various supplies	766.95
45586	MetLife - Group Benefits	Dental/Vision	Dental - Sep	3,220.87
45587	Napa Auto Parts	Vehicle Maintenance	Various supplies	108.60
45588	Olin Corp - Chlor Alkali	Supplies - Chem - Sodium Hypo	Procurement of Sodium Hypochlorite	11,066.03
45589	Olivenhain Municipal Water Dis	Services - Professional	Rincon NSDWRC, Woodward & Curran	2,135.74
45590	Otis Elevator Company	Services - Maintenance	Elevator maintenance - Aug	221.62

**SAN ELIJO JOINT POWERS AUTHORITY  
PAYMENT OF WARRANTS  
For the Month of AUGUST 2025**

<b>Warrant #</b>	<b>Vendor Name</b>	<b>G/L Account</b>	<b>Warrant Description</b>	<b>Amount</b>
45591	Pacific Pipeline Supply	Repair Parts Expense, Repair Parts Expense	Various supplies	5,597.98
45592	Pencco, Inc	Supplies - Chem - Odor	Liquid calcium nitrate	9,451.31
45593	Polydyne Inc.	Supplies - Chem - Polymer	Clarifloc WE - 2970 and WE - 2942	17,149.52
45594	Radwell International, Inc.	Shop Tools and Equip.	Fluke analog clamp	487.04
45595	Rising Tide Partners, LLC	Services - Professional	Communications services - Mar - Apr 25	5,620.00
45596	RSF Security Systems	Services - Alarm	Cellular fire system monitoring	49.00
45597	Santa Fe Irrigation District	Utilities - Water	Water	6,194.09
45598	Santa Fe Irrigation District	SFID Distribution Pipeline	Pipeline purchase payment	5,636.36
45599	San Dieguito Water District	Utilities - Water	Water	2,657.22
45600	Sloan Electric Company	Repair Parts Expense	Digester hot water circulation pump motor and feed pump #2	2,565.83
45601	Snell & Wilmer L.L.P	Services - Legal	General counsel through Jul	2,241.00
45602	Sunbelt Rentals	Services - Maintenance	Equipment rental	5,640.71
45603	Terminix Processing Center	Services - Maintenance	Pest control service	629.26
45604	Trojan Technologies Corp	Services - Maintenance	24/7 Technical phone support - offset by credit memo	-
45605	Trussell Technologies, Inc	Services - Professional	T1 - Operational support - Jul	4,494.25
45606	Unifirst Corporation	Services - Uniforms	Uniform service	190.86
45607	USA Bluebook	Repair Parts Expense, Supplies - Lab	Various supplies	1,931.33
45608	U. S. Bank	Bank Service Charges	Deposit agreement fees	1,600.00
45609	Valley CM, Inc.	Services - Professional	Management and inspection services - Jun and Jul	109,204.95
45610	Varec Biogas	Services - Maintenance	Maintenance of varec equipment	8,457.00
45611	Velocity Dynamics LLC	Repair Parts Expense	Polymer mixer check valves	1,372.56
45612	Verizon Wireless	Utilities - Telephone	Telephone	640.34
45613	Verizon Wireless	Utilities - Telephone	Cell phone service and equipment	722.45
45614	Volt Management Corp	Services - Temp	Internship program and temp service	849.42
45615	VWR International, Inc.	Supplies - Lab	Various lab supplies	3,208.25
45616	Water Environment Federation	Dues & Memberships	Membership renewal - C. Trees	383.00
45617	ZOHO Corporation	Service - IT Support	Endpoint central cloud services renewal	2,485.00
45618	SCA of CA, LLC	Services - Maintenance	Street sweeping service	420.00
On-line 1115	BankCard Center	Vehicle Maintenance	Various supplies	18,691.22
On-line 1116	Mission Square	ICMA Retirement	ICMA - 401 a	7,829.12
On-line 1117	Mission Square - 304175	EE Deduction Benefits Payable	ICMA - 457	8,875.69
On-line 1118	P.E.R.S.	Medical Insurance - Pers	Health - Aug	49,345.06
On-line 1119	Public Employees- Retirement	Retirement Plan - PERS	Retirement - Jul Pay Period	26,186.59
On-line 1120	Public Employees- Retirement	Retirement Plan - PERS	Retirement - Jul Pay Period	25,866.78
On-line 1121	Blue Triton Brands Inc	Supplies - Lab	Kitchen and lab supplies	899.05
On-line 1122	WM Corporate Services, Inc.	Services - Sediment Disposal	Roll off bins - Jul	465.00
On-line 1123	Mission Square	ICMA Retirement	ICMA - 401 a	7,994.79
On-line 1124	Mission Square - 304175	EE Deduction Benefits Payable	ICMA - 457	8,941.66
On-line 1125	Public Employees- Retirement	Retirement Plan - PERS	Retirement - Aug Pay Period	26,444.07
On-line 1126	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - Jul	111,477.82
On-line 1127	Sun Life Financial	Life Insurance/Disability	Life and disability - Sep	3,143.60
Payroll ACH	San Elijo Payroll Account	Payroll	Payroll - Pay Date 08/08/2025	129,360.92
Payroll ACH	San Elijo Payroll Account	Payroll	Payroll - Pay Date 08/22/2025	144,793.60
				<u><u>\$ 2,056,418.19</u></u>

**SAN ELIJO JOINT POWERS AUTHORITY  
PAYMENT OF WARRANTS SUMMARY**

**For the Month of AUGUST 2025  
As of AUGUST 31, 2025**

PAYMENT OF WARRANTS

\$ 2,056,418.19

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 the SEJPA's investment policy.



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Kevin Lang  
Director of Finance and Administration

**SAN ELIJO JOINT POWERS AUTHORITY**  
**STATEMENT OF FUNDS AVAILABLE FOR PAYMENT OF WARRANTS**  
**AND INVESTMENT INFORMATION**

**As of AUGUST 31, 2025**

<b>FUNDS ON DEPOSIT WITH</b>	<b>AMOUNT</b>
<b>LOCAL AGENCY INVESTMENT FUND</b> <i>(JULY 2025 YIELD 4.258%)</i>	\$ 5,239,363.33
<b>CALIFORNIA BANK AND TRUST</b> <i>(AUGUST 2025 YIELD 0.01%)</i>	1,861,262.00
<b>U.S. Bank</b> <i>(AUGUST 2025 YIELD 4.40%)</i>	12,989,085.04
<b>PARS</b> <i>(JULY 2025 YIELD 0.50%)</i>	1,102,570.68
<b>TOTAL RESOURCES</b>	<u>\$ 21,192,281.05</u>

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

TO: Board of Directors  
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: WASTEWATER TREATMENT REPORT – JULY 2025

RECOMMENDATION

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

DISCUSSION

Monthly Treatment Facility 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 July 2025. The primary indicators of treatment performance include the removal of Total Suspended Solids (TSS) and Carbonaceous Biochemical Oxygen Demand (CBOD). The SEJPA is required to remove a minimum of 85 percent of the TSS and CBOD from the wastewater. Treatment levels for **TSS** and **CBOD** were **99.1** and **99.3** percent removal, respectively, during the month of July.

## Exceptional Water Treatment

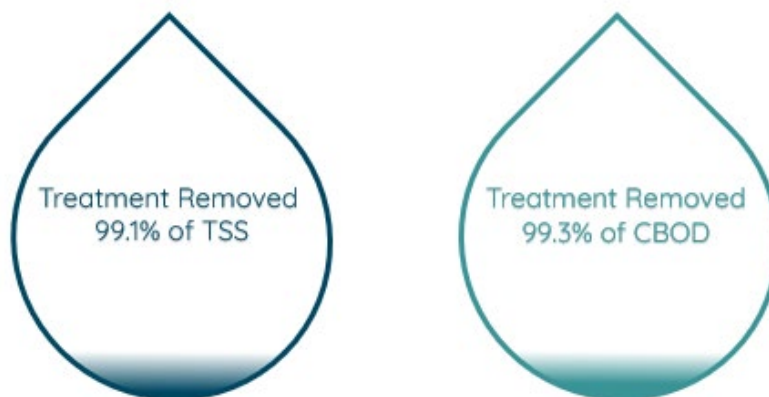
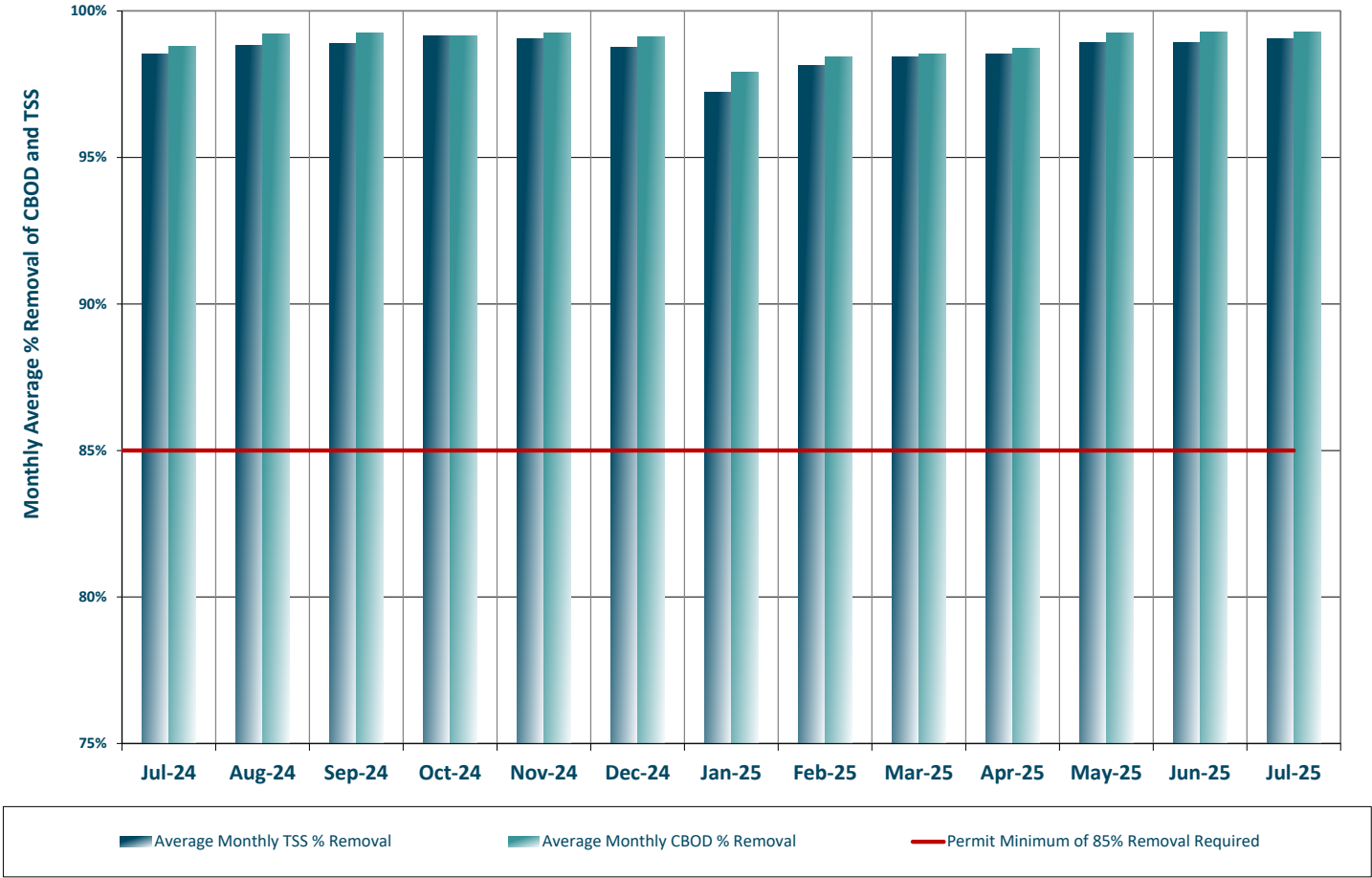


Figure 1 (below) shows historic treatment performance trends for the removal of TSS and CBOD over the last 13 months compared to the permit minimum removal requirement of 85%.

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



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

FIGURE 2: TREATED EFFLUENT FLOWS REMOVAL OF TSS

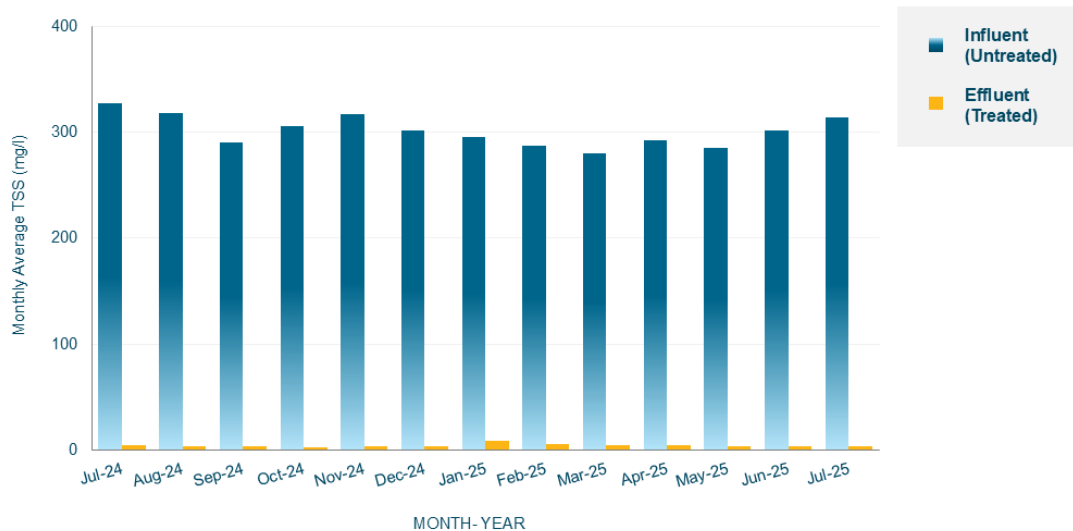
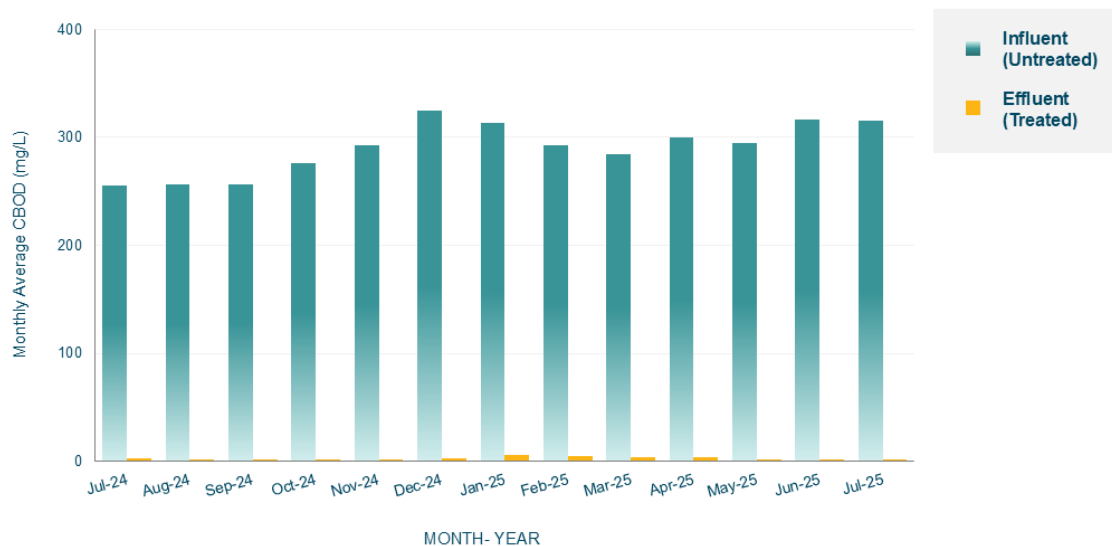


FIGURE 3: TREATED EFFLUENT FLOWS REMOVAL OF CBOD





## Member Agency Flows

Table 1(below) summarizes the influent and effluent flows for the month of July. Average daily influent flows were measured for each contributing agency. During this period, approximately 75% of the incoming flow was treated and reused as recycled water, while the remainder was discharged to the ocean.

TABLE 1 – INFLUENT AND EFFLUENT FLOWS IN JULY

	Influent (mad)	Recycled Water (mad)	Effluent (mad)*
Cardiff Sanitaru Division	1.206	0.901	0.305
City of Solana Beach	1.109	0.828	0.281
Rancho Santa Fe SID	0.204	0.152	0.052
City of Del Mar	0.502	0.375	0.127
Total San Elijo Water Campus Flow	3.021	2.256	0.765

\* 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 contributing agencies during the past 3 years. It also presents the number of connected Equivalent Dwelling Units (EDUs) for each agency during this same time. The annual update for the City of Solana Beach shows a decrease in EDUs due to reconstruction of the Solana Highlands apartment complex.

