

**FIRST AMENDED RESTATEMENT OF  
AGREEMENT BETWEEN CARDIFF SANITATION DISTRICT  
AND SOLANA BEACH SANITATION DISTRICT  
ESTABLISHING THE SAN ELIJO JOINT POWERS AUTHORITY**

This amended agreement is entered into this   1   day of September, 2021 by and between the City of Encinitas, as successor to the Cardiff Sanitation District, a county sanitation district, and the City of Solana Beach, as successor to the Solana Beach Sanitation District, a county sanitation district (hereinafter the City of Encinitas and the City of Solana Beach shall be referred to as the “**parties**” or “**Member Agencies**”), pursuant to the laws of the State of California.

**RECITALS**

A. The Cardiff Sanitation District and the Solana Beach Sanitation District jointly constructed and operated a water pollution control facility known as the San Elijo Water Pollution Control Facility, pursuant to a joint powers agreement, commonly referred to as the “**Basic Agreement**.”

B. The Basic Agreement was superseded by the “Agreement Between Cardiff Sanitation District and Solana Beach Sanitation District Establishing A Joint Powers Authority For The Operation, Maintenance, Construction, Upgrade and Expansion Of A Joint Sewage System,” dated June 17, 1987 (the “**Joint Powers Agreement**”). That Joint Powers Agreement created the San Elijo Joint Powers Authority (hereinafter “**SEJPA**”) as a separate public entity with the power to own, operate, maintain and upgrade the San Elijo Water Pollution Control Facility. Under the terms of that agreement, SEJPA was empowered to exercise the authority of the sanitation districts to provide for the transmission, collection, treatment, disposal of sewage and wastewater, and to develop water reclamation facilities, and was vested with all of their rights, obligations, liabilities and duties.

C. Upon the dissolution and merger of the Solana Beach Sanitation District with the City of Solana Beach on July 1, 1990, and the dissolution and merger of the Cardiff Sanitation District with the City of Encinitas on October 18, 2001, these cities became entitled to continue to exercise the rights of the county sanitation districts in accordance with Government Code

Sections 56886, 57461 and 57462, with respect to the provision of sewer service pursuant to the contracts under which the San Elijo Joint Powers Authority was created and operated.

D. The Joint Powers Agreement was amended a number of times between 1989 and 2008. It is the intent of the parties to supersede the June 2008 amendment to the Joint Powers Agreement by the adoption of this “First Amended Restatement of Agreement Between Cardiff Sanitation District and Solana Beach Sanitation District Establishing the San Elijo Joint Powers Authority” (hereinafter the “**Agreement**”). The purpose of this amended Agreement is to update the Agreement to reflect changes in the law and circumstances.

In consideration of these recitals and the mutual covenants contained herein, the Member Agencies agree as follows:

## **ARTICLE 1**

### **DEFINITIONS**

Section 1.1. For the purposes of this Agreement, the words and terms defined in this Article have the meaning established by this Article, unless from the context of the paragraph, sentence, phrase or clause in which the word or term appears it is evident that a different meaning is intended. Unless otherwise defined, the words or terms used in this Agreement shall have their customary and common meanings.

Section 1.2. “**Act**” means the Joint Exercise of Powers Act, Title 1, Division 7, Chapter 5, (commencing with Section 6500) of the California Government Code.

Section 1.3. “**Joint System**” means the San Elijo Water Campus, consisting of the land, the San Elijo Water Pollution Control Facility, the Escondido Regulator Structure and the San Elijo Ocean Outfall, as well as the San Elijo Water Reclamation Facility, the Oak Crest and Lomas Santa Fe Reservoirs, Encinitas Ranch and Lomas Santa Fe Booster Pump Stations and the associated recycled water distribution systems.

Section 1.4. “**Joint Facilities**” means the Joint System together with all other facilities, improvements, land and other works acquired, installed, operated, or maintained by SEJPA pursuant to this agreement and pursuant to separate contracts for the benefit of a member agency or other public agency.

Section 1.5. “**MGD**” means million gallons per day. Unless otherwise specified, the term MGD is used in reference to treatment capacity determined by average daily dry weather flow.

Section 1.6. “**Member Agency**” means either the City of Solana Beach, as successor to the Solana Beach Sanitation District, or the City of Encinitas, as successor to the Cardiff Sanitation District. When used in the plural, the term shall mean both cities.

Section 1.7. “**Person**” means person, corporation, partnership, joint venture, public entities, or unincorporated association of any type or nature.

Section 1.8. “**SEJPA**” means the San Elijo Joint Powers Authority created by this Agreement.

Section 1.9. “**Transmission facilities**” means sewers, pipes, manholes, force mains, laterals, pump stations, meters and other improvements for the collection or transmission of sewage, wastewater or reclaimed water.

Section 1.10. “**Water Campus**” is a term used to refer generally to the San Elijo Water Pollution Control Facility and San Elijo Water Reclamation Facility, also referred to as the Joint System, and may include either the Joint System or the Joint Facilities, depending upon the context of the sentence in which the term is used.

## ARTICLE 2

### CREATION OF AUTHORITY/ SEJPA BOARD

Section 2.1. This Agreement is made pursuant to the Act, providing for the joint exercise of powers common to the Member Agencies. The purpose of this Agreement is to establish a single agency authorized to manage, operate, maintain and expand the Water Campus for the treatment, disposal and recycling of wastewater, stormwater and ground water for beneficial reuse to reduce the region’s dependency on imported water, which includes treatment, storage, transmission, sale of recycled water and purified water and the necessary disposal or recycling of residual liquids and solids, and to determine the joint and separate obligations of the Member Agencies for the fulfillment of these services and other services as directed and approved by the agency’s Board of Directors.

Section 2.2. The San Elijo Joint Powers Authority is hereby created. The San Elijo Joint Powers Authority is a public entity, separate and apart from the Member Agencies.

Section 2.3. Organization of the SEJPA Board

(a) SEJPA shall be governed by a Board consisting of four members. Two members of the SEJPA Board shall be members of the City Council of the City of Solana Beach and two

members shall be members of the City Council of the City of Encinitas. Each Member Agency may appoint an alternate to serve in the absence of a regular member of the SEJPA Board, who must also be a council member or an employee of the Member Agency.

(b) Each member of the SEJPA Board shall serve a term determined by the appointing authority. A member may serve any number of consecutive terms. A member or alternate member shall be disqualified to serve on the SEJPA Board if the member ceases to hold office on the city council of the appointing Member Agency, or in the case of an employee alternate, ceases to be an employee of the appointing Member Agency. Alternate members, if any, shall serve at the pleasure of the appointing authority. Each Member Agency shall provide written notice to SEJPA of any appointments made, and of any vacancies which may occur. However, the SEJPA Board shall have the power to determine when a vacancy exists, in accordance with Government Code Section 1770 *et seq.*, for the purposes of conducting its business and notifying the Member Agencies of the need for an appointment.

(c) Each member of the SEJPA Board may receive compensation for each day of service to the joint powers authority, as defined by resolution adopted by the SEJPA Board. The rate of compensation, total per diem and annual compensation available, and compensable services established by such resolution shall not exceed the limits set forth in Water Code Sections 20201 and 20202. Such a resolution may be effective upon its adoption, but shall in no event have retroactive effect. It shall provide compensation of not less than the amount of \$160.00 per meeting for each regular, adjourned or special meeting of the SEJPA Board. Members shall also be reimbursed for actual and necessary expenses for travel and meetings as authorized by the SEJPA Board.

Section 2.4. Meetings of the SEJPA Board

(a) Annually, the SEJPA Board shall establish the time, date and place of its regular meetings; provided however, that the SEJPA Board shall hold at least one regular meeting every two months.

(b) All meetings of the SEJPA Board shall be noticed, called, held, and conducted in accordance with the Ralph M. Brown Act.

(c) The SEJPA Board shall keep minutes of all meetings, except for authorized closed sessions. The minutes shall be prepared as soon as practicable after each meeting of the

SEJPA Board and a copy shall be delivered to each member of the Member Agencies, and to their respective city managers.

Section 2.5. Voting; Tie Votes

(a) Each member of the SEJPA Board shall have one vote. When a regular member of the SEJPA Board is absent, the regular member of the SEJPA Board of the same Member Agency shall be entitled to cast a vote on behalf of the absent member.

(b) Three members shall constitute a quorum for the transaction of business except that less than a quorum may adjourn any meeting from time to time. The existence of a quorum shall be determined based on the number of members present.

(c) The affirmative vote of three members of the SEJPA Board shall be required for any action of the SEJPA Board.

(d) Whenever, after consideration of a matter for two meetings, the SEJPA Board is unable to decide the matter because of a tie vote, the issue shall be referred to the City Councils of the Member Agencies for resolution within 45 days, except as otherwise provided in Sections 4.7 and 6 of this Agreement.

(e) The SEJPA Board may adopt, amend or repeal by-laws, rules or regulations for the conduct of its meetings and other business.

(f) The voting procedures established by this section, including the ability of one member to cast a vote on behalf of another member from the same Member Agency under the described circumstances, shall only apply to duly noticed regular and special meetings of the SEJPA Board. The voting procedures established by this section shall not apply to any standing or ad hoc committee of SEJPA.

**ARTICLE 3**

**OFFICERS AND EMPLOYEES OF SEJPA**

Section 3.1. Election of Officers

(a) By the second meeting of each calendar year, the SEJPA Board shall appoint a chairperson and vice-chairperson and shall establish the time and place for its regular meetings. The chairperson shall conduct and may call meetings of the SEJPA Board, adopt resolutions and ordinances, and execute contracts and other documents, and take such other actions as may be legally required or authorized by the SEJPA Board on behalf of the joint powers authority.

(b) The vice-chairperson shall act and perform all of the chairperson's duties in the absence of the chairperson.

Section 3.2. Secretary

(a) ~~The general manager of SEJPA will serve as the secretary to the Board. The~~ Board may appoint any deputy secretaries as may be necessary or convenient. The secretary shall be responsible for preparing the minutes of the SEJPA Board, attesting to the signatures of the chairperson, vice-chairperson, or general manager on all resolutions, ordinances, contracts or other documents, and keeping all files and records of SEJPA.

(b) The secretary shall cause a copy of this Agreement, and all amendments, to be filed with the Secretary of State pursuant to the Act.

(c) The secretary of SEJPA is designated as the official for service of process or other documents on SEJPA, and is authorized to accept service of process or other documents on behalf of SEJPA, together with any deputy secretaries, if so authorized by the SEJPA Board.

Section 3.3. Treasurer; Auditor

(a) The SEJPA Board may appoint the general manager or other qualified officer, employee, or consultant of SEJPA as treasurer, pursuant to the provisions of Section 6506.6 of the Act.

(b) The treasurer shall be the depository and shall have custody of all of the accounts, funds and money of SEJPA from whatever source.

(c) The treasurer shall have the duties established by Sections 6505 and 6505.5 of the Act. SEJPA shall contract with a certified public accountant to perform its audits.

(d) Pursuant to Section 6505.1 of the Act, the treasurer shall have charge of, handle and have access to all accounts, funds and money of SEJPA and all records of SEJPA relating thereto. The secretary shall have charge of, handle and have access to all other records of SEJPA.

(e) The SEJPA Board shall establish the amount of the official bond required of the treasurer and general manager. The premium of the bond shall be a proper charge against SEJPA. SEJPA may obtain a master bond to satisfy these requirements.

Section 3.4. General Manager

(a) The SEJPA Board shall appoint a general manager of SEJPA. The general manager will serve as the chief executive officer (CEO) and will be a qualified, registered engineer, or a qualified, registered designee of an engineering firm with experience in managing wastewater treatment and water reclamation facilities.

(b) The general manager shall be responsible for the administrative operations of SEJPA under the direction and control of the SEJPA Board. The general manager shall be responsible for the effective functioning of SEJPA and the physical facilities owned and operated by SEJPA.

(c) The general manager shall have the following powers in addition to those powers necessary and proper to the effective administration of SEJPA, and not by way limitation on those powers:

(1) To participate in the design of and supervise the construction of any improvements to, or expansion of, SEJPA facilities authorized or contemplated by this agreement, or future improvements and expansions authorized by the Board of Directors;

(2) To the extent permitted by law, execute any contract for capital costs, costs of special services, equipment, materials, supplies, maintenance or repair that involves an expenditure by SEJPA of \$50,000 or less; or any contract with any consultant for services, the cost of which is included in the current budget and which involve an expenditure by SEJPA of \$50,000 or less; however, the Board of Directors must authorize contracts with consultants to perform the duties of the auditor or treasurer.

(3) To employ and approve payroll for all personnel of SEJPA required for administration, maintenance and operation of the Joint Facilities and all other employees authorized by SEJPA's budget or by the SEJPA Board;

(4) To expend funds of SEJPA and enter into contracts on behalf of SEJPA whenever required for urgent maintenance or repair work or in the event of any emergency to keep the Joint Facilities in operation or to restore them to operating condition. Following the exercise of this authority, the general manager shall make the report required by section 22050 of the Public Contract Code regarding the necessity of the actions taken. For the purposes of this authorization, urgent maintenance or repair work and emergency work is that required as a result of a physical condition of SEJPA owned infrastructure or any of the Joint

Facilities which threatens the public health or safety or the environment, and requires immediate remedial action in order to avoid the threat to the public health or safety or to the environment;

(5) To approve demands for payments by SEJPA of \$50,000 or less, provided such demands are made pursuant to a valid contract to which SEJPA is a party, or are demands for payment for items for which funds have been approved in the adopted SEJPA budget;

(6) To prepare and submit to the SEJPA Board, in time for revision and adoption by it prior to June 30, the budget for up to the succeeding two fiscal year(s) per Section 6.1;

(7) To apply for all permits, licenses, or approvals necessary for operation of the Joint Facilities from any local, state or federal government or agency with jurisdiction over the facilities of SEJPA, and to file all reports required by any local, state or federal government or agency with jurisdiction over the facilities of SEJPA, unless otherwise directed to the contrary by the SEJPA Board; and

(8) Generally, to supervise the acquisition, construction, management, maintenance and operation of the Joint Facilities.

(9) To process, investigate, respond to and resolve claims filed against SEJPA, and to settle claims in amounts not exceeding \$50,000 (or the maximum amount authorized pursuant to Government Code section 935.4), provided that the SEJPA Board may, by resolution, reduce the settlement authority of the general manager.

(d) The general manager shall perform such other duties as may be delegated by the SEJPA Board, and shall report to the SEJPA Board at such times and concerning such matters as the SEJPA Board may require.

(e) The general manager shall on an ongoing basis inform the city manager of each party of the operation of SEJPA and of the decisions of the general manager in operating and administering SEJPA which affect the Member Agencies.

### Section 3.5. General Counsel

(a) The SEJPA Board shall appoint General Counsel of SEJPA on such terms and conditions as it may see fit. General Counsel shall be a person or firm with experience with public law and the operations of utilities.



(b) General Counsel shall advise SEJPA officials in all legal matters pertaining to SEJPA business. General Counsel shall frame all ordinances and resolutions required by the Board. General Counsel shall perform other legal services as required from time to time by the Board. Notwithstanding the foregoing, the SEJPA Board may also retain Special Counsel, as needed.

Section 3.6. Other Employees and Consultants

(a) The SEJPA Board shall have the power to appoint and employ such other employees, consultants, advisers and independent contractors as may be necessary for the purposes of this Agreement.

(b) Except as expressly approved by the SEJPA Board, none of the officers, agents, or employees directly employed by the SEJPA Board shall be deemed, by reason of their employment by SEJPA to be employed by either Member Agency, or by reason of their employment by SEJPA to be subject to any of the requirements of either Member Agency.

**ARTICLE 4**

**POWERS**

Section 4.1. SEJPA shall exercise, in a manner provided in this agreement, the powers common to each of the county sanitation districts organized under Health & Safety Code section 4700 *et seq.* (which created this joint powers authority) as necessary to accomplish the purposes of this Agreement.

As provided in the Act, SEJPA shall be a public entity separate from the Member Agencies. SEJPA shall have the power to finance, acquire, construct, manage, maintain and operate the Joint Facilities.

In exercising its powers hereunder, SEJPA shall use its best efforts to maximize water reclamation, storm water capture and reuse, beneficial use of biogas and re-use of biosolids.

Section 4.2. SEJPA shall have the authority to finance, construct, acquire, manage, operate and maintain any improvements or facilities necessary to upgrade the Joint Facilities.

Section 4.3. SEJPA shall have the authority to finance, construct, acquire, manage, operate and maintain any improvements or facilities necessary to expand the treatment capacity of the Joint System in order to provide wastewater, stormwater, water reuse treatment capacity necessary to serve the continuing needs of the property within areas served by the Member Agencies and such other territories as it may, by contract or otherwise, be authorized to serve.

