

AGENDA
SAN ELIJO JOINT POWERS AUTHORITY
MONDAY NOVEMBER 14, 2016 AT 9:00 AM
SAN ELIJO WATER RECLAMATION FACILITY – CONFERENCE ROOM
2695 MANCHESTER AVENUE
CARDIFF BY THE SEA, CALIFORNIA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. ORAL COMMUNICATIONS (NON-ACTION ITEM)
5. PRESENTATION OF AWARDS - None
6. * **CONSENT CALENDAR**
7. * APPROVAL OF MINUTES FOR THE OCTOBER 10, 2016 MEETING
8. * APPROVAL FOR PAYMENT OF WARRANTS AND MONTHLY INVESTMENT REPORTS
9. * SAN ELIJO WATER RECLAMATION FACILITY TREATED EFFLUENT FLOWS – MONTHLY REPORT
10. * SAN ELIJO JOINT POWERS AUTHORITY RECYCLED WATER PROGRAM – MONTHLY REPORT
11. * ITEMS REMOVED FROM CONSENT CALENDAR

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

REGULAR AGENDA

12. FISCAL YEAR 2015-16 FINANCIAL AUDIT ACCEPTANCE
 1. Accept and file the Fiscal Year 2015-16 Audited Financial Statements for the San Elijo Joint Powers Authority;
 2. Accept and file the Fiscal Year 2015-16 SAS 114 Letter; and
 3. Discuss and take action as appropriate.

Staff Reference: Director of Finance and Administration

13. SAN ELIJO JOINT POWERS AUTHORITY END OF YEAR REVIEW OF THE FISCAL YEAR 2015-16 OPERATING AND DEBT SERVICE EXPENSES

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

Staff Reference: Director of Finance and Administration

14. EXTENSION OF SURPLUS RECYCLED WATER AGREEMENT BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY (SEJPA), THE SAN DIEGUITO WATER DISTRICT (SDWD), AND THE ENCINITAS RANCH GOLF AUTHORITY (ERGA)

1. Authorize the General Manager to execute the proposed Surplus Recycled Water Agreement; and
2. Discuss and take action as appropriate.

Staff Reference: General Manager

15. WASTEWATER SERVICE AGREEMENT EXTENSION WITH THE RANCHO SANTA FE COMMUNITY SERVICES DISTRICT

1. Authorize the General Manager to execute the proposed agreement; and
2. Discuss and take action as appropriate.

Staff Reference: General Manager

16. 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".

A closed session will be held per Government Code Section 54957, Public Employee Performance Evaluation: General Manager.

17. CONSIDERATION OF GENERAL MANAGER COMPENSATION PER CURRENT EMPLOYMENT AGREEMENT

1. Discuss and take action as appropriate.

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. ADJOURNMENT

The next regularly scheduled San Elijo Joint Powers Authority Board Meeting will be Monday, December 12, 2016 at 9:00 a.m.

NOTICE:

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

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

AFFIDAVIT OF POSTING

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

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

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

Date: November 9, 2016



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

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON OCTOBER 10, 2016
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Catherine Blakespear, Chair

Ginger Marshall, Vice Chair

A meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, October 10, 2016, at 9:00 a.m., at the San Elijo Water Reclamation Facility at 2695 Manchester Avenue, Cardiff by the Sea, California.

1. CALL TO ORDER

Chair Blakespear called the meeting to order at 9:00 a.m.

2. ROLL CALL

Directors Present:

Catherine Blakespear
Ginger Marshall
Mark Muir
David Zito

Directors Absent:

None

Others Present:

General Manager
Director of Operations
Director of Finance & Administration
Associate Engineer
Accounting Technician
Administrative Assistant/Board Clerk

Michael Thornton
Christopher Trees
Paul Kinkel
Mike Konicke
Carrie Cook
Jennifer Basco

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Traci Stender

City of Solana Beach:

City Manager

Greg Wade

City of Encinitas:

Director of Engineering and Public Works
Public Works Management Analyst

Glenn Pruim
Bill Wilson

3. PLEDGE OF ALLEGIANCE

Chair Blakespear led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

Moved by Board Member Muir and seconded by Vice Chair Marshall to approve the Consent Calendar.

Motion carried with unanimous vote of approval.

Agenda Item No. 7	Approval of Minutes for the September 12, 2016 meeting
Agenda Item No. 8	Approval for Payment of Warrants and Monthly Investment Report
Agenda Item No. 9	San Elijo Water Reclamation Facility Treated Effluent Flows – Monthly Report
Agenda Item No. 10	San Elijo Joint Powers Authority Recycled Water Program – Monthly Report
Agenda Item No. 11	Award of Professional Service Agreement to Tesco for As-Needed SCADA Support

12. ITEMS REMOVED FROM CONSENT CALENDAR

None

13. CAPITAL IMPROVEMENT PROJECT – ADDITIONAL PROFESSIONAL SERVICES FOR PRELIMINARY TREATMENT UPGRADES

General Manager Thornton stated that the preliminary treatment system provides basic physical treatment of the raw wastewater that enters the facility. The 2015 Facility Plan recommended system improvements to address hydraulic limitations, system wear, and aging equipment. As final design progressed, Staff identified opportunities to incorporate four closely related capital improvement projects into the Preliminary Treatment Upgrades project. Mr. Thornton stated that through project consolidation, it is possible to streamline contract administration, condense construction schedules, optimize construction phasing, and reduce overall project costs. The four projects include: improvements to the Odor Control System; Olivenhain Forcemain extension design; specific site improvements that will enhance storm water pollution control compliance; and additional electrical and SCADA integration. Funding for this additional effort will be provided by Wastewater Capital and Cardiff Sanitary Division Programs, as well as approximately \$95,000 in grant funds.

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

1. Authorize the General Manager to approve a contract amendment with Dudek for the additional design of Odor Control Improvements, Olivenhain Forcemain Extension, Site Improvements, and SCADA Upgrades for an amount not to exceed \$145,480.

Motion carried with unanimous vote of approval.

14. SAN ELIJO OCEAN OUTFALL 2016 ANNUAL INSPECTION REPORT

Christopher Trees, Director of Operations gave a brief history of the San Elijo Ocean Outfall and presented the San Elijo Ocean Outfall Year 2016 Annual Inspection Report to the Board of Directors. Marine Taxonomic Services, Ltd. (MTS) completed the inspection this year and reported that the San Elijo Ocean Outfall was found to be in excellent overall condition. Mr. Trees discussed recommendations for continued structural integrity and environmentally safe operation of the San Elijo Ocean Outfall.

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

15. CLOSED SESSION

The Board of Directors adjourned to closed session at 9:33 a.m., pursuant to Government Code Section 54957, Public Employee Performance Evaluation: General Manager.

The Board of Directors came out of closed session at 9:55 a.m. with no reportable action.

16. CONSIDERATION OF GENERAL MANAGER COMPENSATION PER CURRENT EMPLOYMENT AGREEMENT

No action taken. Item to be continued at the November Board meeting.

17. GENERAL MANAGER'S REPORT

None

18. GENERAL COUNSEL'S REPORT

None

19. BOARD MEMBER COMMENTS

None

20. ADJOURNMENT

The meeting adjourned at 10:02 a.m. The next Board of Directors meeting will be held on November 14, 2016.

Respectfully submitted,

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

Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****17-11****For the Months of September and October 2016**

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
33477	Abcana Industries	Supplies - Chemicals	Hydrochloric acid	660.59
33478	Airgas USA, LLC	Supplies - Chemicals	Liquid oxygen industrial	453.96
33479	AT&T	Utilities - Telephone	DSL - 08/10/16 - 09/09/16	106.64
33480	AT&T	Utilities - Telephone	Phone service - 08/13/16 - 09/12/16	350.95
33481	AT&T	Utilities - Telephone	DSL - 08/20/16 - 09/19/16	106.19
33482	Atlas Pumping Service Inc.	Services - Grease & Scum	Roll-off service	3,599.55
33483	Barracuda Networks, Inc.	Utilities - Internet	Network back-up	50.00
33484	Boot World, Inc.	Uniforms - Boots	Safety boots	340.88
33485	County Burner Machinery Corp.	Services - Maintenance	Service blower motor	262.00
33486	Complete Office	Supplies - Office	Office supplies	181.23
33487	CWEA Membership	Dues & Memberships	Plant maintenance technologist; membership	255.00
33488	DMV	Services - Other	Safety records - 07/01/16 - 08/31/16	8.00
33489	Evantec Lab Supply	Supplies - Lab	Laboratory supplies	464.43
33490	Fisher Scientific	Supplies - Shop & Field	Laboratory supplies	340.29
33491	Forte of San Diego	Services - Janitorial	October	1,000.00
33492	Government Finance Officers Assoc.	Dues & Memberships	Membership	160.00
33493	Harrington Industrial Plastics	Repair Parts Expense	Gasket	165.25
33494	Hoch Consulting, APC	Services - Engineering	Blower project	5,817.75
33495	Kaman Industrial Technologies	Repair Parts Expense	Shifting yoke	137.33
33496	Kimley-Horn & Associates, Inc.	Services - Engineering	Predesign of recycled water relocation	20,495.13
33497	Kooltronic Inc.	Repair Parts Expense	Blower	649.00
33498	The Lawton Group	Services - Intern Program	Week worked - 09/05/16 - 09/09/16	145.00
33499	Marine Taxonomic Services, Ltd.	Services - Contractors	Inspection and maintenance of ocean outfall	24,490.00
33500	MBC Applied Environmental	Services - Contractors	Annual aerial survey of kelp	5,187.75
33501	McMaster-Carr Supply Co.	Supplies - Shop & Field	Bulbs, pipe fittings, PVC, ball bearings, seals	1,014.18
33502	MetLife - Group Benefits	Dental/Vision	Dental - October	1,332.23
33503	Metro Fire & Safety	Services - Maintenance	Annual sprinklers inspection	295.00
33504	Napa Auto Parts	Repair Parts Expense	Hose, clamp, and battery	433.18
33505	Pacific Green Landscape	Services - Landscape	September	2,975.00
33506	Pacific Safety Center	Training - Safety	Annual membership renewal	145.00
33507	P.E.R.S.	Medical Insurance - Pers	Health - October	19,469.65
33508	Public Employees - Retirement	Retirement Plan - PERS	Retirement - 09/10/16 - 09/23/16	12,025.83
33509	U.S. Postal Service	Postage/Shipping	Postage stamps	470.00
33510	Radwell International, Inc.	Repair Parts Expense	Allen Bradley - module	170.15
33511	ReadyRefresh	Supplies - Lab	Kitchen and lab supplies	348.92
33512	Red Truck Fire & Safety Co.	Supplies - Safety	Replaced fire extinguisher	103.53
33513	Roesling Nakamura Terada Architects	Services - Professional	SEJPA building predesign	4,727.00
33514	Safety-Kleen Corp.	Services - Maintenance	Annual service contract	300.09
33515	Santa Fe Irrigation District	Utilities - Water	Recycled water	75.25
33516	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 08/04/16 - 09/05/16	61,209.14
33517	State Water Resources Control Board	Dues & Memberships	Certification - Grade III	300.00
33518	Superior Electric Motor Service	Capital Outlay	Dismantled pump and motor, rebuild pump #3	9,098.16
33519	Michael Thornton	Supplies - Office	Computer equipment	86.59
33520	Unifirst Corporation	Services - Uniforms	Uniform service	180.60
33521	UPS	Postage/Shipping	Mailing documents	46.42
33522	USA Bluebook	Repair Parts Expense	Pressure gauge seal	371.87
33523	Vantagepoint Transfer Agents	EE Deduction Benefits	ICMA - 457	6,500.55
33524	Vantagepoint Transfer Agents	ICMA Retirement	ICMA - 401a	2,977.43
33525	Verizon Wireless	Utilities - Telephone	08/11/16 - 09/10/16	257.55
33526	Verizon Wireless	Utilities - Telephone	Cell phone service - 08/08/16 - 09/07/16	682.20
33527	WageWorks	Payroll Processing Fees	Administration and compliance fees	134.00
33528	Water Environment Federation	Dues & Memberships	Membership	297.00
33529	SDG&E	Fees - Permits	Shutdown electric service	2,138.00
33530	Aflac	EE Deduction Benefits	Aflac - October	554.76
33531	Ag Tech, LLC	Services - Biosolids Hauling	Biosolids hauling - September	12,328.60
33532	Airgas USA, LLC	Supplies - Chemicals	Liquid Oxygen	226.98

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****17-11****For the Months of September and October 2016**

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
33533	All American First Aid & Safety	Supplies - Shop & Field	First aid, safety, and operations supplies	219.51
33534	Arizona Instrument	Services - Maintenance	Calibration and sensor assembly	2,100.00
33535	ASCE Membership	Dues & Memberships	Membership dues	290.00
33536	BankCard Center	Various	License, vehicle maint., printing, parts, postage	1,108.05
33537	Black & Veatch	Services - Engineering	Review design - Headworks	835.00
33538	Brenntag Pacific, Inc.	Supplies - Chemicals	Sodium Hydroxide	2,279.67
33539	Chang Ruthenberg & Long	Services - Legal	General - Employee's benefits	1,161.00
33540	Chevron & Texaco Business Card	Fuel	Fuel - September	373.66
33541	Coast Waste Management, Inc.	Services - Grit & Screenings	Roll-off service	3,125.19
33542	Complete Office	Supplies - Office	Office supplies	121.19
33543	Corodata	Rent	Record storage - September	78.68
33544	County of San Diego	Fees - Permits	CEQA Notice for Outfall Project	50.00
33545	Dimension Data North America	Licenses	Cloud managed - 5 year license and support	1,261.26
33546	EDCO Waste & Recycling Service	Utilities - Trash	September	237.22
33547	Encina Wastewater Authority	Service - EWA Support	Human Resource and Safety sharing	1,010.44
33548	City of Encinitas	Service - IT Support	Admin network - October	2,625.00
33549	Global Capacity	Utilities - Internet	T-1 service - November	296.03
33550	Golden Bell Products	Supplies - Chemicals	Lift station degreaser	432.00
33551	Hardy Diagnostics	Supplies - Lab	Laboratory supplies	362.12
33552	Harrington Industrial Plastics	Repair Parts Expense	Valve parts	941.80
33553	Jennifer Basco	Subsistence - Travel	Mileage	56.07
33554	Kemira Water Solutions, Inc.	Supplies - Chemicals	Ferric Chloride	4,017.60
33555	Konica Minolta	Services - Maintenance	Copier maintenance service	81.67
33556	The Lawton Group	Services - Intern Program	Week worked - 09/19/16 - 09/30/16	652.50
33557	Lee's Lock & Safe	Services - Maintenance	Repair lock	113.00
33558	Marine Taxonomic Services, LTD	Services - Contractors	Offshore water sampling	299.00
33559	McMaster-Carr Supply Co.	Supplies - Shop & Field	Fuses, flag, PVC pipes, and fittings	209.18
33560	The Nyhart Company	Services - Accounting	GASB 68 report	1,500.00
33561	Olin Corp - Chlor Alkali	Supplies - Chemicals	Sodium Hypochlorite	2,589.40
33562	Olivenhain Municipal Water District	Rent	Pipeline payment - September	6,165.00
33563	OneSource Distributors, Inc.	Repair Parts Expense	Memory module with real time clock	248.99
33564	Public Employees - Retirement	Retirement Plan - PERS	Retirement - 09/24/16 - 10/07/16	11,940.32
33565	Preferred Benefit Insurance	Dental/Vision	Vision	283.70
33566	ProBuild Company, LLC	Supplies - Shop & Field	Shop and field supplies; repairs	74.69
33567	RSF Security Systems	Services - Maintenance	Upgrade panel	156.00
33568	Santa Fe Irrigation District	Utilities - Water	Recycled water	1,247.03
33569	San Dieguito Water District	Utilities - Water	Recycled water	1,286.43
33570	San Dieguito Water District	Utilities - Water	Recycled water	8,810.34
33571	Smart & Final	Supplies - Office	Kitchen supplies	257.80
33572	Southcoast Heating & A/C	Services - Maintenance	Installation of two air compressors	2,868.00
33573	Spieess Construction Co., Inc.	Services - Contractors	Turbo Blower project	28,238.75
33574	Board of Equalization	Accrued Sales Tax Payable	3rd Qtr 2016	1,090.00
33575	Sun Life Financial	Life Insurance/Disability	Life and disability insurance - November	1,535.17
33576	State Water Resources Control Board	Dues & Memberships	Operator certificates	640.00
33577	SWRCB - ELAP Fees	Licenses	Annual fees - Laboratory Accreditation	3,555.00
33578	Test America	Services - Laboratory	Water sample testing	3,574.50
33579	Michael Thornton	Supplies - Office	Notary fees, meeting, and office supplies	71.67
33580	Christopher A. Trees	Subsistence - Travel	Meetings	36.72
33581	Unifirst Corporation	Services - Uniforms	Uniform service	637.82
33582	UPS	Postage/Shipping	Mailing water samples and parts	65.73
33583	Underground Service Alert/SC	Services - Alarm	Dig alert - September	99.00
33584	Vantagepoint Transfer Agents	EE Deduction Benefits	ICMA - 457	6,489.57
33585	Vantagepoint Transfer Agents	ICMA Retirement	ICMA - 401a	2,976.02
33586	VWR International, Inc.	Supplies - Lab	Laboratory supplies	827.21
33587	WEX Bank	Fuel	Fuel - September	216.85
33588	Airgas USA, LLC	Supplies - Chemicals	Liquid oxygen	226.98

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****17-11****For the Months of September and October 2016**

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
33589	AT&T	Utilities - Telephone	Phone service - 09/13/16 - 10/12/16	360.36
33590	AT&T	Utilities - Telephone	Alarm service - October	414.96
33591	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping	2,317.02
33592	Burtech Pipeline, Inc.	Services - Contractors	Emergency water main repair	4,738.23
33593	California State Lands Commission	Fees - Permits	Outfall - staff project charge	385.84
33594	CDW Government	Licenses	Bluebeam	462.00
33595	Comoso	Repair Parts Expense	Hydraulic oil	133.58
33596	DMV	Services - Other	Safety records - 09/01/16 - 09/30/16	2.00
33597	Dudek & Associates	Services - Professional	SRF loan support, headworks, SWAP, blower	36,167.09
33598	City of Encinitas	Retrofit Loans - Oak Crest Par	Oakcrest Park retrofit loan overpayment	88.90
33599	Forte of San Diego	Services - Janitorial	November	1,000.00
33600	Kaman Industrial Technologies	Repair Parts Expense	Shifting yoke	133.26
33601	McMaster-Carr Supply Co.	Repair Parts Expense	Plumbing parts, battery, switches	787.75
33602	MetLife - Group Benefits	Dental/Vision	Dental - November	1,332.23
33603	Olin Corp - Chlor Alkali	Supplies - Chemicals	Sodium Hypochlorite	2,674.71
33604	Olivenhain Municipal Water District	Services - Lobbying	Deposit for the Furman Group	6,440.16
33605	Pacific Green Landscape	Services - Landscape	October	2,975.00
33606	Pall Corporation	Repair Parts Expense	Parts for membrane	1,105.48
33607	P.E.R.S.	Medical Insurance - PERS	Health - November	19,469.65
33608	Public Employees - Retirement	Retirement Plan - PERS	Retirement - 10/08/16 - 10/21/16	11,937.70
33609	Polydyne Inc.	Supplies - Chemicals	Clarifloc	2,856.60
33610	Procopio Cory Hargreaves Savitch	Services - Legal	General - September	4,303.50
33611	Rising Tide Partners	Services - Professional	Draft article for TPO magazine	312.50
33612	Rockwell Solutions	Repair Parts Expense	Impeller, cutter bar, and nut	3,657.44
33613	Santa Fe Irrigation District	SFID Distribution Pipeline	Pipeline purchase payment - September	1,308.88
33614	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 09/05/16 - 10/04/16	59,397.06
33615	Television 101	Services - Professional	Videography for education, training, and SOPs	9,325.00
33616	Thatcher Company of California	Supplies - Chemicals	Aluminum Sulfate	5,521.58
33617	Unifirst Corporation	Services - Uniforms	Uniform service	493.69
33618	UPS	Postage/Shipping	Shipping fees for parts	140.92
33619	Vantagepoint Transfer Agents	EE Deduction Benefits	ICMA - 457	6,489.28
33620	Vantagepoint Transfer Agents	ICMA Retirement	ICMA - 401a	2,974.86
33621	Verizon Wireless	Utilities - Telephone	SCADA private network - 09/11/16 - 10/10/16	249.30
33622	Verizon Wireless	Utilities - Telephone	Cell phone service - 09/08/16 - 10/07/16	681.56
33623	VWR International, Inc.	Supplies - Lab	Laboratory supplies	672.95
33624	WageWorks	Payroll Processing Fees	Administration and compliance fees	134.00
	San Elijo Payroll Account	Payroll	Payroll - 09/30/16	66,045.93
	San Elijo Payroll Account	Payroll	Payroll - 10/14/16	62,061.89
	San Elijo Payroll Account	Payroll	Payroll - 10/28/16	63,112.44
				<u>\$ 701,412.61</u>

SAN ELIJO JOINT POWERS AUTHORITY

PAYMENT OF WARRANTS SUMMARY

**For the Months of September and October 2016
As of October 31, 2016**

PAYMENT OF WARRANTS \$ 701,412.61
Reference Number 17-11

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



Paul F. Kinkel
Director of Finance & Administration

STATEMENT OF FUNDS AVAILABLE FOR PAYMENT OF WARRANTS
AND INVESTMENT INFORMATION
As of October 31, 2016

FUNDS ON DEPOSIT WITH	AMOUNT
LOCAL AGENCY INVESTMENT FUND <i>(SEPTEMBER 2016 YIELD 0.634%)</i>	
RESTRICTED SRF RESERVE	\$ 630,000.00
UNRESTRICTED DEPOSITS	\$ 6,471,905.02
CALIFORNIA BANK AND TRUST <i>(SEPTEMBER 2016 YIELD 0.01%)</i>	
REGULAR CHECKING	\$ 279,097.14
PAYROLL CHECKING	\$ 5,000.00
 TOTAL RESOURCES	 \$ 7,386,002.16

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 14, 2016

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

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

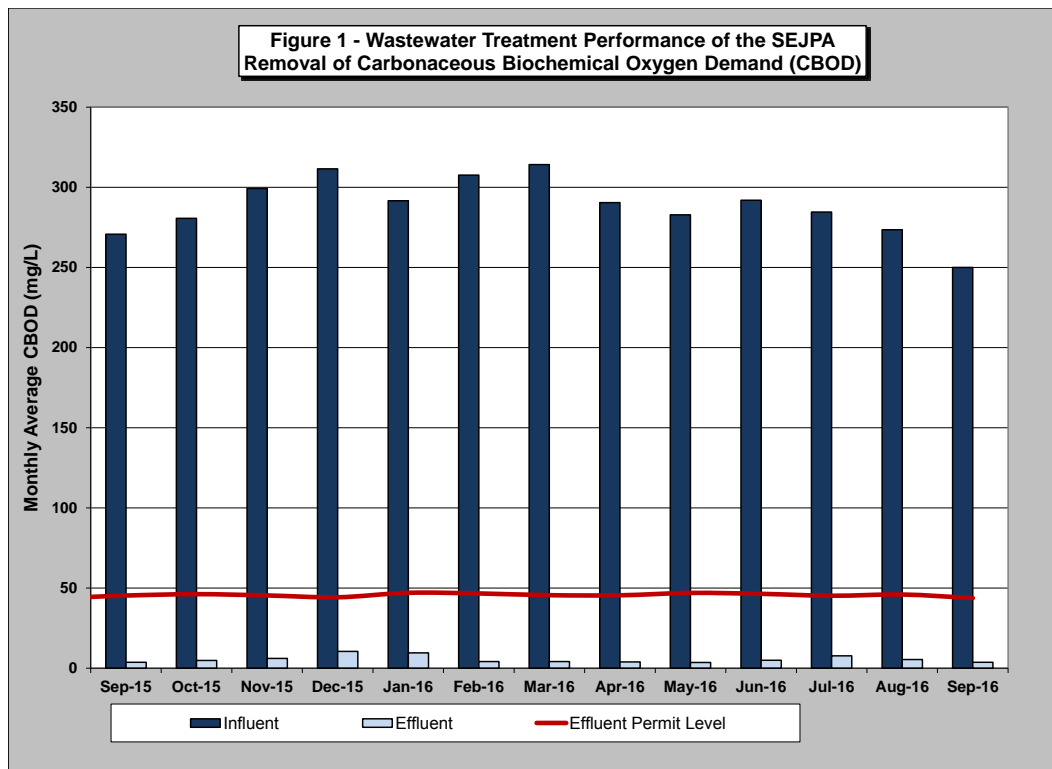
RECOMMENDATION

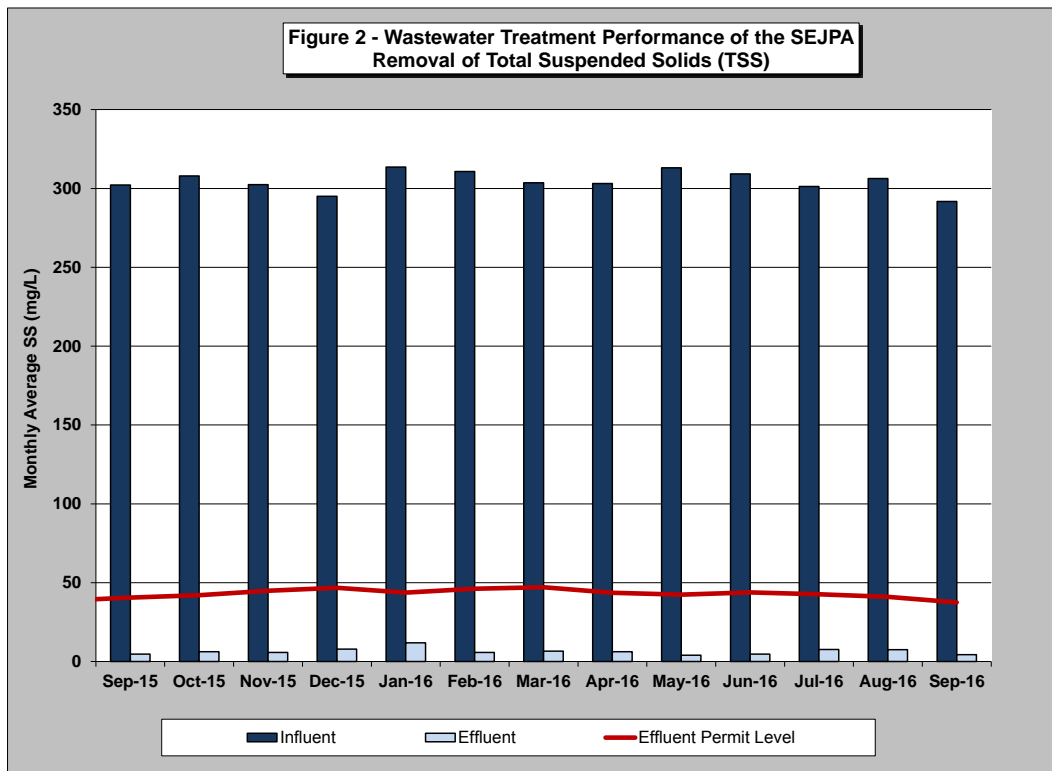
No action required. This memorandum is submitted for information only.

DISCUSSION

Monthly Treatment Plant Performance and Evaluation

Wastewater treatment for the San Elijo Joint Powers Authority (SEJPA) met all NPDES ocean effluent limitation requirements for the month of September 2016. The primary indicators of treatment performance include the removal of Carbonaceous Biochemical Oxygen Demand (CBOD) and Total Suspended Solids (TSS). The SEJPA is required to remove a minimum of 85 percent of the CBOD and TSS from the wastewater. For the month of September, treatment levels for CBOD and TSS were 98.5 and 98.5 percent removal, respectively, (as shown in Figure 1 and Figure 2).





Member Agency Flows

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

	September	
	<u>Influent (mgd)</u>	<u>Effluent (mgd)*</u>
Cardiff Sanitary Division	1.311	0.601
City of Solana Beach	0.975	0.447
Rancho Santa Fe SID	0.110	0.050
Total San Elijo WRF Flow	2.396	1.098

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

Table 1 (next page) presents the historical average, maximum, and unit influent and effluent flow rates per month for each of the Member Agencies during the past 5 years. It also presents the number of connected Equivalent Dwelling Units (EDUs) for each of the Member Agencies during this same time period.

