

AGENDA
SAN ELIJO JOINT POWERS AUTHORITY
MONDAY OCTOBER 9, 2017 AT 9:00 AM
SAN ELIJO WATER RECLAMATION FACILITY – CONFERENCE ROOM
2695 MANCHESTER AVENUE
CARDIFF BY THE SEA, CALIFORNIA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. ORAL COMMUNICATIONS (NON-ACTION ITEM)
5. PRESENTATION OF AWARDS
None
6. * **CONSENT CALENDAR**
7. * APPROVAL OF MINUTES FOR SEPTEMBER 11, 2017 MEETING
8. * APPROVAL FOR PAYMENT OF WARRANTS AND MONTHLY INVESTMENT REPORTS
9. * SAN ELIJO WATER RECLAMATION FACILITY TREATED EFFLUENT FLOWS – MONTHLY REPORT
10. * SAN ELIJO JOINT POWERS AUTHORITY RECYCLED WATER PROGRAM – MONTHLY REPORT
11. * AWARD TREE AND MISCELLANEOUS LANDSCAPE MAINTENANCE SERVICES FOR THE SAN ELIJO WATER RECLAMATION FACILITY
12. * AWARD OF CONTRACT FOR PROFESSIONAL VIDEOGRAPHY SERVICES
13. * ITEMS REMOVED FROM CONSENT CALENDAR

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

REGULAR AGENDA

14. **FISCAL YEAR 2016-17 FINANCIAL AUDIT ACCEPTANCE**

1. Accept and file the Fiscal Year 2016-17 Audited Financial Statements for the San Elijo Joint Powers Authority;
2. Accept and file the Fiscal Year 2016-17 SAS 114 Letter; and
3. Discuss and take action as appropriate.

Staff Reference: Director of Finance and Administration

15. **SAN ELIJO JOINT POWERS AUTHORITY END OF YEAR REVIEW OF THE FISCAL YEAR 2016-17 OPERATING AND DEBT SERVICE EXPENSES**

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

Staff Reference: Director of Finance and Administration

16. **CONSIDERATION OF APPROVAL OF RESOLUTION 2018-02, ENTITLED "RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN ELIJO JOINT POWERS AUTHORITY ADOPTING SALARY AND BENEFITS FOR FISCAL YEARS 2016-17, 2017-18, AND 2018-19"**

1. Adopt Resolution No. 2018-02, Resolution Adopting the San Elijo Joint Powers Salary and Benefits for Fiscal Years 2016-17, 2017-18, and 2018-19; and
2. Discuss and take action as appropriate.

Staff Reference: General Manager

17. **EMERGENCY REPAIR – SCREENINGS WASHER COMPACTOR**

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

Staff Reference: General Manager

18. **GENERAL MANAGER'S REPORT**

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

19. **GENERAL COUNSEL'S REPORT**

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

20. BOARD MEMBER COMMENTS

This item is placed on the agenda to allow individual Board Members to briefly convey information to the Board or public, or to request staff to place a matter on a future agenda and/or report back on any matter. There is no discussion or action taken on comments by Board Members.

21. CLOSED SESSION

Pursuant to Government Code Section 54957: Employee Performance Evaluation. Title: General Manager

A closed session may be held at any time during this meeting of the San Elijo Joint Powers Authority for the purposes of discussing potential or pending litigation or other appropriate matters pursuant to the "Ralph M. Brown Act".

22. ADJOURNMENT

The next regularly scheduled San Elijo Joint Powers Authority Board Meeting will be Monday, November 13, 2017 at 9:00 a.m.

NOTICE:

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

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

AFFIDAVIT OF POSTING

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

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

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

Date: October 4, 2017



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

SAN ELIJO JOINT POWERS AUTHORITY
MINUTES OF THE BOARD MEETING
HELD ON SEPTEMBER 11, 2017
AT THE
SAN ELIJO WATER RECLAMATION FACILITY

Ginger Marshall, Chair

Tasha Boerner Horvath, Vice Chair

A meeting of the Board of Directors of the San Elijo Joint Powers Authority (SEJPA) was held Monday, September 11, 2017, at 9:00 a.m., at the San Elijo Water Reclamation Facility at 2695 Manchester Avenue, Cardiff by the Sea, California.

1. CALL TO ORDER

Chair Marshall called the meeting to order at 9:02 a.m.

2. ROLL CALL

Directors Present:

Ginger Marshall
Tasha Boerner Horvath
David Zito
Joe Mosca

Directors Absent:

None

Others Present:

General Manager
Director of Operations
Director of Finance & Administration
Reclaimed Water Specialist
Administrative Assistant/Board Clerk

Michael Thornton
Chris Trees
Paul Kinkel
Mike Piper
Jennifer Basco

SEJPA Counsel:

Procopio, Cory, Hargreaves & Savitch

Traci Stender

City of Solana Beach:

City Manager
Director of Engineering/Public Works

Greg Wade
Mohammad "Mo" Sammak

City of Encinitas:

Public Works Management Analyst

Bill Wilson

3. PLEDGE OF ALLEGIANCE

Chair Marshall led the Pledge of Allegiance.

4. ORAL COMMUNICATIONS

None

5. PRESENTATION OF AWARDS

General Manager recognized Mike Piper, Water Reclamation Specialist, for his 15 years of service to the Agency.

6. CONSENT CALENDAR

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

- | | |
|--------------------|--|
| Agenda Item No. 7 | Approval of Minutes for the July 10, 2017 Meeting |
| Agenda Item No. 9 | San Elijo Water Reclamation Facility Treated Effluent Flows – Monthly Report |
| Agenda Item No. 10 | San Elijo Joint Powers Authority Recycled Water Program – Monthly Report |

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

- | | |
|-------------------|--|
| Agenda Item No. 8 | Approval for Payment of Warrants and Monthly Investment Report |
|-------------------|--|

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito
NOES: None
ABSENT: None
ABSTAIN: Mosca

11. ITEMS REMOVED FROM CONSENT CALENDAR

None

12. BIOSOLIDS HAULING AND REUSE/DISPOSAL CONTRACT AMENDMENT WITH AG TECH, LLC

General Manager Thornton informed the Board of Directors that SEJPA is entering into the fourth year of a 5-year contract with Ag Tech, LLC for biosolids hauling and recycling. The SEJPA realized that a mathematical error was made when establishing

the upper limit of the contract value. The total contract value for the 5-year period should have been \$868,700 instead of the current value of \$518,700. Amending the contract will not negatively impact the SEJPA operating budget.

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

1. Authorize the General Manager to execute an Amendment to the Biosolids hauling and reuse/disposal contract with Ag Tech, LLC to increase the total contract value by \$350,000.

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

13. AWARD OF ENGINEERING SERVICES FOR SOLIDS TREATMENT PROJECT

General Manager Thornton described the solids treatment process to the Board of Directors. The original solids treatment facility was installed in 1965 and expanded in 1992. Some of the solids processing systems are nearing the end of their projected useful life and the 2015 Facility Plan provided budgetary cost estimates for replacing and/or upgrading this infrastructure.

The General Manager stated that the SEJPA requested proposals for professional engineering services related to the replacement, rehabilitation, and asset management of solids processing assets. Four firms submitted proposals, all of which exhibited a strong comprehension of project needs. The proposal that provided the best combination of qualifications, project understanding, and value based approach was submitted by Black & Veatch.

The cost of initial planning effort is \$190,240 and it will result in a Project Definition Report for the replacement and upgrading of the solids treatment facilities. The General Manager stated that once the project elements are defined then the project will move into preliminary and final design.

The project will be funded by the Wastewater Capital Program which has a total fund balance of approximately \$7.35 million for biosolids related projects.

Moved by Board Member Zito and seconded by Vice Chair Boerner Horvath to:

1. Authorize the General Manager to execute an Engineering Agreement with Black & Veatch for the Solids Treatment Project for an amount not to exceed \$190,240; and

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

14. CONSOLIDATION OF AGREEMENTS WITH THE OLIVENHAIN MUNICIPAL WATER DISTRICT FOR THE SALE OF RECYCLED WATER AND INFRASTRUCTURE MAINTENANCE

General Manager Thornton gave a brief history of the recycled water agreements between the SEJPA and Olivenhain Municipal Water District. The SEJPA has two recycled water sales agreements and one agreement for construction and maintenance of mutually beneficial recycled water infrastructure. SEJPA and OMWD are interested in consolidating the agreements into a single agreement. Consolidation of the three agreements is expected to be cost neutral, providing allowances to streamline agreement administration, and provide clarity to terms and conditions.

Moved by Board Member Mosca and seconded by Vice Chair Boerner Horvath to:

1. Authorize the General Manager to consolidate existing agreements with the Olivenhain Municipal Water District for the Sale of Recycled Water and Infrastructure Maintenance.

Motion carried with the following vote of approval:

AYES: Marshall, Boerner Horvath, Zito, Mosca
NOES: None
ABSENT: None
ABSTAIN: None

15. 2017 CLEAN WATER BONDS – SALE SUMMARY

Paul Kinkel, Director of Finance and Administration, provided a summary of the recently completed sale of the SEJPA's 2017 Clean Water Bonds. Overall, the bond sale was very positive and exceeded financial expectations. The bond sale produced higher than expected proceeds for a lower than anticipated cost. The net proceed was \$23,912,299 or \$171,657 better than expected, while the cost of issuance totaled \$309,420 or \$32,179 less than expected. The true interest rate of the sale was 3.39%, which is 8 basis points better than expected, resulting in a slightly lower annual payment for the SEJPA.

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

16. CAPITAL IMPROVEMENT PROGRAM UPDATE

General Manager Thornton provided status updates for the Phase I projects, which include the Land Outfall Replacement, Preliminary Treatment Upgrades, and Odor Control Improvements. Updates will be presented quarterly to the Board of Directors.

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

17. GENERAL MANAGER'S REPORT

None

18. GENERAL COUNSEL'S REPORT

None

19. BOARD MEMBER COMMENTS

Board Member Zito suggested scheduling a closed session at a future Board meeting to discuss extending the General Manager's employment contract.

20. CLOSED SESSION

None

21. ADJOURNMENT

The meeting adjourned at 9:57 a.m. The next Board of Directors meeting will be held on October 9, 2017.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****18-10****For the Months of August and September 2017**

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
34716	VOID	VOID	VOID	VOID
34717	VOID	VOID	VOID	VOID
34718	Abcana Industries	Supplies - Chemicals	Hydrochloric acid	659.09
34719	Aflac	EE Deduction Benefits	Aflac - August	680.92
34720	All American First Aid & Safety	Supplies - Safety	Gloves, safety supplies	610.94
34721	Susana Arredondo	Dues & Memberships	T2 water treatment renewal	130.00
34722	AT&T	Utilities - Telephone	Phone service - 07/13/17 - 08/12/17	393.21
34723	AT&T	Utilities - Telephone	DSL - 07/20/17 - 08/19/17	107.93
34724	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping	2,052.88
34725	Barracuda Networks, Inc.	Utilities - Internet	Network back-up	50.00
34726	Boot World, Inc.	Uniforms - Boots	Safety boots	185.00
34727	Brenntag Pacific, Inc.	Supplies - Chemicals	Sodium Hydroxide	1,556.77
34728	Brithinee Electric	Capital Outlay	Rewind stator	3,336.11
34729	Calpers	Services - Accounting	GASB-68 reports and schedules	1,050.00
34730	Chevron & Texaco Business Card	Fuel	Fuel - August	332.86
34731	Complete Office	Supplies - Office	Office supplies	143.60
34732	County of San Diego	Fees - Permits	Facility Permit fees	2,441.00
34733	CWEA Membership	Dues & Memberships	Membership	180.00
34734	Dudek & Associates	Services - Professional	Funding, environmental clearance, RW expansion	18,661.00
34735	Evantec Lab Supply	Supplies - Lab	Laboratory supplies	963.68
34736	Forte of San Diego	Services - Janitorial	September janitorial service	1,000.00
34737	Gierlich Mitchell, Inc.	Repair Parts Expense	Slide guide	228.58
34738	Grainger, Inc.	Repair Parts Expense	Marathon motors and handrail	1,256.41
34739	Golden State Overnight	Postage/Shipping	Mailing water samples	64.67
34740	Hach Company	Supplies - Lab	Silicone pump tubing	392.93
34741	George T. Hall Co., Inc.	Repair Parts Expense	Pressure switch	942.69
34742	Hoch Consulting, APC	Services - Professional	As needed engineering services	5,250.00
34743	Home Depot Credit Services	Supplies - Shop & Field	Supplies, tools, and repairs parts	657.38
34744	IDEX Distribution, Inc.	Supplies - Lab	Laboratory supplies	385.37
34745	Kemira Water Solutions, Inc.	Supplies - Chemicals	Ferric Chloride	4,118.21
34746	Kennedy/Jenks Consultants	Services - Engineering	Land Ocean Outfall	10,167.00
34747	Lee Michael Konicke	Subsistence - Travel	WaterReuse conference and meeting	123.46
34748	The Lawton Group	Services - Intern Program	Weeks worked - 07/31/17 - 08/13/17	1,806.23
34749	McMaster-Carr Supply Co.	Repair Parts Expense	Midget fuse and strut channel nuts with springs	497.41
34750	MetLife - Group Benefits	Dental/Vision	Dental - September	1,826.65
34751	Miramar Bobcat, Inc.	Vehicle Maintenance	Service on Loader	759.56
34752	Olin Corp - Chlor Alkali	Supplies - Chemicals	Sodium Hypochlorite	2,840.16
34753	Pacific Green Landscape	Services - Landscape	August	2,625.00
34754	Pacific Safety Center	Training - Safety	On-line training	145.00
34755	P.E.R.S.	Medical Insurance - PERS	Health - September	20,585.79
34756	Public Employees - Retirement	Retirement Plan - PERS	Retirement - 08/12/17 - 08/25/17	12,020.47
34757	ReadyRefresh	Supplies - Lab	Kitchen and lab supplies	339.48
34758	RF Yeager Engineering, Inc.	Services - Engineering	Corrosion test station survey	5,440.00
34759	Roesling Nakamura Terada Architects	Services - Professional	Building improvements	13,518.00
34760	RS Instruments & Services	Services - Maintenance	Calibration of flow meters & gas detection meters	2,192.33
34761	RSF Security Systems	Prepaid - Other	Security - 09/01/17 - 11/30/17	1,353.00
34762	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 07/06/17 - 08/06/17	68,424.64
34763	Tesco Controls	Services - Professional	SCADA support	3,314.00
34764	Test America	Services - Laboratory	Testing water samples	1,365.50
34765	Technology Integration Group	Services - Maintenance	Copier	65.72
34766	Trussell Technologies, Inc.	Services - Engineering	Process and engineering	10,831.00
34767	Unifirst Corporation	Services - Uniforms	Uniform service	410.17
34768	Valley Chain & Gear, Inc.	Repair Parts Expense	Gear motor, input voltage, and jaw coupling	3,405.68
34769	Vantagepoint Transfer Agents	EE Deduction Benefits	ICMA - 457	6,607.39
34770	Vantagepoint Transfer Agents	ICMA Retirement	ICMA - 401a	3,049.87
34771	Verizon Wireless	Utilities - Telephone	07/11/17 - 08/10/17	258.52
34772	Water Environment Federation	Dues & Memberships	Membership	320.00
34773	A-1 Broadway Foto	Printing	ID card	12.60
34774	A-Check Global	Preemployment Screening	New employee verification	90.50
34775	Aflac	EE Deduction Benefits	Aflac - September	965.40

