

AGENDA
SAN ELIJO JOINT POWERS AUTHORITY
MONDAY NOVEMBER 10, 2014 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 13, 2014 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. **SAN ELIJO JOINT POWERS AUTHORITY ANNUAL AUDIT**

1. Accept and file the 2013-14 Fiscal Year Audit for the San Elijo Joint Powers Authority; and
2. 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 2013-14 FINANCIAL STATEMENT EXPENSES**

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

Staff Reference: Director of Finance and Administration

14. **2014-2015 RECYCLED WATER PRICE ADJUSTMENT BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY AND THE OLIVENHAIN MUNICIPAL WATER DISTRICT**

1. Approve recycled water rate increase to the Olivenhain Municipal Water District beginning December 1, 2014 to an amount of \$1,310 per acre-foot and beginning July 1, 2015 to an amount of \$1,356 per acre-foot; and
2. Discuss and take action as appropriate.

Staff Reference: General Manager

15. **ACCEPTANCE OF COMPLETION – SOLANA BEACH STORM WATER DIVERSION STRUCTURE**

1. Authorize the General Manager to accept the Solana Beach Storm Water Diversion Structure Project, sign and record a Notice of Completion; and
2. Discuss and take action as appropriate.

Staff Reference: General Manager

16. **GENERAL MANAGER'S REPORT**

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

17. **GENERAL COUNSEL'S REPORT**

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

18. 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.

19. CLOSED SESSION

A closed session will be held per Government Code Section 54956.9(d)(2): Potential Litigation, one matter.

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".

20. ADJOURNMENT

The next regularly scheduled San Elijo Joint Powers Authority Board Meeting will be Monday, December 8, 2014 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 5, 2014



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

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON OCTOBER 13, 2014
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Mark Muir, Chair

David Zito, Vice Chair

A meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, October 13, 2014, 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 Muir called the meeting to order at 9:04 a.m.

2. ROLL CALL

Directors Present:

Teresa Barth
Mark Muir
David Zito

Directors Absent:

Thomas M. Campbell

Others Present:

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

Michael Thornton
Christopher Trees
Paul Kinkel
Marisa Buckles
Jennifer Basco

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Greg Moser

City of Encinitas:

Director of Engineering and Public Works
Public Works Management Analyst

Glenn Pruum
Bill Wilson

City of Solana Beach:

Director of Engineering/Public Works

Mohammad "Mo" Sammak

3. PLEDGE OF ALLEGIANCE

Chair Muir led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

None

6. CONSENT CALENDAR

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

Motion carried with the following vote of approval:

AYES: Barth, Muir, Zito
NOES: None
ABSENT: Campbell
ABSTAIN: None

Consent Calendar:

Agenda Item No. 7	Approval of Minutes for the September 8, 2014 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	San Elijo Ocean Outfall – State of California Land Lease Renewal No. PRC 3228.9

12. ITEMS REMOVED FROM CONSENT CALENDAR

None

13. UPDATE ON CONSTRUCTION OF CURRENT CAPITAL PROJECTS

General Manager Thornton updated the Board of Directors on the projects that are currently underway for the SEJPA: the Emergency Generator Replacement project, the Biosolids Conveyor Replacement project, the Storm Water Diverter project at Seascape Sur, and the Facility Plan Update for the SEWRF. The Generator Replacement at the treatment plant has been completed and the new generator is online. The generator for the San Elijo Hills pump station is currently being manufactured and is expected to be delivered by the end of October. This project has approximately \$35,000 of pending change orders due to unforeseen underground utilities, material changes, and additional requested work. The Biosolids Conveyor Replacement project has encountered a three month delay due to the conveyor manufacturer; however, no change orders or additional work is pending. The Storm Water Diverter project at Seascape Sur is expected to be completed in October, with

two potential change orders in the amount of \$20,664. The change orders are for unforeseen underground utilities relocation. Finally, Carollo Engineers has completed their evaluation of the SEJPA's assets and has completed a draft Facility Plan report for review by the SEJPA. During the evaluation of the facility, an odor scrubber at the SEWRF failed an APCD inspection. At the request of the SEJPA, Carollo agreed to expand the scope of services to address the specific performance issues with the scrubber. The expanded scope was estimated to require an additional fee of approximately \$11,000.

Moved by Board Member Barth and seconded by Vice Chair Zito to:

1. Authorize the General Manager to execute contract amendments in an amount not to exceed \$68,000.

Motion carried with the following vote of approval:

AYES: Barth, Muir, Zito
NOES: None
ABSENT: Campbell
ABSTAIN: None

14. RECYCLED WATER PRICING UPDATE

The General Manager reported that in 2013, the SEJPA began moving the recycled water program away from "index-pricing" to a cost of service methodology. The goal is to create a uniform pricing structure between the SEJPA and its water purveyor partners. Currently, uniform pricing has been achieved with Santa Fe Irrigation District and the San Dieguito Water District. The General Manager reported that SEJPA staff has engaged both the Olivenhain Municipal Water District (OMWD) and the City of Del Mar (Del Mar) in regards to modifying their pricing structure to achieve this goal. Working with the financial consultant Raftelis Financial Consultant, staff has developed a cost of service analysis that shows the recycled water price of \$1,310 per AF is reasonable and justified. If this change is acceptable to OMWD and Del Mar, it would result in achieving the Board's goal of a single price for the same level of service and having all of the non-interruptible service agreements on a cost of service pricing approach. The General Manager reported that he expects to reach agreement on the proposed price increase with OMWD before the next SEJPA Board meeting.

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

15. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM – OFFICE OF AUDIT SERVICES – REVIEW REPORT

Paul Kinkel, Director of Finance and Administration, informed the Board of Directors that the California Public Employees' Retirement System (CalPERS) requested the Office of Audit Services (OAS) to review earnings and retirement enrollment reporting procedures of the SEJPA. The review is to ensure that the SEJPA is in compliance with applicable sections of the California Code of Regulations (CCR) and that the prescribed reporting and enrollment procedures for retirement benefits are being followed. Mr. Kinkel stated that the review identified three issues that the SEJPA is addressing or have been resolved, including pay schedules, the monetary value of

rental and maintenance of uniforms, and certification of the correct number of sick leave days for two retirees. The certification of sick leave days for two retirees has been resolved. The monetary value of rental and maintenance of uniforms is an open issue and will be reported back to the Board within ninety days. The prior years' pay schedules require Board action to approve, which staff is requesting action on today.

Moved by Board Member Barth and seconded by Vice Chair Zito to:

1. Approve the prior years' pay schedules as required by the California Code of Regulations (CCR) requirements.

Motion carried with the following vote of approval:

AYES: Barth, Muir, Zito
NOES: None
ABSENT: Campbell
ABSTAIN: None

16. GENERAL MANAGER'S REPORT

None

17. GENERAL COUNSEL'S REPORT

None

18. BOARD MEMBER COMMENTS

None

19. CLOSED SESSION

None

20. ADJOURNMENT

The meeting adjourned at 9:45 a.m. The next Board of Directors meeting will be held on November 10, 2014.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

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

15-11

For the Month of October - 2014

Check #	Vendor Name	G/L Account	Warrant Description	Amount
30799	AT&T	Utilities - Telephone	Phone service - 08/13/2014 - 09/12/2014	369.63
30800	AT&T	Utilities - Telephone	DSL - 08/10/2014 - 09/09/2014 Line #1	89.03
30801	AT&T	Utilities - Telephone	DSL - 08/20/2014 - 09/19/2014 Line #2	89.51
30802	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping, grit and screening	1,574.67
30803	Barracuda Networks, Inc.	Utilities - Internet	Network back-up	50.00
30804	Barrett Engineered Pumps	Repair Parts Expense	Valve assembly and mechanical seal kit	531.43
30805	Boot World, Inc.	Uniforms - Boots	Safety boots	150.00
30806	Brenntag Pacific, Inc.	Supplies - Chemicals	Hydrochloric Acid	674.65
30807	The Brickman Group Ltd.	Services - Landscape	Landscape service - October	385.00
30808	Brithinee Electric	Repair Parts Expense	Motor	347.40
30809	Marisa Buckles	Subsistence - Travel	Mileage	31.61
30810	Complete Office	Supplies - Office	Office supplies	201.07
30811	Dudek & Associates	Services - Engineering	Emergency Power Project - final design	448.00
30812	Euronfins Calcscience, Inc.	Services - Laboratory	Testing water samples	279.00
30813	Fisher Scientific	Supplies - Chemicals	Sodium Dodecylbenzene Sulfonate	117.79
30814	Flo-Systems, Inc.	Capital Outlay	Spiral shaft weldment	9,315.00
30815	Guardian	Dental/Vision	Dental - October	1,778.44
30816	Harrington Industrial Plastics	Repair Parts Expense	Seal	404.56
30817	Health and Human Resource	Employee Assistance Program	October	317.68
30818	Home Depot Credit Services	Supplies - Shop & Field	Repairs, shop, and field supplies	318.26
30819	Hydroscape Products, Inc.	Repair Parts Expense	Benda board teak plastic	214.89
30820	IPTelSupport	Subcontractors	Paging configuration for phone system	300.00
30821	The Lawton Group	Services - Intern Program	Weeks worked - 09/08/14 - 09/19/14	2,440.75
30822	LCI Backhoe Service	Capital Outlay	Emergency repair for recycled water leak	6,186.73
30823	Leaf & Cole, LLP	Services - Accounting	Audit - progress billing	14,000.00
30824	McMaster-Carr Supply Co.	Supplies - Safety	Safety signs, broom, steel spring, and pipe	493.18
30825	MegaPath Corporation	Utilities - Internet	T-1 service - October	279.27
30826	Mertec Engineering	Repair Parts Expense	Safety pull switch	427.11
30827	Metro Fire & Safety	Services - Maintenance	Sprinklers annual inspection	295.00
30828	National Coating & Lining Co.	Services - Construction	Coating and HVAC project	17,980.00
30829	Olin Corp - Chlor Alkali	Supplies - Chemicals	Sodium Hypochlorite	3,801.12
30830	P.E.R.S. - Retirement	Retirement Plan - PERS	Retirement - 09/13/14 - 09/26/14	15,912.77
30831	SHRM	Dues & Memberships	Membership - 11/01/14 - 10/30/2015	185.00
30832	Specialty Seals & Accessories	Repair Parts Expense	Pump	45.36
30833	Sun Life Financial	Life Insurance/Disability	Life and disability insurance - October	1,448.91
30834	Sunbelt Rentals	Equipment Rental/Lease	Diesel generator	1,890.00
30835	Terminix Processing Center	Services - Maintenance	Pest control	120.00
30836	Tony Lipka	Training - Safety	Fall protection program and training	2,250.00
30837	Trussell Technologies, Inc	Services - Engineering	Process engineering and evaluation	1,178.00
30838	Unifirst Corporation	Services - Uniforms	Uniform service	312.77
30839	UPS	Postage/Shipping	Mailing parts and compliance reports	92.43
30840	USA Bluebook	Repair Parts Expense	Water level gauge and valve	666.93
30841	Vantagepoint Transfer Agents	EE Deduction Benefits	457 - ICMA	6,025.77
30842	Vantagepoint Transfer Agents	ICMA Retirement	401a - ICMA	2,713.92
30843	Verizon Wireless	Utilities - Telephone	Cell phone service and equipment	726.72
30844	Automatic Door Specialists	Supplies - Shop & Field	Remote controllers for front gate	249.00
30845	Aflac	EE Deduction Benefits	Medical and supplement life insurance	1,216.62
30846	Ag Tech, LLC	Services - Biosolids Hauling	Biosolids hauling - September	13,460.34
30847	AT&T	Utilities - Telephone	Alarm service	384.08
30848	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping	554.88
30849	BankCard Center	Supplies - Safety	Meetings, office supplies, printing, and parts	5,513.74
30850	Boot World, Inc.	Uniforms - Boots	Safety boots	145.76
30851	California Water Technologies	Supplies - Chemicals	Ferric Chloride	4,476.34
30852	CFM San Diego, Inc.	Capital Outlay	Resilient seated butterfly valve	4,859.41
30853	Chemco Products Company	Supplies - Chemicals	Corrosion inhibitor	361.10
30854	Coast Waste Management, Inc.	Services - Grit & Screenings	Roll-off recycle	573.86
30855	Carrie Cook	CSRMA Wellness Program	Health and wellness reimbursement	60.00
30856	Corodata	Rent	Record storage - September	75.03
30857	CS-Amsco	Repair Parts Expense	Plug valve, ductile iron body, and seat rings	2,602.16
30858	Cal State Compliance and Consulting	Services - Professional	Labor Compliance - Seascape Sur project	300.00
30859	CWEA - TCP	Dues & Memberships	Certificate - Laboratory Analyst	79.00
30860	Dixieline Lumber	Supplies - Shop & Field	Shop and fields supplies, repairs	185.78
30861	Doyle King	Supplies - Shop & Field	Workman tricycle	300.00
30862	Dudek & Associates	Services - Engineering	Emergency Power Project - final design	8,274.00
30863	EDCO Waste & Recycling Service	Utilities - Trash	Trash service - September	234.21

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****15-11****For the Month of October - 2014**

Check #	Vendor Name	G/L Account	Warrant Description	Amount
30864	Fisher Scientific	Supplies - Lab	Laboratory supplies	879.94
30865	Gierlich Mitchell, Inc.	Capital Outlay	Brunel torque limiter and clarifier parts	44,731.95
30866	Grainger, Inc.	Supplies - Shop & Field	Soap	165.25
30867	Hach Company	Repair Parts Expense	Controller	1,969.66
30868	Harrington Industrial Plastics	Repair Parts Expense	Plumbing supplies	136.55
30869	Jani-King of CA, Inc.	Services - Janitorial	Janitorial service - October	882.64
30870	Jennifer Basco	Subsistence - Travel	Mileage	56.81
30871	Kennedy/Jenks Consultants	Services - Engineering	Relocation study	16,971.57
30872	Konica Minolta	Services - Maintenance	Monthly copier maintenance	108.25
30873	The Lawton Group	Services - Intern Program	Weeks worked - 09/20/14 - 10/05/14	2,895.13
30874	McMaster-Carr Supply Co.	Repair Parts Expense	AC motor, light, and pipe	197.35
30875	Metro Fire & Safety	Services - Maintenance	Dry chemical inspection	45.00
30876	NEWest Construction	Services - Construction	Emergency generator	455,491.75
30877	Olin Corp - Chlor Alkali	Supplies - Chemicals	Sodium Hypochlorite	2,966.76
30878	Olivenhain Municipal Water District	Rent; Due to Other Govt Agencies	Pipeline rental; Demineralization Grant (\$145K)	146,061.50
30879	Public Employees- Retirement	Retirement Plan - PERS	Retirement - 09/27/14 - 10/10/14	15,934.87
30880	Preferred Benefit Insurance	Dental/Vision	Vision insurance - 10/01/14 - 10/31/14	333.00
30881	Rosemount Inc.	Repair Parts Expense	Pressure transmitter	1,022.24
30882	Safetyline, Inc.	Supplies - Safety	Safety vests	105.97
30883	San Dieguito Water District	Utilities - Water	Recycled water	11,837.22
30884	San Dieguito Water District	Utilities - Water	Recycled water	1,990.22
30885	Santa Fe Irrigation District	Utilities - Water (Suppl.)	Recycled water	364.87
30886	Santa Fe Irrigation District	SFID Distribution Pipeline	Pipeline purchase payment - September	1,552.69
30887	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 09/07/14 - 10/06/14	2,493.31
30888	Smart & Final	Supplies - Office	Kitchen supplies	156.67
30889	Nicholas Talbot	CSRMA Wellness Program	Health and wellness reimbursement	60.00
30890	Terminix Processing Center	Services - Maintenance	Pest control	274.00
30891	Trussell Technologies, Inc	Services - Engineering	Process engineering and evaluation	1,178.00
30892	Unifirst Corporation	Services - Uniforms	Uniform service	617.60
30893	Univar USA Inc.	Supplies - Chemicals	Citric acid	825.20
30894	UPS	Postage/Shipping	Mailing compliance reports and parts	31.68
30895	Underground Service Alert/SC	Services - Alarm	Dig alerts - September	97.50
30896	Valley Chain & Gear, Inc.	Repair Parts Expense	Pulley and bushings	125.57
30897	Vantagepoint Transfer Agents	EE Deduction Benefits	457 - ICMA	6,025.77
30898	Vantagepoint Transfer Agents	ICMA Retirement	401a - ICMA	2,717.32
30899	VWR International, Inc.	Supplies - Lab	Bacti-cinerator, tubes, and gloves	705.47
30900	WageWorks	Payroll Processing Fees	FSA administration and compliance fee	113.00
30901	Water Environment Federation	Dues & Memberships	Membership	249.00
30902	WEX Bank	Fuel	Fuel -September	891.04
	San Elijo Payroll Account	Payroll	Payroll - 10/03/14 (Less Retirement Plans)	61,523.43
	San Elijo Payroll Account	Payroll	Payroll - 10/17/14 (Less Retirement Plans)	60,540.15
	Bank Fees		Fees	
				<u>\$ 986,690.57</u>