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

	AVERAGE DAILY INFLUENT FLOW RATE (MGD)					CONNECTED EDUs					AVERAGE UNIT INFLUENT FLOW RATE (GAL/EDU/DAY)				
MONTH	CSD	RSF	SB	DM	TOTAL DESIGN	CSD	RSF	SB	DM	TOTAL EDUS	CSD	RSF	SB	DM	TOTAL PLANT
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
Nov-22	1.205	0.124	0.879	0.336	2.544	8,557	585	8,142	2,616	19,900	141	212	108	138	128
Dec-22	1.186	0.133	0.906	0.374	2.599	8,557	585	8,142	2,616	19,900	139	228	111	151	131
Jan-23	1.630	0.200	0.979	0.379	3.188	8,557	585	8,142	2,616	19,900	190	342	120	153	160
Feb-23	1.323	0.167	0.930	0.371	2.791	8,557	585	8,142	2,616	19,900	155	286	114	149	140
Mar-23	1.892	0.255	1.044	0.392	3.583	8,557	585	8,142	2,616	19,900	221	436	128	154	180
Apr-23	1.244	0.187	0.915	0.303	2.649	8,557	586	8,142	2,616	19,901	145	319	112	123	133
May-23	1.184	0.167	0.879	0.295	2.525	8,557	586	8,142	2,616	19,901	138	285	108	120	127
Jun-23	1.185	0.144	0.891	0.413	2.633	8,557	586	8,142	2,616	19,901	136	282	109	171	132
Jul-23	1.160	0.146	0.949	0.446	2.701	8,557	586	8,166	2,616	19,925	136	249	116	182	136
Aug-23	1.242	0.177	0.954	0.494	2.867	8,559	586	8,166	2,622	19,933	145	302	117	200	144
Sep-23	1.161	0.161	0.885	0.371	2.578	8,559	586	8,166	2,622	19,933	136	275	108	152	129
Oct-23	1.125	0.163	0.870	0.308	2.466	8,559	587	8,166	2,622	19,934	131	278	107	125	124
Nov-23	1.246	0.186	0.961	0.409	2.802	8,559	588	8,166	2,622	19,935	146	317	118	149	141
Dec-23	1.313	0.173	1.011	0.377	2.874	8,559	588	8,166	2,622	19,935	153	294	124	133	144
Jan-24	1.416	0.190	1.055	0.380	3.041	8,569	588	8,166	2,622	19,945	165	323	129	134	152
Feb-24	1.788	0.256	1.099	0.422	3.565	8,569	588	8,166	2,622	19,945	209	436	135	151	179
Mar-24	1.395	0.200	1.061	0.352	3.008	8,616	588	8,166	2,639	20,009	162	340	130	125	150
Apr-24	1.313	0.216	1.036	0.368	2.933	8,620	588	8,166	2,639	20,013	152	368	127	130	147
May-24	1.294	0.196	1.017	0.349	2.856	8,620	588	8,166	2,639	20,013	150	334	125	125	143
Jun-24	1.275	0.191	1.058	0.508	3.032	8,620	588	8,166	2,639	20,013	148	325	130	184	152
Jul-24	1.310	0.185	1.076	0.494	3.065	8,620	588	8,166	2,639	20,013	152	315	132	182	153
Aug-24	1.279	0.166	1.090	0.512	3.047	8,621	588	8,178	2,639	20,025	148	283	133	188	152
Sep-24	1.278	0.165	1.034	0.399	2.876	8,621	588	8,178	2,657	20,043	148	281	126	147	143
Oct-24	1.296	0.160	1.019	0.340	2.815	8,621	591	8,178	2,657	20,046	150	271	125	122	140
Nov-24	1.250	0.184	0.967	0.482	2.883	8,621	591	8,178	2,657	20,046	145	312	118	165	144
Dec-24	1.231	0.182	1.079	0.408	2.900	8,621	593	8,178	2,657	20,048	143	307	132	134	145
Jan-25	1.242	0.187	1.105	0.381	2.915	8,621	593	8,178	2,657	20,048	144	316	135	124	145
Feb-25	1.321	0.186	1.120	0.408	3.035	8,621	593	8,178	2,657	20,048	153	314	137	134	151
Mar-25	1.374	0.214	1.133	0.390	3.111	8,621	593	8,178	2,657	20,048	159	361	139	129	155
Apr-25	1.221	0.210	1.084	0.367	2.882	8,621	593	8,178	2,657	20,048	142	354	133	122	144
May-25	1.220	0.202	1.071	0.371	2.864	8,621	593	8,178	2,657	20,048	142	341	131	123	143
Jun-25	1.204	0.190	1.071	0.524	2.989	8,621	593	8,178	2,657	20,048	140	321	131	175	149
Jul-25	1.206	0.204	1.109	0.502	3.021	8,621	593	8,126	2,680	20,020	140	344	136	167	151

CSD: Cardiff Sanitary Division

RSF: Ranch Santa Fe Community Service District

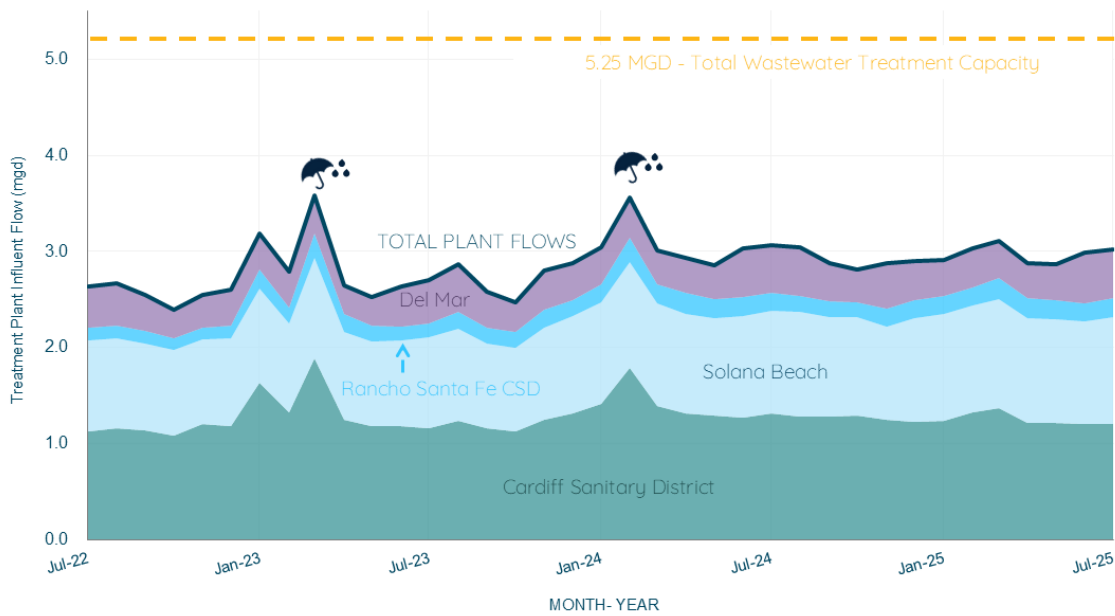
SB: Solana Beach

DM: City of Del Mar

EDU: Equivalent Dwelling Unit

Figure 4 (below) presents the 3-year historical average daily flows per month for each contributing 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 the Cities of Encinitas and Solana Beach 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 July 2025 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)	7.1
Escondido (Peak flow rate)	17.6

### Connected Equivalent Dwelling Units

The City of Solana Beach and the City of Del Mar updated the number of connected EDUs reported to the SEJPA in September 2025, memorializing updates effective July 1, 2025. The connected EDUs for Solana Beach were reduced due to the reconstruction of Solana Highlands apartments. The City of Encinitas and 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	8,621
Rancho Santa Fe SID	593
City of Solana Beach	7,789
San Diego (to Solana Beach)	337
City of Del Mar	2,680
Total EDUs to System	20,020

Respectfully submitted,



Michael T. Thornton, P.E.  
General Manager

\*

AGENDA ITEM NO. 10

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

TO: Board of Directors  
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: RECYCLED WATER REPORT – JULY 2025

RECOMMENDATION

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

DISCUSSION

*Recycled Water Production*

For the month of July 2025, recycled water demand was 205.1 acre-feet (AF), which was met with 204.6 AF of recycled water and 0.5 AF of supplemental water. July demand was 6.9% below budget expectations of 220 AF. This was the first month of the new fiscal year.

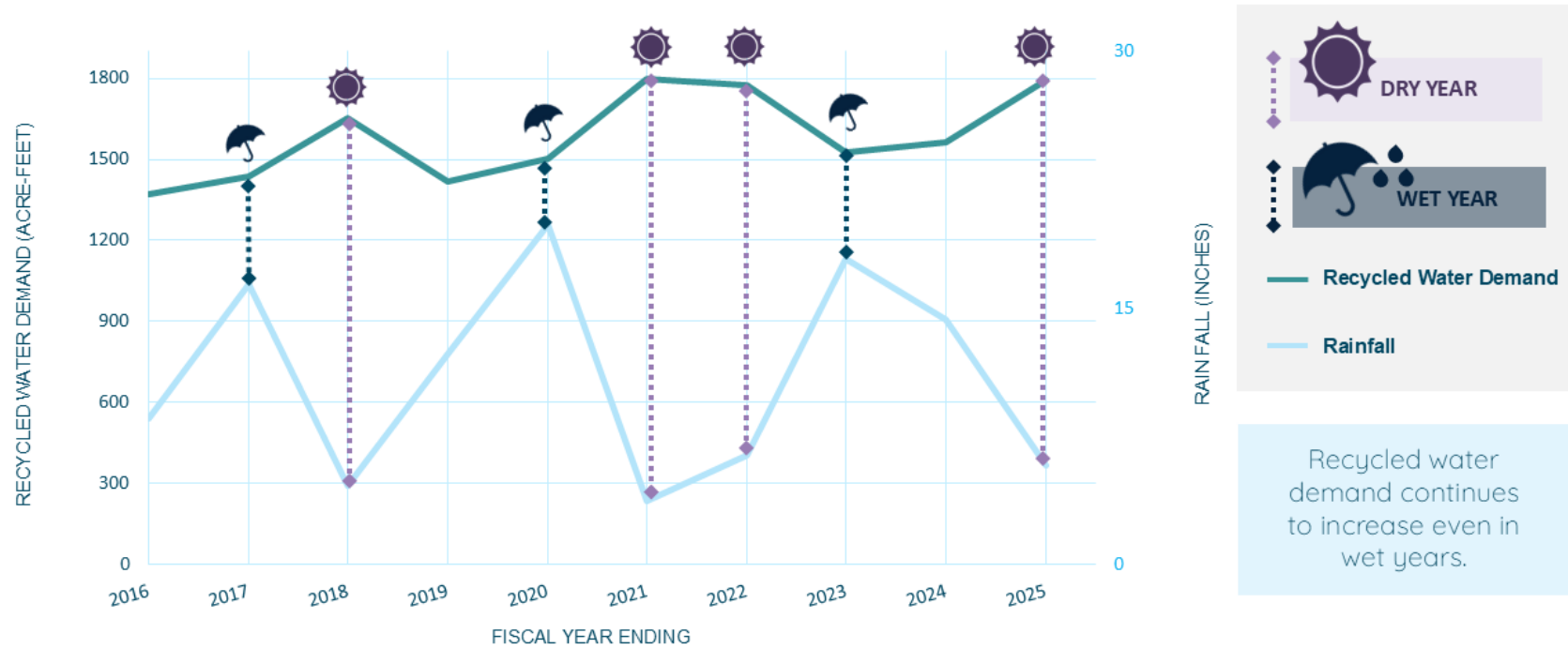
Figure 1 (attached) provides a graphical view of annual recycled water demand spanning the last 10 fiscal years, with the overlay of annual rainfall. Since the recycled water program primarily serves outdoor irrigation, annual demand is reduced during wet periods and increases during times of drought. Figure 2 (attached) shows the monthly recycled water demand for each July for the last ten years to provide a year-over-year comparison. Figure 3 (attached) compares budget versus actual recycled water sales for FY 2025-26.

Respectfully submitted,



Michael T. Thornton, P.E.  
General Manager

FIGURE 1: RECYCLED WATER DEMAND AND RAINFALL COMPARISON



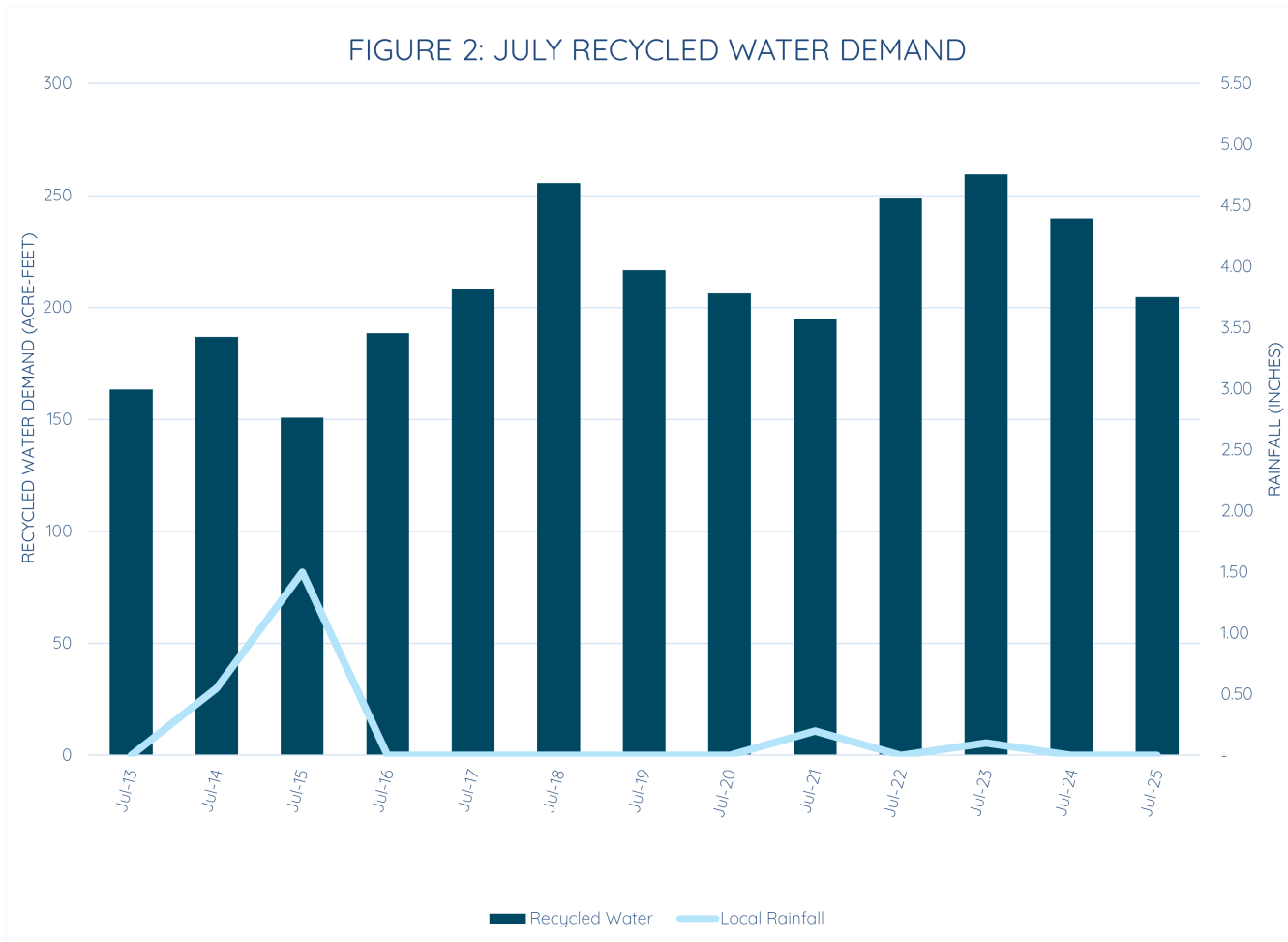
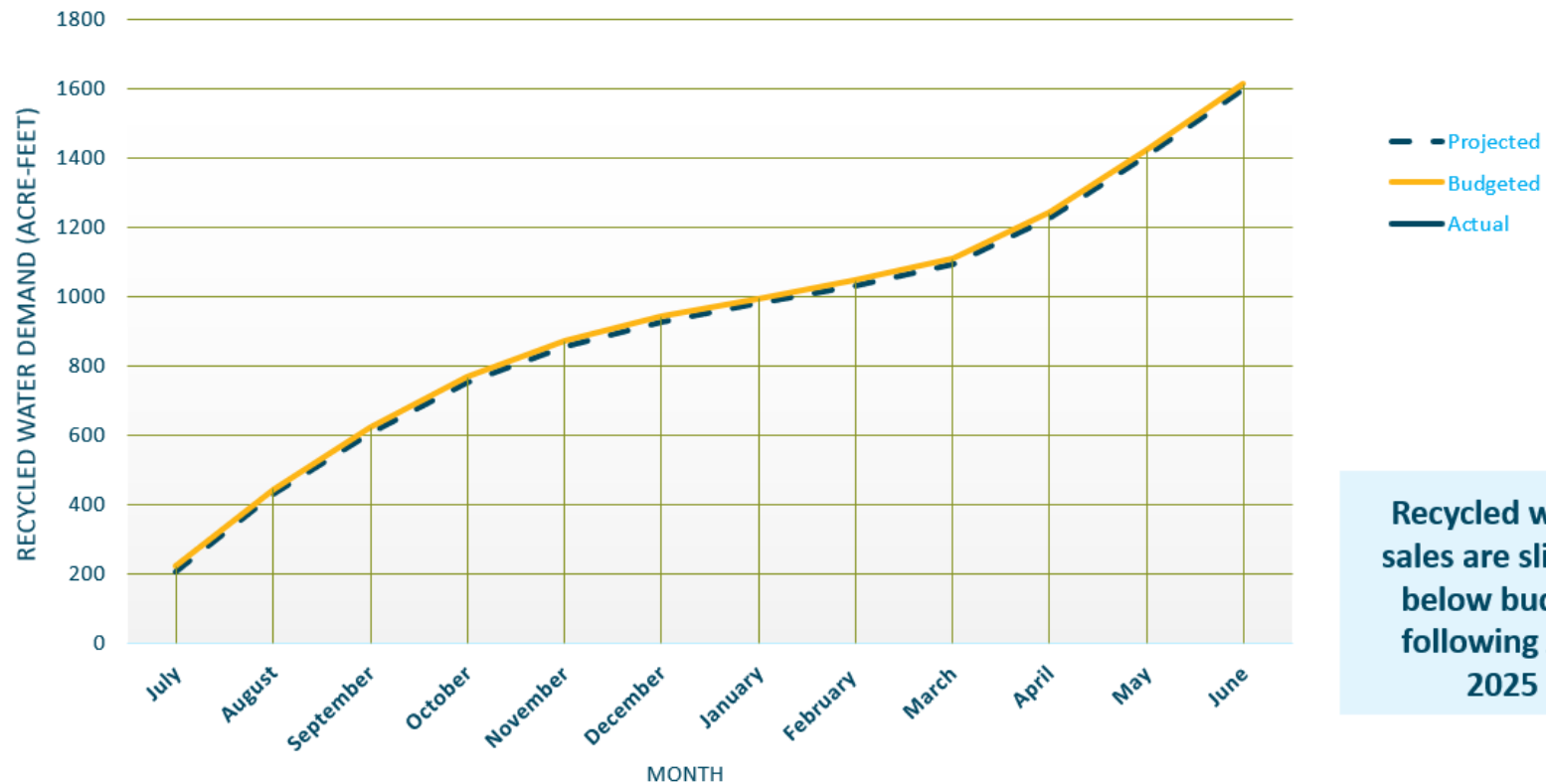


FIGURE 3: FY2025/26 CUMULATIVE DEMAND VS BUDGET



Recycled water sales are slightly below budget following July 2025



\*

AGENDA ITEM NO. 11

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

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 previously reported:

- Meeting to review Board Meeting Agenda with Chairperson Becker on August 8, 2025
- Facility tour and orientation meeting with Vice Chair Shaffer and Board Member O'Hara on August 15, 2025
- Compensation Ad Hoc Committee meeting with Vice Chair Shaffer and Board Member Zito on August 25, 2025

FINANCIAL IMPACT

Per the SEJPA Restatement Agreement, SEJPA offers the Board Member \$160 for each reportable meeting, which the Board Member may choose to accept or reject. These meetings are accounted for in our annual budget.

Respectfully submitted,



Michael T. Thornton, P.E.  
General Manager

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

TO: Board of Directors  
San Elijo Joint Powers Authority

FROM: Kevin Lang, Director of Finance and Administration

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY CONTRACT FOR SINGLE AUDIT  
PREPARATION AND COMPLIANCE REVIEW

RECOMMENDATION

It is recommended that the Board of Directors:

1. Ratify the General Manager's execution of a professional services agreement with Eide Bailly LLP in the amount of \$48,000 pursuant to San Elijo Joint Power Authority's Resolution 2022-01 "Purchasing Policies and Procedures" for Single Audit preparation and compliance review related to San Elijo Joint Power Authority's ongoing and anticipated projects under the Bureau of Reclamation Grant Program 15.504 Title XVI Water Reclamation and Reuse Program;
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) participates in the North San Diego Water Reuse Coalition (Coalition), a partnership of nine public agencies dedicated to enhancing and expanding the region's recycled water resources. The Coalition actively pursues discretionary grant funding at the state and federal levels to leverage additional funding opportunities to support innovative capital projects.