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****18-10****For the Months of August and September 2017**

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
34776	Ag Tech, LLC	Services - Biosolids Hauling	Biosolids hauling - August	14,071.08
34777	Amiad U.S.A., Inc.	Repair Parts Expense	Hydraulic seal	4,063.76
34778	AT&T	Utilities - Telephone	Alarm service - September	398.48
34779	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping	1,026.44
34780	Automation Direct	Repair Parts Expense	Signal conditioner and isolator, wire	295.00
34781	American Water Chemicals, Inc.	Supplies - Chemicals	Antiscalant	6,338.61
34782	VOID	VOID	VOID	VOID
34783	Chevron & Texaco Business Card	Fuel	Fuel - August and September	428.10
34784	Corodata	Rent	Record storage - August	85.06
34785	CWEA Membership	Dues & Memberships	Plant maintenance	85.00
34786	Del Mar Blue Print	Printing	Outfall posters	226.83
34787	Detection Instruments Corp.	Services - Maintenance	H2S sensor	488.00
34788	Dudek & Associates	Services - Professional	SWAP	1,353.68
34789	EATON Corporation	Services - Maintenance	Recondition circuit breaker and switch	7,000.00
34790	EDCO Waste & Recycling Service	Utilities - Trash	August	241.71
34791	Encina Wastewater Authority	Service - EWA Support	Resource sharing - HR and safety	2,517.61
34792	City of Encinitas	Service - IT Support	Admin network - September	2,625.00
34793	Evoqua Water Technologies	Repair Parts Expense	Washer	290.93
34794	Global Capacity	Utilities - Internet	T-1 service - October	296.03
34795	Grainger, Inc.	Repair Parts Expense	Ball bearing	41.81
34796	Hach Company	Supplies - Lab	Laboratory supplies	670.32
34797	Hardy Diagnostics	Supplies - Lab	Laboratory supplies	603.19
34798	Jennifer Basco	Subsistence - Travel	Mileage	116.72
34799	The Lawton Group	Services - Intern Program	Weeks worked - 08/07/17 - 09/03/17	3,940.26
34800	Marine Taxonomic Services, Ltd.	Services - Contractors	Offshore water sampling	434.00
34801	McMaster-Carr Supply Co.	Minor Equip - Shop & Field	Puller hook, pipe, multimeter, v-belt, rod, fuses	618.04
34802	Midas Shop	Vehicle Maintenance	Oil change and brake service	660.34
34803	Napa Auto Parts	Repair Parts Expense	Windshield fluid	3.17
34804	Nash Fabricators	Services - Maintenance	Heliclean auger	689.00
34805	North State Environmental	Services - Other	Disposal of lab supplies	2,697.38
34806	The Nyhart Company	Services - Accounting	Pension and OPEB valuations for FY 2016-17	1,250.00
34807	Olin Corp - Chlor Alkali	Supplies - Chemicals	Sodium Hypochlorite	2,795.93
34808	Olivenhain Municipal Water District	Rent	Pipeline rental payment - August	9,135.00
34809	Olivenhain Municipal Water District	Services - Lobbying	Deposit for the Furman Group	7,523.67
34810	OneSource Distributors, Inc.	Repair Parts Expense	Wire, circuit fuse block, LED fuse indicator	1,249.13
34811	Public Employees - Retirement	Retirement Plan - PERS	Retirement - 08/26/17 - 09/08/17	12,050.06
34812	Preferred Benefit Insurance	Dental/Vision	Vision - September	293.70
34813	ProBuild Company, LLC	Supplies - Shop & Field	Supplies and repairs	470.59
34814	RSF Security Systems	Services - Alarm	On-site service	98.00
34815	Rusty Wallis, Inc.	Services - Maintenance	Water softener, salt bags, and tank service	130.86
34816	Safety Unlimited, Inc.	Training - Safety	Hazwoper online training	300.00
34817	Santa Fe Irrigation District	Utilities - Water	Recycled water	356.76
34818	Santa Fe Irrigation District	SFID Distribution Pipeline	Pipeline purchase payment - August	1,908.00
34819	Sapphire Electric Inc.	Services - Maintenance	Blower and two underground conduits	4,560.00
34820	San Dieguito Water District	Utilities - Water	Recycled water	9,611.85
34821	Smart & Final	Supplies - Office	Kitchen supplies	129.11
34822	Southern California Fleet	Vehicle Maintenance	Sludge truck trailer brake system	1,017.50
34823	Test America	Services - Laboratory	Testing water samples	2,364.50
34824	Thatcher Company of California	Supplies - Chemicals	Aluminum Sulfate	6,363.42
34825	Unifirst Corporation	Services - Uniforms	Uniform service	467.97
34826	Underground Service Alert/SC	Services - Alarm	Dig alert - August	123.85
34827	Vantagepoint Transfer Agents	EE Deduction Benefits	ICMA - 457 and loans	6,685.78
34828	Vantagepoint Transfer Agents	ICMA Retirement	ICMA - 401a	3,107.96
34829	WEX Bank	Fuel	Fuel	192.99
34830	WorkPartners Occupational	Services - Medical	New employee medical exam	360.00
34831	BankCard Center	Various	Advertising, repairs, online support, and security	1,592.69
34832	Affordable Drain Services, Inc.	Services - Maintenance	Pump station service	1,140.00
34833	AT&T	Utilities - Telephone	Phone service - 08/13/17 - 09/12/17	386.22
34834	Atlas Pumping Service Inc.	Services - Grease & Scum	Grease and scum pumping	554.88
34835	Banner Day, Inc.	Services - Landscape	Fire abatement	9,450.00

SAN ELIJO JOINT POWERS AUTHORITY**PAYMENT OF WARRANTS****18-10****For the Months of August and September 2017**

Warrant #	Vendor Name	G/L Account	Warrant Description	Amount
34836	Black & Veatch	Services - Management	Land outfall replacement project	21,661.00
34837	Boot World, Inc.	Uniforms - Boots	Safety boots	174.49
34838	Consolidated Electrical Dist.	Repair Parts Expense	LED bulbs	137.06
34839	Chevron & Texaco Business Card	Fuel	Fuel - September	304.27
34840	City of Solana Beach	Accounts Receivable Control	2011 refunding bond agreement	14,469.31
34841	Coast Waste Management, Inc.	Services - Grit & Screenings	10 yd roll off - 08/01/17 - 08/22/17	10,607.85
34842	DMV	Services - Other	Safety records - 07/01/17 - 08/31/17	9.00
34843	Dudek & Associates	Services - Professional	Preliminary treatment upgrades	49,975.00
34844	Duperon	Equipment Rental/Lease	Washer/compactor for Headworks	25,000.00
34845	J.R. Filanc Construction Co.	Services - Contractors	Land outfall replacement project	350,837.85
34846	Forte of San Diego	Services - Janitorial	October	1,000.00
34847	McMaster-Carr Supply Co.	Supplies - Safety; Repair Parts	Gloves, spray head, gas stabilizer, and pump	681.31
34848	MetLife - Group Benefits	Dental/Vision	Dental - October	1,826.65
34849	North County Transit District	Fees - Permits	Monitoring permit	951.78
34850	Pacific Green Landscape	Services - Landscape	September landscape service	2,625.00
34851	Pacific Pipeline Supply	Repair Parts Expense	Combination air valves	486.34
34852	Public Employees- Retirement	Retirement Plan - PERS	Retirement - 09/09/17 - 09/22/17	11,931.91
34853	Procopio Cory Hargreaves	Services - Legal	Labor and employment; General - August	1,322.50
34854	ReadyRefresh	Supplies - Lab	Kitchen and lab supplies	330.90
34855	Roesling Nakamura Terada Architects	Services - Professional	Building improvement	4,274.00
34856	Santa Fe Irrigation District	Utilities - Water	Recycled water	81.05
34857	San Diego Gas & Electric	Utilities - Gas & Electric	Gas and electric - 08/06/17 - 09/05/17	81,459.09
34858	Siemens Industry, Inc.	Repair Parts Expense	Process instrumentation; ultrasonic transducer	3,228.59
34859	Test America	Services - Laboratory	Testing water samples	2,508.00
34860	Technology Integration Group	Services - Maintenance	Copier	94.12
34861	Unifirst Corporation	Services - Uniforms	Uniform service	164.06
34862	UPS	Postage/Shipping	Postage	65.07
34863	Valley Chain & Gear, Inc.	Minor Equip - Shop & Field	AC Vector Drive	343.59
34864	Vantagepoint Transfer Agents	EE Deduction Benefits	ICMA - 457	6,685.78
34865	Vantagepoint Transfer Agents	ICMA Retirement	ICMA - 401a	3,120.10
34866	Verizon Wireless	Utilities - Telephone	0811/17 - 09/10/17	291.12
34867	Verizon Wireless	Utilities - Telephone	Cell phone service - 08/08/17 - 09/07/17	748.69
34868	WageWorks	Payroll Processing Fees	Administration and compliance fee	123.50
	San Elijo Payroll Account	Payroll	Payroll - 09/01/2017	65,407.61
	San Elijo Payroll Account	Payroll	Payroll - 09/15/2017	64,212.76
	San Elijo Payroll Account	Payroll	Payroll - 09/29/2017	63,619.35
				<u>\$1,151,926.43</u>

SAN ELIJO JOINT POWERS AUTHORITY

PAYMENT OF WARRANTS SUMMARY

**For the Months of August and September 2017
As of September 27, 2017**

PAYMENT OF WARRANTS		\$ 1,151,926.43
Reference Number	18-10	

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



Paul F. Kinkel
Director of Finance & Administration

STATEMENT OF FUNDS AVAILABLE FOR PAYMENT OF WARRANTS
AND INVESTMENT INFORMATION
As of September 27, 2017

FUNDS ON DEPOSIT WITH	AMOUNT
LOCAL AGENCY INVESTMENT FUND	
<i>(AUGUST 2017 YIELD 1.084%)</i>	
RESTRICTED SRF RESERVE	\$ 630,000.00
UNRESTRICTED DEPOSITS	\$ 9,948,697.12
CALIFORNIA BANK AND TRUST	
<i>(AUGUST 2017 YIELD 0.01%)</i>	
REGULAR CHECKING	\$ 31,537.45
PAYROLL CHECKING	\$ 5,000.00
UNION BANK - TRUSTEE (BOND FUNDS)	
BLACKROCK	\$ 1,607,260.99
<i>(AUGUST 2017 YIELD 0.88%)</i>	
LAIF	\$ 22,115,000.00
<i>(AUGUST 2017 YIELD 1.084%)</i>	
TOTAL RESOURCES	\$ 34,337,495.56