Section 4.4. SEJPA is, in its own name, authorized to do all acts necessary for the exercise of the foregoing powers, including, but not limited to, any or all of the following:

- (a) To make and enter into contracts.
- (b) To employ agents, employees, advisors, consultants and independent contractors.
- (c) To acquire, construct, manage, maintain or operate any buildings, works, or improvements.
- (d) To acquire, hold or dispose of property.
- (e) To sue and be sued in its own name.
- (f) To incur debts, liabilities or obligations, provided that no debt, liability or obligation shall constitute a debt, liability or obligation of either Member Agency, except to the extent required by law.
- (g) To apply for, accept, receive and disburse grants, loans and other aid from any agency of the United States of America or of the State of California.
- (h) To purchase insurance, including, but not limited to, general liability, property, pollution and worker's compensation insurance.
- (i) To invest any money in the treasury pursuant to Section 6505.5 of the Act that is not required for the immediate necessities of SEJPA, as SEJPA determines is advisable, in the same manner and upon the same conditions as local agencies, pursuant to Section 53601 of the Government Code of the State.
- (j) To carry out and enforce all the provisions of this Agreement.
- (k) To act as lead agency for purposes of the California Environmental Quality Act with regard to any upgrade or expansion of the Joint Facilities.
- (l) To establish charges and fees for sewage treatment and other services provided by SEJPA.

Section 4.5. SEJPA shall have the power to issue revenue bonds under the Act, commencing with Section 6540, the Revenue Bond Act of 1941, commencing with Section 51300 of the Government Code, the Mello-Roos Community Facilities Act, commencing with Government Code Section 53330, or other provisions of law applicable to joint powers authorities, or to finance Joint Facilities expansion or upgrade by any other revenue-based financing method which either Member Agency is authorized to use.

Section 4.6. SEJPA is authorized to charge to each Member Agency its proportionate or contracted share of the maintenance, operation, financing, construction, acquisition or expansion of the Joint Facilities, or the debt service on any revenue bonds. The Member Agencies agree to levy within their respective service areas service, stand-by, annexation, connection and other fees and charges as authorized by law as may be necessary to pay the charges established by SEJPA.

Section 4.7. All casualty losses resulting from claims for damages or litigation, and all related attorneys' fees, investigative fees, and other expenses, shall be deemed included within the operation and maintenance expenses of the Joint Facilities and shall be processed, investigated, and resolved by SEJPA. SEJPA shall bill, and the Member Agencies shall pay for such casualty losses and related expenses in proportion to their average daily flow in the Joint System for the prior three calendar years as part of their regular operation and maintenance expense payments pursuant to Sections 6.7 and 6.8 of this Agreement, unless said loss or expense is solely the result of actions by one member agency, in which case that member agency shall be solely responsible for payment of loss or expense.

Section 4.8. The powers of SEJPA shall be exercised in the manner provided in the Act, in the applicable revenue bond laws, in the Federal Water Pollution Control Act, and in the Porter-Cologne Water Quality Control Act; and, except for those powers set forth in any Bond Law and in Article 2 of the Act, as the same now reads or may be hereafter amended, shall be subject, to the extent required by Section 6509 of the Act, to the restrictions upon the manner of exercising such powers that are imposed upon County Sanitation Districts in the exercise of similar powers.

Section 4.9. Unless otherwise specified by resolution of the Member Agency passed in connection with the issuance of bonds or other financing methods for the financing or refinancing of improvements, the debts, liabilities and obligations of SEJPA shall not be the debts, liabilities and obligations of either Member Agency, except as may be specifically provided for in California Government Code Section 895.2, as amended or supplemented, and as required by Government Code Section 6508.1 and set forth in this section.

(a) Member Agency Liabilities under Government Code Section 895.2. The parties further agree as follows: (i) pursuant to California Government Code Section 895.4, in the event the parties, or either of them, are held liable for the acts or omissions of SEJPA caused by a

negligent or wrongful act or omission occurring in the performance of this Agreement; or (ii) in the case of any other liability incurred by SEJPA during the course of its existence to a third party, other than the public pension liabilities addressed in subsection (b); then, with respect to (i) and (ii) the parties shall discharge any such liability from payments to be made to SEJPA by each of the parties in proportion to each party's contribution to SEJPA's facility or facilities to which the liability is or is alleged to be attributable, unless otherwise agreed; provided (A) the foregoing contribution from the Member Agencies shall be required only to the extent SEJPA does not have insurance coverage for such liability. SEJPA insurance will be primary and noncontributory by endorsement. Each Member Agency shall indemnify, defend and hold harmless the other Member Agency from any such liability in excess of its proportionate share. Whether or not insurance coverage is available, the Authority shall be responsible, in the first instance, for responding to any claims or actions brought against it, and/or against one or both of the Member Agencies, on behalf of itself, and the Member Agencies involved, which shall fully cooperate with SEJPA in its defense of such claims or actions. The cooperation of the parties involved shall also include, upon the request of SEJPA, providing financial support during its defense of any claim or action under this subparagraph. Upon the final disposition of any claim or action to which this subparagraph applies, each Member Agency shall indemnify, defend and hold harmless the other Member Agency from any such liability in excess of its proportionate shares. All SEJPA insurance policies will name the Member Agencies and their respective officials, officers, employees and agents as additional insureds by blanket endorsement unless such coverage is commercially unavailable.

(b) Liability for Public Retirement System Costs (increased PERS, Unfunded "UAL" liability and OPEB (retiree) costs). In the event of withdrawal of either Member Agency or the dissolution, cessation of operations, or termination of participation in a public retirement system of or by SEJPA, unless otherwise unanimously agreed, each member agency shall assume responsibility for its share of any unfunded public retirement system liability. Each Member Agency shall negotiate in good faith to enter into a contract with the board of the public retirement system to fund its share of unfunded public retirement system liability annual obligations by: (i) making annual contributions; or (ii) making a lump-sum payment; or (iii) providing for payment by any other actuarially sound payment method. Each Member Agency agrees to defend and indemnify the other, and SEJPA, against any claim that it has not timely

met its legally required notice or funding obligations in the manner agreed upon herein, including the cost of any arbitration resulting from a dispute arising under Government Code §§ 6508.2 or 20575.

(c) Notice to Public Retirement System. Prior to filing any notice of termination to a public retirement system or a decision to dissolve SEJPA, cease its operations, SEJPA shall provide a copy of this agreement to the public retirement system or systems in which SEJPA participates, as required by Government Code section 6508.2. In addition, upon approval of this amended Agreement, SEJPA shall provide a copy to the public retirement system or systems in which SEJPA participates, as required by Government Code section 6508.2

Section 4.10. SEJPA is hereby designated lead agency for the purposes of the California Environmental Quality Act as it applies to all undertakings for expansion or upgrade of the Joint Facilities, unless otherwise agreed by the Member Agencies.

Section 4.11. SEJPA may allow either Member Agency to conduct temporary operations, provided that: (1) such Member Agency agrees to defend, indemnify and hold harmless both SEJPA and the other Member Agency against any costs, damages, or liabilities arising out of such operations involving the Joint Facilities; and (2) SEJPA determines that such use will not be injurious to, nor interfere with the lawful operation of the Joint Facilities; and (3) the Member Agency bears any and all costs which SEJPA may incur which arise out of such operations. The Board of SEJPA may authorize the general manager to permit such operations on such terms and conditions as it may specify.

## **ARTICLE 5**

### **METHODS OF PROCEDURE: CAPITAL COSTS**

Section 5.1. The Member Agencies previously conveyed their respective property interests in the Joint System to SEJPA, together with rights of access over, across, and through any real property owned by the Member Agencies necessary for the operation of the Joint Facilities. All real or personal property, facilities, improvements, fixtures or other property interests necessary for operation, maintenance, upgrade, or expansions of the Joint Facilities shall be acquired in the name of SEJPA.

Section 5.2. The Member Agencies previously transferred all records, accounts, funds and money relating to the Joint Facilities to SEJPA.

Section 5.3. SEJPA is responsible for operation and maintenance of the Joint Facilities. Either Member Agency may contract with SEJPA to perform operation and maintenance of the transmission and collection systems, or other non-Joint Facilities of the Member Agency, provided that all costs and liabilities incurred by SEJPA, its employees, officers or agents, arising out of SEJPA's operation or maintenance of such systems or facilities for one Member Agency shall be discharged by payment by such Member Agency; and further provided that such Member Agency shall defend, indemnify and hold harmless the other Member Agency from all liabilities arising out of SEJPA's operation or maintenance of such systems or facilities.

Section 5.4. If work is performed by one Member Agency at the request of SEJPA for SEJPA, then SEJPA shall hold harmless, defend, and indemnify the Member Agency performing the work.

Section 5.5. SEJPA may undertake all steps and procedures necessary to plan, finance, construct and operate any upgrade or expansion of the Joint Facilities, as approved by the SEJPA Board, including, but not limited to, preparation of plans and specifications; acquisition of permits, licenses, rights-of-way and land, construction, issuance of bonds, acceptance of grants and any other activity necessary or convenient to the accomplishment of the project.

## ARTICLE 6

### **BUDGET; ADMINISTRATION MAINTENANCE AND OPERATION COSTS; AND OTHER COSTS**

Section 6.1. The SEJPA Board shall adopt a budget for administration, maintenance and operation costs, capital costs, costs of special services, capital reserve expenses (if any) and bond interest and redemption expenses (if any) at least bi-annually (every two years). If the SEJPA Board fails to have in place an adopted budget by June 30 of any year (i.e., the end of the agency's last fiscal year for which a budget has been adopted), SEJPA shall continue to operate using the budget approved for administration, maintenance and operation costs, bond interest and redemption expenses, and other non-discretionary spending, from the preceding budget period, and until such time as a new budget is approved. The Member Agencies shall be obligated to continue to make timely payments to SEJPA based upon the previously budgeted amounts until such time as a budget is approved by the SEJPA Board.

Section 6.2. SEJPA shall cause to be kept accurate and correct books of account, showing in detail the capital costs, costs of special services, maintenance and operation costs, and planning and construction costs of the Joint Facilities and all financial transactions of SEJPA relating to the Joint Facilities, which books of account shall correctly show any receipts and also any costs, expenses or charges paid or to be paid by all or any of the Member Agencies hereunder, and also records of the wastewater flow from each of the Member Agencies or other users, together with the strength of effluent delivered from each of the Member Agencies or other users. Said books and records shall be open to inspection at all times during normal business hours by any representative of the Member Agencies, or by any accountant or other person authorized by the Member Agencies to inspect said books or records.

Section 6.3. After adoption of a budget pursuant to Section 6.1, SEJPA shall furnish to each of the Member Agencies an estimate of the maintenance and operation costs, capital costs, costs of special services, capital reserve expenses (if any), bond interest and redemption expenses (if any), and the proportion thereof allocated to each Member Agency for the ensuing fiscal year periods covered by the budget.

Section 6.4. Each Member Agency, and other public entity using the Joint Facilities, shall provide facilities to meter or measure the total of all wastewater, grease, sludge, sediment, or other material discharged or delivered to the Joint Facilities, including equipment to facilitate

the monitoring of the characteristics of the material so discharged by such agency. Meters or measuring devices shall be read, waste characteristics established, and the charges based thereon determined as often as required for each Member Agency to make the deposits in the maintenance and operation fund of SEJPA. The allocation of maintenance and operational costs between the Member Agencies for wastewater treatment and/or disposal will be based on the average daily flows and may be also be based, in part, upon the strength of effluent delivered from each of the Member Agencies or other users, as reported to the SEJPA Board monthly, for the three calendar years ending prior to the beginning of each fiscal year. The methodology to be used for allocation of costs based on the effluent delivered by the Member Agencies shall be included in and adopted as part of the budget approved by the Member Agencies. Dischargers utilizing the San Elijo Ocean Outfall for disposal of flows which are not treated at the San Elijo Water Pollution Control Facility will not be charged for wastewater treatment operations, but will be required to pay for operation and maintenance of the outfall. Dischargers solely utilizing the facilities' solids handling, treatment, and/or disposal, will be charged based on a case-by-case basis determined by the general manager.

Section 6.5. SEJPA shall maintain a Wastewater Operation & Maintenance fund, a Water Reclamation fund, and a Capital Improvement fund. The Board of Directors may establish other funds by resolution. All monies in these funds shall be paid out for the administration, maintenance and operation costs of the Joint Facilities, upon approval of demands for payment by the general manager, or the SEJPA Board as provided in this Agreement, and in accordance with Section 6505.5 of the Act.

Section 6.6. SEJPA shall establish a Capital Reserve Fund. The budgeted capital reserve expenses of SEJPA for each component of the Joint Facilities shall be allocated by SEJPA to the Member Agencies on the basis of capacity ownership, and to other public entities on the basis of leased capacity. All moneys received in payment of capital reserve expenses shall be paid out as directed by the SEJPA Board and upon approval of demands for payment by the general manager, as provided in this Agreement, and in accordance with Section 6505.5 of the Act.

Section 6.7. Each Member Agency agrees to pay SEJPA its allocated share of the total estimated annual costs and expenses of SEJPA in periodic payments within 30 days. SEJPA shall submit to each Member Agency a final detailed statement of the final costs and expenses



for the fiscal year, allocated in the same manner as estimated expenses were allocated, within 30 days after completion of the fiscal year end audit, whereupon final adjustments of debits and credits shall be made by SEJPA. If the amount of any allocated share of any estimated item of expense due from a Member Agency was less than the final allocation of such item to the Member Agency, the Member Agency shall forthwith pay the difference to SEJPA. If the amount of any allocated share of any estimated items of expense due from Member Agency was in excess of the final allocation of such item to that Member Agency, SEJPA shall credit such excess to the appropriate account of such agency.

Section 6.8. Each Member Agency shall provide the funds required to be paid by it to SEJPA under this Agreement, from any source of funds legally available for such purposes, subject only to the limitations of the Porter-Cologne Water Quality Control Act and the Federal Water Pollution Control Act.

## **ARTICLE 7**

### **CAPACITY RIGHTS**

#### Section 7.1.

(a) Based upon completion of expansion as described in the 1989 agreement between the parties, each Member Agency has a right to 50 percent of the available wastewater treatment capacity of the Joint System (equal to 2.625 MGD each, as of the date of this Agreement). However, to the extent a portion of this capacity is leased to the Rancho Santa Fe Community Services District and the City of Del Mar, the parties agree that such demands shall be supplied equally from the capacity of each Member Agency. Nothing in this section shall be construed to grant any rights to the Rancho Santa Fe Community Services District or the City of Del Mar.

(b) Neither Member Agency shall issue sewer treatment commitments, availability letters, or permits totaling more than 100 percent of its allocated capacity rights. SEJPA shall meter the amount of wastewater from each Member Agency being treated, transported, recycled or disposed of by the Joint Facilities. When SEJPA finds that a Member Agency is utilizing 75 percent or more of its maximum capacity rights, SEJPA shall immediately notify the Member Agency in writing. The Member Agency shall immediately take steps to

reduce its use so as to be within its maximum capacity rights. If a Member Agency is unable to reduce its use of the Joint Facilities, it shall either;

1. Purchase or lease capacity from the other Member Agency, at a price negotiated between the Member Agencies, if the other Member Agency has surplus or unused capacity rights; or
2. At its own expense, provide for modifications to pumping and conveyance or treatment facilities so as to accommodate its excess use of the Joint Facilities.

Should any party fail to comply with the provisions of this Section, SEJPA may take any necessary action under Section 7.3 or Section 7.5.

Section 7.2. Transfers.

Either Member Agency may contract with any person, firm, association, corporation or public agency for any portion of its maximum capacity rights under this Agreement, but no such contract shall relieve the Member Agency of any of its obligations under this Agreement.

Either Member Agency may sell any portion of its maximum capacity to the other Member Agency. Upon such sale, the SEJPA Board will adjust the maximum capacity of the Member Agencies to reflect the sale.

Section 7.3. At no time shall the flow to or into the Joint System from a Member Agency exceed the party's capacity rights. SEJPA shall have the power to limit the wastewater treatment commitments, availability letters or permits, or the sewage flowing to or into the Joint System from a party to the capacity rights of that party. SEJPA shall have the power to prohibit the discharge into the Joint System of any substance in a concentration which exceeds the maximum limit that may have been established by resolution or ordinance of SEJPA, or of either party, as necessary to safeguard the wastewater treatment processes and to meet disposal or recycling regulatory requirements. SEJPA shall cause the combined effluent treatment of the Joint System to be monitored, as well as the combined discharge, to determine whether federal and/or state discharge requirements or permit limits are being met. In addition, SEJPA shall cause the effluent of each Member Agency to be monitored. If the combined effluent of the Joint System, at the point of ultimate discharge into the receiving water, fails at any time to meet all discharge requirements or permit limits, the Member Agency responsible for each violation shall be solely responsible for any fines or penalties levied or criminal sanctions imposed. In this regard, the Member Agency responsible for any such violation shall hold harmless SEJPA and

the non-violating Member Agency from all liability and damages, fines or penalties, incurred by them or any of them as a direct and proximate result of such violation, including, but not limited to, legal, engineering and administrative expenses, and direct or indirect damages incurred by SEJPA or any non-violating Member Agency as a result of a cease and desist order, or court injunction from any state or federal agency restricting construction within the jurisdictional limits of SEJPA or the Member Agency. Upon notification of any such violation, the Member Agency in violation shall take prompt, corrective action as necessary to meet said discharge requirements or permit limits.

Section 7.4. The Member Agencies agree that SEJPA shall be empowered, in any case in which SEJPA is a party, to a grant contract with the State of California or the United States of America, to impose to the extent permitted by law on each of the Member Agencies, the duty of compliance with all conditions in such grant contract, and each Member Agency agrees to comply with such conditions by enactment of appropriate ordinances, regulations or otherwise.