TABLE 1 - SAN ELIJO WATER RECLAMATION FACILITY MONTHLY REPORT - FLOWS AND EDUS

MONTH	AVERAGE DAILY INFLUENT FLOW RATE (MGD)				AVERAGE DAILY EFFLUENT FLOW RATE (MGD)				CONNECTED EDUS				AVERAGE UNIT INFLUENT FLOW RATE (GAL/EDU/DAY)				
	CSD	RSF	CSD	SB	TOTAL PLANT	CSD	RSF	CSD	SB	TOTAL PLANT	CSD EDUS	RSF CSD EDUS	SB EDUS	TOTAL EDUS	CSD	RSF	SB
Oct-11	1.260	0.142	1.303	2.705	0.730	0.082	0.755	1.567	8,260	486	7,728	16,474	153	292	169	164	
Nov-11	1.338	0.167	1.307	2.812	1.099	0.137	1.074	2.310	8,261	486	7,728	16,475	162	344	169	171	
Dec-11	1.299	0.164	1.305	2.768	1.103	0.139	1.108	2.350	8,264	487	7,728	16,479	157	337	169	168	
Jan-12	1.291	0.145	1.303	2.739	1.032	0.116	1.042	2.190	8,266	488	7,728	16,482	160	232	169	166	
Feb-12	1.259	0.137	1.283	2.679	1.006	0.109	1.025	2.140	8,268	488	7,728	16,484	152	281	166	163	
Mar-12	1.313	0.153	1.255	2.721	0.968	0.113	0.925	2.006	8,269	488	7,728	16,485	159	314	162	165	
Apr-12	1.348	0.145	1.209	2.702	0.906	0.097	0.813	1.816	8,278	488	7,728	16,494	163	297	156	164	
May-12	1.333	0.150	1.211	2.694	0.577	0.065	0.525	1.167	8,280	488	7,728	16,496	161	308	157	163	
Jun-12	1.365	0.143	1.237	2.745	0.547	0.057	0.496	1.100	8,284	489	7,728	16,501	165	293	160	166	
Jul-12	1.372	0.126	1.296	2.794	0.457	0.042	0.431	0.930	8,289	489	7,728	16,506	166	258	168	169	
Aug-12	1.383	0.128	1.291	2.802	0.473	0.044	0.441	0.958	8,290	490	7,728	16,508	167	261	167	170	
Sep-12	1.349	0.142	1.220	2.711	0.544	0.058	0.492	1.094	8,291	490	7,728	16,509	163	290	158	164	
Oct-12	1.327	0.123	1.203	2.653	0.678	0.063	0.615	1.356	8,294	490	7,728	16,512	160	251	156	161	
Nov-12	1.343	0.128	1.181	2.652	0.862	0.082	0.758	1.702	8,299	490	7,728	16,517	162	261	153	161	
Dec-12	1.383	0.141	1.197	2.721	1.261	0.129	1.091	2.481	8,300	490	7,728	16,518	167	288	155	165	
Jan-13	1.357	0.145	1.215	2.717	1.155	0.124	1.034	2.313	8,300	490	7,728	16,518	163	296	157	164	
Feb-13	1.349	0.138	1.201	2.688	1.048	0.108	0.933	2.089	8,301	490	7,728	16,519	163	282	155	163	
Mar-13	1.402	0.154	1.235	2.791	0.905	0.100	0.797	1.802	8,302	493	7,728	16,521	169	314	160	169	
Apr-13	1.297	0.124	1.237	2.658	0.531	0.051	0.506	1.088	8,304	493	7,728	16,523	156	253	160	161	
May-13	1.339	0.126	1.185	2.650	0.376	0.036	0.333	0.745	8,304	493	7,728	16,525	161	256	153	160	
Jun-13	1.341	0.126	1.190	2.657	0.269	0.025	0.239	0.533	8,307	493	7,728	16,528	161	256	154	161	
Jul-13	1.366	0.144	1.269	2.779	0.482	0.050	0.448	0.980	8,309	493	7,728	16,530	164	292	164	168	
Aug-13	1.342	0.168	1.258	2.768	0.380	0.048	0.356	0.784	8,311	494	7,728	16,533	161	340	163	167	
Sep-13	1.343	0.117	1.193	2.653	0.403	0.036	0.358	0.797	8,311	494	7,728	16,533	162	237	154	160	
Oct-13	1.319	0.132	1.184	2.635	0.629	0.063	0.565	1.257	8,314	494	7,728	16,536	159	267	153	159	
Nov-13	1.348	0.133	1.194	2.675	0.932	0.092	0.826	1.850	8,315	494	7,728	16,537	162	270	155	162	
Dec-13	1.341	0.134	1.191	2.666	1.030	0.103	0.915	2.048	8,316	494	7,728	16,538	161	272	154	161	
Jan-14	1.322	0.135	1.194	2.651	0.851	0.087	0.768	1.706	8,318	495	7,728	16,541	159	273	155	160	
Feb-14	1.314	0.127	1.172	2.613	0.954	0.093	0.851	1.898	8,323	495	7,728	16,546	158	257	152	158	
Mar-14	1.339	0.134	1.185	2.658	0.858	0.086	0.760	1.704	8,324	496	7,728	16,548	161	270	153	161	
Apr-14	1.326	0.128	1.128	2.582	0.449	0.043	0.382	0.874	8,328	498	7,728	16,554	159	257	146	156	
May-14	1.353	0.124	1.127	2.604	0.159	0.015	0.132	0.306	8,333	498	7,728	16,559	162	249	146	157	
Jun-14	1.341	0.126	1.188	2.655	0.207	0.020	0.183	0.410	8,333	498	7,728	16,559	161	253	154	160	
Jul-14	1.271	0.130	1.307	2.708	0.232	0.024	0.239	0.495	8,338	499	7,728	16,565	152	261	169	163	
Aug-14	1.228	0.130	1.298	2.656	0.227	0.024	0.239	0.490	8,345	500	7,728	16,573	147	260	168	160	
Sep-14	1.215	0.113	1.232	2.560	0.211	0.019	0.214	0.444	8,351	500	7,728	16,579	145	226	159	154	
Oct-14	1.204	0.114	1.198	2.516	0.394	0.038	0.392	0.824	8,353	500	7,728	16,581	144	228	155	152	
Nov-14	1.237	0.118	1.198	2.553	0.667	0.063	0.646	1.376	8,354	502	7,728	16,584	148	235	155	154	
Dec-14	1.323	0.147	1.229	2.699	1.163	0.129	1.081	2.373	8,355	502	7,728	16,585	158	293	159	163	
Jan-15	1.253	0.130	1.232	2.615	0.984	0.102	0.967	2.053	8,359	503	7,977	16,838	150	259	154	155	
Feb-15	1.229	0.132	1.228	2.589	0.757	0.081	0.757	1.595	8,361	504	7,977	16,841	147	262	154	154	
Mar-15	1.269	0.135	1.231	2.635	0.583	0.062	0.566	1.211	8,365	504	7,977	16,846	152	268	154	156	
Apr-15	1.183	0.124	1.196	2.503	0.350	0.036	0.354	0.740	8,366	504	7,977	16,847	141	246	150	149	
May-15	1.209	0.117	1.149	2.475	0.545	0.053	0.518	1.116	8,367	505	7,977	16,848	144	232	144	147	
Jun-15	1.287	0.113	1.052	2.452	0.362	0.032	0.296	0.690	8,369	506	7,977	16,852	154	224	132	146	
Jul-15	1.282	0.110	1.176	2.568	0.392	0.034	0.359	0.785	8,370	510	8,003	16,883	153	216	147	152	
Aug-15	1.264	0.095	1.087	2.446	0.315	0.023	0.271	0.609	8,371	510	8,003	16,884	151	186	136	145	
Sep-15	1.256	0.105	1.001	2.362	0.457	0.038	0.364	0.859	8,372	511	8,003	16,885	150	206	125	140	
Oct-15	1.243	0.106	1.002	2.351	0.681	0.058	0.549	1.288	8,373	511	8,003	16,886	148	208	125	139	
Nov-15	1.250	0.100	0.994	2.344	0.792	0.063	0.630	1.485	8,376	511	8,003	16,889	149	196	124	139	
Dec-15	1.266	0.107	1.016	2.389	0.971	0.082	0.780	1.833	8,377	511	8,003	16,891	151	210	127	141	
Jan-16	1.342	0.131	1.037	2.510	1.189	0.116	0.918	2.223	8,380	511	8,003	16,894	160	257	130	149	
Feb-16	1.245	0.112	1.008	2.365	0.780	0.070	0.631	1.481	8,383	512	8,003	16,897	149	219	126	140	
Mar-16	1.267	0.116	1.023	2.406	0.763	0.070	0.616	1.449	8,388	512	8,003	16,903	151	227	128	142	
Apr-16	1.240	0.102	0.990	2.332	0.675	0.055	0.539	1.269	8,389	512	8,003	16,904	148	199	124	138	
May-16	1.238	0.117	1.002	2.357	0.505	0.048	0.409	0.962	8,389	512	8,003	16,904	148	229	125	139	
Jun-16	1.205	0.111	1.055	2.371	0.362	0.033	0.317	0.712	8,390	514	8,003	16,907	144	216	132	140	
Jul-16	1.336	0.105	1.008	2.449	0.586	0.046	0.442	1.074	8,392	514	8,020	16,926	159	204	126	145	
Aug-16	1.317	0.107	1.007	2.431	0.647	0.053	0.495	1.195	8,393	516	8,020	16,929	157	207	126	144	
Sep-16	1.311	0.110	0.975	2.396	0.601	0.050	0.447	1.098	8,394	516	8,020	16,930	156	213	122	142	

CSD: Cardiff Sanitary Division

RSF CSD: Ranch Santa Fe Community Service District

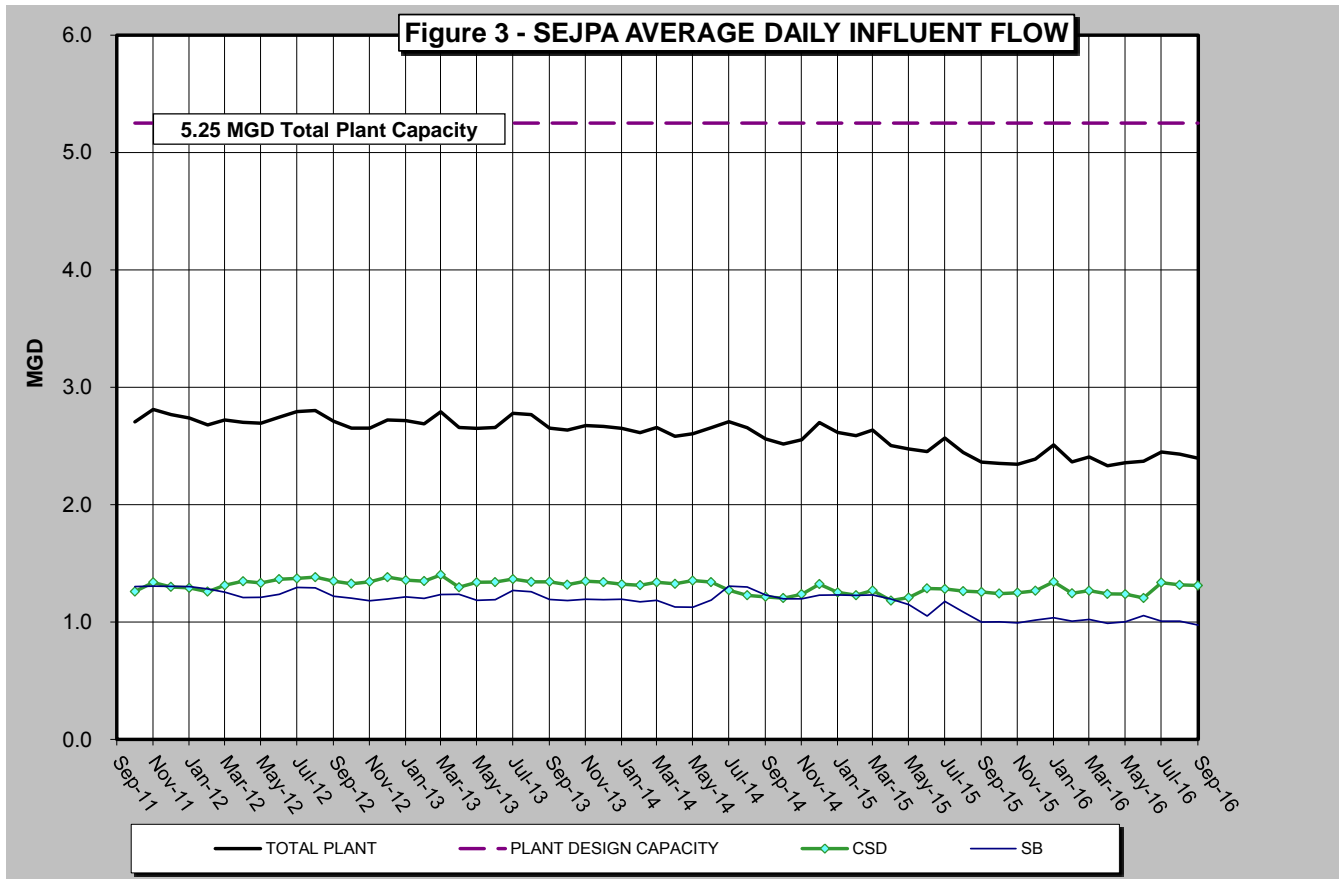
SB: Solana Beach

EDU: Equivalent Dwelling Unit

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

EDU Numbers Revised by Dudek for March and April 2013

Figure 3 (below) presents the 5-year historical average daily flows per month for each Member Agency. This is to provide a historical overview of the average treated flow by each agency. Also shown in Figure 3 is the total wastewater treatment capacity of the plant, 5.25 mgd, of which each Member Agency has the right to 2.5 mgd, and Rancho Santa Fe Community Service District leases 0.25 mgd.



City of Escondido Flows

The average and peak flow rate from the City of Escondido Hale Avenue Resource Recovery Facility, which discharges through the San Elijo Ocean Outfall, is reported below. The following average flow rate and peak flow rate is reported by the City of Escondido for the month of September 2016.

	Flow (mgd)
Escondido (Average flow rate)	7.86
Escondido (Peak flow rate)	16.2

Connected Equivalent Dwelling Units

The City of Solana Beach updated the connected EDUs number that is reported to the SEJPA in July 2016. The City of Encinitas and Rancho Santa Fe CSD report their connected EDUs every month. The number of EDUs connected for each of the Member Agencies is as follows:

	Connected (EDU)
Cardiff Sanitary Division	8,394
Rancho Santa Fe SID	516
City of Solana Beach	7,683
San Diego (to Solana Beach)	337
Total EDUs to System	16,930

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 14, 2016

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO RECYCLED WATER PROGRAM – MONTHLY REPORT

RECOMMENDATION

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

DISCUSSION

Recycled Water Production

For the month of September 2016, recycled water demand was 148.05 acre-feet (AF), which was met using 148.05 AF of recycled water and 0.00 AF of supplementation with potable water. The distribution system was designed to use potable water during peak demand days.

Figure 1 (attached) provides monthly supply demands for recycled water since September 2000. Figure 2 (attached) provides a graphical view of annual recycled water demand spanning sixteen fiscal years. Figure 3 (attached) shows the monthly recycled water demand for each September since the program began operating.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Figure 1 - MONTHLY RECYCLED WATER DEMAND

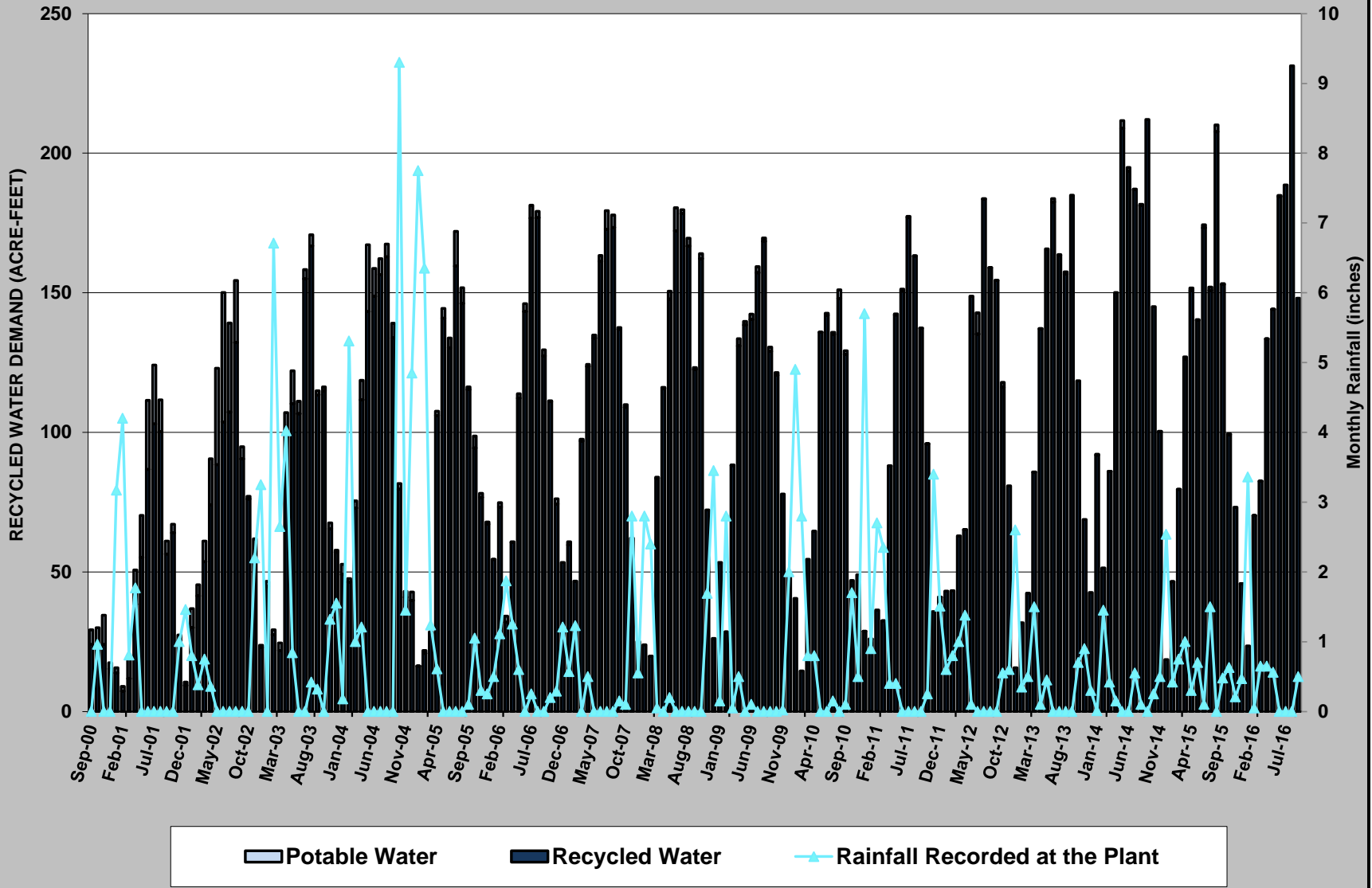


Figure 2 - RECYCLED WATER DEMAND by FISCAL YEAR

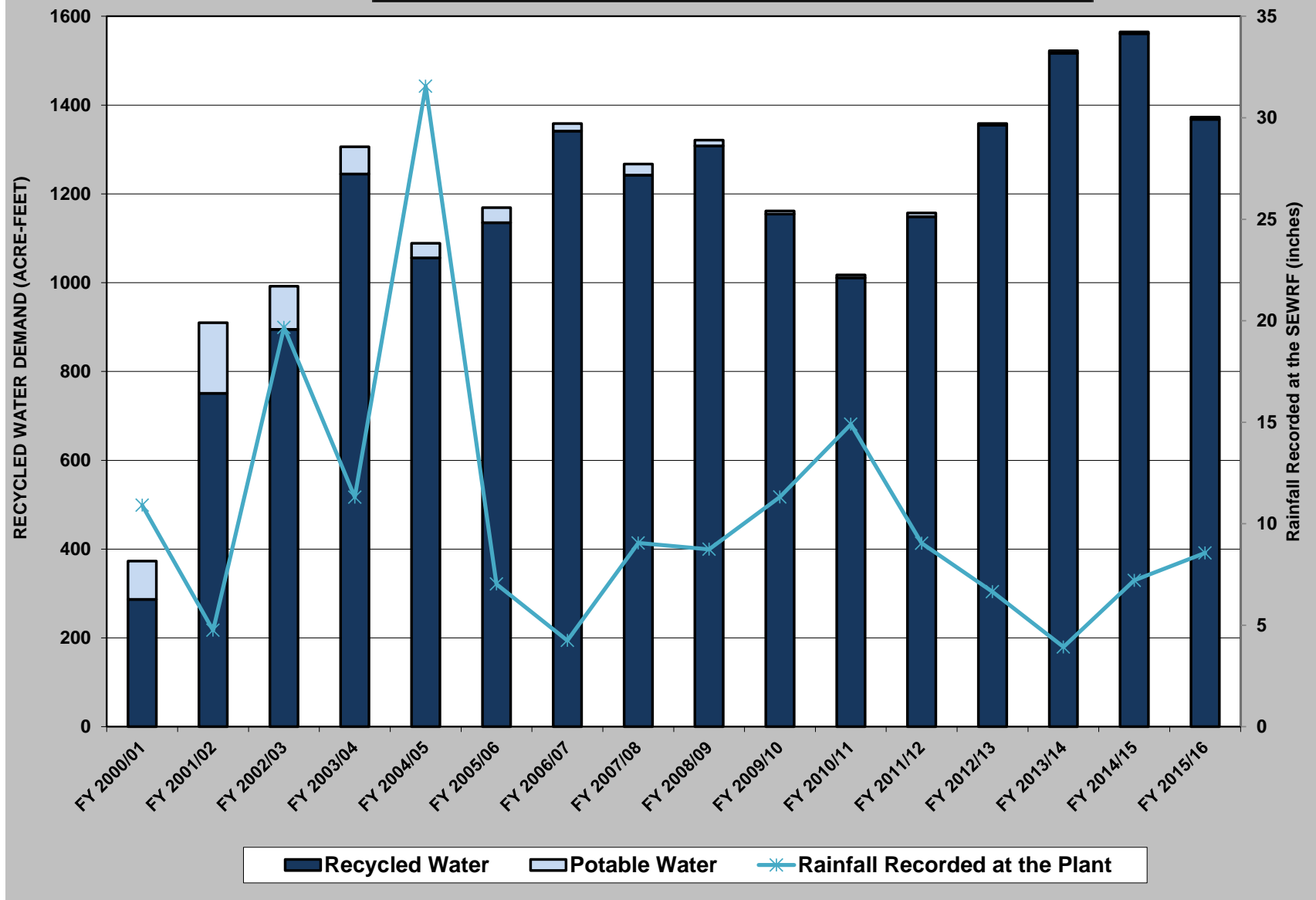
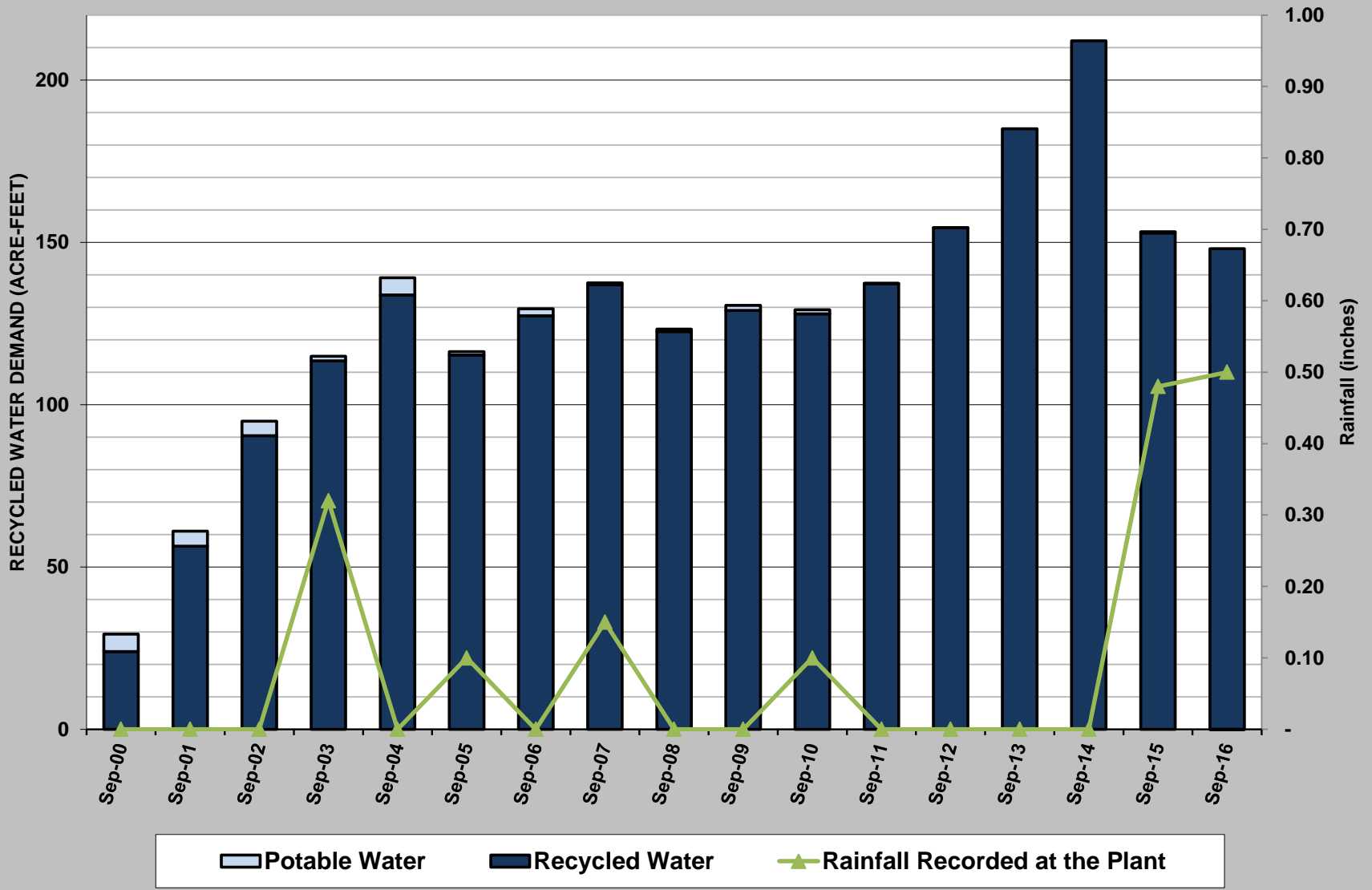


Figure 3 - SEPTEMBER RECYCLED WATER DEMAND



SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 14, 2016

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance and Administration

SUBJECT: FISCAL YEAR 2015-16 FINANCIAL AUDIT ACCEPTANCE

RECOMMENDATION

It is recommended that the Board of Directors:

1. Accept and file the Fiscal Year 2015-16 Audited Financial Statements for the San Elijo Joint Powers Authority;
2. Accept and file the Fiscal Year 2015-16 SAS 114 Letter; and
3. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) is required by California Government Code and by Board policy to annually conduct an audit of its financial records. The Pun Group was selected by the Board at the March 2016 Board meeting to conduct an independent audit and express an opinion on the presentation of SEJPA's financial statements for fairness and accuracy.

DISCUSSION

The financial audit of the SEJPA for Fiscal Year 2015-16 has been completed and it is the auditor's opinion that SEJPA's June 30, 2016 financial statements are presented fairly in all material aspects. The audit was performed in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. As part of the audit, The Pun Group is required by professional standards to communicate to the Board of Directors specific information related to the audit. This communication to those charged with governance (auditor's SAS 114 letter) includes information related to accounting practices, audit difficulties, disagreements with management (if any), management representations, corrected and uncorrected misstatements, and other audit findings, issues or matters. Upon completion of the audit, the Pun Group stated that no transactions were noted where there was a lack of authoritative guidance or consensus. In addition, there were no difficulties or disagreements with management in performing and completing the audit.

The audited financial statements include the following sections:

- Independent Auditor's Report
- Management Discussion and Analysis
- Statement of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements
- Supplementary Information

Mr. Kenneth Pun, CPA, the managing partner for The Pun Group, will present a summary of audit findings to the Board of Directors and answer questions.

It is therefore recommended that the Board of Directors:

1. Accept and file the Fiscal Year 2015-16 Audited Financial Statements for the San Elijo Joint Powers Authority;
2. Accept and file the Fiscal Year 2015-16 SAS 114 Letter; and
3. Discuss and take action as appropriate.

Respectfully submitted,



Paul F. Kinkel
Director of Finance & Administration

Attachment 1: San Elijo Joint Powers Authority, Financial Statements and Independent Auditors' Report for the Year Ended June 30, 2016

Attachment 2: Fiscal Year 2015-16 SAS 114 Letter

ATTACHMENT 1

San Elijo Joint Powers Authority

Cardiff by the Sea, California

Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2016



San Elijo Joint Powers Authority
Financial Statements
For the Year Ended June 30, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the San Elijo Joint Powers Authority
Cardiff by the Sea, California

Report on Financial Statements

We have audited the accompanying financial statements of the San Elijo Joint Powers Authority ("SEJPA"), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Elijo Joint Powers Authority as of June 30, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Plan Contributions, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the SEJPA. The Combining Schedule of Net Position, the Combining Schedule of Revenues, Expenses and Changes in Net Position, the Combining Schedule of Cash Flows, the Operating Budget Comparison Schedule - Wastewater, and the Operating Budget Comparison Schedule – Reclamation, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining Schedule of Net Position, the Combining Schedule of Revenues, Expenses, and Changes in Net Position, and the Combining Statement of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses, and Changes in Net Position, and Combining Schedule of Cash Flows are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Operating Budget Comparison Schedule - Wastewater and the Operating Budget Comparison Schedule - Reclamation have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or any assurance on them.



The Pun Group, LLP
Certified Public Accountants
San Diego, California
October 31, 2016

**San Elijo Joint Powers Authority
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Our discussion and analysis of the financial performance of the San Elijo Joint Powers Authority's (SEJPA) provides an overview of the SEJPA's financial activities as of and for the year ended June 30, 2016. Please read it in conjunction with the SEJPA's financial statements which begin on page 11.

Financial Statements

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

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

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

- Net investment in capital assets
- Restricted net position
- Unrestricted net position

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

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

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

- Operations
- Capital and related financing
- Noncapital financing
- Investing

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

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

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2016

Financial Highlights

The SEJPA's net position increased by \$384,720 to \$38,100,354 for the year ended June 30, 2016.

The SEJPA's revenues totaled \$7,889,078 for the year ended June 30, 2016, an increase of \$77,239 resulting principally from an increase in Wastewater revenue and member agency assessments.

The SEJPA's expenses totaled \$7,504,358 for the year ended June 30, 2016. The expense increase was \$292,957 or 4% and included a provision of \$125,000 for reducing the pension obligation. Total expense was lower than budget and met expectation for the year.

Financial Analysis of the SEJPA

Net Position

The following is a summary of the SEJPA's statements of net position at June 30:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Assets:				
Current and other assets	\$ 12,723,888	\$ 13,756,350	\$ (1,032,462)	-7.5%
Capital assets	39,415,397	39,778,414	(363,017)	-0.9%
Total Assets	<u>52,139,285</u>	<u>53,534,764</u>	<u>(1,395,479)</u>	<u>-2.6%</u>
Deferred Outflows of Resources	<u>1,088,315</u>	<u>469,877</u>	<u>618,438</u>	<u>131.6%</u>
Liabilities:				
Current liabilities	2,960,787	2,542,516	418,271	16.5%
Non-current liabilities	11,474,845	13,130,919	(1,656,074)	-12.6%
Total Liabilities	<u>14,435,632</u>	<u>15,673,435</u>	<u>(1,237,803)</u>	<u>-7.9%</u>
Deferred Inflows of Resources	<u>691,614</u>	<u>615,572</u>	<u>76,042</u>	<u>12.4%</u>
Net Position:				
Net investment in capital assets	33,118,058	32,631,542	486,516	1.5%
Restricted	630,000	630,000	-	0.0%
Unrestricted	4,352,296	4,454,092	(101,796)	-2.3%
Total Net Position	<u>\$ 38,100,354</u>	<u>\$ 37,715,634</u>	<u>\$ 384,720</u>	<u>1.0%</u>

Net position increased by \$384,720 from fiscal year 2015 to 2016. Net investment in capital assets increased \$486,516 in fiscal year 2016. This increase is the result of principal paid on the SEJPA's long-term debt and the increase in investment in capital assets, net of depreciation expense.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2016

Financial Analysis of the SEJPA (Continued)

Net Position (Continued)

Restricted net position is unchanged for the year ended June 30, 2016 as funds restricted for bond reserves remain in place.

Unrestricted net position (those that can be used to finance day-to-day operations) decreased \$101,796.