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

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

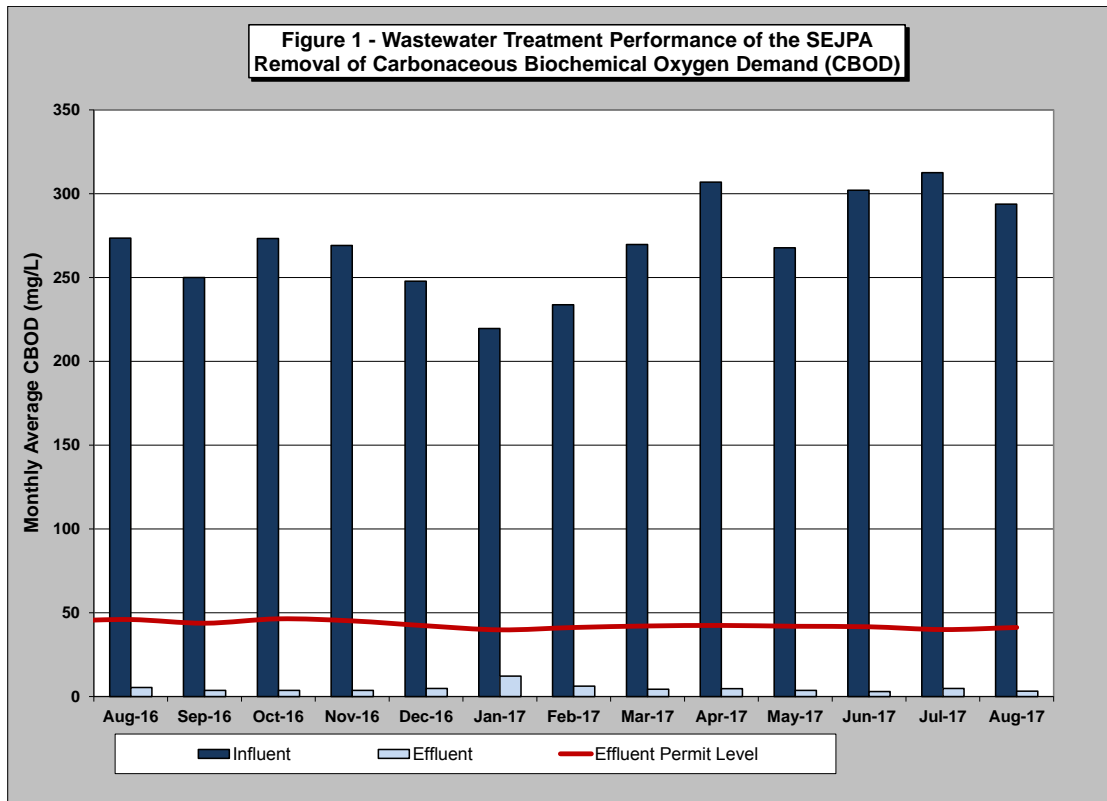
RECOMMENDATION

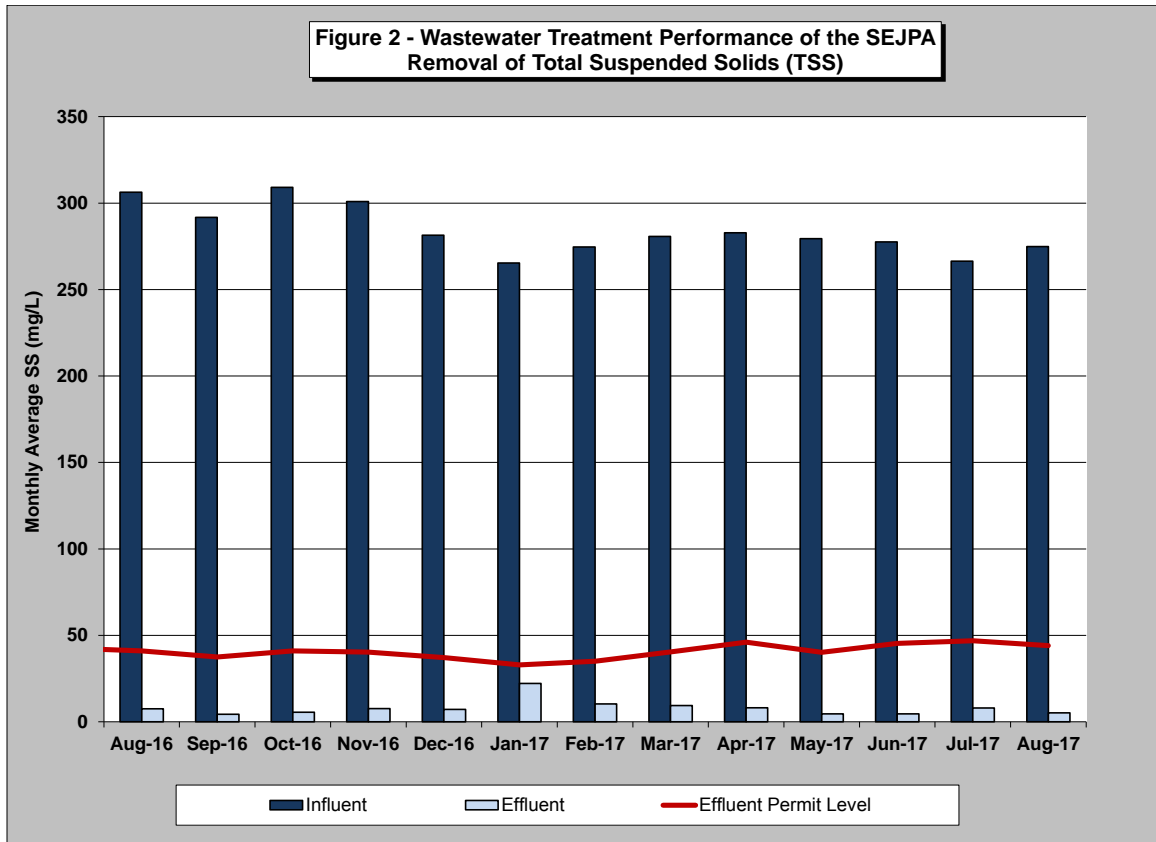
No action required. This memorandum is submitted for information only.

DISCUSSION

Monthly Treatment Plant Performance and Evaluation

Wastewater treatment for the San Elijo Joint Powers Authority (SEJPA) met all National Pollutant Discharge Elimination System (NPDES) ocean effluent limitation requirements for the month of August 2017. The primary indicators of treatment performance include the removal of Carbonaceous Biochemical Oxygen Demand (CBOD) and Total Suspended Solids (TSS). The SEJPA is required to remove a minimum of 85 percent of the CBOD and TSS from the wastewater. Treatment levels for CBOD and TSS were 98.9 and 98.1 percent removal, respectively, in August (as shown in Figure 1 and Figure 2).





Member Agency Flows

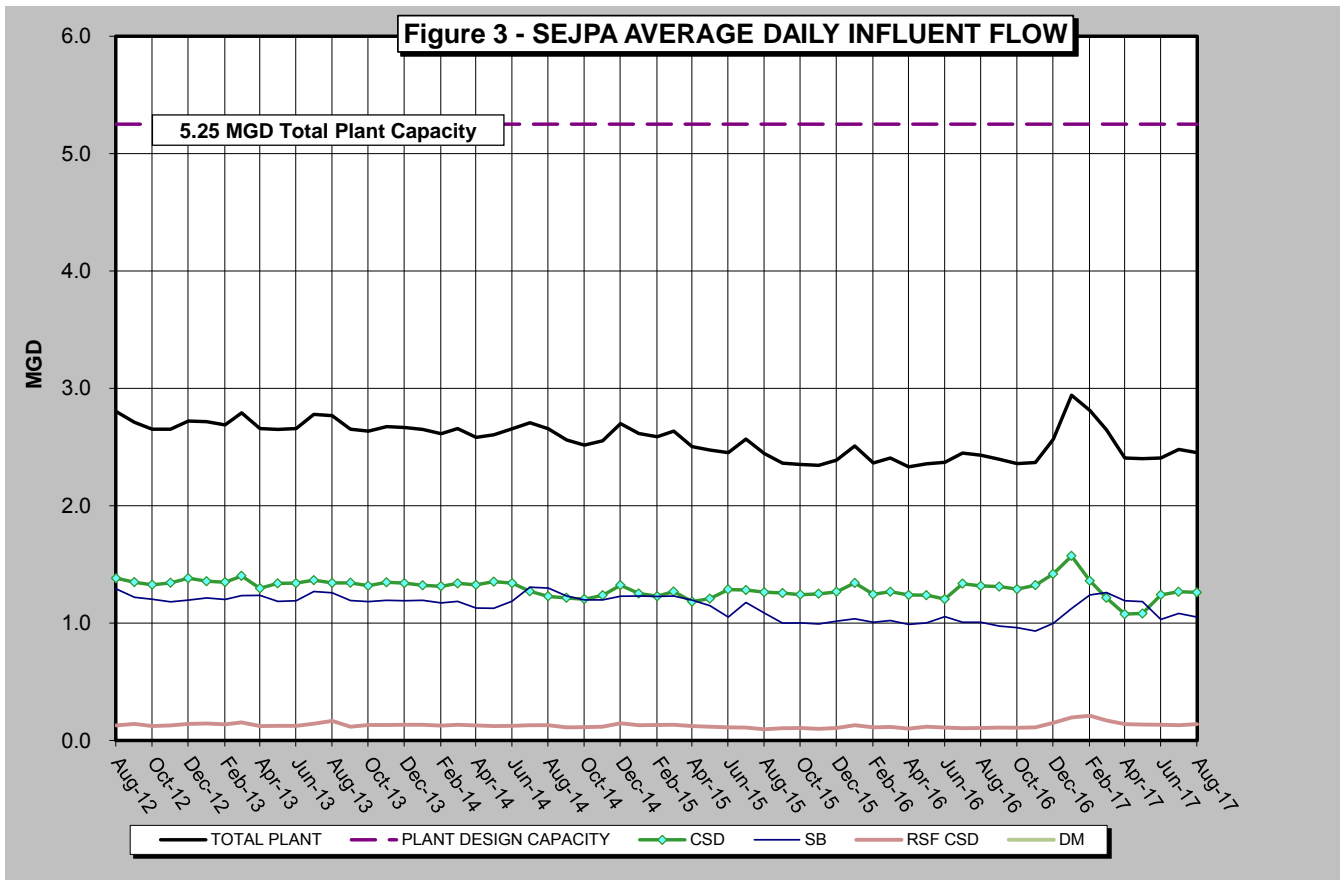
Presented below are the influent and effluent flows for the month of August. Average daily influent flows were recorded for each Member Agency. Total effluent flow was calculated for the San Elijo Water Reclamation Facility. January 2017 was the first month that the City of Del Mar pumped flow to SEJPA. However, due to the treatment process upset and high influent flows associated with the January rain events, the flow was diverted back to San Diego JPA Metro. Currently, the City of Del Mar is in the process of eliminating high salinity infiltration that is occurring at a few manholes near the beach. High salinity wastewater can negatively impact the biological treatment and water recycling process. Upon the completion of these repairs, the SEJPA will begin receiving wastewater flows from Del Mar.

	August	
	<u>Influent (mgd)</u>	<u>Effluent (mgd)*</u>
Cardiff Sanitary Division	1.262	0.852
City of Solana Beach	1.051	0.709
Rancho Santa Fe SID	0.139	0.094
City of Del Mar	0.000	0.000
Total San Elijo WRF Flow	2.452	1.655

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

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

Figure 3 (below) presents the 5-year historical average daily flows per month for each Member Agency. This is to provide a historical overview of the average treated flow by each agency. Also shown in Figure 3 is the total wastewater treatment capacity of the plant, 5.25 mgd, of which each Member Agency has the right to 2.2 mgd, Rancho Santa Fe Community Service District leases 0.25 mgd, and the City of Del Mar leases 0.60 mgd.



City of Escondido Flows

The average and peak flow rate for the month of August 2017 from the City of Escondido's Hale Avenue Resource Recovery Facility, which discharges through the San Elijo Ocean Outfall, is reported below.

	August (mgd)
Escondido (Average flow rate)	9.0
Escondido (Peak flow rate)	17.6

Connected Equivalent Dwelling Units

The City of Solana Beach updated the connected EDUs number that is reported to the SEJPA in July 2017. The City of Encinitas and Rancho Santa Fe CSD report their connected EDUs every month. The City of Del Mar reported their connected EDUs in March 2017; however, flows have been diverted to the San Diego Metro JPA due to high salinity which is planned to be resolved by the end of 2017. The number of EDUs connected for each of the Member Agencies is as follows:

	Connected (EDU)
Cardiff Sanitary Division	8,423
Rancho Santa Fe SID	553
City of Solana Beach	7,724
San Diego (to Solana Beach)	337
City of Del Mar	1,716
Total EDUs to System	18,753

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: SAN ELIJO WATER RECLAMATION PROGRAM – MONTHLY REPORT

RECOMMENDATION

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

DISCUSSION

Recycled Water Production

For the month of August 2017, recycled water demand was 181.55 acre-feet (AF), which was met using 180.53 AF of recycled water and 1.02 AF of supplementation with potable water.