Through this partnership, the Coalition has successfully secured funding from the U.S. Bureau of Reclamation's Title XVI Water Reclamation and Reuse Program (Program), formerly known as the Water Infrastructure Improvements for the Nation (WIIN) Act Program. Currently funded projects include:

- Wanket Reservoir Refurbishment Project
- Wanket Recycled Water Pipeline Project
- Stormwater Capture and Reuse Project
- Recycled Water Conservation and Production Upgrade

SEJPA previously received grant approval for the Biological Treatment Improvement Project (NDN Project), which has since been postponed due to escalating construction costs beyond the project's designated budget. To preserve access to committed funding, SEJPA successfully amended the original grant agreement to replace the NDN Project with the Recycled Water Conservation and Production Upgrade (Conservation Project). This substitution demonstrates SEJPA's commitment to advancing innovative projects while strategically leveraging outside funding to minimize ratepayer costs.

## DISCUSSION

Federal regulations under 2 CFR Part 200 (CFR), issued by the Office of Management and Budget, require a Single Audit for any non-federal entity that expends \$750,000 or more in federal funds in a given fiscal year. For FY 2024–25, SEJPA is projected to exceed this threshold for the first time, triggering the Single Audit requirement.

The Code of Federal Regulations (CFR) mandates strict compliance requirements for all federally funded projects, covering areas such as procurement, construction, labor standards, permitting, and financial oversight. The newly approved Conservation Project, now scheduled for substantial completion in September 2025, was not originally intended to receive federal funding. Consequently, some federal compliance measures were not initially implemented.

To ensure compliance and audit preparedness, SEJPA has engaged Eide Bailly LLP, a certified public accounting firm, to assist staff in preparing for the FY 2024–25 Single Audit and to evaluate compliance for the Conservation Project's federal funding eligibility. Eide Bailly has considerable experience in this type of support and SEJPA has a strong working relationship with key members of Eide Bailly's engagement management team.

This engagement was executed under the General Manager's purchasing authority, in accordance with SEJPA Resolution 2022-01 (*Purchasing Policies and Procedures*), in the amount of \$48,000. Any required increases to this contract will be brought before the Board for consideration.

## FISCAL IMPACT

Costs for audit preparation and compliance review were not included in the FY 2025–26 budget, as capital expenditures exceeding the federal \$750,000 threshold were not anticipated, and the substitution of the NDN Project with the Conservation Project had not yet been proposed.

If approved, inclusion of the Conservation Project in the federal grant program could provide up to \$3,000,000 in funding to SEJPA, more than offsetting the additional compliance costs.

It is therefore recommended that the Board of Directors:

1. Ratify the General Manager's execution of a professional services agreement with Eide Bailly LLP in the amount of \$48,000 pursuant to San Elijo Joint Power Authority's Resolution 2022-01 "Purchasing Policies and Procedures" for Single

Audit preparation and compliance review related to San Elijo Joint Power Authority's ongoing and anticipated projects under the Bureau of Reclamation Grant Program 15.504 Title XVI Water Reclamation and Reuse Program;

2. Discuss and take action as appropriate.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'K. Lang', with a stylized flourish at the end.

---

Kevin Lang, CPA  
Director of Finance and Administration

**Attachment:**

Attachment 1: Eide Bailly, LLP Engagement Letter



August 21, 2025

San Elijo Joint Powers Authority  
Cardiff by the Sea, California

This letter outlines the understanding of the terms and objectives of the consulting engagement between Eide Bailly LLP (Eide Bailly) and San Elijo Joint Powers Authority (you).

### Scope of Engagement

- We will work with you to provide grant related consulting services, including as outlined in Attachment A.

Our engagement will be performed under the *Statements on Standards for Consulting Services* issued by the American Institute of Certified Public Accountants (AICPA). We will not provide audit, review, compilation or financial statement preparation services to any historical or prospective financial information or provide attestation services under the *AICPA Statements on Standards for Attestation Engagements* and assume no responsibility for any such information.

You will provide us, as promptly as possible, all requested information and documentation reasonably deemed necessary or desirable by us in connection with the engagement. You represent and warrant that all information and documentation provided or to be provided to us is true, correct and complete, to the best of your knowledge and belief. We are authorized to rely upon such information and documentation without independent investigation or verification.

During the course of the engagement, we will only provide confidential engagement documentation to you via Eide Bailly's secure portal or other secure methods, and request that you use the same or similar tools in providing information to us. Should you choose not to utilize secure communication applications, you acknowledge that such communication contains a risk of the information being made available to unintended third parties. Similarly, we may communicate with you or your personnel via e-mail or other electronic methods, and you acknowledge that communication in those mediums contains a risk of misdirected or intercepted communications.

Should you provide us with remote access to your information technology environment, including but not limited to your financial reporting system, you agree to (1) assign unique usernames and passwords for use by our personnel in accessing the system and to provide this information in a secure manner; (2) limit access to "read only" to prevent any unintentional deletion or alteration of your data; (3) limit access to the areas of your technology environment necessary to perform the procedures agreed upon; and (4) disable all usernames and passwords provided to us upon the completion of procedures for which access was provided. We agree to only access your technology environment to the extent necessary to perform the identified procedures.

We may use third party service providers and/or affiliated entities (including Eide Bailly Shared Services Private Limited) (collectively, "service providers") in order to facilitate delivering our services to you. Our use of service providers may require access to client information by the service provider. We will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the confidentiality of client information

accessed by such service provider and any work performed by such service provider. You acknowledge that your information may be disclosed to such service providers, including those outside the United States.

We agree to retain our work papers for a period of at least eight years from the date of our report.

**Timeline**

We will begin our procedures upon acceptance of this engagement agreement. We would expect to have our work completed within an agreed upon timeline following receipt of all required data. This timetable assumes the timely receipt of requested information and the cooperation of the parties involved. If delays are experienced in receiving information, the delivery of our work will be delayed accordingly.

**Fees**

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses, administrative charges and a technology fee. Invoices are payable upon presentation. We estimate that our fee for the engagement will be approximately \$48,000 based on approximately 125 hours. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate.

Our hourly rates are as follows:

Partner	\$450
Senior Manager	\$350
Manager	\$285
Senior	\$215-\$250
Staff Associate	\$170
Clerical	\$125

The ability to perform and complete our engagement consistent with the estimated fee included above depends upon the quality of your underlying accounting records and the timeliness of your personnel in providing information and responding to our requests. To assist with this process, we will provide you with a Prepared-by-Client (PBC) request that identifies the information we will require to perform our engagement, as well as a planned timeline for the engagement. A failure to provide this information in an accurate and timely manner may result in an increase in our fees and/or a delay in the completion of our engagement.

We may be requested to make certain engagement documentation available to outside parties, including regulators, pursuant to authority provided by law or regulation or applicable professional standards. If requested, access to such engagement documentation will be provided under the supervision of Eide Bailly LLP's personnel. Furthermore, upon request, we may provide copies of selected engagement documentation to the outside party, who may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in making such engagement documentation available or in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our agreed upon procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

San Elijo Joint Powers Authority accepts responsibility for the results of the services being provided and agrees to perform the following functions in connection with this engagement:

- Make all management decisions and perform all management functions.
- Designate a competent individual to oversee the services.
- Evaluate the adequacy and results of the services performed.
- Accept responsibility for the results of the services.
- Establish and maintain internal controls, including monitoring ongoing activities.

Eide Bailly LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business Code. It is not anticipated that any of the non-licensee owners will be performing services for San Elijo Joint Powers Authority.

## **MEDIATION**

Any disagreement, controversy or claim arising out of or related to any aspect of our services or relationship with you (hereafter a "Dispute") shall, as a precondition to litigation in court, first be submitted to mediation. In mediation, the parties attempt to reach an amicable resolution of the Dispute with the aid of an impartial mediator. Mediation shall begin by service of a written demand. The mediator will be selected by mutual agreement. If we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA"). Mediation shall be conducted with the parties in person in Laguna Hills, California. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties. Neither party may commence a lawsuit until the mediator declares an impasse.

## **LIMITED INDEMNITY**

Eide Bailly LLP and its partners, affiliates, officers and employees (collectively "Eide Bailly") shall not be responsible for any misstatements in the information provided to us to complete our engagement that we may fail to detect as a result of misrepresentations or concealment of information by any of your owners, directors, officers or employees. You shall indemnify and hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees arising from any such misstatement or concealment of information.

If through no fault of Eide Bailly we are named as a party to a dispute between you and a third party, you shall indemnify and hold Eide Bailly harmless against any losses, damages, settlements, judgments, awards, and the costs of litigation (including attorneys' fees) we incur in connection with the dispute.

Eide Bailly shall not be entitled to indemnification under this agreement unless the services were performed in accordance with professional standards in all material respects.

## **LIMITATION OF LIABILITY**

The exclusive remedy available to you for any alleged loss or damages arising from or related to Eide Bailly's services or relationship with you shall be the right to pursue claims for actual damages that are directly caused by Eide Bailly's breach of this agreement or Eide Bailly's violation of applicable professional standards. In no

event shall Eide Bailly's aggregate liability to you exceed two times fees paid under this agreement, nor shall Eide Bailly ever be liable to you for incidental, consequential, punitive or exemplary damages, or attorneys' fees.

**TIME LIMITATION**

You may not bring any legal proceeding against Eide Bailly unless it is commenced within twenty-four (24) months ("Limitation Period") after the date when we delivered our report, return, or other deliverable under this agreement to you, regardless of whether we do other services for you or that may relate to the engagement. The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of a possible Dispute.

**GOVERNING LAW AND VENUE**

Any Dispute between us, including any Dispute related to the engagement contemplated by this agreement, shall be governed by Minnesota law. Any unresolved Dispute shall be submitted to a federal or state court located in Minneapolis, Minnesota.

**ASSIGNMENTS PROHIBITED**

You shall not assign, sell, barter or transfer any legal rights, causes of actions, claims or disputes you may have against Eide Bailly to any person.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement including our respective responsibilities.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Respectfully,



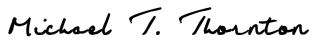
Jessica Andersen  
Partner

\*\*\*\*\*

**RESPONSE:**

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of San Elijo Joint Powers Authority by:

DocuSigned by:  
  
Name: \_\_\_\_\_  
145D4DB23FF14F1...  
Title: General Manager  
Date: 8/21/2025



**Detailed Scope of Work**

The scope of work proposed for the Authority includes the following:

1. Assist with policies and procedures related to federal grants (2 CFR 200 and specific grant agreements):
  - a. We will review the Authority's existing policies and procedures related to federal grants for compliance with the current requirements of 2 CFR 200 and specific federal grants or programs currently in effect or programs which the Authority expects to participate for fiscal year 2025. If an existing policy does not exist, we will assist the Authority in developing a policy.
2. Assist with identification of potential compliance requirements applicable to federal grants related to Bureau of Reclamation, Assistance Listing No. 15.504. The Authority has incurred federal expenditures during the fiscal year ended June 30, 2025, under 15.504:
  - a. For program listed above, we will assist with identifying potential compliance requirements (from 2 CFR 200, specific grants and/or the OMB Compliance Supplement).
  - b. For costs expended during FY 2024-25, we will assist the Authority in gathering supporting documentation for allowable costs requirements, to support compliance.
  - c. For other key compliance requirements, we will assist the Authority in gathering supporting documentation for key requirements, to support compliance.
3. The Authority is wrapping up the Biosolids Dewatering Facilities Improvement project. We will assist the Authority with organizing supporting documentation for this project to assist Authority with compliance with federal grants related to Bureau of Reclamation, Assistance Listing No. 15.504. This may include:
  - a. Inspect invoices under project for compliance with allowable cost requirements. Provide input to the Authority if additional information is necessary to support compliance.
  - b. For other key compliance requirements, we will assist the Authority in gathering supporting documentation for key requirements, to support compliance.

Certificate Of Completion

Envelope Id: 281B22AF-C521-4B11-A6A1-37838DDA2B0A		Status: Completed
Subject: Complete with Docusign: San Elijo JPA 2025 Engagement Letter.pdf		
Do Not Delete SRT:		
Source Envelope:		
Document Pages: 5	Signatures: 1	Envelope Originator:
Certificate Pages: 5	Initials: 0	Grace Lopez
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Time Zone: (UTC-08:00) Pacific Time (US & Canada)		glopez@eidebailly.com
		IP Address: 107.204.39.88

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8/21/2025 11:17:55 AM	glopez@eidebailly.com	

Signer Events

Michael T. Thornton  
thornton@sejpa.org  
General Manager  
Security Level: Email, Account Authentication (None)

Signature

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Signed: 8/21/2025 2:07:23 PM

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Accepted: 8/21/2025 2:00:14 PM  
ID: 847b597b-69ec-4d89-a4c3-65f98d42ed70  
Company Name: Eide Bailly LLP

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Editor Delivery Events

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Jessica Andersen  
jandersen@eidebailly.com  
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Kevin Lang  
langk@sejpa.org  
Security Level: Email, Account Authentication (None)

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Roger Alfaro ralfaro@eidebailly.com Partner Security Level: Email, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Accepted: 6/29/2023 3:13:03 PM ID: a7217243-ce4a-4f75-bd44-5a0282c0bd28 Company Name: Eide Bailly LLP	COPIED	Sent: 8/21/2025 11:21:27 AM

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	8/21/2025 11:21:28 AM
Certified Delivered	Security Checked	8/21/2025 2:00:14 PM
Signing Complete	Security Checked	8/21/2025 2:07:23 PM
Completed	Security Checked	8/21/2025 2:07:23 PM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure
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## **CONSUMER DISCLOSURE**

From time to time, Eide Bailly LLP (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the "I agree" button at the bottom of this document.

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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

### **Withdrawing your consent**

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

### **Consequences of changing your mind**

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign "Withdraw Consent" form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

### **All notices and disclosures will be sent to you electronically**

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

### **How to contact Eide Bailly LLP:**

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: [salesforcehelpdesk@eidebailly.com](mailto:salesforcehelpdesk@eidebailly.com)

### **To advise Eide Bailly LLP of your new e-mail address**

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at [salesforcehelpdesk@eidebailly.com](mailto:salesforcehelpdesk@eidebailly.com) and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

### **To request paper copies from Eide Bailly LLP**

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to [salesforcehelpdesk@eidebailly.com](mailto:salesforcehelpdesk@eidebailly.com) and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

### **To withdraw your consent with Eide Bailly LLP**

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to [salesforcehelpdesk@eidebailly.com](mailto:salesforcehelpdesk@eidebailly.com) and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

### **Required hardware and software**

Operating Systems:	Windows2000 or WindowsXP
Browsers (for SENDERS):	Internet Explorer 6.0 or above
Browsers (for SIGNERS):	Internet Explorer 6.0, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum

Enabled Security Settings:	ò Allow per session cookies ò Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection
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\*\* These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

**Acknowledging your access and consent to receive materials electronically**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the "I agree" button below.

By checking the "I Agree" box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC CONSUMER DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify Eide Bailly LLP as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by Eide Bailly LLP during the course of my relationship with you.

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

TO: Board of Directors  
San Elijo Joint Powers Authority

FROM: Kevin Lang, CPA, Director of Finance and Administration

SUBJECT: AMENDMENT TO SAN ELIJO JOINT POWERS AUTHORITY PROFESSIONAL SERVICES AGREEMENT TO INCLUDE SINGLE AUDIT SERVICES FOR FY 2024-25

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to amend the agreement with Leaf & Cole LLP for financial statement auditing services to include funds for the performance of a Single Audit FY 2024-25 for an amount not-to-exceed \$10,000; and
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) is currently party to a professional services agreement with Leaf and Cole, LLP for the performance of an annual, independent audit conducted by a certified public accountant.

The San Elijo Joint Powers Authority (SEJPA) participates in the North San Diego Water Reuse Coalition (Coalition), a partnership of nine public agencies dedicated to enhancing and expanding the region's recycled water resources. The Coalition actively pursues discretionary grant funding at the state and federal levels to leverage additional funding opportunities to support innovative capital projects.

Through this partnership, the Coalition has successfully secured funding from the U.S. Bureau of Reclamation's Title XVI Water Reclamation and Reuse Program (Program), formerly known as the Water Infrastructure Improvements for the Nation (WIIN) Act Program. Currently funded projects include:

- Wanket Reservoir Refurbishment Project
- Wanket Recycled Water Pipeline Project
- Stormwater Capture and Reuse Project
- Recycled Water Conservation and Production Upgrade

## DISCUSSION

Federal regulations under 2 CFR Part 200 (CFR), issued by the Office of Management and Budget, require a Single Audit for any non-federal entity that expends \$750,000 or more in federal funds in a given fiscal year. For FY 2024–25, SEJPA is projected to exceed this threshold for the first time, triggering the Single Audit requirement.

On May 18, 2021, SEJPA entered into an agreement with Leaf & Cole, LLP to provide financial statement auditing services for the three years ended June 30, 2021, 2022, and 2023, with an option to renew for the following two years, which was exercised in May of 2024. Under this agreement, the performance of Single Audit is out of scope.

It is recommended that SEJPA amend the agreement to include the performance of a Single Audit for expenditures of federal awards for FY 2024-25.

## FISCAL IMPACT

Funding for these services is available in the current FY 2025-26 operating budget.

## RECOMMENDATION

It is therefore recommended that the Board of Directors:

1. Authorize the General Manager to amend the agreement with Leaf & Cole LLP for financial statement auditing services to include funds for the performance of a Single Audit FY 2024-25 for an amount not-to-exceed \$10,000; and
2. Discuss and take action as appropriate.

Respectfully submitted,



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Kevin Lang, CPA  
Director of Finance and Administration

## **Attachments:**

Attachment 1: Amendment 3 with Leaf & Cole, LLP

Attachment 2: Leaf & Cole, LLP Engagement Letter



**AMENDMENT 3 TO  
PROFESSIONAL SERVICES AGREEMENT BETWEEN SAN ELIJO JOINT POWERS  
AUTHORITY AND LEAF & COLE, LLP  
FOR FINANCIAL STATEMENT AUDIT SERVICES**

This **AMENDMENT 3** is made and entered into on this 5<sup>th</sup> day of September 2025, by and between the San Elijo Joint Powers Authority, hereinafter referred to as "AUTHORITY", and Leaf & Cole, LLP, hereinafter referred to as "CONSULTANT".