Section 7.5. Each Member Agency, as required by law, shall adopt and maintain a uniform industrial waste ordinance that will establish criteria for, and restrictions on, the nature and quality of industrial waste discharged either directly or indirectly to the Joint Facilities. SEJPA, acting through the general manager with the approval of the SEJPA Board, shall be responsible for the design, implementation and operation of a program for inspection and monitoring all industrial waste produced in each Member Agency and discharge into the Joint Facilities, including field inspection employees of SEJPA. The industrial waste ordinance of each Member Agency will authorize field inspection employees of SEJPA to act as enforcement agents of the Member Agency with power to inspect and issue notices for violations of such ordinance; provided that all actual prosecutions for violations of such ordinances (including, without limitation, levying of fines, disconnection of discharge lines, and civil and criminal court actions) shall be the exclusive responsibility of the respective parties. All costs and expenses of SEJPA under this section shall be allocated by SEJPA to the parties on the basis of the actual costs incurred for each party and as a part of maintenance and operation costs provided for in Section 6.3.

Section 7.6. Each Member Agency, and any other agency using the Joint Facilities, shall adopt and enforce ordinances, resolutions, rules and regulations, regulating the type and condition of sewage, wastewater or other discharge permitted to be discharged into the

transmission facilities under the control of the Member Agency or other agency, and shall prohibit users of every kind and nature from discharging any sewage, wastewater, stormwater or other materials that would be detrimental to the Joint Facilities or any part thereof. Each Member Agency, and any other agency, shall comply with all applicable laws of the United States, the State of California, or any other entity having jurisdiction over the collection, transmission, treatment and disposal of sewage, wastewater or stormwater. For the purposes of this Section, laws shall include statutes, ordinances or regulations duly adopted by a regulatory agency of the United States or the State of California.

Section 7.7. To the maximum extent practicable, no party to this Agreement shall permit excessive uncontrolled infiltration of surface or stormwater into the Joint Facilities or its transmission facilities.

Section 7.8. SEJPA is hereby authorized to take any and all legal or equitable actions, including, but not limited to seeking injunctive relief or specific performance, as necessary to enforce this Agreement.

## **ARTICLE 8**

### **RIGHT TO EXPAND**

Section 8.1. Notwithstanding anything in this Agreement to the contrary, if SEJPA fails to expand the Joint System to meet the service needs of a Member Agency, either Member Agency may undertake any expansion to the Joint Facilities deemed necessary by the Member Agency to provide service within the service territory of the Member Agency. The party undertaking the expansion shall be responsible for all costs associated with such expansion and shall be entitled to all capacity resulting from the expansion.

## **ARTICLE 9**

### **PREVIOUS AGREEMENTS**

Section 9.1. Prior agreements between the Member Agencies shall be of no force and effect after the date of this Agreement, except insofar as it defined the rights and obligations of the parties with regard to the Joint System prior to the date of this Agreement. Such prior agreements may be used to interpret this Agreement as it pertains to the operation, maintenance and ownership of the Joint System.

Section 9.2. The Agreement between the Rancho Santa Fe Community Services District, SEJPA, and the Cardiff and Solana Beach Sanitation Districts for treatment and disposal of 0.25 MGD of sewage, as most recently amended on July 1, 2016, shall be administered by SEJPA on behalf of the Member Agencies.

Section 9.3. SEJPA is hereby delegated the duties and assigned the rights of the Cardiff Sanitation District and the Solana Beach Sanitation District, and either or both of them under the Agreement between Buena, Cardiff, Fairbanks Ranch, Rancho Santa Fe, Solana Beach, and Whispering Palms Sanitation Districts; regarding a Joint Sewage Collection and Transmission Operation Center dated November 17, 1981.

Section 9.4. SEJPA shall administer the San Elijo Ocean Outfall Agreement dated October 4, 2000, and as amended from time to time, between SEJPA and the City of Escondido.

Section 9.5. The Agreement between the City of Del Mar and SEJPA for wastewater treatment and disposal or recycling of 0.60 MGD of wastewater dated July 1, 2014, and as amended from time to time, shall be administered by SEJPA on behalf of the Member Agencies.

Section 9.6. The recycled water agreements between SEJPA and San Dieguito Water District, Santa Fe Irrigation District, City of Del Mar, Olivenhain Municipal Water District, Encinitas Ranch Golf Authority which have been executed and subsequently amended from time to time, shall be administered by SEJPA on behalf of the Member Agencies.

## **ARTICLE 10**

### **OBLIGATION FOR TRANSMISSION SYSTEM**

Section 10.1. Each Member Agency shall be responsible for the maintenance, operation, expansion and installation of all transmission facilities located within the service territory of the Member Agency. A Member Agency may delegate this responsibility to SEJPA; provided, however, that the Member Agency shall remain responsible for all costs and liabilities arising out of the assumption of this responsibility by SEJPA.

Section 10.2. The Member Agencies shall share the maintenance and operating costs of any transmission facility, not part of the Joint Facilities, used jointly by both parties, in proportion to the actual use by the respective parties.

Section 10.3. Meters used to measure the flow from a Member Agency to the Joint Facilities shall be operated and maintained as part of the Joint Facilities.

## ARTICLE 11

### RECLAIMED WATER AND OTHER BY-PRODUCTS

Section 11.1. All water (wastewater, ground water, reclaimed water, stormwater, or other), biosolids and other by-products of the Joint Facilities operation shall be the property of SEJPA.

Section 11.2. SEJPA may sell any recycled water, purified water, stormwater, groundwater, biosolids other byproducts of the Joint Facilities.

Section 11.3. Before selling recycled water, purified water, stormwater, groundwater, biosolids or other byproduct to any person other than a Member Agency, SEJPA shall offer the product to the Member Agencies. The Member Agencies shall have 60 days to accept the offer.

## ARTICLE 12

### TERMINATION

Section 12.1. This Agreement shall continue until terminated by an agreement executed by the parties, such agreement being authorized by a four-fifths vote of the governing body of each Member Agency. Such agreement shall provide for the disposition of the assets and liabilities of SEJPA.

Section 12.2. Notwithstanding section 12.1, either Member Agency may terminate this Agreement by giving the other party not less than 12 months written notice of its intent to withdraw from SEJPA. In such event, the withdrawing party shall remain liable for payment of its pro rata share of any debts or legal obligations of SEJPA which are outstanding at the time of withdrawal, including but not limited to obligations to repay any loan, grant or other indebtedness incurred for the purpose of developing or constructing any wastewater or water recycling facility. The withdrawing party shall also be responsible for any and all costs or expenses of the non-withdrawing party incurred as a result of the termination, such as the costs of permit modifications to maintain Joint Facilities' operations or obtaining lenders' consents to modify obligees on outstanding grants, leases or loans. The withdrawing party may transfer its interests in the assets of SEJPA to any other public agency with authority to operate a wastewater and water recycling facility, provided that: (1) the non-withdrawing party shall have a right of first refusal to acquire the assets of the withdrawing party on terms and conditions no less favorable than those on which the withdrawing party is transferring the assets to another public

agency; and (2) the transferee shall either have no right to manage or govern the operations of the wastewater or water recycling facilities (i.e., the non-withdrawing party shall have sole right and responsibility for management and governance of the operations of the Joint Facilities) following the transfer, or the terms and conditions of the transfer affecting the operations of the Joint Facilities (including the transferee’s proposed governance rights, if any) shall be acceptable to and approved by the non-withdrawing party. The non-withdrawing party shall have a reasonable period of time to exercise its rights under this paragraph.

**ARTICLE 13**

**MISCELLANEOUS PROVISIONS**

Section 13.1. Notices required to be given to any party under this agreement shall be delivered either personally or by first class mail, postage pre-paid, addressed as follows:

City of Solana Beach	City of Encinitas
City Manager	City Manager
635 S. Highway 101	505 S Vulcan Ave
Solana Beach, California 92075	Encinitas, California 92024

provided that either party may give notice, in writing, of a different address to which notices shall be given in the future.

Section 13.2. Each party to this Agreement shall, to the maximum extent feasible, prohibit the Joint Facilities from being used for any purpose other than the treatment, disposal or reclamation of wastewater, groundwater or stormwater, unless such other use is lawful and mutually agreed to by the parties to this Agreement, in writing, to be in their best interests.

In the event that any portion of the Joint Facilities is used for such other purposes, any lease payments, rents, or other income derived from such use shall inure to the benefit of SEJPA.

Section 13.3. Time is of the essence in this agreement.

Section 13.4. Whenever this Agreement requires consent or approval, such consent or approval shall not be unreasonably withheld.

Section 13.5. This Agreement shall be governed by the laws of the State of California.

Section 13.6. This Agreement may be amended at any time, or from time to time, except as limited by contract with the holders of bonds issued by SEJPA, or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all the parties, either as required in order to carry out any of the provisions of this Agreement or

for any other purpose, including, without limitation, adjustment of capacity rights or addition of new parties (including any legal entities or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 13.7. Should any part, term, or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 13.8. This Agreement shall be binding upon and shall inure to the benefit of the successors of the Member Agencies. No party may assign any right or obligation hereunder without the written consent of the other Member Agencies.

Section 13.9. Either Member Agency may amend or modify its service territory at any time, provided however, that no modification shall alter the capacity rights of a Member Agency or include the service territory of the other Member Agency without the consent of the other Member Agency and an amendment to this Agreement.



IN WITNESS WHEREOF, the parties hereto have, by resolution, caused this Agreement to be executed on the day and year set opposite the name of each of the parties.

City of Solana Beach, as successor to the SOLANA BEACH SANITATION DISTRICT

DATED: 08-17-2021

ATTEST:

  
City Clerk

APPROVED AS TO FORM

  
City Attorney

Johanna Canlas, City Attorney

  
City Manager

Gregory Wade

City of Encinitas, as successor to the CARDIFF SANITATION DISTRICT

DATED: 8/11/2021

ATTEST:

DocuSigned by:

  
Kathy Hollywood

Kathy Hollywood, City Clerk

DocuSigned by:

  
Pamela Antil

Pamela Antil, City Manager

APPROVED AS TO FORM

DocuSigned by:

  
Leslie Devaney

Lesley Devaney, City Attorney

**RESTATEMENT OF  
AGREEMENT BETWEEN CARDIFF SANITATION DISTRICT  
AND SOLANA BEACH SANITATION DISTRICT  
ESTABLISHING THE SAN ELIJO JOINT POWERS AUTHORITY**

This agreement is entered into this 25<sup>th</sup> day of June, 2008 by and between the City of Encinitas, as successor to the Cardiff Sanitation District, a county sanitation district, and the City of Solana Beach, as successor to the Solana Beach Sanitation District, a county sanitation district, (hereinafter referred to as the "parties" or "Member Agencies"), pursuant to the laws of the State of California.

**RECITALS**

- A. The Cardiff Sanitation District and the Solana Beach Sanitation District jointly constructed and operated a water pollution control facility known as the San Elijo Water Pollution Control Facility, pursuant to a joint powers agreement, commonly referred to as the "Basic Agreement."
- B. The Basic Agreement was superseded by the "Agreement Between Cardiff Sanitation District and Solana Beach Sanitation District Establishing A Joint Powers Authority For The Operation, Maintenance, Construction, Upgrade and Expansion Of A Joint Sewage System," dated June 17, 1987. That agreement created the San Elijo Joint Powers Authority (hereinafter "SEJPA"), as a separate public entity with the power to own, operate, maintain and upgrade the San Elijo Water Pollution Control Facility. Under the terms of that agreement, SEJPA was empowered to exercise the authority of the sanitation districts to provide for the transmission, collection, treatment, disposal of sewage and wastewater, and to develop water reclamation facilities, and was vested with all of their rights, obligations, liabilities and duties.
- C. Upon the dissolution and merger of the Solana Beach Sanitation District with the City of Solana Beach on July 1, 1990, and the dissolution and merger of the Cardiff Sanitation District with the City of Encinitas on October 18, 2001, these cities became entitled to continue to exercise the rights of the county sanitation districts in accordance with Government Code Sections 56886, 57461 and 57462, with respect to the provision of sewer service pursuant to the contracts under which the San Elijo Joint Powers Authority was created and operated.

D. The agreement establishing the SEJPA was amended a number of times between 1989 and 2005. It is the intent of the parties to supersede the June 1987 agreement, as so amended, by the adoption of this "Restatement of Agreement Between Cardiff Sanitation District and Solana Beach Sanitation District Establishing the San Elijo Joint Powers Authority," (hereinafter the "Agreement.") The purpose of this Agreement is to incorporate prior amendments into a single document, update the Agreement, and to clarify and supplement the duties and responsibilities of SEJPA and the parties.

In consideration of these recitals and the mutual covenants contained herein, the Member Agencies agree as follows:

## ARTICLE 1

### DEFINITIONS

Section 1.1. For the purposes of this agreement, the words and terms defined in this Article have the meaning established by this Article, unless from the context of the paragraph, sentence, phrase or clause in which the word or term appears it is evident that a different meaning is intended. Unless otherwise defined, the words or terms used in this agreement shall have their customary and common meanings.

Section 1.2. "Act" means the Joint Exercise of Powers Act, Title 1, Division 7, Chapter 5, (commencing with Section 6500) of the California Government Code.

Section 1.3. "Joint System" means the San Elijo Water Pollution Control Facility, consisting of the land, the sewage treatment plant, the Escondido Regulator Structure and the San Elijo Ocean Outfall, as well as the San Elijo Water Reclamation Facility, the Oak Crest and Lomas Santa Fe Reservoirs, Lomas Santa Fe Booster Pump Station and the associated recycled water distribution systems.

Section 1.4. "Joint Facilities" means the Joint System together with all other facilities, improvements, land and other works acquired, installed, operated, or maintained by SEJPA pursuant to this agreement.

Section 1.5. "MGD" means million gallons per day. Unless otherwise specified, the term MGD is used in reference to treatment capacity determined by average daily dry weather flow.

Section 1.6. "Member Agency" means either the City of Solana Beach, as successor to the Solana Beach Sanitation District, or the City of Encinitas, as successor to the Cardiff Sanitation District. When used in the plural, the term shall mean both cities.

Section 1.7. "Person" means person, corporation, partnership, joint venture, public entities, or unincorporated association of any type or nature.

Section 1.8. "Plant" is a term used to refer generally to the San Elijo Water Pollution Control Facility and San Elijo Water Reclamation Facility, and may include either the Joint System or the Joint Facilities, depending upon the context of the sentence in which the term is used.

Section 1.9. "SEJPA" means the San Elijo Joint Powers Authority created by this Agreement.

Section 1.10. "Transmission facilities" means sewers, pipes, force mains, laterals, pump stations, meters and other improvements for the collection or transmission of sewage, wastewater or reclaimed water.

## ARTICLE 2

### CREATION OF AUTHORITY/ SEJPA BOARD

Section 2.1. This Agreement is made pursuant to the Act, providing for the joint exercise of powers common to the Member Agencies. The purpose of this Agreement is to establish a single agency authorized to manage, operate, maintain and expand the Plant for the treatment and disposal of sewage or wastewater and for the treatment, storage, transmission, sale and disposal of recycled water, and to determine the joint and separate obligations of the Member Agencies concerning the transmission, treatment, disposal and reclamation of sewage and wastewater within the respective service territories of the Member Agencies.

Section 2.2. The San Elijo Joint Powers Authority ("SEJPA") is hereby created. The San Elijo Joint Powers Authority is a public entity, separate and apart from the Member Agencies.

#### Section 2.3. Organization of SEJPA Board

(a) The SEJPA shall be governed by a Board consisting of four members. Two members of the SEJPA Board shall be members of the City Council of the City of Solana Beach and two members shall be members of the City Council of the City of Encinitas. Each Member

Agency may appoint an alternate to serve in the absence of a regular member of the SEJPA Board, who must also be a council member or an employee of the Member Agency.

(b) Each member of the SEJPA Board shall serve a term determined by the appointing authority. A member may serve any number of consecutive terms. A member or alternate member shall be disqualified to serve on the SEJPA Board if the member ceases to hold office on the city council of the appointing Member Agency, or in the case of an employee alternate, ceases to be an employee of the appointing Member Agency. Alternate members, if any, shall serve at the pleasure of the appointing authority. Each Member Agency shall provide written notice to SEJPA of any appointments made, and of any vacancies which may occur. However, the Board of SEJPA shall have the power to determine when a vacancy exists, in accordance with Government Code Section 1770, *et seq.*, for the purposes of conducting its business and notifying the Member Agencies of the need for an appointment.

(c) Each member of the SEJPA Board may receive compensation for each day of service to the joint powers authority, as defined by resolution adopted by the SEJPA Board. The rate of compensation, total per diem and annual compensation available, and compensable services established by such resolution shall not exceed the limits set forth in Water Code Sections 20201 and 20202. Such a resolution may be effective upon its adoption, but shall in no event have retroactive effect. It shall provide compensation of not less than the amount of \$160.00 per meeting for each regular, adjourned or special meeting of the SEJPA Board. Members shall also be reimbursed for actual and necessary expenses for travel and meetings as authorized by the SEJPA Board.

#### Section 2.4. Meetings of the SEJPA Board

(a) Annually, the SEJPA Board shall establish the time, date and place of its regular meetings; provided however, that the SEJPA Board shall hold at least one regular meeting every two months.

(b) All meetings of the SEJPA Board shall be noticed, called, held, and conducted in accordance with the Ralph M. Brown Act.

(c) The SEJPA Board shall keep minutes of all meetings, except for authorized closed sessions. The minutes shall be prepared as soon as practicable after each meeting of the SEJPA Board and a copy shall be delivered to each member of the Member Agencies, and to their respective city managers.