Figure 1 (attached) provides monthly demands for recycled water since deliveries began in September 2000. Figure 2 (attached) provides a graphical view of annual recycled water demand spanning the last seventeen (17) fiscal years. Figure 3 (attached) shows the monthly recycled water demand for each August since the program began.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Figure 1 - MONTHLY RECYCLED WATER DEMAND

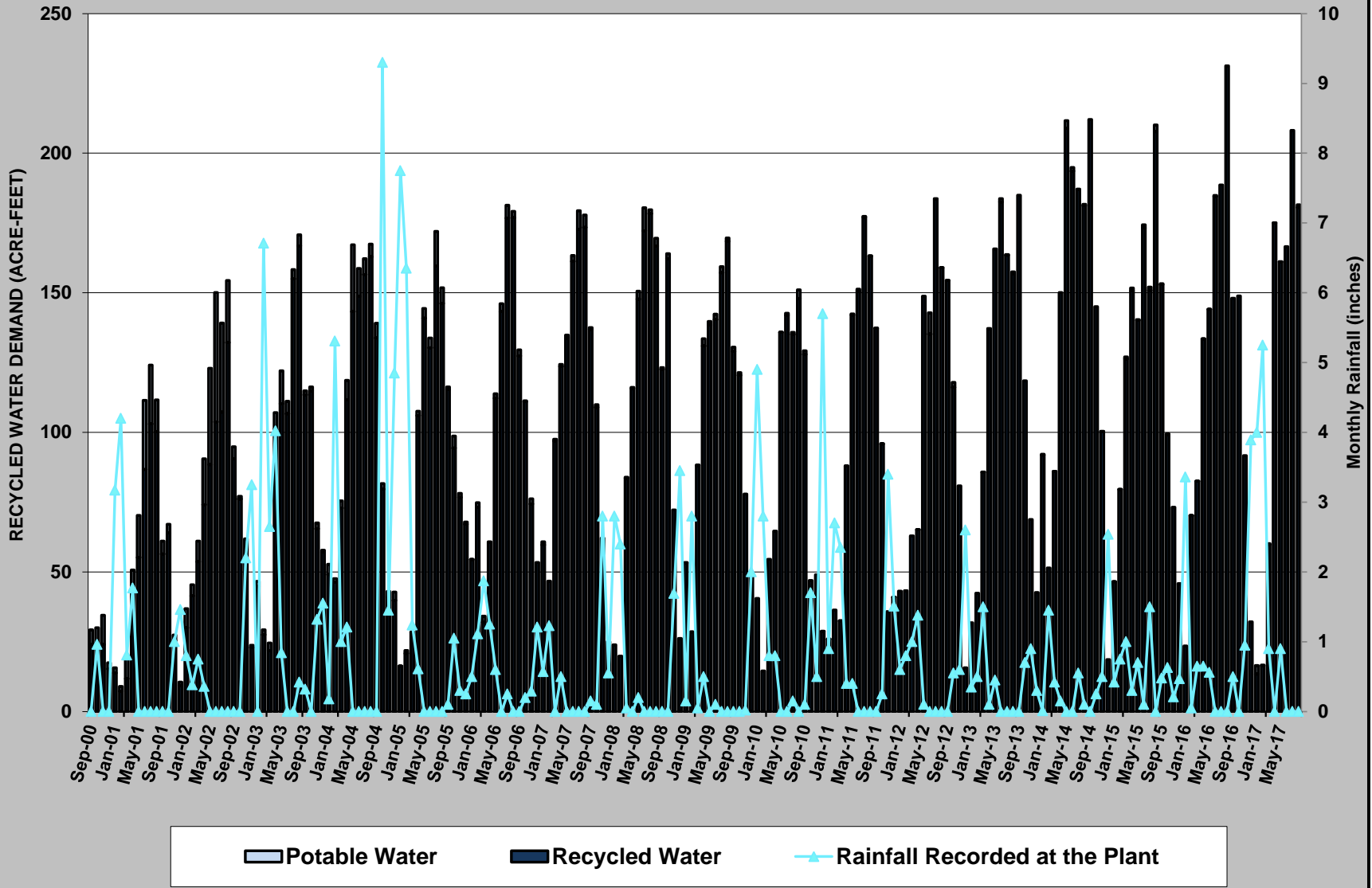


Figure 2 - RECYCLED WATER DEMAND by FISCAL YEAR

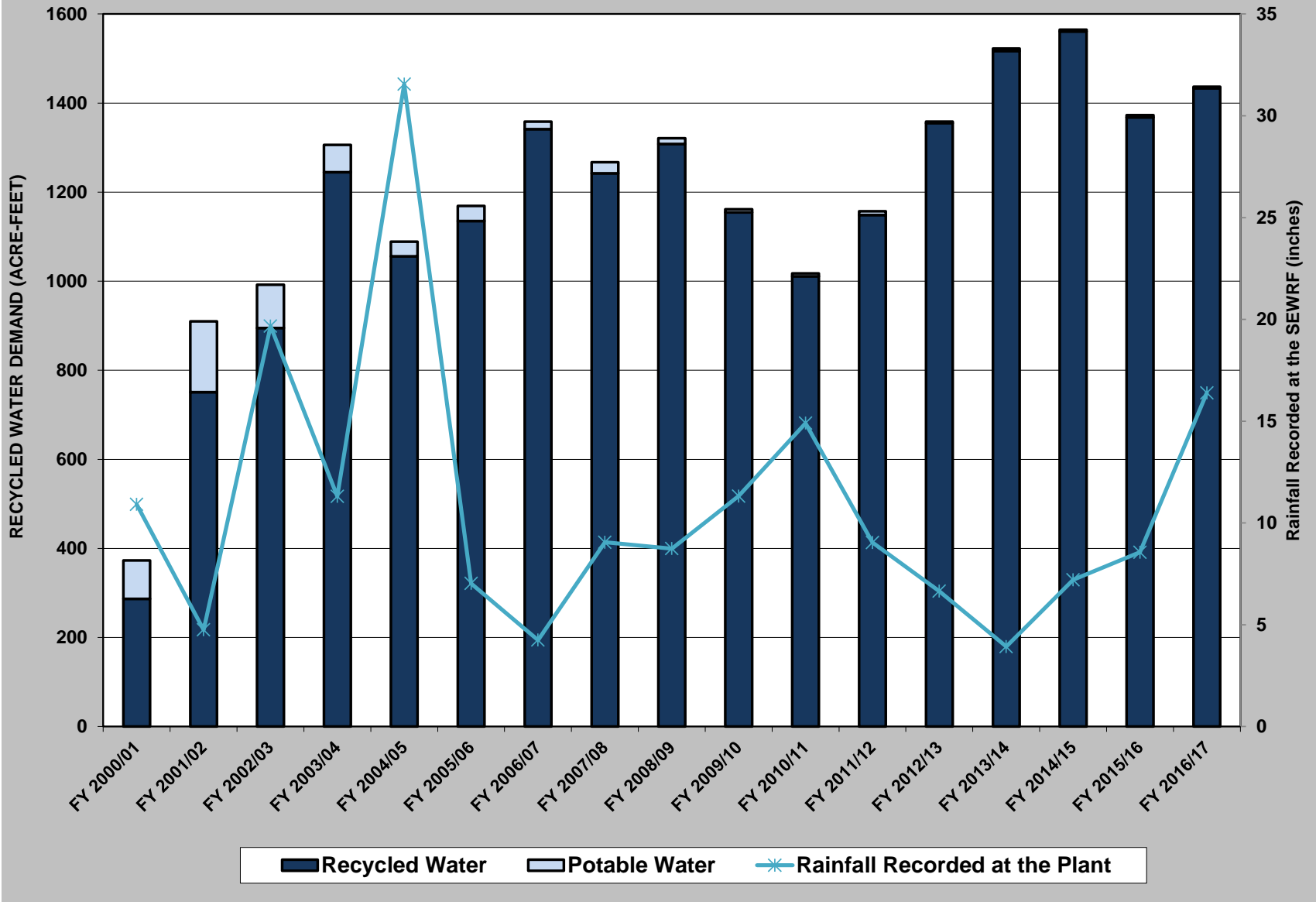
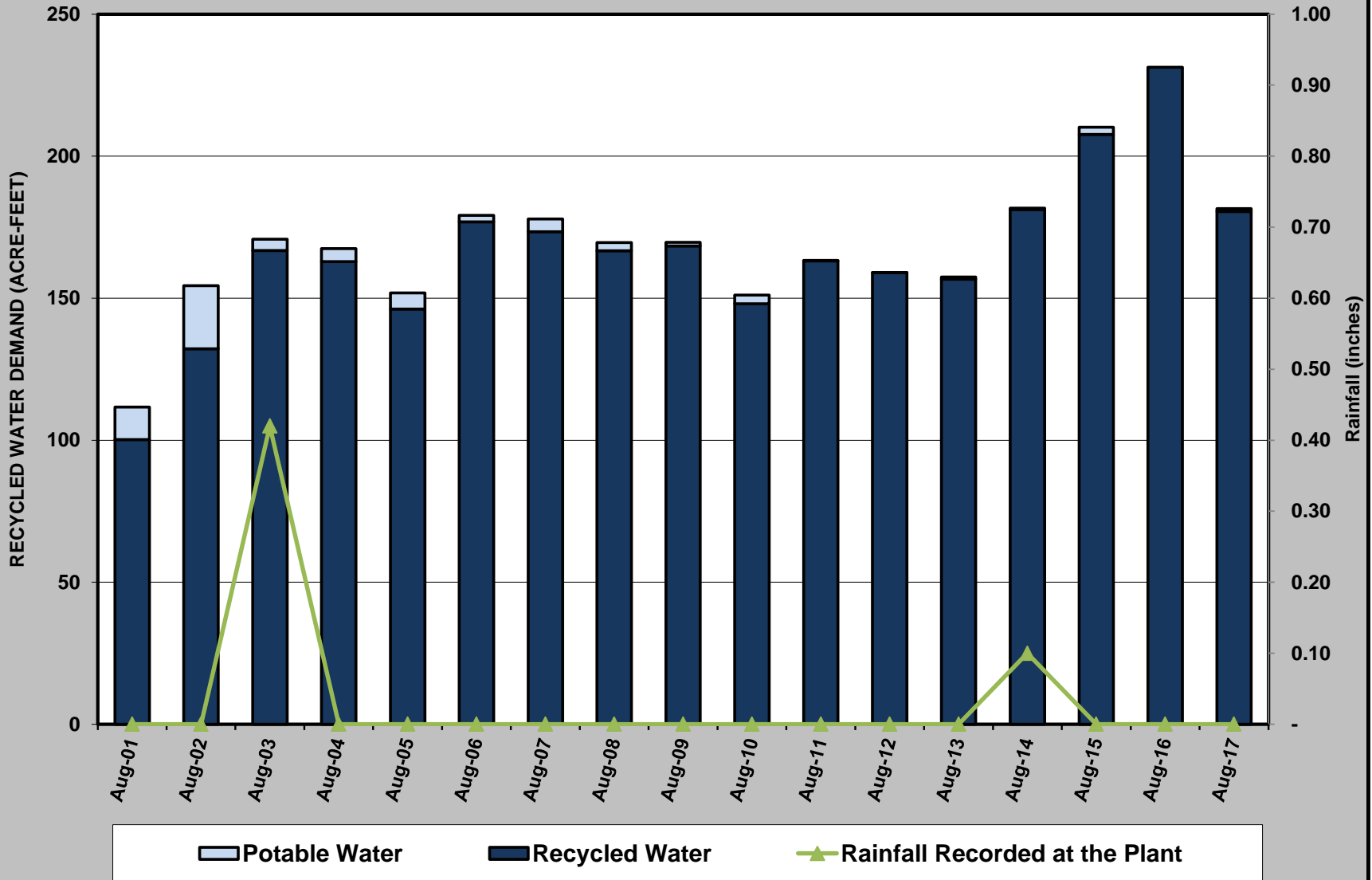


Figure 3 - AUGUST RECYCLED WATER DEMAND



SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: AWARD TREE AND MISCELLANEOUS LANDSCAPE MAINTENANCE SERVICES FOR THE SAN ELIJO WATER RECLAMATION FACILITY

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to award a Tree and Miscellaneous Landscape Maintenance Services contract to Arbor West, Inc. for an amount not to exceed \$41,105; and
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Water Reclamation Facility was originally developed in 1965 to serve the communities of Cardiff and Solana Beach, and the 27 acre site includes a variety of plants and trees. These plants and trees require maintenance and trimming for health, fire safety, and to minimize the risk of personal or property damage due to falling branches or palm fronds. The SEJPA requested proposals for tree and landscape maintenance including 72 palm trees, 31 miscellaneous trees, grind down 3 stumps, remove 1 palm tree, and remove approximately 4,175 square feet of brush. The request for proposals included an optional second year of service.

DISCUSSION

Staff received three bids on September 14, 2017 for Tree and Miscellaneous Landscape Maintenance Services, as shown in the table below. The bids were reviewed by Staff for responsiveness to bid requirements, experience, and references. Based on the lowest responsive and responsible bid, Staff recommends award of the project to Arbor West, Inc.

Company	Year 1	Year 2	2-Year Bid Price
Arbor West, Inc.	\$ 20,865	\$ 20,240	\$ 41,105
California Tree Service, Inc.	26,700	25,450	52,150
West Coast Arborists, Inc.	27,850	26,975	54,825

FINANCIAL IMPACT

The lowest responsive tree maintenance bid for the project is \$20,865 for the first year and \$20,240 for an optional second year totaling \$41,105. For Fiscal Year (FY) 2017-18, adequate funding is available within Supplies and Services category of the Operation and Maintenance Budget. If the SEJPA elects to proceed with the optional second year of service, appropriate funding will be allocated in the FY 2018-19 Operation and Maintenance Budget.

It is recommended that the Board of Directors:

1. Authorize the General Manager to award a Tree and Miscellaneous Landscape Maintenance Services contract to Arbor West, Inc. for an amount not to exceed \$41,105; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: Arbor West, Inc. Agreement for Tree Maintenance Services

ATTACHMENT 1

AGREEMENT

TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS

THIS AGREEMENT ("Agreement") is made and entered into on this _____ day of _____, 2017, by and between the San Elijo Joint Powers Authority, a political subdivision of the State of California, hereinafter referred to as "AUTHORITY" or the "SEJPA," and Arbor West, Inc., hereinafter referred to as "CONTRACTOR."

WITNESSETH:

WHEREAS, on August 10, 2017, AUTHORITY invited bids for the provision of Tree Maintenance Services per Specifications No. SE 2018 TMS.

WHEREAS, pursuant to said invitation, CONTRACTOR submitted a bid which was accepted by AUTHORITY for said services.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

1. TERM. Unless earlier terminated in accordance with Section 9, the term of this Agreement shall be from the date this Agreement is made and entered, as first written above, until June 30, 2018, with the option of an additional one (1) year at the request of the SEJPA.
2. INCORPORATION BY REFERENCE. The Public Notice Inviting Bids, the Information for Bidders, the Special Bid Terms and Conditions, Bid Submission Form(s) and their accompanying documents, the Bid Specifications, and the Payment and Performance Bonds (collectively, the "Contract Documents"), are hereby incorporated in and made a part of this Agreement. In the event of any inconsistencies or conflicts in the Contract Documents, the order of precedence from highest to lowest shall be: Any amendments to this Agreement, this Agreement, the Bid Specifications, the Information for Bidders, the Special Bid Terms and Conditions, the Notice Inviting Bids, the Payment and Performance Bonds, and the Bid Submission Form(s).
3. AUTHORITY'S OBLIGATIONS. For furnishing labor, materials, services and/or equipment as specified in the Agreement, AUTHORITY will pay and CONTRACTOR shall receive compensation for tree maintenance services per the attached bid submission dated September 12, 2017. The amount for FY 2017-18 shall not exceed \$20,865. The AUTHORITY has the option to extend the contract one additional year from July 1, 2018 through June 30, 2019, as requested by the AUTHORITY in writing and agreed to by the CONTRACTOR, in an amount not to exceed \$20,240. The total amount of this contract, including the one year option shall not exceed \$41,105. This total contract price shall be used for the purposes of the Faithful Performance and Payment Bonds executed in connection with this Agreement.