**WITNESSETH:**

**WHEREAS**, on May 18, 2021, AUTHORITY entered into an Agreement with CONSULTANT for Financial Statement Auditing Services;

**WHEREAS**, on October 1, 2021, AUTHORITY entered into Amendment 1 to the Agreement for CONSULTANT to provide additional financial services in an amount to not exceed \$10,500;

**WHEREAS**, on October 1, 2021, AUTHORITY entered into Amendment 1 to the Agreement for CONSULTANT to provide additional financial services in an amount to not exceed \$10,500;

**WHEREAS**, on May 21, 2024, AUTHORITY entered into Amendment 2 to the Agreement for CONSULTANT to provide additional auditing services, for an additional two years (years ended June 30, 2024 and 2025), in amounts not exceed \$26,875, and \$28,228, respectively;

**WHEREAS**, Authority desires and CONSULTANT is willing to provide additional auditing services relating to the performance of a Single Audit as required under Title 2 of the Code of Federal Regulations (CFR) Part 200, Section 501 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Section - Audit Requirements in an amount not to exceed \$10,000 for the fiscal year 2024-25.

**NOW THEREFORE**, AUTHORITY and CONSULTANT agree to add Section 2.02 of the AGREEMENT as follows:

- 2.03 This Agreement will be amended to include the performance of a Single Audit for the fiscal year from July 1, 2024 through June 30, 2025, as required under 2 CFR § 200.501 — Audit Requirements. This engagement will also be governed by the Leaf & Cole, LLP engagement letter.

**NOW THEREFORE**, AUTHORITY and CONSULTANT agree to amend Section 3.01 of the AGREEMENT as follows:

- 3.01 Compensation for all work performed under this Agreement, including labor, equipment, materials and services which CONSULTANT is obligated to perform, including all applicable taxes, for the services described in Attachment A, shall not exceed the maximum price of \$18,925 for the 2021 engagement, and with the 2022 and 2023 engagements set at \$19,493 and \$20,078, respectively. Amendment 1 will add \$10,500 to the 2021 engagement for additional services. The maximum price for services performed, as described in **Attachment B**, for engagement years 2024 and 2025 will be \$28,200 and \$29,650, respectively. The maximum price for services performed, as described in **Attachment C**, for

the single audit will be \$10,000. These amounts shall not be exceeded by more than \$1,000 unless there is a change in scope of work, and agreed to in writing by both parties, and set forth in an amendment to this Agreement. CONSULTANT and SEJPA agree that this fee was arrived at through arm's length negotiations between the parties.

All other provisions of the AGREEMENT shall remain unchanged.

**IN WITNESS WHEREOF**, the parties hereto have caused this instrument to be executed the day and year first above written.

**SAN ELIJO JOINT POWERS AUTHORITY**

**Leaf & Cole, LLP**

By: \*Signature Pending Board Approval  
Michael T. Thornton  
General Manager

By:   
Michael Zizzi  
Partner



Leaf & Cole, LLP

*Certified Public Accountants*

*A Partnership of Professional Corporations*

September 5, 2025

To the Board of Directors and Management  
San Elijo Joint Powers Authority  
Post Office Box 1077  
Cardiff by the Sea, California 92007-7077

We are pleased to confirm our understanding of the services we are to provide San Elijo Joint Powers Authority for the year ended June 30, 2025.

### **Audit Scope and Objectives**

We will audit the statements of the business-type activities, and the aggregate remaining fund information including the disclosures, which collectively comprise the basic financial statements of San Elijo Joint Powers Authority as of and for the year ended June 30, 2025. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement San Elijo Joint Powers Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to San Elijo Joint Powers Authority's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist 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 statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedules of Plan's Proportionate Share of the Net Pension Liability and Related Ratios
3. Schedules of Contributions to the Pension Plan
4. Schedules of Changes in the Authority's Net OPEB Liability and Related Ratios

We have also been engaged to report on supplementary information other than RSI that accompanies San Elijo Joint Powers Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

1. Schedule of Expenditures of Federal Awards
2. Combining Schedule of Net Position
3. Combining Schedule of Revenues, Expenses and Changes in Net Position
4. Combining Schedule of Cash Flows

In connection with our audit of the basic financial statements, we will read the following 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 materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

1. Schedule of Operating Budget Comparison - Waste Water
2. Schedule of Operating Budget Comparison - Recycled

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit**

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a single audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that rise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Cash and cash equivalents
- Due from government agencies and revenue recognition
- Capital assets
- Long-term debt
- Net pension liability
- Net OPEB obligation
- Management override
- Net Position

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidential agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of the financial statements does not relieve you of your responsibilities.

### **Audit Procedures - Internal Control**

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope that would be necessary to render an opinion on internal control and accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope that would be necessary to render an opinion on those controls, and accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of San Elijo Joint Powers Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of San Elijo Joint Powers Authority's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on San Elijo Joint Powers Authority's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

### **Responsibilities of Management for the Financial Statements and Single Audit**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems design to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidy ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreement and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on September 30, 2025.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any documents that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that include our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changes from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.



## **Other Services**

We will also prepare the financial statements, schedule of expenditures of federal awards, and related notes of San Elijo Joint Powers Authority in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Services*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedures or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statement, schedule of expenditures of federal awards, and related notes, and any other nonattest services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

## **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary of prior audit findings, auditors reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to San Elijo Joint Powers Authority; however; management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Leaf & Cole, LLP, and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the United States Department of the Interior or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Leaf & Cole, LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the United States Department of the Interior. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Michael J. Zizzi is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit on approximately September 1, 2025.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel copies, telephone, confirmation service provider fees, etc.) except that we agree that our gross fee, including expenses will not exceed \$29,650 for the financial audit and will not exceed \$10,000 per major program tested. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee before we incur additional billable costs in excess of \$1,000.

## **Reporting**

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to Board of Directors and management of San Elijo Joint Powers Authority. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

To the Board of Directors and Management  
San Elijo Joint Powers Authority

September 5, 2025  
Page 9

We appreciate the opportunity to be of service to San Elijo Joint Powers Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the original of this letter and return it to us.

Very truly yours,

LEAF & COLE, LLP



Michael J. Zizzi

RESPONSE:

This letter correctly sets forth the understanding of San Elijo Joint Powers Authority.



Management Signature and Title  
Michael T. Thornton, General Manager

9/5/2025

Date

**\*Signature Pending Board Approval**

Governance Signature and Title  
Kristi Becker, Chairperson, SEJPA Board of Directors

Date

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

TO: Board of Directors  
San Elijo Joint Powers Authority

FROM: Director of Infrastructure and Sustainability

SUBJECT: ACCEPT THE STORMWATER CAPTURE AND REUSE PROJECT

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to execute Contract Change Order No. 3 (CCO3) in an amount of \$30,221.48, and extend the completion date by 14 calendar days;
2. Authorize the General Manager to Accept the Stormwater Capture and Reuse Project on behalf of the SEJPA and record the project Notice of Completion; and
3. Discuss and take action as appropriate.

BACKGROUND

The Stormwater Capture and Reuse Project (Project) creates a new water source for recycling, improves campus drainage for compliance with industrial stormwater permit, and protects downstream water quality. Completed facilities divert stormwater from the regional channel, using onsite bioretention for initial treatment and into the treatment plant to augment supply to the recycled water system. The project helps manage runoff, reduces pollutants to the lagoon, and supplies up to six million gallons of recycled water annually.

DISCUSSION

The Project was publicly bid and awarded in January 2025 to Canyon Springs Enterprises for an initial contract amount of \$1,119,300. Three change orders were issued for the project, addressing unforeseen conditions and field directives to improve operational reliability. Change Orders 1 and 2 were approved by the General Manager and Change Order 3 brings the total construction change order value to \$51,586.92, requiring Board's approval.

Construction was completed within the Board-approved budget. Highlights include:

- Project satisfies scope requirements to allow SEJPA to receive approximately \$1.5 million in state and federal grant funding;
- Construction completed under an accelerated schedule (less than 7 months), meeting

- grant deadline and in conformance to requirements of environmental permits;
- Change Order Rate of 4.5%, well below industry standard for work on treatment plant site and with no contractor claims;
- Close coordination for work area shared with City of Encinitas' collections team and concurrent onsite capital projects and no interruptions to Water Campus operations;
- No reportable injuries.

Canyon Springs Enterprises completed the final contract scope for the Stormwater Capture and Resue Project (Project) in August 2025. Acceptance of the project by SEJPA and the filing of the Notice of Completion (NOC) will initiate closeout of the public works contract with the contractor, sub-contractors and suppliers. SEJPA will file the NOC with the San Diego County Clerk. Final retention payment will be made to the Contractor after acceptance and recordation of the NOC.

### FINANCIAL IMPACT

Construction-phase costs through project closeout are projected to be at the budget of \$1.36 million (not including pre-construction soft costs), as presented in the following table.

<b>Project Element</b>	<b>Construction Cost (rounded)</b>
Construction (Canyon Springs) – including CCOs	\$ 1,170,887
Parts Supplied by SEJPA	8,550
CM&I (Valley CM) & Labor Compliance (Gafcon)	59,400
Bidding Support and ESDC (Dudek)	46,000
Administration & Legal	62,000
Construction Contingency (Remaining)	12,863
<b>TOTAL</b>	<b>\$ 1,359,700</b>

### RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to execute Contract Change Order No. 3 (CCO3) in an amount of \$30,221.48, and extend the completion date by 14 calendar days;
2. Authorize the General Manager to Accept the Stormwater Capture and Reuse Project on behalf of the SEJPA and record the project Notice of Completion;
3. Discuss and take action as appropriate.


Respectfully submitted,



Thomas C. Falk, P.E., PMP  
Director of Infrastructure and Sustainability

Attachment:

1. Construction Change Order No. 3

 <p><b>SAN ELIJO</b>   JOINT POWERS AUTHORITY 2695 Manchester Avenue Cardiff by the Sea, CA 92007</p>		<b>Contract Change</b> 3		
		<b>Order (CCO) No.</b>		
		<b>Contract Name:</b> Stormwater Capture & Reuse & Water Quality Improvements Project at the San Elijo Water Campus		
		<b>Contract No.:</b> 2025-008 SC		
		<b>Program Code:</b> 13024		
<b>Contractor:</b>	Canyon Springs Enterprises	<b>Created By:</b> George Foote		
<b>Date:</b>	September 4, 2025	<b>Reviewed By:</b> Mike Konicke		
<b>Status:</b>		<b>Accepted By:</b>		
<b>Revision:</b>		<b>Approved By:</b>		
<b>Time Change (Days)</b>	+14 Calendar Days	<b>CCO Amount:</b> \$30,221.48		
<b>Summary</b>	PCO's 006, 007, 008, 012, 013, 014, 015, 016, 018, 019, 020, 021, 022.			
<b>Attachments:</b>	PCO's 006, 007, 008, 012, 013, 014, 015, 016, 018, 019, 020, 021, 022.			
<i>To Contractor: You are hereby directed to make the herein described changes from the Contract Documents. Note: This CCO is not effective until approved by San Elijo Joint Power Authority's General Manager.</i>				
<b>CCO SCOPE OF WORK DESCRIPTION</b>				
<p>The scope of this work includes all of the work described in:</p> <ol style="list-style-type: none"> <li>1. PCO #006 (add)- additional ground wires and conduits installed between the channel headwall and the City of Encinitas electrical control panel. Add \$4,286.64.</li> <li>2. PCO #007 (add)- spare conduit installed in the electrical duct bank between the Bioclean vault and headworks PLC. Add \$2,820.64.</li> <li>3. PCO #008 (deduct)-RFI #16 deleted the requirement for slurry seal on the new asphalt patches. Deduct \$3,000.00.</li> <li>4. PCO #012 (add)- protection slab installed over high pressure NPW pipe in gravel access road to protect the pipe from heavy truck loads. Add \$10,127.52.</li> <li>5. PCO #013 (add)-contract drawings indicated 6" existing slab thickness in regional channel, however it was 18+" thick resulting in additional time/cost for extra concrete demolition. Add \$2,317.58.</li> <li>6. PCO #014 (add)- 3" galvanized discharge line per design in regional channel changed to 316 SS pipe. Add \$1,283.58.</li> <li>7. PCO #015 (deduct)- contractor damaged an electrical disconnect box; replacement provided by SEJPA and installed by contractor. Deduct \$1,852.88.</li> <li>8. PCO #016 (add)- added additional pipe support at the 3" discharge pipe at sediment trap. Add \$819.73.</li> <li>9. PCO #018 (add)- installed check valve on 3" discharge pipe of the sump pump at the existing channel headwall. Add \$2,248.08.</li> </ol>				

10. PCO #019 (add)- asphalt berm added near City of Encinitas Collections building to direct flows away from building. Add \$412.67.
11. PCO #020 (add)- added concrete at north end of the new sedimentation trap where v-ditch was deleted along regional channel. Add \$889.69.
12. PCO #021 (add)- increased sediment trap hole size to prevent stagnant water from accumulating. Add \$504.60.
13. PCO #022 (add)- added 1) concrete curb in existing SW channel to divert flows into the new sump and 2) slope modifications and rip rap placement for erosion control at east side of gravel access road cross gutter. Add \$9,363.63.

**CONTRACT SUMMARY**

Original Contract Amount.....	\$	1,119,300.00
Net Change from Previous CCOs.....	\$	21,365.44
Contract Amount Prior to this CCO.....	\$	1,140,665.44
Contract Amount Change by this CCO.....	\$	30,221.48
New Contract Amount.....	\$	1,170,886.92

In Words: One Million, One Hundred Seventy Thousand Dollars, Eight Hundred Eighty-Six dollars and 92/100's.

Notice to Proceed Date.....	February 3, 2025
Original Contract Time.....	175 Calendar Days
Original Contract Completion Date.....	July 27, 2025
Contract Time Change from Previous CCOs.....	12 Calendar Days
Contract Completion Date Prior to this CCO.....	August 8, 2025
Contract Time Change by this CCO.....	14 Calendar Days
New Contract Completion Date.....	August 22, 2025

**APPROVALS**

<b>Contractor</b>	By: <i>Cameron Kreeger</i> Date: 9/4/25
	Cameron Kreeger, PM, Canyon Springs Enterprises
<b>Construction Manager</b>	By: <i>George Foote</i> Date: 9/4/25
	George Foote, Construction Manager, Valley CM
<b>SEJPA</b>	By: <i>Thomas Falk</i> Date: 9/4/25
	Thomas Falk, Director of Infrastructure and Sustainability, San Elijo Joint Powers Authority
<b>SEJPA</b>	By: *Signature Pending Board Approval Date:
	Michael Thornton, General Manager, San Elijo Joint Powers Authority

**Notes:**

1. It is understood and agreed that the above adjustments constitute compensation in full on behalf of the Contractor, its Subcontractors and Suppliers for all costs and markups directly or indirectly attributed to the change ordered, for all time impacts and work sequencing related thereto and all extended overhead costs, and for performance of all remaining and change order Work within the Contract Time stated.
2. All other Contract Work and Terms and Conditions of the Contract remain unchanged.
3. If the Contractor does not sign acceptance of this CCO, attention is directed to the requirements of the Contract Documents as to proceeding with the ordered Work and filing a written protest within the time stipulated.

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

TO: Board of Directors  
San Elijo Joint Powers Authority

FROM: Kevin Lang, Director of Finance and Administration

SUBJECT: RECYCLED WATER COST OF SERVICE AND PROPOSED WHOLESALE  
RATES ADOPTION

RECOMMENDATION

It is recommended that the Board of Directors:

1. Accept and file the 2025 Carollo Engineers Recycled Water Rate Study;
2. Approve a series of annual Recycled Water Rate increases to Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD), and the 22<sup>nd</sup> District Agricultural Association (22<sup>nd</sup> DAA). These increases would be the following:
  - 10% annual increases in 2026 and 2027, effective January 1 each year
  - 8% annual increases in 2028 and 2029, effective January 1 each year
3. Authorize the General Manager to annually evaluate and propose revisions to an annual rate increase should financial performance exceed projections, or if other favorable financial conditions arise.
4. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) operates a recycled water utility. It provides service to four water purveyors through separate wholesale agreements: Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD), and the 22<sup>nd</sup> District Agricultural Association (22<sup>nd</sup> DAA). In addition, SEJPA supplies interruptible service to the Encinitas Ranch Golf Authority (ERGA).

The wholesale agreements between SEJPA and the recycled water purveyors all permit the recommended increases proposed below, except for SFID. SFID's agreement, currently in effect through June 30, 2026, places a cap on annual rate increases of five (5) percent. SEJPA



staff are in active conversations with SFID staff to negotiate an updated agreement to allow for the proposed rate increases supported by this cost of service study. Discussions have been positive with SFID supporting the rate increases, while expressing a desire to reduce their minimum purchase volume (MPV). SEJPA feels the discussions are progressing positively and that the recycled water utility could accommodate a modest potential reduction in SFID's MPV.

Originally launched in October 2000 with rates set at 85% of potable water prices ("Indexed Pricing"), SEJPA transitioned to a cost-of-service methodology in FY 2012-13, retaining the 85% figure as an internal benchmark for competitiveness. Since inception, SEJPA has also received annual incentive payments from the San Diego County Water Authority (SDCWA) and Metropolitan Water District (MWD), providing up to \$720,000 annually — nearly 29% of the FY 2023-24 operating budget. These incentives are scheduled to expire at the end of August 2025. Additionally, inflation and reduced water sales during two unusually wet years (FY 2023 and FY 2024) have further strained program resources.

To address these challenges, SEJPA has engaged Carollo Engineers (Carollo) to conduct the 2025 Recycled Water Rate Study (Study), which will assess wholesale rate structures, long-term financial stability, and projected demand through FY 2029. The study includes revenue sufficiency modeling across varying demand scenarios and a review of reserve levels.

As part of the rate-setting process, SEJPA held cost-of-service workshops during its March and May 2025 board meetings and conducted smaller stakeholder meetings to gather input from purveyors, their customers, and the public. Most recently, at the August 2025 SEJPA Board Meeting, the initial results from Carollo's Study were presented supporting the proposed rate structure of:

- 10% annual increases in 2026 and 2027, effective January 1 each year
- 8% annual increases in 2028 and 2029, effective January 1 each year

## DISCUSSION

Staff has reviewed the Study and its recommended rate increases with the recycled water utility's purveyors. Purveyor staff expressed appreciation for their involvement in the process and indicated their understanding of the approach and basis for the proposed increases.

The only substantive revision from the preliminary draft is the establishment of a monthly meter fee for a 10-inch service connection to the 22nd DAA. This fee is a result of the City of Del Mar's recent authorization for SEJPA to provide recycled water directly to the 22nd DAA. The monthly charge of \$780 is based on a 15-year meter life and incorporates staff costs for operations, administration, and maintenance. The fee will become effective January 1, 2026, and is proposed to escalate at an annual rate of 5 percent through January 1, 2029, in alignment with the Study's operating cost assumptions.

## FINANCIAL IMPACT

Based on budgeted and projected water sales, the proposed rate increases coupled with PAYGO and available debt financing is projected to provide adequate funding for the recycled water utility for the 4-year period, FYE 2026 through FYE 2029, of the Study. The basis for this rate increase is supported by the cost-of-service evaluation conducted by Carollo (Attachment 1) to fund operating expenses, debt, and capital projects while developing reserve funds

consistent with industry best practices, coupled with minimum purchase volumes necessary to protect from and respond to unforeseen circumstances that impact revenues or costs.