Section 2.5. Voting; Tie Votes

(a) Each member of the SEJPA Board shall have one vote. When a regular member of the SEJPA Board is absent, the regular member of the SEJPA Board of the same Member Agency shall be entitled to cast a vote on behalf of the absent member.

(b) Three members shall constitute a quorum for the transaction of business except that less than a quorum may adjourn any meeting from time to time. The existence of a quorum shall be determined based on the number of members present.

(c) The affirmative vote of three members of the SEJPA Board shall be required for any action of the SEJPA Board.

(d) Whenever, after consideration of a matter for two meetings, the SEJPA Board is unable to decide the matter because of a tie vote, the issue shall be referred to the City Councils of the Member Agencies for resolution within 45 days, except as otherwise provided in Sections 4.7 and 6 of this Agreement.

(e) The SEJPA Board may adopt, amend or repeal by-laws, rules or regulations for the conduct of its meetings and other business.

(f) The voting procedures established by this section, including the ability of one member to cast a vote on behalf of another member from the same Member Agency under the described circumstances, shall only apply to duly noticed regular and special meetings of the SEJPA Board. The voting procedures established by this section shall not apply to any standing or ad hoc committee of SEJPA.

**ARTICLE 3**

**OFFICERS AND EMPLOYEES OF SEJPA BOARD**

Section 3.1. Election of Officers

(a) By the second meeting of each calendar year, the SEJPA Board shall appoint a chairperson and vice-chairperson and shall establish the time and place for its regular meetings. The chairperson shall conduct and may call meetings of the SEJPA Board, adopt resolutions and ordinances, and execute contracts and other documents, and take such other actions as may be legally required or authorized by the SEJPA Board on behalf of the joint powers authority.

(b) The vice-chairperson shall act and perform all of the chairperson's duties in the absence of the chairperson.

Section 3.2. Secretary

(a) The general manager of the SEJPA will serve as the secretary to the Board. The Board may appoint any deputy secretaries as may be necessary or convenient. The secretary shall be responsible for preparing the minutes of the SEJPA Board, attesting to the signatures of the chairperson, vice-chairperson, or general manager on all resolutions, ordinances, contracts or other documents, and keeping all files and records of the SEJPA.

(b) The secretary shall cause a copy of this Agreement, and all amendments, to be filed with the Secretary of State pursuant to the Act.

(c) The secretary of the SEJPA is designated as the official for service of process or other documents on the SEJPA, and is authorized to accept service of process or other documents on behalf of the SEJPA, together with any deputy secretaries, if so authorized by the SEJPA Board.

Section 3.3. Treasurer; Auditor

(a) The SEJPA Board may appoint the general manager or other qualified officer, employee, or consultant of the SEJPA as treasurer, pursuant to the provisions of Section 6506.6 of the Act.

(b) The treasurer shall be the depository and shall have custody of all of the accounts, funds and money of the SEJPA from whatever source.

(c) The treasurer shall have the duties established by Sections 6505 and 6505.5 of the Act. SEJPA shall contract with a certified public accountant to perform the annual audit.

(d) Pursuant to Section 6505.1 of the Act, the treasurer shall have charge of, handle and have access to all accounts, funds and money of the SEJPA and all records of the SEJPA relating thereto. The secretary shall have charge of, handle and have access to all other records of the SEJPA.

(e) The SEJPA Board shall establish the amount of the official bond required of the treasurer and general manager. The premium of the bond shall be a proper charge against SEJPA.

Section 3.4. General Manager

(a) The SEJPA Board shall appoint a general manager of SEJPA. The general manager will be a qualified, registered engineer, or a qualified, registered designee of an engineering firm with experience in managing sewage and wastewater treatment facilities.

(b) The general manager shall be responsible for the administrative operations of the SEJPA under the direction and control of the SEJPA Board. The general manager shall be responsible for the effective functioning of the SEJPA and the physical facilities owned and operated by the SEJPA.

(c) The general manager shall have the following powers in addition to those powers necessary and proper to the effective administration of the SEJPA, and not by way limitation on those powers:

(1) To participate in the design of and supervise the construction of any improvements to, or expansion of, the SEJPA facilities authorized or contemplated by this agreement;

(2) To execute any contract for capital costs, costs of special services, equipment, materials, supplies, maintenance or repair that involves an expenditure by the SEJPA of less than \$35,000; or any contract with any consultant (except for consultants to perform the duties of the auditor or treasurer) for services, the cost of which is included in the budget for the then current fiscal year, and which involve an expenditure by the SEJPA of less than \$35,000;

(3) To employ and approve payroll for all personnel of the SEJPA required for administration, maintenance and operation of the Joint Facilities and all other employees authorized by the SEJPA's budget or by the SEJPA Board;

(4) To expend funds of the SEJPA and enter into contracts, not exceeding in the aggregate expenditures of \$75,000 of funds of the SEJPA, whenever required for urgent sewer maintenance or repair work or in the event of any emergency to keep the Joint Facilities in operation or to restore them to operating condition. Following the exercise of this authority, the general manager shall make the report required by section 22050 of the Public Contract Code regarding the necessity of the actions taken. For the purposes of this authorization, urgent sewer maintenance or repair work and emergency work is that required as a result of a physical condition of the Plant or any of the Joint Facilities which threatens the public health or safety or the environment, and requires immediate remedial action in order to avoid the threat to the public health or safety or to the environment;

(5) To approve demands for payments by the SEJPA of \$35,000 or less, provided such demands are made pursuant to a valid contract to which the SEJPA is a party,



or are demands for payment for items for which funds have been approved in the adopted SEJPA budget;

(6) To prepare and submit to the SEJPA Board, in time for revision and adoption by it prior to June 30 of each year, the annual budget for the next succeeding fiscal year referred to in Section 6.1;

(7) To apply for all permits, licenses, or approvals necessary for operation of the Joint Facilities from any local, state or federal government or agency with jurisdiction over the facilities of the SEJPA, and to file all reports required by any local, state or federal government or agency with jurisdiction over the facilities of the SEJPA, unless otherwise directed to the contrary by the SEJPA Board; and

(8) Generally to supervise the acquisition, construction, management, maintenance and operation of the Joint Facilities.

(9) To process, investigate, respond to and resolve claims filed against SEJPA, and to settle claims in amounts not exceeding \$50,000 (or the maximum amount authorized pursuant to Government Code section 935.4), provided that the SEJPA Board may, by resolution, reduce the settlement authority of the general manager.

(d) The general manager shall perform such other duties as may be delegated by the SEJPA Board, and shall report to the SEJPA Board at such times and concerning such matters as the SEJPA Board may require.

(e) The general manager shall on an ongoing basis inform the city manager of each party of the operation of the SEJPA and of the decisions of the general manager in operating and administering the SEJPA which affect the Member Agencies.

#### Section 3.5. General Counsel

(a) The SEJPA Board shall appoint General Counsel of SEJPA on such terms and conditions as it may see fit. General Counsel shall be a person or firm with experience with public law and the operations of utilities.

(b) General Counsel shall advise SEJPA officials in all legal matters pertaining to SEJPA business. General Counsel shall frame all ordinances and resolutions required by the Board. General Counsel shall perform other legal services as required from time to time by the Board. Notwithstanding the foregoing, the SEJPA Board may also retain Special Counsel, as needed.

Section 3.6. Other Employees and Consultants

(a) The SEJPA Board shall have the power to appoint and employ such other employees, consultants, advisers and independent contractors as may be necessary for the purposes of this Agreement.

(b) Except as expressly approved by the SEJPA Board, none of the officers, agents, or employees directly employed by the SEJPA Board shall be deemed, by reason of their employment by the SEJPA to be employed by either Member Agency, or by reason of their employment by the SEJPA to be subject to any of the requirements of either Member Agency.

**ARTICLE 4**

**POWERS**

Section 4.1. The SEJPA shall exercise, in a manner provided in this agreement, the powers common to each of the county sanitation districts organized under Health & Safety Code section 4700, et seq. (which created this joint powers authority) as necessary to the accomplishment of the purposes of this Agreement.

As provided in the Act, SEJPA shall be a public entity separate from the Member Agencies. The SEJPA shall have the power to finance, acquire, construct, manage, maintain and operate the Joint Facilities.

In exercising its powers hereunder, the SEJPA shall use its best efforts to maximize water reclamation, beneficial use of biogas and re-use of biosolids.

Section 4.2. The SEJPA shall have the authority to finance, construct, acquire, manage, operate and maintain any improvements or facilities necessary to upgrade the Joint Facilities.

Section 4.3. The SEJPA shall have the authority to finance, construct, acquire, manage, operate and maintain any improvements or facilities necessary to expand the treatment capacity of the Plant in order to provide wastewater treatment capacity necessary to serve the continuing needs of the property within areas served by the Member Agencies and such other territories as it may, by contract or otherwise, be authorized to serve.

Section 4.4. The SEJPA is, in its own name, authorized to do all acts necessary for the exercise of the foregoing powers, including, but not limited to, any or all of the following:

- (a) To make and enter into contracts.

- (b) To employ agents, employees, advisors, consultants and independent contractors.
- (c) To acquire, construct, manage, maintain or operate any buildings, works, or improvements.
- (d) To acquire, hold or dispose of property.
- (e) To sue and be sued in its own name.
- (f) To incur debts, liabilities or obligations, provided that no debt, liability or obligation shall constitute a debt, liability or obligation of either Member Agency.
- (g) To apply for, accept, receive and disburse grants, loans and other aid from any agency of the United States of America or of the State of California.
- (h) To purchase insurance, including, but not limited to, general liability, property and worker's compensation insurance.
- (i) To invest any money in the treasury pursuant to Section 6505.5 of the Act that is not required for the immediate necessities of the SEJPA, as the SEJPA determines is advisable, in the same manner and upon the same conditions as local agencies, pursuant to Section 53601 of the Government Code of the State.
- (j) To carry out and enforce all the provisions of this Agreement.
- (k) To act as lead agency for purposes of the California Environmental Quality Act with regard to any upgrade or expansion of the Joint Facilities.
- (l) To establish charges and fees for sewage treatment and other services provided by the SEJPA.

Section 4.5. The SEJPA shall have the power to issue revenue bonds under the Act, commencing with Section 6540, the Revenue Bond Act of 1941, commencing with Section 51300 of the Government Code, the Mello-Roos Community Facilities Act, commencing with Government Code Section 53330, or other provisions of law applicable to joint powers authorities, or to finance Joint Facilities expansion or upgrade by any other revenue-based financing method which either Member Agency is authorized to use.

Section 4.6. The SEJPA is authorized to charge to each Member Agency its proportionate or contracted share of the maintenance, operation, financing, construction, acquisition or expansion of the Joint Facilities, or the debt service on any revenue bonds. The Member Agencies agree to levy within their respective service areas service, stand-by,

annexation, connection and other fees and charges as authorized by law as may be necessary to pay the charges established by the SEJPA.

Section 4.7. All casualty losses resulting from claims for damages or litigation, and all related attorneys' fees, investigative fees, and other expenses, shall be deemed included within the operation and maintenance expenses of the Joint Facilities and shall be processed, investigated, and resolved by SEJPA. SEJPA shall bill, and the Member Agencies shall pay for such casualty losses and related expenses in proportion to their flow in the Joint System as part of their regular operation and maintenance expense payments pursuant to Sections 6.7 and 6.8 of this Agreement, unless said loss or expense is solely the result of actions by one member agency, in which case that member agency shall be solely responsible for payment of loss or expense.

Section 4.8. The powers of the SEJPA shall be exercised in the manner provided in the Act, in the applicable revenue bond laws, in the Federal Water Pollution Control Act, and in the Porter-Cologne Water Quality Control Act; and, except for those powers set forth in any Bond Law and in Article 2 of the Act, as the same now reads or may be hereafter amended, shall be subject, to the extent required by Section 6509 of the Act, to the restrictions upon the manner of exercising such powers that are imposed upon County Sanitation Districts in the exercise of similar powers.

Section 4.9. Unless otherwise specified by resolution of the Member Agency passed in connection with the issuance of bonds or other financing methods for the financing or refinancing of improvements, the debts, liabilities and obligations of the SEJPA shall not be the debts, liabilities and obligations of either Member Agency.

Section 4.10. The SEJPA is hereby designated lead agency for the purposes of the California Environmental Quality Act as it applies to all undertakings for expansion or upgrade of the Joint Facilities, unless otherwise agreed by the Member Agencies.

Section 4.11. The SEJPA may allow either Member Agency to conduct temporary operations, provided that: (1) such Member Agency agrees to defend, indemnify and hold harmless both the SEJPA and the other Member Agency against any costs, damages, or liabilities arising out of such operations involving the Joint Facilities; and (2) SEJPA determines that such use will not be injurious to, nor interfere with the lawful operation of the Joint Facilities; and (3) the Member Agency bears any and all costs which SEJPA may incur which arise out of such

operations. The Board of SEJPA may authorize the general manager to permit such operations on such terms and conditions as it may specify:

## ARTICLE 5

### METHODS OF PROCEDURE: CAPITAL COSTS

Section 5.1. The Member Agencies previously conveyed their respective property interests in the Plant to the SEJPA, together with rights of access over, across, and through any real property owned by the Member Agencies necessary for the operation of the Plant. All real or personal property, facilities, improvements, fixtures or other property interests necessary for operation, maintenance, upgrade, or expansions of the Joint Facilities shall be acquired in the name of the SEJPA.

Section 5.2. The Member Agencies previously transferred all records, accounts, funds and money relating to the Joint Facilities to SEJPA.

Section 5.3. The SEJPA is responsible for operation and maintenance of the Joint Facilities. Either Member Agency may contract with the SEJPA to perform operation and maintenance of the transmission and collection systems, or other non-Joint Facilities of the Member Agency, provided that all costs and liabilities incurred by SEJPA, its employees, officers or agents, arising out of SEJPA's operation or maintenance of such systems or facilities for one Member Agency shall be discharged by payment by such Member Agency; and further provided that such Member Agency shall defend, indemnify and hold harmless the other Member Agency from all liabilities arising out of SEJPA's operation or maintenance of such systems or facilities.

Section 5.4. Work performed by one Member Agency at the request of the SEJPA for the SEJPA, the SEJPA shall hold harmless, defend, and indemnify said Member Agency.

Section 5.5. SEJPA may undertake all steps and procedures necessary to plan, finance, construct and operate any upgrade or expansion of the Joint Facilities, as approved by the SEJPA Board, including, but not limited to, preparation of plans and specifications; acquisition of permits, licenses, rights-of-way and land, construction, issuance of bonds, acceptance of grants and any other activity necessary or convenient to the accomplishment of the project.

## ARTICLE 6

### BUDGET; ADMINISTRATION MAINTENANCE AND OPERATION COSTS; OTHER COSTS AFTER COMPLETION OF CONSTRUCTION OF THE PROJECT

Section 6.1. The SEJPA Board shall adopt a budget for administration, maintenance and operation costs, capital costs, costs of special services, capital reserve expenses (if any) and bond interest and redemption expenses (if any) annually prior to June 30 of each year. If the SEJPA Board fails to adopt a budget by June 30 of any year (i.e., the end of the agency's fiscal year), SEJPA shall continue to operate using the budget approved for administration, maintenance and operation costs, bond interest and redemption expenses, and other non-discretionary spending, for the preceding year, and until such time as a budget is approved. The Member Agencies shall be obligated to continue to make timely payments to SEJPA based upon such prior year's budgeted amounts until such time as a budget is approved by the SEJPA Board.

Section 6.2. The SEJPA shall cause to be kept accurate and correct books of account, showing in detail the capital costs, costs of special services, maintenance and operation costs, and planning and construction costs of the Joint Facilities and all financial transactions of the SEJPA relating to the Joint Facilities, which books of account shall correctly show any receipts and also any costs, expenses or charges paid or to be paid by all or any of the Member Agencies hereunder, and also records of the sewage flow from each of the Member Agencies or other users, together with the strength of effluent delivered from each of the Member Agencies or other users. Said books and records shall be open to inspection at all times during normal business hours by any representative of the Member Agencies, or by any accountant or other person authorized by the Member Agencies to inspect said books or records.

Section 6.3. After adoption of the annual budget prior to June 30 of each year, pursuant to Section 6.1, the SEJPA shall furnish to each of the Member Agencies an estimate of the total annual maintenance and operation costs, capital costs, costs of special services, capital reserve expenses (if any), bond interest and redemption expenses (if any), and the proportion thereof allocated to each Member Agency for the ensuing fiscal year.

Section 6.4. Each Member Agency, and other public entity using the Plant, shall provide facilities to meter or measure the total of all wastewater, grease, sludge, sediment, or other material discharged or delivered to the Joint Facilities, including equipment to facilitate the

monitoring of the characteristics of the material so discharged by such agency. Meters or measuring devices shall be read, waste characteristics established, and the charges based thereon determined as often as required for each Member Agency to make the deposits in the maintenance and operation fund of the SEJPA. The allocation of maintenance and operational costs between the Member Agencies for wastewater treatment and/or disposal will be based on the average daily flows and may be also be based, in part, upon the strength of effluent delivered from each of the Member Agencies or other users, as reported to the SEJPA Board monthly, for the calendar year ending prior to the beginning of each fiscal year. The methodology to be used for allocation of costs based on the effluent delivered by the Member Agencies shall be included in and adopted as part of the annual budget approved by the Member Agencies. Dischargers utilizing the San Elijo Ocean Outfall for disposal of flows which are not treated at the San Elijo Water Pollution Control Facility will not be charged for wastewater treatment operations, but will be required to pay for operation and maintenance of the outfall. Dischargers solely utilizing the plants solids handling, treatment, and/or disposal, will be charged based on a case-by-case basis determined by the general manager.