Payments to the CONTRACTOR shall be made within forty-five (45) days after completion of the services for the month in question and AUTHORITY's receipt of an original invoice from the CONTRACTOR referencing the AUTHORITY's Purchase Order Number and acceptance of the materials, supplies, equipment, or services (Net

45). CONTRACTOR shall invoice no more frequently than monthly for services or supplies provided. Neither AUTHORITY'S acceptance of, nor payment for any of the services, shall be construed to operate as a waiver of any rights under this Agreement or any cause of action arising out of the performance of this Agreement. AUTHORITY may withhold or reduce payments otherwise due CONTRACTOR as reasonably necessary to remedy deficiencies in the Work or damages caused by CONTRACTOR, or to protect AUTHORITY against claims or liabilities arising from the operations of CONTRACTOR or its subcontractors under this Agreement. Pursuant to section 10262 of the California Public Contract Code and section 7108.5 of the California Business and Professions Code, CONTRACTOR shall pay its subcontractors and suppliers within seven (7) days of receipt of payment from AUTHORITY.

Notwithstanding the above, AUTHORITY will retain a portion of the amount otherwise due CONTRACTOR. The amount retained by AUTHORITY will be as follows:

- AUTHORITY shall retain five percent (5%) of such estimated value of the Work as part security for the fulfillment of the Agreement by CONTRACTOR.
- Said amount shall be withheld until final completion and acceptance of the Work, consistent with Public Contract Code 9203 and the terms of this Agreement.

Final payment will only be released upon authorization from the Board of Directors of the AUTHORITY. Final payment of undisputed contract amounts is contingent upon CONTRACTOR furnishing the AUTHORITY with a release of all claims against AUTHORITY arising by virtue of the Agreement. CONTRACTOR shall deliver to AUTHORITY written waivers from its subcontractors and suppliers on the forms required pursuant to Civil Code Sections 8136 (conditional) and 8138 (unconditional). In the event that the governing board of AUTHORITY takes final acceptance without obtaining the waivers from CONTRACTOR, CONTRACTOR is not released from its obligation to provide such waivers to AUTHORITY.

4. CONTRACTOR'S OBLIGATIONS. For and in consideration of the payments and agreements hereinbefore mentioned to be made and performed by AUTHORITY, CONTRACTOR agrees with AUTHORITY to furnish the Work and to do everything required by this Agreement and the Specifications. Without limiting the generality of the foregoing, CONTRACTOR warrants on behalf of itself and all subcontractors engaged for the performance of this Agreement that only persons authorized to work in the United States pursuant to the Immigration Reform and Control Act of 1986 and other applicable laws shall be employed in the performance of the work hereunder. In performing Work under this Agreement, CONTRACTOR agrees to comply with all laws, rules and regulations and ordinances, whether federal, state or local, and any and all AUTHORITY policies, procedures, departmental rules or other directives applicable to the Work. Any changes to AUTHORITY'S policies and procedures that relate to CONTRACTOR will be provided to CONTRACTOR in writing. CONTRACTOR agrees to review such policies, procedures, rules and directives and shall be deemed to have knowledge of them. CONTRACTOR shall ensure that any report generated under this Agreement complies with California Government Code section 7550.

5. CONTRACTOR DECLARATIONS

The CONTRACTOR declares the Work will be conducted pursuant to the following additional requirements of the State of California:

5.1 Prevailing Wage Scale: Reference is hereby made to, and CONTRACTOR agrees to fully comply with, the rate of prevailing wage scale established by the State of California Director of Industrial Relations, a copy of which is available for inspection in the AUTHORITY's office, the provisions of which are hereby specified as the rate of prevailing wage to be paid workers on this Work, and the provisions of Article 2, Chapter 1, Part 7, Division 2 (commencing with Section 1770) of the Labor Code shall be fully applicable to the Work. As applicable to the Work and pursuant to Sections 1770 et seq. of the Labor Code, CONTRACTOR and any of CONTRACTOR's subcontractors shall pay not less than the prevailing rate of per diem wages as determined by the Director of the California Department of Industrial Relations.

5.1.1 The CONTRACTOR shall be subject to the penalties set forth in Section 1775 of the Labor Code for any violation of prevailing wage requirements.

5.2 Hours of Labor: Eight-hour labor constitutes a legal day's work. The CONTRACTOR shall forfeit, as penalty to the AUTHORITY, twenty-five dollars (\$25.00) for each worker employed in the execution of the Agreement by him or by any subcontractor, for each calendar day during which any worker is required or permitted to labor more than eight (8) hours in any one calendar day and forty (40) hours in any one calendar week, except as permitted by the provisions of Article 3, Chapter 1, Part 7, Division 2 (commencing with Section 1810) of the Labor Code of the State of California.

5.3 Apprentices: The CONTRACTOR has the responsibility to comply with the provisions of Section 1777.5 of the Labor Code for all apprenticeable occupations, including but not limited to, employment requirements, training requirements and payment of the prevailing rate of per diem wages for apprentices in the trade to which he or she is registered. Prior to commencing Work on the Project, the CONTRACTOR shall submit contract award information to an applicable apprenticeship program that can supply apprentices to the site of the Work, and shall also submit a copy of such information to the AUTHORITY. Within sixty (60) days after concluding the Work, the CONTRACTOR and each subcontractor shall submit to the AUTHORITY, and to the apprenticeship program a verified statement of the journeyman and apprentice hours performed. Pursuant to Section 1777.5, subdivision (e), this information shall be public. Penalties for violations of Section 1777.5 are set forth in Section 1777.7 of the Labor Code. Information relative to number of apprentices, identifications, wages, hours of employment and standards of working conditions shall be obtained from the Director of the Department of Industrial Relations, who is the Administrative Officer of the California Apprenticeship Council.

5.4 Prohibited Employment Discrimination: Attention is directed to Section 1735 of the California Labor Code, which reads as follows:

A contractor shall not discriminate in the employment of persons upon public works on any basis listed in subdivision (a) of Section 12940 of the Government Code, as those bases are defined in Sections 12926 and 12926.1 of the Government code. Every Contractor for public works who violates this section is subject to all the penalties imposed for a violation of this chapter.

5.5 Workers' Compensation Insurance: In accordance with the provisions of Article 5, Chapter 1, Part 7, Division 2 (commencing with Section 1860) and Chapter 4, Part 1, Division 4 (commencing with Section 3700) of the California Labor Code, the CONTRACTOR is required to secure the payment of compensation to his employees and shall for that purpose obtain and keep in effect adequate Workers' Compensation Insurance. The undersigned CONTRACTOR certifies it is aware of the provisions of Section 3700 of the Labor Code, which requires every employer to be insured against liability for Workers' Compensation claims or to undertake self-insurance in accordance with the provisions of that Code, and will comply with such provisions before commencing the performance of the Work in this Contract.

5.6 Security for Compensation: The CONTRACTOR further agrees to secure the payment of compensation to his employees in accordance with the provisions of Section 3700 of the California Labor Code.

5.7 Correction of Work: Warranty: Neither final payment nor any provision in the Contract Documents shall relieve CONTRACTOR of responsibility for faulty materials or workmanship incorporated in the Project. CONTRACTOR warrants that all work under this Agreement will be free of faulty materials or workmanship and hereby agrees, within ten (10) working days upon receiving notification from SEJPA, to remedy, repair or replace, without cost to SEJPA, all defects which may appear as a result of faulty materials or workmanship in the Project, at any time, or from time to time, during a period beginning with commencement of the Work and ending one (1) year after the termination or expiration of this Agreement. The foregoing warranty of CONTRACTOR also applies to the remedy, repair or replacement of defects which may appear as a result of faulty designs prepared by CONTRACTOR and/or any party retained by, through or under CONTRACTOR in connection with the Work, but the foregoing warranty of CONTRACTOR does not guarantee against damage to the Work sustained by use, wear, intentional acts, accidents, or lack of normal maintenance or as a result of changes or additions to the Work made or done by parties not directly responsible to CONTRACTOR, except where such changes or additions to the Work are made in accordance with CONTRACTOR's directions. No guarantee furnished by a party other than CONTRACTOR with respect to equipment manufactured or supplied by such party shall relieve CONTRACTOR from the foregoing warranty obligation of CONTRACTOR. The warranty period set forth herein above shall not apply to latent defects appearing in the Work, and with respect to such defects, the applicable statute of limitations shall apply. CONTRACTOR agrees to provide SEJPA with all equipment and materials warranties provided by manufacturers to SEJPA but has no obligation to assist in processing such warranty claims after said one (1) year warranty period.

5.8 CONTRACTOR'S License: The CONTRACTOR agrees to abide by all applicable licensing laws and regulations in the performance of any work under this Agreement. The CONTRACTOR declares that it possesses a valid California CONTRACTOR's License of the required class **D-49 Tree Service Contractor** at the time of signing this Agreement, and shall maintain such license during the term of this Agreement. The CONTRACTOR shall affirm its license number, classification and expiration date as stated on its Bid by signing this Agreement. The following statement is included in accordance with Section 7030 of the California Business and Professions Code:

“Contractors are required by law to be licensed and regulated by the Contractors State License Board which has jurisdiction to

investigate complaints against contractors if a complaint regarding a patent act or omission is filed within four years of the date of the alleged violation. A complaint regarding a latent act or omission pertaining to structural defects must be filed within 10 years of the date of the alleged violation. Any questions concerning a contractor may be referred to the Registrar, Contractors' State License Board, P.O. Box 26000, Sacramento, California 95826."

5.9 Payroll Records: The CONTRACTOR shall, and shall require each subcontractor to keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid by each journeyman, apprentice, worker, other employee employed by him or her in connection with the Work. Each payroll record shall contain or be verified by a written declaration that is made under penalty of perjury, stating both the following: (1) The information contained in the payroll record is true and correct; and (2) The employer has complied with the requirements of Sections 1771, 1811, and 1815 for any Work performed by his or her employees on the Project. The payroll records shall be certified, available for inspection, and electronic copies thereof furnished directly to the Labor Commissioner (A) at least monthly or more frequently, or (B) in a format prescribed by the Labor Commissioner, as prescribed in Section 1776 of the Labor Code. The CONTRACTOR shall inform the SEJPA of the location of the records, including the street address, city, and county, and shall, within five working days, provide a notice of a change of location and address. Penalties for noncompliance include those provided at subdivision (h) of Section 1776 of the Labor Code.

5.10 Public Works Contractor Registration Program: CONTRACTOR must be, and must require its subcontractors to be, registered with the Department of Industrial Relations (DIR) prior to execution of this Agreement. All contractors and subcontractors who bid or work on, and/or who are awarded a public works project must register with and pay an annual fee to the DIR. No contractor or subcontractors may be listed on a bid proposal for a public works project unless registered with the DIR pursuant to Labor Code Section 1725.5. No contractor or subcontractor may be awarded a contract for public work on a public works project unless registered with the DIR pursuant to Labor Code Section 1725.5. This project is subject to compliance monitoring and enforcement by the DIR. CONTRACTOR shall not perform any work under this Agreement with a subcontractor who is ineligible to perform work on a public works project pursuant to California Labor Code Sections 1777.1 or 1777.7.

5.11 Compliance with Laws/Rules. In performing the services specified in this Agreement, CONTRACTOR agrees to comply with all laws, rules, regulations and ordinances, whether federal, state or local, and any and all of AUTHORITY's policies, procedures, departmental rules and other directives applicable to the services to be performed and provided by AUTHORITY to CONTRACTOR, including, but not limited to, AUTHORITY's Safety Policies and Procedures. CONTRACTOR will post, and/or will require its subcontractors to post, all job site notices prescribed by law or regulation. CONTRACTOR will perform all services under this Agreement in good faith and in the best interests of SEJPA.

CONTRACTOR represents, warrants and covenants to AUTHORITY that (a) the Contract Price includes funds sufficient to allow CONTRACTOR to comply with all applicable local, state, and federal laws or regulations governing the labor or services to

be provided under this Agreement, (b) CONTRACTOR will fully comply with all such laws and regulations, and (c) CONTRACTOR shall defend, indemnify and hold AUTHORITY harmless from and against any claims arising out of CONTRACTOR's failure to fully perform and honor its obligations under this Section 5.11. In submitting bid, signing the Agreement, performing the Work, and requesting and receiving payment, CONTRACTOR certifies it has not and will not submit false claims, pursuant to Government Code Section 12650 et seq.

6. HOLD HARMLESS AND INDEMNIFICATION. To the fullest extent permitted by law, CONTRACTOR agrees to defend, indemnify, and hold harmless AUTHORITY, its member agencies (to include the City of Encinitas and the City of Solana Beach), and each of their respective directors, officials, officers, employees, representatives, and agents (collectively, "Indemnified Parties"), from and against all claims, lawsuits, liabilities or damages, including attorney's fees and costs, of whatsoever nature arising out of or in connection with, or relating in any manner to any act or omission of CONTRACTOR, its agents, employees, and subcontractors of any tier and employees thereof in connection with the performance or non-performance of this Agreement. The CONTRACTOR shall thoroughly investigate any and all claims and indemnify the Indemnified Parties and do whatever is necessary to protect the Indemnified Parties as to any such claims lawsuits, liabilities, expenses, or damages. Nothing in this Agreement shall impose on CONTRACTOR, or relieve SEJPA from, liability to the extent of the active negligence, sole negligence or willful misconduct of AUTHORITY. AUTHORITY shall timely notify CONTRACTOR of the receipt of any third-party claim relating to the Agreement.