Revenues, Expenses and Changes in Net Position

The following is a summary of the SEJPA's revenues, expenses and changes in net position for the years ended June 30:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Revenues				
Operating contributions from members	\$ 3,214,224	\$ 3,094,069	\$ 120,155	3.9%
Charges for services to other government agencies	3,362,063	3,430,206	(68,143)	-2.0%
Other nonoperating revenue	254,047	285,019	(30,972)	-10.9%
Member agency assessments	997,819	903,806	94,013	10.4%
State grants	60,925	98,739	(37,814)	-38.3%
Total revenues	<u>7,889,078</u>	<u>7,811,839</u>	<u>77,239</u>	<u>1.0%</u>
Expenses				
Operating expenses	7,169,720	6,815,073	354,647	5.2%
Nonoperating expenses	334,638	396,328	(61,690)	-15.6%
Total expenses	<u>7,504,358</u>	<u>7,211,401</u>	<u>292,957</u>	<u>4.1%</u>
Increase in net position	<u>\$ 384,720</u>	<u>\$ 600,438</u>	<u>\$ (215,718)</u>	<u>-35.9%</u>

Capital Assets

The following is a summary of capital assets at June 30:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Construction in progress	\$ 2,593,101	\$ 1,124,406	\$ 1,468,695	130.6%
Plant equipment	67,950,514	67,832,748	117,766	0.2%
Lab equipment	110,294	110,294	-	0.0%
Office equipment	79,786	79,786	-	0.0%
Vehicles	289,287	289,287	-	0.0%
Subtotal	<u>71,022,982</u>	<u>69,436,521</u>	<u>1,586,461</u>	<u>2.3%</u>
Less accumulated depreciation	<u>(31,607,585)</u>	<u>(29,658,107)</u>	<u>(1,949,478)</u>	<u>6.6%</u>
Total capital assets, net	<u>\$ 39,415,397</u>	<u>\$ 39,778,414</u>	<u>\$ (363,017)</u>	<u>-0.9%</u>

**San Elijo Joint Powers Authority
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2016**

Financial Analysis of the SEJPA (Continued)

The additions to capital assets for fiscal year 2016 totaled \$1,586,461. Capital asset additions included the Via Cantabria recycled water pipeline, the land portion of the ocean outfall, the headworks replacement as well as several smaller projects.

Long-Term Debt

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
2011 Refunding Revenue Bonds	\$ 4,619,428	\$ 5,964,276	\$ (1,344,848)	-22.5%
State loan payable	3,877,758	4,597,496	(719,738)	-15.7%
Private placement loan payable	1,681,260	1,757,268	(76,008)	-4.3%
SFID Reimbursement Agreement payable	445,343	453,493	(8,150)	-1.8%
Total long-term debt	<u>\$ 10,623,789</u>	<u>\$ 12,772,533</u>	<u>\$ (2,148,744)</u>	<u>-16.8%</u>

The total long term debt decreased by \$2,148,744 primarily due to the principal payments made on the 2011 Refunding Revenue Bonds and the State Loan Payable. The Current Portion increased due to the amortization of the debt.

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2016-17 sanitary fund operations and maintenance budget is \$4,530,866. The water reclamation budget is 1,498,447. Sales of reclaimed water are budgeted to be approximately 1,507 acre feet in the upcoming year. The 9% increase in revenue is due to anticipated State grant revenue.

Contingency funding for each program area has been reviewed and budgeted on the basis of the potential for unforeseen events within each activity area. For all programs, the amount in contingency funding is \$139,200 and is \$9,300 higher than last year's budget levels.

The capital project program will have a budget of \$1,659,000 during the upcoming year. This is primarily for improvements to the wastewater, ocean outfall, and reclamation programs.

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) for wastewater treatment provided to the member agencies, the budgeted cost is approximately \$156 per EDU per year for 2016-17. This represents a 5% decrease from 2015-16 as a result of expected participation from the City of Del Mar. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service. For the remaining water agencies, recycled water sales are based on individual contracts which may include minimum annual purchase volumes and negotiated water rate prices. These revenues are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

**San Elijo Joint Powers Authority
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2016**

Economic Factors (Continued)

On October 8, 2012, the Board adopted a resolution to amend the contract between CalPERS and the SEJPA. This resolution amended the contract to include Section 20475 (Different Level of Benefits) for new Miscellaneous Members of the Public Employees' Retirement System, Section 21353 (2% at 60 Full Formula), and Section 20037 (Three-Year Final Compensation) this resolution will be applicable to all SEJPA employees entering membership for the first time in the miscellaneous classification after June 30, 2015. The lower benefit payout will result in a lower contribution rate for the SEJPA in the future as new employees enter the SEJPA workforce. All employees will pay the full employee portion of the CalPERS retirement benefit.

Contacting the Authority's Financial Manager

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

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FINANCIAL STATEMENTS

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San Elijo Joint Powers Authority
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash and investments	\$ 6,948,416
Due from other governmental agencies	720,563
Accrued interest receivable	66,336
Prepaid items	18,829
Current portion of loans receivable	1,305,579

Total current assets

9,059,723

Non-current assets:

Restricted cash and cash equivalents	630,046
Loans receivable - net of current portion	3,015,000
Other assets	19,119

Capital assets:

Nondepreciable	2,593,101
Depreciable, net of accumulated depreciation	36,822,296

Total capital assets

39,415,397

Total non-current assets

43,079,562

Total assets

52,139,285

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	154,823
Deferred outflows of resources related to pensions	933,492

Total deferred outflows of resources

1,088,315

San Elijo Joint Powers Authority
Statement of Net Position (Continued)
June 30, 2016

LIABILITIES

Current liabilities:

Accounts payable	\$	323,139
Accrued liabilities		75,068
Accrued interest payable		147,262
Retention payable		1,111
Unearned revenue		238,348
Revenue refunding bonds - due within one year		1,305,000
State loan payable - due within one year		737,731
Private placement loan payable - due within one year		79,194
Compensated absences - due within one year		53,934
		2,960,787
Total current liabilities		2,960,787

Non-current liabilities:

Due to member agencies payable from restricted assets		46
Revenue refunding bonds - due in more than one year		3,314,428
State loan payable - due in more than one year		3,140,027
Private placement loan payable - due in more than one year		1,602,066
SFID reimbursement agreement payable		445,343
Net pension liability		2,463,484
Net OPEB obligation		154,951
Compensated absences - due in more than one year		354,500
		11,474,845
Total non-current liabilities		11,474,845
Total liabilities		14,435,632

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions		691,614
		691,614
Total deferred inflows of resources		691,614

Net Position:

Net investment in capital assets		33,118,058
Restricted		630,000
Unrestricted		4,352,296
		38,100,354
Total Net Position	\$	38,100,354

San Elijo Joint Powers Authority
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2016

Operating revenues:	
Charges for services to other government agencies	\$ 3,362,063
Contributions from the City of Encinitas	1,792,541
Contributions from the City of Solana Beach	<u>1,421,683</u>
Total operating revenues	<u>6,576,287</u>
Operating expenses:	
Personnel costs	2,958,614
Depreciation and amortization	1,955,222
Utilities	810,839
Contracted services	585,157
Supplies	262,117
Disposal services	194,015
Miscellaneous	145,691
Repair parts expense	133,904
Permit/purveyor fees	69,091
Insurance	<u>55,070</u>
Total operating expenses	<u>7,169,720</u>
Operating income (loss)	<u>(593,433)</u>
Non-operating revenues (expenses):	
Investment income	225,046
State grants	60,925
Rental income	25,843
Loss on disposal of assets	(2,429)
Interest expense	(332,209)
Other	<u>3,158</u>
Total non-operating revenues (expenses), net	<u>(19,666)</u>
Net (loss) before capital contributions	(613,099)
Capital contributions:	
Member agency assessments	<u>997,819</u>
Total capital contributions	<u>997,819</u>
Change in net position	384,720
Net position:	
Beginning of year	<u>37,715,634</u>
End of year	<u><u>\$ 38,100,354</u></u>

San Elijo Joint Powers Authority
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Cash receipts from customers	\$ 6,688,679
Cash payments to vendors and suppliers for materials and services	(2,135,244)
Cash payments to employees for services	<u>(2,962,379)</u>
Net cash provided by operating activities	<u>1,591,056</u>
Cash flows from non-capital financing activities:	
Rental and other nonoperating income	<u>29,001</u>
Net cash provided by non-capital financing activities	<u>29,001</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,589,536)
Proceeds from the sale of capital assets	-
Principal paid on long-term debt	(2,148,702)
Interest paid on long-term debt	(319,581)
Proceeds of state grants	60,933
Capital contributions	<u>997,819</u>
Net cash (used in) capital and related financing activities	<u>(2,999,067)</u>
Cash flows from investing activities:	
Proceeds from loans receivable	1,265,000
Proceeds from retrofit loans receivable	52,065
Investment earnings	<u>233,620</u>
Net cash provided by investing activities	<u>1,550,685</u>
Net increase in cash and cash equivalents	171,675
Cash and cash equivalents:	
Beginning of year	<u>7,406,787</u>
End of year	<u><u>\$ 7,578,462</u></u>
Cash and cash equivalents:	
Cash and cash equivalents	\$ 6,948,416
Restricted cash and cash equivalents	<u>630,046</u>
Total cash and cash equivalents	<u><u>\$ 7,578,462</u></u>

San Elijo Joint Powers Authority
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2016

Reconciliation of operating (loss) to net cash provided by operating activities:

Operating (loss)	\$ (593,433)
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization	1,955,222
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Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:

Due from other governmental agencies	(125,956)
Prepaid items	(643)
Deferred outflows related to pensions	(659,731)
Accounts payable	168,974
Accrued liabilities	(27,815)
Retentions payable	(47,691)
Unearned revenue	238,348
Net pension liability	525,848
Net OPEB obligation	17,411
Compensated absences	64,481
Deferred inflows related to pensions	76,041

Total adjustments	2,184,489
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Net cash provided by operating activities	\$ 1,591,056
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Non-cash items:

Amortization of bond issuance costs	\$ 5,098
Amortization of deferred amount on refunding	41,287

Total non-cash items	\$ 46,385
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NOTES TO THE FINANCIAL STATEMENTS

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San Elijo Joint Powers Authority
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 – Reporting Entity

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Method of Accounting

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the SEJPA.

The SEJPA utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Method of Accounting (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

- ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
- ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the SEJPA. The SEJPA reports a measure of operations by presenting the change in net position from operations as "operating income" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the SEJPA as all activities other than financing and investing activities (interest expense and investment income, rental income, etc.), and other infrequently occurring transaction of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the SEJPA. All other expenses are reported as non-operating expenses.

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

Estimates

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

Revenue Recognition

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. The majority of the SEJPA's cash and investments are invested in the State of California's Local Agency Investment Fund ("LAIF"). The SEJPA does not own any specifically identifiable securities or investments in LAIF. As a participant in LAIF, the SEJPA has rights to its ratable share of the pooled cash and investments in LAIF, on a dollar-for-dollar basis. The SEJPA's ratable share of investment income from the LAIF pool is calculated and distributed on a quarterly basis. Investment income is reported as non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Position. Since all amounts invested in LAIF are available upon demand, the SEJPA considers all amounts invested in LAIF to be cash equivalents.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

Investments

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management’s evaluation of outstanding receivables. Management believes that all amounts due from other government agencies, loans receivable and the retrofit loans receivable were fully collectible; therefore no allowance for doubtful accounts was recorded at June 30, 2016.

Capital Assets

Capital assets consist of construction in progress, plant equipment, lab equipment, office equipment, and vehicles. Capital assets purchased or acquired with a cost exceeding \$2,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Depreciation is calculated on the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Plant equipment	5 - 50
Lab equipment	5 - 40
Office equipment	5 - 20
Vehicles	5

Capitalized Interest

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the year ended June 30, 2016.

Amortization

Bond insurance costs are being amortized on the straight-line method over periods not to exceed the debt maturities. Amortization expense totaled \$5,098 for the year ended June 30, 2016.

The original issue premium is being amortized on the straight-line method over the remaining life of the related debt. Amortization of the original issue premium totaled \$79,847 for the year ended June 30, 2016 and is included in interest expense.

The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$41,286 for the year ended June 30, 2016, and is included in interest expense.

Classification of Liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

Compensated Absences

Employees are entitled to accrue vacation leave up to a maximum amount equal to twice the employees' annual accrual rate, after which accrual ceases until the balance of maximum accrued falls below the maximum accumulation (208 – 368 hours, depending on length of service). Upon separation of employment, accrued vacation benefits that have not been used are paid to the employee. Sick leave benefits may be accrued up to a maximum of 1,000 hours after which accrual ceases. Employee who are not terminated for cause and have given the SEJPA 14 calendar days written notice are paid for 50% of their sick leave balance upon separation. Accumulated and unpaid vacation and sick-leave totaling \$408,434 is accrued when incurred and included in noncurrent liabilities at June 30, 2016.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Risk Management

The SEJPA is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of CSRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each insured agency pays for its proportionate share of its individually contracted insurance coverage and consulting services. At June 30, 2016, the SEJPA participated in the programs of CSRMA as follows:

- **General Liability including Bodily Injury, Property Damage, Public Entity Errors and Omissions, Employment Practices Liability and Automobile Liability**

The CSRMA Pooled Liability (shared risk) Program provides \$25,500,000 per occurrence and in aggregate. CSRMA is self-insured up to \$15,500,000 and additional \$10,000,000 in excess insurance has been purchased to bring the total limit of liability coverage to \$25,500,000. SEJPA has a \$100,000 deductible in the CSRMA Pooled Liability Program.

- **Property Damage**

\$56,191,022 in scheduled values through the APIP Property Program with a \$1,000,000,000 shared loss limit per occurrence with a \$5,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. The SEJPA has a \$5,000 to \$350,000 deductible for boiler and machinery coverage depending on the size of the machinery.

- **Faithful Performance/Employee Dishonesty Bond**

Insured up to \$2,000,000 with a \$2,500 deductible. Coverage includes: employee dishonesty, faithful performance forgery or alteration, computer fraud, money and securities theft, disappearance and destruction.

- **Workers' Compensation**

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

The SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The SEJPA's insurance expense totaled \$89,886 for the year ended June 30, 2016. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability at June 30, 2015, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 11). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Measurement period	July 1, 2014 to June 30, 2015

Economic Dependency

The SEJPA received approximately 44% of its operating revenues from its member agencies for the year ended June 30, 2016.

Use of Restricted/Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is the SEJPA's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 3 – Cash and Cash Equivalents

At June 30, 2016, cash and investments are reported at fair value based on quoted market prices. The following table presents the fair value measurements of investments recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2016:

	<u>Amount Invested</u>	<u>Percentage of Portfolio</u>	<u>Measurement Input</u>
Cash on hand	\$ 174	0.00%	N/A
Deposits held with financial institutions	316,050	4.17%	N/A
Local Agency Investment Fund (LAIF)	7,262,192	95.83%	Level 2
Open ended money market mutual funds	46	0.00%	N/A
Total cash and investments	\$ 7,578,462	100.00%	
Cash and investments reported in accompanying Statement of Net Position:			
Cash and investments	\$ 6,948,416		
Restricted cash and cash equivalents	630,046		
Total cash and investments	\$ 7,578,462		

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 3 – Cash and Cash Equivalents (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Rating
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
State obligations	5 years	None	None
CA local agency obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Bankers' acceptances	180 days	40%	None
Commercial paper	270 days	25%	A1
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-term notes	5 years	30%	A
Mutual funds	n/a	20%	Multiple
Money market mutual funds	n/a	20%	Multiple
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	AA
Time deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	n/a	None	None
County pooled investments	n/a	None	None

The SEJPA's Investment Policy is more restrictive than the California Government Code. The SEJPA may invest in the California Local Agency Investment Fund and the San Diego County Pooled Money Investment account. Open ended money market mutual funds are being held by the bond trustee.

As of June 30, 2016, the SEJPA had \$7,262,192 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and asset-backed securities.

Disclosures Relating to Interest Rate Risk

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 3 – Cash and Cash Equivalents (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the SEJPA’s investments (including investments held by the bond trustee) to market interest rate fluctuations is shown via the distribution of the SEJPA’s investments by maturity at June 30, 2016 as follows:

<u>Description</u>	<u>Balance</u>	<u>Maturity 12 Months or Less</u>
Cash on hand	\$ 174	\$ 174
Deposits held with financial institutions	316,050	316,050
California Local Agency Investment Fund (LAIF)	7,262,192	7,262,192
Open ended money market mutual funds	46	46
Total cash and cash equivalents	<u>\$ 7,578,462</u>	<u>\$ 7,578,462</u>

Disclosures Relating to Credit Risk

Credit risk is defined as the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical organization. Presented below is the minimum rating required by (where applicable) the Gov’t Code, the Investment Policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings as of June 30, 2016 were as follows:

<u>Description</u>	<u>Minimum Legal Rating</u>	<u>Standards & Poor's Rating at June 30, 2016</u>
Local Agency Investment Fund (LAIF)	N/A	Not Rated
Open ended money market mutual funds	N/A	Not Rated

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the SEJPA’s investment in a single issue. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments.

The investment policy of the SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The SEJPA holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the SEJPA’s total investments at June 30, 2016.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 3 – Cash and Cash Equivalents (Continued)

Custodial Credit Risk

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

At June 30, 2016, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2016, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

Investment in State of California Local Agency Investment Fund

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

SEJPA's investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

- Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.
- Asset-Backed Securities - entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2016, SEJPA had \$7,262,192 invested in LAIF, which had invested 1.55% of the pool investment funds in structured notes and asset-backed securities. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investment in LAIF.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 4 – Due From Other Government Agencies

The SEJPA provides reclaimed water and wastewater treatment to a variety of governmental agencies within San Diego County. The following is a detail of amounts owed to/from the SEJPA by these agencies at June 30, 2016:

<u>Description</u>	<u>Balance</u>
San Dieguito Water District	\$ 171,803
San Diego County Water Authority	133,950
Rancho Santa Fe CSD 2 & 3	121,095
City of Escondido	101,014
Santa Fe Irrigation District	97,889
City of Del Mar	65,203
Olivenhain Municipal Water District	20,679
Other	8,930
Total due from other governmental agencies	<u>\$ 720,563</u>

Note 5 – Restricted Assets

Restricted assets were provided by and are to be used for the following at June 30, 2016:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Receipts from customers	State loan reserve requirement	\$ 630,000
Debt proceeds and interest earned	Debt service - Solana Beach	13
Debt proceeds and interest earned	Debt service - Encinitas	33
		<u>\$ 630,046</u>

When both restricted and unrestricted resources are available for use, it is the SEJPA's policy to use restricted resources first, and then unrestricted resources as necessary.

Note 6 – Loans Receivable

The City of Encinitas and the City of Solana Beach have entered into the third amendment and restated loan agreements with the SEJPA. The loans bear interest from 2% to 4%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 of each year, in order to provide the SEJPA with sufficient funds to service the debt on the Refunding Revenue Bonds (See Note 9). Loans receivable consist of the following at June 30, 2016:

City of Solana Beach	\$ 2,286,111
City of Encinitas	<u>2,033,889</u>
Subtotal	\$ 4,320,000
Less: current portion	<u>(1,305,000)</u>
Total	<u>\$ 3,015,000</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 7 – Retrofit Loans Receivable

The SEJPA has entered into agreements with certain reclaimed water users whereby the SEJPA reimbursed the reclaimed water users for reasonable costs incurred for the retrofitting of the water user’s facilities in order for them to accept and use reclaimed water for non-potable purposes. The water users agreed to repay the SEJPA the aggregate amount of the retrofit work together with interest ranging from 3.5% to 4.5%. Reclaimed water is purchased at the potable water rate with the difference between the two rates being considered repayment of the reimbursed costs with the payment first applied to interest. Retrofit loans receivable consist of the following at June 30, 2016:

Oak Crest Park	\$	579
Total	\$	579

Note 8 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

Description	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Non-depreciable assets:					
Construction in progress	\$ 1,124,406	\$ 1,520,782	\$ -	\$ (52,087)	\$ 2,593,101
Total non-depreciable assets	1,124,406	1,520,782	-	(52,087)	2,593,101
Depreciable assets:					
Plant equipment	67,832,748	68,754	(3,075)	52,087	67,950,514
Lab equipment	110,294	-	-	-	110,294
Office equipment	79,786	-	-	-	79,786
Vehicles	289,287	-	-	-	289,287
Total depreciable assets	68,312,115	68,754	(3,075)	52,087	68,429,881
Accumulated depreciation:					
Plant equipment	(29,268,275)	(1,919,527)	646	-	(31,187,156)
Lab equipment	(91,627)	(7,153)	-	-	(98,780)
Office equipment	(69,165)	(4,773)	-	-	(73,938)
Vehicles	(229,040)	(18,671)	-	-	(247,711)
Total accumulated depreciation	(29,658,107)	(1,950,124)	646	-	(31,607,585)
Total depreciable assets, net	38,654,008	(1,881,370)	(2,429)	52,087	36,822,296
Total capital assets, net	\$ 39,778,414	\$ (360,588)	\$ (2,429)	\$ -	\$ 39,415,397

Depreciation totaled \$1,950,124 for the year ended June 30, 2016.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 9 – Noncurrent Liabilities

Summary of changes in noncurrent liabilities for the year ended June 30, 2016 is as follows:

	Balance			Balance June 30, 2016	Classification	
	July 1, 2015	Additions	Deletions		Due Within One Year	Due in More Than One Year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 4	\$ 42	\$ -	\$ 46	\$ -	\$ 46
Total payable from restricted assets	4	42	-	46	-	46
Long-Term Debt:						
2011 Refunding Revenue Bonds	5,585,000	-	(1,265,000)	4,320,000	1,305,000	3,015,000
add: original issue premium	379,276	-	(79,848)	299,428	-	299,428
State loan payable	4,597,496	-	(719,738)	3,877,758	737,731	3,140,027
Private placement loan payable	1,757,268	-	(76,008)	1,681,260	79,194	1,602,066
SFID Reimbursement Agreement payable	453,493	-	(8,150)	445,343	-	445,343
Total long-term debt	12,772,533	-	(2,148,744)	10,623,789	2,121,925	8,501,864
Other Noncurrent Liabilities:						
Compensated absences	343,953	173,487	(109,006)	408,434	53,934	354,500
Net OPEB obligation	137,538	34,012	(16,599)	154,951	-	154,951
Net pension liability	1,937,636	525,848	-	2,463,484	-	2,463,484
Total other noncurrent liabilities	2,419,127	733,347	(125,605)	3,026,869	53,934	2,972,935
Total long-term obligations	\$ 15,191,664	\$ 733,389	\$ (2,274,349)	\$ 13,650,704	\$ 2,175,859	\$ 11,474,845

2011 Refunding Revenue Bonds

In December 2011, the SEJPA issued the 2011 Revenue Refunding Bonds in the amount of \$9,235,000 for the purpose of refunding its 2003 Refunding Revenue Bonds and prepaying a note to the California Energy Commission. The 2003 Refunding Revenue Bonds had been issued to refund the 1993 Refunding Revenue Bonds, the proceeds of which had been loaned to its two member agencies to finance the upgrade and expansion of the water pollution control facility.

Although the refunding resulted in a deferred amount on refunding of \$340,611, the SEJPA in effect reduced the aggregate debt service payments by approximately \$222,000 each year over the next seven years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450. The deferred amount on refunding totaled \$154,823 at June 30, 2016.

The 2011 Refunding Revenue Bonds are payable in annual principal installments ranging from \$50,000 to \$1,415,000 through March 1, 2021. Interest payments are due semiannually on September 1, and March 1. Interest rates on the bonds range from 2% to 4%. The 2011 Refunding Revenue Bonds outstanding total \$4,320,000 at June 30, 2016. Accrued interest totaled \$56,622 at June 30, 2016. The member agencies have covenanted to make payments of loan installments in each year from net revenues derived from the operation of each Agency's respective wastewater collection system.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 9 – Noncurrent Liabilities (Continued)

2011 Refunding Revenue Bonds (Continued)

Debt service requirements on the 2011 Refunding Revenue Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,305,000	\$ 169,867	\$ 1,474,867
2018	1,365,000	117,668	1,482,668
2019	1,415,000	63,068	1,478,068
2020	115,000	6,468	121,468
2021	120,000	3,420	123,420
Total	<u>\$ 4,320,000</u>	<u>\$ 360,491</u>	<u>\$ 4,680,491</u>

State Loan Payable

In March 1998, the SEJPA entered into an agreement with the State Water Resources Control Board for funding of the San Elijo Water Reclamation System. The loan was funded through the State Revolving Fund loan program administered by the State of California in the amount of \$12,633,522. The State Revolving Fund loan program provides funding for water reclamation projects at a reduced interest rate of 2.5%. The state loan payable outstanding totaled \$3,877,758 at June 30, 2016. Accrued interest totaled \$84,826 at June 30, 2016. The San Elijo Water Reclamation Project represented the construction of tertiary treatment, operational storage facilities, effluent pump stations and a reclaimed water distribution system. Annual loan payments are made by the SEJPA in the amount of \$834,675 and continue through August 2020. The SEJPA has agreed to maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of the loan.

The terms of the state loan payable require the SEJPA to place \$63,000 into a reserve fund each year for ten (10) years, beginning with the issuance of the loan. The reserve fund balance was \$630,000 at June 30, 2016 (See Note 4).

Debt service requirements on the State Loan Payable are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 737,731	\$ 96,944	\$ 834,675
2018	756,175	78,500	834,675
2019	775,079	59,596	834,675
2020	794,456	40,219	834,675
2021	814,317	20,358	834,675
Total	<u>\$ 3,877,758</u>	<u>\$ 295,617</u>	<u>\$ 4,173,375</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 9 – Noncurrent Liabilities (Continued)

Private Placement Loan Payable

In November 2011, the SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advanced water treatment improvements (Advanced Water Treatment Project) at the San Elijo Water Reclamation Facility. Interest accrues at 4.15% on the unpaid principal balance and is payable in forty (40) semi-annual payments of \$74,077 including principal and interest and continue through December 2031. The private placement loan payable outstanding totaled \$1,681,260 at June 30, 2016. Accrued interest totaled \$5,814 at June 30, 2016. The SEJPA’s obligation to pay the loan repayments is a special obligation limited solely to the net revenues as defined in the loan agreement. The SEJPA has covenanted that it will fix, prescribe and collect rates, fees and charges sufficient to generate net revenues at least equal to 115% of the amount of the maximum annual debt service.

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 79,194	\$ 72,146	\$ 151,340
2018	82,525	68,959	151,484
2019	85,975	65,638	151,613
2020	89,580	58,574	148,154
2021	93,336	54,817	148,153
2022-2026	414,154	178,458	592,612
2027-2031	623,191	117,574	740,765
2032	213,305	8,913	222,218
Total	\$ 1,681,260	\$ 625,079	\$ 2,306,339

SFID Reimbursement Agreement Payable

The Santa Fe Irrigation District (SFID) constructed a reclaimed water distribution pipeline extension of 3,400 linear feet to the SEJPA’s reclaimed water distribution system in order to extend SEJPA’s existing recycled water distribution system and enable the SFID to serve new reclaimed water customers. SEJPA agreed to reimburse SFID for the cost of design and construction of the extension in the amount of \$526,149 and the SFID agreed to convey ownership of the extension to SEJPA. Under the terms of the agreement, the reimbursement amount shall be increased each July 1st by adding interest at the rate equivalent to the average LAIF rate for the past four quarters, but not less than 1% nor greater than 2.5% calculated on the unpaid monthly balance. SEJPA shall reimburse the SFID at a monthly rate of \$450 per acre foot of recycled water delivered through the extension including water delivered to purveyors other than SFID. In addition, SEJPA made an initial down payment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20th year of this agreement if the average annual delivery volume of the extension from year 13 through year 15 exceeds 50 acre feet annually. Future payments on the SFID reimbursement agreement payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated and the agreement is considered noncurrent. The SFID reimbursement agreement payable totaled \$445,343 at June 30, 2016.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 10 – Postemployment Benefits

Plan Description

The SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the SEJPA’s vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by the SEJPA to the retiree is \$125 per month, which is set by CalPERS.

Funding Policy and Annual OPEB Costs

The contribution requirements of the SEJPA are established and may be amended annually by the Board of Directors. The SEJPA’s annual other post-employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the SEJPA (ARC), an amount actuarially determined in accordance with GASB Cod. Sec. P50, “Postemployment Benefits Other Than Pension Benefits - Employer Reporting.” The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The SEJPA’s Board of Directors has established a policy of funding the ARC on a pay as you go basis. The current ARC rate is 1.93% of annual covered payroll.