SAN ELIJO JOINT POWERS AUTHORITY

PAYMENT OF WARRANTS SUMMARY

For the Month of October - 2014

As of October 26, 2014

PAYMENT OF WARRANTS		\$ 986,690.57
Reference Number	15-11	

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 26, 2014

FUNDS ON DEPOSIT WITH	AMOUNT
LOCAL AGENCY INVESTMENT FUND <i>(SEPTEMBER 2014 YIELD 0.24%)</i>	
RESTRICTED SRF RESERVE	\$ 630,000.00
UNRESTRICTED DEPOSITS	\$ 6,946,449.74
CALIFORNIA BANK AND TRUST <i>(SEPTEMBER 2014 YIELD 0.01%)</i>	
REGULAR CHECKING	\$ 21,786.19
PAYROLL CHECKING	\$ 5,000.00
 TOTAL RESOURCES	 \$ 7,603,235.93

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 10, 2014

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

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

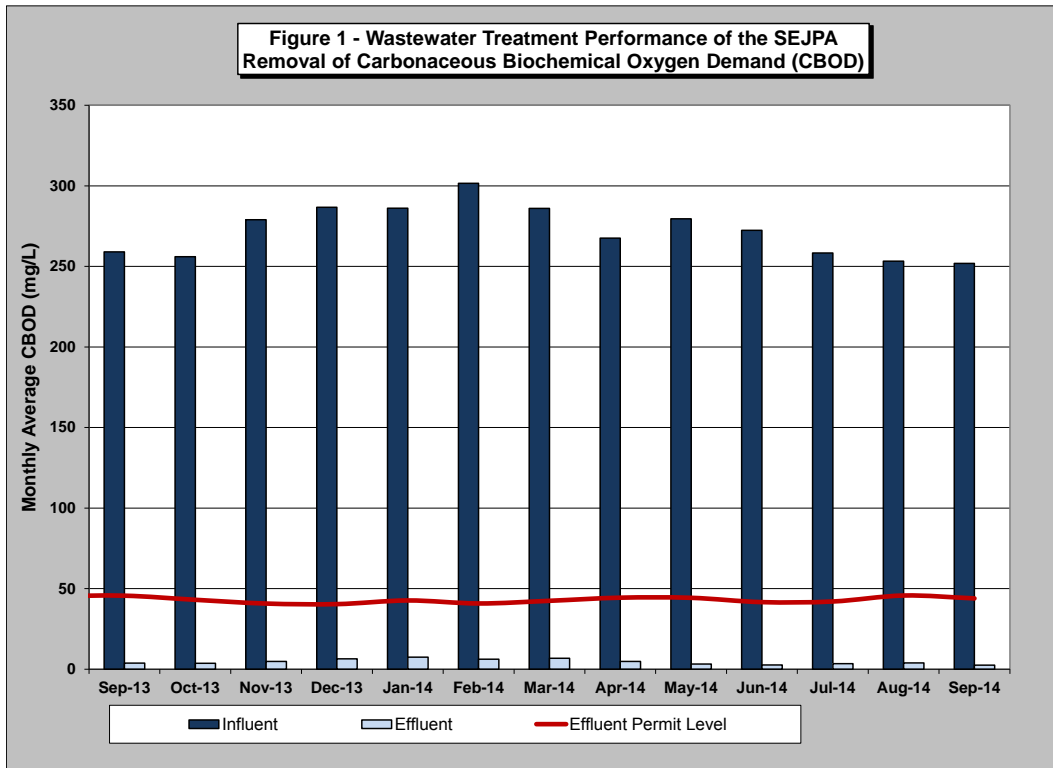
RECOMMENDATION

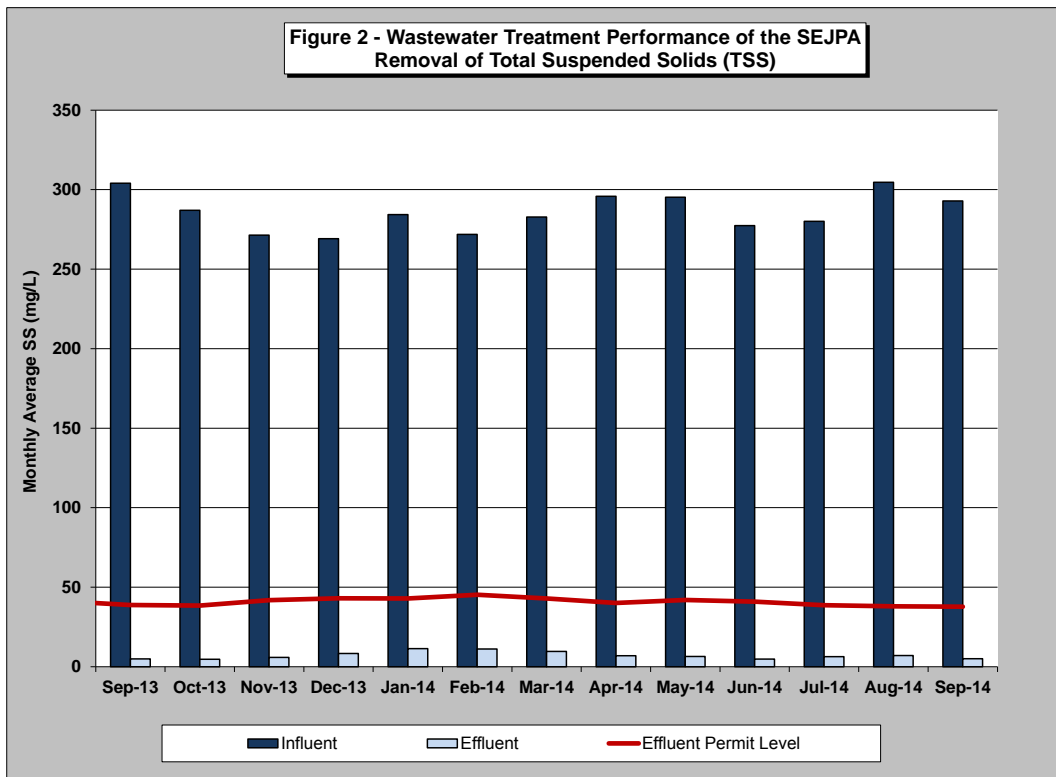
No action required. This memorandum is submitted for information only.

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 2014. The primary indicators of treatment performance include the removal of Carbonaceous Biochemical Oxygen Demand (CBOD) and Total Suspended Solids (TSS). The SEJPA is required to remove a minimum of 85 percent of the CBOD and TSS from the wastewater. Treatment levels for CBOD and TSS were 99.0 and 98.3 percent removal, respectively, in the period (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	1.215	0.211
City of Solana Beach	1.232	0.214
Rancho Santa Fe SID	0.113	0.019
Total San Elijo WRF Flow	2.560	0.444

Notes: As of July 1995, Rancho Santa Fe Community Services District (CSD) combined SID #2 and SID #3 into one Sewer Improvement District (SID).

* 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 EDUS	CSD EDUS	SB EDUS	TOTAL EDUS	CSD	RSF	CSD	SB
Sep-09	1.404	0.108	1.346	2.858	0.690	0.053	0.661	1.404	8,187	468	7,728	16,383	171	231	174	174			
Oct-09	1.375	0.108	1.332	2.815	0.744	0.058	0.721	1.523	8,187	468	7,728	16,383	168	231	172	172			
Nov-09	1.366	0.111	1.323	2.800	0.843	0.069	0.816	1.728	8,189	469	7,728	16,386	167	237	171	171			
Dec-09	1.401	0.127	1.322	2.850	1.149	0.104	1.084	2.337	8,193	469	7,728	16,390	171	271	171	174			
Jan-10	1.532	0.155	1.372	3.059	1.271	0.128	1.138	2.537	8,196	472	7,728	16,396	187	329	178	187			
Feb-10	1.487	0.148	1.382	3.017	1.371	0.136	1.274	2.781	8,197	474	7,728	16,399	181	313	179	184			
Mar-10	1.455	0.145	1.398	2.998	1.108	0.110	1.064	2.282	8,198	474	7,728	16,400	177	306	181	183			
Apr-10	1.451	0.137	1.391	2.979	1.058	0.100	1.014	2.172	8,198	474	7,728	16,400	177	289	180	182			
May-10	1.379	0.128	1.385	2.892	0.672	0.063	0.675	1.410	8,201	474	7,728	16,403	168	270	179	176			
Jun-10	1.437	0.122	1.453	3.012	0.650	0.055	0.657	1.362	8,202	474	7,728	16,404	175	258	188	184			
Jul-10	1.375	0.119	1.466	2.960	0.694	0.061	0.740	1.495	8,204	475	7,728	16,407	168	251	190	180			
Aug-10	1.366	0.125	1.451	2.942	0.585	0.053	0.621	1.259	8,205	475	7,728	16,408	166	263	188	179			
Sep-10	1.346	0.114	1.342	2.802	0.627	0.053	0.626	1.306	8,207	475	7,728	16,410	164	240	174	171			
Oct-10	1.413	0.123	1.311	2.847	1.177	0.102	1.092	2.371	8,207	477	7,728	16,412	172	258	170	173			
Nov-10	1.399	0.117	1.297	2.813	1.090	0.091	1.011	2.192	8,209	478	7,728	16,415	170	245	168	171			
Dec-10	1.605	0.215	1.375	3.195	1.417	0.189	1.214	2.820	8,212	478	7,728	16,418	195	450	178	195			
Jan-11	1.452	0.158	1.338	2.948	1.272	0.139	1.172	2.583	8,227	478	7,728	16,433	176	331	173	179			
Feb-11	1.413	0.156	1.339	2.908	1.176	0.130	1.114	2.420	8,228	480	7,728	16,436	172	325	173	177			
Mar-11	1.387	0.208	1.343	2.938	1.186	0.178	1.148	2.512	8,229	480	7,728	16,437	169	434	174	179			
Apr-11	1.320	0.181	1.323	2.824	0.867	0.118	0.869	1.854	8,248	482	7,728	16,458	160	376	171	172			
May-11	1.327	0.162	1.320	2.809	0.564	0.069	0.561	1.194	8,248	483	7,728	16,459	161	336	171	171			
Jun-11	1.343	0.156	1.390	2.889	0.545	0.063	0.564	1.172	8,249	483	7,728	16,460	163	323	180	176			
Jul-11	1.293	0.151	1.430	2.874	0.425	0.050	0.470	0.945	8,250	484	7,728	16,462	157	312	185	175			
Aug-11	1.292	0.150	1.405	2.847	0.479	0.056	0.521	1.056	8,252	485	7,728	16,465	157	310	182	173			
Sep-11	1.262	0.146	1.333	2.741	0.564	0.066	0.596	1.226	8,254	486	7,728	16,468	153	301	172	166			
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			

CSD: Cardiff Sanitary Division

RSF CSD: Ranch Santa Fe Community Service District

SB: Solana Beach

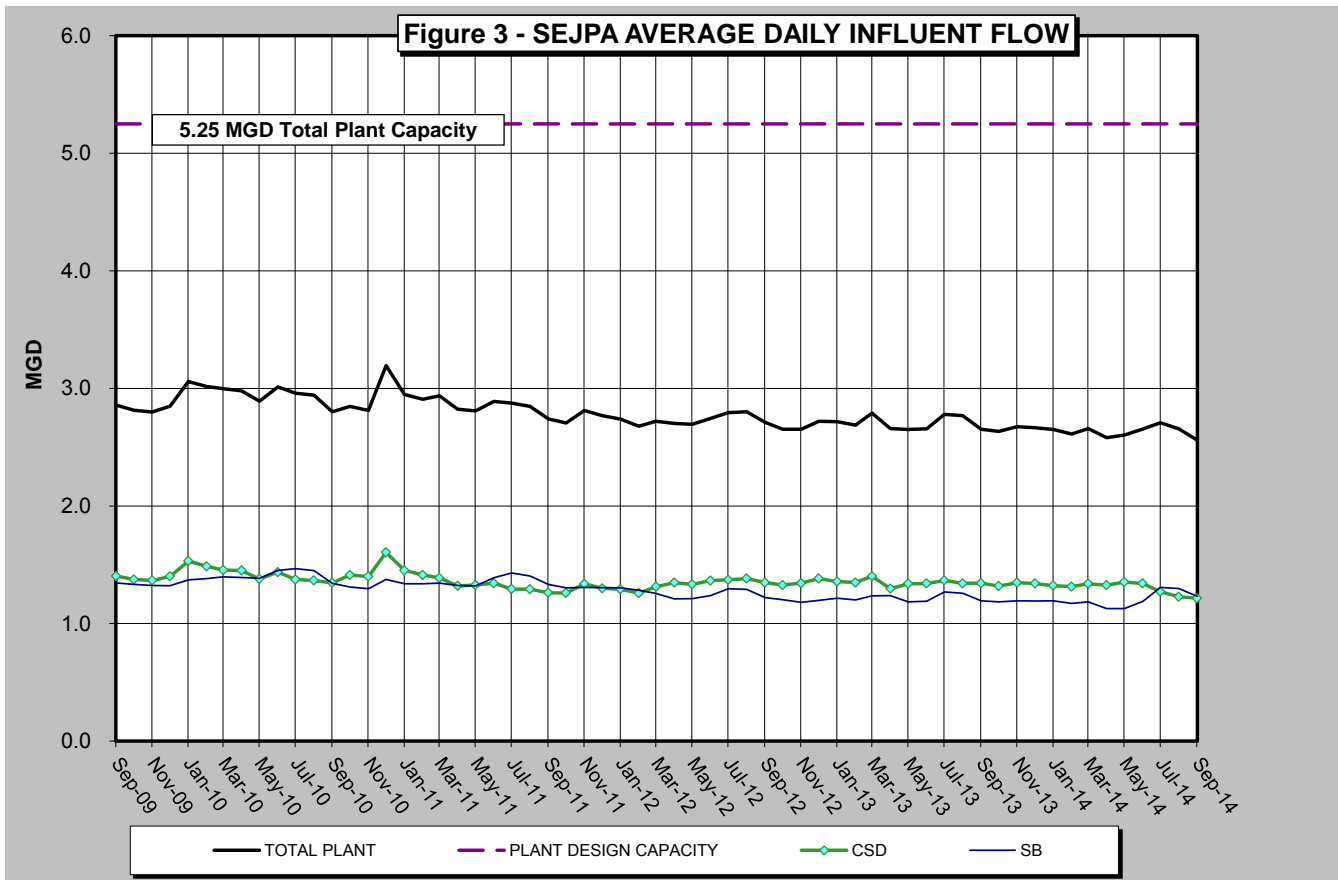
EDU: Equivalent Dwelling Unit

ASSUMPTIONS: SB average flow includes San Elijo Hills flow of 0.131 mgd

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. As shown in the figure, the average treated flow has been approximately 2.8 million gallons per day (mgd). 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 has the right to 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.