7. INSURANCE. During the course of the Agreement, CONTRACTOR shall pay for and maintain, in full force and effect, all insurance required by any governmental agency having jurisdiction to require particular insurance of CONTRACTOR in connection with or related to the Work covered hereby. CONTRACTOR SHALL FURTHER TAKE OUT AND SHALL FURNISH SATISFACTORY PROOF BY CERTIFICATE OR OTHERWISE AS MAY BE REQUIRED, THAT IT HAS TAKEN OUT COMPREHENSIVE GENERAL LIABILITY INSURANCE AND AUTO LIABILITY WITH AUTHORITY, ITS MEMBER AGENCIES (TO INCLUDE THE CITY OF ENCINITAS AND THE CITY OF SOLANA BEACH), AND EACH OF THEIR RESPECTIVE DIRECTORS, OFFICIALS, OFFICERS, EMPLOYEES, REPRESENTATIVES AND AGENTS ("INSURED PARTIES") NAMED HEREIN AS ADDITIONAL INSUREDS, AS WELL AS ALL OTHER COVERAGE REQUIRED BY THIS AGREEMENT. Insurance carrier(s) shall be satisfactory to AUTHORITY, and insurance shall be purchased from insurance companies with a current A.M. Best rating of no less than A:VII, unless otherwise agreed in writing by AUTHORITY. Insurance shall be in such form approved by AUTHORITY so as to protect all Insured Parties against loss from liability assumed by contract or imposed by law from damages on account of bodily injury, including death resulting therefrom, suffered or alleged to have been suffered by any person or persons, other than employees, resulting directly or indirectly from the negligent performance or execution of this Agreement by CONTRACTOR or any subcontract with CONTRACTOR thereunder, and also to protect all Insured Parties against loss from liability imposed by law for damage to any property, caused directly or indirectly by the negligent performance or execution of the Agreement by CONTRACTOR; which insurance shall also cover accidents arising out of the use and operation of owned, non-owned and hired automobiles, trucks, and/or other mobile equipment. Automobile liability shall be at least as broad as form number CA 0001, covering code 1 (any auto), covering bodily injury and property damage, with a

combined single limit of no less than \$1,000,000 per claim for bodily injury and property damage. General liability shall be at least as broad as occurrence form CG 0001, covering bodily injury, personal injury and property damage. The amounts of coverage of said insurance shall not be less than the following:

Public Liability	\$1,000,000 single limit/\$3,000,000 aggregate
Property Damage	\$1,000,000 single limit/\$3,000,000 aggregate

CONTRACTOR shall further maintain adequate Worker's Compensation Insurance, including occupational disease provisions, under the laws of the State of California and employer's general liability insurance for the benefit of its employees with a combined single limit of no less than \$1,000,000 per claim for bodily injury or disease, and shall require similar insurance to be provided by its subcontractors. A certificate shall be furnished to AUTHORITY showing compliance with above.

Said policies shall have a non-cancellation clause providing that thirty (30) days written notice shall be given to AUTHORITY prior to any material modification or cancellation, and a certificate of such insurance shall be furnished to AUTHORITY by direct mail from CONTRACTOR'S insurance carrier and shall specifically cover any contractual liability incurred hereunder.

All insurance policies shall be on an occurrence basis and cover the period of performance under this Agreement.

The coverage shall contain no special limitations on the scope of protection afforded to the Insured Parties.

CONTRACTOR'S insurance shall be primary insurance as respects the Insured Parties, and each of them. Any insurance, self-insurance or other coverage maintained by Insured Parties shall be excess of the CONTRACTOR'S insurance and not contribute to it.

Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to Insured Parties.

CONTRACTOR'S insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of insurer's liability.

All insurance policies shall specifically cover any contractual liability incurred pursuant to this Agreement.

Any deductibles or self-insured retention limits must be disclosed to and approved by AUTHORITY prior to execution of this Agreement. At the option of AUTHORITY, either: the insurer shall reduce or eliminate such deductibles as respects the Insured Parties; or CONTRACTOR shall provide a financial guarantee satisfactory to AUTHORITY guaranteeing payment of losses and related investigations, claim administration and defense expenses.

CONTRACTOR shall furnish to AUTHORITY certificates of insurance prior to the commencement of Work under this Agreement, and as may be periodically requested by AUTHORITY. CONTRACTOR shall include all endorsements necessary to comply with

this Agreement, including additional insured endorsements, signed by the insurer's representative. Such evidence shall include confirmation that coverage includes or has been modified to include all provisions required by this Agreement. CONTRACTOR shall, upon request of AUTHORITY at any time, deliver to AUTHORITY complete, certified copies of the policies of insurance, including endorsements, and receipts for payment or premiums thereon, required by this Agreement. Failure to obtain the required documents prior to the Work beginning shall not waive CONTRACTOR'S obligation to provide them.

If any of the required coverages expire during the term of this Agreement, CONTRACTOR shall deliver the renewal certificate(s) including the general liability and auto liability additional insured endorsements to AUTHORITY at least ten (10) days prior to the expiration date.

In the event that CONTRACTOR employs subcontractors to perform any portion of the services to be performed pursuant to this Agreement, it shall be CONTRACTOR'S responsibility to require and confirm that each subcontractor meets the minimum insurance requirements specified in this Agreement.

8. AMENDMENTS. Any amendment, modification, or variation from the terms of this Agreement shall be in writing and shall be effective only upon approval by the General Manager of the AUTHORITY.

9. EXTRA WORK. The Contract Price is intended by the parties to be inclusive of all cost and expense to CONTRACTOR to provide, among other things, the labor, materials and equipment to maintain the irrigation system at the Project site, including any necessary repairs or replacements. Nevertheless, to the extent that the Contract Documents (including the Specifications) indicate that an item of work is considered to be "Extra Work," or if the parties mutually agree that an item of work is not included in the scope of the Contract Documents, then CONTRACTOR shall promptly submit a written request for an "Extra Work Authorization" ("EWA") and shall include within that EWA CONTRACTOR's proposed cost to perform the Extra Work, supported by such documentation as AUTHORITY may reasonably request. If AUTHORITY approves the EWA it will sign and return it to CONTRACTOR to authorize the performance of the Extra Work. If the parties are unable to reach agreement on the EWA, then AUTHORITY may direct CONTRACTOR to perform the Extra Work on a time and materials basis, in which event CONTRACTOR shall submit daily time and material reports to AUTHORITY for verification. In no event shall CONTRACTOR be entitled to receive compensation for the performance of any Extra Work for which it has not received written authorization from AUTHORITY to perform.

10. TERMINATION.

10.1 If, during the term of this Agreement, AUTHORITY determines that CONTRACTOR is not faithfully abiding by any term or condition contained herein, AUTHORITY may notify CONTRACTOR in writing of such defect or failure to perform; which notice must give CONTRACTOR five (5) working days thereafter in which to perform said work or cure the deficiency. If CONTRACTOR has not performed the work or cured the deficiency within five (5) days specified in the notice, such shall constitute a breach of this Agreement and AUTHORITY may, at its election, perform the Work and/or remedy the defect and charge the expense to Contractor, or terminate this Agreement

immediately by written notice to CONTRACTOR to said effect. Such termination shall terminate CONTRACTOR's right to proceed with the Work hereunder, but shall not terminate CONTRACTOR'S ongoing obligations, including without limitation its indemnification, hold harmless and defense obligations. In the event of such termination, CONTRACTOR shall be entitled to receive payment based on the Contract Price for the services performed up through the day it received AUTHORITY's Notice of Termination, minus any offset from such payment representing AUTHORITY's damages or reasonably likely damages from such breach. AUTHORITY reserves the right to delay any such payment, to allow for a full and complete accounting of costs. In no event, however, shall CONTRACTOR be entitled to receive payment in excess of the compensation quoted in its bid.

10.2 AUTHORITY may terminate this Agreement, in whole or in part, for AUTHORITY's convenience and without cause upon providing thirty (30) days' written notice to CONTRACTOR. Upon its receipt of such notice CONTRACTOR shall perform no additional Work and shall place no additional subcontracts or purchase orders except as otherwise directed by AUTHORITY in writing. Upon such termination CONTRACTOR shall be entitled to receive payment as provided in Section 10.1, but shall not be entitled to receive any profit, overhead or other markup on Work not performed.

11. STATUS OF CONTRACTOR. CONTRACTOR and its employee(s) are engaged in an independent contractor relationship with AUTHORITY in performing all work, duties and obligations hereunder. AUTHORITY shall not exercise any control or direction over the methods by which CONTRACTOR shall perform its Work and functions. AUTHORITY'S sole interest and responsibility is to ensure that the services covered by this Agreement are performed and rendered in a competent, satisfactory and legal manner. CONTRACTOR represents that its employee(s) have the qualifications and skills necessary to perform the Work and services under this Agreement in a competent, professional manner, without the advice or direction of AUTHORITY. CONTRACTOR will supply all tools, materials and equipment required to perform the Work and services under this Agreement. The parties agree that no work, act, commission or omission of CONTRACTOR or its employee(s) pursuant to this Agreement shall be construed to make CONTRACTOR and its employee(s) the agent, employee or servant of AUTHORITY. CONTRACTOR and its employee(s) are not entitled to receive from AUTHORITY vacation pay, sick leave, retirement benefits, Social Security, workers' compensation, disability benefits, unemployment benefits or any other employee benefit of any kind. CONTRACTOR shall be solely responsible for paying all federal and state employment and income taxes, for carrying workers' compensation insurance and for otherwise complying with all other employment law requirements with respect to CONTRACTOR or its employee(s). To the maximum extent allowable by law, CONTRACTOR agrees to indemnify, defend and hold AUTHORITY harmless from any and all liability, damages or losses (including attorney's fees, costs, penalties and fines) AUTHORITY suffers as a result of (a) CONTRACTOR'S failure to meet its employer obligations, or (b) a third party's designation of CONTRACTOR or its employee as an employee of AUTHORITY, regardless of any actual or alleged negligence by AUTHORITY.
12. ASSIGNMENT. Neither this Agreement nor any duties or obligations under this Agreement may be assigned or subcontracted by CONTRACTOR without the prior written consent of AUTHORITY. AUTHORITY has entered into this Agreement in order to receive the professional services of CONTRACTOR. The provisions of this Agreement

shall apply to any subcontractor of CONTRACTOR. AUTHORITY shall have the right to approve any subcontractor agreements, in addition to the written consent required by this section. Effective immediately upon the tender of final payment to CONTRACTOR, CONTRACTOR assigns to AUTHORITY all rights, title and interest in and to all causes of action CONTRACTOR may have under the Clayton Act (15 U.S.C. section 15) or under the Cartwright Act (California Business and Professions Code section 16700, et seq.) arising from purchases of goods, services, or materials pursuant to this Agreement.

13. PROPRIETARY RIGHTS. Any written, printed, graphic, or electronically or magnetically recorded information furnished by AUTHORITY for CONTRACTOR'S use are the sole property of AUTHORITY. CONTRACTOR and its employee(s) will keep any information identified by AUTHORITY as confidential in the strictest confidence, and will not disclose it by any means to any person except with AUTHORITY approval, and only to the extent necessary to perform the services under this Agreement. This prohibition also applies to CONTRACTOR'S employees, agents, and subcontractors. On termination of this Agreement, CONTRACTOR will promptly return any confidential information in its possession to AUTHORITY.
14. PARTIAL INVALIDITY. If any non-material provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will continue in full force and effect without being impaired or invalidated in any way.
15. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Agreement, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.
16. PROVISIONS REQUIRED BY LAW. Each and every provision of law and clause required by law to be inserted in this Agreement shall be deemed to be inserted herein, and the Agreement shall be read and enforced as though they were included herein. If through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the request of either party, the Agreement shall forthwith be physically amended to make such insertion.
17. GOVERNING LAW. This Agreement and all questions relating to its validity, interpretation, performance, and enforcement (including, without limitation, provisions concerning limitations of actions), shall be governed by and construed in accordance with the laws of the State of California, notwithstanding any conflict-of-laws doctrines of such state or other jurisdiction to the contrary and without the aid of any canon, custom, or rule of law requiring construction against the draftsman.
18. SUBSTITUTION OF SECURITIES FOR AMOUNTS WITHHELD

18.1 Pursuant to Section 22300 of the California Public Contract Code, CONTRACTOR may substitute securities for any money withheld by AUTHORITY to ensure performance of the Agreement. At the request and expense of CONTRACTOR, securities equivalent to the amount withheld shall be deposited with AUTHORITY or with a State or Federally chartered bank as the escrow agent, who shall release such securities to CONTRACTOR following the expiration of thirty-five (35) days from the date of filing of a Notice of Completion of the Work by CONTRACTOR, to the extent such

securities have not previously been utilized by AUTHORITY for purposes as provided hereinafter or are not then subject to withholding by AUTHORITY to satisfy stop notices, claims, and costs associated therewith.

18.2 Alternatively, CONTRACTOR may request and AUTHORITY shall make payment of retentions earned directly to the escrow agent at the expense of CONTRACTOR. At the expense of CONTRACTOR, CONTRACTOR may direct the investment of the payments into securities and CONTRACTOR shall receive the interest earned on the investments upon the same terms provided for in Section 22300 of the Public Contract Code for securities deposited by Contractor. Upon satisfactory completion of the Agreement, CONTRACTOR shall receive from the escrow agent all securities, interest, and payments received by the escrow agency from AUTHORITY, pursuant to the terms of Section 22300 of the Public Contract Code.