The following table shows the components of the SEJPA’s annual OPEB cost, the amount actually contributed to the Plan including benefits paid to retirees, and changes in the SEJPA’s net OPEB obligation for the three preceding years:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual required contribution	\$ 37,634	\$ 37,634	\$ 37,634
Interest on net OPEB obligation	5,151	4,782	3,442
Adjustment to annual required contribution	<u>(18,930)</u>	<u>-</u>	<u>(6,801)</u>
Total annual OPEB cost	<u>23,855</u>	<u>42,416</u>	<u>34,275</u>
Contributions (including benefits paid)	<u>(6,442)</u>	<u>(7,141)</u>	<u>(5,616)</u>
Total change in net OPEB obligation	17,413	35,275	28,659
Net OPEB obligation:			
Beginning of year	<u>137,538</u>	<u>102,263</u>	<u>73,604</u>
End of year	<u>\$ 154,951</u>	<u>\$ 137,538</u>	<u>\$ 102,263</u>

The SEJPA’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Contributions</u> <u>Made</u>	<u>Percentage</u> <u>of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u> <u>Payable (Asset)</u>
June 30, 2016	\$ 23,855	\$ 6,222	26.08%	\$ 154,951
June 30, 2015	42,416	7,141	16.84%	137,538
June 30, 2014	34,275	5,769	16.83%	102,263

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 10 – Postemployment Benefits (Continued)

Funding Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the Plan was not yet funded. The SEJPA’s actuarial accrued liability for benefits at June 30, 2014 was \$291,746 and the covered payroll (annual payroll of active employees covered by the Plan) was \$1,940,742, with a ratio of the UAAL to the covered payroll of 15.03%. The normal cost payments made during the year of \$6,442 funded 26.08% of the annual required contribution (ARC) leaving an unfunded actuarial liability (UAAL) of \$291,746 and a funded ratio of 0.0%.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2014	\$ -	\$ 291,746	\$ 291,746	0.00%	\$ 1,940,742	15.03%

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedule of funding progress for the Plan is presented as Required Supplementary Information following the Notes to the Financial Statements. These schedules show multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the formal Plan document and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits and costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.0% discount rate, which assumes the SEJPA continues to maintain the retiree health benefits program as an unfunded plan. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the SEJPA for current and future retirees; and an annual healthcare cost trend rate of 3.5%. The UAAL is being amortized as a level percentage of projected payroll over 17 years.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the San Elijo Joint Powers Authority, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) in which the SEJPA participates with other public agencies that each have fewer than 100 active members and share the same benefit formula. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

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

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire Date	Miscellaneous		
	Prior to	On or After July 1, 2012	
	July 1, 2012	Second Tier	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	10.1%	7.1%	6.237%

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan (Continued)

Employees Covered by the Benefit Terms

For the year ended June 30, 2016, the SEJPA’s Plan’s proportionate share of aggregate employer contributions made for each plan was as follows:

	Tier 1	Tier 2	PEPRA	Total
Contributions - employer	\$ 129,947	\$ 12,204	\$ 19,128	\$ 161,279

At June 30, 2016, the following employees were covered by the benefit terms for each miscellaneous plan:

	Tier 1	Tier 2	PEPRA	Total
Active employees	12	2	6	20
Inactive employees or beneficiaries currently receiving benefits	14	-	-	14
Inactive employees entitled to, but not yet receiving benefits	12	-	-	12
Total	38	2	6	46

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

As of June 30, 2016, the SEJPA reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Tier 1	Tier 2	PEPRA	Total
Proportionate share of net pension liability	\$ 2,464,787	\$ (918)	\$ (385)	\$ 2,463,484

The SEJPA’s net pension liability for each plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The SEJPA’s proportion of the net pension liability was based on a projection of the SEJPA’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan (Continued)

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

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The SEJPA’s proportionate share of the net pension liability for each Plan as of June 30, 2016 was as follows:

	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
Proportion June 30, 2014	0.03114%	0.00000%	0.00000%
Proportion June 30, 2015	0.81736%	0.57100%	0.34950%
Change - increase (decrease)	0.78622%	0.57100%	0.34950%

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2016, the SEJPA recognized pension expense of \$161,279. At June 30, 2016, the SEJPA reported deferred outflows of resources and deferred inflows of resources from the following sources:

Tier 1 Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 129,947	\$ -
Difference between expected and actual experience	15,410	-
Changes of assumptions	-	(145,789)
Net difference between projected and actual earnings on pension plan investments	373,684	(410,902)
Employer contributions in excess/(under) proportionate share of contributions		(62,115)
Adjustments due to difference in proportions	224,736	(15,061)
Total	\$ 743,777	\$ (633,867)

Tier 2 Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 122,204	\$ -
Difference between expected and actual experience	1,077	-
Changes of assumptions	-	(10,185)
Net difference between projected and actual earnings on pension plan investments	26,105	(34)
Employer contributions in excess/(under) proportionate share of contributions	-	(11,534)
Adjustments due to difference in proportions	3,050	(12,218)
Total	\$ 152,436	\$ (33,971)

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan (Continued)

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

PEPRA Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 19,128	\$ -
Difference between expected and actual experience	659	-
Changes of assumptions	-	(6,234)
Net difference between projected and actual earnings on pension plan investments	15,979	(5)
Employer contributions in excess/(under) proportionate share of contributions	-	(7,057)
Adjustments due to difference in proportions	1,513	(10,480)
Total	\$ 37,279	\$ (23,776)

TOTAL		
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 271,279	\$ -
Difference between expected and actual experience	17,146	-
Changes of assumptions	-	(162,208)
Net difference between projected and actual earnings on pension plan investments	415,768	(410,941)
Employer contributions in excess/(under) proportionate share of contributions	-	(80,706)
Adjustments due to difference in proportions	229,299	(37,759)
Total	\$ 933,492	\$ (691,614)

The \$271,279 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources			
	Tier 1 Plan	Tier 2 Plan	PEPRA Plan	Total
2016	\$ (42,834)	\$ (5,124)	\$ (4,357)	\$ (52,315)
2017	(39,796)	(4,566)	(4,970)	(49,332)
2018	(30,828)	(576)	(292)	(31,696)
2019	93,421	6,527	3,994	103,942
2020	-	-	-	-
Thereafter	-	-	-	-
Total	\$ (20,037)	\$ (3,739)	\$ (5,625)	\$ (29,401)

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial accounting valuation. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details for the Experience Study can be found on the CalPERS website under "Forms and Publications."

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

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

Discount Rate

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan (Continued)

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 ¹</u>	<u>Real Return Years 11 + ²</u>
Global equity	47.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	12.00%	6.83%	6.95%
Real estate	11.00%	4.50%	5.13%
Infrastructure and forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 Section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 11 – Defined Benefit Pension Plan (Continued)

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of each Plan, as of the measurement date calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.65%)	Rate (7.65%)	(8.65%)
Tier 1	\$ 4,133,620	\$ 2,464,787	\$ 1,086,972
Tier 2	(1,540)	(918)	(405)
PEPRA	(646)	(385)	(170)

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2016, the SEJPA reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Note 12 – Net Position

At June 30, 2016, net investment in capital assets consisted of the following:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 2,593,101
Capital assets, net – being depreciated	36,822,296
Loans receivable - capital	4,320,000
Deferred amount on refunding	154,823
Accrued interest payable	(147,262)
Retention payable	(1,111)
2011 Refunding Revenue Bonds	(4,619,428)
State loan payable	(3,877,758)
Private placement loan	(1,681,260)
SFID loan payable	(445,343)
Total net investment in capital assets	\$ 33,118,058

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 13 – Commitments and Contingencies

Contracts

The SEJPA has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2016, the total unpaid amount on these contracts is approximately \$51,025.

Litigation

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

Operating Leases

Under an agreement dated April 11, 1991 the SEJPA leases a maintenance facility to the City of Encinitas for \$1 per year for an initial term of 30 years. The lease may be renewed or extended at the expiration of the initial term at a rate mutually agreed upon. In addition to the annual payment of \$1, the City agreed to reimburse the SEJPA within 30 days for all engineering and inspection costs incurred as a result of the engineering and construction of the maintenance facility. The City also agreed to reimburse the SEJPA for all construction costs incurred by the SEJPA as a result of the construction of the maintenance facility in 30 equal annual installments at an interest rate equal to the interest rate on the bonds issued for construction of the upgrade and expansion of the Water Pollution Control Facility. The lease payments collected are then remitted directly to the member agencies.

In January 2007, the SEJPA entered into a Communications Site License Agreement as lessor with Omnipoint Communications, Inc. which was subsequently conveyed to T-Mobile West, LLC. The initial term of the agreement, which calls for an annual payment of \$20,400 and increasing 3% annually, is for 5 years commencing the earlier of the date the licensees intend to commence construction or October 1, 2007. This lease agreement may be extended automatically for five additional five-year terms on the same terms and conditions at the election of Omnipoint. The lease is currently extended through October 1, 2017. The SEJPA recognized rental income in the amount of \$25,842 for the year ended June 30, 2016.

Note 14 – New and Upcoming Governmental Accounting Standards Implementation

New Governmental Accounting Standards Implementation for the Year Ended June 30, 2016

GASB No. 72

In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, "Fair Value Measurement and Application." This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the SEJPA.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 14 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

New Governmental Accounting Standards Implementation for the Year Ended June 30, 2016 (Continued)

GASB No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017. This pronouncement did not have a material effect on the financial statements of the SEJPA.

Upcoming Governmental Accounting Standards Implementation

The SEJPA is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2017.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2018.

GASB Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2016.

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2017.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 14 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 78

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2017.

GASB Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2017.

GASB Statement No. 80

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2017.

GASB Statement No. 81

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2018.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2016

Note 14 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 82

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2018.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*
Tier 1 Plan - 1932
As of June 30, 2016

	<u>6/30/2015</u> ¹	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.81736%	0.03114%
Plan's proportionate share of the net pension liability	\$ 2,464,787	\$ 1,937,481
Plan's covered-employee payroll ²	\$ 1,343,800	\$ 1,568,564
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	183.42%	123.52%
Plan's fiduciary net position	\$ 8,148,752	\$ 7,976,126
Plan's fiduciary net position as a percentage of the total pension liability	76.78%	80.46%
Plan's proportionate share of aggregate employer contributions ^{3,4}	\$ 308,067	\$ 215,688

Notes to Schedule:

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

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

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
Last Ten Fiscal Years*
Tier 2 Plan - 23261
As of June 30, 2016

	<u>6/30/2015</u> ¹	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.00000%	0.00000%
Plan's proportionate share of the net pension liability	\$ (918)	\$ 133
Plan's covered-employee payroll ²	\$ 181,913	\$ 42,312
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	-0.50%	0.31%
Plan's fiduciary net position	\$ 364,104	\$ 649
Plan's fiduciary net position as a percentage of the total pension liability	100.25%	82.99%
Plan's proportionate share of aggregate employer contributions ^{3,4}	\$ 21,521	\$ 18

Notes to Schedule:

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

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

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
Last Ten Fiscal Years*
PEPRA Plan - 26431
As of June 30, 2016

	6/30/2015 ¹	6/30/2014 ¹
Plan's proportion of the net pension liability	0.00000%	0.00000%
Plan's proportionate share of the net pension liability	\$ (385)	\$ 22
Plan's covered-employee payroll ²	\$ 306,692	\$ 96,820
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	-0.13%	0.02%
Plan's fiduciary net position	\$ 19,219	\$ 108
Plan's fiduciary net position as a percentage of the total pension liability	102.04%	83.08%
Plan's proportionate share of aggregate employer contributions ^{3,4}	\$ 13,173	\$ 3

Notes to Schedule:

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

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

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of Contributions
Last Ten Fiscal Years*
Miscellaneous Tier 1 Plan - 1932
As of June 30, 2016

	2015-16 ¹	2014-15 ¹	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 129,947	\$ 240,427	\$ 235,844
Contributions in relation to the actuarially determined contributions ²	(254,947)	(240,427)	(235,844)
Contribution deficiency (excess)	\$ (125,000)	\$ -	\$ -
Covered-employee payroll ^{3,4}	\$ 1,384,114	\$ 1,343,800	\$ 1,568,564
Contributions as a percentage of covered-employee payroll ³	18.42%	17.89%	15.04%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of Contributions (Continued)
Last Ten Fiscal Years*
Miscellaneous Tier 2 Plan - 23261
As of June 30, 2016

	2015-16 ¹	2014-15 ¹	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 122,204	\$ 16,796	\$ 14,207
Contributions in relation to the actuarially determined contributions ²	(122,204)	(16,796)	(14,207)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll ^{3,4}	\$ 187,370	\$ 181,913	\$ 42,312
Contributions as a percentage of covered-employee payroll ³	65.22%	9.23%	33.58%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of Contributions (Continued)
Last Ten Fiscal Years*
PEPRA Plan - 26431
As of June 30, 2016

	2015-16 ¹	2014-15 ¹	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 19,128	\$ 10,281	\$ 6,181
Contributions in relation to the actuarially determined contributions ²	(19,128)	(10,281)	(6,181)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll ^{3,4}	\$ 315,893	\$ 306,692	\$ 96,820
Contributions as a percentage of covered-employee payroll ³	6.06%	3.35%	6.38%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2014	\$ -	\$ 291,746	\$ 291,746	0.00%	\$ 1,940,742	15.03%
June 30, 2011	-	149,480	149,480	0.00%	1,623,768	9.21%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB No. 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan.

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**SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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San Elijo Joint Powers Authority
Combining Statement of Net Position
June 30, 2016

	<u>Wastewater</u>	<u>Reclamation</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 6,480,711	\$ 467,705	\$ 6,948,416
Due from other governmental agencies	230,104	490,459	720,563
Accrued interest receivable	63,713	2,623	66,336
Prepaid items	13,950	4,879	18,829
Current portion of loans receivable	<u>1,305,000</u>	<u>579</u>	<u>1,305,579</u>
Total current assets	<u>8,093,478</u>	<u>966,245</u>	<u>9,059,723</u>
Non-current assets:			
Restricted cash and cash equivalents	46	630,000	630,046
Loans receivable - net of current portion	3,015,000	-	3,015,000
Other assets	19,119	-	19,119
Capital assets:			
Nondepreciable	900,008	1,693,093	2,593,101
Depreciable, net of accumulated depreciation	<u>20,992,127</u>	<u>15,830,169</u>	<u>36,822,296</u>
Total capital assets	<u>21,892,135</u>	<u>17,523,262</u>	<u>39,415,397</u>
Total non-current assets	<u>24,926,300</u>	<u>18,153,262</u>	<u>43,079,562</u>
Total assets	<u>33,019,778</u>	<u>19,119,507</u>	<u>52,139,285</u>
Deferred outflows of resources:			
Deferred amount on refunding	154,823	-	154,823
Deferred outflows related to pensions	<u>791,157</u>	<u>142,335</u>	<u>933,492</u>
Total deferred outflows of resources	<u>945,980</u>	<u>142,335</u>	<u>1,088,315</u>

San Elijo Joint Powers Authority
Combining Statement of Net Position (Continued)
June 30, 2016

	<u>Wastewater</u>	<u>Reclamation</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 228,126	\$ 95,013	\$ 323,139
Accrued liabilities	61,772	13,296	75,068
Accrued interest payable	56,622	90,640	147,262
Retention payable	1,111	-	1,111
Unearned revenue	176,129	62,219	238,348
Revenue refunding bonds - due within one year	1,305,000	-	1,305,000
State loan payable - due within one year	-	737,731	737,731
Private placement loan payable - due within one year	-	79,194	79,194
Compensated absences - due within one year	46,923	7,011	53,934
Total current liabilities	<u>1,875,683</u>	<u>1,085,104</u>	<u>2,960,787</u>
Non-current liabilities:			
Due to member agencies payable from restricted assets	46	-	46
Revenue refunding bonds - due in more than one year	3,314,428	-	3,314,428
State loan payable - due in more than one year	-	3,140,027	3,140,027
Private placement loan payable - due in more than one year	-	1,602,066	1,602,066
SFID reimbursement agreement payable	-	445,343	445,343
Net pension liability	2,111,379	352,105	2,463,484
Net OPEB obligation	128,462	26,489	154,951
Compensated absences - due in more than one year	306,491	48,009	354,500
Total non-current liabilities	<u>5,860,806</u>	<u>5,614,039</u>	<u>11,474,845</u>
Total liabilities	<u>7,736,489</u>	<u>6,699,143</u>	<u>14,435,632</u>
Deferred inflows of resources			
Deferred inflows related to pensions	590,900	100,714	691,614
Total deferred inflows of resources	<u>590,900</u>	<u>100,714</u>	<u>691,614</u>
Net position:			
Net investment in capital assets	21,689,797	11,428,261	33,118,058
Restricted	-	630,000	630,000
Unrestricted	3,948,572	403,724	4,352,296
Total net position	<u>\$ 25,638,369</u>	<u>\$ 12,461,985</u>	<u>\$ 38,100,354</u>

San Elijo Joint Powers Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

Operating revenues:	Wastewater	Reclamation	Total
Charges for services to other government agencies	\$ 1,020,284	\$ 2,341,779	\$ 3,362,063
Contributions from the City of Encinitas	1,792,541	-	1,792,541
Contributions from the City of Solana Beach	1,421,683	-	1,421,683
Total operating revenues	4,234,508	2,341,779	6,576,287
Operating expenses:			
Personnel costs	2,401,854	556,760	2,958,614
Depreciation and amortization	1,366,098	589,124	1,955,222
Utilities	539,832	271,007	810,839
Contracted services	378,916	206,241	585,157
Supplies	161,166	100,951	262,117
Disposal services	194,015	-	194,015
Miscellaneous	86,844	58,847	145,691
Repair parts expense	90,291	43,613	133,904
Permit/purveyor fees	44,280	24,811	69,091
Insurance	38,550	16,520	55,070
Total operating expenses	5,301,846	1,867,874	7,169,720
Operating income (loss)	(1,067,338)	473,905	(593,433)
Non-operating revenues (expenses):			
Investment income	216,929	8,117	225,046
State grants	-	60,925	60,925
Rental income	25,843	-	25,843
Loss on disposal of assets	(2,429)	-	(2,429)
Interest expense	(156,612)	(175,597)	(332,209)
Other	3,158	-	3,158
Total non-operating revenues (expenses), net	86,889	(106,555)	(19,666)
Net (loss) before capital contributions	(980,449)	367,350	(613,099)
Capital contributions:			
Member agency assessments	997,819	-	997,819
Total capital contributions	997,819	-	997,819
Change in net position	17,370	367,350	384,720
Net position:			
Beginning of year, as previously stated	25,620,999	12,094,635	37,715,634
End of year	\$ 25,638,369	\$ 12,461,985	\$ 38,100,354

San Elijo Joint Powers Authority
Combining Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities:	Wastewater	Reclamation	Total
Cash receipts from customers	\$ 4,470,958	\$ 2,217,721	\$ 6,688,679
Cash payments to vendors and suppliers for materials and services	(1,458,267)	(676,977)	(2,135,244)
Cash payments to employees for services	(2,382,275)	(580,104)	(2,962,379)
Net cash provided by operating activities	630,416	960,640	1,591,056
Cash flows from non-capital financing activities:			
Rental and other nonoperating income	29,001	-	29,001
Net cash (used in) non-capital financing activities	29,001	-	29,001
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(622,098)	(967,438)	(1,589,536)
Proceeds from the sale of capital assets	-	-	-
Principal paid on long-term debt	(1,344,806)	(803,896)	(2,148,702)
Interest paid on long-term debt	(127,977)	(191,604)	(319,581)
Proceeds of state grants	-	60,933	60,933
Capital contributions	997,819	-	997,819
Net cash provided by capital and related financing activities	(1,097,062)	(1,902,005)	(2,999,067)
Cash flows from investing activities:			
Proceeds from loans receivable	1,265,000	-	1,265,000
Proceeds from retrofit loans receivable	-	52,065	52,065
Investment earnings	225,906	7,714	233,620
Net cash provided by investing activities	1,490,906	59,779	1,550,685
Net increase in cash and cash equivalents	1,053,261	(881,586)	171,675
Cash and cash equivalents:			
Beginning of year	5,427,496	1,979,291	7,406,787
End of year	\$ 6,480,757	\$ 1,097,705	\$ 7,578,462
Cash and cash equivalents	\$ 6,480,711	\$ 467,705	\$ 6,948,416
Restricted cash and cash equivalents	46	630,000	630,046
Total cash and cash equivalents	\$ 6,480,757	\$ 1,097,705	\$ 7,578,462

San Elijo Joint Powers Authority
Combining Statement of Cash Flows (Continued)
For the Year Ended June 30, 2016

	<u>Wastewater</u>	<u>Reclamation</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (1,067,338)	\$ 473,905	\$ (593,433)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,366,098	589,124	1,955,222
Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:			
Due from other governmental agencies	60,321	(186,277)	(125,956)
Prepaid items	(546)	(97)	(643)
Deferred outflows related to pensions	(561,233)	(98,498)	(659,731)
Accounts payable	123,864	45,110	168,974
Accrued liabilities	(2,444)	(25,371)	(27,815)
Retentions payable	(47,691)	-	(47,691)
Unearned revenue	176,129	62,219	238,348
Net pension liability	447,339	78,509	525,848
Net OPEB obligation	13,875	3,536	17,411
Compensated absences	57,354	7,127	64,481
Deferred inflows related to pensions	64,688	11,353	76,041
Total adjustments	<u>1,697,754</u>	<u>486,735</u>	<u>2,184,489</u>
Net cash provided by operating activities	<u>\$ 630,416</u>	<u>\$ 960,640</u>	<u>\$ 1,591,056</u>
Non-cash items:			
Amortization of bond issuance costs	\$ 5,098	\$ -	\$ 5,098
Amortization of deferred amount on refunding	41,287	-	41,287
Total non-cash items	<u>\$ 46,385</u>	<u>\$ -</u>	<u>\$ 46,385</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Wastewater
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 1,182,485	\$ 1,020,284	\$ (162,201)
Contributions from the City of Encinitas	1,795,541	1,792,541	(3,000)
Contributions from the City of Solana Beach	1,594,814	1,421,683	(173,131)
Total operating revenues	<u>4,572,840</u>	<u>4,234,508</u>	<u>(338,332)</u>
Operating expenses:			
Personnel costs	2,392,783	2,401,854	(9,071)
Utilities	573,324	539,832	33,492
Contracted services	453,984	378,916	75,068
Supplies	191,351	161,166	30,185
Disposal services	212,633	194,015	18,618
Miscellaneous	98,736	86,844	11,892
Repair parts expense	132,350	90,291	42,059
Permit/purveyor fees	59,640	44,280	15,360
Insurance	43,000	38,550	4,450
Capital expense	34,500	-	34,500
Contingency	129,900	-	129,900
Total operating expenses	<u>4,322,201</u>	<u>3,935,748</u>	<u>386,453</u>
Operating income (loss)	<u>\$ 250,639</u>	<u>\$ 298,760</u>	<u>\$ 48,121</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Reclamation
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 2,593,403	\$ 2,341,779	\$ (251,624)
Contributions from the City of Encinitas	-	-	-
Contributions from the City of Solana Beach	-	-	-
Total operating revenues	<u>2,593,403</u>	<u>2,341,779</u>	<u>(251,624)</u>
Operating expenses:			
Personnel costs	505,658	556,760	(51,102)
Utilities	346,874	271,007	75,867
Contracted services	219,484	206,241	13,243
Supplies	116,308	100,951	15,357
Disposal services	-	-	-
Miscellaneous	81,374	58,847	22,527
Repair parts expense	42,000	43,613	(1,613)
Permit/purveyor fees	34,100	24,811	9,289
Insurance	18,150	16,520	1,630
Total operating expenses	<u>1,363,948</u>	<u>1,278,750</u>	<u>85,198</u>
Operating income (loss)	<u>\$ 1,229,455</u>	<u>\$ 1,063,029</u>	<u>\$ (166,426)</u>

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October 31, 2016

To the Board of Directors
of the San Elijo Joint Powers Authority
Cardiff by the Sea, California

We have audited the financial statements of the San Elijo Joint Powers Authority (SEJPA) for the year ended June 30, 2016, and have issued our report thereon dated October 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the SEJPA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by the SEJPA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the investment fair market value is based on information provided by the State of California for its investment in the Local Agency Investment Fund. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the annual other post-employment benefit (OPEB) cost is based on the actuarial valuation. We evaluated the key factors and assumptions used to develop the annual OPEB cost in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

- Note 2 – Summary of Significant Accounting Policies
- Note 3 – Cash and Cash Equivalents
- Note 8 – Capital Assets
- Note 9 – Noncurrent Liabilities
- Note 10 – Post-Employment Benefits
- Note 11 – Defined Benefit Pension Plan
- Note 13 – Commitments and Contingencies

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2016.

Management Consultations with Other Independent Accountants

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

To the Board of Directors
of the San Elijo Joint Powers Authority
Cardiff by the Sea, California
Page 3

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Operating Budget Comparison Schedule – Wastewater, and Operating Budget Comparison Schedule – Reclamation which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 14, 2016

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance and Administration

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY END OF YEAR REVIEW OF THE
FISCAL YEAR 2015-16 OPERATING AND DEBT SERVICE EXPENSES

RECOMMENDATION

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

BACKGROUND

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

Programs operated by the SEJPA include:

- Wastewater Treatment
- Laboratory
- Ocean Outfall
- Cardiff Sanitary Division
- Encinitas Sanitary Division
- Encinitas Services
- Solana Beach Pump Stations
- Solana Beach Services
- Recycled Water
- Del Mar 21st Pump Station

In providing these services, the SEJPA seeks to accomplish its mission in an environmentally, socially, and fiscally responsible manner. Each of the above programs is funded by the customer base that is served and cost allocations are applied based on actual flows treated or level of effort provided. Operational funding collected but not spent is returned to the contributing agencies. The total operating budget for the Fiscal Year (FY 2015-16) was \$5,686,149.

DISCUSSION

The SEJPA manages and operates ten programs of which nine of these programs were active for FY 2015-16. Six of these programs completed the year under budget and three were approximately at budget. The City of Del Mar (21st Pump Station) was not active due to construction delays, and has been scheduled to launch in mid FY 2016-17.

The following information is the actual expense for FY 2015-16, which ended June 30, 2016. The final expense for FY 2015-16 includes an additional CalPERS contribution of \$135,000 to proactively pay unfunded pension liability. This was a voluntary payment using unspent funds directed at reducing the pension liability and future costs.

Below is a table of expense and budget variance for the mid FY 2015-16 by each of the SEJPA Programs:

Summary by Program

Program	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Wastewater Treatment	2,520,018	2,575,466	(55,448)	97.8%
Laboratory	442,066	442,046	20	100.0%
Ocean Outfall	447,053	522,957	(75,904)	85.5%
Cardiff Sanitary Division	194,152	233,399	(39,247)	83.2%
Encinitas Sanitary Division	115,388	141,735	(26,347)	81.4%
Encinitas Services	29,702	29,208	494	101.7%
Solana Beach Pump Stations	240,385	293,274	(52,889)	82.0%
Solana Beach Services	9,028	9,135	(107)	98.8%
Recycled Water	1,353,305	1,363,948	(10,643)	99.2%
Total Active SEJPA Programs	5,351,097	5,611,168	(260,071)	95.4%

**Del Mar 21st Pump Station, Budget amount \$74,981, not included as program was postponed to FY 2016-17 due to construction delays.*

Overall, as an agency, the SEJPA was 4.6% under the budget or \$260,071 and met the Member and other Government agencies' rate expectations.

Wastewater Treatment

Expense Category	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	1,403,665	1,268,245	135,420	110.7%
Supplies & Services	1,112,571	1,232,621	(120,050)	90.3%
Capital Outlay	3,783	13,000	(9,217)	29.1%
Contingency	-	61,600	(61,600)	0.0%
Total Wastewater Treatment	2,520,018	2,575,466	(55,448)	97.8%

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

Wastewater Treatment is under budget by \$55,448 or 2.2%. Personnel expense exceeded budget due higher than anticipated labor charged to Wastewater Treatment and the voluntary contribution to the CalPERS pension liability. The Personnel expense was offset by unspent budgeted amounts in Supplies & Services, Capital Outlay, and Contingency.

Laboratory

<i>Expense Category</i>	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	395,486	385,782	9,704	102.5%
Supplies & Services	46,580	50,264	(3,684)	92.7%
Capital Outlay	-	2,500	(2,500)	0.0%
Contingency	-	3,500	(3,500)	0.0%
Total Laboratory	442,066	442,046	20	100.0%

The laboratory located at the San Elijo Water Reclamation Facility provides analytical laboratory services for the SEJPA's wastewater and recycled water programs as well as to other entities through contract agreements. For the Fiscal Year 2015-16, contract agreements include the Fairbanks Ranch Community Services District, the Rancho Santa Fe Community Services District, the Santa Fe Valley Community Services District, and the Whispering Palms Community Services District. The Laboratory program completed the year at budget.

Ocean Outfall

<i>Expense Category</i>	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	291,507	273,584	17,923	106.6%
Supplies & Services	155,378	220,873	(65,495)	70.3%
Capital Outlay	168	13,000	(12,832)	1.3%
Contingency	-	15,500	(15,500)	0.0%
Total Ocean Outfall	447,053	522,957	(75,904)	85.5%

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

Ocean Outfall was under budget by \$75,904. Personnel expense is greater than budget as a result of the additional CalPERS contribution. Lower than planned engineering and contractor services plus unspent Capital Outlay and Contingency provided 14.5% positive savings.

Cardiff Sanitary Division

<i>Expense Category</i>	Final FY 2015-16	Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	128,280	149,689	(21,409)	85.7%
Supplies & Services	65,872	69,810	(3,938)	94.4%
Capital Outlay	-	-	-	
Contingency	-	13,900	(13,900)	0.0%
Total Cardiff Sanitary Division	194,152	233,399	(39,247)	83.2%

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

This program was under budget by \$39,247 primarily due to lower than anticipated Personnel and unused Contingency.

Encinitas Sanitary Division

<i>Expense Category</i>	Final FY 2015-16	Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	52,735	63,555	(10,820)	83.0%
Supplies & Services	62,654	65,180	(2,526)	96.1%
Capital Outlay	-	-	-	
Contingency	-	13,000	(13,000)	0.0%
Total Encinitas Sanitary Division	115,388	141,735	(26,347)	81.4%

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

The program is under budget by \$26,347. Less than planned Personnel expense and unspent Contingency provided the positive variance.

Encinitas Services

<i>Expense Category</i>	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	22,466	21,635	831	103.8%
Supplies & Services	7,236	7,573	(337)	95.5%
Capital Outlay	-	-	-	
Contingency	-	-	-	
Total Encinitas Services	29,702	29,208	494	101.7%

The SEJPA provides maintenance and operation services to the City of Encinitas that includes the Urban Runoff Treatment Facility, the Phoebe Storm Water Pump Station, and the Storm Drain Sediment Drying and Disposal program. The actual costs incurred are paid for by the City of Encinitas. This program was approximately on budget.

Solana Beach Pump Stations

<i>Expense Category</i>	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	154,370	165,911	(11,541)	93.0%
Supplies & Services	86,015	108,863	(22,848)	79.0%
Capital Outlay	-	-	-	
Contingency	-	18,500	(18,500)	0.0%
Total Solana Beach Pump Stations	240,385	293,274	(52,889)	82.0%

This program provides pump station maintenance and operation services to the City of Solana Beach (SB). These facilities include the Eden Gardens, Solana Beach, San Elijo Hills, and Fletcher Cove pump stations, as well as the Storm Drain Sediment Drying & Disposal Program. The actual expense incurred is paid by the City of Solana Beach.

This program is under budget due to lower than planned Personnel expense, Repairs & Maintenance, Utilities and unused Contingency funds.

Solana Beach Services

<i>Expense Category</i>	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	5,769	5,244	525	110.0%
Supplies & Services	3,259	3,891	(632)	83.8%
Capital Outlay	-	-	-	
Contingency	-	-	-	
Total Solana Beach Services	9,028	9,135	(107)	98.8%

This program provides generator services to the Solana Beach City Hall and the Lomas Santa Fe Fire Station. The program came at budget.

Recycled Water

The SEJPA owns and operates a recycled water utility which wholesales recycled water to the Santa Fe Irrigation District, the San Dieguito Water District, the City of Del Mar, and the Olivenhain Municipal Water District, as well as provides direct water sales to the Encinitas Ranch Golf Authority (ERGA). SEJPA's recycled water program typically delivers between 1,500 and 1,700 acre-feet per year (AFY) of recycled water to its retail partners. For FY 2015-16, the SEJPA budgeted 1,530 acre feet (AF); the program delivered 1,368 AF or 10.6% less than budget. This less than planned use of recycled water was most likely due to drought messaging. Local customers that use the recycled water for landscape irrigation include the Encinitas Ranch Golf Course, Lomas Santa Fe Executive and Country Club Golf Courses, Ecker YMCA, Encinitas Community Park, Del Mar Fairgrounds, local schools, parks, businesses, and street/freeway landscape.

Summary of Recycled Water Expenses:

<i>Expense Category</i>	Final FY 2015-16	* Budget FY 2015-16	Over/(Under) Budget	% Budget Spent
Personnel	572,173	505,658	66,515	113.2%
Supplies & Services	738,491	852,290	(113,799)	86.6%
Capital Outlay	42,640	6,000	36,640	710.7%
Contingency	-	-	-	
Total Recycled Water	1,353,305	1,363,948	(10,643)	99.2%

The total expense for Recycled Water was slightly less than budgeted expense. Personnel expense was over budget by 13.2% in part due to coordination of Capital projects that will result in increased water sales in future years, and the additional voluntary CalPERS contribution to the pension liability. Capital Outlay exceeded budget as a result of the required refurbishment of three filter feed pumps.