	Flow (mgd)
Escondido (Average flow rate)	7.48
Escondido (Peak flow rate)	18.0

Connected Equivalent Dwelling Units

The number of EDUs connected for each of the Member Agencies for the month of September is as follows:

	Connected (EDU)
Cardiff Sanitary Division	8,351
Rancho Santa Fe SID	500
City of Solana Beach	7,428
San Diego (to Solana Beach)	300
Total EDUs to System	16,579

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

*

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 10, 2014

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO WATER RECLAMATION PROGRAM – MONTHLY REPORT

RECOMMENDATION

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

DISCUSSION

Recycled Water Production

For the month of September 2014, recycled water demand was 212.06 acre-feet (AF), which was met using 212.06 AF of recycled water and 0.0 AF of supplementation with potable water.

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 thirteen fiscal years. Figure 3 (attached) shows the monthly recycled water demand for each month since the program began.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Figure 1 - MONTHLY RECYCLED WATER DEMAND

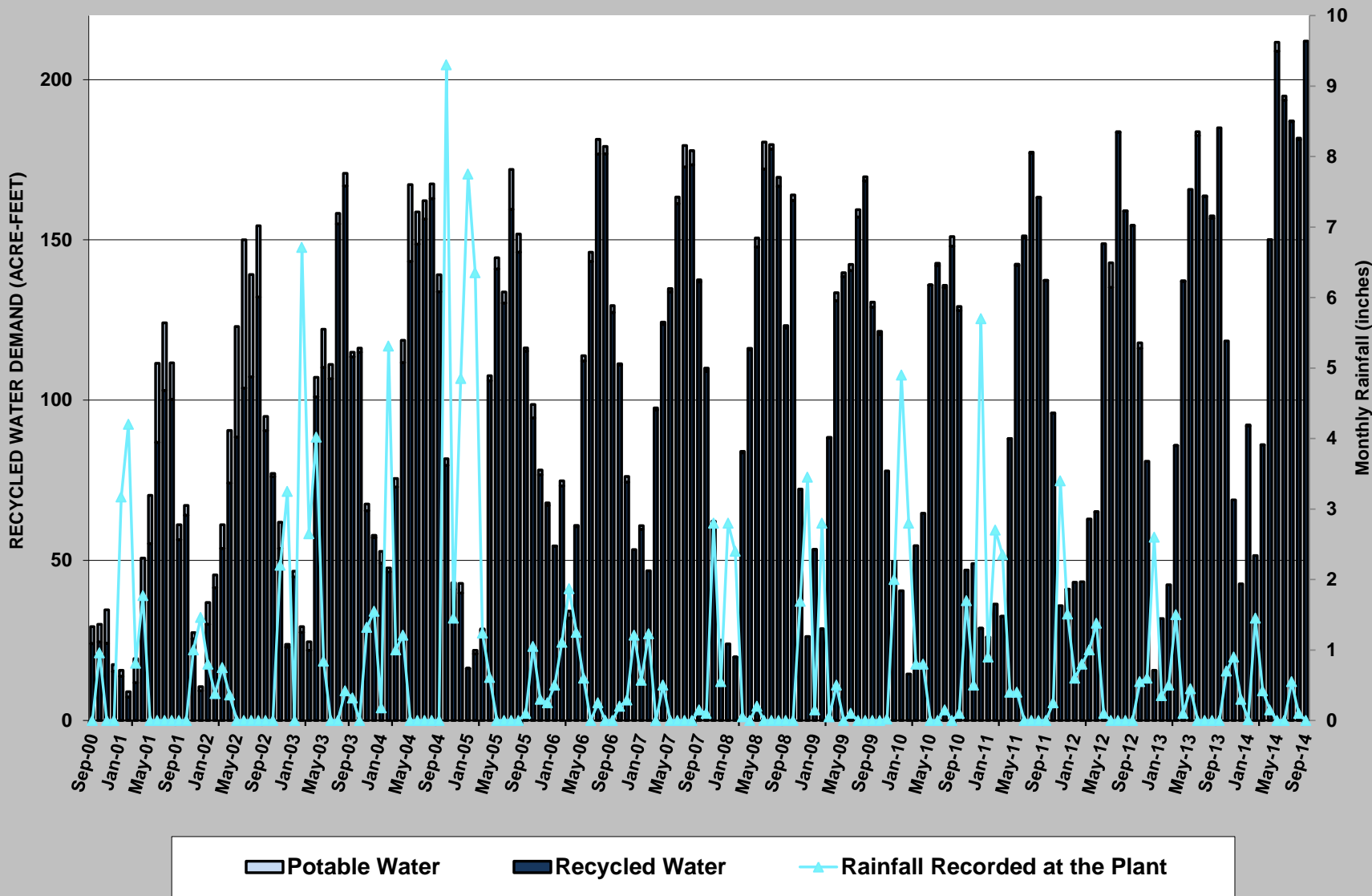


Figure 2 - RECYCLED WATER DEMAND by FISCAL YEAR

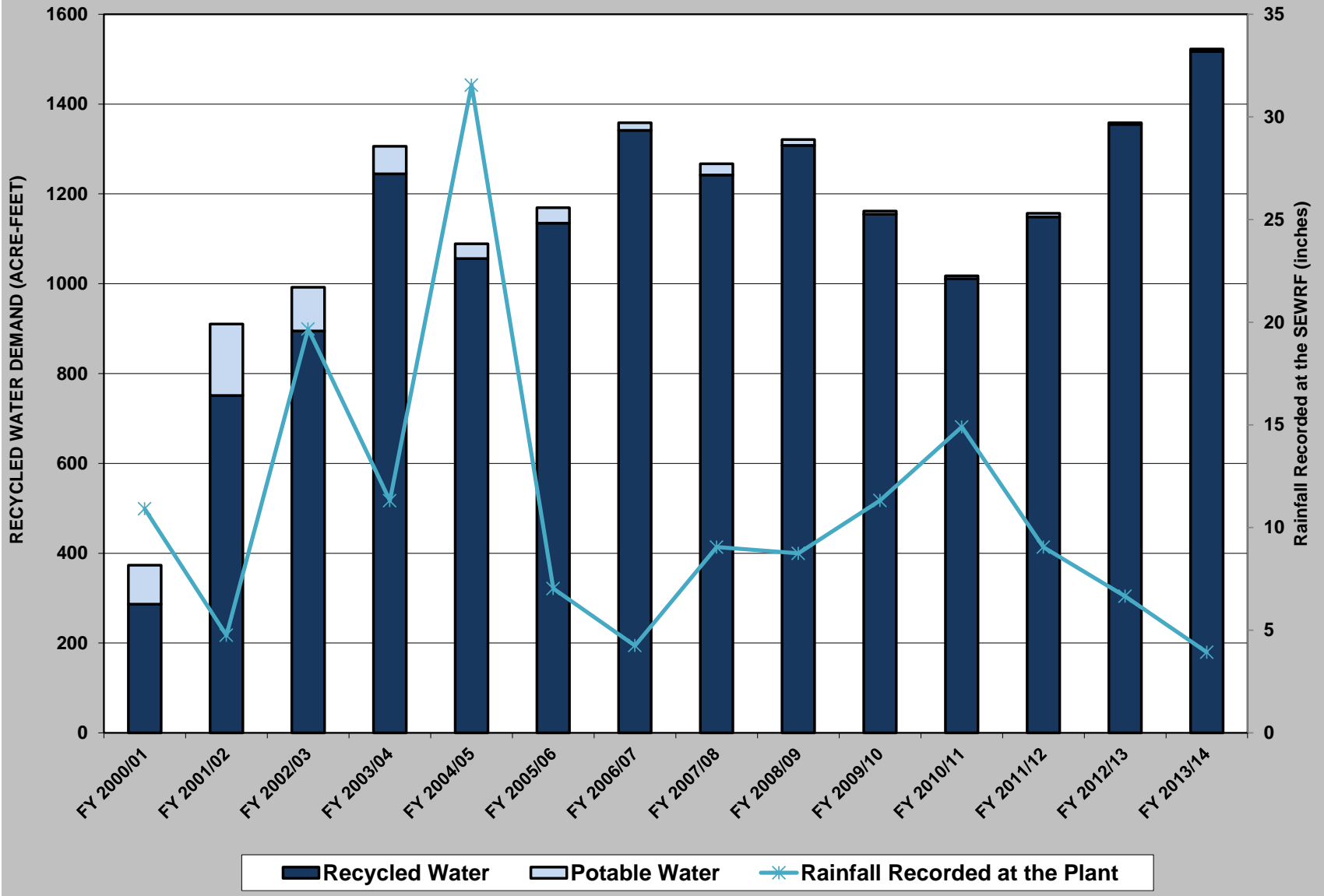
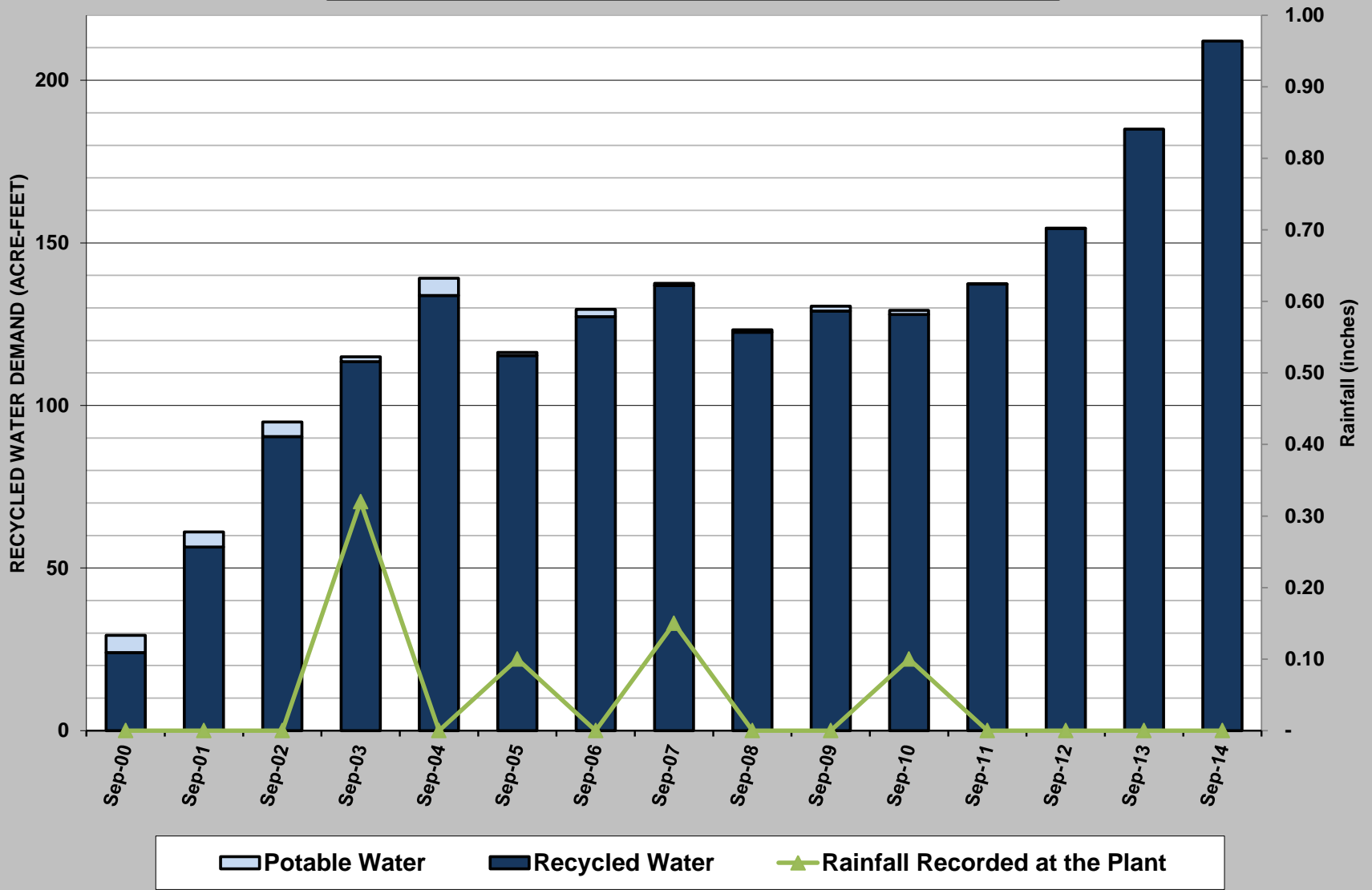


Figure 3 - SEPTEMBER RECYCLED WATER DEMAND



SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 10, 2014

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance and Administration

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY ANNUAL AUDIT

RECOMMENDATION

It is recommended that the Board of Directors:

1. Accept and file the 2013-14 Fiscal Year Audit for the San Elijo Joint Powers Authority; and
2. Discuss and take action as appropriate.

DISCUSSION

The audit of the San Elijo Joint Powers Authority (SEJPA) for Fiscal Year 2013-2014 has been completed with an unmodified or "clean" opinion on the basic Financial Statements and is presented to the SEJPA Board of Directors for approval along with the required communication to those charged with governance. The SEJPA auditor, Leaf & Cole, LLP has performed this 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.

As part of the audit, Leaf & Cole, LLP is required by professional standards to communicate to the Board of Directors certain information related to the audit. This letter is required to include information related to accounting practices, audit difficulties, disagreements with management, management representations, corrected and uncorrected misstatements, and other audit findings, issues or matters. No transactions were noted where there was a lack of authoritative guidance or consensus. The financial statement disclosures are neutral, consistent, and clear. There were no significant difficulties or disagreements with management in performing and completing the audit. Included with this letter is the list of adjustments made during the audit process. The adjustments were due to the reconciliation of the 2011 Bond Issuance Costs amortized over the life of the bond, the final Member and Government Agencies' contributions and charges for services, and the Other Post Benefit Employment Benefit adjustment ("OPEB") based on the actuarial report.

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 - Wastewater and Reclamation Basic Financial Statements

Mr. Michael Zizzi, CPA, engagement partner for the audit, will give a verbal presentation to the Board of Directors summarizing the audit and answer any questions.

ACKNOWLEDGEMENT

This report was accomplished with support and input from all departments at SEJPA and our independent auditor, Leaf & Cole, LLP. We would like to thank the Board of Directors for their continued guidance and supporting prudent fiscal management.

It is therefore recommended that the Board of Directors:

1. Accept and file the 2013-14 Fiscal Year Audit for the San Elijo Joint Powers Authority; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Paul F. Kinkel
Director of Finance & Administration

- Attachment 1: Auditor's communication to those charged with governance (Statements on Auditing Standards 114)
- Attachment 2: San Elijo Joint Powers Authority Financial Statements June 30, 2014 and 2013



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

ATTACHMENT 1

Steven W. Northcote, C.P.A.
Michael S. Schreiberman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

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

We have audited the financial statements of San Elijo Joint Powers Authority for the year ended June 30, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 1, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of San Elijo Joint Powers Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions examined and the areas tested.