18.3 If CONTRACTOR elects to receive interest on moneys withheld in retention by AUTHORITY, he or she shall, at the request of any subcontractor, make that option available to the subcontractor regarding any moneys withheld in retention by CONTRACTOR from the subcontractor. If CONTRACTOR elects to receive interest on any moneys withheld in retention by AUTHORITY, then the subcontractor shall receive the identical rate of interest received by CONTRACTOR on any retention moneys withheld from the subcontractor by CONTRACTOR, less any actual pro rata costs associated with administering and calculating that interest. In the event that the interest rate is a fluctuating rate, the rate for the subcontractor shall be determined by calculating the interest rate paid during the time that retentions were withheld from the subcontractor. If CONTRACTOR elects to substitute securities in lieu of retention, then, by mutual consent of CONTRACTOR and subcontractor, the subcontractor may substitute securities in exchange for the release of moneys held in retention by CONTRACTOR.

- This subdivision shall apply only to those subcontractors performing more than five (5) percent of CONTRACTOR's total Bid.
- No CONTRACTOR shall require any subcontractor to waive any provision of this subdivision 18.3.

18.4 The request for substitution of securities to be deposited with AUTHORITY, or with a State or Federally chartered bank as escrow agent, shall be submitted on the escrow form contained and with procedures as set forth in Section 22300, which form when executed by CONTRACTOR and AUTHORITY shall constitute a Supplemental Agreement forming a part of the contract documents. AUTHORITY shall have thirty (30) days from receipt of any such written request, properly completed and signed by CONTRACTOR and, if applicable, accompanied by an escrow agreement in a form acceptable to AUTHORITY, to approve said request and effect the substitution. AUTHORITY will not unreasonably withhold approval of said request. AUTHORITY will determine the value of any security so deposited. Such supplemental agreement and any escrow agreement shall provide for the release of the securities to Contractor as set forth herein and shall also set forth the manner in which AUTHORITY may convert the securities or portions thereof to cash and apply the proceeds to the accomplishment of any purposes for which moneys may be withheld and utilized as described in the contract Documents, including but not limited to the completion of the work, correction of defective work, and the answering of any stop notice, claims, and costs associated therewith.

19. CLAIMS. Notwithstanding any other law, including Public Contract Code sections 10240 and 20104, the parties to this Agreement are subject to the provisions of Section 9204 of the Public Contract Code, which requires compliance with the procedures set forth in this section to resolve any claim by CONTRACTOR arising under the Contract.

19.1 For purposes of this section only:

“Claim” means a separate demand by CONTRACTOR sent by registered mail or certified mail with return receipt requested, for one or more of the following:

(A) A time extension, including, without limitation, for relief from damages or penalties for delay assessed by the AUTHORITY under the AGREEMENT.

(B) Payment by AUTHORITY of money or damages arising from work done by, or on behalf of, the CONTRACTOR pursuant to the Agreement and payment for which is not otherwise expressly provided or to which the claimant is not otherwise entitled.

(C) Payment of an amount that is disputed by the AUTHORITY.

“Subcontractor” means any type of contractor within the meaning of Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code who either is in direct contract with the CONTRACTOR or is a lower tier subcontractor.

19.2 Upon receipt of a Claim pursuant to this section, the AUTHORITY shall conduct a reasonable review of the Claim and, within a period not to exceed 45 days, shall provide the claimant a written statement identifying what portion of the Claim is disputed and what portion is undisputed. Upon receipt of a Claim, AUTHORITY and CONTRACTOR may, by mutual agreement, extend the time period provided in this subdivision.

19.3 CONTRACTOR shall furnish reasonable documentation to support the Claim.

19.4 If AUTHORITY needs approval from its governing body to provide the claimant a written statement identifying the disputed portion and the undisputed portion of the Claim, and the governing body does not meet within the 45 days or within the mutually agreed to extension of time following receipt of a Claim sent by registered mail or certified mail, return receipt requested, AUTHORITY shall have up to three days following the next duly publicly noticed meeting of the governing body after the 45-day period, or extension, expires to provide the claimant a written statement identifying the disputed portion and the undisputed portion.

19.5 Any payment due on an undisputed portion of the Claim shall be processed and made within 60 days after AUTHORITY issues its written statement. If AUTHORITY fails to issue a written statement, paragraph (J) shall apply.

19.6 If the claimant disputes AUTHORITY’s written response, or if AUTHORITY fails to respond to a Claim issued pursuant to this section within the time prescribed, the claimant may demand in writing an informal conference to meet and confer for

settlement of the issues in dispute. Upon receipt of a demand in writing sent by registered mail or certified mail, return receipt requested, AUTHORITY shall schedule a meet and confer conference within 30 days for settlement of the dispute.

19.7 Within 10 business days following the conclusion of the meet and confer conference, if the Claim or any portion of the Claim remains in dispute, AUTHORITY shall provide the claimant a written statement identifying the portion of the Claim that remains in dispute and the portion that is undisputed. Any payment due on an undisputed portion of the Claim shall be processed and made within 60 days after AUTHORITY issues its written statement. Any disputed portion of the Claim, as identified by the CONTRACTOR in writing, shall be submitted to nonbinding mediation, with the AUTHORITY and the claimant sharing the associated costs equally. AUTHORITY and claimant shall mutually agree to a mediator within 10 business days after the disputed portion of the Claim has been identified in writing. If the parties cannot agree upon a mediator, each party shall select a mediator and those mediators shall select a qualified neutral third party to mediate with regard to the disputed portion of the Claim. Each party shall bear the fees and costs charged by its respective mediator in connection with the selection of the neutral mediator. If mediation is unsuccessful, the parts of the Claim remaining in dispute shall be subject to applicable procedures outside this section.

19.8 For purposes of this section, mediation includes any nonbinding process, including, but not limited to, neutral evaluation or a dispute review board, in which an independent third party or board assists the parties in dispute resolution through negotiation or by issuance of an evaluation. Any mediation utilized shall conform to the timeframes in this section.

19.9 Unless otherwise agreed to by AUTHORITY and the CONTRACTOR in writing, the mediation conducted pursuant to this section shall excuse any further obligation under Section 20104.4 to mediate after litigation has been commenced.

19.10. Failure by AUTHORITY to respond to a Claim from CONTRACTOR within the time periods described in this subdivision or to otherwise meet the time requirements of this section shall result in the Claim being deemed rejected in its entirety. A Claim that is denied by reason of AUTHORITY's failure to have responded to a Claim, or its failure to otherwise meet the time requirements of this section, shall not constitute an adverse finding with regard to the merits of the Claim or the responsibility or qualifications of the claimant.

19.11 Amounts not paid in a timely manner as required by this section shall bear interest at 7 percent per annum.

19.12 If a subcontractor or a lower tier subcontractor lacks legal standing to assert a Claim against AUTHORITY because privity of contract does not exist, CONTRACTOR may present to AUTHORITY a Claim on behalf of a subcontractor or lower tier subcontractor. A subcontractor may request in writing, either on his or her own behalf or on behalf of a lower tier subcontractor, that CONTRACTOR present a Claim for work which was performed by the subcontractor or by a lower tier subcontractor on behalf of the subcontractor. The subcontractor requesting that the Claim be presented to AUTHORITY shall furnish reasonable documentation to support the Claim. Within 45 days of receipt of this written request, CONTRACTOR shall notify the subcontractor in writing as to whether CONTRACTOR presented the Claim to the AUTHORITY and, if

CONTRACTOR did not present the Claim, provide the subcontractor with a statement of the reasons for not having done so

20. JURISDICTION, FORUM AND VENUE. The proper jurisdiction, forum and venue for any claims, causes of action or other proceedings concerning this Agreement shall be in the state and federal courts located in the State of California, County of San Diego. AUTHORITY and CONTRACTOR agree not to bring any action or proceeding arising out of or relating to this Agreement in any other jurisdiction, forum or venue. AUTHORITY and CONTRACTOR hereby submit to personal jurisdiction in the State of California for the enforcement of this Agreement and hereby waive any and all personal rights under the law of any state to object to jurisdiction within the State of California for the purposes of any legal action or proceeding to enforce this Agreement, whether on grounds of inconvenient forum or otherwise.
21. COMPLETE AGREEMENT. This written Agreement, including all writings specifically incorporated herein by reference, shall constitute the complete agreement between the parties hereto. No oral agreement, understanding, or representation not reduced to writing and specifically incorporated herein shall be of any force or effect, nor shall any such oral agreement, understanding, or representation be binding upon the parties hereto.
22. AUDIT. AUTHORITY shall have the option of inspecting and/or auditing all records and other written materials used by CONTRACTOR in preparing its statements to AUTHORITY as a condition precedent to any payment to CONTRACTOR. This Agreement is subject to examination and audit of the State Auditor, at the request of AUTHORITY or as part of any audit of AUTHORITY, for a period of three (3) years after final payment under the Agreement. CONTRACTOR shall cooperate with AUTHORITY, including any authorized representatives of AUTHORITY, regarding any such audit at no charge to AUTHORITY.
23. NOTICE. All written notices to the parties hereto shall be sent by United States mail, postage prepaid by registered or certified mail addressed as follows:

AUTHORITY

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

CONTRACTOR

Arbor West, Inc.
8553 Avenida Costa Blanca
San Diego, CA 92154

Notices shall be deemed communicated as of the day of receipt or the fifth day after mailing, whichever occurs first.

24. PROTECTION OF EXISTING FACILITIES AND NON-INTERFERENCE WITH PLANT OPERATIONS. CONTRACTOR shall perform its duties in such a way that there will be no damage done to existing facilities and all facilities shall be left in the condition they were in prior to the beginning of the contract. CONTRACTOR will also perform all work in such a way that there is no interference with plant operations.

25. AUTHORITY TO EXECUTE AGREEMENT. AUTHORITY and CONTRACTOR do covenant that the individual executing this Agreement on their behalf is a person duly authorized and empowered to execute this Agreement for such party.

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

SAN ELIJO JOINT POWERS AUTHORITY

Michael T. Thornton, P.E.
General Manager

ARBOR WEST, INC.

By: _____ (Signature)

Name: _____ (Print)

Title: _____

Contractor's License and Expiration Date

This form is required.

FAITHFUL PERFORMANCE BOND

TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS

KNOW ALL MEN BY THESE PRESENTS, THAT, WHEREAS, the San Elijo Joint Powers Authority, a political subdivision of the State of California (the "SEJPA") has, on _____, 20____, awarded to _____ (the "Principal"), a contract for the furnishing all labor, materials, equipment and services for tree maintenance services for the San Elijo Water Reclamation Facility, as specified in the Contract Documents, and all miscellaneous work as specified and directed for in the Bid Submission Form for Tree Maintenance Services - Specification Number SE 2018 TMS (the "Contract").

WHEREAS, the Principal is required under the terms of the Contract to furnish a bond for the faithful performance of the Contract:

NOW, THEREFORE, WE, the Principal, and _____, as Surety, are held and firmly bound unto the SEJPA, its successors and assigns for the penal sum of One Hundred Percent of the Contract Price, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH, that if the above bounden Principal, his or its heirs, executors, administrators, successors, or assigns, shall in all things stand to and abide by, and well and truly keep and faithfully perform the covenants, conditions, and agreements in the Contract and any alterations made as therein provided, on his or their part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and hold harmless the SEJPA, its officers, employees and agents as therein stipulated, then this obligation shall become null and void; otherwise it shall be and remain in full force and virtue and Principal and Surety, in the event suit is brought on this bond, will pay to the SEJPA such reasonable attorneys' fees and costs as shall be fixed by the court.

As a condition precedent to the satisfactory completion of the Contract, the above obligation in the said amount shall remain in effect for a period of one (1) year after the completion and acceptance by the SEJPA of the work undertaken pursuant to the Contract, during which time if the above bounden Principal, his or its heirs, executors, administrators, successors, or assigns shall fail to make full, complete, and satisfactory repair and replacements or totally protect the SEJPA from loss of damage made evident during said period of one year from the date of acceptance of the work, and resulting from or caused by defective materials and/or faulty workmanship in the prosecution of the work done, the above obligation in the said amount shall remain in full force and effect. However, notwithstanding anything in this paragraph to the contrary, the obligation of the Surety hereunder shall continue in effect so long as any obligation of the Principal remains.

And the Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of the Contract or to the Work to be performed thereunder or the specifications accompanying the same shall, in any way, affect its obligations

under this bond, and it does hereby waive notice of any such change, extension of time, alteration, or addition to the terms of the Contract, specifications thereto, or to the Work. The Surety hereby waives the provisions of Sections 2819 and 2845 of the Civil Code of the State of California.

As a part of the obligation secured hereby and in addition to the amount specified therefor, there shall be included costs and reasonable expenses and fees, including reasonable attorneys' fees and court costs, incurred by the SEJPA in successfully enforcing any and all obligations, hereunder all to be taxed as costs and included in any judgment rendered.

IN WITNESS WHEREOF, the above bounden parties have executed this instrument under their seals this ____ day of _____, 20____, the name and corporate seal of each corporate party being hereto affixed and these presents duly executed by its undersigned representative, pursuant to authority of its governing body.

Principal

(Seal)

Signature for Principal Title

Surety

(Seal)

Signature for Surety Title

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss:
COUNTY OF [COUNTY])

On _____, before me, [Notary Name] , Notary Public, personally appeared [Name of person] , who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

This form is required.