Section 6.5. The SEJPA shall maintain a Wastewater Operation & Maintenance fund, a Water Reclamation fund, and a Capital Improvement fund. All monies in these funds shall be paid out for the administration, maintenance and operation costs of the Joint Facilities, upon approval of demands for payment by the general manager, or the SEJPA Board as provided in this Agreement, and in accordance with Section 6505.5 of the Act.

Section 6.6. The SEJPA shall establish a Capital Reserve Fund. The annual capital reserve expenses of the SEJPA for each component of the Joint Facilities shall be allocated by the SEJPA to the Member Agencies on the basis of equal ownership. All moneys received in payment of capital reserve expenses shall be paid out as directed by the SEJPA Board and upon approval of demands for payment by the general manager, as provided in this Agreement, and in accordance with Section 6505.5 of the Act.

Section 6.7. Each Member Agency agrees to pay the SEJPA its allocated share of the total estimated annual costs and expenses of the SEJPA in periodic payments within 30 days of receipt of invoice. The SEJPA shall submit to each Member Agency a final detailed statement of the final costs and expenses for the fiscal year, allocated in the same manner as estimated expenses were allocated, within 30 days after completion of the fiscal year end audit, whereupon

final adjustments of debits and credits shall be made by the SEJPA. If the amount of any allocated share of any estimated item of expense due from a Member Agency was less than the final allocation of such item to the Member Agency, the Member Agency shall forthwith pay the difference to SEJPA. If the amount of any allocated share of any estimated items of expense due from Member Agency was in excess of the final allocation of such item to that Member Agency, SEJPA shall credit such excess to the appropriate account of such agency.

Section 6.8. Each Member Agency shall provide the funds required to be paid by it to the SEJPA under this Agreement, from any source of funds legally available for such purposes, subject only to the limitations of the Porter-Cologne Water Quality Control Act and the Federal Water Pollution Control Act.

## ARTICLE 7

### CAPACITY RIGHTS

#### Section 7.1.

(a) Based upon completion of expansion as described in the 1989 agreement between the parties, each Member Agency has a right to 50 percent of the available treatment capacity of the Plant (equal to 2.625 MGD each, as of the date of this Agreement). However, to the extent a portion of this capacity is leased to the Rancho Santa Fe Community Services District, the parties agree that such demands shall be supplied equally from the capacity of each Member Agency. Nothing in this section shall be construed to grant any rights to the Rancho Santa Fe Community Services District.

(b) Neither Member Agency shall issue sewer treatment commitments, availability letters, or permits totaling more than 100 percent of its allocated capacity rights. The SEJPA shall meter the amount of sewage from each Member Agency being treated at the Plant. When the SEJPA finds that a Member Agency is utilizing 75 percent or more of its maximum capacity rights, SEJPA shall immediately notify the Member Agency in writing. The Member Agency shall immediately take steps to reduce its use of the Plant so as to be within its maximum capacity rights. If a Member Agency is unable to reduce its use of the Plant it shall either;

1. Purchase or lease capacity from the other Member Agency, at a price negotiated between the Member Agencies, if the other Member Agency has surplus or unused capacity rights; or



2. At its own expense, provide for modifications to pumping and conveyance or treatment facilities so as to accommodate its excess use of the Plant.

Should any party fail to comply with the provisions of this Section, SEJPA may take any necessary action under Section 7.3 or Section 7.5.

Section 7.2. Transfers.

Either Member Agency may contract with any person, firm, association, corporation or public agency for any portion of its maximum capacity rights under this Agreement, but no such contract shall relieve the Member Agency of any of its obligations under this Agreement.

Either Member Agency may sell any portion of its maximum capacity to the other Member Agency. Upon such sale, the SEJPA Board will adjust the maximum capacity of the Member Agencies to reflect the sale.

Section 7.3. At no time shall the flow to or into the Plant from a Member Agency exceed the party's capacity rights. The SEJPA shall have the power to limit the sewage treatment commitments, availability letters or permits, or the sewage flowing to or into the Plant from a party to the capacity rights of that party. The SEJPA shall have the power to prohibit the discharge to the Plant of any substance in a concentration which exceeds the maximum limit that may have been established by resolution or ordinance of the SEJPA, or of either party, as necessary to safeguard the sewage treatment processes of the Plant. The SEJPA shall cause the combined effluent treatment of the Plant to be monitored, as well as the combined discharge, to determine whether federal and/or state discharge requirements or permit limits are being met. In addition, the SEJPA shall cause the effluent of each Member Agency to be monitored. If the combined effluent of the Plant, at the point of ultimate discharge into the receiving water, fails at any time to meet all discharge requirements or permit limits, the Member Agency responsible for each violation shall be solely responsible for any fines or penalties levied or criminal sanctions imposed. In this regard, the Member Agency responsible for any such violation shall hold harmless the SEJPA and the non-violating Member Agency from all liability and damages, fines or penalties, incurred by them or any of them as a direct and proximate result of such violation, including, but not limited to, legal, engineering and administrative expenses, and direct or indirect damages incurred by the SEJPA or any non-violating Member Agency as a result of a cease and desist order, or court injunction from any state or federal agency restricting construction within the jurisdictional limits of the SEJPA or the Member Agency. Upon

notification of any such violation, the Member Agency in violation shall take prompt, corrective action as necessary to meet said discharge requirements or permit limits.

Section 7.4. The Member Agencies agree that the SEJPA shall be empowered, in any case in which the SEJPA is a party, to a grant contract with the State of California or the United States of America, to impose to the extent permitted by law on each of the Member Agencies, the duty of compliance with all conditions in such grant contract, and each Member Agency agrees to comply with such conditions by enactment of appropriate ordinances, regulations or otherwise.

Section 7.5. Each Member Agency, as required by law, shall adopt and maintain a uniform industrial waste ordinance that will establish criteria for, and restrictions on, the nature and quality of industrial waste discharged either directly or indirectly into the Plant. The SEJPA, acting through the general manager with the approval of the SEJPA Board, shall be responsible for the design, implementation and operation of a program for inspection and monitoring all industrial waste produced in each Member Agency and discharge into the Plant, including field inspection employees of the SEJPA. The industrial waste ordinance of each Member Agency will authorize field inspection employees of the SEJPA to act as enforcement agents of the Member Agency with power to inspect and issue notices for violations of such ordinance; provided that all actual prosecutions for violations of such ordinances (including, without limitation, levying of fines, disconnection of discharge lines, and civil and criminal court actions) shall be the exclusive responsibility of the respective parties. All costs and expenses of the SEJPA under this section shall be allocated by the SEJPA to the parties on the basis of the actual costs incurred for each party and as a part of maintenance and operation costs provided for in Section 6.3.

Section 7.6. Each Member Agency, and any other agency using the plant, shall adopt and enforce ordinances, resolutions, rules and regulations, regulating the type and condition of sewage and wastewater permitted to be discharged into the transmission facilities under the control of the Member Agency or other agency, and shall prohibit users of every kind and nature from discharging any sewage, wastewater or storm water which would be detrimental to the Joint Facilities or any part thereof. Each Member Agency, and any other agency, shall comply with all applicable laws of the United States, the State of California, or any other city having jurisdiction over the collection, transmission, treatment and disposal of sewage, wastewater or

storm water. For the purposes of this Section, laws shall include statutes, ordinances or regulations duly adopted by a regulatory agency of the United States or the State of California.

Section 7.7. To the maximum extent practicable, no party to this Agreement shall permit excessive infiltration of surface or storm water into the Joint Facilities or its transmission facilities.

Section 7.8. The SEJPA is hereby authorized to take any and all legal or equitable actions, including, but not limited to seeking injunctive relief or specific performance, as necessary to enforce this Agreement.

## ARTICLE 8

### RIGHT TO EXPAND

Section 8.1. Notwithstanding anything in this Agreement to the contrary, if the SEJPA fails to expand the Plant to meet the service needs of a Member Agency, either Member Agency may undertake any expansion to the Joint Facilities deemed necessary by the Member Agency to provide service within the service territory of the Member Agency. The party undertaking the expansion shall be responsible for all costs associated with such expansion and shall be entitled to all capacity resulting from the expansion.

## ARTICLE 9

### PREVIOUS AGREEMENTS

Section 9.1. Prior agreements between the Member Agencies shall be of no force and effect after the date of this Agreement, except insofar as it defined the rights and obligations of the parties with regard to the Joint System prior to the date of this Agreement. Such prior agreements may be used to interpret this Agreement as it pertains to the operation, maintenance and ownership of the Joint System.

Section 9.2. The Agreement between the Rancho Santa Fe Community Services District, SEJPA, and the Cardiff and Solana Beach Sanitation Districts for treatment and disposal of 0.25 MGD of sewage, as amended through January 3, 1991, shall be administered by SEJPA on behalf of the Member Agencies.

Section 9.3. SEJPA is hereby delegated the duties and assigned the rights of the Cardiff Sanitation District and the Solana Beach Sanitation District, and either or both of them under the Agreement between Buena, Cardiff, Fairbanks Ranch, Rancho Santa Fe, Solana Beach, and

Whispering Palms Sanitation Districts; regarding a Joint Sewage Collection and Transmission Operation Center dated November 17, 1981.

Section 9.4. The SEJPA shall administer the San Elijo Ocean Outfall Agreement dated October 4, 2000, and as amended from time to time, between the SEJPA and the City of Escondido.

## ARTICLE 10

### OBLIGATION FOR TRANSMISSION SYSTEM

Section 10.1. Each Member Agency shall be responsible for the maintenance, operation, expansion and installation of all transmission facilities located within the service territory of the Member Agency. A Member Agency may delegate this responsibility to the SEJPA; provided, however, that the Member Agency shall remain responsible for all costs and liabilities arising out of the assumption of this responsibility by SEJPA.

Section 10.2. The Member Agencies shall share the maintenance and operating costs of any transmission facility, not part of the Joint Facilities, used jointly by both parties, in proportion to the actual use by the respective parties.

Section 10.3. Meters used to measure the flow from a Member Agency to the Joint Facilities shall be operated and maintained as part of the Joint Facilities.

## ARTICLE 11

### RECLAIMED WATER AND OTHER BY-PRODUCTS

Section 11.1. All reclaimed water, biosolids and other by-products of the Joint Facilities operation shall be the property of the SEJPA.

Section 11.2. The SEJPA may sell any reclaimed water, groundwater, biosolids other byproducts of the Joint System.

Section 11.3. Before selling reclaimed water, groundwater, biosolids or other byproduct to any person other than a Member Agency, the SEJPA shall offer the product to the Member Agencies. The Member Agencies shall have 60 days to accept the offer.

## ARTICLE 12

### TERMINATION

Section 12.1. This Agreement shall continue until terminated by an agreement executed by the parties, such agreement being authorized by a four-fifths vote of the governing body of each Member Agency. Such agreement shall provide for the disposition of the assets and liabilities of SEJPA.

Section 12.2. Notwithstanding section 12.1, either Member Agency may terminate this Agreement by giving the other party not less than 12 months written notice of its intent to withdraw from SEJPA. In such event, the withdrawing party shall remain liable for payment of its pro rata share of any debts or legal obligations of the SEJPA which are outstanding at the time of withdrawal, including but not limited to obligations to repay any loan, grant or other indebtedness incurred for the purpose of developing or constructing any wastewater or water recycling facility. The withdrawing party shall also be responsible for any and all costs or expenses of the non-withdrawing party incurred as a result of the termination, such as the costs of permit modifications to maintain Joint Facilities' operations or obtaining lenders' consents to modify obligees on outstanding grants, leases or loans. The withdrawing party may transfer its interests in the assets of SEJPA to any other public agency with authority to operate a wastewater and water recycling facility, provided that: (1) the non-withdrawing party shall have a right of first refusal to acquire the assets of the withdrawing party on terms and conditions no less favorable than those on which the withdrawing party is transferring the assets to another public agency; and (2) the transferee shall either have no right to manage or govern the operations of the wastewater or water recycling facilities (i.e., the non-withdrawing party shall have sole right and responsibility for management and governance of the operations of the Joint Facilities) following the transfer, or the terms and conditions of the transfer affecting the operations of the Joint Facilities ( including the transferee's proposed governance rights, if any) shall be acceptable to and approved by the non-withdrawing party. The non-withdrawing party shall have a reasonable period of time to exercise its rights under this paragraph.

## ARTICLE 13

### MISCELLANEOUS PROVISIONS

Section 13.1. Notices required to be given to any party under this agreement shall be delivered either personally or by first class mail, postage pre-paid, addressed as follows:

City of Solana Beach	City of Encinitas
City Manager	City Manager
635 S. Highway 101	505 S Vulcan Ave
Solana Beach, California 92075	Encinitas, California 92024

provided that either party may give notice, in writing, of a different address to which notices shall be given in the future.

Section 13.2. Each party to this Agreement shall, to the maximum extent feasible, prohibit the Joint Facilities from being used for any purpose other than the treatment, disposal or reclamation of wastewater, groundwater or stormwater, unless such other use is lawful and mutually agreed to by the parties to this Agreement, in writing, to be in their best interests.

In the event that any portion of the Joint Facilities is used for such other purposes, any lease payments, rents, or other income derived from such use shall inure to the benefit of the SEJPA.

Section 13.3. Time is of the essence in this agreement.

Section 13.4. Whenever this Agreement requires consent or approval, such consent or approval shall not be unreasonably withheld.

Section 13.5. This Agreement shall be governed by the laws of the State of California.

Section 13.6. This Agreement may be amended at any time, or from time to time, except as limited by contract with the holders of bonds issued by the SEJPA, or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all the parties, either as required in order to carry out any of the provisions of this Agreement or for any other purpose, including, without limitation, adjustment of capacity rights or addition of new parties (including any legal entities or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 13.7. Should any part, term, or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered

unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 13.8. This Agreement shall be binding upon and shall inure to the benefit of the successors of the Member Agencies. No party may assign any right or obligation hereunder without the written consent of the other Member Agencies.

Section 13.9. Either Member Agency may amend or modify its service territory at any time, provided however, that no modification shall alter the capacity rights of a Member Agency or include the service territory of the other Member Agency without the consent of the other Member Agency and an amendment to this Agreement.

IN WITNESS WHEREOF, the parties hereto have, by resolution, caused this Agreement to be executed on the day and year set opposite the name of each of the parties.

City of Solana Beach, as successor to the SOLANA BEACH SANITATION DISTRICT

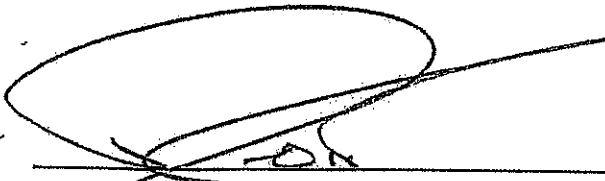
DATED: 6-25-2008

ATTEST:

City Clerk

APPROVED AS TO FORM

  
City Attorney

  
CITY MANAGER  
CITY of SOLANA BEACH  
DAVID OTT

City of Encinitas, as successor to the CARDIFF SANITATION DISTRICT

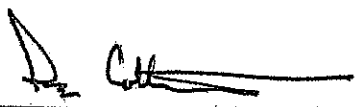
DATED: 6-23-08

ATTEST:

City Clerk, Deputy

APPROVED AS TO FORM

  
City Attorney

  
CITY MANAGER  
CITY of ENCINITAS  
PHIL COTTON



**SAN ELIJO JOINT POWERS AUTHORITY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021**



Leaf & Cole, LLP  
*Certified Public Accountants*

**SAN ELIJO JOINT POWERS AUTHORITY  
FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

## Independent Auditor's Report

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

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the San Elijo Joint Powers Authority ("SEJPA"), as of and for the year June 30, 2021 which collectively comprise the San Elijo Joint Powers Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of San Elijo Joint Powers Authority, as of June 30, 2021, and the respective changes in financial position and where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information on pages 42 to 45 as identified in the accompanying table of contents be presented to supplement the 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 of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

The operating budget comparison schedule - wastewater and the operating budget comparison schedule - recycled have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or any assurance on them.

Leaf & Cole LLP

San Diego, California  
January 24, 2022

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of San Elijo Joint Powers Authority (“SEJPA”) provides an overview of SEJPA’s financial activities for the year ended June 30, 2021. Please read it in conjunction with SEJPA’s financial statements which begin on page 8.

### **Financial Statements**

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

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

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

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

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Statements (Continued)

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

### Financial Highlights

SEJPA's net position increased by \$1,378,968 for the year ended June 30, 2021.

SEJPA's revenues totaled \$12,113,132 for the year ended June 30, 2021, an increase of \$589,907 resulting from a significant increase in state grants offset by a decrease in investment income as SEJPA incurred expenditures for capital projects.

SEJPA's expenses totaled \$10,734,164 for the year ended June 30, 2021. The expense increase was \$232,814 or 2.21% primarily due to increases in engineering and professional services as well as gas and electric costs.