Our audit included obtaining an understanding of the SEJPA and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the SEJPA.

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 SEJPA are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period. We noted no transactions entered into by SEJPA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives assigned to capital assets have been estimated based on the intended use.
- Management has represented no circumstances indicating the carrying value of the long-lived assets was impaired.
- The allowance for doubtful accounts has been estimated based on past experience and on an analysis of current receivable balances.
- Amortization of bond issuance costs, the deferred amount on refunding and the original issue premium

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Cash and Cash Equivalents (Note 2)
- Restricted Assets (Note 4)
- Noncurrent Liabilities (Note 8)
- SFID Reimbursement Agreement Payable (Note 12)
- Defined Benefit Pension Plan (Note 14)

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

- The attached schedule of misstatements detected as a result of audit procedures were corrected by management.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as 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 disagreement arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations With Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complied with U.S. generally accepted accounting principles, 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.

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

Leaf & Cole LLP

San Diego, California
October 14, 2014

Prepared by _____

SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

05182A

Page 1

Reviewed by _____

08/25/14 04:12 PM

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
01	Adjusting	06/30/14					
		5241.50	Amortization Expense - Issue C	2,549.19			
		1561.50	Accum. Depreciation Issue Cost		2,549.19		
						(2,549.19)	
			To properly record amortization on the bond issue costs				
02	Adjusting	06/30/14					
		4914.10	Contribution From Cardiff SD	42,313.00			
		1105.10	Due From Member Agencies		42,313.00		
		4910.10	Contribution From Solana Beach		28,772.00		
		1105.10	Due From Member Agencies	28,772.00			
		4918.10	Contribution From RSF SID 2&3		25,479.00		
		1110.10	Due from Other Gov. Agencies	25,479.00			
		4936.10	Lab Service Fees-RSF SID 1	2,175.00			
		1110.10	Due from Other Gov. Agencies		2,175.00		
		4937.10	Lab Service Fees-Whisp. Palms		280.00		
		1110.10	Due from Other Gov. Agencies	280.00			
		4938.10	Lab Service Fees-Fairbanks Rch		686.00		
		1110.10	Due from Other Gov. Agencies	686.00			
		4933.10	Lab Service Fees - SFV		397.00		
		1110.10	Due from Other Gov. Agencies	397.00			
		4916.10	Contribution From Escondido	50,332.00			
		1110.10	Due from Other Gov. Agencies		50,332.00		
		1010.20	Payroll Checking	360,808.29			
		1060.20	Savings - LAIF		360,808.29		
		1060.10	Savings - LAIF	360,808.29			
		1010.10	Payroll Checking		360,808.29		
						(39,206.00)	
			To record the closeout billing at year end				
03	Adjusting	06/30/14					
		5152.10	PERS Liability Paydown	23,276.00			
		5152.20	PERS Liability Paydown	5,383.00			
		2500.10	OPEB Payable		23,276.00		
		2500.20	OPEB Payable		5,383.00		
						(28,659.00)	
			To record the client proposed AJE related to OPEB Expense				
04	Adjusting	06/30/14					
		5152.10	PERS Liability Paydown	4,560.19			
		5152.20	PERS Liability Paydown	1,055.81			
		5146.10	Medical Insurance - Pers		4,560.19		
		5146.20	Medical Insurance - Pers		1,055.81		
						0.00	
			To reclassify OPEB benefit payments to OPEB expense				

Prepared by _____

SAN ELIJO JOINT POWERS AUTHORITY
Adjusting Journal Entries

05182A

Page 2

Reviewed by _____

08/25/14 04:12 PM

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
				<u>908,874.77</u>	<u>908,874.77</u>	<u>(70,414.19)</u>	

ATTACHMENT 2

SAN ELIJO JOINT POWERS AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013



Leaf & Cole, LLP
Certified Public Accountants

**SAN ELIJO JOINT POWERS AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of San Elijo Joint Powers Authority, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years 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 audits. We conducted our audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Elijo Joint Powers Authority, as of June 30, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 on 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 that collectively comprise the San Elijo JPA's financial statements. The supplementary comparative schedule of net position - wastewater, comparative schedule of revenues, expenses, and change in net position - wastewater, comparative schedule of net position - reclamation, comparative schedule of revenues, expenses, and changes in net position - reclamation, 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 basic financial statements.

The supplementary comparative schedule of net position - wastewater, comparative schedule of revenues, expenses, and change in net position - wastewater, comparative schedule of net position - reclamation, comparative schedule of revenues, expenses, and changes in net position - reclamation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary comparative schedule of net position - wastewater, comparative schedule of revenues, expenses, and change in net position - wastewater, comparative schedule of net position - reclamation, and the comparative schedule of revenues, expenses, and changes in net position - reclamation are fairly stated, in all material respect, in relation to the basic financial statements as a whole.

To the Board of Directors
San Elijo Joint Powers Authority

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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.

Leaf & Cole LLP

San Diego, California
October 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 years ended June 30, 2014 and 2013. Please read it in conjunction with the SEJPA's financial statements which begin on page 9.

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 success of the SEJPA's operations over the past year and determines whether the SEJPA has recovered its costs through charges for services and other charges.

The statement of cash flows provides information regarding the SEJPA's cash receipts and cash disbursements during the year. These statements 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- The SEJPA's net position increased by \$1,589,771 to \$39,375,512 for the year ended June 30, 2014.
- The SEJPA's total revenues increased from \$7,253,352 for the year ended June 30, 2013, to \$8,567,502 for the year ended June 30, 2014. The increase in state grants and charges to nonmember agencies accounts for the majority of the increase.
- The SEJPA's total expense increased from \$6,462,247 for the year ended June 30, 2013, to \$6,977,731 for the year ended June 30, 2014. The decrease in interest expense is offset by increases to depreciation and amortization, utilities and contracted services.

Financial Analysis of the SEJPA

Net Position

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

	2014	2013	Change
<u>Assets:</u>			
Current and other assets	\$ 15,435,274	\$ 15,542,336	\$ (107,062)
Capital assets	39,607,816	39,996,507	(388,691)
Total Assets	<u>55,043,090</u>	<u>55,538,843</u>	<u>(495,753)</u>
<u>Deferred Outflows of Resources:</u>			
Deferred amount of refunding	<u>237,396</u>	<u>278,682</u>	<u>(41,286)</u>
<u>Liabilities:</u>			
Current liabilities	2,609,352	2,697,193	(87,841)
Noncurrent liabilities	13,295,622	15,334,591	(2,038,969)
Total Liabilities	<u>15,904,974</u>	<u>18,031,784</u>	<u>(2,126,810)</u>
<u>Net Position:</u>			
Net investment in capital assets	31,647,687	31,287,365	360,322
Restricted	630,000	630,000	-
Unrestricted	7,097,825	5,868,376	1,229,449
Total Net Position	<u>\$ 39,375,512</u>	<u>\$ 37,785,741</u>	<u>\$ 1,589,771</u>

As you can see from the table above, net position increased by \$1,589,771 from fiscal year 2013 to 2014. Net investment in capital assets increased \$360,322 in fiscal year 2014. 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.

Restricted net position is unchanged for the year ended June 30, 2014 as funds restricted for reserves remain in place.

Unrestricted net assets (those that can be used to finance day-to-day operations) increased \$1,229,449 due to an increase in revenues resulting from state grants and charges to nonmember agencies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the District (Continued)

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>2014</u>	<u>2013</u>	<u>Change</u>
Operating contributions from members	\$ 3,035,502	\$ 2,970,471	\$ 65,031
Charges for services to other government agencies	3,464,930	3,050,637	414,293
Other nonoperating revenue	322,764	372,484	(49,720)
Member agency assessments	952,381	859,760	92,621
State grants	791,925	-	791,925
Total Revenues	<u>8,567,502</u>	<u>7,253,352</u>	<u>1,314,150</u>
Operating expenses	6,529,633	5,960,570	569,063
Interest expense	448,098	501,677	(53,579)
Total Expenses	<u>6,977,731</u>	<u>6,462,247</u>	<u>515,484</u>
Increase in Net Position	<u>\$ 1,589,771</u>	<u>\$ 791,105</u>	<u>\$ 798,666</u>

A closer examination of the source of changes in net position reveals that the SEJPA's operating revenues increased by \$479,324 in fiscal year 2014. Nonoperating revenues decreased by \$49,720 in fiscal year 2014 due to a reduction in investment income. State grants totaling \$791,925 were received in the current year, while none were received during the year ended June 30, 2013. Operating costs, exclusive of depreciation, increased \$569,063 in fiscal year 2014. Interest expense decreased \$53,579 from 2013 to 2014 as a result of the continued pay-down of long-term debt.

Capital Assets

Capital assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Plant equipment	\$ 66,699,808	\$ 65,815,304	\$ 884,504
Lab equipment	130,340	119,878	10,462
Office equipment	117,476	105,564	11,912
Vehicles	302,543	303,235	(692)
Construction-in-progress	446,311	51,424	394,887
Subtotal	<u>67,696,478</u>	<u>66,395,405</u>	<u>1,301,073</u>
Less: Accumulated depreciation	<u>(28,088,662)</u>	<u>(26,398,898)</u>	<u>(1,689,764)</u>
Net Capital Assets	<u>\$ 39,607,816</u>	<u>\$ 39,996,507</u>	<u>\$ (388,691)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (Continued)

The net additions to capital assets for fiscal year 2014 totaled \$1,301,073. Capital asset additions consisted of the Advanced Water Treatment and the Flow Equalization Basins Floating Covers project.

Long-Term Debt

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

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>
2011 Refunding Revenue Bonds	\$ 6,820,000	\$ 8,020,000	\$ (1,200,000)
Original Issue Premium, net	459,123	538,970	(79,847)
2011 Refunding Revenue Bonds, Net	<u>7,279,123</u>	<u>8,558,970</u>	<u>(1,279,847)</u>
State Loan Payable	5,299,679	5,984,736	(685,057)
Private Placement Loan Payable	1,830,216	1,900,228	(70,012)
SFID Reimbursement Agreement	463,815	473,919	(10,104)
Total Long-Term Debt	<u>14,872,833</u>	<u>16,917,853</u>	<u>(2,045,020)</u>
Less: Current Portion	<u>(2,010,131)</u>	<u>(1,955,070)</u>	<u>(55,061)</u>
	<u>\$ 12,862,702</u>	<u>\$ 14,962,783</u>	<u>\$ (2,100,081)</u>

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2014/15 sanitary fund operations and maintenance budget is \$4.2 million. The water reclamation budget is \$1.1 million. Sales of reclaimed water are budgeted to be approximately 1,370 acre feet in the upcoming year. Only a minor increase in revenue is anticipated due to changes in the reclamation sales agreements.

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 \$125,000 and is \$4,740 higher than last year's budget levels.

The capital project program will have a budget of \$1.3 million 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 \$164 per EDU per year for 2014-2015. This represents a 3% increase from 2013-2014. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service, which increases 5% annually. 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 fees are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. The lower benefit payout will result in a lower contribution rate for the SEJPA in the future as new employees enter the SEJPA workforce. In the current year, the employer rate for the 2.5% at 55 pool is 16.92%, the employer rate for the new 2.0% at 60 pool is 8.049% and the 2.0% at 60 pool is 6.25%. 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.

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
<u>Current Assets:</u> (Notes 1, 2, 3 and 5)		
Cash and cash equivalents	\$ 7,072,243	\$ 6,328,168
Due from other government agencies	699,298	299,632
Accrued interest receivable	84,986	97,793
Prepaid expenses	16,244	17,369
Current portion of loans receivable	<u>1,235,000</u>	<u>1,200,000</u>
Total Current Assets	<u>9,107,771</u>	<u>7,942,962</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 4, 5, 6, 7 and 10)		
Restricted Assets:		
Cash and cash equivalents	<u>630,004</u>	<u>630,001</u>
Total Restricted Assets	<u>630,004</u>	<u>630,001</u>
Loans Receivable , net of current portion	<u>5,585,000</u>	<u>6,820,000</u>
Capital Assets:		
Nondepreciable	446,311	51,424
Depreciable, net of accumulated depreciation	<u>39,161,505</u>	<u>39,945,083</u>
Total Capital Assets	<u>39,607,816</u>	<u>39,996,507</u>
Other Assets:		
Retrofit loans receivable	83,183	114,959
Bond insurance costs	<u>29,316</u>	<u>34,414</u>
Total Other Assets	<u>112,499</u>	<u>149,373</u>
Total Noncurrent Assets	<u>45,935,319</u>	<u>47,595,881</u>
TOTAL ASSETS	<u>55,043,090</u>	<u>55,538,843</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u> (Notes 1 and 9)		
Deferred amount on refunding	\$ <u>237,396</u>	\$ <u>278,682</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2014 AND 2013**

LIABILITIES

	<u>2014</u>	<u>2013</u>
<u>Current Liabilities:</u> (Notes 1, 3, 8, 9, 10 and 11)		
Accounts payable	\$ 156,356	\$ 448,040
Accrued liabilities	52,260	39,147
Accrued interest payable	198,362	224,877
Due to other government agencies	164,290	30,059
Retention payable	27,953	-
Current portion of refunding revenue bonds	1,235,000	1,200,000
Current portion of state loan payable	702,183	685,057
Current portion of private placement loan payable	72,948	70,013
Total Current Liabilities	<u>2,609,352</u>	<u>2,697,193</u>
<u>Noncurrent Liabilities:</u> (Notes 1, 4, 8, 9, 10, 11, 12 and 13)		
Payable From Restricted Assets:		
Due to member agencies payable from restricted assets	<u>4</u>	<u>-</u>
Long-Term Debt:		
Refunding revenue bonds, net of current portion	6,044,123	7,358,970
State loan payable, net of current portion	4,597,496	5,299,679
Private placement loan payable, net of current portion	1,757,268	1,830,215
SFID reimbursement agreement payable	463,815	473,919
Total Long-Term Debt	<u>12,862,702</u>	<u>14,962,783</u>
Other Noncurrent Liabilities:		
Net OPEB obligation	102,263	73,604
Compensated absences	330,653	298,204
Total Other Noncurrent Liabilities	<u>432,916</u>	<u>371,808</u>
Total Noncurrent Liabilities	<u>13,295,622</u>	<u>15,334,591</u>
Total Liabilities	<u>15,904,974</u>	<u>18,031,784</u>
<u>Commitments and Contingencies</u> (Notes 13, 14 and 15)		
<u>NET POSITION:</u>		
Net investment in capital assets	31,647,687	31,287,365
Restricted	630,000	630,000
Unrestricted	7,097,825	5,868,376
Total Net Position	<u>\$ 39,375,512</u>	<u>\$ 37,785,741</u>