## RECOMMENDATION

It is therefore recommended that the Board of Directors:

1. Accept and file the 2025 Carollo Engineers Recycled Water Rate Study;
2. Approve a series of annual Recycled Water Rate increases to Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD), and the 22<sup>nd</sup> District Agricultural Association (22<sup>nd</sup> DAA). These increases would be the following:
  - 10% annual increases in 2026 and 2027, effective January 1 each year
  - 8% annual increases in 2028 and 2029, effective January 1 each year
3. Authorize the General Manager to annually evaluate and propose revisions to an annual rate increase should financial performance exceed projections, or if other favorable financial conditions arise.
4. Discuss and take action as appropriate.

Respectfully submitted,



---

Kevin Lang, CPA  
Director of Finance and Administration

Attachment 1: Carollo Engineers 2025 Recycled Water Rate Study



# 2025 RECYCLED WATER RATE STUDY DRAFT

*San Elijo Joint Powers Authority*

JULY 2025



## Contents

Section 1	1
Introduction	1
1.1 Background	1
1.1.1 About San Elijo Joint Powers Authority	1
1.1.2 Study Purpose	1
1.1.3 Forward-Looking Statement	2
1.2 Overview of Rate-Setting Process	2
1.2.1 Revenue Requirement Analysis	2
1.2.2 Recycled Water Demand Analysis	2
1.2.3 Rate Calculation	3
1.2.4 Rate Adoption	3
1.3 Existing Rate Structure	3
Section 2	5
Assumptions	5
2.1 Recycled Water Demand	5
2.2 Operating Revenues	6
2.2.1 Meter Fee	7
2.3 Operating Expenses	8
2.3.1 Cost Escalators	8
2.3.2 Projected Operating Expenses	9
2.4 Existing Debt Service	9
2.4.1 Outside Debt Obligations	9
2.4.2 Pipeline Cost Reimbursements	9
2.5 Capital Expenditures	10
2.6 Reserve Fund Targets	12
Section 3	15
Revenue Requirements and Rates	15
3.1 Rate Increase Drivers	15
3.2 Revenue Requirements Comparison	16
3.3 Recommended Option	18

Section 4	21
Recommendations	21
4.1 Rate Increases	21

## Tables

Table 1	Minimum Purchase Volumes	3
Table 2	Existing Recycled Water Rates	4
Table 3	Forecasted Recycled Water Demands (AF)	6
Table 4	Projected Revenues with Current Rates (\$1,000s)	6
Table 5	Summary of Meter Fee Analysis	7
Table 6	Projected Meter Fee and Revenue	8
Table 7	O&M Cost Escalation Factors	9
Table 8	Projected Operating Expenses	9
Table 9	Existing Debt Service	10
Table 10	Planned Capital Improvement Plan(2)	11
Table 11	Reserve Components	13
Table 12	Reserve Component Targets	13
Table 13	FYE 2026 Reserve Targets	14
Table 14	Rate Increase Scenarios	16
Table 15	Cash Flow Sufficiency and Coverage Tests with Scenario 1 Increases	19
Table 16	Projected Reserves and Loan Proceeds with Scenario 1 Increases	19
Table 17	Calculated Rates and Rate Revenue with Scenario 1	20
Table 18	Recommended Rates	21

## Figures

Figure 1	Conceptual Overview of the Rate-Setting Process	2
Figure 2	Historical and Projected Recycled Water Demands	5
Figure 3	CIP Funding Sources	12
Figure 4	Projected Debt Coverage Comparison	17
Figure 5	Projected Reserve Fund Balance Comparison	18

## Appendices

Appendix A	Scenario 2 Financial Forecast
Appendix B	Scenario 3 Financial Forecast

## Section 1

# INTRODUCTION

## 1.1 Background

### 1.1.1 About San Elijo Joint Powers Authority

The San Elijo Joint Powers Authority (San Elijo JPA) owns and operates a recycled water utility within San Diego County, California with deliveries beginning in late 2000. At that time, San Elijo JPA initiated recycled water service to Santa Fe irrigation District (SFID), the San Dieguito Water District (SDWD), and the City of Del Mar. Starting in 2011, San Elijo JPA began providing interruptible recycled water service to the Encinitas Ranch Golf Authority (ERGA) as part of an agreement with SDWD and ERGA. Recycled water service to Olivenhain Municipal Water District (OMWD) began in 2012. Service is provided to the purveyors and to ERGA through contract agreements with San Elijo JPA that include specifications for water quality, annual consumption volume, pricing, and other terms and conditions.

San Elijo JPA's recycled water system includes tertiary treatment, transmission, storage, distribution, and advanced water treatment (AWT, i.e., microfiltration and reverse osmosis for salinity control) facilities. The recycled water system has the capacity to produce just over three million gallons per day (mgd). San Elijo JPA's recycled water program creates a locally produced and drought resistant water supply for irrigation and industrial uses, thereby improving water reliability regionally. The San Diego region currently relies on imported water for the majority of its water supply.

San Elijo JPA actively collaborates with the water purveyors to expand the use of recycled water by facilitating customer conversions and connections, expanding distribution and storage infrastructure, and incentivizing infrastructure expansion by the purveyors through pipeline lease and purchase agreements.

### 1.1.2 Study Purpose

San Elijo JPA retained Carollo Engineers (Carollo) to conduct this 2025 Recycled Water Rate Study (Study) as an update to the Study previously completed in 2021. The purpose of this Study is to assess San Elijo JPA's current recycled water wholesale rates, financial metrics, and recycled water demands and provide rate recommendations starting with fiscal year ending (FYE) 2026 and through FYE 2030.

The tables presented in this report include 5 years of projections through FYE 2030. These projections are important to provide context and guidance to the recommendations for the shorter term. At this time, the Board anticipates adopting rates for only the next four years, FYE 2026 through FYE 2029.

San Elijo JPA's recycled water program has matured over the past 25 years of operation into an established utility and its cost to operate, maintain, and produce recycled water has evolved with the following notable observations:

- The customer base is well established with some identified opportunities for expansion which adds a level of certainty to expected demands.
- Weather patterns, exacerbated by climate change, influence demand fluctuation and can create revenue volatility.

- System components are approaching the end of their expected useful life and will require rehabilitation or replacement in the near term to ensure the system’s reliability.
- Recent O&M costs have generally increased from historical records, attributed to supply chain interruptions and inflationary pressure on expendables, chemicals, electricity, and labor resources.
- The incentives that San Elijo JPA receives from the Metropolitan Water District of Southern California (MWD) and from the San Diego County Water Authority (SDCWA) will sunset in September 2025, decreasing annual revenues by approximately \$720,000, which had been received for the last 25 years.

Given these factors, it is important that the rate plan provides fiscal stability by providing sufficient reserves to protect from demand fluctuations, generating the necessary revenues to meet San Elijo JPA debt coverage requirements, and allowing for continued investment in the system through capital projects.

### 1.1.3 Forward-Looking Statement

The calculations and forecasts of this analysis are based on a reasonable projection of existing service costs, recycled water demands, and system operations with information available, and on existing legal requirements. These projections are based upon operational and financial data provided by San Elijo JPA. San Elijo JPA may need to revisit the financial plan and rate setting analysis if significant changes occur in the assumed inputs for this analysis, such as unexpected changes to San Elijo JPA’s recycled water agreements, changes occurring in specific California law governing water agencies, or further regulatory actions by the Governor of California or the California State Water Resources Control Board (SWRCB) regarding water.

## 1.2 Overview of Rate-Setting Process

Carollo’s rate-setting methodology is consistent with industry guidelines established by the M1 Manual – Principles of Water Rates, Fees, and Charges, which is published by the American Water Works Association (AWWA), a national industry trade group that makes recommendations on generally accepted practices in the water industry. An overview of this approach is outlined in Figure 1.

### 1.2.1 Revenue Requirement Analysis

The revenue requirement analysis compares the forecasted revenues of San Elijo JPA (under existing rates and forecasted recycled water demands) to its forecasted operating and capital costs. This step tests the adequacy of the existing rates to recover San Elijo JPA’s forecasted costs. If there are shortfalls, rate revenue increases are recommended until the tests are passed.

### 1.2.2 Recycled Water Demand Analysis

Forecasting recycled water sales is a critical component in the rate setting process. As part of the budget process, San Elijo JPA forecasts the expected recycled water demand based on historical

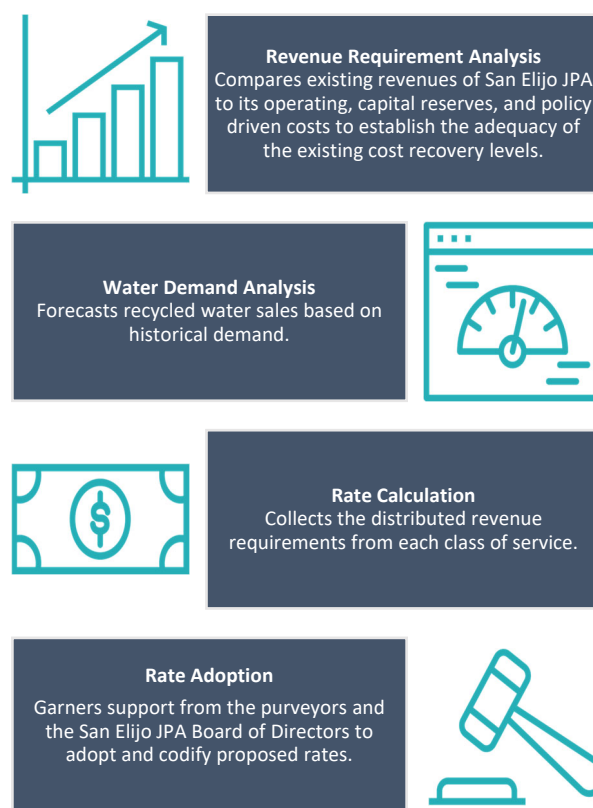


Figure 1 Conceptual Overview of the Rate-Setting Process

demand, weather, and other variables. Future demands are based on historic sales and escalated for projected growth. These forecasted recycled water demands are then compared against forecasted revenue requirements and various rates scenarios were reviewed to recover costs, fund capital projects, and meet reserve fund goals.

### 1.2.3 Rate Calculation

The rate calculation provides the final nexus between the revenue requirements and the final rates that purveyors are charged. This process connects planned expenditures to the designed rates by establishing rates to match the estimated revenue generation with expenditures and to account for adequate program reserves.

### 1.2.4 Rate Adoption

As a wholesaler providing service under contract agreements, San Elijo JPA avoids the procedural requirements for rate adoption under California Proposition 218, as well as its strict rate setting requirements. Nonetheless, it is important that the recycled water rates are set in a manner that reflects the true revenue requirements of providing recycled water service and proportionally recover those costs from the purveyors based on their usage of the system. San Elijo JPA also proactively engages with the purveyors during the rate setting process to garner support for the rates prior to presenting them to the Board of Directors for consideration and adoption.

## 1.3 Existing Rate Structure

San Elijo JPA's agreements with SFID, SDWD, OMWD, and the City of Del Mar include minimum annual purchase volumes. San Elijo JPA's interruptible service agreement with ERGA includes a minimum annual delivery volume. All these minimum volume agreements allow the San Elijo JPA to establish a minimum annual revenue stream for the programs, which helps support the San Elijo JPA's AA/AA+ financial rating as well as to help reduce future rate volatility that can result from dramatic swings in annual water purchases from the program participants.

Table 1 Minimum Purchase Volumes

Purveyor	Minimum Purchase Volume (AFY)					
	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
Santa Fe Irrigation District	375	375	375	375	375	375
San Dieguito Water District	300	300	300	300	300	300
City of Del Mar	85	75	75	75	75	75
Encinitas Ranch Golf Authority	266	271	276	284	290	295
Olivenhain Municipal Water District	225	225	225	225	225	225
<b>Total Minimum Purchase Volume, All Purveyors</b>	<b>1,251</b>	<b>1,246</b>	<b>1,251</b>	<b>1,259</b>	<b>1,265</b>	<b>1,270</b>

Rate volatility is also limited by terms and conditions within the existing purveyor agreements, which have a floor and ceiling provision that limits rate increases between 2 and 5 percent annually. Following the San Elijo JPA's previous 2021 Recycled Water Rate Study, San Elijo JPA implemented annual 3.9-percent rate increases from FYE 2022 through FYE 2026. Each recycled water purveyor, with the exception of ERGA, has a non-interruptible service agreement with the San Elijo JPA and each is charged the same recycled water rate on a \$/AF basis as shown in Table 2 below. ERGA pays pre-determined rates as set forth in the agreement with the San Elijo JPA, as this is an interruptible service agreement, which includes ERGA-provided water storage and



booster station that they operate and maintain at their own cost. As of the latest agreement, adopted in August 2023, ERGA be charged at \$1,552.40 per AF for FYE 2025 and will receive annual increases of 5-percent for FYE 2026 through FYE 2032.

Table 2 Existing Recycled Water Rates

	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025
<b>Recycled Water Rate (\$/AF)</b>	<b>\$1,640</b>	<b>\$1,704</b>	<b>\$1,770</b>	<b>\$1,839</b>	<b>\$1,911</b>

## Section 2

# ASSUMPTIONS

The San Elijo JPA's recycled water revenues and expenses analyzed in this Study are forecasted based on actual and budgeted revenues, expenses, and demands by customer. Actual and budgeted revenues and expense data were provided by San Elijo JPA. Recycled water demands and cost escalation factors were forecasted based on discussion with San Elijo JPA staff, industry data, and historical trends.

### 2.1 Recycled Water Demand

Recycled water sold by San Elijo JPA via the purveyors is used almost exclusively for outdoor irrigation, with a minor demand component for industrial uses such as cooling towers and wash-water. Annual demands are influenced heavily by weather variation year-over-year. As shown in Figure 2, recycled water demands have fluctuated historically, with a general upward trend. Demands decreased in FYE 2019 due to above average rainfall. Demands then rebounded through FYE 2022 before decreasing again in FYE 2023 due to another abnormally wet year.

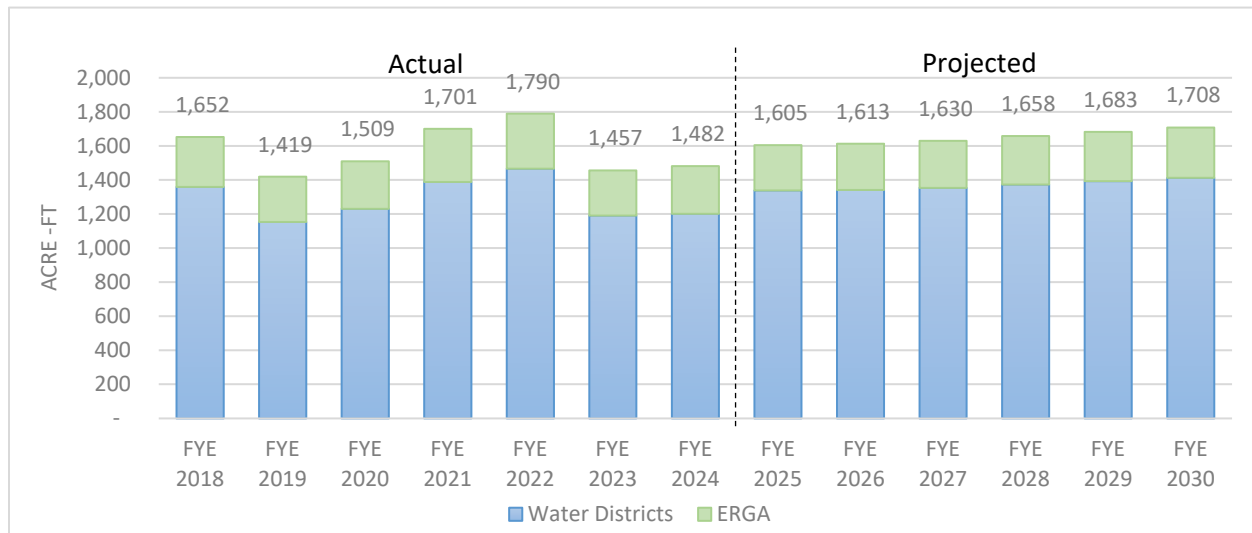


Figure 2 Historical and Projected Recycled Water Demands

Projected demands are based on the approximate average sales for the last three years (FYE 2022 through FYE 2024) with annual increases to reflect expected connections to the system. The growth assumptions are specific to each purveyor and result in an average overall sales growth of approximately 1.25% per year for FYE 2025 through FYE 2030. In total, sales are expected to increase from 1,605 AF in FYE 2025 to 1,708 AF in FYE 2030.

The San Elijo JPA, its member agencies (City of Encinitas and Solana Beach), and the water purveyors have supported the continued investment and growth of recycled water use within their area of influence. Projects completed in the last five years include the Village Park, Encinitas Ranch, and Via de la Valle expansion projects. It should be noted that the connection of new customers to these projects has been slower than originally forecasted.

The projected increase in demands reflect the expectation that new customers will continue to connect to the system via the recently constructed pipelines in Solana Beach and Encinitas, coupled with infill connections and retrofits to San Elijo JPA's existing distribution system, as well as with the return of Caltrans landscape irrigation within the I-5 corridor.

The recycled water revenues analyzed in this Study are forecasted based on the expected demands from each purveyor. Table 3 summarizes the forecasted recycled water demands by purveyor used for the Study.

Table 3 Forecasted Recycled Water Demands (AF)

Customer	Budget FYE 2025	Forecast FYE 2026	Forecast FYE 2027	Forecast FYE 2028	Forecast FYE 2029	Forecast FYE 2030
SFID	580	583	586	595	604	613
SDWD	424	426	428	435	441	448
City of Del Mar	85	75	75	75	75	75
ERGA	266	271	276	284	290	295
OMWD	250	258	265	269	273	277
<b>Total Customer Usage</b>	<b>1,605</b>	<b>1,613</b>	<b>1,630</b>	<b>1,658</b>	<b>1,683</b>	<b>1,708</b>
<i>(Less): ERGA</i>	<i>(266)</i>	<i>(271)</i>	<i>(276)</i>	<i>(284)</i>	<i>(290)</i>	<i>(295)</i>
<b>Total Usage for Rate Calculation</b>	<b>1,339</b>	<b>1,342</b>	<b>1,354</b>	<b>1,374</b>	<b>1,393</b>	<b>1,413</b>

## 2.2 Operating Revenues

San Elijo JPA collects the majority of its revenue through recycled water sales. San Elijo JPA's other operating revenues include grants and annual incentives provided by MWD and SDCWA, which provides an incentive for up to 1,600 AFY in total annual sales. MWD provides \$250/AF, and SDCWA provides \$200/AF. The incentive program will sunset in September 2025. Historically, full-year incentive payments have been as high as \$720,000 per year, with approximately \$200,000 expected in FYE 2026 prior to the end of payments in September 2025.

Table 4 shows operating revenues from FYE 2025 budget to FYE 2030 projections. Each revenue item was calculated based on the projected recycled water demands. ERGA revenue was escalated at 5-percent per year, based on the existing agreement with the San Elijo JPA.