### Financial Analysis of SEJPA

#### Net Position

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<u>Assets:</u>				
Current and other assets	\$ 40,388,410	\$ 49,114,481	\$ (8,726,071)	(17.77)%
Capital assets	64,163,664	54,803,442	9,360,222	17.07%
Total Assets	<u>104,552,074</u>	<u>103,917,923</u>	<u>634,151</u>	0.61%
<u>Deferred Outflows of Resources</u>	<u>815,911</u>	<u>779,780</u>	<u>36,131</u>	4.63%
<u>Liabilities:</u>				
Current liabilities	4,443,974	5,218,303	(774,329)	(14.83)%
Noncurrent liabilities	29,596,906	29,439,275	157,631	0.53%
Total Liabilities	<u>34,040,880</u>	<u>34,657,578</u>	<u>(616,698)</u>	(1.77)%
<u>Deferred Inflows of Resources</u>	<u>60,717</u>	<u>172,705</u>	<u>(111,988)</u>	(64.84)%
<u>Net Position:</u>				
Net investment in capital assets	38,679,158	28,332,591	10,346,567	36.51%
Restricted	-	630,000	(630,000)	(100.00)%
Unrestricted	32,587,230	40,924,829	(8,337,599)	(20.37)%
Total Net Position	<u>\$ 71,266,388</u>	<u>\$ 69,887,420</u>	<u>\$ 1,378,968</u>	1.97%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of SEJPA (Continued)

#### Net Position (Continued)

Net position increased by \$1,378,968 from fiscal year 2020 to 2021. Net investment in capital assets increased \$10,346,567 in fiscal year 2021. This increase is the result of principal paid on long-term debt, and the investment in capital assets, net of depreciation expense including the Water Campus Improvement Project.

Restricted net position decreased \$630,000 for the year ended June 30, 2021 as funds restricted for reserves were no longer needed after paying-off the state loan payable.

Unrestricted net position (those that can be used to finance day-to-day operations) decreased \$8,337,599 primarily due to funding for the Water Campus Improvement Project.

#### Revenues, Expenses and Change in Net Position

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b><u>Revenues:</u></b>				
Operating contributions from members	\$ 3,705,549	\$ 3,511,851	\$ 193,698	5.51%
Charges for services to other government agencies	5,088,992	5,103,323	(14,331)	(0.28)%
Other nonoperating revenue	1,155,994	1,646,047	(490,053)	(29.77)%
Member agency assessments	1,157,490	1,172,279	(14,789)	(1.26)%
State grants	1,005,107	89,725	915,382	1020.20%
Total Operating Revenues	<u>12,113,132</u>	<u>11,523,225</u>	<u>589,907</u>	5.11%
<b><u>Expenses:</u></b>				
Operating expenses	9,852,449	9,608,197	244,252	2.54%
Nonoperating expenses	881,715	893,153	(11,438)	(1.28)%
Total Expenses	<u>10,734,164</u>	<u>10,501,350</u>	<u>232,814</u>	2.21%
Increase in Net Position	<u>\$ 1,378,968</u>	<u>\$ 1,021,875</u>	<u>\$ 357,093</u>	34.94%

#### Capital Assets

Capital assets consist of the following at June 30:

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Construction in progress	\$ 15,520,248	\$ 7,520,610	\$ 7,999,638	106.36%
Plant equipment	90,434,314	86,844,963	3,589,351	4.13%
Lab equipment	81,270	85,524	(4,254)	(4.97)%
Office equipment	76,136	83,896	(7,760)	(9.24)%
Vehicles	488,234	488,234	-	0.00%
Subtotal	<u>106,600,202</u>	<u>95,023,227</u>	<u>11,576,975</u>	12.18%
Less: Accumulated depreciation	<u>(42,436,538)</u>	<u>(40,219,785)</u>	<u>(2,216,753)</u>	(5.51)%
Total Capital Assets, Net	<u>\$ 64,163,664</u>	<u>\$ 54,803,442</u>	<u>\$ 9,360,222</u>	17.07%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the SEJPA (Continued)

#### Capital Assets (Continued)

The net additions to capital assets for fiscal year 2021 totaled \$9,360,222. Capital asset additions are primarily related to the Water Campus Improvement project.

#### Long-Term Debt

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
2011 Refunding Revenue Bonds	\$ -	\$ 120,000	\$ (120,000)	(100.00)%
2017 Revenue Bonds	23,055,823	23,576,047	(520,224)	(2.20)%
State loan payable	-	814,318	(814,318)	(100.00)%
Private placement loan payable	1,250,662	1,343,998	(93,336)	(6.94)%
SFID Reimbursement Agreement	415,508	422,971	(7,463)	(1.76)%
Solana Beach Reimbursement Agreement	442,184	-	442,184	100.00%
SDG&E loan	320,329	373,719	(53,390)	(14.28)%
Total Long-Term Debt	<u>\$ 25,484,506</u>	<u>\$ 26,651,053</u>	<u>\$ (1,166,547)</u>	<u>(4.37)%</u>

The total long-term debt decreased by \$1,166,547 primarily due to principal payments on the 2017 Revenue Bonds and the state loan payable.

#### Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2021-22 sanitary fund operations and maintenance budget is \$6,119,413. The water reclamation budget is \$1,883,700. Sales of reclaimed water are budgeted to be 1,604 acre-feet in the upcoming year.

Contingency funding for each program area has been reviewed and budgeted on the basis of the potential for unforeseen events within each activity area. For all programs, the amount in contingency funding is \$159,000 and is \$5,228 lower than last year's budget levels.

The capital project program will have a budget of \$2,235,000 during the upcoming year. This is primarily for improvements to the wastewater, ocean outfall, pump stations, and reclamation programs.

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) for wastewater treatment provided to the member agencies, the budgeted cost is approximately \$186 per EDU per year for 2021-22. This represents a 10% increase from 2020-21. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service. For the remaining water agencies, recycled water sales are based on individual contracts which may include minimum annual purchase volumes and negotiated water rates. These revenues are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **Economic Factors (Continued)**

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

### **Contacting the Authority's Financial Manager**

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

**SAN ELIJO JOINT POWERS AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**ASSETS**

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

Cash and cash equivalents	\$ 16,015,007
Due from other governmental agencies	2,793,789
Accrued interest receivable	303,277
Prepaid expenses	46,337
Current portion of loans receivable	460,000
Total Current Assets	19,618,410

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

Loans Receivable, net of current portion	20,770,000
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**Capital Assets:**

Nondepreciable	15,520,248
Depreciable, net of accumulated depreciation	48,643,416
Total Capital Assets	64,163,664

Total Noncurrent Assets	84,933,664
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<b>TOTAL ASSETS</b>	<b>104,552,074</b>
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**DEFERRED OUTFLOWS OF RESOURCES:** (Notes 1, 11 and 12)

Deferred outflows related to pensions	745,611
Deferred outflows related to OPEB	70,300
	815,911

<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 815,911</b>
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The accompanying notes are an integral part of the financial statements.

**SAN ELIJO JOINT POWERS AUTHORITY  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2021**

**LIABILITIES**

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

Accounts payable	\$ 1,450,290
Accrued liabilities	304,459
Accrued interest payable	296,400
Due to other government agencies	371,253
Unearned revenue	1,308,847
Current portion of revenue bonds	460,000
Current portion of private placement loan payable	97,249
Current portion of SDG&E loan	53,388
Current portion of compensated absences	102,088
Total Current Liabilities	4,443,974

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

**Long-Term Debt:**

Revenue bonds, net of current portion	22,595,823
Private placement loan payable, net of current portion	1,153,413
SFID reimbursement agreement payable	415,508
Solana Beach reimbursement agreement payable	442,184
SDG&E loan, net of current portion	266,941
Total Long-Term Debt	24,873,869

**Other Noncurrent Liabilities:**

Net pension liability	3,619,079
Net OPEB obligation	595,539
Compensated absences	508,419
Total Other Noncurrent Liabilities	4,723,037

Total Noncurrent Liabilities	29,596,906
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Total Liabilities	34,040,880
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**DEFERRED INFLOWS OF RESOURCES:** (Notes 1 and 12)

Deferred inflows related to pensions	60,717
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<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>60,717</b>
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**Commitments and Contingencies** (Notes 11, 12 and 13)

**NET POSITION:**

Net investment in capital assets	38,679,158
Unrestricted	32,587,230
Total Net Position	\$ 71,266,388

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

**SAN ELIJO JOINT POWERS AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Operating Revenues:**

Charges for services to other government agencies	\$ 5,088,992
Contributions from City of Encinitas	2,120,667
Contributions from City of Solana Beach	1,584,882
Total Operating Revenues	8,794,541

**Operating Expenses:**

Personnel costs	3,672,400
Depreciation and amortization	2,309,388
Contracted services	1,403,866
Utilities	904,355
Supplies	626,365
Disposal services	304,007
Repair parts expense	222,864
Rent	146,110
Permit/purveyor fees	122,187
Miscellaneous	75,373
Insurance	65,534
Total Operating Expenses	9,852,449

Operating Loss	(1,057,908)
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**Nonoperating Revenues (Expenses):**

Investment income	1,046,136
State grants	1,005,107
Other	77,756
Rental income	29,960
Gain on disposal of capital assets	2,142
Interest expense	(881,715)
Total Nonoperating Revenues (Expenses)	1,279,386

Income Before Capital Contributions	221,478
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**Capital Contributions:**

Member agency assessments	1,157,490
Total Capital Contributions	1,157,490

Change in Net Position	1,378,968
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Net Position at Beginning of Year	69,887,420
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<b>NET POSITION AT END OF YEAR</b>	<b>\$ 71,266,388</b>
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The accompanying notes are an integral part of the financial statements.

**SAN ELIJO JOINT POWERS AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Cash Flows From Operating Activities:**

Cash received from customers	\$ 8,852,002
Cash payments to suppliers for goods and services	(4,983,040)
Cash payments to employees for services	(3,557,495)
Net Cash Provided by Operating Activities	<u>311,467</u>

**Cash Flows From Noncapital and Related Financing Activities:**

Rental and other nonoperating income	<u>107,629</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>107,629</u>

**Cash Flows From Capital and Related Financing Activities:**

Acquisition and construction of capital assets	(11,863,127)
Proceeds from sale of capital assets	2,142
Proceeds from long-term debt	478,319
Principal paid on long-term debt	(1,574,642)
Interest paid on long-term debt	(975,715)
Proceeds of state grants	1,005,107
Capital contributions	1,157,490
Net Cash Used in Capital and Related Financial Activities	<u>(11,770,426)</u>

**Cash Flows From Investing Activities:**

Proceeds from loans receivable	570,000
Investment income	<u>1,072,104</u>
Net Cash Provided by Investing Activities	<u>1,642,104</u>

Net Decrease in Cash and Cash Equivalents	(9,709,226)
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Cash and Cash Equivalents at Beginning of Year	<u>25,724,233</u>
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<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b><u><u>\$ 16,015,007</u></u></b>
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(Continued)

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

**SAN ELIJO JOINT POWERS AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Reconciliation of Operating Loss to**

**Net Cash Provided by Operating Activities:**

Operating loss	\$ (1,057,908)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>	
Depreciation and amortization	2,309,388
<b>Change in assets and liabilities:</b>	
Due from other governmental agencies	(1,548,364)
Prepaid expenses	(30,759)
Deferred outflows related to pensions	(134,623)
Deferred outflows related to OPEB	(14,831)
Accounts payable	(1,081,620)
Accrued liabilities	(225,534)
Unearned revenue	1,308,847
Net pension liability	313,865
Due to other government agencies	296,978
Net OPEB obligation	52,605
Compensated absences	102,088
Deferred inflows related to pensions	21,335
Net Cash Provided by Operating Activities	<u>\$ 311,467</u>

**Supplemental Disclosure of Cash Flow Information:**

Capital Assets acquired with Solana Beach Reimbursement Agreement Payable	\$ <u>422,184</u>
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The accompanying notes are an integral part of the financial statements.

**SAN ELIJO JOINT POWERS AUTHORITY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Post-Employment Benefits Trust</u>
<b>ASSETS</b>	
Cash	\$ <u>345,310</u>
Total Assets	<u><u>345,310</u></u>
 <b>NET POSITION</b>	
Held in trust for the benefit of employees of the San Elijo Joint Powers Authority	\$ <u><u>345,310</u></u>

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

**SAN ELIJO JOINT POWERS AUTHORITY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Post-Employment Benefits Trust</u>
<b>ADDITIONS:</b>	
Contributions	\$ 263,020
Investment earnings	<u>30,819</u>
Total Additions	<u>293,839</u>
<b>DEDUCTIONS:</b>	
Administrative fees	<u>1,063</u>
Total deductions	<u>1,063</u>
Change in Net Assets	292,776
Net Position - Beginning	<u>52,534</u>
Net Position - Ending	\$ <u><u>345,310</u></u>

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



**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

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

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

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

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

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

**Significant Accounting Policies**

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

**Method of Accounting**

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

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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Method of Accounting (Continued)**

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

**Estimates**

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

**Revenue Recognition**

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

**Allowance for Doubtful Accounts**

Bad debts are recognized on the allowance method based on historical experience and management’s evaluation of outstanding receivables. Management believes that all amounts due from other government agencies and loans receivable were fully collectible; therefore no allowance for doubtful accounts was recorded at June 30, 2021.

**Capital Assets**

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

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

Depreciation totaled \$2,309,388 for the year ended June 30, 2021.

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Significant Accounting Policies (Continued)**

**Amortization**

**2017 Revenue Bonds**

The original issue premium on the 2017 Revenue bonds is being amortized on the straight-line method over 30 years. Amortization expense totaled \$70,224 for the year ended June 30, 2021 and is included in interest expense.

**Compensated Absences**

Employees are entitled to accrue vacation leave up to a maximum amount equal to twice the employees' annual accrual rate, after which accrual ceases until the balance accrued falls below the maximum accumulation (208 - 368 hours, depending on length of service). Upon separation of employment, accrued vacation benefits that have not been used are paid to the employee. Sick leave benefits may be accrued up to a maximum of 1,000 hours after which accrual ceases. Employees who are not terminated for cause and have given the SEPJA 14 calendar days written notice are paid for 50% of the sick leave balance upon separation. Accumulated and unpaid vacation and sick-leave totaling \$610,507 is accrued when incurred and included in noncurrent liabilities at June 30, 2021.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by SEJPA that is applicable to a future reporting period and an acquisition of net assets by SEJPA that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are more fully described in Notes 11 and 12.

**Risk Management**

SEJPA is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of CSRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each insured agency pays for its proportionate share of its individually contracted insurance coverage and consulting services. At June 30, 2021, 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, 2021**

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

**Significant Accounting Policies (Continued)**

**Risk Management (Continued)**

Property Damage - \$62,007,894 in scheduled values through the APIP Property Program with a \$1,000,000,000 shared loss limit per occurrence with a \$25,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. SEJPA has a \$25,000 deductible for boiler and machinery coverage.

Faithful Performance/Employee Dishonesty Bond - Insured up to \$2,000,000 with a \$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.

SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. SEJPA's insurance expense totaled \$65,534 for the year ended June 30, 2021. There were no instances in the past three years where a settlement exceeded SEJPA's coverage.

**Pensions**

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

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Significant Accounting Policies (Continued)**

**Postemployment Benefits (OPEB)**

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2020 to June 30, 2021

**Fair Value Measurements**

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

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

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

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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Significant Accounting Policies (Continued)**

**Economic Dependency**

SEJPA received approximately 42% of its operating revenues from its member agencies for the year ended June 30, 2021.

**Cash and Cash Equivalents**

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

**Subsequent Events**

In preparing these financial statements, SEJPA has evaluated events and transactions for potential recognition or disclosure through January 24, 2022, the date the financial statements were available to be issued.

**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 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 SEJPA's investment policy:

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Quality Requirements</b>
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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 2 - Cash and Cash Equivalents:**

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

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

Cash and cash equivalents held by the SEJPA were comprised of the following at June 30, 2021:

	Maturity in Years		Total
	1 Year or Less		
Cash on hand	\$ 179		\$ 179
California Local Agency Investment Fund (LAIF)	13,357,965		13,357,965
Deposits with financial institutions	2,656,863		2,656,863
Mutual funds	345,310		345,310
Total Cash and Cash Equivalents	\$ 16,360,317		\$ 16,360,317
 Statement of Net Position:			
Cash and cash equivalents	\$ 16,015,007		\$ 16,015,007
Total Statement of Net Position	16,015,007		16,015,007
 Statement of Fiduciary Net Position:			
Cash	345,310		345,310
Total Statement of Fiduciary Net Position	345,310		345,310
Total Cash and Cash Equivalents	\$ 16,360,317		\$ 16,360,317

**Disclosures Relating to Interest Rate Risk**

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

Information about the sensitivity of the fair values of SEJPA's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of SEJPA's investments by maturity at June 30, 2021.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 2 - Cash and Cash Equivalents: (Continued)**

**Disclosures Relating to Credit Risk**

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

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

**Concentration of Credit Risk**

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

The investment policy of SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. SEJPA holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of SEJPA's total investments at June 30, 2021.

**Custodial Credit Risk**

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

At June 30, 2021, none of SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2021, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by SEJPA to buy the securities.