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

SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues:</u>		
Charges for services to other government agencies	\$ 3,464,930	\$ 3,050,637
Contributions from City of Encinitas	1,642,342	1,527,177
Contributions from City of Solana Beach	1,393,160	1,443,294
Total Operating Revenues	<u>6,500,432</u>	<u>6,021,108</u>
<u>Operating Expenses:</u>		
Personnel costs	2,602,703	2,554,530
Depreciation and amortization	1,723,501	1,603,808
Utilities	743,049	639,745
Contracted services	576,999	433,509
Supplies	238,409	202,717
Miscellaneous	190,787	106,201
Disposal services	172,227	176,476
Repair parts expense	126,136	130,805
Permit/purveyor fees	97,879	75,668
Insurance	57,943	37,111
Total Operating Expenses	<u>6,529,633</u>	<u>5,960,570</u>
Operating (Loss) Income	<u>(29,201)</u>	<u>60,538</u>
<u>Nonoperating Revenues (Expenses):</u>		
State grants	791,925	-
Investment income	287,592	330,509
Rental income	24,359	23,649
Other	7,383	18,326
Gain on disposal of capital assets	3,430	-
Interest expense	(448,098)	(501,677)
Total Nonoperating Revenues (Expenses)	<u>666,591</u>	<u>(129,193)</u>
Income (Loss) Before Capital Contributions	<u>637,390</u>	<u>(68,655)</u>
<u>Capital Contributions:</u>		
Member agency assessments	952,381	859,760
Total Capital Contributions	<u>952,381</u>	<u>859,760</u>
Change in Net Position	1,589,771	791,105
Net Position at Beginning of Year	<u>37,785,741</u>	<u>36,994,636</u>
NET POSITION AT END OF YEAR	<u><u>\$ 39,375,512</u></u>	<u><u>\$ 37,785,741</u></u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from customers	\$ 6,234,997	\$ 6,300,074
Cash payments to suppliers for goods and services	(2,493,988)	(1,828,290)
Cash payments to employees for services	(2,528,482)	(2,548,877)
Net Cash Provided by Operating Activities	<u>1,212,527</u>	<u>1,922,907</u>
<u>Cash Flows From Noncapital and Related Financing Activities:</u>		
Rental and other nonoperating income	<u>31,746</u>	<u>41,975</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>31,746</u>	<u>41,975</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(1,301,759)	(4,027,214)
Proceeds from sale of capital assets	3,430	-
Principal paid on long-term debt	(1,965,173)	(1,952,773)
Interest paid on long-term debt	(513,174)	(566,045)
Proceeds of state grants	791,925	-
Capital contributions	952,381	859,760
Net Cash Used in Capital and Related Financial Activities	<u>(2,032,370)</u>	<u>(5,686,272)</u>
<u>Cash Flows From Investing Activities:</u>		
Proceeds from loans receivable	1,200,000	1,165,000
Proceeds from retrofit loans receivable	31,776	15,974
Payable from restricted assets	-	(8,966)
Investment income	300,399	346,261
Net Cash Provided by Investing Activities	<u>1,532,175</u>	<u>1,518,269</u>
Net Increase (Decrease) in Cash and Cash Equivalents	744,078	(2,203,121)
Cash and Cash Equivalents at Beginning of Year	<u>6,958,169</u>	<u>9,161,290</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 7,702,247</u>	<u>\$ 6,958,169</u>
<u>Cash and Cash Equivalents:</u>		
<u>Financial Statement Classification:</u>		
Cash and cash equivalents	\$ 7,072,243	\$ 6,328,168
Restricted cash and cash equivalents	630,004	630,001
Total Cash and Cash Equivalents	<u>\$ 7,702,247</u>	<u>\$ 6,958,169</u>

(Continued)

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

**SAN ELIJO JOINT POWERS AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities:</u>		
Operating income (loss)	\$ (29,201)	\$ 60,538
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,723,501	1,603,808
Change in assets and liabilities:		
Due from other government agencies	(399,666)	280,346
Prepaid expenses	1,125	(17,369)
Accounts payable	(291,684)	(8,689)
Accrued liabilities	13,113	1,349
Due to other government agencies	134,231	(1,380)
Net OPEB obligation	28,659	19,008
Compensated absences	32,449	(14,704)
Net Cash Provided by Operating Activities	<u>\$ 1,212,527</u>	<u>\$ 1,922,907</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Capital assets acquired with retention payable	<u>\$ 27,953</u>	<u>\$ -</u>
Amortization of deferred amount on refunding and original issue premium	<u>\$ 41,286</u>	<u>\$ 38,562</u>
Capital Assets acquired with SFID Reimbursement Agreement Payable	<u>\$ -</u>	<u>\$ 526,149</u>

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Significant Accounting Policies:

Organization

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)(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.

Significant Accounting Policies

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

Method of Accounting

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

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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Accounting Policies: (Continued)

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.

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.

Allowance for Doubtful Accounts

Management believes that all amounts due from other government agencies, loans receivable and the retrofit loans were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2014 and 2013.

Capital Assets

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

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

Depreciation totaled \$1,718,403 and \$1,598,710 for the years ended June 30, 2014 and 2013, respectively.

Interest

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the years ended June 30, 2014 and 2013.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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 and \$5,098 for the years ended June 30, 2014 and 2013, respectively.

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 and \$79,848 for the years ended June 30, 2014 and 2013, respectively 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 and \$41,286 for the years ended June 30, 2014 and 2013, respectively, and is included in interest expense. The deferred amount on refunding was \$237,396 and \$278,682 at June 30, 2014 and 2013, respectively.

Classification of Liabilities

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

Compensated Absences

Accumulated and unpaid vacation and sick-leave totaling \$330,653 and \$298,204 is accrued when incurred and included in noncurrent liabilities at June 30, 2014 and 2013, respectively.

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, 2014, 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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1 - Organization and Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Risk Management (Continued)

Property Damage - \$54,640,315 in scheduled values through the APIP Property Program with a \$1,000,000,000 shared loss limit per occurrence with a \$25,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. The SEJPA has a \$10,000 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 \$57,943 and \$37,111 for the years ended June 30, 2014 and 2013, respectively. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

Economic Dependency

The SEJPA received approximately 47% and 49% of its operating revenues from its member agencies for the years ended June 30, 2014 and 2013, respectively.

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the SEJPA has evaluated events and transactions for potential recognition or disclosure through October 14, 2014, the date the financial statements were available to be issued.

Reclassification

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Cash Equivalents:

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Cash Equivalents: (Continued)

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

	Maturity in Years		
	1 Year or Less	2014 Total	2013 Total
Cash on hand	\$ 200	\$ 200	\$ 200
California Local Agency Investment Fund (LAIF)	7,008,574	7,008,574	6,842,851
Deposits with financial institutions	693,469	693,469	115,117
Open ended money market mutual funds	4	4	1
Total Cash and Cash Equivalents	\$ 7,702,247	\$ 7,702,247	6,958,169
Financial Statement Classification:			
Current:			
Cash and cash equivalents		\$ 7,072,243	\$ 6,328,168
Restricted:			
Cash and cash equivalents		630,004	630,001
Total Cash and Investments		\$ 7,702,247	\$ 6,958,169

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.

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 provided in the previous table that shows the distribution of the SEJPA's investments by maturity as of June 30, 2014.

Disclosures Relating to Credit Risk

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

	Rating as of Year End Standard & Poor's
Open Ended Money Market Mutual Funds	Not Rated
California Local Agency Investment Fund	Not Rated

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 2 - Cash and Cash Equivalents: (Continued)

Concentration of Credit Risk

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

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, 2014.

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, 2014, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2014, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

Investment in State Investment Pool

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.

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

	<u>2014</u>	<u>2013</u>
California Local Agency Investment Fund (LAIF)	\$ 7,008,574	\$ 6,842,851
Deposits with financial institutions	693,469	115,117
Open ended money market mutual funds	4	1
Cash on hand	200	200
Total	<u>\$ 7,702,247</u>	<u>\$ 6,958,169</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 3 - 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:

	<u>2014</u>	<u>2013</u>
San Dieguito Water District	\$ 170,250	\$ -
City of Escondido	131,498	-
Rancho Santa Fe CSD No. 2 and No. 3	112,337	43,497
Santa Fe Irrigation District	95,656	90,969
San Diego County Water Authority	87,120	70,167
City of Del Mar	62,763	27,687
City of Solana Beach	28,772	(30,059)
Other	6,591	9,850
San Elijo Lagoon Conservancy	(23,640)	-
City of Encinitas	(42,313)	25,800
Olivenhain Municipal Water District	(94,026)	31,662
Total	<u>\$ 535,008</u>	<u>\$ 269,573</u>

Financial Statement Classification:

Due from other government agencies	\$ 699,298	\$ 299,632
Due to other government agencies	(164,290)	(30,059)
Total	<u>\$ 535,008</u>	<u>\$ 269,573</u>

Note 4 - Restricted Assets:

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

<u>Funding Source</u>	<u>Use</u>	<u>2014</u>	<u>2013</u>
Receipts from customers	State loan reserve requirement	\$ 630,000	\$ 630,000
Debt proceeds and interest earned	Debt service - Solana Beach	2	1
Debt proceeds and interest earned	Debt service - Encinitas	2	-
		<u>\$ 630,004</u>	<u>\$ 630,001</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.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 5 - 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 2011 Refunding Revenue Bonds. (See Note 9) Loans receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
City of Solana Beach	\$ 3,613,215	\$ 4,250,178
City of Encinitas	3,206,785	3,769,822
Subtotal	<u>6,820,000</u>	<u>8,020,000</u>
Less current portion	<u>(1,235,000)</u>	<u>(1,200,000)</u>
Total	<u><u>\$ 5,585,000</u></u>	<u><u>\$ 6,820,000</u></u>

Note 6 - 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 nonpotable 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:

	<u>2014</u>	<u>2013</u>
22 nd District Agricultural Association	\$ 72,690	\$ 96,291
Cardiff Cove Homeowners Association	5,957	12,363
Oak Crest Park	4,536	6,305
Total	<u><u>\$ 83,183</u></u>	<u><u>\$ 114,959</u></u>

Note 7 - Capital Assets:

Capital assets consist of the following at June 30:

	2014			
	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 51,424	\$ 1,122,165	\$ (727,278)	\$ 446,311
Capital Assets Being Depreciated:				
Plant equipment	65,815,304	884,504	-	66,699,808
Lab equipment	119,878	10,462	-	130,340
Office equipment	105,564	11,912	-	117,476
Vehicles	303,235	27,947	(28,639)	302,543
Total Capital Assets Being Depreciated	<u>66,343,981</u>	<u>934,825</u>	<u>(28,639)</u>	<u>67,250,167</u>
Less: Accumulated depreciation	<u>(26,398,898)</u>	<u>(1,718,403)</u>	<u>28,639</u>	<u>(28,088,662)</u>
Net Capital Assets Being Depreciated	<u>39,945,083</u>	<u>(783,578)</u>	<u>-</u>	<u>39,161,505</u>
Net Capital Assets	<u><u>\$ 39,996,507</u></u>	<u><u>\$ 338,587</u></u>	<u><u>\$ (727,278)</u></u>	<u><u>\$ 39,607,816</u></u>

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 7 - Capital Assets: (Continued)

	2013			
	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 2,773,003	\$ 3,809,281	\$ (6,530,860)	\$ 51,424
Capital Assets Being Depreciated:				
Plant equipment	58,700,345	7,114,959	-	65,815,304
Lab equipment	119,878	-	-	119,878
Office equipment	105,564	-	-	105,564
Vehicles	273,763	29,472	-	303,235
Total Capital Assets Being Depreciated	59,199,550	7,144,431	-	66,343,981
Less: Accumulated depreciation	(24,800,188)	(1,598,710)	-	(26,398,898)
Net Capital Assets Being Depreciated	34,399,362	5,545,721	-	39,945,083
Net Capital Assets	\$ 37,172,365	\$ 9,355,002	\$ (6,530,860)	\$ 39,996,507

Note 8 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2014					
	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due within one year	Due After One year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ -	\$ 4	\$ -	\$ 4	\$ -	\$ 4
Long-Term Debt:						
Refunding Revenue Bonds	8,020,000	-	(1,200,000)	6,820,000	1,235,000	5,585,000
Original issue premium	538,970	-	(79,847)	459,123	-	459,123
Refunding Revenue Bonds	8,558,970	-	(1,279,847)	7,279,123	1,235,000	6,044,123
State loan payable (Note 10)	5,984,736	-	(685,057)	5,299,679	702,183	4,597,496
Private placement loan payable (Note 11)	1,900,228	-	(70,012)	1,830,216	72,948	1,757,268
SFID Reimbursement Agreement payable (Note 12)	473,919	-	(10,104)	463,815	-	463,815
Total Long-Term Debt	16,917,853	-	(2,045,020)	14,872,833	2,010,131	12,862,702
Other Noncurrent Liabilities:						
Net OPEB obligation (Note 13)	73,604	34,275	(5,616)	102,263	-	102,263
Compensated absences (Note 1)	298,204	171,489	(139,040)	330,653	-	330,653
Total Other Noncurrent Liabilities	371,808	205,764	(144,656)	432,916	-	432,916
Total Noncurrent Liabilities	\$ 17,289,661	\$ 205,768	\$ (2,189,676)	\$ 15,305,753	\$ 2,010,131	\$ 13,295,622

SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 8 - Noncurrent Liabilities: (Continued)

	2013					
	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due within one year	Due After One year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 8,966	\$ -	\$ (8,966)	\$ -	\$ -	\$ -
Long-Term Debt:						
Refunding Revenue Bonds	9,185,000	-	(1,165,000)	8,020,000	1,200,000	6,820,000
Original issue premium (Note 1)	618,818	-	(79,848)	538,970	-	538,970
Refunding Revenue Bonds	9,803,818	-	(1,244,848)	8,558,970	1,200,000	7,358,970
State loan payable (Note 10)	6,653,084	-	(668,348)	5,984,736	685,057	5,299,679
Private placement loan payable (Note 11)	1,967,423	-	(67,195)	1,900,228	70,013	1,830,215
SFID Reimbursement Agreement payable (Note 12)	-	526,149	(52,230)	473,919	-	473,919
Total Long-Term Debt	<u>18,424,325</u>	<u>526,149</u>	<u>(2,032,621)</u>	<u>16,917,853</u>	<u>1,955,070</u>	<u>14,962,783</u>
Other Noncurrent Liabilities:						
Net OPEB obligation (Note 13)	54,596	23,554	(4,546)	73,604	-	73,604
Compensated absences (Note 1)	312,908	168,972	(183,676)	298,204	-	298,204
Total Other Noncurrent Liabilities	<u>367,504</u>	<u>192,526</u>	<u>(188,222)</u>	<u>371,808</u>	<u>-</u>	<u>371,808</u>
Total Noncurrent Liabilities	<u>\$ 18,800,795</u>	<u>\$ 718,675</u>	<u>\$ (2,229,809)</u>	<u>\$ 17,289,661</u>	<u>\$ 1,955,070</u>	<u>\$ 15,334,591</u>

Note 9 - 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 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 \$6,820,000 and \$8,020,000 at June 30, 2014 and 2013, respectively. 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 FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 9 - Refunding Revenue Bonds: (Continued)

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

Years Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,235,000	\$ 244,867
2016	1,265,000	207,817
2017	1,305,000	169,867
2018	1,365,000	117,668
2019	1,415,000	63,068
2020-2021	235,000	9,888
	<u>\$ 6,820,000</u>	<u>\$ 813,175</u>

Note 10 - 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 \$5,299,679 and \$5,984,736 at June 30, 2014 and 2013, respectively. 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 and \$630,000 as of June 30, 2014 and 2013, respectively.