Table 4 Projected Revenues with Current Rates (\$1,000s)

Revenue Item	FYE 2025 Budget	FYE 2026 Projection	FYE 2027 Projection	FYE 2028 Projection	FYE 2029 Projection	FYE 2030 Projection
Santa Fe Irrigation District	\$1,108	\$1,114	\$1,120	\$1,137	\$1,154	\$1,171
San Dieguito Water District	810	814	818	831	843	856
City of Del Mar	162	143	143	143	143	143
Olivenhain Municipal Water District	478	493	506	514	522	529

Revenue Item	FYE 2025 Budget	FYE 2026 Projection	FYE 2027 Projection	FYE 2028 Projection	FYE 2029 Projection	FYE 2030 Projection
<b>Total Water District Revenues</b>	<b>\$2,559</b>	<b>\$2,565</b>	<b>\$2,587</b>	<b>\$2,626</b>	<b>\$2,662</b>	<b>\$2,700</b>
MWD/SDCWA Incentives	720	202	0	0	0	0
State/Federal Grants – Capital	1,702	2,303	0	0	0	0
Encinitas Ranch Golf Authority	413	442	472	510	547	584
Meter Fees	0	5	10	10	11	11
Interest Earnings	1,138	527	457	368	281	236
<b>Total Other Revenues</b>	<b>\$3,974</b>	<b>\$3,480</b>	<b>\$938</b>	<b>\$889</b>	<b>\$839</b>	<b>\$831</b>
<b>Total Revenues – Prior to New Increases</b>	<b>\$6,532</b>	<b>\$6,044</b>	<b>\$3,526</b>	<b>\$3,514</b>	<b>\$3,501</b>	<b>\$3,531</b>

Notes:

- (1) FYE 2026 MWD/SDCA subsidy revenue reflects a partial year of funding, as the program sunsets in September 2025.  
(2) All monetary values in thousands of dollars.  
(3) Totals may not tie due to rounding.

### 2.2.1 Meter Fee

As of July 1, 2025 San Elijo JPA has taken over the ownership and maintenance of the 10-inch recycled water meter that is used to serve the 22<sup>nd</sup> District Agricultural Association. The meter was previously the responsibility of the City of Del Mar. San Elijo JPA will incur new operating and capital expenses including the cost of meter replacement, ongoing maintenance, operational labor, administrative support, and indirect overhead. These costs will be recovered through a monthly meter fee that will be assessed to the 22<sup>nd</sup> District Agricultural Association starting on January 1, 2026.

San Elijo JPA completed an internal analysis to develop a cost based monthly fee for the 10-inch meter of \$780 per month. Carollo reviewed the memo and finds the fee methodology to be appropriate in its level of cost recovery and proportionality to the costs incurred. Table 5 summarizes the costs that are included in the meter fee.

Table 5 Summary of Meter Fee Analysis

Cost Component	Annualized Cost (rounded)
Meter Purchase and Replacement	\$1,320
Meter Maintenance (Annual Calibration)	\$640
Administration and Legal (Meter Reading, Billing, and Compliance)	\$6,470
Contingency	\$900
<b>Total Annualized Costs</b>	<b>\$9,330</b>
<b>Monthly Meter Fee</b>	<b>\$780</b>

- The **Meter Purchase and Replacement** item includes the annualized materials cost for the meter and miscellaneous ancillary equipment needed to install the meter as well as the labor and equipment costs to install the meter. Materials costs are estimated at \$15,017 and labor and equipment costs are estimated at \$1,929 for a total replacement cost estimate of \$16,496. The replacement estimate is calculated assuming a 15 year amortization at three (3) percent to determine an annualized cost of \$1,320.
- The **Meter Maintenance** item is \$60 per year and includes annual staff costs of \$140 for general inspection and maintenance as well as annual outside services costs of \$500 for meter calibration.
- The **Administration and Legal (Meter Reading and Billing)** item includes monthly meter reads, review of meter read and recycled water usage, coordination with County of San Diego Department of Environmental Health inspections, cross connection testing, oversight by management, customer service, and legal costs with associated indirect agency overhead costs. The total annual administrative costs are \$6,470.

The total annual costs include a 10-percent contingency equal to \$900, to account for unforeseen costs that may be incurred annually or changes to outside services or staff costs from those assumed for the analysis.

Table 6 shows the projected monthly meter fee for each fiscal year as well as the expected meter fee revenues. The Study assumes that the meter fee will be charged starting on January 1, 2026 and increase by five (5) percent per year on January 1 of each year thereafter.

Table 6      **Projected Meter Fee and Revenue**

	Jan. 1, 2026	Jan. 1, 2027	Jan. 1, 2028	Jan. 1, 2029	Jan. 1, 2030
Annual Increase	n/a	5.0%	5.0%	5.0%	5.0%
<b>Monthly Meter Fee</b>	<b>\$780</b>	<b>\$819</b>	<b>\$860</b>	<b>\$903</b>	<b>\$948</b>
	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Fiscal Year Revenues</b>	<b>\$4,680</b>	<b>\$9,594</b>	<b>\$10,074</b>	<b>\$10,578</b>	<b>\$11,106</b>

## 2.3 Operating Expenses

Operating expenses are the costs that San Elijo JPA incurs on an ongoing basis to provide recycled water service to its customers. These costs include items such as personnel expenses, supplies and services, utilities, rent, retrofit expenses, and capital outlay. Costs for most operating line items are projected using San Elijo JPA's FYE 2025 budget as a basis and applying annual escalation factors. Retrofit expenses will be included in the CIPs as part of the Misc. System Repairs and Retrofits item. Capital outlay is budgeted at \$40,000 for FYE 2025 but is set to zero thereafter as costs above San Elijo JPA's capitalization threshold will be accounted for in the CIP, while items under the threshold will be included in repair parts.

### 2.3.1 Cost Escalators

The assumed cost escalation factors for operating and maintenance (O&M) expenses are summarized Table 7 on the next page.

Table 7 O&amp;M Cost Escalation Factors

Cost Escalator	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
Operations	4.0%	3.8%	3.8%	3.5%	3.5%
Labor	5.0%	5.0%	5.0%	5.0%	5.0%
Energy	4.0%	4.0%	4.0%	4.0%	4.0%
Chemicals	4.5%	4.5%	4.0%	4.0%	4.0%
Water Cost	4.0%	4.0%	4.0%	4.0%	4.0%
Construction/Capital	4.0%	4.0%	4.0%	4.0%	4.0%

### 2.3.2 Projected Operating Expenses

Projected operating expenses are summarized in Table 8. As shown, total operating expenses are expected to increase from approximately \$2.56 million in FYE 2025 to approximately \$3.12 million in FYE 2029. This increase is driven solely by expected cost inflation as San Elijo JPA does not anticipate any changes to recycled water operations that would impact costs over the study timeframe.

Table 8 Projected Operating Expenses

Expense Category/Item	FYE 2025 Budget	FYE 2026 Projection	FYE 2027 Projection	FYE 2028 Projection	FYE 2029 Projection	FYE 2030 Projection
Personnel Costs	\$1,053	\$1,106	\$1,161	\$1,219	\$1,280	\$1,344
Supplies and Services	851	931	961	995	1,023	1,050
Rent	114	116	119	121	123	125
Utilities	506	524	543	563	584	605
Capital Outlay	40	0	0	0	0	0
<b>Total Operating Expenses</b>	<b>\$2,564</b>	<b>\$2,677</b>	<b>\$2,785</b>	<b>\$2,899</b>	<b>\$3,010</b>	<b>\$3,124</b>

Notes:

- (1) All monetary values in thousands of dollars.  
 (2) Totals may not be tied due to rounding.

## 2.4 Existing Debt Service

The San Elijo JPA has two outstanding debt service obligations and three pipeline cost reimbursement commitments. Debt service associated with each of the existing debt service obligations is presented below in Table 9.

### 2.4.1 Outside Debt Obligations

Existing debt service includes a 2012 Municipal Finance Corporation Loan, which funded the San Elijo JPA's AWT facility, and the 2023 loan through Webster Bank. The 2023 loan provided \$10,120,000 of proceeds which will be used over the next few years to fund improvements to the recycled water system. The specific projects are discussed further in the Capital Expenditures section.

### 2.4.2 Pipeline Cost Reimbursements

San Elijo JPA has promoted the expansion of recycled water service within the purveyors' service areas by offsetting the costs of local recycled water transmission and distribution systems through pipeline reimbursement agreements. Existing pipeline cost reimbursement obligations include agreements with SFID, OMWD, and Solana Beach.

**SFID Pipeline Transfer and Cost Reimbursement.** The SFID Pipeline Transfer and Cost Reimbursement is designed to reimburse SFID for pipeline infrastructure that was constructed to expand its recycled water service. Based on the agreement, San Elijo JPA pays SFID \$450 per AF delivered via the subject pipeline, as well as interest payments on the outstanding principal balance. As of the end of FYE 2025, the projected outstanding principal was \$200,707. For this analysis, future payments are projected assuming that 80.86 AF are delivered via the pipeline each year. Interest payments are calculated assuming a 2.5 percent interest rate through FYE 2028 and 2.0 percent thereafter. An additional \$100,000 towards the principal was paid in FYE 2023.

**Solana Beach Pipeline Transfer and Cost Reimbursement.** The Solana Beach Pipeline Transfer and Cost Reimbursement Agreement is designed to reimburse the City of Solana Beach for pipeline infrastructure that was constructed to expand its recycled water service. Based on the agreement, San Elijo JPA pays Solana Beach \$450 per AF delivered via the subject pipeline and payments will continue until the full construction cost of the pipeline is reimbursed to Solana Beach. As of the end of FYE 2025, the outstanding balance is anticipated to be \$406,544. The payment for this pipeline is calculated based on actual deliveries made via the pipeline, which is projected to be 20 AF in FYE 2025, with annual deliveries expected to increase as new customers connect to the pipeline (approximate average increase of 2 AF annually until the ultimate pipeline demand of 32 AFY is reached in FYE 2032).

**OMWD Pipeline Cost Reimbursement.** San Elijo JPA and OMWD entered the OMWD Pipeline Cost Reimbursement to provide a means for San Elijo JPA to compensate OMWD for the use of OMWD's local distribution infrastructure, which is self-funded by OMWD. Based on the agreement, San Elijo JPA pays OMWD \$450 per AF delivered to OMWD customers. The projected payments are based on the forecasted demands shown above in Table 3. Based on the specific agreement with OMWD, these payments are included in the "Rent" line item of Table 8 and are not considered as debt service.

Table 9 Existing Debt Service

Debt Item	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
AWP Loan	\$148	\$148	\$148	\$148	\$148
SFID Pipeline Transfer & Cost Reimbursement	\$41	\$40	\$39	\$38	\$37
Solana Beach Pipeline Transfer & Cost Reimbursement	\$10	\$11	\$12	\$13	\$14
2023 Loan Webster Bank, National Association	\$779	\$779	\$779	\$778	\$779
<b>Total Debt Service</b>	<b>\$978</b>	<b>\$978</b>	<b>\$978</b>	<b>\$977</b>	<b>\$978</b>

Notes:

- (1) All monetary values in thousands of dollars.
- (2) Totals may not be tied due to rounding.

## 2.5 Capital Expenditures

San Elijo JPA provided Carollo with its planned recycled water capital improvement plan (CIP) for the rate-setting period. The CIP includes a total of \$11.0 million in capital expenditures for FYE 2026 through FYE 2030 (2025 dollars).

The CIP consists of prioritized projects designed to improve operational resiliency and reliability, increase access to recycled water, improve water quality, and maintain the existing recycled water systems. Specific projects contemplated in this planning period include:

- The Wanket Tank Refurbishment (and Wanket Recycled Water Pipeline), that will rehabilitate and convert an existing 3-million-gallon potable water tank to recycled water, connected to the north distribution system to improve operational storage and system pressures throughout the system.
- Enhancements to recycled water treatment processes through the integration of advanced biological treatment methods and microfiltration technologies. These approaches are aimed to improve system performance and permit compliance.
- Improvements within the San Elijo Water Campus to increase supply sources to the recycled water system including stormwater capture diversions onsite and from the adjacent regional storm channel, and modifications to secondary effluent diversions from Escondido's land outfall.
- Incidental facility improvements including addition of pump control valves on recycled water pumps, addition of a fourth recycled water pump, and repurposing existing tankage for onsite storage to alleviate operational constraints on recycled water deliveries and to improve system reliability.
- Rehabilitation and replacement of critical assets including distribution system valves, membranes, electrical and control components, and aging pumps.

Grants have been awarded to San Elijo JPA to fund a portion of several of the capital projects. Over the course of the study period, San Elijo JPA expects to receive a total of \$2.30 million in grant funds. Approved Proposition 1 grants total \$1.16 million for the Wanket Tank and stormwater projects. Approved US Bureau of Reclamation grants total \$1.14 million for the Wanket Tank and stormwater diversion.

Capital costs for defined projects were derived from the budgetary estimates that were provided in FYE 2025 dollars. Costs in future years are escalated at 4.0-percent per year to account for expected inflation in construction costs. With the escalation factor applied, the analysis includes approximately \$12.4 million in capital expenditures from FYE 2026 to FYE 2030. Table 10 shows the projected CIP.

Table 10 [Planned Capital Improvement Plan<sup>\(2\)</sup>](#)

CIP Project	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
Wanket Tank Refurbishment	\$1,223	\$0	\$0	\$0	\$0
Stormwater Capture & Reuse	\$510	\$0	\$0	\$0	\$0
Treatment Improvement (Biological or MF Expansion)	\$195	\$285	\$1,145	\$870	\$2,769
SCADA 3.0 (26% RW Contrib.)	\$416	\$0	\$0	\$0	\$0
RO Membrane Replacement	\$0	\$150	\$0	\$0	\$0
MS-2 Capital Portion	\$500	\$0	\$0	\$0	\$0
MF Feed Pump Upgrades (Pump 3/4)	\$100	\$0	\$0	\$0	\$0
RW Valve Replacements	\$120	\$60	\$60	\$60	\$123
Lomas SF Booster Pump Station Rehab	\$75	\$675	\$0	\$0	\$0
Laboratory Refurbishment (RW Allocation)	\$0	\$0	\$50	\$450	\$0
Mechanics Shop Upgrades (RW Allocation)	\$0	\$0	\$60	\$540	\$0
Miscellaneous Capital Projects	\$50	\$50	\$150	\$150	\$150



CIP Project	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Total Planned CIP (2025 Dollars)</b>	<b>\$3,189</b>	<b>\$1,220</b>	<b>\$1,465</b>	<b>\$2,070</b>	<b>\$3,042</b>
<b>Escalated CIP<sup>(1)</sup></b>	<b>\$3,317</b>	<b>\$1,320</b>	<b>\$1,648</b>	<b>\$2,422</b>	<b>\$3,701</b>

Notes:

- (1) Escalated from FYE 2025 dollars.
- (2) All monetary values in thousands of dollars.
- (3) Totals may not tie due to rounding.

Figure 3 shows the projected sources of funding for CIP projects. For FYE 2026 through FYE 2030, approximately \$6.2 million will be funded with loan proceeds, and the remaining \$6.2 million will be funded with cash from rates and reserves.

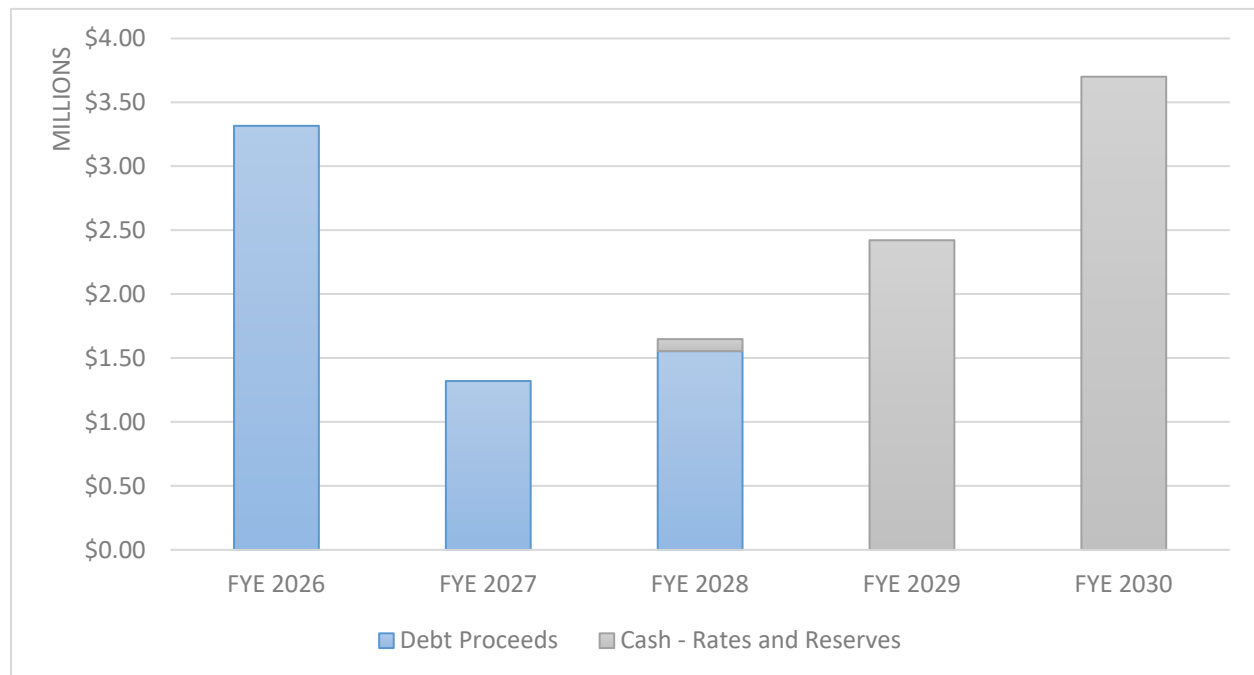


Figure 3 CIP Funding Sources

## 2.6 Reserve Fund Targets

As a component of the previous Recycled Water Rate Study (2021), San Elijo JPA developed a detailed set of reserve component targets to be used in rate planning. The reserve strategy is similar to the policies of the individual water purveyors, with modifications and refinements to reflect the San Elijo JPA's unique needs. The overall reserve target includes three main components: an operating reserve, a rate stabilization reserve, and a capital improvement and replacement reserve. Each component of the operational reserve provides its own unique set of funding and expense criteria and as such, each has varying target balances based on those defined criteria.

The reserve components and associated targets are described in Table 11 and Table 12, respectively.

Table 11 Reserve Components

Reserve Fund Component	Function
<b>Operating Reserve</b>	Provides funds to ensure continuity of operations during short-term fluctuations in cash flows due to demand volatility, unanticipated costs, or other factors.
<b>Rate Stabilization Reserve</b>	Provides funding to: <ul style="list-style-type: none"> <li>• Avoid unacceptable rate increases in combination with a cost-of-service study</li> <li>• Accommodate a temporary reduction in revenues or increase in expenses</li> <li>• Maintain compliance with any indebtedness obligations</li> </ul>
<b>Capital Improvement and Replacement Reserve</b>	Provides funds for: <ul style="list-style-type: none"> <li>• Unplanned or accelerated capital projects</li> <li>• Smooth budgetary and rate impacts of capital expenses</li> <li>• Fund replacement of equipment with short service life</li> <li>• Fund asset management activities</li> </ul>

The capital component is determined based on the portion of the CIP that is funded with cash from revenues, reserves, and grants. Including only the cash funded portion of the CIP recognizes that loan funding has been secured for the much of the CIP, and the associated debt service is included in the rate stabilization reserve component.