**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 2 - Cash and Cash Equivalents: (Continued)**

**Investment in State Investment Pool**

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

The statement of cash flows has been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30, 2021:

California Local Agency Investment Fund (LAIF)	\$ 13,357,965
Deposits with financial institutions	2,656,863
Cash on hand	179
Total	<u>\$ 16,015,007</u>

**Note 3 - Due From Other Government Agencies:**

SEJPA provides reclaimed water and wastewater treatment to a variety of governmental agencies within San Diego County. The following is a detail of amounts owed to/from the SEJPA by these agencies at June 30, 2021:

City of Solana Beach	\$ 578,990
San Dieguito Water District	216,664
Santa Fe Irrigation District	114,144
City of Del Mar	(81,160)
San Diego County Water Authority	1,788,763
Rancho Santa Fe CSD No. 2 and No. 3	4,415
Olivenhain Municipal Water District	56,252
Other	45,371
City of Escondido	(304,821)
City of Encinitas	3,918
Total	<u>\$ 2,422,536</u>

**Financial Statement Classification:**

Due from other government agencies	\$ 2,793,789
Due to other government agencies	(371,253)
	<u>\$ 2,422,536</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 4 - Loans Receivable:**

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

	<u>2021</u>	<u>2020</u>
City of Solana Beach	\$ 10,615,000	\$ 10,900,000
City of Encinitas	10,615,000	10,900,000
Subtotal	<u>21,230,000</u>	<u>21,800,000</u>
Less current portion	<u>(460,000)</u>	<u>(570,000)</u>
Total	<u>\$ 20,770,000</u>	<u>\$ 21,230,000</u>

**Note 5 - Capital Assets:**

Capital assets consist of the following at June 30:

	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ 7,520,610	\$ 10,671,655	\$ (2,672,017)	\$ 15,520,248
<b>Capital Assets Being Depreciated:</b>				
Plant equipment	86,844,963	3,670,872	(81,521)	90,434,314
Lab equipment	85,524	-	(4,254)	81,270
Office equipment	83,896	-	(7,760)	76,136
Vehicles	488,234	-	-	488,234
Total Capital Assets Being Depreciated	<u>87,502,617</u>	<u>3,670,872</u>	<u>(93,535)</u>	<u>91,079,954</u>
<b>Less: Accumulated depreciation for:</b>				
Plant equipment	(39,901,058)	2,241,282	81,521	(42,060,819)
Lab equipment	(72,617)	4,803	4,254	(73,166)
Office equipment	(78,458)	3,792	7,760	(74,490)
Vehicles	(167,652)	60,411	-	(228,063)
Net Capital Assets Being Depreciated	<u>47,282,832</u>	<u>1,360,584</u>	<u>-</u>	<u>48,643,416</u>
<b>Net Capital Assets</b>	<u>\$ 54,803,442</u>	<u>\$ 12,032,239</u>	<u>\$ (2,672,017)</u>	<u>\$ 64,163,664</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 6 - Noncurrent Liabilities:**

Noncurrent liabilities consist of the following at June 30, 2021:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year	Due in More Than One year
Payable from Restricted Assets:						
Due to member agencies payable from restricted assets	\$ 87	\$ -	\$ (87)	\$ -	\$ -	\$ -
Long-Term Debt:						
2011 Refunding Revenue Bonds	120,000	-	(120,000)	-	-	-
2017 Revenue Bonds	21,680,000	-	(450,000)	21,230,000	460,000	20,770,000
Original issue premium	1,896,047	-	(70,224)	1,825,823	-	1,825,823
State loan payable	814,318	-	(814,318)	-	-	-
Private placement loan payable	1,343,998	-	(93,336)	1,250,662	97,249	1,153,413
Reimbursement agreements payable:						
Santa Fe Irrigation	422,971	-	(7,463)	415,508	-	415,508
Solana Beach	-	478,319	(36,135)	442,184	-	442,184
SDG&E financing	373,719	-	(53,390)	320,329	53,388	266,941
Total Long-Term Debt	<u>26,651,053</u>	<u>478,319</u>	<u>(1,644,866)</u>	<u>25,484,506</u>	<u>610,637</u>	<u>24,873,869</u>
Other Noncurrent Liabilities:						
Compensated absences	508,419	102,088	-	610,507	102,088	508,419
Total OPEB liability	542,934	71,161	(18,556)	595,539	-	595,539
Net pension liability	3,305,214	845,360	(531,495)	3,619,079	-	3,619,079
Total Other Noncurrent Liabilities	<u>4,356,567</u>	<u>1,018,609</u>	<u>(550,051)</u>	<u>4,825,125</u>	<u>102,088</u>	<u>4,723,037</u>
Total Noncurrent Liabilities	<u>\$ 31,007,707</u>	<u>\$ 1,496,928</u>	<u>\$ (2,195,004)</u>	<u>\$ 30,309,631</u>	<u>\$ 712,725</u>	<u>\$ 29,596,906</u>

**Note 7 - Revenue Bonds:**

**2011 Refunding Revenue Bonds**

In December 2011, 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, SEJPA in effect reduced the aggregate debt service payments by approximately \$222,000 each year over the next seven years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450. The deferred amount on refunding was fully amortized at June 30, 2020.

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 were paid-in-full at June 30, 2021. Accrued interest totaled \$-0- at June 30, 2021. 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**  
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**Note 7 - Revenue Bonds: (Continued)**

**2017 Revenue Bonds**

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

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

Debt service requirements of the Revenue Bonds are as follows:

<u>Years Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 460,000	\$ 876,225
2023	475,000	862,425
2024	490,000	848,175
2025	510,000	828,575
2026	535,000	803,075
2027-2031	3,100,000	3,586,625
2032-2036	3,910,000	2,777,875
2037-2041	4,740,000	1,941,537
2042-2046	5,725,000	962,000
2047	1,285,000	51,400
Total	<u>\$ 21,230,000</u>	<u>\$ 13,537,912</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 8 - State Loan Payable:**

In March 1998, 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 was paid-in-full at June 30, 2021. Accrued interest totaled \$-0- at June 30, 2021. 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 were made by SEJPA in the amount of \$834,675 and continued through August 2020. SEJPA had agreed to maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of the loan.

**Note 9 - Private Placement Loan Payable:**

In November 2011, SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advanced water treatment improvements (Advanced Water Treatment Project) at the San Elijo Water Reclamation Facility. Interest accrues at 4.15% on the unpaid principal balance and is payable in forty (40) semi-annual payments of \$74,077 including principal and interest and continue through December 2031. The private placement loan payable outstanding totaled \$1,250,662 at June 30, 2021. Accrued interest totaled \$4,325 at June 30, 2021. SEJPA's obligation to pay the loan repayments is a special obligation limited solely to the net revenues as defined in the loan agreement. SEJPA has covenanted that it will fix, prescribe and collect rates, fees and charges sufficient to generate net revenues at least equal to 115% of the amount of the maximum annual debt service.

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

<u>Years Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 97,249	\$ 50,904
2023	101,327	46,826
2024	105,576	42,577
2025	110,003	38,151
2026	114,615	33,538
2027-2031	649,322	91,444
2032	72,570	1,506
	<u>\$ 1,250,662</u>	<u>\$ 304,946</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10 - Reimbursement Agreement Payable:**

**SFID**

The Santa Fe Irrigation District (SFID) constructed a reclaimed water distribution pipeline extension of 3,400 linear feet to SEJPA's reclaimed water distribution system in order to extend SEJPA's existing recycled water distribution system and enable the SFID to serve new reclaimed water customers. SEJPA agreed to reimburse SFID for the cost of design and construction of the extension in the amount of \$526,149 and the SFID agreed to convey ownership of the extension to SEJPA. Under the terms of the agreement, the reimbursement amount shall be increased each July 1<sup>st</sup> by adding interest at the rate equivalent to the average LAIF rate for the past four quarters, but not less than 1% nor greater than 2.5% calculated on the unpaid monthly balance. SEJPA shall reimburse SFID at a monthly rate of \$450 per acre foot of recycled water delivered through the extension including water delivered to purveyors other than SFID. In addition, SEJPA made an initial down payment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20<sup>th</sup> 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 \$415,508 at June 30, 2021.

**Solana Beach**

Solana Beach constructed a reclaimed water distribution pipeline extension of 7,920 linear feet to SEJPA's reclaimed water distribution system in order to extend SEJPA's existing recycled distribution system and enable Solana Beach to serve new reclaimed water customers. SEJPA agreed to reimburse Solana Beach the cost of design and construction of the extension in the amount of \$478,319 and Solana Beach agreed to convey of the extension to SEJPA. SEJPA shall reimburse Solana Beach at a monthly rate of \$450 per acre foot of recycled water delivered to any customers through the extension. Future payments on the Solana Beach Reimbursement Agreement Payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated and the agreement is considered noncurrent. The Solana Beach Reimbursement Agreement Payable totaled \$442,184 at June 30, 2021.

**San Diego Gas & Electric Loan**

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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 10 - Reimbursement Agreement Payable: (Continued)**

**San Diego Gas & Electric Loan (Continued)**

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

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 53,388	\$ -	\$ 53,388
2023	53,388	-	53,388
2024	53,388	-	53,388
2025	53,388	-	53,388
2026	53,388	-	53,388
2027	53,389	-	53,389
Total	<u>\$ 320,329</u>	<u>\$ -</u>	<u>\$ 320,329</u>

**Note 11 - Postemployment Benefits:**

**Plan Description**

SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the SEJPA's vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by SEJPA to the retiree is \$143 per month, which is the minimum amount set by CalPERS.

**Eligibility**

Employees of SEJPA are eligible for retiree health benefits if they retire within 120 days of their separation date. Membership in the plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Active plan members	23
Retirees	<u>5</u>
Total	<u><u>28</u></u>

**Contributions**

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

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 11 - Postemployment Benefits: (Continued)**

**Net OPEB Liability**

SEJPA's OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Discount Rate	2.19%
Inflation	2.75%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	N/A
Mortality, Termination, and Disability	Most recent CalPERS pension plan experience study.
Mortality Improvement Scale	Modified MP-2020, which converge to ultimate mortality improvement rates in 2022.
Pre-retirement turnover	Ranging from 0.01% to 17.42% based on termination rates under the CalPERS pension Plan
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.5% initially reduced by decrements to an ultimate of 4.5% therefore.

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.19%. This discount rate is the mid-point, rounded to five basis points, of the range of 3 - 20 year municipal bond rate indices; S&P Municipal bond 20-Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity 20-Year Go Municipal Bond Index.



**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 11 - Postemployment Benefits: (Continued)**

**Change in the Total OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2020	\$ 542,934	\$ -	\$ 542,934
<u>Changes Recognized for the Measurement Period:</u>			
Service cost	27,919	-	27,919
Interest	13,759	-	13,759
Change in assumptions	22,755	-	22,755
Difference between expected and actual experience	6,728	-	6,728
Contributions - Employer	-	18,556	(18,556)
Benefit payments	(18,556)	(18,556)	-
Net Changes	<u>52,605</u>	<u>-</u>	<u>52,605</u>
Balance at June 30, 2021	<u>\$ 595,539</u>	<u>\$ -</u>	<u>\$ 595,539</u>

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

The following presents the total OPEB liability of SEJPA, as well as what SEJPA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	<u>Plan's Total OPEB Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate +1%</u>
	<u>(1.19%)</u>	<u>Rate (2.19%)</u>	<u>(3.19%)</u>
Net OPEB Liability	<u>\$ 693,903</u>	<u>\$ 595,539</u>	<u>\$ 517,260</u>

**Change in Assumptions**

For the measurement period ended June 30, 2021, the discount rate used to calculate the net OPEB liability changed from 2.45% to 2.19%.

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 11 - Postemployment Benefits: (Continued)**

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

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

	Plan's Total OPEB Liability		
	Discount Rate - 1% (5.5% Decreasing to 3.5% )	Healthcare Cost Trend Rates (6.5% Decreasing to 4.5%)	Discount Rate +1% (7.5% Decreasing to 5.5%)
Net OPEB Liability	\$ 506,916	\$ 595,539	\$ 709,792

**OPEB Expense**

For the fiscal year ended June 30, 2021, SEJPA recognized OPEB expense of \$37,774.

Deferred outflows or deferred inflows of resources associated with OPEB at June 30, 2021 were the following:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 11,143	\$ -
Changes of assumptions	59,157	-
Total	\$ 70,300	\$ -

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

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2021	\$ 9,353
2022	9,353
2023	9,354
2024	10,678
2025	10,684
Thereafter	20,878
Total	\$ 70,300

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 12 - Defined Benefit Pension Plan:**

**General Information About the Pension Plans**

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

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

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Prior to July 1, 2012	Miscellaneous	
		On or After July 1, 2012 Second Tier	PEPRA
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52*
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.75%
Required employer contribution rates	12.361%	8.794%	7.732%

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

In addition to the contribution rates above, SEJPA was required to make payments of \$229,635 toward the unfunded actuarial liability during the year ended June 30, 2021. The miscellaneous 2.5% at 55 pool is closed to new members that are not already CalPERS eligible participants and existing members hired on or after July 1, 2012.

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 12 - Defined Benefit Pension Plan: (Continued)**

**General Information About the Pension Plans (Continued)**

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

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

SEJPA reported the following net pension liability for its proportionate share of the net pension liability of the risk pool at June 30, 2021:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Risk Pool	<u>\$ 3,619,079</u>

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

SEJPA's proportionate share of the net pension liability as of June 30, 2020, the measurement date, was calculated as follows:

- Each risk pool's total pension liability was computed at the measurement date, June 30, 2020, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2019, was computed by subtracting the respective risk pool's fiduciary net pension from its total pension liability.
- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2020, was calculated by applying SEJPA's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2020, to obtain the total pension liability and fiduciary net position as of June 30, 2020. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 12 - Defined Benefit Pension Plan: (Continued)**

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

The District's proportionate share percentage of the net position liability as of June 30, 2019 and 2020 was as follows:

	Miscellaneous Risk Pool
Proportionate at Measurement Date - June 30, 2019	0.082537
Proportionate at Measurement Date - June 30, 2020	0.085799
Change - Increase (Decrease)	0.003262

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

For the year ended June 30, 2021, SEJPA recognized pension expense of \$666,698. At June 30, 2021, SEJPA reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 466,121	\$ -
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(168,227)
Changes in assumptions	-	(25,813)
Changes in proportions	118,801	-
Differences between actual and expected experience	186,502	-
Net difference between projected and actual earnings on plan investments	107,510	-
Total	\$ 878,934	\$ (194,040)

The \$466,121 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ended June 30		
2022	\$	(1,631)
2023		92,559
2024		76,282
2025		51,563
Total	\$	218,773

**SAN ELIJO JOINT POWERS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**Note 12 - Defined Benefit Pension Plan: (Continued)**

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

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

	2.5% @ 55	2% @ 60	2% @ 62
Valuation Date	June 30, 2019	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Cost Method	Entry-Age Cost Method	Entry-Age Cost Method
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.0%	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2%(1)	3.3% - 14.2%(1)	3.3% - 14.2%(1)
Investment Rate of Return	7.5% (2)	7.5% (2)	7.5% (2)
Mortality	CalPERS Specific	CalPERS Specific	CalPERS Specific

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2020 based on June 30, 2019 Valuations*, that can be obtained from the CalPERS' website.

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

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

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 12 - Defined Benefit Pension Plan: (Continued)**

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

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

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

<sup>(a)</sup>An expected inflation of 2.0% used for this period

<sup>(b)</sup>An expected inflation of 2.92% used for this period

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

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
SEJPA's proportionate share of the miscellaneous risk pool's pension liability	\$ <u>5,683,715</u>	\$ <u>3,619,079</u>	\$ <u>1,913,135</u>

**Note 13 - Commitments and Contingencies:**

**Contracts**

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, 2021, the total unpaid amount on these contracts is approximately \$6,433,401.

**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, 2021**

**Note 13 - Commitments and Contingencies: (Continued)**

**Operating Leases**

Under an agreement dated April 11, 1991 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 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 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, 2022. SEJPA recognized rental income in the amount of \$29,086 for the year ended June 30, 2021.

**Coronavirus Pandemic**

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

**Note 14 - New Governmental Accounting Standards:**

**GASB No. 84**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. This pronouncement did not have a material effect on the financial statements of SEJPA in the year of implementation.



**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 14 - New Governmental Accounting Standards:**

**GASB No. 87**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 “Leases”. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. The effective date of this pronouncement has been postponed by 18 months by GASB Statement No. 95. SEJPA has not determined the effects of this pronouncement on the financial statements of SEJPA in the year of implementation.

**GASB No. 89**

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. SEJPA has elected to implement this pronouncement and has not capitalized any interest cost in the year ended June 30, 2021.

**GASB No. 90**

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 “Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not have a material effect on the financial statements of SEJPA in the year of implementation.