Debt Service

The SEJPA has four long-term loans to fund its capital investments. The 2011 Refunding Bonds refinanced two existing loans for the Wastewater program in December 2011 resulting in about \$1.2 million savings. The Recycled Water Program was originally funded by the State Loan Payable. The Private Placement Loan provided for the construction of advance water treatment, and the Santa Fe Irrigation loan funded the purchase of a recycled water pipeline that expanded the distribution system. Below is a table showing the principal balances paid on each loan:

Long-Term Loans	Original Balance	Paid To Date	FY 2015-16 Balance
Refunding Revenue Bonds	\$ 24,465,000	\$ (20,145,000)	\$ 4,320,000
State Loan Payable (SRF)	12,633,522	(8,755,764)	3,877,758
Private Placement Loan (AWP)	2,000,000	(318,740)	1,681,260
SFID (Santa Fe Irrigation Pipeline)	526,149	(80,806)	445,343
Total Loans	\$ 39,624,671	\$ (29,300,310)	\$ 10,324,361

All of the SEJPA's loans were paid timely and in accordance with the loan provisions.

Overall Summary

Overall, the SEJPA was below budget by \$260,071 or 4.6%. Wastewater Treatment, Pump Stations, Ocean Outfall, and Storm Drains programs were under budget by \$249,428 or 5.9%. Recycled Water expenditures were \$10,643 or 0.8% under budget. All debt service payments were paid according to the loan agreements. Each program absorbed a portion of the \$135,000 voluntary contribution to the CalPERS pension liability. This action is estimated to save the agency approximately \$27,000 in interest expense using a 7.5% discount rate over a five year amortization period.

Respectfully submitted,



Paul Kinkel
Director of Finance and Administration

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 14, 2016

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: EXTENSION OF SURPLUS RECYCLED WATER AGREEMENT BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY (SEJPA), THE SAN DIEGUITO WATER DISTRICT (SDWD), AND THE ENCINITAS RANCH GOLF AUTHORITY (ERGA)

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to execute the proposed Surplus Recycled Water Agreement; and
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) operates a recycled water utility that sells recycled water to four water purveyors; Santa Fe Irrigation District (SFID), San Dieguito Water District (SDWD), Olivenhain Municipal Water District (OMWD) and the City of Del Mar. These purveyors in turn sell the recycled water to customers within the cities of Del Mar, Encinitas, and Solana Beach. The SEJPA owns a majority of the recycled water infrastructure system including treatment, storage, and pipelines, and pays a usage fee based on the number of units transferred through non-owned infrastructure. The water districts own the recycled water meter that measures the customer's usage and provide customer billing and other needed administrative services. The agencies work collaboratively to provide a seamless utility and customer service to the community, as well as to meet regulatory quality control and oversight requirements.

In May 2011, the SEJPA, SDWD, and Encinitas Ranch Golf Authority (ERGA) approved an agreement to provide surplus recycled water service to the Encinitas Ranch Golf Course. ERGA is the managing authority for the Golf Course, which is a public golf course owned by the City of Encinitas. The agreement provided benefits to all parties (ERGA, SDWD, and SEJPA). For ERGA, the agreement reduced the cost of recycled water to the golf course, but changed the service from non-interruptible to interruptible. Interruptible service was acceptable to ERGA as

the golf course has the ability to store large volumes of water onsite within their storage ponds and owns the pump station that provides water pressure to the golf course irrigation system. SDWD and SEJPA benefit as the agreement allows SEJPA to control delivery of recycled water to the ERGA storage ponds, which provides more stable operations of the San Elijo Water Reclamation Facility and associated recycled water distribution system. The golf course can then use the stored water during periods of high demand thus reducing its demand impact to the overall recycled water system and allowing recycled water service to more SDWD customers.

DISCUSSION

The ERGA surplus recycled water agreement between SEJPA, SDWD, and ERGA is set to expire on June 30, 2017. The parties have prepared an agreement amendment to extend interruptible recycled water service until June 30, 2024. At the September 2016 Board meeting, Staff presented this proposed agreement extension and highlighted the benefits that this agreement provides to all parties (SEJPA, SDWD, and ERGA). The proposed amendment was approved by the ERGA Board of Directors on September 27, 2016. The proposed agreement amendment will allow SEJPA to continue to receive full access to golf course water storage in exchange for a fixed annual price for recycled water to the golf course. The golf course will use additional water with the understanding that the water is still an interruptible supply and the SEJPA may turn off the water supply if demands in the system increase above production levels. The amendment also provides an easement allowance for recycled water infrastructure to facilitate recycled water service to the Encinitas Ranch Community Association, Fox Point Farms, and City of Encinitas recreational trails.

The attached amendment is proposed to continue delivering a minimum of 200 acre feet of water to the golf course on an annual basis for each of the next 7 years. The agreement provides for annual cost increase of 4% per year according to the following schedule:

Contract Year	Annual Increase	Annual Water Cost	Quarterly Payment
2017-18	4%	\$258,830	\$64,708
2018-19	4%	\$269,183	\$67,296
2019-20	4%	\$279,951	\$69,988
2020-21	4%	\$291,149	\$72,787
2021-22	4%	\$302,794	\$75,699
2022-23	4%	\$314,906	\$78,727
2023-24	4%	\$327,503	\$81,876

The annual 4% increase is supported by the June 24, 2016 Recycled Water Rate Review and Update prepared by Raftelis Financial Consultants and accepted by the Board at the September 2016 meeting.

FINANCIAL IMPACT

This amendment provides \$2,044,316 of revenue to the SEJPA over 7 years, with the option for a second 7-year term for an additional \$2,690,181.

It is therefore recommended that the Board of Directors:

1. Authorize the General Manager to execute the proposed Surplus Recycled Water Agreement; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: 2011 Surplus Recycled Water Agreement between the San Elijo Joint Powers Authority, San Dieguito Water District, and Encinitas Ranch Golf Authority

Attachment 2: Proposed 2016 Surplus Recycled Water Agreement between the San Elioj Joint Powers Authority, San Dieguito Water District, and Encinitas Ranch Golf Authority

ATTACHMENT 1

**SURPLUS RECYCLED WATER AGREEMENT BETWEEN SAN ELIJO JOINT POWERS
AUTHORITY, SAN DIEGUITO WATER DISTRICT, AND ENCINITAS RANCH GOLF
AUTHORITY**

This Surplus Recycled Agreement (“AGREEMENT”) is made and entered into by and among the San Elijo Joint Powers Authority, a joint powers authority organized and operated pursuant to California Government Code Section 6500 et seq. (“SEJPA”), the San Dieguito Water District, a municipal water district (“DISTRICT”), and Encinitas Ranch Golf Authority (“CUSTOMER”), who may collectively be referred to as the “Parties” or individually, as a “Party.”

RECITALS:

WHEREAS, the SEJPA is a producer of recycled water in accordance with the requirements of Order No. 2000-10, Master Recycled Water Permit for the production and purveyance of Recycled Water for San Elijo Joint Powers Authority, San Dieguito Water District, Santa Fe Irrigation District, and City of Del Mar as adopted by the California Regional Water Quality Control Board, San Diego Region (“Regional Water Board”) on March 8, 2000, which incorporate California’s Title 22 Regulations, and amendments thereto; and

WHEREAS, the SEJPA anticipates that it can produce more recycled water than can be beneficially used by its existing customers during the term of this AGREEMENT; and

WHEREAS, the DISTRICT is responsible for the purvey of potable and recycled water within its service area; and

WHEREAS, the CUSTOMER desires recycled water for use on the Encinitas Ranch Golf Course, a municipal golf course of approximately 164 acres that is located within the City of Encinitas and within the DISTRICT’s service area, and incorporated by reference herein (the “Property”) and has facilities necessary to accept and store substantial quantities of recycled water on the Property for its subsequent use, and therefore CUSTOMER is uniquely situated to accept recycled water service on an interruptible basis; and

WHEREAS, the CUSTOMER has an existing recycled water storage system consisting of open surface ponds that have in excess of 10 million gallons of surplus storage capacity that could be available for peak flow storage of recycled water during the wet season (November through April) and recycled water irrigation storage in dry season (May through October); and

WHEREAS, the SEJPA has the ability to provide its surplus recycled water to the Property on behalf of the DISTRICT; and

WHEREAS, the DISTRICT consents to the provision of recycled water service to the Property by the SEJPA; and

WHEREAS, the Parties, recognizing that the use of reclaimed water is a positive and achievable future means of helping to meet the growing water demands within the DISTRICT and Southern California, have determined that it is in their mutual best interests for the SEJPA to deliver its surplus recycled water to the Property on the DISTRICT’s behalf pursuant to the terms of this AGREEMENT;

AGREEMENT

NOW, THEREFORE, in consideration of these recitals and the covenants contained herein, the Parties agree as follows:

SECTION 1. SCOPE OF AGREEMENT

The subject matter of this AGREEMENT is the mutual rights and obligations of the Parties with respect to the sale and delivery of surplus recycled water by the SEJPA, on behalf of the DISTRICT, to CUSTOMER for the Property. This AGREEMENT is not intended to cover, and does not include or authorize, the sale and delivery of recycled water to other DISTRICT customers.

SECTION 2. DELIVERY OF RECYCLED WATER

The SEJPA shall, on the DISTRICT's behalf, transport and deliver surplus recycled water to the CUSTOMER for use on the Property in accordance with the terms and conditions of this AGREEMENT. The DISTRICT hereby designates the SEJPA its agent for providing recycled water to the CUSTOMER on the DISTRICT's behalf as stated in this AGREEMENT. To optimize pumping costs, the SEJPA shall first attempt to deliver the recycled water to the CUSTOMER on the weekends and holidays; and during the hours of 8 p.m. to 6 a.m., Monday through Friday, as this provides the lowest energy costs to the SEJPA. Delivery of recycled water may also occur during the hours of 6 a.m. and 8 p.m. to the CUSTOMER, but this will be at the sole discretion of the SEJPA.

SECTION 3. OWNERSHIP, OPERATION, AND MAINTENANCE RESPONSIBILITIES

The SEJPA shall be responsible for the operation and maintenance of its recycled water treatment, storage and distribution system up to the recycled water service meter. The SEJPA shall be responsible for the operation, maintenance, and reading of the service meter. The SEJPA shall be responsible for invoicing the CUSTOMER and reporting recycled water usage to the DISTRICT.

The SEJPA shall not be responsible for the installation, operation, and maintenance of any irrigation pipelines, pumps, sprinklers, storage facilities, and appurtenances located downstream of the SEJPA's recycled water service meter. CUSTOMER shall be solely responsible for such infrastructure. CUSTOMER shall also be responsible for compliance with any and all regulatory requirements associated with the storage of recycled water on the Property, and shall provide SEJPA with satisfactory evidence of such compliance, upon request.

SECTION 4. RECYCLED WATER QUALITY

SEJPA will provide CUSTOMER with nonpotable water that has been treated to Title 22 standards for recycled water. The SEJPA will only deliver reclaimed water that meets the requirements of the Water Reclamation Law, Water Code section 13500, et. seq., including section 13521 of the Water Code regarding statewide standards, and of ORDER NO. 2000-10 MASTER RECYCLED WATER PERMIT, adopted by the California Regional Water Quality Control Board, San Diego Region, which incorporate California's Title 22 Regulations, with the exception of meeting total dissolved solids (TDS) concentrations as the existing treatment systems at the SEJPA does not remove TDS. Currently, the SEJPA is examining treatment options for removing TDS but a time schedule for implementing this treatment has not been adopted.

SECTION 5. RECYCLED WATER QUANTITY

The SEJPA shall deliver to the Property all surplus recycled water produced by the SEJPA that remains available after the SEJPA has served the SEJPA's other customers, including any amounts necessary for health and safety reasons. The SEJPA guarantees a minimum quantity to the Property of approximately 200 acre feet on an annual basis. The CUSTOMER agrees that the actual amount of surplus recycled water delivered by the SEJPA to the Property may be more than this anticipated amount, but the SEJPA shall have no liability to the CUSTOMER for any differences between the anticipated amount of surplus recycled water to be delivered and the actual amount of surplus recycled water that is delivered to the Property. Recycled water service to the Property may be reduced or interrupted on an hourly or daily basis if no surplus recycled water is available or anticipated to be available after the SEJPA has served the SEJPA's other customers.

The Parties understand and agree that this AGREEMENT shall not limit the SEJPA's ability to enter into new or amended recycled water contracts, the SEJPA may do so at its sole discretion without any liability to the Parties pursuant to this AGREEMENT.

SECTION 6. RECYCLED WATER DELIVERY PRESSURE

Surplus recycled water provided by the SEJPA at the DISTRICT's recycled water meter for the Property shall be at a minimum of 25 psi. At the SEJPA's cost, new service connections can be added to the PROPERTY to improve or optimize the delivery of recycled water.

SECTION 7. RECYCLED WATER STORAGE

The CUSTOMER shall provide 10 million gallons of recycled water storage for mutual benefit for both the CUSTOMER and the SEJPA. The storage system shall be comprised of existing water storage ponds located at the Encinitas Ranch Golf Course. The ponds shall provide the CUSTOMER with irrigation water storage and provide the SEJPA with wet weather peak flow storage. SEJPA shall have system control to allow recycled water into the storage system, provided that the Customer shall be responsible for ensuring that its storage capacity monitoring system is operational and providing accurate available capacity readings to SEJPA. The Customer understands that SEJPA shall rely on the accuracy of those readings, and the Customer shall be responsible to immediately notify SEJPA in the event the Customer's storage capacity monitoring system is not operational or for any reason is not providing accurate readings. Once the storage system is full, no new water shall enter the storage system. The Customer shall have final authority to determine if its storage system is full, and in such event shall immediately notify SEJPA. The Customer shall be responsible to install and maintain sufficient safe guards at all times to ensure that the Customer's storage system is not over filled.

SECTION 8. COMPLIANCE WITH REGULATORY REQUIREMENTS

The CUSTOMER is responsible for adhering to the SEJPA's and the DISTRICT's Rules and Regulations for Recycled Water Service, as may be amended from time to time, and to the applicable California Department of Health Services, the San Diego Regional Water Quality Control Board, and the San Diego County Department of Environmental Health regulations and specifications. The CUSTOMER shall comply with such regulations and specifications during the term of this AGREEMENT.

SECTION 9. CUSTOMER PAYMENT TO THE SEJPA FOR RECYCLED WATER PRICE

The CUSTOMER shall pay the SEJPA a fixed annual cost for the delivery of surplus recycled water in accordance with this AGREEMENT. The cost of water is as follows:

Contract Year	Annual Increase	Annual Water Cost	Quarterly Payment
2011-12		\$195,000	\$48,750
2012-13	5%	\$204,750	\$51,188
2013-14	5%	\$214,988	\$53,747
2014-15	5%	\$225,737	\$56,434
2015-16	5%	\$237,024	\$59,256
2016-17	5%	\$248,875	\$62,219

The Contract Year shall begin July 1 and end June 30. CUSTOMER shall make quarterly payments to the SEJPA by the 3rd Monday of each July, October, January, and April for each contract year of this agreement.

If the AGREEMENT is executed before July 1, 2011, then the agreed upon monthly price prior to July 1, 2011, is \$16,250 or 1/12th of \$195,000. This price shall be effective commencing with the month in which the agreement is executed, and the full monthly charge shall apply regardless of whether the first month will be a full or partial month. For example, if the agreement is executed on May 13, 2011, then the CUSTOMER shall pay the SEJPA \$16,250 for the month of May and an additional \$16,250 for the month of June. Commencing July 1, 2011, the annual water cost and quarterly payment stated in the table in this Section 9 shall apply.

SECTION 10. CONSTRUCTION UNDER CORTESE-KNOX-HERTZBERG ACT OF 2000

The Parties acknowledge and agree that this AGREEMENT and services provided hereunder are for the purposes of the SEJPA providing surplus recycled water on behalf of the DISTRICT to the Property, and it is not subject to Government Code section 56133 relating to the provision of extraterritorial services.

SECTION 11. ACCESS TO RECORDS

The Parties shall keep and maintain proper books and records. Such records shall include, but not be limited to, all entries concerning the quantity and quality of recycled water delivered to the CUSTOMER by the SEJPA on behalf of the DISTRICT during the term of this AGREEMENT, all tests performed by or on behalf of a Party concerning the quality of recycled water, all reports and associated records required by Order No. 2000-10, all complaints, investigations, or other reports associated with the production and delivery of recycled water, and all cost information, capital expenditures, maintenance records, and other financial data associated with the production and delivery of recycled water to the DISTRICT. All such records except those exempt from disclosure by law shall, upon written request, be made available and

subject to inspection by any duly authorized representative of any Party, the DISTRICT, the San Diego County Water Authority, the Metropolitan Water District of Southern California, the California and San Diego County Departments of Health Services, and the California Water Quality Control Board, San Diego Region, within ten (10) days after receipt of such notification.

SECTION 12. NOTICE

Notices required or permitted under this AGREEMENT shall be sufficiently given if in writing and if either served personally upon the party to whom it is directed or by deposit in the United States mail, postage prepaid, certified, return receipt requested, addressed to the Parties at the following addresses:

DISTRICT:	San Dieguito Water District 160 Calle Magdalena Encinitas, CA 92024 Attention: General Manager
SEJPA:	San Elijo Joint Powers Authority 2695 Manchester Avenue Cardiff by the Sea, CA 92007 Attention: General Manager
CUSTOMER:	Encinitas Ranch Golf Authority 505 South Vulcan Avenue Encinitas, CA 92024

It shall be the sole responsibility of each party to this AGREEMENT to promptly notify the other of any change of title and/or address as long as this AGREEMENT remains in effect.

The Parties agree that the attorney for a party listed above shall have the authority to deliver notices on such Party's behalf to the other Parties.

If notice is personally served on a Party in compliance with this section, it shall be deemed delivered, given and received on the date of service. If notice is mailed to Party in compliance with this section, it shall be deemed delivered, given and received upon the earlier of: (i) four (4) calendar days from the date of deposit in the United States mail, or (ii) the date of receipt as indicated on the return receipt.

SECTION 13. AMENDMENTS

This AGREEMENT may not be amended, changed or modified except by a writing duly executed by all of the Parties hereto.

SECTION 14. ASSIGNMENT

Neither this AGREEMENT nor any interest therein nor any monies due or to become due thereunder shall be assigned, hypothecated or otherwise disposed of without the prior written consent of the parties to this AGREEMENT, which consent shall not be unreasonably withheld.

SECTION 15. EFFECTIVE DATE

This AGREEMENT shall become effective upon the signature of the CUSTOMER, DISTRICT, and the SEJPA.

SECTION 16. TERM OF THE AGREEMENT

The term of this AGREEMENT shall be six (6) years from the Effective Date, commencing May 31, 2011 and expiring June 30, 2017, unless earlier terminated by any Party pursuant to Section 17. The Parties may agree to an optional extension of the term of this AGREEMENT for six (6) additional years. The terms and conditions of the optional six (6) year extension shall remain the same as to the first six (6) year agreement, with the cost of water continuing to increase at five percent (5%) annually. Any Party requesting the optional extension of term shall serve written notice of such request on all other Parties no later than January 1, 2017. The other Parties shall each serve written notice within sixty (60) calendar days thereafter stating whether or not they agree to the optional extension of term. If all Parties agree to the optional extension of term, such agreement shall be stated in a written amendment to this AGREEMENT. If any Party in its sole discretion rejects the optional extension of term, this AGREEMENT shall expire on June 30, 2017, unless earlier terminated by any Party pursuant to Section 17.

SECTION 17. TERMINATION OF AGREEMENT

The SEJPA may terminate this AGREEMENT upon one hundred eight (180) days notice if treatment standards change such that upgraded treatment is required and recycled water cannot feasibly be produced and delivered meeting those standards. The SEJPA may terminate this AGREEMENT upon thirty (30) days notice should the CUSTOMER or the DISTRICT breach their respective obligations in any material respect, to include: (1) the CUSTOMER repeatedly misuses the recycled water; (2) the CUSTOMER repeatedly fails to pay for the recycled water; (3) the CUSTOMER fails to accept the recycled water as required; and, (4) the CUSTOMER fails to maintain necessary facilities.

The CUSTOMER may terminate this AGREEMENT upon thirty (30) days notice should the SEJPA breach its obligations in any material respect and may terminate this AGREEMENT without reason upon one hundred eight (180) days notice.

SECTION 18. BINDING EFFECT

This AGREEMENT shall be binding upon the Parties according to its terms and their respective successors in interest and permitted assigns.

SECTION 19. INDEMNIFICATION

The SEJPA agrees to indemnify, defend, and hold harmless the DISTRICT and the CUSTOMER from any and all claims for damage arising out of or related to the SEJPA's negligent or intentional acts or omissions in the operation and maintenance of the San Elijo Water Reclamation Facility and the recycled water distribution facilities upstream of the DISTRICT's meter, and in the event of any third-party claim or litigation relating to this AGREEMENT.

The CUSTOMER agrees to indemnify, defend, and hold harmless the SEJPA and its member agencies, directors, officers, consultants, agents, and employees from any and all

claims for damage, suits, or other demands arising out of or related to the CUSTOMER's negligent or intentional acts or omissions in the operation and maintenance of the CUSTOMER's facilities for distribution of the recycled water including its use of such recycled water, and in the event of any third-party claim or litigation relating to this AGREEMENT.

The DISTRICT agrees to indemnify, defend, and hold harmless the SEJPA and its member agencies, directors, officers, consultants, agents, and employees from any and all claims for damage, suits, or other demands arising out of or related to the DISTRICT's negligent or intentional acts or omissions pertaining, to related to, or in any way connected to the operation and maintenance of the CUSTOMER's facilities for distribution of the recycled water including its use of such recycled water, and in the event of any third-party claim or litigation relating to this AGREEMENT.

This indemnity paragraph is not intended by the Parties to waive any legal rights for defenses and immunities and other legal safeguards and protections from liability which are granted to public agencies and their employees under the California Tort Claims Act. The parties' indemnification, defense and hold harmless obligations pursuant to this AGREEMENT shall survive the expiration or termination of the AGREEMENT.

SECTION 20. RESERVATION OF RIGHTS; NO VESTED RIGHTS

It is hereby expressly understood and agreed that neither the DISTRICT nor the CUSTOMER by execution of this AGREEMENT and the exercise of the rights granted to them by this AGREEMENT shall not acquire any vested right to recycled water, and shall not acquire any vested right, title, or interest in or to the SEJPA's wastewater treatment facilities, recycled water distribution system, or any other SEJPA facilities. The SEJPA expressly reserves all of its rights except as expressly provided otherwise herein.

SECTION 21. ATTORNEY'S FEES

If any arbitration proceeding or action at law is brought to enforce or interpret the provisions of this AGREEMENT, the prevailing party shall be entitled to a reasonable attorney's fees and expert witnesses' fees which may be set by the Court in the same action brought for that purpose, in addition to any other relief to which a Party may be entitled.

SECTION 22. APPLICABLE LAW

This AGREEMENT is entered into in the State of California and California law shall apply to the interpretation and construction of all of its provisions.

SECTION 23. JURISDICTION, FORUM AND VENUE

The proper jurisdiction, forum and venue for any claims, causes of action or other proceedings concerning this AGREEMENT shall be in the state and federal courts located in the State of California, County of San Diego. The Parties agree not to bring any action or proceeding arising out of or relating to this AGREEMENT in any other jurisdiction, forum or venue. The Parties hereby submit to personal jurisdiction in the State of California for the enforcement of this AGREEMENT and hereby waive any and all personal rights under the law of any state to object to jurisdiction within the State of California for the purposes of any legal action or proceeding to enforce this AGREEMENT, whether on the grounds of inconvenient forum or otherwise.

SECTION 24. SEVERABILITY

If any non-material provision of this AGREEMENT, or any portion of any such provision, is held to be unenforceable or invalid, the remaining provisions and portions shall nevertheless be carried into effect.

SECTION 25. REMEDIES

All rights and remedies of the Parties are separate and cumulative, and no one of them, whether exercised or not, shall be deemed to be to the exclusion of or to limit or prejudice any other legal or equitable rights or remedies which the Parties may have, except as otherwise expressly limited herein. Subject to the limitations or remedies imposed elsewhere in this AGREEMENT, the Parties shall not be deemed to have waived any of their rights or remedies hereunder, unless such waiver is in writing and signed by the Party to be bound. No delay or omission on the part of any Party in exercising any right or remedy shall operate as a waiver of such right or remedy or any other right or remedy. A waiver on any one occasion shall not be construed as a bar or waiver of any right or remedy on any future occasion. No waiver or any rights under this AGREEMENT shall be binding unless it is in writing signed by the party waiving such rights.

SECTION 26. NO THIRD-PARTY BENEFICIARY

Unless otherwise expressly stated herein, this AGREEMENT creates rights and duties only between the Parties, and third-party is or shall be deemed to be or shall have any rights as a third-party beneficiary nor shall any third-party have the right to enforce any provisions of this AGREEMENT.

SECTION 27. HEADINGS

This section headings contained in this AGREEMENT are for convenience only and are not part of this AGREEMENT, and do not in any way interpret, limit or amplify the scope, extent or intent of this AGREEMENT, or any of the provisions of this AGREEMENT.

SECTION 28. COUNTERPARTS

This AGREEMENT may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same agreement, and the signature of any Party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

SECTION 29. FACSIMILE OR ELECTRONIC TRANSMISSION OF SIGNATURES

Upon execution of this AGREEMENT by each Party, a photocopied, facsimile and/or electronic transmission of each Party's signatures may be delivered to the other Party and used in place of original signatures on this AGREEMENT with the same force and effect as if the countersigned originals of this AGREEMENT had been delivered by each Party to the other Parties. The Parties acknowledge and agree that they intend to and shall each be bound by such signatures on the photocopied, facsimile and/or electronic transmission of this AGREEMENT. The Parties further acknowledge and agree that they are aware that each Party will rely on their respective signatures on the photocopied, facsimile and/or electronic transmission of this AGREEMENT and hereby waive any and all defenses to enforcement of the terms of this AGREEMENT based on the form of signature.

SECTION 30. COOPERATION OF THE PARTIES

In any case where the approval or consent of a Party hereto is required, requested or otherwise to be given under this AGREEMENT, such Party shall not unreasonably delay or withhold its approval or consent.

SECTION 31. CONSTRUING THE CONTRACT

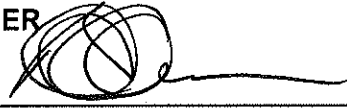
In the event of a dispute under this AGREEMENT, no Party shall be deemed to be the Party who caused the uncertainty to exist and the prescriptions of Civil Code Section 1654 shall not be applicable to such a dispute under this AGREEMENT.

SECTION 32. ENTIRE AGREEMENT

This AGREEMENT constitutes the entire understanding between the Parties hereto with respect to the subject matter hereof superseding all negotiations, prior discussions and preliminary AGREEMENTS and understandings, written or oral.


IN WITNESS WHEREOF the Parties hereto have caused this AGREEMENT to be executed on May 31, 2011.

CUSTOMER

By:  _____

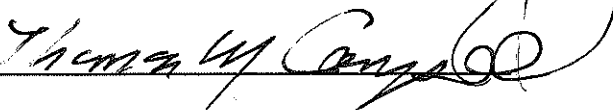
Its: ERGA CHAIRMAN

SAN DIEGO WATER DISTRICT

By:  5/31/2011

Its: General Manager

SAN ELIJO JOINT POWERS AUTHORITY

By: 

Its: Chair of the Board

EXHIBIT A

**ORDER 2000-10
MASTER RECYCLED WATER PERMIT
FOR THE
SAN ELIJO JOINT POWERS AUTHORITY**

CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
SAN DIEGO REGION

ORDER NO. 2000-10
MASTER RECYCLED WATER PERMIT
FOR THE PRODUCTION AND PURVEYANCE
OF RECYCLED WATER
FOR
SAN ELIJO JOINT POWERS AUTHORITY,
SAN DIEGUITO WATER DISTRICT,
SANTA FE IRRIGATION DISTRICT, and
CITY OF DEL MAR

SAN ELIJO WATER RECLAMATION FACILITY
SAN DIEGO COUNTY

The California Regional Water Quality Control Board, San Diego Region (hereinafter Regional Board), finds that:

1. Order No. 93-71, *Waste Discharge Requirements for the San Elijo Joint Powers Authority, San Elijo Water Pollution Control Facility, San Diego County*, was adopted by this Regional Board on June 21, 1993, and subsequently amended by Addendum No. 1 on November 15, 1993.
2. On November 5, 1999, the San Elijo Joint Powers Authority (SEJPA) submitted a master recycled water permit application for its San Elijo Water Reclamation Facility (SEWRF). The expected completion date of the water reclamation project is May 2000. The upgraded plant is expected to produce 2.48 million gallons per day (mgd) of reclaimed water at an average day peak demand.
3. In addition to SEJPA, the San Dieguito Water District, Santa Fe Irrigation District and the City of Del Mar propose to distribute recycled water produced at the SEWRF to users within their respected jurisdictions.
4. The Regional Board, acting in accord with Section 13244 of the California Water Code, adopted the Water Quality Control Plan for the San Diego Basin (9), (hereinafter Basin Plan) on September 8, 1994. The Basin Plan was subsequently approved by the State Water Resources Control Board (SWRCB) on December 13, 1994. Subsequent revisions to the Basin Plan have also been adopted by the Board and approved by the SWRCB. The Basin Plan contains beneficial uses and water quality objectives, and a policy for regulating the discharge of recycled water to comply with water quality objectives. The requirements of this Order are consistent with the Basin Plan.
5. The recycled water produced at the SEWRF will be distributed to the following hydrologic areas (HA): Carlsbad HA, San Dieguito HA and Solana Beach HA.

- a) The Basin Plan exempts ground water south of Batiquitos Lagoon from any beneficial uses in the Batiquitos Hydrological Subarea (HSA) (904.51). All recipients of recycled water under this order are south of the lagoon and so are exempt from beneficial use designations.
 - b) In the San Elijo HSA (904.61), the Basin Plan establishes municipal and domestic supply as a potential beneficial use of ground water and agricultural supply and industrial service supply as present beneficial uses of ground water.
 - c) The ground water beneficial uses in the Solana Beach HA (905.10) are for municipal, agricultural supply and industrial service supply.
6. The proposed SEWRF will make use of recycled waters that would otherwise be discharged to the San Elijo Ocean Outfall. The program also reduces SEJPA's need for imported water.
 7. Sludge is anaerobically digested and mechanically dewatered using belt filter presses to produce biosolids which are used offsite. Grit and screenings are removed monthly and disposed of at the Copper Mountain Landfill in Arizona.
 8. SEJPA forwarded recycled water rules and regulations that had been developed by the three anticipated purveyors, SDWD, SFID, and City of Del Mar. Recycled water rules and regulations govern the design and construction of recycled water use facilities and the use of recycled water.
 9. SEJPA submitted an Engineering Report as part of their report of waste discharge, describing how their proposed recycled water system will comply with the regulations set forth in Title 22, Chapter 3 *Reclamation Criteria*. Engineering reports also include contingency plans which describe how a recycled water producer will assure that no untreated or inadequately treated wastewater is delivered to the use area.
 10. The proposed project will make use of recycled water consistent with the goals of California Water Code, Division 7, Chapter 7, *Water Recycling Law*.
 11. Pursuant to California Water Code (CWC) section 13523.1, this Regional Board, after consulting with, and receiving the recommendations of, the State Department of Health Services and any party who has requesting in writing to be consulted and with the consent of the proposed permute, issues a master reclamation permit to the recycled water supplier in lieu of issuing waste discharge requirements pursuant to CWC section 13263 or water reclamation requirements pursuant to CWC Section 13523.