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

Years Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 702,183	\$ 132,492
2016	719,738	114,937
2017	737,731	96,944
2018	756,174	78,501
2019	775,079	59,596
2020-2021	1,608,774	60,577
	<u>\$ 5,299,679</u>	<u>\$ 543,047</u>

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 11 - 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. 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:

Years Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 72,948	\$ 75,205
2016	76,007	72,146
2017	79,194	68,959
2018	82,515	65,638
2019	85,975	62,179
2020-2024	487,067	253,699
2025-2019	598,112	142,653
2030-2033	348,398	21,985
	<u>\$ 1,830,216</u>	<u>\$ 762,464</u>

Note 12 - 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 downpayment 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 \$463,815 and \$473,919 at June 30, 2014 and 2013, respectively.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 13 - 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 \$119 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 1.23% 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 years ended June 30:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 37,634	\$ 19,894
Interest on net OPEB obligation	3,442	4,231
Adjustment to annual required contribution	(6,801)	(571)
Annual OPEB cost	<u>34,275</u>	<u>23,554</u>
Contributions (including benefits paid)	<u>(5,616)</u>	<u>(4,546)</u>
Increase in net OPEB obligation	28,659	19,008
Net OPEB obligation - Beginning of Year	<u>73,604</u>	<u>54,596</u>
Net OPEB obligation - End of Year	<u>\$ 102,263</u>	<u>\$ 73,604</u>

The SEJPA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the three preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 22,275	15.33%	\$ 34,591
June 30, 2012	23,965	16.52%	54,596
June 30, 2013	23,554	19.30%	73,604
June 30, 2014	34,275	16.38%	102,263

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 13 - 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 15.0%. The normal cost payments made during the year of \$5,616 funded 14.92% 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 Assets (A)	Actuarial Liability Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Status (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2011	\$ -	\$ 149,480	\$ 149,880	0.0%	\$ 1,623,768	9.2%
June 30, 2014	-	291,746	291,746	0.0%	1,940,742	15.0%

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.

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 benefits obligations is the Entry Age Normal Actuarial 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 FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 14 - Defined Benefit Pension Plan:

Plan Description

The SEJPA contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. 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. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. A menu of benefits provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through SEJPA resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive office - 400 P Street - Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 8% of their annual covered salary. SEJPA paid 0% and 1.4% on behalf of its employees in the 2.5% at 55 pool for the years ended June 30, 2014 and 2013, respectively. The SEJPA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS board of administration. The required employer contribution rates for the fiscal year ended June 30, 2014 was 16.920% for the 2.5% at 55 pool, 8.049% for the 2% at 60 pool and 6.250% for the 2% at 62 pool. The required employer contribution rates for the fiscal year ended June 30, 2013 were 15.956%, 7.846% and 6.250%, respectively. The contribution requirements of the plan members and the SEJPA are established and may be amended by CalPERS. The SEJPA's contributions for the years ended June 30, 2014, 2013 and 2012 were \$257,414, \$285,733 and \$326,397, respectively, which were equal to the required contributions each year.

Note 15 - 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, 2014, the total unpaid amount on these contracts is approximately \$671,784.

Litigation

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

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 15 - Commitments and Contingencies: (Continued)

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 \$24,359 and \$23,649 for the years ended June 30, 2014 and 2013, respectively.

Note 16 - New Governmental Accounting Standards:

GASB No. 66

In March 2012, the Governmental Accounting Standards Board issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62". This pronouncement is effective for periods beginning after December 15, 2012. This statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) service fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively. This pronouncement did not have a material effect on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 16 - New Governmental Accounting Standards: (Continued)

GASB No. 67

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67, "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25". This pronouncement is effective for periods beginning after June 15, 2013. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 50, "Pension Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This pronouncement did not have a material effect on the financial statements of the SEJPA in the year of implementation.

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2013. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The SEJPA has not determined the effects of this pronouncement on the financial statements of the SEJPA in the year of implementation.

GASB No. 69

In January 2013, The Governmental Accounting Standard Board issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This pronouncement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. This statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, this statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This pronouncement is not anticipated to have a material effect on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 16 - New Governmental Accounting Standards: (Continued)

GASB No. 70

In April 2013, The Governmental Accounting Standard Board issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” This pronouncement is effective for financial reporting periods beginning after June 15, 2013. Earlier application is encouraged. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that the government will be required to make a payment on the guarantee. The Government that issued the obligation guaranteed in a nonexchange transaction should recognize revenue to the extent that its guaranteed obligations have been reduced. If that government is required to repay a guarantor for making a payment, they should continue to reflect the liability until legally released as an obligor. The SEJPA has not extended any nonexchange financial guarantees at the date of these financial statements.

GASB No. 71

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The SEJPA has not determined the effects of this pronouncement on the financial statements of the SEJPA in the year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - WASTEWATER
JUNE 30, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 5,323,541	\$ 5,232,670	\$ 90,871
Due from other government agencies	234,431	39,338	195,093
Accrued interest receivable	83,096	97,793	(14,697)
Prepaid expenses	11,671	12,158	(487)
Current portion of loan receivable	<u>1,235,000</u>	<u>1,200,000</u>	<u>35,000</u>
Total Current Assets	<u>6,887,739</u>	<u>6,581,959</u>	<u>305,780</u>
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	<u>4</u>	<u>1</u>	<u>3</u>
Total Restricted Assets	<u>4</u>	<u>1</u>	<u>3</u>
Loans Receivable , net of current portion	<u>5,585,000</u>	<u>6,820,000</u>	<u>(1,235,000)</u>
Capital Assets:			
Nondepreciable	446,311	51,424	394,887
Depreciable, net of accumulated depreciation	<u>22,401,318</u>	<u>23,100,156</u>	<u>(698,838)</u>
Total Capital Assets	<u>22,847,629</u>	<u>23,151,580</u>	<u>(303,951)</u>
Other Assets:			
Bond issuance costs	<u>29,316</u>	<u>34,414</u>	<u>(5,098)</u>
Total Other Assets	<u>29,316</u>	<u>34,414</u>	<u>(5,098)</u>
Total Noncurrent Assets	<u>28,461,949</u>	<u>30,005,995</u>	<u>(1,544,046)</u>
TOTAL ASSETS	<u>35,349,688</u>	<u>36,587,954</u>	<u>(1,238,266)</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amount on refunding	\$ <u>237,396</u>	\$ <u>278,682</u>	\$ <u>(41,286)</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - WASTEWATER (CONTINUED)
JUNE 30, 2014 AND 2013

LIABILITIES

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 108,621	\$ 398,321	\$ (289,700)
Accrued liabilities	41,846	33,784	8,062
Accrued interest payable	81,623	93,623	(12,000)
Retentions payable	27,953	-	27,953
Current portion of refunding revenue bonds	<u>1,235,000</u>	<u>1,200,000</u>	<u>35,000</u>
Total Current Liabilities	<u>1,495,043</u>	<u>1,725,728</u>	<u>(230,685)</u>
<u>Noncurrent Liabilities:</u>			
 Payable From Restricted Assets:			
Due to member agencies payable from restricted assets	<u>4</u>	<u>-</u>	<u>4</u>
 Long-Term Debt:			
Refunding revenue bonds, net of current portion	<u>6,044,123</u>	<u>7,358,970</u>	<u>(1,314,847)</u>
Total Long-Term Debt	<u>6,044,123</u>	<u>7,358,970</u>	<u>(1,314,847)</u>
 Other Noncurrent Liabilities:			
Net OPEB obligation	85,793	62,517	23,276
Compensated absences	<u>284,903</u>	<u>257,681</u>	<u>27,222</u>
Total Other Noncurrent Liabilities	<u>370,696</u>	<u>320,198</u>	<u>50,498</u>
Total Noncurrent Liabilities	<u>6,414,823</u>	<u>7,679,168</u>	<u>(1,264,345)</u>
Total Liabilities	<u>7,909,866</u>	<u>9,404,896</u>	<u>(1,495,030)</u>
<u>NET POSITION:</u>			
Net investment in capital assets	22,597,949	22,932,576	(334,627)
Unrestricted	<u>5,079,269</u>	<u>4,529,164</u>	<u>550,105</u>
Total Net Position	<u>\$ 27,677,218</u>	<u>\$ 27,461,740</u>	<u>\$ 215,478</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - WASTEWATER
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Operating Revenues:</u>			
Contributions from City of Encinitas	\$ 1,642,342	\$ 1,527,177	\$ 115,165
Contributions from City of Solana Beach	1,393,160	1,443,294	(50,134)
Charges for services to other government agencies	956,175	880,730	75,445
Total Operating Revenues	<u>3,991,677</u>	<u>3,851,201</u>	<u>140,476</u>
<u>Operating Expenses:</u>			
Personnel costs	2,136,782	2,116,105	20,677
Depreciation and amortization	1,151,688	1,137,011	14,677
Utilities	494,427	462,290	32,137
Contracted services	396,369	284,853	111,516
Supplies	165,815	150,295	15,520
Disposal services	172,227	176,476	(4,249)
Miscellaneous	103,180	87,043	16,137
Repair parts expense	93,739	108,589	(14,850)
Permit/purveyor fees	51,935	51,647	288
Insurance	40,560	25,977	14,583
Total Operating Expenses	<u>4,806,722</u>	<u>4,600,286</u>	<u>206,436</u>
Operating (Loss)	<u>(815,045)</u>	<u>(749,085)</u>	<u>(65,960)</u>
<u>Nonoperating Revenues (Expenses):</u>			
Investment income	273,438	313,711	(40,273)
Rental income	24,359	23,649	710
Other	7,383	18,326	(10,943)
Gain on disposal of capital assets	3,430	-	3,430
Interest expense	(230,468)	(265,607)	35,139
Total Nonoperating Revenues (Expenses)	<u>78,142</u>	<u>90,079</u>	<u>(11,937)</u>
(Loss) Before Capital Contributions	<u>(736,903)</u>	<u>(659,006)</u>	<u>(77,897)</u>
<u>Capital Contributions:</u>			
Member agency assessments	952,381	859,760	92,621
Total Capital Contributions	<u>952,381</u>	<u>859,760</u>	<u>92,621</u>
Change in Net Position	215,478	200,754	14,724
Net Position at Beginning of Year,	<u>27,461,740</u>	<u>27,260,986</u>	<u>200,754</u>
NET POSITION AT END OF YEAR	<u>\$ 27,677,218</u>	<u>\$ 27,461,740</u>	<u>\$ 215,478</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - RECLAMATION
JUNE 30, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,748,702	\$ 1,095,498	\$ 653,204
Due from other government agencies	464,867	230,235	234,632
Accrued interest receivable	1,890	-	1,890
Prepaid expenses	4,573	5,211	(638)
Total Current Assets	<u>2,220,032</u>	<u>1,330,944</u>	<u>889,088</u>
<u>Noncurrent Assets:</u>			
Restricted Assets:			
Cash and cash equivalents	<u>630,000</u>	<u>630,000</u>	<u>-</u>
Total Restricted Assets	<u>630,000</u>	<u>630,000</u>	<u>-</u>
Capital Assets:			
Depreciable, net of accumulated depreciation	<u>16,760,187</u>	<u>16,844,927</u>	<u>(84,740)</u>
Total Capital Assets	<u>16,760,187</u>	<u>16,844,927</u>	<u>(84,740)</u>
Other Assets:			
Retrofit loans	<u>83,183</u>	<u>114,959</u>	<u>(31,776)</u>
Total Other Assets	<u>83,183</u>	<u>114,959</u>	<u>(31,776)</u>
Total Noncurrent Assets	<u>17,473,370</u>	<u>17,589,886</u>	<u>(116,516)</u>
TOTAL ASSETS	\$ <u>19,693,402</u>	\$ <u>18,920,830</u>	\$ <u>772,572</u>

SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF NET POSITION - RECLAMATION (CONTINUED)
JUNE 30, 2014 AND 2013

LIABILITIES

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Current Liabilities:</u>			
Accounts payable	\$ 47,735	\$ 49,719	\$ (1,984)
Accrued liabilities	10,414	5,363	5,051
Accrued interest payable	116,739	131,254	(14,515)
Due to other government agencies	164,290	-	164,290
Current portion of state loan payable	702,183	685,057	17,126
Current portion of private placement loan payable	<u>72,948</u>	<u>70,013</u>	<u>2,935</u>
Total Current Liabilities	<u>1,114,309</u>	<u>941,406</u>	<u>172,903</u>
<u>Noncurrent Liabilities:</u>			
 <u>Long-Term Debt:</u>			
State loan payable, net of current portion	4,597,496	5,299,679	(702,183)
Private placement loan payable, net of current portion	1,757,268	1,830,215	(72,947)
SFID reimbursement agreement payable	<u>463,815</u>	<u>473,919</u>	<u>(10,104)</u>
Total Long-Term Debt	<u>6,818,579</u>	<u>7,603,813</u>	<u>(785,234)</u>
 <u>Other Noncurrent Liabilities:</u>			
Net OPEB obligation	16,470	11,087	5,383
Compensated absences	<u>45,750</u>	<u>40,523</u>	<u>5,227</u>
Total Other Noncurrent Liabilities	<u>62,220</u>	<u>51,610</u>	<u>10,610</u>
Total Noncurrent Liabilities	<u>6,880,799</u>	<u>7,655,423</u>	<u>(774,624)</u>
Total Liabilities	<u>7,995,108</u>	<u>8,596,829</u>	<u>(601,721)</u>
<u>NET POSITION:</u>			
Net investment in capital assets	9,049,738	8,354,789	694,949
Restricted	630,000	630,000	-
Unrestricted	<u>2,018,556</u>	<u>1,339,212</u>	<u>679,344</u>
Total Net Position	<u>\$ 11,698,294</u>	<u>\$ 10,324,001</u>	<u>\$ 1,374,293</u>

**SAN ELIJO JOINT POWERS AUTHORITY
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - RECLAMATION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<u>Operating Revenues:</u>			
Charges for services to other government agencies	\$ 2,508,755	\$ 2,169,907	\$ 338,848
Total Operating Revenues	<u>2,508,755</u>	<u>2,169,907</u>	<u>338,848</u>
<u>Operating Expenses:</u>			
Depreciation and amortization	571,813	466,798	105,015
Personnel costs	465,921	438,425	27,496
Utilities	248,622	177,455	71,167
Contracted services	180,630	148,656	31,974
Miscellaneous	87,607	19,158	68,449
Supplies	72,594	52,422	20,172
Permit/purveyor fees	45,944	24,021	21,923
Repair parts expense	32,397	22,216	10,181
Insurance	17,383	11,133	6,250
Total Operating Expenses	<u>1,722,911</u>	<u>1,360,284</u>	<u>362,627</u>
Operating Income	<u>785,844</u>	<u>809,623</u>	<u>(23,779)</u>
<u>Nonoperating Revenues (Expenses):</u>			
State grants	791,925	-	791,925
Investment income	14,154	16,798	(2,644)
Interest expense	(217,630)	(236,070)	18,440
Total Nonoperating Revenues (Expenses)	<u>588,449</u>	<u>(219,272)</u>	<u>807,721</u>
Income Before Capital Contributions	<u>1,374,293</u>	<u>590,351</u>	<u>783,942</u>
Change in Net Position	1,374,293	590,351	783,942
Net Position at Beginning of Year	<u>10,324,001</u>	<u>9,733,650</u>	<u>590,351</u>
NET POSITION AT END OF YEAR	<u>\$ 11,698,294</u>	<u>\$ 10,324,001</u>	<u>\$ 1,374,293</u>

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - WASTEWATER
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 2,295,560	\$ 2,136,782	\$ 158,778
Utilities	470,361	494,427	(24,066)
Contracted services	498,354	396,369	101,985
Miscellaneous	100,898	103,180	(2,282)
Supplies	183,140	165,815	17,325
Repair parts expense	141,850	93,739	48,111
Insurance	42,350	40,560	1,790
Disposal services	213,530	172,227	41,303
Permit/purveyor fees	51,800	51,935	(135)
Contingency	120,260	-	120,260
Capital outlay	31,000	-	31,000
Total Operating Expenses	<u>4,149,103</u>	<u>3,655,034</u>	<u>494,069</u>
Depreciation and Amortization	-	1,151,688	(1,151,688)
Operating Expenses, Net	<u>\$ 4,149,103</u>	<u>\$ 4,806,722</u>	<u>\$ (657,619)</u>

**SAN ELIJO JOINT POWERS AUTHORITY
OPERATING BUDGET COMPARISON SCHEDULE - RECLAMATION
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Expenses:</u>			
Personnel costs	\$ 459,560	\$ 465,921	\$ (6,361)
Utilities	228,490	248,622	(20,132)
Contracted services	90,298	180,630	(90,332)
Miscellaneous	39,502	87,607	(48,105)
Supplies	111,980	72,594	39,386
Repair parts expense	40,000	32,397	7,603
Insurance	18,150	17,383	767
Permit/purveyor fees	51,800	45,944	5,856
Total Operating Expenses	<u>1,039,780</u>	<u>1,151,098</u>	<u>(111,318)</u>
Depreciation and Amortization	-	571,813	(571,813)
Operating Expenses, Net	<u>\$ 1,039,780</u>	<u>\$ 1,722,911</u>	<u>\$ (683,131)</u>

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 10, 2014

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 2013-14 FINANCIAL STATEMENT 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), a recycled water utility system, 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 governmental agencies. The SEJPA mission statement is *"To serve our communities by providing safe and reliable recycled water and wastewater services in order to protect the environment and public health."*

Programs operated by the SEJPA include:

- Wastewater Treatment
- Laboratory Services
- Ocean Outfall
- Cardiff Pump Stations
- Solana Beach Pump Stations
- Encinitas Pump Stations
- Encinitas Storm Water
- Solana Beach Storm Water
- Recycled Water

The SEJPA provides wastewater treatment and disposal, water recycling, and technical support to local clean-water programs. 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 generally 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 2013-14) was \$5,188,883.