Table 12 Reserve Component Targets

Reserve Fund Component	Minimum Target	Maximum Target
<b>Operating Reserve</b>	60 Days of Operating Expenses	120 Days of Operating Expenses
<b>Rate Stabilization Reserve</b>	One year of debt service payments <i>Plus</i> 25-percent of the current fiscal year's budgeted sales revenue	One year of debt service payments <i>Plus</i> 100-percent of the current fiscal year's budgeted sales revenue
<b>Capital Improvement and Replacement Reserve</b>	100-percent current year cash CIP, 50% second year cash CIP, and 25% third year cash CIP	100-percent of current, second-, and third-year cash CIP

Table 13, on the next page, shows the minimum and maximum reserve targets for FYE 2026. Because the reserve targets are tied to specific costs within the projections, the targets vary depending upon the value of those specific costs. The targets presented in Table 13 are based on the operating cost projected above, the CIP with the planned project implementation timing, and assume that no additional debt is issued. If additional debt were to be issued, the reserve target would be adjusted accordingly based on the associated annual debt service (rate stabilization component) and the use of additional debt proceeds for capital funding (capital component). Targets are recalculated each year based on the costs projected at that time. The increased capital costs over the next three years drive higher reserve targets for the Capital Improvement and Replacement Reserve. Once the projects are completed, this component of the reserve target will be reduced.

Table 13      FYE 2026 Reserve Targets

Reserve Fund	Minimum Target	Maximum Target
Operating Reserve	\$440	\$880
<i>Rate Stabilization Reserve - Debt Service</i>	978	978
<i>Rate Stabilization Reserve - Budgeted Revenues<sup>(1)</sup></i>	694	2,776
Subtotal: Rate Stabilization Reserve	\$2,112	\$4,634
Capital Improvement and Replacement Reserve	\$23	\$93
<b>Total Reserve Target</b>	<b>\$2,135</b>	<b>\$4,727</b>

Notes:

- (1) Based on rate revenues, assuming that the scenario 1 rate increases discussed in the next section are implemented for FYE 2026.
- (2) All monetary values in thousands of dollars.
- (3) Totals may not tie due to rounding.

## Section 3

# REVENUE REQUIREMENTS AND RATES

The revenue requirement analysis is a test of a utility's fiscal health, scrutinizing the adequacy of current revenues against funding needs. This test sets the basis for rate planning and reviews the viability of the utility's revenues against operating and capital expenses, debt service, and reserve policy targets. Where cash flows and balances are insufficient, the revenue requirement analysis recommends the additional cash flows needed to meet all funding goals.

Carollo collected actual and budgeted revenues and expenditures, recycled water production costs, reserve fund balances and policies, planned capital improvement plan expenditures, existing and future annual debt service, and other relevant financial data to forecast funding needs. Once this forecast is established, three tests define the annual revenues necessary.

1. The **Cash Flow Sufficiency Test** looks for a net positive cash flow at the end of each fiscal year. This test looks at whether revenues exceed expenses. When they do not, this test recommends additional revenue.
2. The **Debt Service Coverage Test** assesses the ability of the utility to cover debt service payments. Utility debt issuances regularly include a stipulation that the agency maintains enough cash flows to cover the planned debt service plus an additional percentage of that debt service. San Elijo JPA's current outstanding debt obligations require a coverage ratio of 1.15x. A higher target is used in rate planning efforts so that the required ratio can still be met in the event that revenues decrease or unforeseen costs are incurred. Further, the higher multiple can provide credit rating agencies with additional evidence of San Elijo JPA's strong financial health and support San Elijo JPA's credit rating to reduce long-term borrowing costs. For rate planning purposes, coverage is targeted at a minimum of 1.5x, though that goal may not be achieved in all years.
3. The **Reserve Sufficiency Test** assesses the ability of the utility to meet the minimum reserve target through the Study period. If projected year end reserve balances fall below the minimum target, this test recommends additional revenue.

The study looks at all three tests over the study period to identify years where revenue adjustments are necessary. Carollo also considers the impact of the projected financial plan on San Elijo JPA's reserve balances and looks at operating, capital, and other funds' performance against San Elijo JPA policy minimums.

While the tests are calculated on a year-by-year basis, responsible rate planning should consider rate impacts and financial results over multiple years. The legally required 1.15x coverage ratio must be met in all years, however, the other tests may fall short in some years to allow for rate smoothing or to avoid planning for requirements that will decrease in coming years. For example, the plan developed for this Study anticipates drawing down on reserves to fund capital projects after the remaining loan proceeds have been spent. While this is indicated by negative cash flows in years where reserves are used, rates can still be kept lower due to the planned use of reserves, to avoid rate shock.

### 3.1 Rate Increase Drivers

The San Elijo JPA has strived to minimize rate increases by pursuing grant funding for capital projects, implementing cost controls on internal costs (including constraining capital spending, monitoring and minimizing outside professional services, renegotiating chemical vendor agreements, etc.), and using debt to

fund capital improvements. However, several factors outside of San Elijo JPA's direct control have contributed to the need for recycled water rate increases.

1. Subsidy revenues from SDCWA and MWD will decrease from \$720,000 per year to just over \$200,000 per year in FYE 2026 and will cease entirely starting in FYE 2027 as the Local Resource Program agreement sunsets. Increases in rate revenues are required to make up for the associated shortfalls.
2. Unpredictable weather patterns have led to decreased usage in recent years leading to revenue shortfalls and placing pressure on reserves.
3. Capital improvements are needed to maintain the high level of service for recycled water users and enhance recycled water availability. Uptake of recycled water service by future users will increase demands and ultimately lead to lower rates for all users in the long-term as the majority of San Elijo JPA's recycled water costs are fixed.
4. Inflationary pressure on operating costs has caused increases in operating costs to outrun previous rate increases. From FYE 2020 to FYE 2024 (the most recent year where actual costs are available) annual operating costs increased by approximately \$920,000 due to increases in materials and supply costs, utilities, and labor costs.

### 3.2 Revenue Requirements Comparison

Several rate increase scenarios were developed and evaluated to identify the recommended rate adjustments. These scenarios were presented and discussed at two public workshops held in March and May 2025 at the San Elijo Water Campus. Feedback from the public and water district staff emphasized the importance of minimizing future rate increases to the extent practical. The scenarios outlined herein reflect Board direction provided during the May 2025 workshop.

In alignment with the Board's guidance, each scenario includes an initial 3.9% rate increase effective July 1, 2025, followed by a second increase on January 1, 2026, for Fiscal Year Ending (FYE) 2026. This phased approach is intended to provide ratepayers with some relief during the high-demand summer months and allow additional time to prepare for the full increase. For all subsequent years, rate increases would take effect in full on January 1 of each year. Table 14 presents the rate adjustments and projected rates for each scenario.

Table 14 Rate Increase Scenarios

	FYE 2026		FYE 2027	FYE 2028	FYE 2029	FYE 2030
	Jul. 1	Jan. 1	Jan.1	Jan.1	Jan.1	Jan.1
<b>Scenario 1 - Recommended</b>						
Rate Increase	3.9%	10.0%	10.0%	8.0%	8.0%	4.5%
Rate per Acre-ft	\$1,986	\$2,184	\$2,402	\$2,595	\$2,802	\$2,928
<b>Scenario 2</b>						
Rate Increase	3.9%	7.8%	12.0%	6.5%	6.0%	4.5%
Rate per Acre-ft	\$1,986	\$2,140	\$2,397	\$2,553	\$2,706	\$2,828
<b>Scenario 3</b>						
Rate Increase	3.9%	7.8%	9.8%	7.8%	6.9%	4.5%
Rate per Acre-ft	\$1,986	\$2,140	\$2,350	\$2,533	\$2,708	\$2,830

### Debt Coverage

Meeting the required debt service coverage ratio is the primary driver of rate increases in the short term. Figure 4 shows the projected debt service coverage ratio for each of the analyzed rate increase strategies as well as the required coverage of 1.15x. The sunseting of incentive payments will shift the burden of the coverage obligation almost entirely to rates. For all scenarios, the projected coverage factor falls to its lowest point in FYE 2027. With Scenario 1, rate increases show that the projected coverage in that year would be 1.26x, a buffer of only approximately \$108,000 for that year. With Scenarios 2 and 3, projected coverage in FYE 2027 would be 1.22x and 1.20x, respectively.

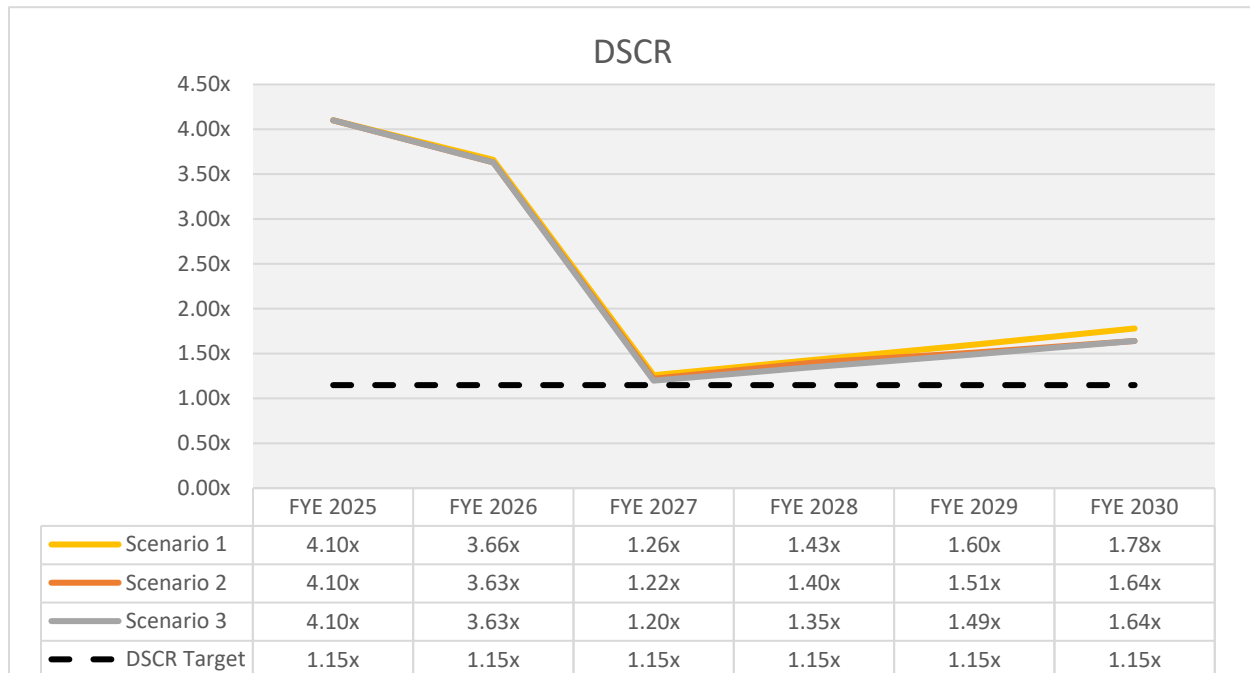


Figure 4 Projected Debt Coverage Comparison

Figure 5 shows the projected reserves, excluding debt proceeds, for each of the analyzed rate increase strategies as well as the reserve maximum and minimum targets. As shown, the projected reserves for all the scenarios follow a similar profile. Reserve levels will increase in FYE 2026 due to expected grant receipts and be held relatively flat through FYE 2028 as the remaining loan proceeds will be used to fund capital in those years. After that time, reserves will be drawn down to fund capital projects. With the Scenario 1 rate increases, reserves will remain above the minimum target through the end of the Study period in FYE 2029, while Scenarios 2 and 3 would fall slightly below the minimum target in FYE 2029. All scenarios project that the reserve balance will be below the minimum target in FYE 2030 however, San Elijo may adjust the reserve policy or capital funding strategy before that time to avoid a reserve deficit.

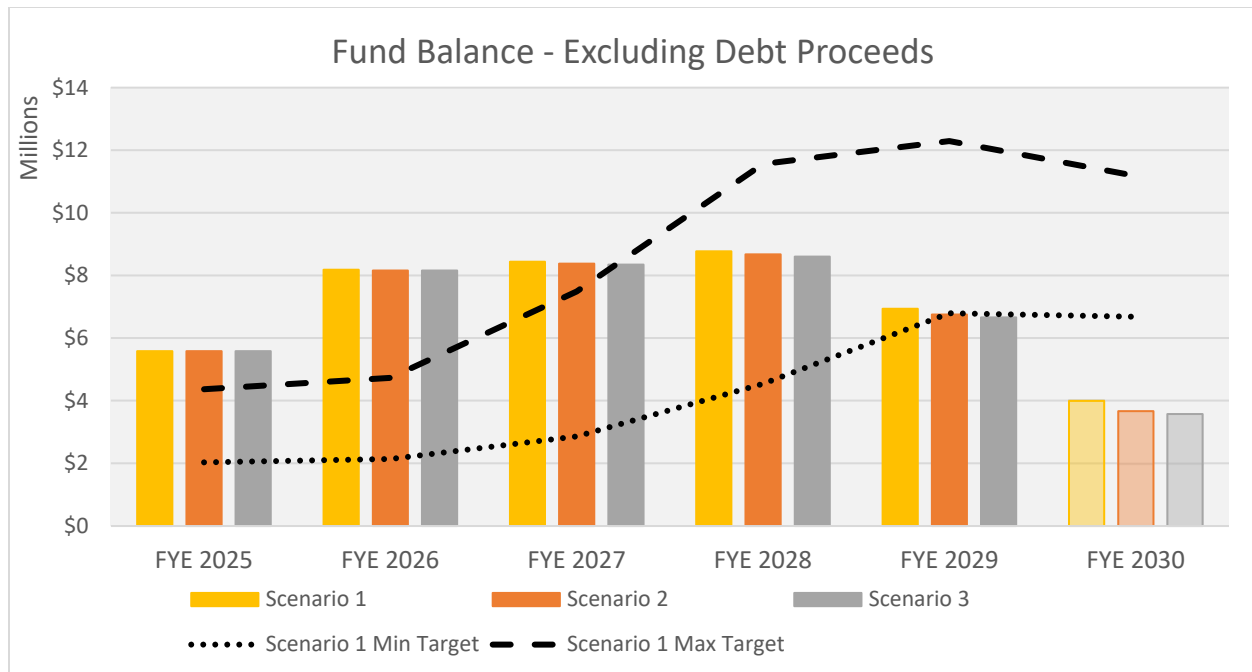


Figure 5 Projected Reserve Fund Balance Comparison

### 3.3 Recommended Option

Based on the results of the revenue requirements analysis for each scenario, Carollo recommends Scenario 1. In the short term, the increases are necessary so that San Elijo JPA can meet its coverage obligation, with a minimal \$108,000 buffer in FYE 2027. This level of coverage is still very close to the minimum requirement as that \$108,000 buffer would only equate to about 47 acre-ft of sales at the projected rates for that year.

As noted previously, the underlying driver leading to the need for large rate increases is the setting of incentive payments, which reduces revenues by approximately \$720,000 per year. The Scenario 1 rate increases for FYE 2026, FYE 2027, FYE 2028, and part of the FYE 2029 increase are necessary to replace most but not all of those lost revenues. After that time, subsequent increases will provide further funds needed to continue investments in capital projects and keep pace with inflationary increases in operating costs. Table 15 (on the next page) summarizes the financial forecast and the cash flow and debt coverage tests.

Table 16 (on the next page) summarizes the projected reserves with the Scenario 1 increases. Once the remaining proceeds of the 2023 loan are spent, reserves will be drawn down to fund capital projects. Overall, the fund balance is projected to remain above the minimum target balance throughout the study period.

Similar tables for Scenario 2 and Scenario 3 are included for reference in the appendix.

Table 15 Cash Flow Sufficiency and Coverage Tests with Scenario 1 Increases

	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Rate Increase</b>	Jul. 1: 3.9% Jan. 1: 10%	Jan. 1: 10.0%	Jan. 1: 8.0%	Jan. 1: 8.0%	Jan. 1: 3.0%
<b>Cash Flow Test</b>					
Rate Revenues under Existing Rates	\$2,565	\$2,587	\$2,626	\$2,662	\$2,700
Revenue From Rate Increases	212	493	786	1,073	1,334
Other Revenues	3,480	938	889	839	831
<b>Total Revenues</b>	<b>\$6,256</b>	<b>\$4,019</b>	<b>\$4,300</b>	<b>\$4,575</b>	<b>\$4,865</b>
Operating Expenses	2,677	2,785	2,899	3,010	3,124
Debt Service	978	978	978	977	978
PAYGO Capital (inc. Grants)	0	0	93	2,422	3,701
<b>Total Expenses</b>	<b>\$3,655</b>	<b>\$3,763</b>	<b>\$3,970</b>	<b>\$6,408</b>	<b>\$7,803</b>
<b>Operating Cash Flows</b>	<b>\$2,600</b>	<b>\$257</b>	<b>\$330</b>	<b>(\$1,834)</b>	<b>(\$2,938)</b>
<b>Contribution to (Use of) Reserves</b>					
<b>Debt Coverage Test</b>					
Total Operating Revenues	\$6,256	\$4,019	\$4,300	\$4,575	\$4,865
Less: Operating Expenses (Exc. Capital Outlay)	(2,677)	(2,785)	(2,899)	(3,010)	(3,124)
<b>Revenues Available for Debt Service</b>	<b>\$3,578</b>	<b>\$1,234</b>	<b>\$1,401</b>	<b>\$1,565</b>	<b>\$1,741</b>
<b>DSCR, after rate increase</b>	<b>3.66x</b>	<b>1.26x</b>	<b>1.43x</b>	<b>1.60x</b>	<b>1.78x</b>

Notes:

(1) All monetary values are in thousands of dollars.

(2) Totals may not tie due to rounding.

Table 16 Projected Reserves and Loan Proceeds with Scenario 1 Increases

	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Reserve Funds</b>					
Beginning Fund Balance <sup>(1)</sup>	\$5,580	\$8,180	\$8,437	\$8,767	\$6,933
Operating Cash Flows	2,600	257	423	588	763
PAYGO Capital	0	0	(93)	(2,422)	(3,701)
<b>Ending Fund Balance</b>	<b>\$8,180</b>	<b>\$8,437</b>	<b>\$8,767</b>	<b>\$6,933</b>	<b>\$3,995</b>
<i>Minimum Reserve Target</i>	<i>\$2,135</i>	<i>\$2,858</i>	<i>\$4,537</i>	<i>\$6,795</i>	<i>\$6,678</i>
<i>Maximum Reserve Target</i>	<i>\$4,727</i>	<i>\$7,489</i>	<i>\$11,559</i>	<i>\$12,295</i>	<i>\$11,178</i>
<b>Loan Proceeds</b>					
Beginning Balance	\$6,191	\$2,874	\$1,555	\$0	\$0
Use of Funds for Projects	(3,317)	(1,320)	(1,555)	0	0
<b>Ending Balance</b>	<b>\$2,874</b>	<b>\$1,555</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Notes:

(1) All monetary values are in thousands of dollars.