12. As specified by California Water Code (CWC) section 13523.2, this Order includes the following:
 - Waste discharge requirements adopted pursuant to Article 4;
 - Requirements that the permittee comply with the uniform statewide criteria established by the State Department of Health Services pursuant to section 13521 and other applicable permit conditions for the use of recycled water;
 - Requirements for the discharger to establish and enforce rules and regulations for recycled water users in accordance with statewide reclamation criteria;
 - Requirements for the submittal of quarterly recycled water use summary reports;
 - Requirements for the recycled water agency to conduct periodic inspections of the recycled water use sites; and
 - Other requirements determined to be appropriate by this Regional Board.
13. On March 11, 1993, the Board of Directors of the SEJPA conducted a public hearing, received public testimony and all written and oral comments in response to the draft and final Environmental Impact Report; considered the *San Elijo JPA Reclaimed Water Treatment, Distribution, and Storage System Final Environmental Impact Report SCH. No. 92091009*, for compliance with the California Environmental Quality Act (CEQA) Guidelines; and adopted Resolution No. 93-2, *A Resolution of the Board of Directors of the San Elijo Joint Powers Authority Certifying a Final Environmental Impact Report and Approving the Implementation of the Reclaimed Water Treatment, Distribution and Storage Facilities*.
14. In establishing the requirements contained herein the Regional Board considered factors including, but not limited to , the following:
 - a) Beneficial uses to be protected and the water quality objectives reasonably required for that purpose,
 - b) Other waste discharges,
 - c) The need to prevent nuisance,
 - d) Past, present, and probable future beneficial uses for the hydrologic subunits under consideration,
 - e) Environmental characteristics of the hydrologic subunits under consideration,
 - f) Water quality conditions that could reasonably be achieved through the coordinated control of all factors which affect water quality in the area,
 - g) Economic considerations,
 - h) The need for additional housing within the region,
 - i) Need to develop and use recycled water.

15. The Regional Board has considered all water resource related environmental factors associated with the proposed discharge of waste from the SEWRF.
16. The Regional Board has notified SEJPA and all known interested parties of the intent to prescribe waste discharge requirements for the proposed discharge.
17. The Regional Board in a public meeting heard and considered all comments pertaining to the proposed discharge of waste from SEWRF.

IT IS HEREBY ORDERED THAT, the San Elijo Joint Powers Authority (hereinafter Producer) and San Dieguito Water District, Santa Fe Irrigation District and City of Del Mar (hereinafter Distributors), in order to meet the provisions contained in Division 7 of the California Water Code and Regulations adopted thereunder, shall comply with the following requirements for the discharge and purveyance of recycled water from the SEWRF.

A. DISCHARGE SPECIFICATIONS – The Recycled Water Producer shall comply with the following:

1. Recycled water from the SEWRF shall not contain constituents in excess of the following limitations.

CONSTITUENT	12-MONTH AVERAGE ¹	30-DAY AVERAGE ² (mg/l)	DAILY MAXIMUM ³ (mg/l)
Total Dissolved Solids	1,200 ⁴		1,300
Chloride	400		450
Sulfate	400		450
Adjusted Sodium Adsorption Ratio	6.5		
Manganese	0.15		
Iron	0.3		
Boron	0.75		
Fluoride	1.0		
Coliform		*	*
Turbidity		**	**
Biochemical Oxygen Demand		30	45
Total Suspended Solids		30	45
pH (within limits shown at all times)	6.0-9.0		

1. The 12-month average effluent limitation shall apply to the arithmetic mean of the results of monthly averages of all samples collected during the previous 12 months.
2. The 30-day average effluent limitation shall apply to the arithmetic mean of the results of all samples collected during any 30 consecutive calendar day period.
3. The daily maximum effluent limitation shall apply to the results of a single composite or grab sample.
4. The 12-month average concentration of the discharge shall not exceed the lesser of 1,200 mg/l or the imported water supply concentration plus an incremental increase equal to the typical incremental increase added to the water supply which has been used for domestic purposes.

- * The median concentration of total coliform bacteria measured in the disinfected recycled water effluent from the SEWRF shall not exceed an MPN of 2.2 per 100 milliliters, utilizing the bacteriological results of the last seven days for which analyses have been completed; and the number of total coliform bacteria shall not exceed an MPN of 23 per 100 milliliters in more than one sample in any 30-day period. No sample shall exceed an MPN of 240 total coliform bacteria per 100 milliliters.
 - ** Turbidity concentration of the recycled water produced at the SEWRF shall not exceed a daily average value of 2 NTU (Nephelometric turbidity unit), shall not exceed 5 NTU more than 5% of the time during a 24-hour period and shall not exceed 10 NTU at any one time.
2. Discharges to a landscape impoundment must be terminated whenever an overflow of the impoundment is imminent.
 3. A 30-day average dry weather flow from the tertiary portion of the plant at the SEWRF shall not exceed 2.48 million gallons per day unless the Producer obtains revised waste discharge requirements for the proposed increased flow.

B. RECYCLED WATER PURVEYANCE REQUIREMENTS

1. Prior to the initiation of the purveyance of recycled water project, the Producer or a responsible Distributor must complete all of the following:
 - a. Develop and submit for approval *Rules and Regulations for Recycled Water Users* governing the design and construction of recycled water use facilities and the use of recycled water to the Regional Board, the State Department of Health Services (DHS) and the County of San Diego Department of Environmental Health (DEH). Rules and regulations shall, at a minimum, include the requirements which are contained in Attachment No. 1 of this Order.
 - b. Develop and submit for approval a program to conduct compliance inspections of recycled water reuse sites to the Regional Board, DHS and DEH. Inspections shall determine the status of compliance with the Distributor's approved rules and regulations for recycled water users.
 - c. Submit a report to the State Department of Health Services and the County of San Diego Department of Environmental Health containing the information listed below. The Agency may submit a Master Plan report that covers more than one reuse site. The report shall include a detailed description of each reuse site identifying all of the information below:
 - 1) The number, location, and type of facilities within the use area proposing to use domestic and recycled water.

"Facility" means any type of building or structure, or defined area of specific public use that utilizes or proposes to utilize a dual plumbed system.

- 2) The average number of persons estimated to be served at each use area on a daily basis.
 - 3) The specific boundaries of the proposed use site area including a map showing the location of each facility, drinking water fountain and impoundment to be served.
 - 4) The person or persons responsible for operation of the recycled water system at each use area.
 - 5) The specific use to be made of the recycled water at each use area.
 - 6) The methods to be used by the Agency to assure that the installation and operation of the recycled system will not result in cross connections between the recycled water piping system and the potable water piping system. This shall include a description of pressure, dye or other test methods to be used to test the system.
 - 7) Plans and specifications shall include the following and shall be submitted to the State and County Department of Health for approval:
 - a. Proposed piping system to be used,
 - b. Pipe locations of both the recycled and potable systems,
 - c. Type and location of the outlets and plumbing fixtures that will be accessible to the public,
 - d. The methods and devices to be used to prevent backflow of recycled water into the public water system,
 - e. Plan notes relating to recycled water specific installation and use requirements.
2. Subsequent to initiation of the purveyance of recycled water and prior to providing recycled water to a new use site, the responsible agency shall do the following:

- a) Submit for review and approval a report that either certifies that the project conforms with what is described in the master plan or information to supplement what is described in the master plan to the State and County Health Departments. A certification report shall document that all criteria described in *Recycled Water Purveyance Requirements B.1c* has been submitted to and approved by the appropriate regulatory agency. Information submitted as a supplement to the master plan shall document compliance with any criteria, as described by *Recycled Water Purveyance Requirements B.1c*, not met through submittal of the master plan.
 - b) Submit for review and approval documentation confirming the information submitted as part of Monitoring and Reporting Program No. 2000-10, Recycled Water Users Summary Report B.2a to the Regional Board.
3. The responsible agency shall do the following for all reuse sites:
- a) Enforce recycled water rules and regulations,
 - b) Conduct recycled water reuse site compliance inspections in accordance with the program submitted in compliance with *Recycled Water Purveyance Requirements B.1b* of this Order,
 - c) Notify the State Department of Health Services and the County of San Diego Department of Environmental Health of any incidence of recycled water backflow into the potable water system as soon as possible, but in no case later than 24 hours of finding the incident,
 - d) Maintain a current list of all on-site recycled water supervisors.

C. FACILITY DESIGN AND OPERATION SPECIFICATIONS

1. ENFORCEMENT

The Regional Board may initiate enforcement action against the recycled water agency, which may result in the termination of the recycled water supply, if any person uses, transports, or stores such water in a manner which creates, or threatens to create conditions of pollution, contamination, or nuisance, as defined in Water Code Section 13050.

2. PROPER OPERATION

The Producer and Distributors shall, at all times, properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by the agency to achieve compliance with conditions of this Order. Proper operation and maintenance includes effective performance, adequate funding, adequate operator staffing and training, and adequate laboratory and process controls including appropriate quality assurance procedures. This provision requires the operation of backup or auxiliary facilities or similar systems only when necessary to achieve compliance with the conditions of this Order.

3. CERTIFICATION REPORT

The Producer shall submit a report which documents that the SEWRF facilities have been constructed as proposed in SEJPA's report of waste discharge. Recycled water shall not be purveyed to a user until all of the following have occurred:

- a. The certification report is received and approved by the Regional Board Executive Officer,
- b. The Title 22 report and the rules and regulations for recycled water reuse report is approved by the State and County Health Departments,
- c. The Regional Board Executive Officer has been notified of the completion of facilities by the Producer,
- d. An inspection of the facilities has been made by staff of the Regional Board,
- e. The Regional Board Executive Officer notifies the Producer by letter that recycled water purveyance can be initiated.

4. OPERATION MANUAL

A copy of the facility operations manual shall be maintained at the Producer's facility and shall be available to operation personnel and Regional Board staff at all times. The following portions of the operations manual shall be posted at the treatment plant as a quick reference for treatment plant operators:

- a) Alarm set points for secondary turbidity, tertiary turbidity and chlorine residual,
- b) Levels at which flow will be diverted for secondary turbidity, tertiary turbidity and chlorine residual.

- c) When to divert flow for high daily and weekly median total coliform;
- d) When the authorities (DHS, DEH, Regional Board) will be notified of a diversion,
- e) Names and numbers of those authorities to be notified in case of a diversion,
- f) Frequency of calibration for turbidimeters and chlorine residual analyzers.

5. COAGULATION ALTERNATIVE

Coagulation need not be used as part of the treatment process provided that the filter effluent turbidity does not exceed 2 NTU, the turbidity of the influent to the filters is continuously measured, the influent turbidity does not exceed 5 NTU, and that there is capability to automatically activate chemical addition or divert wastewater should the turbidity of the influent to the filters exceed 5 NTU.

6. DISINFECTION PROCESS

Disinfection of recycled water shall comply with all requirements of California Code of Regulations, Title 22, Division 4. Disinfection may be accomplished by either:

- a. A chlorine disinfection process that provides a CT (chlorine concentration times modal contact time) value of not less than 450 mg-min/liter at all times with a modal chlorine contact time of at least 90 minutes based on peak dry weather design flow; or
- b. A disinfection process, that, when combined with the filtration process, has been demonstrated to reduce the concentration of plaque-forming units of F-specific bacteriophage MS2, or polio virus, per unit volume of water in the wastewater to one hundred thousandths (1/100,000) of the initial concentration in the filter influent throughout the range of qualities of wastewater that will occur during the recycling process. A virus that is at least as resistant to disinfection as polio virus may be used for purposes of the demonstration.

7. OPERATORS' CERTIFICATION

The Producer's wastewater treatment facilities shall be supervised and operated by persons possessing certificates of appropriate grade pursuant

to Chapter 3, Subchapter 14, Title 23 of the California Code of Regulations.

8. FLOOD PROTECTION

All waste treatment, storage and conveyance facilities shall be protected against 100-year peak stream flows as defined by the San Diego County flood control agency.

9. RUNOFF PROTECTION

All wastewater and recycled water storage facilities shall be protected against erosion, overland runoff, and other impacts resulting from a 100-year, 24 hour frequency storm.

10. MONITORING AND REPORTING

The Producer and Distributors shall comply with attached Monitoring and Reporting Program No. 2000-10, and future revisions thereto as specified by the Executive Officer. Monitoring results shall be reported at the intervals specified in Monitoring and Reporting Program No. 2000-10.

D. BIOSOLIDS SPECIFICATIONS

1. Collected screenings, sludges, other solids removed from liquid wastes, and filter backwash shall be disposed in a manner approved by the Executive Officer.
2. Management of all solids and sludge must comply with all applicable requirements of 40 CFR Parts 257, 258, 501 and 503; CWA Part 405(d), and Title 27, CCR, including all monitoring, record keeping and reporting requirements. Since the State of California, hence the State and Regional Boards, has not been delegated the authority by the USEPA to implement the sludge program, enforcement of sludge requirements of CFR Part 503 is under USEPA's jurisdiction. Once sludge leaves a facility, it is subject to all applicable local, state and federal laws and regulations.
3. All solids and sludge must be disposed of in a municipal solid waste landfill, reused by land application or disposed of in a sludge-only landfill accordance with 40 CFR Parts 503 and 258, and Title 27 CCR. If the discharger desires to dispose of solids or sludge by a different method, a request for permit modification must be submitted to the USEPA and this Regional Board 180 days prior to the initiation of the alternative disposal.

4. Solids and sludge treatment, storage, and disposal or reuse shall not create a nuisance, such as objectionable odors or flies, and shall not result in groundwater contamination.
5. The solids and sludge treatment site and storage site shall have facilities adequate to divert surface water runoff from adjacent areas, to protect the boundaries of the site from erosion, and to prevent drainage from the treatment and storage site. Adequate protection is defined as protection from at least a 100-year storm and protection from the highest possible tidal stage that may occur.
6. The discharge of sewage sludge and solids shall not cause waste material to be in a position where it is, or can be, conveyed from the treatment and storage sites and deposited in the waters of the state.
7. The Recycled Water Agency shall submit a copy of each of the annual reports required by 40 CFR 503 to this Regional Board Executive Officer at the same time those reports are submitted to USEPA. The Recycled Water Agency shall also submit an annual report of the quantity and disposition of sludge generated in the previous calendar year.

E. STANDARD PROVISIONS

1. DUTY TO COMPLY

The Producer and Distributors must comply with all applicable conditions of this Order. Any noncompliance with this Order constitutes a violation of the California Water Code and is grounds for (a) enforcement action; (b) termination, revocation and reissuance, or modification of this Order; or (c) denial of a report of waste discharge in application for new or revised waste discharge requirements.

2. ENTRY AND INSPECTION

The Producer and Distributors shall allow the Regional Board, or an authorized representative, upon the presentation of credentials and other documents as may be required by law to do the following:

- (a) Enter upon the agency's premises where a regulated facility or activity is located or conducted or where records must be kept under the conditions of this Order,
- (b) Have access to and copy, at reasonable times, any records that must be kept under the conditions of this Order,

- (c) Inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices or operations regulated or required under this Order,
- (d) Sample or monitor, at reasonable times for the purposes of assuring compliance with this Order or as otherwise authorized by the California Water Code, any substances or parameters at any location.

3. CIVIL MONETARY REMEDIES

The California Water Code provides that any person who intentionally or negligently violates any waste discharge requirements issued, reissued, or amended by this Regional Board is subject to a civil monetary remedy of up to 20 dollars per gallon of waste discharged or, if a cleanup and abatement order is issued, up to 15,000 dollars per day of violation or some combination thereof.

4. PENALTIES FOR INVESTIGATION, MONITORING OR INSPECTION VIOLATIONS

The California Water Code provides that any person failing or refusing to furnish technical or monitoring program reports, as required under this Order, or falsifying any information provided in the monitoring reports is guilty of a misdemeanor and is subject to a civil liability of up to 5,000 dollars for each day in which the violation occurs.

5. ENDANGERMENT OF HEALTH AND ENVIRONMENT

The Producer and/or Distributors shall report any noncompliance which may endanger health or the environment. Any such information shall be provided orally to the Executive Officer within 24 hours from the time the Recycled Water Agency becomes aware of the circumstances. A written submission shall also be provided within 5 days of the time the Recycled Water Agency becomes aware of the circumstances. The written submission shall contain a description of the noncompliance and its cause; the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected; the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance. The Executive Officer, or an authorized representative, may waive the written report on a case-by-case basis if the oral report has been received within 24 hours. The following occurrence(s) must be reported to the Executive Officer within 24 hours:

- (a) Any bypass from any portion of the treatment facility. "Bypass" means the intentional diversion of waste streams from

any portion of a treatment facility to other than a sewer system.

- (b) Any discharge of treated or untreated wastewater resulting from sewer line breaks, obstruction, surcharge or any other circumstances.
- (c) Any treatment plant upset which causes the effluent limitations of this Order to be exceeded.

6. UNAUTHORIZED DISCHARGES OF RECYCLED WATER

Any person who, without regard to intent or negligence, causes or permits an unauthorized discharge of 50,000 gallons or more of recycled water that has been treated to at least disinfected tertiary 2.2 recycled water or 1,000 gallons or more of recycled water that is treated at a level less than disinfected tertiary 2.2 recycled water in or on any waters of the state, or causes or permits such unauthorized discharge to be discharged where it is, or probably will be, discharged in or on any waters of the state, shall, as soon as (1) that person has knowledge of the discharge, (2) notification is possible, and (3) notification can be provided without substantially impeding cleanup or other emergency measures, immediately notify the appropriate regional board.

7. PRIOR NOTICE OF BYPASS

If a need for a discharge bypass is known in advance, the Producer and/or Distributors shall submit prior notice and, if at all possible, such notice shall be submitted at least 10 days prior to the date of the bypass. "Bypass" means the intentional diversion of waste streams from any portion of a treatment facility to other than a sewer system.

8. CORRECTIVE ACTION

The Producer and/or Distributors shall take all reasonable steps to minimize or correct any adverse impact on the environment resulting from noncompliance with this Order, including such accelerated or additional monitoring as may be necessary to determine the nature and impact of the noncompliance.

9. TREATMENT FAILURE

In an enforcement action, it shall not be a defense for the Producer and/or Distributors that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with this Order. Upon reduction, loss, or failure of the treatment facility, the Producer and/or Distributors shall, to the extent necessary to maintain compliance with this Order, control production or all discharges, or both, until the facility is restored or an alternative method of treatment is provided. This provision

applies for example, when the primary source of power of the treatment facility is failed, reduced, or lost.

10. HAZARDOUS RELEASES

Except for a discharge which is compliance with these waste discharge requirements, any person who, without regard to intent or negligence, causes or permits any hazardous substance or sewage to be discharged in or on any waters of the State, shall as soon as (a) that person has knowledge of the discharge, (b) notification is possible, and (c) notification can be provided without substantially impeding cleanup or other emergency measures, immediately notify the Director of Environmental Health Services, County of San Diego in accordance with California Health and Safety Code Section 5411.5 and the Office of Emergency Services of the discharge in accordance with the spill reporting provision of the State toxic disaster contingency plan adopted pursuant to Article 3.7 (commencing with Section 8574.7) of Chapter 7 of Division 1 of Title 2 of the Government Code, and immediately notify the State Board or the appropriate Regional Board of the discharge. This provision does not require reporting of any discharge of less than a reportable quantity as provided for under subdivisions (f) and (g) of Section 13271 of the Water Code unless the Recycled Water Agency is in violation of a prohibition in the applicable Water Quality Control Plan.

11. PETROLEUM RELEASES

Except for a discharge which is in compliance with these waste discharge requirements, any person who without regard to intent or negligence, causes or permits any oil or petroleum product to be discharged in or on any waters of the State, or discharged or deposited where it is, or probably will be, discharged in or on any waters of the State, shall, as soon as (a) such person has knowledge of the discharge, (b) notification is possible, and (c) notification can be provided without substantially impeding cleanup or other emergency measures, immediately notify the Office of Emergency Services of the discharge in accordance with the spill reporting provision of the State oil spill contingency plan adopted pursuant to Article 3.5 (commencing with Section 8574.1) of Chapter 7 of Division 1 of Title 2 of the Government Code. This requirement does not require reporting of any discharge of less than 42 gallons unless the discharge is also required to be reported pursuant to Section 311 of the Clean Water Act or the discharge is in violation of a prohibition in the applicable Water Quality Control Plan.

12. PERMIT REPOSITORY

A copy of this Order shall be maintained at the Producer's facility and shall be available to operating personnel at all times.

13. RETENTION OF RECORDS

The Producer shall retain records of all monitoring information, including all calibration and maintenance records, copies of all reports required by this Order, and records of all data used to complete the application for this Order. Records shall be maintained for a minimum of five years from the date of the sample, measurement, report, or application. This period may be extended during the course of any unresolved litigation regarding this discharge or when requested by the Regional Board.

14. GENERAL REPORTING REQUIREMENT

The Producer and/or Distributors shall furnish to this Regional Board, within a reasonable time, any information which the Executive Officer may request to determine whether cause exists for modifying, revoking and reissuing, or terminating this Order. The Recycled Water Agency shall also furnish to the Regional Board, upon request, copies of records required to be kept by this Order.

15. PERMIT REVISION

This Order may be modified, revoked and reissued, or terminated for cause including, but not limited to, the following:

- a) Violation of any terms or conditions of this Order,
- b) Obtaining this Order by misrepresentation or failure to disclose fully all relevant facts or
- c) A change in any condition that requires either a temporary or permanent reduction or elimination of the authorized discharge.

The filing of a request by the Producer and/or Distributors for the modification, revocation and reissuance, or termination of this Order, or notification of planned changes or anticipated noncompliance does not stay any condition of this Order.

16. CHANGE IN DISCHARGE

The Producer shall file a new Report of Waste Discharge at least 120 days prior to the following:

- a) Addition of a major industrial waste discharge to a discharge of essentially domestic sewage, or the addition of a new process or product by an industrial facility resulting in a change in the character of the wastes.
- b) Significant change in the treatment or disposal method (e.g., change in the method of treatment which would significantly alter the nature of the waste.)
- c) Change in the disposal area from that described in the findings of this Order.

- d) Increase in flow beyond that specified in this Order.
- e) Other circumstances which result in a material change in character, amount, or location of the waste discharge.
- f) Any planned change in the regulated facility or activity which may result in noncompliance with this Order.

17. CHANGE IN OWNERSHIP

This Order is not transferable to any person except after notice to the Regional Board. The Producer shall submit this notice in writing at least 30 days in advance of any proposed transfer. The notice must include a written agreement between the existing and new Recycled Water Agency containing a specific date for the transfer of this Order's responsibility and coverage between the current Recycled Water Agency and the new Recycled Water Agency. This agreement shall include an acknowledgement that the existing Recycled Water Agency is liable for violations up to the transfer date and that the new Recycled Water Agency is liable from the transfer date on. The Regional Board may require modification or revocation and reissuance of this Order to change the name of the Recycled Water Agency and incorporate such other requirements as may be necessary under the California Water Code.

18. INCOMPLETE REPORTS

Where the Recycled Water Agency becomes aware that it failed to submit any relevant facts in a Report of Waste Discharge or submitted incorrect information in a Report of Waste Discharge or in any report to the Regional Board, it shall promptly submit such facts or information.

19. REPORT DECLARATION

All applications, reports, or information submitted to the Regional Board shall be signed and certified as follows:

- a) The Report of Waste Discharge shall be signed as follows:
 - 1) For a corporation - by a principal executive officer of at least the level of vice-president.
 - 2) For a partnership or sole proprietorship - by a general partner or the proprietor, respectively.
 - 3) For a municipality, state, federal or other public agency - by either a principal executive officer or ranking elected official.

- b) All other reports required by this Order and other information required by the Executive Officer shall be signed by a person designated in paragraph (a) of this provision, or by a duly authorized representative of that person. An individual is a duly authorized representative only if all of the following are true:
- 1) The authorization is made in writing by a person described in paragraph (a) of this provision,
 - 2) The authorization specifies either an individual or a position having responsibility for the overall operation of the regulated facility or activity and
 - 3) The written authorization is submitted to the Executive Officer.
- c) Any person signing a document under this Section shall make the following certification,

"I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment."

20. REGIONAL BOARD ADDRESS

The Recycled Water Agency shall submit reports required under this Order or other information required by the Executive Officer to the following address:

California Regional Water Quality Control Board
San Diego Region
9771 Clairemont Mesa Blvd, Suite A
San Diego, California 92124-1331

E. NOTIFICATIONS

1. VESTED RIGHTS

This Order does not convey any property rights of any sort or any exclusive privileges. The requirements prescribed herein do not authorize the commission of any act causing injury to persons or property, nor protect the Recycled Water Agency from liability under federal, state or

local laws, nor create a vested right for the Recycled Water Agency to continue the waste discharge.

2. U.S. EPA REVIEW

These requirements have not been officially reviewed by the United States Environmental Protection Agency and are not issued pursuant to Section 402 of the Clean Water Act.

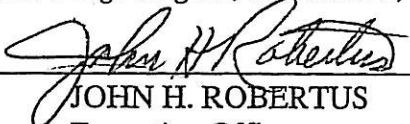
3. SEVERABILITY

The provisions of this Order are severable, and if any provision of this Order, or the application of any provision of this Order to any circumstance, is held invalid, the application of such provision to other circumstances, and the remainder of this Order, shall not be affected thereby.

4. EFFECTIVE DATE

This Order becomes effective on the date of adoption by the San Diego RWQCB.

I, John H. Robertus, Executive Officer, do hereby certify the foregoing is a full, true and correct copy of an Order adopted by the California Regional Water Quality Control Board, San Diego Region, on March 8, 2000.



JOHN H. ROBERTUS
Executive Officer

ATTACHMENT NO.1

TO

ORDER NO. 2000-10

RULES AND REGULATIONS FOR RECYCLED WATER USE PROJECTS

Pursuant to California Water Code (CWC) Section 13523.1(b)(3), this Order requires the recycled water agency to establish and to enforce rules and regulations governing the design, construction and use of recycled water distribution and disposal systems by its customers. The rules and regulations shall be consistent with the with the following criteria:

- Title 22, Division 4, Chapter 3, *Wastewater Reclamation Criteria*;
- Title 17, Division 1, Chapter 5, Group 4, Article 1 & 2, of the California Code of Regulations;
- The State Department of Health Services (DOHS) *Guidelines For Use of Recycled Water, Guidelines for Use of Recycled Water for Construction Purposes, and the County of San Diego Department of Environmental Health Recycled Water Plan Check and Inspection Manual*;
- Any measures that are deemed necessary for protection of public health, such as the American Water Works Association (AWWA) California/Nevada Section, *Guidelines for the Distribution of Non-Potable Water and Guidelines for Retrofitting To Recycled Water* or alternate measures that are acceptable to DOHS.

At a minimum, the rules and regulations shall notify the users that:

1. The use of recycled water shall not cause a pollution, contamination or nuisance, as defined by Section 13050 of the California Water Code.
2. The Recycled Water Agency, the Regional Board, the State and Local Health Department, or an authorized representative of these parties, upon presentation of proper credentials, shall have the right to enter upon the recycled water use site during reasonable hours, to verify that the user is complying with the Recycled Water Agency's rules and regulations.
3. The recycled water user shall provide written notification, in a timely manner, to the Recycled Water Agency of any material change or proposed change in the character of the use of recycled water.

4. Prior to the initiation of recycled water service, the recycled water user shall submit plans and specifications for recycled water distribution facilities to the Recycled Water Agency.
5. The recycled water user shall designate a recycled water supervisor who is responsible for the recycled water system at each use area under the user's control. Specific responsibilities of the recycled water supervisor include the proper installation, operation, and maintenance of the irrigation system; compliance of the project with the Recycled Water Agency's rules and regulations, prevention of potential hazards and preservation of the recycled water distribution system plans in "as built" form. Designated recycled water supervisors shall obtain instruction in the use of recycled water from an institution approved by the State and County Health Departments.
6. The Recycled Water Agency may terminate service to a recycled water user who uses, transports, or stores such water in violation of the Recycled Water Agency's rules and regulations.
7. All recycled water storage facilities owned and/or operated by recycled water users shall be protected against erosion, overland runoff, and other impacts resulting from a 100-year, 24 hour frequency storm unless the Regional Board Executive Officer approves relaxed storm protection measures for the facility.
8. All recycled water storage facilities owned and/or operated by recycled water users shall be protected against 100 - year frequency peak stream flows as defined by the San Diego County flood control agency unless the Regional Board Executive Officer approves relaxed storm protection measures for the facility.
9. The Regional Board may initiate enforcement action against any recycled water user who discharges recycled water in violation of any applicable discharge requirement prescribed by the Regional Board or in a manner which creates or threatens to create conditions of pollution, contamination or nuisance, as defined in Water Code Section 13050.
10. A copy of the recycled water rules and regulations, irrigation system layout map, and a recycled water system operations manual shall be maintained at the use area. These documents shall be available to operating personnel at all times.
11. Irrigation with disinfected tertiary recycled water shall not take place within 50 feet of any domestic water supply well unless all of the following conditions have been met:
 - a. A geological investigation demonstrates that an aquitard exists at the well between the uppermost aquifer being drawn from and the ground surface.
 - b. The well contains an annular seal that extends from the surface into the aquitard.

- c. The well is housed to prevent any recycled water spray from coming into contact with the wellhead facilities.
 - d. The ground surface immediately around the wellhead is contoured to allow surface water to drain away from the well.
 - e. The owner of the well approves of the elimination of the buffer zone requirement.
12. Impoundment of disinfected tertiary recycled water shall not occur within 100 feet of any domestic water supply well.
 13. Irrigation with, or impoundment of, disinfected secondary-2.2 or disinfected secondary -23 recycled water shall not take place within 100 feet of any domestic water supply well.
 14. Irrigation with, or impoundment of, undisinfected secondary recycled water shall not take place within 150 feet of any domestic water supply well.
 15. Reclaimed water facilities shall be operated in accordance with best management practices (BMP's) to prevent direct human consumption of reclaimed water and to minimize misting, ponding, and runoff. BMP's shall be implemented that will minimize both public contact and discharge onto areas not under customer control.
 16. Irrigation with reclaimed water shall be during periods of minimal human use of the service area. Consideration shall be given to allow a adequate dry-out time before the irrigated area will be used by the public.
 17. All drinking fountains located within the approved use area shall be protected by location and/or structure from contact with recycled water spray, mist, or runoff. Protection shall be by design, construction practice, or system operation.
 18. Facilities that may be used by the public, including but not limited to eating surfaces and playground equipment and located within the approved use areas, shall be protected to the maximum extent possible by siting and/or structure from contact by irrigation with recycled water spray, mist, or runoff. Protection shall be by design, construction practice or system operation.
 19. Spray irrigation with recycled water, other than disinfected tertiary recycled water, shall not take place within 100 feet of the property line of a residence or a place where public exposure could be similar to that of a park, playground, or school yard.
 20. All use areas where recycled water is used and that are accessible to the public shall be posted with conspicuous signs, in a size no less than 4 inches by 8 inches, that include the following wording : "RECYCLED WATER - DO NOT DRINK". Lettering shall be of a size easily readable by the public. A pictorial icon with the international "do not drink" symbol shall accompany the written warning.