DISCUSSION

The following information is the actual expenses for FY 2013-14, which ended June 30, 2014.

Below is a table of costs budgeted and variance for the Fiscal Year 2013-14 by each of the SEJPA Programs:

Expense by Program

Program	Final 6/30/2014	Capital O&M Costs	Billable Costs	Budget 6/30/2014	Ovr/(Undr) Budget	% Spent
JPA Wastewater Treatment	2,276,264	159,850	2,436,114	2,417,301	18,813	100.8%
JPA Laboratory	382,807	10,463	393,270	442,251	(48,981)	88.9%
JPA Ocean Outfall	456,309	-	456,309	622,220	(165,911)	73.3%
Cardiff Sanitary Division	171,045	-	171,045	226,732	(55,687)	75.4%
Encinitas Sanitary Division	115,964	-	115,964	130,160	(14,196)	89.1%
City of Encinitas	24,005	-	24,005	27,621	(3,616)	86.9%
City of Solana Beach	228,641	-	228,641	282,818	(54,177)	80.8%
SEJPA Programs before Reclaimed Water	3,655,035	170,313	3,825,348	4,149,103	(323,755)	92.2%
JPA Reclaimed Water	1,151,098	-	1,151,098	1,039,780	111,318	110.7%
Total All SEJPA Programs	4,806,133	170,313	4,976,446	5,188,883	(212,437)	95.9%

The Capital O&M costs are costs that are not part of the Capital Budget, but are moved from expense to Capital Assets for financial statement purposes per SEJPA's fixed asset capitalization policy.

Wastewater Treatment

Expense Category	Final 6/30/2014	Capital O&M Costs	Billable Costs	Budget 6/30/2014	Ovr/(Undr) Budget	% Spent
Personnel	1,245,835	-	1,245,835	1,253,460	(7,625)	99.4%
Supplies & Services	1,030,429	53,900	1,084,329	1,088,421	(4,092)	99.6%
Capital Outlay	-	105,950	105,950	21,000	84,950	504.5%
Contingency	-	-	-	54,420	(54,420)	0.0%
Total JPA Wastewater Treatment	2,276,264	159,850	2,436,114	2,417,301	18,813	100.8%

This program is a cost center for all operations and maintenance activities for wastewater treatment at the San Elijo Water Reclamation Facility. Activities include full secondary 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 over budget by \$18,813 or 0.8%. This is primarily due to Capital Outlay expense exceeding budget net of Contingency as a result of unplanned repairs for the Primary Clarifiers and the Dissolved Air Floatation Thickeners.

Laboratory Services

<i>Expense Category</i>	<i>Final 6/30/2014</i>	<i>Capital O&M Costs</i>	<i>Billable Costs</i>	<i>Budget 6/30/2014</i>	<i>Ovr/(Undr) Budget</i>	<i>% Spent</i>
Personnel	343,340	-	343,340	377,180	(33,840)	91.0%
Supplies & Services	39,467	-	39,467	55,521	(16,054)	71.1%
Capital Outlay	-	10,463	10,463	4,000	6,463	261.6%
Contingency	-	-	-	5,550	(5,550)	0.0%
Total JPA Laboratory	382,807	10,463	393,270	442,251	(48,981)	88.9%

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 2013-14, contract agreements include the Fairbanks Ranch Community Services District, the Rancho Santa Fe Community Services District, the Santa Fe Valley Community Services District, the Whispering Palms Community Services District, the City of Del Mar, and the City of Solana Beach.

Laboratory Services was under budget by \$48,981 primarily as a result of lower Personnel expenses.

Ocean Outfall

<i>Expense Category</i>	<i>Final 6/30/2014</i>	<i>Capital O&M Costs</i>	<i>Billable Costs</i>	<i>Budget 6/30/2014</i>	<i>Ovr/(Undr) Budget</i>	<i>% Spent</i>
Personnel	220,944	-	220,944	277,540	(56,596)	79.6%
Supplies & Services	235,365	-	235,365	322,550	(87,185)	73.0%
Capital Outlay	-	-	-	6,000	(6,000)	0.0%
Contingency	-	-	-	16,130	(16,130)	0.0%
Total JPA Ocean Outfall	456,309	-	456,309	622,220	(165,911)	73.3%

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 \$165,911 due to lower Personnel expense and Contracted Services.

Cardiff Sanitary Division

<i>Expense Category</i>	<i>Final 6/30/2014</i>	<i>Capital O&M Costs</i>	<i>Billable Costs</i>	<i>Budget 6/30/2014</i>	<i>Ovr/(Undr) Budget</i>	<i>% Spent</i>
Personnel	118,781	-	118,781	143,610	(24,829)	82.7%
Supplies & Services	52,264	-	52,264	69,772	(17,508)	74.9%
Capital Outlay	-	-	-	-	-	-
Contingency	-	-	-	13,350	(13,350)	0.0%
Total Cardiff Sanitary Division	171,045	-	171,045	226,732	(55,687)	75.4%

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.

The positive variance of \$55,687 is primarily due to Personnel, Repairs, and Disposal Services being less than planned.

Encinitas Sanitary Division

<i>Expense Category</i>	<i>Final 6/30/2014</i>	<i>Capital O&M Costs</i>	<i>Billable Costs</i>	<i>Budget 6/30/2014</i>	<i>Ovr/(Undr) Budget</i>	<i>% Spent</i>
Personnel	50,602	-	50,602	65,200	(14,598)	77.6%
Supplies & Services	65,362	-	65,362	54,130	11,232	120.8%
Capital Outlay	-	-	-	-	-	-
Contingency	-	-	-	10,830	(10,830)	0.0%
Total Encinitas Sanitary Division	115,964	-	115,964	130,160	(14,196)	89.1%

Under this program, the SEJPA provides pump station maintenance and operation services to the City of Encinitas, Encinitas Sanitary Division (ESD), for the Moonlight Beach pump station. The actual costs incurred are borne solely by the ESD.

The program is under budget by \$14,196 due to Personnel expense.

City of Encinitas

<i>Expense Category</i>	<i>Final 6/30/2014</i>	<i>Capital O&M Costs</i>	<i>Billable Costs</i>	<i>Budget 6/30/2014</i>	<i>Ovr/(Undr) Budget</i>	<i>% Spent</i>
Personnel	20,022	-	20,022	20,350	(328)	98.4%
Supplies & Services	3,983	-	3,983	7,271	(3,288)	54.8%
Capital Outlay	-	-	-	-	-	-
Contingency	-	-	-	-	-	-
Total City of Encinitas	24,005	-	24,005	27,621	(3,616)	86.9%

Under this program, the SEJPA provides maintenance and operation services to the City of Encinitas. These services include 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 borne solely by the City of Encinitas. This program was under budget by \$3,616.

City of Solana Beach

<i>Expense Category</i>	<i>Final 6/30/2014</i>	<i>Capital O&M Costs</i>	<i>Billable Costs</i>	<i>Budget 6/30/2014</i>	<i>Ovr/(Undr) Budget</i>	<i>% Spent</i>
Personnel	137,258	-	137,258	158,220	(20,962)	86.8%
Supplies & Services	91,383	-	91,383	104,618	(13,235)	87.3%
Capital Outlay	-	-	-	-	-	-
Contingency	-	-	-	19,980	(19,980)	0.0%
Total City of Solana Beach	228,641	-	228,641	282,818	(54,177)	80.8%

Under this program, the SEJPA 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 costs incurred are borne solely by the City of Solana Beach.

The variance under this program is due to lower than planned Personnel expense, Repairs & Maintenance, Utility and unspent Contingency funds.

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 provide direct water sales to the Encinitas Ranch Golf Authority (ERGA). SEJPA's recycled water program typically delivers between 1,100 and 1,300 acre-feet per year (AFY) of recycled water to its retail partners. For Fiscal Year End June 30, 2014, the SEJPA sold 1,348 AF. 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, Ecke YMCA, Encinitas Community Park, Del Mar Fairgrounds, local schools, parks, businesses, and street/freeway landscape. With the completion of the Advanced Water Treatment System, the facility can now produce up to 3.02 million gallons per day.

Below is table of the Recycled Water revenues by customer:

Customer	Final 6/30/2014	Budget 6/30/2014	Ovr/(Undr) Budget	% Budget
SFID	738,004	668,690	69,314	110.4%
Del Mar	217,622	163,350	54,272	133.2%
OMWD	173,190	62,650	110,540	276.4%
Encinitas Ranch	214,988	215,000	(12)	100.0%
San Dieguito WD	511,011	522,060	(11,049)	97.9%
Total Customer Revenue	1,854,815	1,631,750	223,065	113.7%
MWD/CWA Incentives	653,940	554,850	99,090	117.9%
Total Revenue	2,508,755	2,186,600	322,155	114.7%

The increase in revenues is primarily driven by OMWD and the related MWD/CWA incentives. The MWD and CWA (Metropolitan Water District and San Diego County Water District respectively) revenues are incentive funding for locally produced recycled water, which reduces imported water costs.

Below is a table of Recycled Water Expenses:

Expense Category	Final 6/30/2014	Capital O&M Costs	Billable Costs	Budget 6/30/2014	Ovr/(Undr) Budget	% Spent
Personnel	465,919	-	465,919	459,560	6,359	101.4%
Supplies & Services	685,179	-	685,179	580,220	104,959	118.1%
Capital Outlay	-	-	-	-	-	-
Contingency	-	-	-	-	-	-
Total JPA Reclaimed Water	1,151,098	-	1,151,098	1,039,780	111,318	110.7%

The negative variance in Supplies and Services is primarily due to \$90,332 of Contracted Services as a result of pipeline repairs, \$44,285 due to OMWD infrastructure rent as a result of increased recycled water sold, and \$20,132 in Utilities, offset by \$39,386 in Supplies.

Overall Summary

Overall, the SEJPA was below budget by \$323,755 or 7.8% in Wastewater Treatment, Pump Stations, Ocean Outfall, and Storm Drains programs. The Reclaimed Water program experienced significant sales growth in Fiscal Year 2013-14 and revenues exceeded budget by \$322,155 or 14.7%. With increased sales, recycled water expenditures also increased but not to the same extent. The Reclaimed Water program expenses exceeded budget by \$111,318 or 10.7%.

Respectfully submitted,



Paul Kinkel
Director of Finance and Administration

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 13, 2014

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: 2014-2015 RECYCLED WATER PRICE ADJUSTMENT BETWEEN THE SAN ELIJO JOINT POWERS AUTHORITY AND THE OLIVENHAIN MUNICIPAL WATER DISTRICT

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve recycled water rate increase to the Olivenhain Municipal Water District beginning December 1, 2014 to an amount of \$1,310 per acre-foot and beginning July 1, 2015 to an amount of \$1,356 per acre-foot; and
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) operates a recycled water utility that produces and wholesales 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; and also has an interruptible service agreement directly with the Encinitas Ranch Golf Authority (ERGA). Each water purveyor has its own wholesale agreement with the SEJPA that provides the terms for recycled water price, water quality, water quantity, and contract length.

The wholesale agreements were originally developed in the 1990's, and set the price of recycled water at 85% of the potable water rate. This type of pricing structure is often referred to as "index pricing" and is a common practice by many water purveyors in southern California. Index pricing is advantageous when creating a utility that delivers a price sensitive service, especially if this service is an alternate choice to an existing service. For the SEJPA recycled water utility, this allowed the recycled water to be priced below that of potable water, thus making recycled water financially desirable to the customer. However, when serving multiple water agencies, indexing to the individual agency's potable water rates can create its own set of challenges. For example, if a water agency experiences dramatic potable water rate increases, then by "price-indexing" the recycled water rate also spikes. This can lead to unintended consequences such as reduced use of recycled water. Also, serving multiple water agencies (each with their own water rate structures) can create multiple price points for the SEJPA recycled water. This can lead to the perception of inequality. To resolve these issues and to create a sustainable pricing model for the recycled water utility, the SEJPA has

begun moving to price setting based on cost of service principles. This will help the SEJPA establish a pricing structure that reflects the true cost of the utility and that provides a more consistent pricing structure between the various water purveyors.

DISCUSSION

The SEJPA has cost of service pricing terms with three of the four water purveyor it serves, with conversations ongoing with the fourth purveyor. The SEJPA has been proceeding toward unifying its pricing to a single price for a similar level of service. Currently, the SEJPA has an opportunity to build on this effort by adjusting the recycled water price with OMWD to be in alignment with SDWD and SFID. OMWD is supportive of increasing the price of recycled water to a price consistent with other SEJPA recycled water purveyors.

The agreement between the SEJPA and OMWD provides the allowance for annual price increases as prescribed through a cost of service model. To satisfy this requirement and to provide a third party analysis, SEJPA retained Raftelis Financial Consultants to prepare a cost of service evaluation of the SEJPA’s recycled water utility. Raftelis completed its review and provided a letter report that discusses approach, calculations, and conclusions (see Attachment 1). Table 1 provides the current recycled water price and service class for each water purveyor served by the SEJPA.

Table 1 - Recycled Water Service Class and Rates				
<u>Agency</u>	<u>Service Class</u>	<u>Purchase Price (per AF)</u>	<u>Min. Contract Purchase Vol.</u>	<u>FY 13-14 Actual Purchase Vol.</u>
SDWD	Non-Interruptible	\$1,310	400 AF	340 AF
SFID	Non-Interruptible	\$1,310	450 AF	558 AF
OMWD	Non-Interruptible	\$1,253	25 AF	138 AF
Del Mar	Non-Interruptible	\$1,210*	150 AF	112 AF
ERGA	Interruptible	Flat Annual Fee**	200 AF	200AF
TOTAL				1348 AF

*Del Mar purchase price is 85% of \$1,423 which is the lowest published potable water rates of either Del Mar, SFID, or SDWD.

**FY2014-15 ERGA flat fee is \$225,800.

As shown in Table 1, SDWD and SFID receive recycled water for a price of \$1,310 per AF, OMWD receives recycled water for \$1,253, and Del Mar for \$1,210. Based on the conclusions in the Raftelis report, the true cost of service for the non-interruptible service class is approximately \$1,390 per AF.