(2) Totals may not tie due to rounding.



Table 17 shows the calculated rate revenue from the water districts, with the Scenario 1 rate increases, and compares it to the total rate revenue required. The total rate revenue required is the amount that needs to be recovered from the water districts. It is calculated by summing the Total Expenses and the Contribution to (Use of) reserves lines from Table 15 and subtracting the Other Revenues (also from Table 15) as they offset the costs that need to be recovered through rates. As shown, the calculated Fiscal Year Rate Revenues are equal to the Total Rate Revenue Required, indicating that the recommended rates would appropriately recover costs.

Table 17      **Calculated Rates and Rate Revenue with Scenario 1**

Item	FYE 2026 Jul. 1	FYE 2026 Jan. 1	FYE 2027 Jan. 1	FYE 2028 Jan. 1	FYE 2029 Jan. 1	FYE 2030 Jan. 1
<b>Projected Rate Revenues From the Water Districts</b>						
<b>Recycled Water Rate (\$/acre-ft)</b>	<b>\$1,986</b>	<b>\$2,184</b>	<b>\$2,402</b>	<b>\$2,595</b>	<b>\$2,802</b>	<b>\$2,928</b>
<b>Fiscal Year Sales (acre-ft)</b>	1342		1354	1374	1393	1413
Sales (Jul. through Dec.)	780		787	799	810	822
Sales (Jan. through Jun.)	562		567	575	583	591
<b>Fiscal Year Rate Revenues (\$1,000s)</b>	<b>\$2,776</b>		<b>\$3,081</b>	<b>\$3,412</b>	<b>\$3,735</b>	<b>\$4,034</b>
<b>Rate Revenue Requirements (\$1,000s)</b>						
Total Expenses	\$3,655		\$3,763	\$3,970	\$6,408	\$7,803
Contribution To (Use Of) Reserves	2,600		257	330	(1,834)	(2,938)
Less: Other Revenues	(3,480)		(938)	(889)	(839)	(831)
<b>Total Rate Revenue Required</b>	<b>\$2,776</b>		<b>\$3,081</b>	<b>\$3,412</b>	<b>\$3,735</b>	<b>\$4,034</b>

Notes:

(1) Totals may not tie due to rounding.

## Section 4

# RECOMMENDATIONS

### 4.1 Rate Increases

Several factors have combined to place increased pressure on San Elijo JPA's recycled water rates and have necessitated this update to the recycled water rate study.

1. MWD and SDCWA subsidies will sunset in FYE 2026 leading to a decrease in revenues of approximately \$720,000 per year.
2. Recycled water demands remain volatile and drive the need for maintenance of reserves.
3. Capital investments are required to maintain the system's assets and level of service.
4. High inflation has led to substantial increases in operating costs and though future inflation is expected to flatten, rates have fallen behind the increase in operating costs.

Based on these factors, Carollo recommends that rate increases be implemented based on Scenario 1 for FYE 2026 through FYE 2029. San Elijo JPA should reassess the need for future increases after FYE 2029 based on the status of the recycled water program and the information available at that time, or earlier if conditions identify a need for review. The recommended rates are shown in Table 18A.

Table 18 Recommended Rates

	FYE 2026		FYE 2027	FYE 2028	FYE 2029	FYE 2030
	Jul. 1	Jan. 1	Jan.1	Jan.1	Jan.1	Jan.1
Rate Increase	3.9%	10.0%	10.0%	8.0%	8.0%	4.5%
Rate per Acre-ft	\$1,986	\$2,184	\$2,402	\$2,595	\$2,802	\$2,928

## Appendix A

## SCENARIO 2 FINANCIAL FORECAST

Table A.1 shows the results for the cash flow and debt coverage tests for Scenario 2. With the Scenario 2 rate increases, calculated debt coverage for FYE 2027 would be 1.22x. This would provide very little buffer in the event of decreased revenues or an increase in costs. For FYE 2027, the projected 0.07x coverage surplus would equate to only \$68,000. This would be equivalent to only 28.5 acre-ft of sales at the January 1, 2027, rate.

Table A.2 shows the projected reserves for Scenario 2. With the Scenario 2 rate increases, reserves would fall below the minimum target in FYE 2029.

Table A.1 Cash Flow Sufficiency and Coverage Tests with Scenario 1 Increases

	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Rate Increase</b>	Jul. 1: 3.9% Jan. 1: 7.8%	Jan. 1: 12.0%	Jan. 1: 6.5%	Jan. 1: 6.0%	Jan. 1: 4.5%
<b>Cash Flow Test</b>					
Rate Revenues under Existing Rates	\$2,565	\$2,587	\$2,626	\$2,662	\$2,700
Revenue From Rate Increases	187	456	758	984	1,196
Other Revenues	3,480	938	887	837	827
<b>Total Revenues</b>	<b>\$6,231</b>	<b>\$3,982</b>	<b>\$4,271</b>	<b>\$4,483</b>	<b>\$4,723</b>
Operating Expenses	2,677	2,785	2,899	3,010	3,124
Debt Service	978	978	978	977	978
PAYGO Capital (inc. Grants)	0	0	93	2,422	3,701
<b>Total Expenses</b>	<b>\$3,655</b>	<b>\$3,763</b>	<b>\$3,970</b>	<b>\$6,408</b>	<b>\$7,803</b>
<b>Operating Cash Flows</b>	<b>\$2,576</b>	<b>\$219</b>	<b>\$300</b>	<b>(\$1,926)</b>	<b>(\$3,080)</b>
<b>Contribution to (Use of) Reserves</b>					
<b>Debt Coverage Test</b>					
Total Operating Revenues	\$6,231	\$3,982	\$4,271	\$4,483	\$4,723
Less: Operating Expenses (Exc. Capital Outlay)	(2,677)	(2,785)	(2,899)	(3,010)	(3,124)
<b>Revenues Available for Debt Service</b>	<b>\$3,554</b>	<b>\$1,197</b>	<b>\$1,372</b>	<b>\$1,473</b>	<b>\$1,599</b>
<b>DSCR, after rate increase</b>	<b>3.63x</b>	<b>1.22x</b>	<b>1.40x</b>	<b>1.51x</b>	<b>1.64x</b>

Notes:

All monetary values are in thousands of dollars.

Totals may not tie due to rounding.

Table A.2 Projected Reserves and Loan Proceeds with Scenario 1 Increases

	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Reserve Funds</b>					
Beginning Fund Balance <sup>(1)</sup>	\$5,580	\$8,156	\$8,375	\$8,675	\$6,749
Operating Cash Flows	2,576	219	394	496	621
PAYGO Capital	0	0	(93)	(2,422)	(3,701)
<b>Ending Fund Balance</b>	<b>\$8,156</b>	<b>\$8,375</b>	<b>\$8,675</b>	<b>\$6,749</b>	<b>\$3,669</b>
<i>Minimum Reserve Target</i>	<i>\$2,129</i>	<i>\$2,849</i>	<i>\$4,530</i>	<i>\$6,773</i>	<i>\$6,643</i>
<i>Maximum Reserve Target</i>	<i>\$4,703</i>	<i>\$7,452</i>	<i>\$11,530</i>	<i>\$12,205</i>	<i>\$11,040</i>
<b>Loan Proceeds</b>					
Beginning Balance	\$6,191	\$2,874	\$1,555	\$0	\$0
Use of Funds for Projects	(3,317)	(1,320)	(1,555)	0	0
<b>Ending Balance</b>	<b>\$2,874</b>	<b>\$1,555</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Notes:

All monetary values are in thousands of dollars.

Totals may not tie due to rounding.

## Appendix B

## SCENARIO 3 FINANCIAL FORECAST

Table B.1 shows the results for the cash flow and debt coverage tests for Scenario 3. With the Scenario 3 rate increases, calculated debt coverage for FYE 2027 would be 1.20x. This would provide very little buffer in the event of decreased revenues or an increase in costs. For FYE 2027, the projected 0.05x coverage surplus would equate to only \$49,000. This would be equivalent to only 20.8 acre-ft of sales at the January 1, 2027, rate.

Table B.2 shows the projected reserves for Scenario 3. With the Scenario 3 rate increases, reserves would fall below the minimum target in FYE 2029.

Table B.1 Cash Flow Sufficiency and Coverage Tests with Scenario 1 Increases

	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Rate Increase</b>	Jul. 1: 3.9% Jan. 1: 7.8%	Jan. 1: 9.8%	Jan. 1: 7.8%	Jan. 1: 6.9%	Jan. 1: 4.5%
<b>Cash Flow Test</b>					
Rate Revenues under Existing Rates	\$2,565	\$2,587	\$2,626	\$2,662	\$2,700
Revenue From Rate Increases	187	429	709	969	1,199
Other Revenues	3,480	938	887	835	824
<b>Total Revenues</b>	<b>\$6,231</b>	<b>\$3,955</b>	<b>\$4,221</b>	<b>\$4,466</b>	<b>\$4,723</b>
Operating Expenses	2,677	2,785	2,899	3,010	3,124
Debt Service	978	978	978	977	978
PAYGO Capital (inc. Grants)	0	0	93	2,422	3,701
<b>Total Expenses</b>	<b>\$3,655</b>	<b>\$3,763</b>	<b>\$3,970</b>	<b>\$6,408</b>	<b>\$7,803</b>
<b>Operating Cash Flows</b>	<b>\$2,576</b>	<b>\$192</b>	<b>\$251</b>	<b>(\$1,942)</b>	<b>(\$3,080)</b>
<b>Contribution to (Use of) Reserves</b>					
<b>Debt Coverage Test</b>					
Total Operating Revenues	\$6,231	\$3,955	\$4,221	\$4,466	\$4,723
Less: Operating Expenses (Exc. Capital Outlay)	(2,677)	(2,785)	(2,899)	(3,010)	(3,124)
<b>Revenues Available for Debt Service</b>	<b>\$3,554</b>	<b>\$1,170</b>	<b>\$1,322</b>	<b>\$1,456</b>	<b>\$1,599</b>
<b>DSCR, after rate increase</b>	<b>3.63x</b>	<b>1.20x</b>	<b>1.35x</b>	<b>1.49x</b>	<b>1.64x</b>

Notes:

All monetary values are in thousands of dollars.

Totals may not tie due to rounding.

Table B.2 Projected Reserves and Loan Proceeds with Scenario 1 Increases

	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030
<b>Reserve Funds</b>					
Beginning Fund Balance <sup>(1)</sup>	\$5,580	\$8,156	\$8,348	\$8,599	\$6,657
Operating Cash Flows	2,576	192	344	480	621
PAYGO Capital	0	0	(93)	(2,422)	(3,701)
<b>Ending Fund Balance</b>	<b>\$8,156</b>	<b>\$8,348</b>	<b>\$8,599</b>	<b>\$6,657</b>	<b>\$3,577</b>
<i>Minimum Reserve Target</i>	<i>\$2,129</i>	<i>\$2,842</i>	<i>\$4,517</i>	<i>\$6,769</i>	<i>\$6,644</i>
<i>Maximum Reserve Target</i>	<i>\$4,703</i>	<i>\$7,425</i>	<i>\$11,482</i>	<i>\$12,190</i>	<i>\$11,043</i>
<b>Loan Proceeds</b>					
Beginning Balance	\$6,191	\$2,874	\$1,555	\$0	\$0
Use of Funds for Projects	(3,317)	(1,320)	(1,555)	0	0
<b>Ending Balance</b>	<b>\$2,874</b>	<b>\$1,555</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Notes:

All monetary values are in thousands of dollars.

Totals may not tie due to rounding.

SAN ELIJO JOINT POWERS AUTHORITY  
MEMORANDUM

September 16, 2025

TO: Board of Directors  
San Elijo Joint Powers Authority

FROM: Director of Infrastructure and Sustainability

SUBJECT: CAPITAL PROGRAM UPDATE

RECOMMENDATION

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

BACKGROUND

SEJPA's Capital Program advances the agency's mission to protect the environment and public health by investing in reliable, sustainable infrastructure. The program emphasizes careful planning and fiscal stewardship to ensure that capital dollars are used efficiently and effectively. Through responsible management of SEJPA and member agency assets, the program supports dependable operations while delivering long-term value and enhanced services to the community and customers.

SEJPA is nearing completion of the \$21 million 3-Year Capital Plan (2023–2025) and is updating the 2025 Facility Plan that will prioritize capital needs over the next decade (2026-2035). Ongoing capital projects are funded through wastewater customer agency contributions, recycled water revenues, and external sources, including state and federal grants. SEJPA's budgeting and financial practices allocate capital expenditures to the appropriate program based on asset ownership or leased capacity. As projects are developed and moved to implementation, the Board appropriates funding based on available budget and authorizes contracts in accordance with SEJPA's Purchasing Policies and Procedures.

DISCUSSION

The 3-Year Capital Plan (2023–2025) delivery schedule and estimated cost are summarized in Figure 16-1. Following, Table 16-1 highlights notable progress over the past quarter (July – September 2025) and anticipated major activities in the next 3 to 6 months. Two capital projects were completed over the past quarter, and one ongoing capital project is on schedule to be completed by the end of the calendar year.

FIGURE 16-1: 3-YEAR CAPITAL PLAN SCHEDULE AND COST SUMMARY

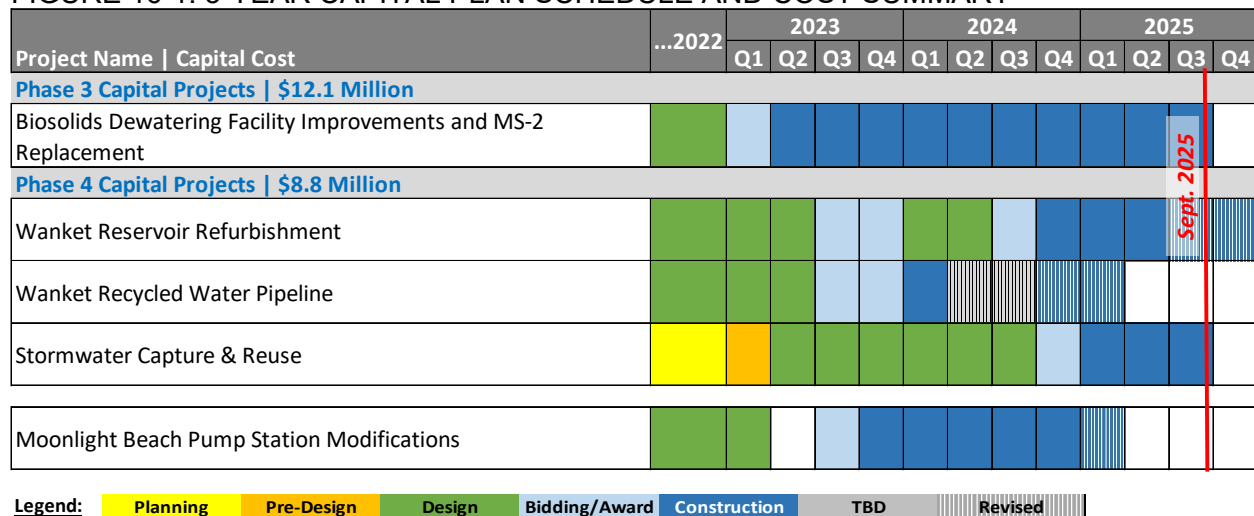


TABLE 16-1: 3-YEAR CAPITAL PLAN (2023 – 2025), PROJECT STATUS SUMMARY

Project Name (Status)	Progress as of September 2025
<b>Phase 3 Capital Projects</b>	
Biosolids Dewatering Facility Improvements and MS-2 Replacement (Commissioning)	<ul style="list-style-type: none"> <li>✓ Startup and Testing Completed</li> <li>✓ Commissioning in progress</li> <li>✓ Construction Completion: September 2025</li> </ul>
<b>Phase 4 Capital Projects</b>	
Wanket Reservoir Refurbishment (Construction)	<ul style="list-style-type: none"> <li>✓ Tank refurbishment complete and connected to RW system</li> <li>✓ Tank filling in progress; monitoring an apparent leak and assessing options for further repairs</li> <li>✓ Construction Completion (Anticipated): October 2025</li> </ul>
Stormwater Capture, Reuse and Site WQ Improvements	<ul style="list-style-type: none"> <li>✓ Startup and testing complete; commissioning in progress</li> <li>✓ Construction Completion: August 2025</li> </ul>
Moonlight Beach Pump Station Modifications	✓ <b>Complete, April 2025</b>
Wanket Recycled Water Pipeline	✓ <b>Complete, May 2025</b>

Fiscal Year 2025-26 Capital Program Priorities: SEJPA is developing design and preparing to implement the following priority projects in FY 25-26.

*Aeration Basin (A-Basin) Safety Improvements:* This project will provide safe access into the aeration basin for routine equipment inspections, maintenance, and cleaning.

*Headworks Channel Cover Upgrades:* The coverplates over the channels of the old headworks are unstable and prone to slipping or tipping creating a fall hazard and uneven walking surfaces presents potential trip hazards. SEJPA has restricted access to this plant area to prevent staff exposure to potential safety hazards. The scope will raise the channel wall height to match new, adjoining headworks structure and install a new coverplate system to provide stable and clear access path through headworks facility.



*SCADA System Upgrades:* The Supervisory Control and Data Acquisition (SCADA) system is essential for SEJPA's real-time control and operation of the San Elijo Water Campus, remote pump stations, the recycled water distribution and storage systems, and ocean outfall flow management. This upgrade project will enhance treatment process reliability, address physical vulnerabilities, and strengthen cybersecurity. Programming enhancements will improve functionality, uptime reliability, and operational efficiency.

*Effluent Pump Station Rehabilitation:* The effluent pump station is critical for conveying flows through the San Elijo Water Campus and the ocean outfall system. After nearly 50 years in service, it is due for rehabilitation. This project will rebuild or replace worn pumps and deteriorated mechanical components, upgrade obsolete motor controls, and integrate instrumentation and automation into the modern SCADA system.

*Return Activated Sludge (RAS) Pump Station Upgrades:* The RAS pump station is a core process of the biological treatment system, operating continuously, 24-hours per day. These assets have been in place for 34 years and the pumps and motor controls are reaching the end of service life. This project will replace or rebuild the pumps and motors, modify mechanical systems to accommodate new equipment, and upgrade electrical components to ensure long-term reliability.

2025 Facility Plan Status: SEJPA launched the 2025 Facility Plan project in August 2024. As part of this effort, SEJPA staff and the consultant team conducted condition assessments of remote pump station sites and the San Elijo Water Campus. Ongoing activities include technical studies evaluating treatment plant hydraulics, resource recovery, energy optimization, treatment capacity, and asset management. These technical studies will define facility "needs" that will be organized into defined capital projects and prioritized in the 2025 Facility Plan.

## FINANCIAL IMPACT

There is no financial impact associated with this staff report.

## RECOMMENDATION

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

Respectfully submitted,



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