21. No physical connection shall be made or allowed to exist between any recycled water system and any separate system conveying potable water.
22. The recycled water piping system shall not include any hose bibs. Quick couplers that are different from that used on the potable water system may be used.
23. The public water supply shall not be used as a backup or supplemental source of water for a recycled water system unless the connection between the two systems is protected by an air gap separation which complies with the requirements of Sections 7602(a) and 7603(a) of Title 17 and the approval of the public water system has been obtained. If a "Swivel-ell" type connection is used it must be used in accordance with the provisions of the Department of Health Services Policy Memo 95-004. Approved backflow prevention devices shall be provided, installed, tested, and maintained by the recycled water user in accordance with the applicable provisions of Title 17, Division 1, Chapter 5, Group 4, Article 2.
24. No person other than the Recycled Water Agency shall deliver recycled water to a facility. Connection to the irrigation system by an individual residence is prohibited.
25. All recycled water piping and appurtenances in new installations and appurtenances in retrofit installations shall be colored purple or distinctively wrapped with purple tape in accordance with Chapter 7.9, section 4049.54 of the California Health and Safety Code.
26. Reuse site shut down tests and inspections shall be monitored by the County of San Diego Department of Environmental Health or the State Department of Health Services.
27. Customer complaints concerning recycled water use that may involve public illness shall be reported to the County of San Diego Department of Environmental Health and the State Department of Health Services, and to the Recycled Water Agency who shall maintain a log of all customer complaints regarding recycled water.
28. Any backflow prevention device installed to protect the public water system shall be inspected and maintained in accordance with Section 7605 of Title 17.

CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
SAN DIEGO REGION

MONITORING AND REPORTING PROGRAM NO. 2000-10
FOR
SAN ELIJO WATER RECLAMATION FACILITY
SAN DIEGO COUNTY

A. MONITORING PROVISIONS

1. Samples and measurements taken as required herein shall be representative of the volume and nature of the monitored discharge. All samples shall be taken at the monitoring points specified in this Order and, unless otherwise specified, before the effluent joins or is diluted by any other waste stream, body of water, or substance. Monitoring points shall not be changed without notification to and the approval of the Regional Board.
2. A composite sample is defined as a combination of at least eight sample aliquot of at least 100 milliliters, collected at periodic intervals during the operating hours of a facility over a 24 hour period. For volatile pollutants, aliquot must be combined in the laboratory immediately before analysis. The composite must be flow proportional; either the time interval between each aliquot or the volume of each aliquot must be proportional to either the stream flow at the time of sampling or the total stream flow since the collection of the previous aliquot. Aliquot may be collected manually or automatically.
3. Monitoring must be conducted according to United States Environmental Protection Agency test procedures approved under Title 40, Code of Federal Regulations (CFR), Part 136, "Guidelines Establishing Test Procedures for Analysis of Pollutants Under the Clean Water Act" as amended, unless other test procedures have been specified in this Order.
4. All analyses shall be performed in a laboratory certified to perform such analyses by the California Department of Health Services or a laboratory approved by the Regional Board.
5. Monitoring results must be reported on forms acceptable to the Regional Board.
6. If the discharger monitors any pollutants more frequently than required by this Order, using test procedures approved under 40 CFR, Part 136, or as specified in this Order, the results of this monitoring shall be included in the calculation and reporting of the data submitted in the discharger's monitoring report. The increased frequency of monitoring shall also be reported.

7. The discharger shall retain records of all monitoring information, including all copies of all reports required by this Order, and records of all data used to complete the application for this Order. Records shall be maintained for a minimum of five years from the date of the sample, measurement, report, or application. This period may be extended during the course of any unresolved litigation regarding this discharge or when requested by the Regional Board.
8. Records of monitoring information shall include:
 - a. The date, exact place, and time of sampling or measurement;
 - b. The individual(s) who performed the sampling or measurements;
 - c. The date(s) analyses were performed;
 - d. The individual(s) who performed the analyses;
 - e. The analytical techniques or method used; and
 - f. The results of such analyses.
9. All monitoring instruments and devices which are used by the discharger to fulfill the prescribed monitoring program shall be properly maintained and calibrated as necessary to ensure their continued accuracy.
10. The discharger shall report all instances of noncompliance not reported under Reporting Declaration D.19 of this Order at the time monitoring reports are submitted. The reports shall contain the information listed in Standard Provision D.19.
11. The monitoring reports shall be signed by an authorized person as required by Reporting Declaration D.19.
12. A grab sample is an individual sample of at least 100 milliliters collected at a randomly selected time over a period not exceeding 15 minutes.
13. A composite sample is defined as a combination of at least eight sample aliquot of at least 100 milliliters, collected at periodic intervals during the operating hours of a facility over a 24 hour period. For volatile pollutants, aliquot must be combined in the laboratory immediately before analysis. The composite must be flow proportional; either the time interval between each aliquot or the volume of each aliquot must be proportional to either the stream flow at the time of sampling or the total stream flow since the collection of the previous aliquot. Aliquot may be collected manually or automatically.
14. Sampling and analysis of treatment plant effluent shall, as a minimum, be conducted in accordance with Article 6 of the California Code of Regulations, Title 22, Division 4, Chapter 3 (Reclamation Criteria).

- 15 Detection methods used for coliforms (total and fecal) shall be those presented in the most recent edition of *Standard Methods for the Examination of Water and Wastewater* or any improved method approved by the Executive Officer.
- 16 The purpose of this monitoring program is to:
- Determine compliance with the terms and conditions of Order No. 2000-10.
 - Determine that the applicable State and federal water quality standards are met.
 - Measure the effectiveness of best management practices at the facility to reduce or prevent pollutants in storm water discharges.

B. EFFLUENT MONITORING

1. The following shall constitute the tertiary effluent monitoring program for SEWRf specific to this order.

MONITORING PROGRAM				
Determination	Unit	Sample Type	Sampling Frequency	Reporting Frequency
Flowrate (tertiary)	GPD	Continuous	Continuous	Monthly
Carbonaceous Biochemical Oxygen Demand (5-day @ 20° C)	Mg/l	Composite	Monthly ¹	Quarterly
Total Suspended Solids	Mg/l	Composite	Monthly ¹	Quarterly
PH	Units	Composite	Monthly ¹	Quarterly
Total Dissolved Solids	Mg/l	Composite	Quarterly ¹	Quarterly
Chloride	Mg/l	Composite	Quarterly ¹	Quarterly
Adjusted Sodium Adsorption Ratio ²		Composite	Quarterly ¹	Quarterly
Sulfate	Mg/l	Composite	Quarterly ¹	Quarterly
Iron	Mg/l	Composite	Quarterly ¹	Quarterly
Manganese	Mg/l	Composite	Quarterly ¹	Quarterly
Boron	Mg/l	Composite	Quarterly ¹	Quarterly
Chlorine Residual				
Coliform	MPN/100 ml	Grab	*	Monthly
Turbidity	NTU	Continuous	**	Monthly

* Samples for coliform bacteria shall be collected at least daily and at a time when wastewater characteristics are most demanding on the treatment facilities and disinfection procedures.

** Turbidity analysis shall be performed by a continuous recording turbidimeter. From the continuous recording turbidimeter, the discharger shall report on a daily log whether the estimated average value is above or below 2 NTU's each day, if the turbidity value exceeds 5 NTU's more than 5% of the time during a 24-hour period and shall not exceed 10 NTU at any time.

1 The discharger shall increase the sampling frequency from monthly to weekly and from annually to quarterly for any noted constituent that exceeds the limit specified by Discharger Specification A.1 of Order 2000-10. Weekly or quarterly monitoring shall continue until the discharger achieves compliance with the limitations for three consecutive periods. After compliance is achieved, the discharger shall resume sampling at the specified frequency.

2 The adjusted sodium adsorption ratio is calculated as follows:

$$\text{Adjusted Sodium Adsorption Ratio (Adj. SAR)}: \frac{\text{Na}}{((\text{Ca}_x + \text{Mg})/2)^{0.5}}, \text{ where Na and Mg are in milliequivalent per liter (me/l)}$$

Ca_x is a modified Ca value calculated using Table 3-2 contained in *Irrigation with Reclaimed Municipal Wastewater, A Guidance Manual*.

Note: MGD = million gallons per day
Mg/l = milligrams per liter
NTU = Nephelometric Turbidity Units
Mmho/cm = inverse of milliohms per centimeters
MPN/100 ml = Most Probable Number per 100 milliliters

3. The monitoring report shall indicate the flowrate and Title 22 levels being achieved in the effluent discharged for land disposal and/or reclamation from the SEWRF. Flowrate reported in the monitoring report shall be representative of the flow discharged from the Title 22 treatment facility.

C. FILTRATION PROCESS MONITORING

If coagulation is not used as part of the treatment process, the turbidity of the filter influent and effluent shall be continuously measured. The discharger shall report orally to the Regional Board staff within 24-hours if effluent turbidity exceed 2 NTU or if the influent turbidity exceeded 5 NTU, and shall describe the measures taken to automatically activate chemical addition or to divert wastewater should the turbidity of the influent to the filters exceed 5 NTU. The discharger shall submit a written report of the incident as part of the monthly monitoring report.

D. RECYCLED WATER USERS SUMMARY REPORT

1. The SEJPA shall submit a quarterly reclaimed water users summary report, compiling reports from the Recycled Water Distributors, that contains the following information:
 - a. Total volume of reclaimed water supplied to all reclaimed water users for each month of the reporting period.
 - b. Total number of reclaimed water use sites.
 - c. Address of the reclaimed water use site.
 - d. Basin Plan name and number of hydrologic subarea underlying the reclaimed water use site.

2. Annually the SEJPA shall submit a reclaimed water users compliance report containing the following information:

a. **Recycled water use site summary information**

The following information shall be submitted for each reclaimed water use site.

- 1) Name of the recycled water use site
- 2) Owner of the recycled water use facility
- 3) Name of the recycled water use supervisor
- 4) Phone number of the recycled water use supervisor
- 5) Mailing address of the recycled water use supervisor, if different from the site address
- 6) Volume of recycled water use site on a monthly basis

b. **Recycled water use site inspections**

Number of recycled water use site inspections conducted by distributors' staff and identification of sites inspected for the reporting period.

c. **Recycled water user violations of the producer/distributor's rules and regulations**

The producer/distributors shall identify all reclaimed water users known by the producer/distributors to be in violation of the producer/distributors' rules and regulations for the reclaimed water users. The report shall include a description of the noncompliance and its cause, including the period of noncompliance, and if the noncompliance has not been corrected; the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance.

D. REPORTING


Monitoring reports shall be submitted to the Regional Board in accordance with the following schedule:

<u>Reporting Frequency</u>	<u>Report Period</u>	<u>Report Due</u>
Quarterly	January - March	April 30
	April - June	July 30
	July - September	October 30
	October - December	January 30
Annual	January - December	January 30

Monitoring reports shall be submitted to:

California Regional Water Quality Control Board
San Diego Region
9771 Clairemont Mesa Blvd., Suite A
San Diego, CA 92124-1324

Ordered by



JOHN H. ROBERTUS
Executive Officer

March 8, 2000

ATTACHMENT 2

**SURPLUS RECYCLED WATER AGREEMENT BETWEEN SAN ELIJO JOINT POWERS
AUTHORITY, SAN DIEGUITO WATER DISTRICT, AND ENCINITAS RANCH GOLF
AUTHORITY**

This Surplus Recycled Agreement (“AGREEMENT”) is made and entered into by and among the San Elijo Joint Powers Authority, a joint powers authority organized and operated pursuant to California Government Code Section 6500 et seq. (“SEJPA”), the San Dieguito Water District, a municipal water district (“DISTRICT”), and Encinitas Ranch Golf Authority (“CUSTOMER”), who may collectively be referred to as the “Parties” or individually, as a “Party.”

RECITALS:

WHEREAS, the SEJPA is a producer of recycled water in accordance with the requirements of Order No. 2000-10, Master Recycled Water Permit for the production and purveyance of Recycled Water for San Elijo Joint Powers Authority, San Dieguito Water District, Santa Fe Irrigation District, and City of Del Mar as adopted by the California Regional Water Quality Control Board, San Diego Region (“Regional Water Board”) on March 8, 2000, which incorporate California’s Title 22 Regulations, and amendments thereto; and

WHEREAS, the SEJPA anticipates that it can produce more recycled water than can be beneficially used by its existing customers during the term of this AGREEMENT; and

WHEREAS, the DISTRICT is responsible for the purvey of potable and recycled water within its service area; and

WHEREAS, the CUSTOMER desires recycled water for use on the Encinitas Ranch Golf Course, a municipal golf course of approximately 164 acres that is located within the City of Encinitas and within the DISTRICT’s service area, and incorporated by reference herein (the “Property”) and has facilities necessary to accept and store substantial quantities of recycled water on the Property for its subsequent use, and therefore CUSTOMER is uniquely situated to accept recycled water service on an interruptible basis; and

WHEREAS, the CUSTOMER has an existing recycled water storage system consisting of open surface ponds that have in excess of 10 million gallons of surplus storage capacity that could be available for peak flow storage of recycled water during the wet season (November through April) and recycled water irrigation storage in dry season (May through October); and

WHEREAS, the SEJPA has the ability to provide its surplus recycled water to the Property on behalf of the DISTRICT; and

WHEREAS, the DISTRICT consents to the provision of recycled water service to the Property by the SEJPA; and

WHEREAS, the Parties, recognizing that the use of reclaimed water is a positive and achievable future means of helping to meet the growing water demands within the DISTRICT

and Southern California, have determined that it is in their mutual best interests for the SEJPA to deliver its surplus recycled water to the Property on the DISTRICT's behalf pursuant to the terms of this AGREEMENT;

AGREEMENT

NOW, THEREFORE, in consideration of these recitals and the covenants contained herein, the Parties agree as follows:

SECTION 1. SCOPE OF AGREEMENT

The subject matter of this AGREEMENT is the mutual rights and obligations of the Parties with respect to the sale and delivery of surplus recycled water by the SEJPA, on behalf of the DISTRICT, to CUSTOMER for the Property. This AGREEMENT is not intended to cover, and does not include or authorize, the sale and delivery of recycled water to other DISTRICT customers.

SECTION 2. DELIVERY OF RECYCLED WATER

The SEJPA shall, on the DISTRICT's behalf, transport and deliver surplus recycled water to the CUSTOMER for use on the Property in accordance with the terms and conditions of this AGREEMENT. The DISTRICT hereby designates the SEJPA its agent for providing recycled water to the CUSTOMER on the DISTRICT's behalf as stated in this AGREEMENT. To optimize pumping costs, the SEJPA shall first attempt to deliver the recycled water to the CUSTOMER on the weekends and holidays; and during the hours of 8 p.m. to 6 a.m., Monday through Friday, as this provides the lowest energy costs to the SEJPA. Delivery of recycled water may also occur during the hours of 6 a.m. and 8 p.m. to the CUSTOMER, but this will be at the sole discretion of the SEJPA.

SECTION 3. OWNERSHIP, OPERATION, AND MAINTENANCE RESPONSIBILITIES

The SEJPA shall be responsible for the operation and maintenance of its recycled water treatment, storage and distribution system up to the recycled water service meter. The SEJPA shall be responsible for the operation, maintenance, and reading of the service meter. The SEJPA shall be responsible for invoicing the CUSTOMER and reporting recycled water usage to the DISTRICT.

The SEJPA shall not be responsible for the installation, operation, and maintenance of any irrigation pipelines, pumps, sprinklers, storage facilities, and appurtenances located downstream of the SEJPA's recycled water service meter. CUSTOMER shall be solely responsible for such infrastructure. CUSTOMER shall also be responsible for compliance with any and all regulatory requirements associated with the storage of recycled water on the Property, and shall provide SEJPA with satisfactory evidence of such compliance, upon request.

SECTION 4. RECYCLED WATER QUALITY

SEJPA will provide CUSTOMER with nonpotable water that has been treated to Title 22 standards for recycled water. The SEJPA will only deliver reclaimed water that meets the requirements of the Water Reclamation Law, Water Code section 13500, et. seq., including section 13521 of the Water Code regarding statewide standards, and of ORDER NO. 2000-10 MASTER RECYCLED WATER PERMIT, adopted by the California Regional Water Quality Control Board, San Diego Region, which incorporate California's Title 22 Regulations.

SECTION 5. RECYCLED WATER QUANTITY

The SEJPA shall deliver to the Property surplus recycled water produced by the SEJPA that remains available after the SEJPA has served the SEJPA's other customers, including any amounts necessary for health and safety reasons. The SEJPA guarantees a minimum quantity to the Property of approximately 200 acre feet on an annual basis. The CUSTOMER agrees that the actual amount of surplus recycled water delivered by the SEJPA to the Property may be more than this anticipated amount, but the SEJPA shall have no liability to the CUSTOMER for any differences between the anticipated amount of surplus recycled water to be delivered and the actual amount of surplus recycled water that is delivered to the Property. Recycled water service to the Property may be reduced or interrupted on an hourly or daily basis if no surplus recycled water is available or anticipated to be available after the SEJPA has served the SEJPA's other customers.

The Parties understand and agree that this AGREEMENT shall not limit the SEJPA's ability to enter into new or amended recycled water contracts, the SEJPA may do so at its sole discretion without any liability to the Parties pursuant to this AGREEMENT.

SECTION 6. RECYCLED WATER DELIVERY PRESSURE

Surplus recycled water provided by the SEJPA at the DISTRICT's recycled water meter for the Property shall be at a minimum of 25 psi. At the SEJPA's cost, new service connections can be added to the PROPERTY to improve or optimize the delivery of recycled water.

SECTION 7. RECYCLED WATER STORAGE

The CUSTOMER shall provide 10 million gallons of recycled water storage for mutual benefit for both the CUSTOMER and the SEJPA. The storage system shall be comprised of existing water storage ponds located at the Encinitas Ranch Golf Course. The ponds shall provide the CUSTOMER with irrigation water storage and provide the SEJPA with wet weather peak flow storage. SEJPA shall have system control to allow recycled water into the storage system, provided that the Customer shall be responsible for ensuring that its storage capacity monitoring system is operational and providing accurate available capacity readings to SEJPA. The Customer understands that SEJPA shall rely on the accuracy of those readings, and the Customer shall be responsible to immediately notify SEJPA in the event the Customer's storage capacity monitoring system is not operational or for any reason is not providing accurate readings. Once the storage system is full, no new water shall enter the storage system. The Customer shall have final authority to determine if its storage system is full, and in such event shall immediately notify SEJPA. The Customer shall be responsible to install and maintain sufficient safe guards at all times to ensure that the Customer's storage system is not over filled.

SECTION 8. COMPLIANCE WITH REGULATORY REQUIREMENTS

The CUSTOMER is responsible for adhering to the SEJPA's and the DISTRICT's Rules and Regulations for Recycled Water Service, as may be amended from time to time, and to the applicable California Department of Health Services, the San Diego Regional Water Quality Control Board, and the San Diego County Department of Environmental Health regulations and

specifications. The CUSTOMER shall comply with such regulations and specifications during the term of this AGREEMENT.

SECTION 9. CUSTOMER PAYMENT TO THE SEJPA FOR RECYCLED WATER PRICE

The CUSTOMER shall pay the SEJPA a fixed annual cost for the delivery of surplus recycled water in accordance with this AGREEMENT. The cost of water is as follows:

Contract Year	Annual Increase	Annual Water Cost	Quarterly Payment
2017-18	4%	\$258,830	\$64,708
2018-19	4%	\$269,183	\$67,296
2019-20	4%	\$279,951	\$69,988
2020-21	4%	\$291,149	\$72,787
2021-22	4%	\$302,794	\$75,699
2022-23	4%	\$314,906	\$78,727
2023-24	4%	\$327,503	\$81,876

The Contract Year shall begin July 1 and end June 30. CUSTOMER shall make quarterly payments to the SEJPA by the 3rd Monday of each July, October, January, and April for each contract year of this agreement.

SECTION 10. CONSTRUCTION UNDER CORTESE-KNOX-HERTZBERG ACT OF 2000

The Parties acknowledge and agree that this AGREEMENT and services provided hereunder are for the purposes of the SEJPA providing surplus recycled water on behalf of the DISTRICT to the Property, and it is not subject to Government Code section 56133 relating to the provision of extraterritorial services.

SECTION 11. ACCESS TO RECORDS

The Parties shall keep and maintain proper books and records. Such records shall include, but not be limited to, all entries concerning the quantity and quality of recycled water delivered to the CUSTOMER by the SEJPA on behalf of the DISTRICT during the term of this AGREEMENT, all tests performed by or on behalf of a Party concerning the quality of recycled water, all reports and associated records required by Order No. 2000-10, all complaints, investigations, or other reports associated with the production and delivery of recycled water, and all cost information, capital expenditures, maintenance records, and other financial data associated with the production and delivery of recycled water to the DISTRICT. All such records except those exempt from disclosure by law shall, upon written request, be made available and subject to inspection by any duly authorized representative of any Party, the DISTRICT, the San Diego County Water Authority, the Metropolitan Water District of Southern California, the California and San Diego County Departments of Health Services, and the

California Water Quality Control Board, San Diego Region, within ten (10) days after receipt of such notification.

SECTION 12. NOTICE

Notices required or permitted under this AGREEMENT shall be sufficiently given if in writing and if either served personally upon the party to whom it is directed or by deposit in the United States mail, postage prepaid, certified, return receipt requested, addressed to the Parties at the following addresses:

DISTRICT:	San Dieguito Water District 160 Calle Magdalena Encinitas, CA 92024 Attention: General Manager
SEJPA:	San Elijo Joint Powers Authority 2695 Manchester Avenue Cardiff by the Sea, CA 92007 Attention: General Manager
CUSTOMER:	Encinitas Ranch Golf Authority 505 South Vulcan Avenue Encinitas, CA 92024

It shall be the sole responsibility of each party to this AGREEMENT to promptly notify the other of any change of title and/or address as long as this AGREEMENT remains in effect.

The Parties agree that the attorney for a party listed above shall have the authority to deliver notices on such Party's behalf to the other Parties.

If notice is personally served on a Party in compliance with this section, it shall be deemed delivered, given and received on the date of service. If notice is mailed to Party in compliance with this section, it shall be deemed delivered, given and received upon the earlier of: (i) four (4) calendar days from the date of deposit in the United States mail, or (ii) the date of receipt as indicated on the return receipt.

SECTION 13. AMENDMENTS

This AGREEMENT may not be amended, changed or modified except by a writing duly executed by all of the Parties hereto.

SECTION 14. ASSIGNMENT

Neither this AGREEMENT nor any interest therein nor any monies due or to become due thereunder shall be assigned, hypothecated or otherwise disposed of without the prior written consent of the parties to this AGREEMENT, which consent shall not be unreasonably withheld.

SECTION 15. EFFECTIVE DATE

This AGREEMENT shall become effective upon the signature of the CUSTOMER, DISTRICT, and the SEJPA.

SECTION 16. TERM OF THE AGREEMENT

The term of this AGREEMENT shall commence on July 1, 2017, unless earlier terminated by any Party pursuant to Section 17. The Parties may agree to an optional extension of the term of this AGREEMENT for seven (7) additional years. The terms and conditions of the optional seven (7) year extension shall remain the same as to the first seven (7) year agreement. Any Party requesting the optional extension of term shall serve written notice of such request on all other Parties no later than January 1, 2024. The other Parties shall each serve written notice within sixty (60) calendar days thereafter stating whether or not they agree to the optional extension of term. If all Parties agree to the optional extension of term, such agreement shall be stated in a written amendment to this AGREEMENT. If any Party in its sole discretion rejects the optional extension of term, this AGREEMENT shall expire on June 30, 2024, unless earlier terminated by any Party pursuant to Section 17.

SECTION 17. TERMINATION OF AGREEMENT

The SEJPA may terminate this AGREEMENT upon one hundred eight (180) days notice if treatment standards change such that upgraded treatment is required and recycled water cannot feasibly be produced and delivered meeting those standards. The SEJPA may terminate this AGREEMENT upon thirty (30) days notice should the CUSTOMER or the DISTRICT breach their respective obligations in any material respect, to include: (1) the CUSTOMER repeatedly misuses the recycled water; (2) the CUSTOMER repeatedly fails to pay for the recycled water; (3) the CUSTOMER fails to accept the recycled water as required; and, (4) the CUSTOMER fails to maintain necessary facilities.

The CUSTOMER may terminate this AGREEMENT upon thirty (30) days notice should the SEJPA breach its obligations in any material respect and may terminate this AGREEMENT without reason upon one hundred eight (180) days notice.

SECTION 18. BINDING EFFECT

This AGREEMENT shall be binding upon the Parties according to its terms and their respective successors in interest and permitted assigns.

SECTION 19. INDEMNIFICATION

The SEJPA agrees to indemnify, defend, and hold harmless the DISTRICT and the CUSTOMER from any and all claims for damage arising out of or related to the SEJPA's negligent or intentional acts or omissions in the operation and maintenance of the San Elijo Water Reclamation Facility and the recycled water distribution facilities upstream of the DISTRICT's meter.

The CUSTOMER agrees to indemnify, defend, and hold harmless the SEJPA and its member agencies, directors, officers, consultants, agents, and employees from any and all claims for damage, suits, or other demands arising out of or related to the CUSTOMER's negligent or intentional acts or omissions in the operation and maintenance of the CUSTOMER's facilities for distribution of the recycled water including its use of such recycled water, and in the event of any third-party claim or litigation relating to this AGREEMENT.

The DISTRICT agrees to indemnify, defend, and hold harmless the SEJPA and its member agencies, directors, officers, consultants, agents, and employees from any and all claims for damage, suits, or other demands arising out of or related to the DISTRICT's negligent

or intentional acts or omissions pertaining, to related to, or in any way connected to the operation and maintenance of the CUSTOMER's facilities for distribution of the recycled water including its use of such recycled water, and in the event of any third-party claim or litigation relating to this AGREEMENT.

This indemnity paragraph is not intended by the Parties to waive any legal rights for defenses and immunities and other legal safeguards and protections from liability which are granted to public agencies and their employees under the California Tort Claims Act. The parties' indemnification, defense and hold harmless obligations pursuant to this AGREEMENT shall survive the expiration or termination of the AGREEMENT.

SECTION 20. RESERVATION OF RIGHTS; NO VESTED RIGHTS

It is hereby expressly understood and agreed that neither the DISTRICT nor the CUSTOMER by execution of this AGREEMENT and the exercise of the rights granted to them by this AGREEMENT shall not acquire any vested right to recycled water, and shall not acquire any vested right, title, or interest in or to the SEJPA's wastewater treatment facilities, recycled water distribution system, or any other SEJPA facilities. The SEJPA expressly reserves all of its rights except as expressly provided otherwise herein.

SECTION 21. ATTORNEY'S FEES

If any arbitration proceeding or action at law is brought to enforce or interpret the provisions of this AGREEMENT, the prevailing party shall be entitled to a reasonable attorney's fees and expert witnesses' fees which may be set by the Court in the same action brought for that purpose, in addition to any other relief to which a Party may be entitled.

SECTION 22. APPLICABLE LAW

This AGREEMENT is entered into in the State of California and California law shall apply to the interpretation and construction of all of its provisions.

SECTION 23. JURISDICTION, FORUM AND VENUE

The proper jurisdiction, forum and venue for any claims, causes of action or other proceedings concerning this AGREEMENT shall be in the state and federal courts located in the State of California, County of San Diego. The Parties agree not to bring any action or proceeding arising out of or relating to this AGREEMENT in any other jurisdiction, forum or venue. The Parties hereby submit to personal jurisdiction in the State of California for the enforcement of this AGREEMENT and hereby waive any and all personal rights under the law of any state to object to jurisdiction within the State of California for the purposes of any legal action or proceeding to enforce this AGREEMENT, whether on the grounds of inconvenient forum or otherwise.

SECTION 24. SEVERABILITY

If any non-material provision of this AGREEMENT, or any portion of any such provision, is held to be unenforceable or invalid, the remaining provisions and portions shall nevertheless be carried into effect.

SECTION 25. REMEDIES

All rights and remedies of the Parties are separate and cumulative, and no one of them, whether exercised or not, shall be deemed to be to the exclusion of or to limit or prejudice any other legal or equitable rights or remedies which the Parties may have, except as otherwise expressly limited herein. Subject to the limitations or remedies imposed elsewhere in this AGREEMENT, the Parties shall not be deemed to have waived any of their rights or remedies hereunder, unless such waiver is in writing and signed by the Party to be bound. No delay or omission on the part of any Party in exercising any right or remedy shall operate as a waiver of such right or remedy or any other right or remedy. A waiver on any one occasion shall not be construed as a bar or waiver of any right or remedy on any future occasion. No waiver or any rights under this AGREEMENT shall be binding unless it is in writing signed by the party waiving such rights.

SECTION 26. NO THIRD-PARTY BENEFICIARY

Unless otherwise expressly stated herein, this AGREEMENT creates rights and duties only between the Parties, and third-party is or shall be deemed to be or shall have any rights as a third-party beneficiary nor shall any third-party have the right to enforce any provisions of this AGREEMENT.

SECTION 27. HEADINGS

This section headings contained in this AGREEMENT are for convenience only and are not part of this AGREEMENT, and do not in any way interpret, limit or amplify the scope, extent or intent of this AGREEMENT, or any of the provisions of this AGREEMENT.

SECTION 28. COUNTERPARTS

This AGREEMENT may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same agreement, and the signature of any Party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

SECTION 29. FACSIMILE OR ELECTRONIC TRANSMISSION OF SIGNATURES

Upon execution of this AGREEMENT by each Party, a photocopied, facsimile and/or electronic transmission of each Party's signatures may be delivered to the other Party and used in place of original signatures on this AGREEMENT with the same force and effect as if the countersigned originals of this AGREEMENT had been delivered by each Party to the other Parties. The Parties acknowledge and agree that they intend to and shall each be bound by such signatures on the photocopied, facsimile and/or electronic transmission of this AGREEMENT. The Parties further acknowledge and agree that they are aware that each Party will rely on their respective signatures on the photocopied, facsimile and/or electronic transmission of this AGREEMENT and hereby waive any and all defenses to enforcement of the terms of this AGREEMENT based on the form of signature.

SECTION 30. COOPERATION OF THE PARTIES

In any case where the approval or consent of a Party hereto is required, requested or otherwise to be given under this AGREEMENT, such Party shall not unreasonably delay or withhold its approval or consent.

SECTION 31. CONSTRUING THE CONTRACT

In the event of a dispute under this AGREEMENT, no Party shall be deemed to be the Party who caused the uncertainty to exist and the prescriptions of Civil Code Section 1654 shall not be applicable to such a dispute under this AGREEMENT.

SECTION 32. ENTIRE AGREEMENT

This AGREEMENT constitutes the entire understanding between the Parties hereto with respect to the subject matter hereof superseding all negotiations, prior discussions and preliminary AGREEMENTS and understandings, written or oral.