The SEJPA has already established set pricing with SFID, SDWD, and Del Mar for 2014-15 and with SFID and SDWD for 2015-16, as shown in Table 2.

Table 2 – Recycled Water Pricing 2014-15 and 2015-16

Water Agency	Purchase Price 2014-15	Purchase Price 2015-16
SDWD	\$1,310	\$1,356
SFID	\$1,310	\$1,356
OMWD	\$1,310 (Proposed)	\$1,356 (Proposed)
Del Mar***	\$1,210	TBD

*** SEJPA and Del Mar are in discussions to create a similar pricing structure with SDWD, SFID, and OMWD.

The existing recycled water sales price to SFID and SDWD (\$1,310 per AF) is slightly below the cost of service value (\$1,390 per AF) calculated by Raftelis, but within reasonable reach.

Based on the information prepared by Raftelis and validated by staff, it is staff's recommendation to increase the price to OMWD to \$1,310 per AF beginning December 1, 2014 and to \$1,356 per AF beginning July 1, 2015. The proposed rate increase will create consistent pricing between the SEJPA and its recycled water partners SDWD, SFID, and OMWD.

FINANCIAL IMPACT

Based on current water sales to OMWD, the proposed rate increase will result in additional funding of approximately \$7,000 to the recycled water utility in FY2014-15 and \$13,800 in FY2015-16. The basis for the rate increase is supported by the cost of service evaluation conducted by Raftelis Financial Consultants (see Attachment 1).

It is therefore recommended that the Board of Directors:

1. Approve recycled water rate increase to the Olivenhain Municipal Water District beginning December 1, 2014 to an amount of \$1,310 per acre-foot and beginning July 1, 2015 to an amount of \$1,356 per acre-foot; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: Raftelis Financial Consultants Cost of Service Evaluation



ATTACHMENT 1

201 S. Lake Avenue
Suite 301
Pasadena, CA 91101

Phone 626 . 583 . 1894
Fax 626 . 583 . 1411

www.raftelis.com

September 24, 2014

Paul F. Kinkel, CPA
Director of Finance and Administration
San Elijo Joint Powers Authority
2695 Manchester Avenue
Cardiff by the Sea, California 92007-7077

Subject: Recycled Water Rates

INTRODUCTION

Raftelis Financial Consultants, Inc. (RFC) was engaged by the San Elijo Joint Powers Authority (SEJPA) to evaluate the cost of service for recycled water.

The SEJPA owns and 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; and also has an interruptible service agreement directly with the Encinitas Ranch Golf Authority (ERGA) which is a customer of SDWD. The purveyors then sell the recycled water to end customers. SEJPA owns the majority of the recycled water infrastructure system including treatment, storage, and pipelines for all the facilities except that OMWD owns storage and distribution infrastructure, for which the SEJPA provides OMWD rent for the use of this infrastructure. The remaining purveyors (SDWD, SFID, Del Mar) generally own only the recycled water meter that measures the customer's usage.

The SEJPA has individual wholesale water agreements with each water purveyor that includes pricing structure, water quality, and minimum purchase volume. These types of agreements are commonly known as "take or pay" agreements. Most of these agreements were created in the mid-1990's and used an "index pricing method" to establish the price of recycled water. The agreements indexed the recycled water price at 85% of the potable water rate at each agency except at Del Mar whose rate is set at 85% of the lowest potable water rate for the non-residential class rate of either Del Mar, SFID or SDWD. Pricing at a fixed percentage of the potable water rate is common in southern California and is endorsed by the San Diego County Water Authority.

Since the execution of the original wholesale agreements, both the pricing structures of the purveyors and the consumption habits of the end users have changed. Some of the purveyors have not consistently reached their minimum purchase volumes as established by the agreements, which has caused these purveyors to "purchase" recycled water that they had no demand for. Other purveyors have experienced

Recycled Water Rates
San Elijo Joint Powers Authority

dramatic potable water price increases, which by “indexing” has caused recycled water rates to spike as well. Such dramatic price increases appear to correlate with reduced use of recycled water by the end customers.

To address these market changes and to continue developing the recycled water utility, the SEJPA has begun moving the pricing structure to a cost of service methodology that results in a similar price for similar service structure. This memorandum will provide recommendations for achieving the SEJPA’s goal of developing a single price rate for each level of service provided using cost of service principles.

CURRENT SALES AGREEMENTS AND RATES

Table 1 (below) shows current rates, service class and minimum annual purchase volumes pertaining to each of the five agencies receiving recycled water services from the SEJPA. For non-interruptible service, the SEJPA wholesales recycled water between \$1,210 and \$1,310 per acre-foot (AF). The reason for the range in price is primarily due to the original agreements having the recycled water rate being indexed to the potable rate, and each district having its own potable water price.

Table 1 - Recycled Water Service Class and Rates				
<u>Agency</u>	<u>Service Class</u>	<u>Purchase Price (per AF)</u>	<u>Min. Contract Purchase Vol.</u>	<u>FY 13-14 Actual Purchase Vol.</u>
SDWD	Non-Interruptible	\$1,310	400 AF	340 AF
SFID	Non-Interruptible	\$1,310	450 AF	558 AF
OMWD	Non-Interruptible	\$1,253	25 AF	138 AF
Del Mar	Non-Interruptible	\$1,210*	150 AF	112 AF
ERGA	Interruptible	Flat Annual Fee**	200 AF	200AF
TOTAL				1348 AF

*Del Mar purchase price is based on 85% of \$1,423 which is the lowest published potable water rates of either Del Mar, SFID, or SDWD.

**FY2014-15 ERGA flat fee is \$225,800.

Del Mar, which sets the low-end of the price range for Non-Interruptible Service, pays \$1,210 per AF. OMWD purchases recycled water at \$1,253 per AF. SFID and SDWD purchase recycled water at \$1,310 per AF.

There is interest among all parties to move from the original “indexed” pricing structure to a pricing structure that is based on cost of service. This would result in OMWD, SFID, SDWD, and Del Mar paying the same water rate for the same level of service.

ERGA has an interruptible recycled water service agreement, which allows service to be interrupted as required by the SEJPA. ERGA is able to receive interruptible service as the golf course has its own storage ponds that can provide several days of operating volume and its own pump station. ERGA’s interruptible agreement provides operational benefits to the SEJPA, including cost savings associated with avoided infrastructure and operational flexibility such as delivering recycled water to the ponds

Recycled Water Rates
San Elijo Joint Powers Authority

during off-use periods. The agreement stipulates that the SEJPA will deliver a minimum of 200 AF per year for a flat payment. For this year, the flat payment is \$225,800 and the payment escalates annually at 5%. The current rate for interruptible service to ERGA stands at \$1,129 per acre-foot based on the minimum delivery of 200 acre-feet. However, the agreement also allows for surplus recycled water, which would otherwise be discharged to the ocean, to be delivered to ERGA at no additional cost. The decision to deliver surplus recycled water is solely that of the SEJPA. Surplus water delivered to ERGA qualifies for incentive funding from MWD and CWA. In addition, the SEJPA avoids some minor expenses associated with not discharging the to the ocean outfall system and, socially, recycling instead of ocean discharge is strongly supported by the public.

COST OF SERVICE: INTERRUPTIBLE AND NON-INTERRUPTIBLE RECYCLED WATER

Based on the data provided by the SEJPA, RFC has determined the normalized cost of providing recycled water service is \$1,390 per AF (irrespective of being interruptible or non-interruptible). This calculation is based on the assumption that the “cost of service” of recycled water is equal to the cost per acre-foot of recycled water net of MWD/CWA incentives (\$450 per AF). The cost of service calculation is based on 1,348 AF of recycled water sales and a total cost of service of \$2,480,848 as shown in Table 2 below.

Table 2	
SAN ELIJO JOINT POWERS AUTHORITY	
COST OF SERVICE	
	Total Adopted Budget 2014-2015
Total Operating Cost	1,114,954
Total Debt Service	996,328
Total Capital Cost	150,000
Replacement Reserve	65,480
Total Costs per Budget	2,326,762
Annualized Cash Cost **	154,086
Total Costs to Produce RC Water	2,480,848
Total Acre Feet Produced	1,348
Cost per Acre Foot	\$ 1,840
MWD/SDCWA Incentives	(450)
Net Cost per Acre Foot after Incentives	\$ 1,390
Current Rate \$/Acre Foot	1,310

** Annualized Cash Cost recognizes previous cash funding by the SEJPA as approved by MWD.

INTERRUPTIBLE DISCOUNT FOR ENCINITAS RANCH

RFC has examined the rationale for the discount for interruptible service to the Encinitas Ranch Golf Course (ERGA). To ensure delivery of water to the Golf Course at peak times, the SEJPA would have to build a reservoir and pump station. The avoided cost of this infrastructure is estimated at \$301 per AF (as shown in the Table 3, below). This calculation is based on the following:

- Estimated pump station cost of \$340,000
- Estimated reservoir cost of \$1,071,000
 - ❖ ERGA average yearly consumption of 200 acre-feet (or 178,536 gallons per day)
 - ❖ Minimum required reservoir size of 535,609 gallons (peak requirement of 3 times the daily average)
 - ❖ Estimated reservoir cost for land, yard piping, and tank (535,609 gal x \$2 per gal)

The estimated avoided capital is \$1,411,000, which can be expressed as an annual savings of \$60,156 to the SEJPA assuming amortization of the capital cost with a 50 year life and 3.5% interest rate.

Table 3	
Interruptible Discount for Avoided Infrastructure	
Average Yearly Use (AFY)	200
Average Daily Use (gpd)	178,536
Required Min. Reservoir Size (3XAvg)	535,609
Est. Reservoir Cost (@ \$2/gal)	\$ 1,071,000
Est. Pump Station Cost	\$ 340,000
Total Avoided Infrastructure Cost	\$ 1,411,000
Annual Savings to District	\$ 60,156
Per Acre Discount for 200 acre-ft	\$ 301

When applying the interruptible service discount for avoided infrastructure, the calculated cost of service for 200 AF is \$1,089 per AF ($\$1,390/\text{AF} - \$301/\text{AF} = \$1,089/\text{AF}$). This is less than the current ERGA rate of \$1,129 per AF at the contracted 200 AF ($\$225,800/200\text{AF}$). However, in most years ERGA has received surplus recycled water from the SEJPA, resulting in ERGA receiving more than the minimum 200 AFY contract limit, creating value to both ERGA and the SEJPA.

CONCLUSION

In our analysis we found that increases in sales have a significant positive impact on the unit cost-based rate of recycled water. We determined the rate for both interruptible and non-interruptible service under current agreements. It can be concluded that the current pricing structure for all agencies receiving Non Interruptible service is below the “true” cost of service, which was calculated at \$1,390 per AF. In addition, our analysis indicated that the current price structure for Interruptible service appears to be appropriately priced, with the provision of access to surplus recycled water as the compensation for interruptibility. It should also be noted that asset depreciation or “repair and replacement” funds are not currently being collected at a rate equal to straight-line depreciation calculations, and therefore, the agency should consider creating a reserve policy in the future to address this.

Analyses contained in this report may be used at the SEJPA’s discretion for the purposes of establishing cost of service rates or for renegotiating agreements as part of the participating agencies desire to move away from an “index pricing” structure and towards a true cost of service methodology. The rates calculated in this report support the SEJPA’s larger effort to ensure that its recycled water rates are logical, defensible, and consistent with cost of service principles.

We appreciate the opportunity to assist the SEJPA. If you have any questions, please call me at (626) 583-1894.

Sincerely,



Sudhir Pardiwala

Exec Vice President

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

November 10, 2014

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: ACCEPTANCE OF COMPLETION – SOLANA BEACH STORM WATER
DIVERSION STRUCTURE

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to accept the Solana Beach Storm Water Diversion Structure Project, sign and record a Notice of Completion; and
2. Discuss and take other action as appropriate.

BACKGROUND

In an effort to maximize the regional value of the advanced water treatment project, the SEJPA partnered with the Olivenhain Municipal Water District (OMWD) and the San Elijo Lagoon Conservancy to create the North San Diego County Cooperative Demineralization Project in 2010.

The project goals are to (1) create sustainable and diverse local water supplies, (2) provide salinity and nutrient management to the North County coastal region, (3) address existing high Total Dissolved Solids (TDS) issues in recycled water, (4) divert urban runoff and first flush storm water from the San Elijo Lagoon, a Federal 303(d)-listed water body, (5) divert urban runoff and first flush storm water at the Solana Beach Seascape storm drain, which has a chronic history exceeding California Ocean Plan receiving water bacteriological standards to protect body contact recreational uses (REC-1), and (6) reduce wastewater discharge to the Pacific Ocean. The North San Diego County Cooperative Demineralization Project is accomplishing these goals through the following four elements:

1. Construction of an advanced recycled water treatment facility at the San Elijo Water Reclamation Facility (completed);
2. Construction of two storm water diversion structures to redirect flows to the SEWRF (completed);
3. Monitoring of the water quantity and quality at the San Elijo Lagoon (in progress); and
4. Preparation of a feasibility study for an OMWD brackish groundwater desalination facility in north San Diego County (completed).

In 2010, SEJPA submitted the North San Diego County Cooperative Demineralization Project for grant consideration through the San Diego Integrated Regional Water Management

(IRWM) program for Proposition 84 funding. Through a competitive rating process, the project was ranked the highest in the region and was allocated approximately \$1.05 million in IRWM, Prop. 84, Round 1 funding.

For this project, the SEJPA is responsible for completing two elements; the Advanced Recycled Water Treatment (AWT) Facility and the two storm water diversion structures. The AWT Facility has been constructed and is operational. The SEJPA has now completed the construction of the storm water diversion structures, one of which is located in the City of Encinitas and the other in Solana Beach. The Encinitas Storm Water Diversion Structure is on site at the SEJPA facility and diverts low flow from the regional drainage channel on the west edge of the property into the San Elijo Water Reclamation Facility for treatment. The Solana Beach Storm Water Diversion Structure is located at Seascape Sur on South Sierra Avenue in Solana Beach where there is a documented history of coliform bacteria in the storm drain system. The design of this diverter structure was completed and the construction was publicly advertised on May 19, 2014. Four bids were received by the 10:00 am deadline on June 17, 2014. The construction contract was awarded to C.E. Wilson at the July 14, 2014 Board meeting in the amount of \$131,527.

DISCUSSION

Crews began construction on September 2, 2014. The storm water diverter was installed and the area restored to normal by October 10, 2014. The project had a tight construction schedule to begin after the summer season and finish before the rainy season. Two contract amendments were approved, one in the amount of \$10,209.21 as a result of unforeseen underground utilities that required relocation and a second amendment for \$10,455.02 to relocate a potable water line that was in conflict with the vault construction.



Storm Water Diverter Installation



Completed Storm Water Diverter Site

With the acceptance of this project by the Board of Directors and the filing of the Notice of Completion, the contract with C.E. Wilson will be complete. The SEJPA legal counsel will file the Notice of Completion with the County Clerk. After 35 days, the final payment will be made to the Contractor.

FINANCIAL IMPACT

The construction bid and approved change orders were within the budget allowance for the project. The project was completed with no injuries, and no filed claims against the SEJPA. The work by C.E. Wilson was of good quality, and the contractor worked collaboratively with staff to resolve any construction issues.

It is therefore recommended that the Board of Directors:

1. Authorize the General Manager to accept the Solana Beach Storm Water Diversion Structure Project, sign and record a Notice of Completion; and
2. Discuss and take other action as appropriate.

Respectfully submitted,

Michael T. Thornton, P.E.
General Manager