**GASB No. 91**

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

**GASB No. 92**

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

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 14 - New Governmental Accounting Standards: (Continued)**

**GASB No. 93**

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

**GASB No. 94**

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

**GASB No. 95**

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

**GASB No. 96**

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

**SAN ELIJO JOINT POWERS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 14 - New Governmental Accounting Standards: (Continued)**

**GASB No. 97**

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

**GASB Statement No. 98**

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

**SAN ELIJO JOINT POWERS AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

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

	Measurement Date <u>June 30, 2020</u>	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>
Proportion of the Net Pension Liability	0.085799%	0.082537%	0.079550%	0.081861%	0.079200%
Proportionate Share of the Net Pension Liability	\$ 3,619,079	\$ 3,305,214	\$ 2,998,025	\$ 3,227,017	\$ 2,924,994
Covered Payroll - Measurement Period	\$ 2,118,208	\$ 2,072,596	\$ 1,930,102	\$ 1,916,333	\$ 1,829,430
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	170.86%	159.47%	155.33%	168.40%	159.89%
Plan's Fiduciary Net Position	\$ 11,895,680	\$ 11,362,690	\$ 10,450,711	9,717,557	\$ 8,477,710
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.67%	77.47%	77.71%	75.07%	74.35%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 531,495	\$ 470,825	\$ 398,079	\$ 367,677	\$ 315,703
	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>	Measurement Date <u>June 30, 2013</u>	Measurement Date <u>June 30, 2012</u>	Measurement Date <u>June 30, 2011</u>
Proportion of the Net Pension Liability	.089800%	0.081140%	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability	\$ 2,463,640	\$ 1,937,636	\$ N/A	\$ N/A	\$ N/A
Covered Payroll - Measurement Period	\$ 1,718,001	\$ 1,707,696	\$ N/A	\$ N/A	\$ N/A
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	143.40%	113.46%	N/A	N/A	N/A
Plan's Fiduciary Net Position	\$ 8,203,952	\$ 7,976,883	\$ N/A	\$ N/A	\$ N/A
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.91%	80.46%	N/A	N/A	N/A
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 308,067	\$ 215,709	\$ N/A	\$ N/A	\$ N/A

**Notes to Schedules:**

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

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

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

\*Fiscal year 2015 was the first year of implementation.

**SAN ELIJO JOINT POWERS AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

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

	Fiscal Year 2020 - 2021	Fiscal Year 2019 - 2020	Fiscal Year 2018 - 2019	Fiscal Year 2017 - 2018	Fiscal Year 2016 - 2017
Actuarially Determined Contribution	\$ 466,121	\$ 403,880	\$ 356,338	\$ 302,451	\$ 302,683
Contributions in Relation to the Actuarially Determined Contributions	<u>(466,121)</u>	<u>(404,110)</u>	<u>(356,338)</u>	<u>(302,451)</u>	<u>(437,683)</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ (230)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (135,000)</u>
Covered Payroll - Fiscal Year	<u>\$ N/A</u>	<u>\$ 2,118,208</u>	<u>\$ 2,072,596</u>	<u>\$ 1,930,102</u>	<u>\$ 1,916,333</u>
Contributions as a Percentage of Covered Payroll	N/A%	19.08%	17.19%	15.67%	22.84%
Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015	Fiscal Year 2013 - 2014	Fiscal Year 2012 - 2013	Fiscal Year 2011 - 2012
Actuarially Determined Contribution	\$ 286,852	\$ 267,504	\$ 256,232	\$ N/A	\$ N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>(441,852)</u>	<u>(267,504)</u>	<u>(256,232)</u>	<u>N/A</u>	<u>N/A</u>
Contributions Deficiency (Excess)	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered Payroll - Fiscal Year	<u>\$ 1,829,430</u>	<u>\$ 1,718,001</u>	<u>\$ 1,707,696</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Contributions as a Percentage of Covered Payroll	22.51%	15.57%	15.00%	N/A	N/A
Valuation Date	June 30, 2014	June 30, 2013	June 20, 2012		

**Notes to Schedules:**

Methods and assumptions used to determine contribution rates:

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

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

**SAN ELIJO JOINT POWERS AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

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

Measurement Period	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Total OPEB Liability</b>										
Service cost	\$ 27,919	\$ 23,405	\$ 19,445	\$ 18,879	\$ 18,267	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	13,759	15,314	15,625	14,565	13,926	N/A	N/A	N/A	N/A	N/A
Change of benefit terms	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	6,728	-	8,259	-	-	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	22,755	49,719	6,771	(9,274)	-	N/A	N/A	N/A	N/A	N/A
Benefit payments	(18,556)	(16,528)	(12,096)	(14,170)	(13,242)	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Total OPEB Liability</b>	<u>52,605</u>	<u>71,910</u>	<u>38,004</u>	<u>10,000</u>	<u>18,951</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Total OPEB Liability - Beginning</b>	<u>542,934</u>	<u>471,024</u>	<u>433,020</u>	<u>423,020</u>	<u>404,069</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 595,539</u>	<u>\$ 542,934</u>	<u>\$ 471,024</u>	<u>\$ 433,020</u>	<u>\$ 423,020</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 18,556	\$ 16,528	\$ 12,096	\$ 14,170	\$ 13,242	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net investment income	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Benefit payments	(18,556)	(16,528)	(12,096)	(14,170)	(13,242)	N/A	N/A	N/A	N/A	N/A
Administrative expense	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Plan Fiduciary Net Position</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's Net OPEB Liability - Ending (a) - (b)	<u>\$ 595,539</u>	<u>\$ 542,934</u>	<u>\$ 471,024</u>	<u>\$ 433,020</u>	<u>\$ 423,020</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll - Measurement Period	<u>\$ 2,188,001</u>	<u>\$ 2,104,992</u>	<u>\$ 2,043,682</u>	<u>\$ N/A</u>	<u>\$ 1,856,890</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<b>Net OPEB Liability as a Percentage of Covered - Employee Payroll</b>	27.22%	25.79%	23.05%	N/A	22.78%	N/A	N/A	N/A	N/A	N/A

**SAN ELIJO JOINT POWERS AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**Notes to Schedules:**

Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Period - Fiscal Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

**Benefit Changes** - None

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

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

**SAN ELIJO JOINT POWERS AUTHORITY  
COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2021**

**ASSETS**

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 14,414,941	\$ 1,600,066	\$ 16,015,007
Due from other government agencies	588,273	2,205,516	2,793,789
Accrued interest receivable	303,322	(45)	303,277
Prepaid expenses	28,924	17,413	46,337
Current portion of loan receivable	460,000	-	460,000
<b>Total Current Assets</b>	<u>15,795,460</u>	<u>3,822,950</u>	<u>19,618,410</u>
<b><u>Noncurrent Assets:</u></b>			
<b>Loans Receivable</b> , net of current portion	<u>20,770,000</u>	<u>-</u>	<u>20,770,000</u>
<b><u>Capital Assets:</u></b>			
Nondepreciable	15,234,237	286,011	15,520,248
Depreciable, net of accumulated depreciation	<u>31,087,948</u>	<u>17,555,468</u>	<u>48,643,416</u>
<b>Total Capital Assets</b>	<u>46,322,185</u>	<u>17,841,479</u>	<u>64,163,664</u>
<b>TOTAL ASSETS</b>	<u>82,887,645</u>	<u>21,664,429</u>	<u>104,552,074</u>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows related to pensions	628,550	117,061	745,611
Deferred outflows related to OPEB	<u>59,263</u>	<u>11,037</u>	<u>70,300</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>687,813</u>	<u>128,098</u>	<u>815,911</u>



**SAN ELIJO JOINT POWERS AUTHORITY**  
**COMBINING SCHEDULE OF NET POSITION (CONTINUED)**  
**JUNE 30, 2021**

**LIABILITIES**

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<b><u>Current Liabilities:</u></b>			
Accounts payable	\$ 545,030	\$ 905,260	\$ 1,450,290
Accrued liabilities	238,174	66,285	304,459
Accrued interest payable	292,075	4,325	296,400
Due to other government agencies	371,253	-	371,253
Unearned revenue	-	1,308,847	1,308,847
Current portion of noncurrent liabilities	615,476	97,249	712,725
Total Current Liabilities	<u>2,062,008</u>	<u>2,381,966</u>	<u>4,443,974</u>
<b><u>Noncurrent Liabilities:</u></b>			
<b>Long-Term Debt:</b>			
Revenue bonds, net of current portion	22,595,823	-	22,595,823
Private placement loan payable, net of current portion	-	1,153,413	1,153,413
SFID reimbursement agreement payable	-	415,508	415,508
Solana Beach reimbursement agreement payable	-	442,184	442,184
SDG&E loan, net of current portion	266,941	-	266,941
Total Long-Term Debt	<u>22,862,764</u>	<u>2,011,105</u>	<u>24,873,869</u>
<b>Other Noncurrent Liabilities:</b>			
Net pension liability	3,050,884	568,195	3,619,079
Net OPEB obligation	502,039	93,500	595,539
Compensated absences	419,771	88,648	508,419
Total Other Noncurrent Liabilities	<u>3,972,694</u>	<u>750,343</u>	<u>4,723,037</u>
 Total Noncurrent Liabilities	 <u>26,835,458</u>	 <u>2,761,448</u>	 <u>29,596,906</u>
 Total Liabilities	 <u>28,897,466</u>	 <u>5,143,414</u>	 <u>34,040,880</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b> (Notes 1 and 9)			
Deferred inflows related to pensions	<u>51,185</u>	<u>9,532</u>	<u>60,717</u>
<b><u>NET POSITION:</u></b>			
Net investment in capital assets	22,946,033	15,733,125	38,679,158
Unrestricted	31,680,774	906,456	32,587,230
Total Net Position	<u>\$ 54,626,807</u>	<u>\$ 16,639,581</u>	<u>\$ 71,266,388</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<b><u>Operating Revenues:</u></b>			
Charges for services to other government agencies	\$ 1,808,863	\$ 3,280,129	\$ 5,088,992
Contributions from City of Encinitas	2,120,667	-	2,120,667
Contributions from City of Solana Beach	1,584,882	-	1,584,882
Total Operating Revenues	<u>5,514,412</u>	<u>3,280,129</u>	<u>8,794,541</u>
<b><u>Operating Expenses:</u></b>			
Personnel costs	3,062,952	609,448	3,672,400
Depreciation and amortization	1,536,040	773,348	2,309,388
Contracted services	778,504	625,362	1,403,866
Utilities	454,443	449,912	904,355
Supplies	506,443	119,922	626,365
Disposal services	304,007	-	304,007
Repair parts expense	195,534	27,330	222,864
Rent	7,625	138,485	146,110
Permit/purveyor fees	77,570	44,617	122,187
Miscellaneous	61,889	13,484	75,373
Insurance	55,304	10,230	65,534
Total Operating Expenses	<u>7,040,311</u>	<u>2,812,138</u>	<u>9,852,449</u>
Operating (Loss)	<u>(1,525,899)</u>	<u>467,991</u>	<u>(1,057,908)</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>			
Investment income	1,038,465	7,671	1,046,136
State grants	36,000	969,107	1,005,107
Other	40,768	36,988	77,756
Rental income	29,960	-	29,960
Gain on disposal of capital assets	2,142	-	2,142
Interest expense	(817,281)	(64,434)	(881,715)
Total Nonoperating Revenues (Expenses)	<u>330,054</u>	<u>949,332</u>	<u>1,279,386</u>
(Loss) Before Capital Contributions	<u>(1,195,845)</u>	<u>1,417,323</u>	<u>221,478</u>
<b><u>Capital Contributions:</u></b>			
Member agency assessments	<u>1,157,490</u>	-	<u>1,157,490</u>
Total Capital Contributions	<u>1,157,490</u>	-	<u>1,157,490</u>
Change in Net Position	(38,355)	1,417,323	1,378,968
Net Position at Beginning of Year	<u>54,665,162</u>	<u>15,222,258</u>	<u>69,887,420</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 54,626,807</u>	<u>\$ 16,639,581</u>	<u>\$ 71,266,388</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<b><u>Cash Flows From Operating Activities:</u></b>			
Cash received from customers	\$ 5,916,515	\$ 2,935,487	\$ 8,852,002
Cash payments to suppliers for goods and services	(4,270,418)	(712,622)	(4,983,040)
Cash payments to employees for services	(3,002,007)	(555,488)	(3,557,495)
Net Cash Provided by Operating Activities	<u>(1,355,910)</u>	<u>1,667,377</u>	<u>311,467</u>
<b><u>Cash Flows From Noncapital and Related Financing Activities:</u></b>			
Rental and other nonoperating income	<u>70,641</u>	<u>36,988</u>	<u>107,629</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>70,641</u>	<u>36,988</u>	<u>107,629</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(9,169,614)	(2,695,225)	(11,864,839)
Proceeds from sale of capital assets	2,142	-	2,142
Proceeds from long-term debt	-	478,319	478,319
Principal paid on long-term debt	(623,390)	(951,252)	(1,574,642)
Interest paid on long-term debt	(893,145)	(82,570)	(975,715)
Proceeds of state grants	36,000	969,107	1,005,107
Capital contributions	1,157,490	-	1,157,490
Net Cash Used in Capital and Related Financial Activities	<u>(9,490,517)</u>	<u>(2,281,621)</u>	<u>(11,772,138)</u>
<b><u>Cash Flows From Investing Activities:</u></b>			
Proceeds from loans receivable	570,000	-	570,000
Investment income	1,060,785	11,319	1,072,104
Net Cash Provided by Investing Activities	<u>1,630,785</u>	<u>11,319</u>	<u>1,642,104</u>
Net Decrease in Cash and Cash Equivalents	(9,145,001)	(565,937)	(9,710,938)
Cash and Cash Equivalents at Beginning of Year	<u>23,559,942</u>	<u>2,164,291</u>	<u>25,724,233</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b><u>\$ 14,414,941</u></b>	<b><u>\$ 1,598,354</u></b>	<b><u>\$ 16,013,295</u></b>

**SAN ELIJO JOINT POWERS AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Wastewater</u>	<u>Recycled</u>	<u>Total</u>
<b><u>Reconciliation of Operating (Loss) Income to</u></b>			
<b><u>Net Cash Provided by Operating Activities:</u></b>			
Operating income (loss)	\$ (1,525,899)	\$ 467,991	\$ (1,057,908)
<b>Adjustments to reconcile operating income (loss) to</b>			
<b>net cash provided by operating activities:</b>			
Depreciation and amortization	1,536,040	773,348	2,309,388
<b>Change in assets and liabilities:</b>			
Due from other governmental agencies	105,125	(1,653,489)	(1,548,364)
Prepaid expenses	(22,074)	(8,685)	(30,759)
Deferred outflows related to pensions	(1,096)	(204)	(1,300)
Deferred outflows related to OPEB	(12,503)	(2,328)	(14,831)
Accounts payable	(1,807,025)	725,405	(1,081,620)
Accrued liabilities	(225,999)	465	(225,534)
Unearned revenue	(74,275)	1,308,847	1,234,572
Net pension liability	264,589	49,276	313,865
Due to other government agencies	371,253	-	371,253
Net OPEB obligation	44,346	8,259	52,605
Compensated absences	86,014	16,074	102,088
Deferred inflows related to pensions	(94,406)	(17,582)	(111,988)
Net Cash Provided by Operating Activities	<u>\$ (1,355,910)</u>	<u>\$ 1,667,377</u>	<u>\$ 311,467</u>

**SAN ELIJO JOINT POWERS AUTHORITY**  
**SCHEDULE OF OPERATING BUDGET COMPARISON - WASTEWATER**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Operating Revenues:</u></b>			
Charges for services to other government agencies	\$ 2,324,339	\$ 1,808,863	\$ 515,476
Contributions from the City of Encinitas	2,115,401	2,120,667	(5,266)
Contributions from the City of Solana Beach	1,676,884	1,584,882	92,002
Total Operating Revenues	<u>6,116,624</u>	<u>5,514,412</u>	<u>602,212</u>
<b><u>Operating Expenses:</u></b>			
Personnel costs	2,817,433	3,062,952	(245,519)
Utilities	574,463	454,443	120,020
Contracted services	1,071,290	778,504	292,786
Miscellaneous	99,115	61,889	37,226
Supplies	484,796	506,443	(21,647)
Rent	12,913	7,625	5,288
Repair parts expense	150,600	195,534	(44,934)
Insurance	80,073	55,304	24,769
Disposal services	290,900	304,007	(13,107)
Permit/purveyor fees	93,306	77,570	15,736
Contingency	164,228	-	164,228
Total Operating Expenses	<u>5,839,117</u>	<u>5,504,271</u>	<u>334,846</u>
Depreciation and Amortization	-	1,536,040	(1,536,040)
Operating Expenses, Net	<u>5,839,117</u>	<u>7,040,311</u>	<u>(1,201,194)</u>
Operating Income (Loss)	<u>\$ 277,507</u>	<u>\$ (1,525,899)</u>	<u>\$ 1,803,406</u>

**SAN ELIJO JOINT POWERS AUTHORITY  
SCHEDULE OF OPERATING BUDGET COMPARISON - RECYCLED  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Operating Revenues:</u></b>			
Charges for services to other government agencies	\$ 3,213,249	\$ 3,280,129	\$ (66,880)
Total Operating Revenues	<u>3,213,249</u>	<u>3,280,129</u>	<u>(66,880)</u>
<b><u>Operating Expenses:</u></b>			
Personnel costs	642,022	609,448	32,574
Utilities	352,600	625,362	(272,762)
Contracted services	352,350	449,912	(97,562)
Miscellaneous	23,121	27,330	(4,209)
Supplies	300,575	119,922	180,653
Rent	101,188	44,617	56,571
Repair parts expense	50,000	138,485	(88,485)
Insurance	14,829	10,230	4,599
Permit/purveyor fees	30,594	13,484	17,110
Total Operating Expenses	<u>1,867,279</u>	<u>2,038,790</u>	<u>(171,511)</u>
Depreciation and Amortization	<u>-</u>	<u>773,348</u>	<u>(773,348)</u>
Operating Expenses, Net	<u>1,867,279</u>	<u>2,812,138</u>	<u>(944,859)</u>
Operating Income	<u>\$ 1,345,970</u>	<u>\$ 467,991</u>	<u>\$ 877,979</u>