IN WITNESS WHEREOF the Parties hereto have caused this AGREEMENT to be executed on _____.

CUSTOMER

By: _____

Its: _____

SAN DIEGUITO WATER DISTRICT

By: _____

Its: _____

SAN ELIJO JOINT POWERS AUTHORITY

By: _____

Its: Chair of the Board

EXHIBIT A
Easement

RECORDING REQUESTED BY:

San Elijo Joint Powers Authority

WHEN RECORDED RETURN TO:

San Elijo Joint Powers Authority
2695 Manchester Avenue
Cardiff, CA 92007

NO FEE REQUIRED PER
GOVERNMENT CODE SECTION 6103

DEED TRANSFER TAX: \$ 0
EXEMPT UNDER SEC. 11922 OF
REVENUE TAXATION CODE

EASEMENT DEED

Parcel No. _____

For valuable consideration, ENCINITAS RANCH GOLF AUTHORITY, a California nonprofit mutual benefit corporation, as Grantor, hereby grants to SAN ELIJO JOINT POWERS AUTHORITY, a joint powers authority created under California Government Code Section 6502, and San Dieguito Water District, as Grantees, jointly and severally, an easement of right-of-way twenty (20) feet in width over, under, and across the lands hereinafter described, together with the right to from time to time construct, reconstruct, install, inspect, maintain, replace, remove, and use facilities of the type described herein (“Easement”).

The lands in which said Easement is hereby granted are situated in the City of Encinitas, County of San Diego, State of California, and are more particularly described in the Legal Description dated [insert date], attached hereto as Attachment “A” and incorporated by reference.

Grantor and Grantees agree that facilities constructed within the Easement shall consist of recycled water distribution pipes and appurtenances that are more particularly described in the [construction agreement or scope], attached hereto as Attachment “B” and incorporated by reference.

Grantor and Grantees further agree that no other easement or easements shall be granted within any portion of the Easement by Grantor to any person, firm, or corporation without the prior written consent of Grantees.

Grantor and Grantees further agree that Grantor shall not erect or construct, or permit to be erected or constructed, any building, fences, walls, or other structures of any kind and no trees shall be placed, planted, or maintained within any portion of the Easement, and no shrubs or other, plants or vegetation shall be placed, planted, or maintained within any portion of the Easement which is used as a road, and that no changes in the alignment or grading of any such road shall be made without prior written consent of Grantees.

Grantor and Grantees further agree that Grantor shall not drill any well or wells within the limits of the Easement.

Grantor and Grantees further agree that Grantor shall not increase or decrease or permit to be

increased or decreased, the ground elevations of the Easement existing at the time this Easement Deed is executed without the prior written consent of Grantees.

Grantor and Grantees further agree that Grantees shall have the right to clear and keep clear the Easement from buildings and structures.

The provisions of this Easement Deed shall inure to the benefit of and bind the successors and assigns of Grantor and of Grantees.

"Grantor"

Encinitas Ranch Golf Authority

Dated: _____

By: _____

Its: _____

Dated: _____

By: _____

Its: _____

"Grantees"

San Elijo Joint Powers Authority

Dated: _____

By: Michael T. Thornton, P.E.
General Manager

San Dieguito Water District

Dated: _____

By: Bill O'Donnell
General Manager

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Right of Way dated _____ from _____

to the San Elijo Joint Powers Authority, a joint powers authority created under California Government Code section 6502, is hereby accepted by order of Board of Director's Resolution No.____, dated _____, authorizing the General Manager to accept and record Grants of Right of Way on behalf of San Elijo Joint Powers Authority.

SAN ELIJO JOINT POWERS AUTHORITY

Dated _____ By _____
General Manager

Project _____		
Water Atlas Page No. _____	Checked by: _____	Date: _____

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Right of Way
dated _____ from _____

to the San Dieguito Water District is hereby accepted by order of Board of Director's Resolution No._____,
dated _____, authorizing the General Manager to accept and record Grants of Right of Way on
behalf of San Dieguito Water District.

SAN DIEGUITO WATER DISTRICT

Dated _____ By _____
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 14, 2016

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: WASTEWATER SERVICE AGREEMENT EXTENSION WITH THE RANCHO
SANTA FE COMMUNITY SERVICES DISTRICT

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to execute the proposed agreement; and
2. Discuss and take action as appropriate.

BACKGROUND

For nearly 35 years, the San Elijo Joint Powers Authority (SEJPA) has been providing wastewater treatment and disposal services to the Rancho Santa Fe Community Services District (Rancho CSD). In 1991, the SEJPA and Rancho CSD entered into a long-term agreement that provides 0.25 million gallons per day (MGD) of leased wastewater treatment and ocean disposal capacity by SEJPA to Rancho CSD. As part of this agreement, Rancho CSD is responsible to pay its allocated costs for operations and maintenance, capital costs associated with the 1991 SEJPA wastewater treatment upgrade project, and ongoing capital costs associated with SEJPA's wastewater and outfall systems. In addition, the agreement included a 33% supplement charge for the use of SEJPA assets, including land, easements, opportunity costs, and the like, both direct and indirect.

This agreement between SEJPA and Ranch CSD expires in March 2020. Rancho CSD has expressed interest to continue receiving wastewater treatment and disposal services from SEJPA. The two agencies, and their respective attorneys, have been working to develop a new 20-year agreement that would supersede the existing agreement.

DISCUSSION

Rancho CSD desires to continue leasing wastewater and ocean outfall capacity from the SEJPA for an additional 20 years. Rancho CSD currently leases 4.76% of wastewater treatment capacity at the San Elijo Water Reclamation Facility (SEWRF) and approximately 1% of the ocean outfall capacity. Rancho CSD proposed to maintain the current level of leased capacity.

Based on wastewater flow projections by the SEJPA's member agencies, it is feasible and beneficial to the SEJPA to continue leasing wastewater and ocean outfall capacity to Rancho CSD. Wastewater flow from the SEJPA member agencies has declined over the last five years, resulting in average daily wastewater flows being lower by approximately 0.4 MGD, or 15%, over this period. The flow reduction is likely a result of increased indoor water efficiencies and conservation by residents and businesses. This provides sufficient allowance to commit treatment and disposal capacity to Rancho CSD for an additional 20 years. Furthermore, treating Rancho CSD wastewater provides increased economy of scale for facility operations, maintenance, and asset replacement, which reduces cost to all parties.

Staff has prepared a new lease agreement with Rancho CSD. The agreement is modeled from the recently executed Del Mar Wastewater Lease Agreement (July 2014). The agreement also includes flow measurement requirements that are consistent with those from the agreement between the City of Encinitas and Rancho CSD for cost sharing on the recently upgraded Olivenhain Pump Station.

The most significant change between the existing and the proposed agreements is the elimination of a 33% supplement. Eliminating the supplement is consistent with other SEJPA wastewater and recycled water agreements, where only actual, definable costs incurred are included in the determination of the cost of service provided by the SEJPA.

At this time, Staff requests the Board to authorize the General Manager to execute the new lease agreement.

FINANCIAL IMPACT

This agreement provides an estimated \$5.0 million of revenue over the 20-year term for wastewater and disposal services provided to Ranch CSD. The first year of the agreement is anticipated to have a revenue value of \$278,905.

It is recommended that the Board of Directors:

1. Authorize the General Manager to execute the proposed agreement; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: Capacity Lease Agreement between the San Elijo Joint Powers Authority and the Rancho Santa Fe Community Services District

**CAPACITY LEASE AGREEMENT BETWEEN
THE SAN ELIJO JOINT POWERS AUTHORITY AND THE
RANCHO SANTA FE COMMUNITY SERVICES DISTRICT**

WHEREAS, this agreement (“Agreement”) is made by and between the Rancho Santa Fe Community Services District (herein “Rancho”) and the San Elijo Joint Powers Authority (herein “SEJPA”), whose members are the Cities of Encinitas and Solana Beach, successors to the Cardiff and Solana Beach Sanitary Districts, respectively, under the June 25, 2008 “Restatement of Agreement Between Cardiff Sanitation District and Solana Beach Sanitation District Establishing the San Elijo Joint Powers Authority”;

WHEREAS, on or about January 8, 1991, Rancho, the Cardiff Sanitation District (herein “Cardiff”), the Solana Beach Sanitary District (herein “Solana Beach”) and the SEJPA entered into a 30-year lease agreement, which expires March 20, 2020, entitled LEASE AGREEMENT BETWEEN THE CARDIFF SANITATION DISTRICT, THE SOLANA BEACH SANITATION DISTRICT, THE SAN ELIJO JOINT POWERS AUTHORITY AND THE RANCHO SANTA FE COMMUNITY SERVICES DISTRICT (herein “1991 Lease”);

WHEREAS, the 1991 Lease recognized that Rancho was getting the benefit of assets owned and controlled by the SEJPA, including, land, easements, opportunity costs, and the like, both direct and indirect (collectively, “Opportunity Costs”), all of which represent either investments by the SEJPA and its taxpayers or ratepayers and/or costs to the SEJPA not reflected in the flow and operation and maintenance charges to be charged to Rancho;

WHEREAS, as part of the 1991 Lease, Rancho and the SEJPA agreed that it was fair and reasonable for Rancho to reimburse the SEJPA for its fair share of these Opportunity Costs, and included a reasonable estimate of Rancho’s fair share of these Opportunity Costs into the fee

formula of the 1991 lease, in the form of a thirty-three and one-third percent (33 1/3%) supplement;

WHEREAS, the parties agree that it is fair and reasonable to relieve Rancho from payment of future Opportunity Costs as set forth in the 1991 Lease because Rancho has maximized its utility from the Opportunity Costs throughout the first twenty-six years of the 1991 Lease;

WHEREAS, Rancho desires to continue leasing municipal sewage treatment capacity in the San Elijo Wastewater Treatment Facility and Ocean Outfall, in part to increase the availability of recycled water to the region;

WHEREAS, SEJPA desire to lease such capacity and make available for sale increased quantities of recycled water; and

WHEREAS, the parties agree that it is fair and reasonable for Rancho to reimburse the SEJPA for its fair share of the costs and risks of maintaining and operating the facilities necessary to make such capacity available, as described in the fee formula set forth in this Agreement;

NOW THEREFORE the parties hereto agree as follows:

1. Purpose and Intent.

The foregoing recitals are true and correct, and it is the purpose and intent of this lease Agreement to replace the 1991 Lease with this Agreement.

2. Termination of 1991 Lease.

The 1991 Lease, a copy of which is attached hereto as **Exhibit A**, is hereby cancelled and rescinded for all purposes.

3. Payment of Rancho's Outstanding Balance.

As of the effective date of this agreement, Rancho and the SEJPA are in dispute over the payment of past capital costs under the 1991 Lease (the "Outstanding Balance"). In light of this Agreement, and in an effort to maintain positive and productive relationships with its contracting parties, the SEJPA herein agrees to receive, and Rancho agrees to pay, an amount totaling One Hundred and Thirty-Eight Thousand Dollars (\$138,000) as an agreed upon Outstanding Balance within 90 days of the approval of this Agreement.

4. Lease of Capacity to Rancho.

The SEJPA hereby leases to Rancho solely the right to utilize wastewater treatment capacity in the San Elijo Water Reclamation Facility and San Elijo Ocean Outfall (collectively, the Facility) on the terms and conditions set forth herein. The wastewater treatment capacity leased is only a part of the capacity of the "Joint System" as defined in the Restatement as the San Elijo Water Pollution Control Facility, consisting of the land, the sewage treatment plant, the Escondido Regulator Structure and the San Elijo Ocean Outfall, as well as the San Elijo Water Reclamation Facility, the Oak Crest and Lomas Santa Fe Reservoirs, Lomas Santa Fe Booster Pump Station and the associated recycled water distribution systems, and includes all other facilities, improvements, land and other works acquired, installed, operated, or maintained by the SEJPA. Rancho has no rights in any portion of the Joint System except as expressly provided herein. Rancho agrees that upon delivery of municipal wastewater to the SEJPA for treatment (which includes disposal per the above) under this agreement, the SEJPA shall have the sole right in the water produced within the meaning of Water Code section 1210.

5. Ultimate or Maximum Capacity.

The ultimate or maximum sewage treatment capacity leased to Rancho hereunder

is 0.250 million gallons per day (mgd) average daily dry weather flow, as measured over any continuous 30 day period. The maximum instantaneous flow permitted shall be 0.625 mgd, and may occur for a length of time not to exceed 30 minutes in any 24 hour period. Rancho is responsible for the measurement of its flow discharge to SEJPA treatment facilities.

6. Effective Date and Term of Lease.

The effective date of this agreement is July 1, 2016. The term of this lease shall be twenty (20) years, to expire on June 30, 2036.

7. Lease and O&M payments.

Payments from Rancho to SEJPA shall be comprised of two components, a Lease payment component and an O&M payment component. Payments shall be made by Rancho on a quarterly basis beginning with the July to September 2016 quarter and continuing thereafter for the term of this agreement.

The Lease component payment shall be \$96,744 per year, payable in equal quarterly installments as outlined above. The Lease payment component shall continue until the April-June 2020 quarterly Lease payment is made, at which point in time the Lease payment component shall expire, and Rancho shall have no obligation to make further Lease payments.

The O&M payment component shall be payable in equal quarterly installments as outlined above. The actual O&M payment due each quarter shall be computed using the formulas set forth on Exhibit B, attached hereto and incorporated herein. The O&M payment shall be inclusive of all of SEJPA's wastewater treatment and disposal costs for Rancho's proportional share of administrative management, operation and maintenance, and capital costs as set forth below:

1. The SEJPA shall develop and adopt an Expenses budget for the coming fiscal

year (July 1 to June 30) prior to June 30.

2. An estimate of flow for the coming fiscal year shall be determined for each agencies' influent or effluent flow by using the average of the measured flow, during the most current calendar year (January 1 to December 31), from each of the respective agencies.
3. A Unit Cost shall be determined by dividing the Expenses by the combined flows of each agency.
4. Rancho shall then owe to the SEJPA its share of the Expenses (Annual Expense Payment), based upon its flow and the Unit Cost as determined hereinabove.
5. An annual audit of the Expenses shall be prepared by the SEJPA prior to October 31st. Based upon this audit, and the measurement of the total annual flow of each agency for the fiscal year under consideration, adjustments, if required, shall be made to the Annual Expense Payment paid by Rancho to the SEJPA.

8. Capacity to be Supplied Equally by Two Districts.

The capacity provided under this lease Agreement shall be drawn equally from the capacity rights of the Cities of Encinitas and Solana Beach under the Restatement.

9. Quality of Rancho Effluent.

This lease Agreement entitles Rancho to deliver domestic (non-industrial) strength wastewater to the SEJPA treatment plant via the City of Encinitas transmission system and the Olivenhain pumping station, that conforms to the standards currently imposed or the standards reasonably imposed in the future from time to time by the SEJPA, after giving Rancho

at least 30 days written notice and an opportunity to be heard.

This agreement does not allow for the discharge of brine (discharge high in total dissolved solids) or other high strength waste streams to the SEJPA treatment facilities. Brine discharge shall only be allowed through a separate agreement or amendment to this agreement. Rancho shall be responsible for complying with the terms and conditions of the NPDES and recycled water permits issued to SEJPA, as amended from time to time and shall prohibit users of every kind and nature from discharging any sewage, wastewater or storm water which would be detrimental to the Joint Facilities or any part thereof.

10. Meter to be Maintained by Rancho.

The Rancho sewer system currently has 4 direct connections to Cardiff's PC 1007 15" gravity sewer main. Due to several technical conditions such as low flow or inaccessible manholes, it is not practical to install flow meters at all points of connection to the Cardiff system. Rancho does have meters within its system that measure flow from its pump stations which eventually go into Cardiff's system (Metered Flow). However, there are parcels which do not flow through these pump stations and instead flow by gravity to Cardiff's system (Unmetered Flow). Therefore, the total flow to Cardiff from Rancho will be calculated as follows:

- A. Metered Flow - All flow going through the Rancho pump stations will be metered and reported to Cardiff on a monthly basis. Flow reports shall be submitted by the 15th day of the following month.
- B. Unmetered Flow - The flow from parcels in Rancho which do not flow through a Rancho pump station shall be calculated as follows.
 - Monthly, the number of unmetered parcels flowing to the Cardiff system shall be calculated.

- The number of unmetered parcels shall be multiplied by the monthly flow per equivalent dwelling unit as recorded at the Rancho Santa Fe Treatment Plant to calculate the Unmetered Flow.
- The calculated Unmetered Flow shall be multiplied by 1.1 to account for potential inaccuracies of the unmetered flow calculation.

The monthly total of Metered Flow and Unmetered Flow shall be the basis of the Annual O&M payment required to be made by Rancho pursuant to **Exhibit B**. **Exhibit C** provides a sample Flow Report form.

11. Assignment; Subleasing; Sale.

A. Assignment; Subleasing.

Rancho may not assign its rights, or any of them, under this Agreement without the prior written approval of SEJPA. Rancho may not enter into any sublease, nor may it sell, hypothecate, loan, or otherwise transfer any of its rights under this Agreement to another entity without the prior written approval of the SEJPA.

B. Sale.

Rancho may sell its capacity rights, or a portion thereof, to another party at the same price that Rancho pays the SEJPA provided that (1) Rancho first obtains the written consent of the SEJPA, which the SEJPA may grant or deny in its sole discretion, subject to a right of first refusal in the SEJPA members and any other conditions as may be required to correct or cure any then-existing violations of this Agreement; (2) Rancho or the purchaser addresses any jurisdictional issues which may arise under the LAFCO statutes; and (3) the purchaser agrees to terms and conditions of a lease substantially identical to this Agreement.

12. Penalty for Exceeding Capacity.

In the event, for any reason, the flow from Rancho should at any time exceed the capacity limits set forth herein, Rancho shall pay increased O&M payments in the following amounts until the capacity overage is remedied. For this agreement, a violation of capacity shall be defined as exceeding 0.25 mgd within a rolling 24-hour period or exceeding 0.625 mgd for a 60 minute period within any given day. Exceeding 0.25 MGD within a rolling 24-hour period and exceeding 0.625 mgd for 60 minutes shall only be considered as a single violation. For any quarter in which the violation of capacity rights occurs, Rancho shall pay O&M payments 1.25 times the normal payments set forth in Exhibit B. For any quarter in which more than 10 violations of capacity rights occurs, Rancho shall pay O&M payments 1.50 times the normal payments set forth in Exhibit B for the quarter in which each violation occurs. Upon receipt of notice from the SEJPA that a capacity overage has occurred, Rancho shall have three months to develop a plan for remedying the overage, which plan shall be transmitted to the SEJPA in writing. Rancho shall have an additional three months to implement the plan and correct the overage. The SEJPA may grant additional extension, in its discretion.

If for any reason Rancho fails, refuses, or is unable to cure the capacity overage by the final deadline set by the SEJPA, the SEJPA shall have the right to demand that Rancho disconnect as many connections as necessary from its systems to cure the capacity overage. In the event that Rancho fails to take appropriate action, the SEJPA shall be entitled to seek injunctive relief, specific performance, or other appropriate relief from the Court to ensure that Rancho does not continue to exceed its capacity rights under this lease.

13. Late Payment.

If any Lease or O&M payment due hereunder is more than 60 calendar days late, a late

payment penalty of 2% of the payment per month shall be due in addition to the actual Lease or O&M payment.

14. Remedy for Breach.

A. Breach by Rancho.

In the event that Rancho should materially breach the terms of this lease, by failing to make lease payments when due, by delivering effluent which does not meet the requirements of this lease, by exceeding its capacity rights, or by other substantial breach, the SEJPA shall give Rancho written notice of the alleged breach. If the breach is not corrected within 30 days, or commenced and pursued to completion within a reasonable time period if corrective action will reasonably take longer than 30 days (including obtaining any required permits), or within such other time period as may be specified in this lease or in the notice of breach, then the SEJPA shall have the right to terminate this lease. In that event, Rancho shall make immediate payment for all services actually received up to the time of termination and shall send no more effluent to the SEJPA treatment facilities.

In the alternative, and in addition to such payments, if Rancho has not commenced reasonable efforts to take corrective action, the SEJPA may, at its sole election, give notice to Rancho that the SEJPA will commence steps to make any capital improvements or take other steps necessary to increase the capacity available to Rancho to be leased to remedy the overage at Rancho's expense. After such notice is given, the SEJPA may commence planning, design, permitting, construction or other steps which are reasonably necessary to increase the capacity available to Rancho in the amount of the overage, plus a reasonable margin for expected increases in flows, and Rancho shall be liable for the costs of such activities, unless Rancho gives immediate written notice to SEJPA that it will cease such overage and complies with such

notice within 48 hours. The SEJPA shall provide estimates of the expected costs of such activities with the notice or as soon thereafter as practicable. Should Rancho correct the breach after notice has been given, and remain in compliance with this Agreement for a period of 30 days, it shall be responsible for all reasonable costs incurred by the SEJPA pursuant to this paragraph, but the SEJPA shall cease making further expenditures or incurring additional obligations without the consent of Rancho.

B. Breach by the SEJPA.

In the event that the SEJPA materially breaches this lease agreement by failing to provide treatment, or by other material breach, then Rancho shall give the SEJPA written notice of the alleged breach. If the SEJPA fails or refuses to cure the breach within 30 days of receipt of such notice, or commenced and pursued to completion within a reasonable time period if corrective action will reasonably take longer than 30 days (including obtaining any required permits), or within such other time period as may be specified by this lease or in the notice of alleged breach, then Rancho may at its sole discretion terminate this Agreement or pursue other remedies to meet its obligations to lawfully treat and dispose of the quantity of wastewater covered by this Agreement. In that event, Rancho will pay for any services actually received to the date of termination and will not send further effluent to the Facility.

15. Time of the Essence.

Time is of the essence of this Agreement.

16. Notices.

Any notices required to be given to any parties under this Agreement to SEJPA shall be delivered either personally or by first-class mail, postage pre-paid, addressed as follows:

General Manager
SEJPA
2695 Manchester Avenue
Cardiff by the Sea, CA 92007-7077

Any notices required to be given to any parties under this Agreement to Rancho shall be delivered either personally or by first-class mail, postage pre-paid, addressed as follows:

General Manager
Rancho Santa Fe CSD
605 Third Street
Encinitas, CA 92024

Any change of address by either party shall be made prior to the change by the methods set forth above.

17. Governing Law.

This Agreement shall be governed by the laws of the State of California.

18. Severability.

Should any part, term, clause or provision of this Agreement be determined by final judgment of a court of competent jurisdiction to be illegal or in conflict with any law of this state, or otherwise be rendered unenforceable or ineffectual by a final court determination, the validity of the remaining portions of provisions shall not be affected thereby, except in the case that the result would be that one party, or both parties, are deprived of material consideration for entering into this lease.

19. Binding Nature.

This Agreement shall be binding upon, and shall inure to the benefit of, the successors and interest of the parties, subject to the prohibitions on assignment and subletting set forth above.

20. Attorney's Fees.

In the event of litigation or arbitration to interpret or enforce the terms of this lease Agreement, the prevailing party in such proceeding shall be entitled its reasonable attorneys' fees in addition to costs.

21. Authority to Execute; Indemnification.

The parties hereto represent that they have full authority to enter into this Agreement and that carrying out this Agreement is not inconsistent with any of its contractual obligations to any other person or entity. In the event of any demand, claim, suit or other proceeding brought by any third party against SEJPA or its members, or against Rancho, arising out of Rancho's performance of obligations and activities under this Agreement, Rancho agrees to defend, indemnify and hold SEJPA (and its members) harmless against any costs (including defense costs), damages or losses incurred in carrying out this Agreement and in defense of such claims; provided that SEJPA and its members shall reasonably cooperate in defense of such claims, suits or proceedings, except where SEJPA is at fault for intentional, wantonly reckless, or grossly negligent wrongful acts. Rancho may select any legal counsel acceptable to SEJPA to defend such claims, provided that if such counsel is not counsel to SEJPA, Rancho's counsel shall keep SEJPA's counsel reasonably informed and cooperate with SEJPA's counsel in the defense of any claim. Neither Rancho, nor SEJPA shall make any claim or demand upon SEJPA's insurer for any matter to which this indemnity applies

In the event of any demand, claim, suit or other proceeding brought by any third party against Rancho or its members, arising out of SEJPA's performance of obligations and activities under this Agreement, SEJPA agrees to defend, indemnify and hold Rancho (and its members) harmless against any costs (including defense costs), damages or losses incurred in carrying out

this Agreement and in defense of such claims; provided that Rancho and its members shall reasonably cooperate in defense of such claims, suits or proceedings, except where Rancho is at fault for intentional, wantonly reckless, or grossly negligent wrongful acts. SEJPA may select any legal counsel acceptable to Rancho to defend such claims, provided that if such counsel is not counsel to Rancho, SEJPA's counsel shall keep Rancho's counsel reasonably informed and cooperate with Rancho's counsel in the defense of any claim.

SAN ELIJO JOINT POWERS
AUTHORITY

RANCHO SANTA FE COMMUNITY
SERVICES DISTRICT

By: _____
Name: _____
Title _____
Date: _____

By: _____
Name: _____
Title _____
Date: _____

Exhibit A - The 1991 Lease Agreement

SAN ELIJO JOINT POWERS AUTHORITY
LEASE AGREEMENT BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY
AND RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
EXHIBIT B - O & M PAYMENTS

	Influent		Treatment & Laboratory Costs	Quarterly Payments
	Flows (mgd)	% of Flow		
Encinitas	1.249	44.0%	\$ 1,387,985	\$ 346,996
Solana Beach	1.114	39.2%	1,237,344	293,000
Rancho Santa Fe	0.115	4.0%	127,216	31,804
Del Mar	0.360	12.7%	399,980	99,995
Escondido	-	0.0%	-	-
Totals	2.837	100.0%	\$ 3,152,524	\$ 788,131

	Effluent		Outfall Costs	Quarterly Payments
	Flows (mgd)	% of Flow		
Encinitas	0.599	6.0%	32,534	\$ 8,133
Solana Beach	0.534	5.4%	29,013	7,253
Rancho Santa Fe	0.055	0.6%	3,005	751
Del Mar	0.173	1.7%	9,379	2,345
Escondido	8.621	86.4%	468,165	117,041
Totals	9.982	100.0%	\$ 542,096	\$ 135,524

	Total A, M, O & M Costs	Quarterly Payments
Encinitas	\$ 1,420,519	\$ 296,884
Solana Beach	1,266,357	316,589
Rancho Santa Fe	130,221	32,555
Del Mar	409,359	105,439
Escondido	468,165	117,041
Totals	\$ 3,694,621	\$ 923,655

Lease Component (Expires June 2020 per Section 7)		
Rancho Santa Fe	\$ 96,744	\$ 24,186

Exhibit continued on next page

SAN ELIJO JOINT POWERS AUTHORITY
LEASE AGREEMENT BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY
AND RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
EXHIBIT B - O & M PAYMENTS - continued

	Treatment Capacity		Capital Program Exp	Quarterly Payments
	Flows (mgd)	% of Capacity		
Encinitas	2.200	41.9%	\$ 431,200	\$ 107,800
Solana Beach	2.200	41.9%	431,200	107,800
Rancho Santa Fe	0.250	4.8%	49,000	12,250
Del Mar	0.600	11.4%	117,600	29,400
Escondido	-	0.0%	-	-
Totals	5.250	100.0%	\$ 1,029,000	\$ 257,250

	Outfall Capacity		Capital Program Exp	Quarterly Payments
	Flows (mgd)	% of Capacity		
Encinitas	2.250	8.8%	\$ 26,471	\$ 6,618
Solana Beach	2.250	8.8%	26,471	6,618
Rancho Santa Fe	0.250	1.0%	2,941	735
Del Mar	0.600	2.4%	7,059	1,176
Escondido	20.150	79.0%	237,059	59,265
Totals	25.500	100.0%	\$ 300,000	\$ 74,411

	Total Capital Expense	Quarterly Payments
Encinitas	\$ 457,671	\$ 114,418
Solana Beach	457,671	114,418
Rancho Santa Fe	51,941	12,985
Del Mar	124,659	28,676
Escondido	237,059	59,265
Totals	\$ 1,329,000	\$ 329,761

	Total Costs	Quarterly Payments
Encinitas	\$ 1,878,190	\$ 469,547
Solana Beach	1,724,028	431,007
Rancho Santa Fe	182,162	45,541
Del Mar	534,018	133,504
Escondido	705,224	176,306
Totals	\$ 5,023,621	\$ 1,255,905

EXHIBIT C

SAMPLE RANCHO FLOW CALCULATIONS

	(a) La Granada PS Flow (GPD)	(b) Rancho Serena PS Flow (GPD)	Unmetered EDU's	RSF TP (GPD/EDU)	Unmeter Flow Multiplier	(c) Unmetered Flow (GPD)	(a+b+c) Total Average Monthly Flow (GPD)
January	79,000	15,000	160	185	1.1	32,560	126,560
February	65,000	14,000	160	180	1.1	31,680	110,680
March	67,000	15,000	160	181	1.1	31,856	113,856
April	56,000	14,000	160	179	1.1	31,504	101,504
May	69,000	15,000	160	175	1.1	30,800	114,800
June	59,000	16,000	160	174	1.1	30,624	105,624
July	63,000	15,000	160	175	1.1	30,800	108,800
August	60,000	16,000	160	179	1.1	31,504	107,504
September	60,000	16,000	160	180	1.1	31,680	107,680
October	60,000	15,000	161	185	1.1	32,764	107,764
November	63,000	16,000	161	185	1.1	32,764	111,764
December	67,000	16,000	161	187	1.1	33,118	116,118

Note: Per section 10 of the 2016 Lease Agreement, calculated unmetered flow shall be multiplied by 1.1 to account for potential inaccuracies of the unmetered flow calculation. Therefore, Unmetered Flow = Unmetered EDU's x RSF TP x 1.1



Save the Date!

The San Diego Association of Governments (SANDAG) and the California Department of Transportation (Caltrans) invite you to join us in celebrating the start of construction on the first phase of the North Coast Corridor (NCC) Program, known as Build NCC.

About the Ceremony

Attendees will have the opportunity to hear key agency officials speak, view project displays highlighting Build NCC improvements, and enjoy food and beverages. Attendees will be able to walk along a lagoon trail and get a glimpse of the project areas. Comfortable walking shoes are suggested if you plan to walk along the trail.



Ceremony Location



11 a.m. – 1 p.m.

San Elijo Lagoon Nature Center

2710 Manchester Ave.

Cardiff, CA 92007

Parking directions and event details will be provided in a follow-up email invitation.

RSVP

Please RSVP to Kristiene Gong

EMAIL: Kristiene.Gong@sandag.org

PHONE: (619) 595-5342

We look forward to seeing you there!

About the Project

Build NCC is the first package of highway, rail, bike, pedestrian, and lagoon improvements as part of the 40-year NCC Program. The NCC Program is the result of more than a decade of collaborative planning efforts between Caltrans, SANDAG, local cities, resource agencies, and community members.