PAYMENT BOND

TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS

KNOW ALL MEN BY THESE PRESENTS: That

WHEREAS, the San Elijo Joint Powers Authority, a political subdivision of the State of California (hereinafter designated as SEJPA) on _____ 20_____
awarded to _____
(hereinafter designated as the PRINCIPAL) a contract for the work described as follows: _____

WHEREAS, said Principal is required by Section 9550 of the California Civil Code to furnish a bond in connection with said contract;

NOW THEREFORE, We, the Principal and _____

as Surety, are held and firmly bound unto the SEJPA in the penal sum of _____
_____ Dollars (\$_____) lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT if said principal, hers/his/its subcontractors, heirs, executors, administrators, successors, or assigns, shall fail to pay any of the persons named in Section 9554 of the California Civil Code, or amounts due under the Unemployment Insurance Code with respect to work or labor performed under the contract, or for any amounts required to be deducted, withheld, and paid over to the Employment Development Department from the wages of employees of the contractor and subcontractors pursuant to Section 13020 of the Unemployment Insurance Code with respect to the work and labor, the surety or sureties will pay for the same in an amount not exceeding the sum hereinabove specified, and also, in case suit is brought upon this bond, a reasonable attorney's fee, to be fixed by the court.

This Bond shall inure to the benefit of any of the persons named in Section 9554 of the California Civil Code, so as to give a right of action to such persons or their assigns in any suit brought upon this bond.

It is further stipulated and agreed that the Surety on this bond shall not be exonerated or released from the obligation of this bond by any change, extension of time for performance, addition, alteration or modification in, to, or of any contract, plans, specifications, or agreement pertaining or relating to any scheme or work of improvement hereinabove described or pertaining or relating to the furnishing of labor, materials, or equipment therefor, nor by any change or modification of any terms of payment or extension of the time for any payment pertaining or relating to any scheme or work of improvement hereinabove described, nor by any rescission or

attempted rescission of the contract, agreement or bond, nor by any conditions precedent or subsequent in the bond attempting to limit the right of recovery of claimants otherwise entitled to recover under any such contract or agreement or under the bond, nor by any fraud practiced by any person other than the claimant seeking to recover on the bond and that his bond be construed most strongly against the surety and in favor of all persons for whose benefit such bond is given, by reason of any breach of contract between the SEJPA and Principal or on the part of any obligee named in such bond, but the sole conditions of recovery shall be that claimant is a person described in Section 9554 of the California Civil Code, and has not been paid the full amount of his claim and that Surety does hereby waive notice of any such change, extension of time, addition, alteration or modification herein mentioned. The Surety hereby waives the provisions of Sections 2819 and 2845 of the Civil Code of the State of California.

This bond shall remain in full force and effect for one year after the date of final payment under the Contract, unless otherwise provided by law.

IN WITNESS WHEREOF this instrument has been duly executed by the Principal and Surety above named, on the _____ day of _____, 20_____

(Seal)	Principal
	Signature for Principal Title
(Seal)	Surety
	Signature for Surety Title

In the event the successful Bidder enters into a contract with the SEJPA and chooses to make security deposits in lieu of retentions, this form shall be mandatory and non-negotiable.

**ESCROW AGREEMENT SECURITY DEPOSIT IN LIEU OF RETENTION FORM
WITHHELD CONTRACT FUNDS
PUBLIC CONTRACT CODE SECTION 22300**

This Escrow Agreement is made and entered into by and between the San Elijo Joint Powers Authority whose address is _____ hereinafter called "SEJPA," and _____ whose address is _____ hereinafter called "CONTRACTOR" and _____ whose address is _____ hereinafter called "Escrow Agent."

For the consideration hereinafter set forth, SEJPA, Contractor, and Escrow Agent agree as follows:

(1) Pursuant to section 22300 of the Public Contract Code of the State of California, Contractor has the option to deposit securities with Escrow Agent as a substitute for retention earnings required to be withheld by the SEJPA pursuant to the Agreement entered into between the SEJPA and Contractor for tree maintenance services in the amount of _____ dated _____ (hereinafter referred to as the "Agreement"). Alternatively, on written request of Contractor, the SEJPA shall make payments of the retention earnings directly to the Escrow Agent. When Contractor deposits the securities as a substitute for Contract earnings, the Escrow Agent shall notify the SEJPA within 10 days of the deposit. The market value of the securities at the time of the substitution shall be at least equal to the cash amount then required to be withheld as retention under the terms of the Contract between SEJPA and Contractor. Securities shall be held in the name of _____, and shall designate Contractor as the beneficial owner.

(2) SEJPA shall make progress payments to Contractor for those funds which otherwise would be withheld from progress payments pursuant to the Agreement provisions, provided that the Escrow Agent holds securities in the form and amount specified above.

(3) When SEJPA makes payment of retentions earned directly to the Escrow Agent, the Escrow Agent shall hold them for the benefit of Contractor until the time that the escrow created under this contract is terminated. Contractor may direct the investment of the payments into securities. All terms and conditions of this agreement and the rights and responsibilities of the parties shall be equally applicable and binding when SEJPA pays the Escrow Agent directly.

(4) Contractor shall be responsible for paying all fees for the expenses incurred by Escrow Agent in administering the Escrow Account and all expenses of SEJPA. These expenses and payment terms shall be determined by SEJPA, Contractor, and Escrow Agent.

(5) The interest earned on the securities or the money market accounts held in escrow and all interest earned on that interest shall be for the sole account of Contractor and shall be subject to withdrawal by Contractor at any time and from time to time without notice to the SEJPA.

(6) Contractor shall have the right to withdraw all or any part of the principal in the Escrow Account only by written notice to Escrow Agent accompanied by written authorization from the SEJPA to the Escrow Agent that the SEJPA consents to the withdrawal of the amount sought to be withdrawn by Contractor.

(7) SEJPA shall have a right to draw upon the securities in the event of default by Contractor. Upon seven days' written notice to the Escrow Agent from the SEJPA of the default, the Escrow Agent shall immediately convert the securities to cash and shall distribute the cash as instructed by the SEJPA.

(8) Upon receipt of written notification from SEJPA certifying that the Contract is final and complete, and that Contractor has complied with all requirements and procedures applicable to the Agreement, Escrow Agent shall release to Contractor all securities and interest on deposit less escrow fees and charges of the Escrow Account. The escrow shall be closed immediately upon disbursement of all moneys and securities on deposit and payments of fees and charges.

(9) Escrow Agent shall rely on the written notifications from the SEJPA and Contractor pursuant to Sections (5) to (8), inclusive, of this Agreement and the SEJPA and Contractor shall hold Escrow Agent harmless from Escrow Agent's release and disbursement of the securities and interest as set forth above.

(10) The names of the persons who are authorized to give written notice or to receive written notice on behalf of the SEJPA and on behalf of Contractor in connection with the foregoing, and exemplars of their respective signatures are as follows:

On behalf of SEJPA:

On behalf of Contractor:

Title

Title

Name

Name

Signature

Signature

Address

Address

On behalf of Escrow Agent:

Title

Name

Signature

Address

At the time the Escrow Account is opened, SEJPA and Contractor shall deliver to the Escrow Agent a fully executed counterpart of this Agreement.

On behalf of CONTRACTOR:

Title

Name

Signature

Address

On behalf of San Elijo Joint Powers Authority:

Title

Name

Signature

REVISED BID SUBMISSION FORM
BASE BID YEAR FY 2017-18
TREE MAINTENANCE SERVICES
 Specification Number SE 2018 TMS

TO: Michael T. Thornton, P.E., General Manager
 San Elijo Joint Powers Authority
 2695 Manchester Avenue
 Cardiff, CA 92007

Dated: 9-12-17

Provision of Tree Trimming Services, as outlined in the Bidding Documents, including without limitation, the Bid Specifications, for the San Elijo Water Reclamation Facility during the 2017-2018 fiscal year.

Number of Trees	Type	Price per Tree or SF	Total Price
24	Date Palm Trees	\$ 362.50	\$ 8,700
15	Mexican Fan Palm Trees	\$ 175.00	\$ 2,625
31	Queen Palm Trees	\$ 35.00	\$ 1,085
2	King Palm Trees	\$ 30.00	\$ 60.
4,175 SF	Acacia/Brush Removal	\$ 1.00	\$ 4,175
22	Carrot wood Trees	\$ 105.00	\$ 2,310
2	Brazilian Pepper Trees	\$ 105.00	\$ 210
2	Ash Trees	\$ 175.00	\$ 350
2	Coral Trees	\$ 235.00	\$ 470
1	Myoporum	\$ 85.00	\$ 85
1	Victoria Boxwood	\$ 85.00	\$ 85
1	Removal of Date Palm	\$ 475.00	\$ 475
3	Grind down 3 stumps by Admin Trailer	\$ 50.00	\$ 150
1	Magnolia Tree	\$ 85.00	\$ 85

Any other items necessary to complete the work, including labor costs: \$ —

TOTAL BID AMOUNT

\$ 20,865

THE ONLY EXCEPTIONS FROM THE SPECIFICATIONS ARE:

Signature of Authorized Bidder Representative: 

Name of Individual (Typed): EUGENE SCHWARTZ Title: OWNER

Firm Name: ARBOR WEST, INC.

Address: 8553 AVENIDA COSTA BLANCA

City: SAN DIEGO State: CA Zip: 92154 Telephone: (619) 661-5001

REVISED BID SUBMISSION FORM
OPTION YEAR 2
TREE MAINTENANCE SERVICES
 Specification Number SE 2018 TMS

TO: Michael T. Thornton, P.E., General Manager
 San Elijo Joint Powers Authority
 2695 Manchester Avenue
 Cardiff, CA 92007

Dated: 9-12-17

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15	Mexican Fan Palm Trees	\$ 175.00	\$ 2,625-
31	Queen Palm Trees	\$ 35.00	\$ 1,085
2	King Palm Trees	\$ 30.00	\$ 60
4,175 SF	Acacia/Brush Removal	\$ 1.00	\$ 4,175
22	Carrot wood Trees	\$ 105.00	\$ 2,310
2	Brazilian Pepper Trees	\$ 105.00	\$ 210
2	Ash Trees	\$ 175.00	\$ 350
2	Coral Trees	\$ 235.00	\$ 470
1	Myoporum	\$ 85.00	\$ 85
1	Victoria Boxwood	\$ 85.00	\$ 85
1	Magnolia Tree	\$ 85.00	\$ 85

Any other items necessary to complete the work, including labor costs: \$ _____

TOTAL BID AMOUNT \$ 20,240-

THE ONLY EXCEPTIONS FROM THE SPECIFICATIONS ARE:

Signature of Authorized Bidder Representative: Eugene Schwartz

Name of Individual (Typed): EUGENE SCHWARTZ Title: OWNER

Firm Name: ARBOR WEST, INC

Address: 8553 AVENIDA COSTA BLANCA

City: SAN DIEGO State: CA Zip: 92154 Telephone: (619) 661-5001

**STATEMENT OF
QUALIFICATIONS AND REFERENCES**

**TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS**

Proposing Contractor shall submit the number of years engaged in providing services included within the scope of the bid specifications under the present business name: 25 yrs.
ARBOR WEST, INC.

List and describe fully the last three contracts performed by your firm that demonstrate your ability to provide the supplies, equipment, or services included with the scope of the bid specifications. Attach additional pages if required. The Authority reserves the right to contact each of the references listed for additional information regarding your firm's qualifications.

Reference No. 1

Customer Name: AMERICAN ASSETS
Contact Individual: SEAN ALBREKTSEN Phone No.: (858) 354-8043
Address: 11455 EL CAMINO REAL SAN DIEGO CA 92130

Contract Amount: 16,500 Year: 2016-2017
Description of supplies, equipment, or services provided: TREE TRIM AND
REMOVALS

Reference No. 2

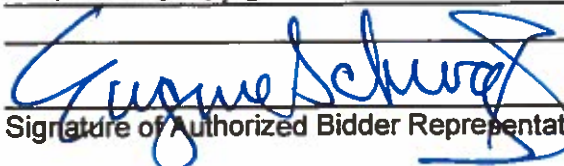
Customer Name: TERA CARE
Contact Individual: MATT ZISKIN Phone No.: (408) 607-9620
Address: 7986 DAGGET ST. SAN DIEGO CA 92111

Contract Amount: \$ 21,000 Year: 2015, 2016
Description of supplies, equipment, or services provided: TREE TRIM AND
REMOVAL

Reference No. 3

Customer Name: 5-STAR.COM
Contact Individual: DANNY DONNELLY Phone No.: (619) 992-5959
Address: 6910 MISSION GORGE RD SD CA 92120

Contract Amount: 23,500 Year: 2016-2017
Description of supplies, equipment, or services provided: TREE TRIM AND
REMOVAL


Signature of Authorized Bidder Representative

**STATEMENT OF BIDDER'S PAST CONTRACT
DISQUALIFICATIONS**

**TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS**

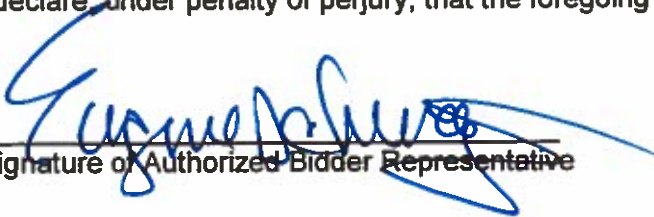
Pursuant to Section 10162 of the Public Contract Code, the Bidder shall state whether such prospective Bidder, any officer of such Bidder, of any employee of such Bidder who has a proprietary interest in such Bidder, has ever been disqualified, removed, or otherwise prevented from bidding on, or completing a Federal, State or local government project because of the violation of law or a safety regulation, and if so to explain the circumstances.

1. Do you have any disqualification, removal, etc., as described in the above paragraph to declare? Yes _____ No X

2. If yes, explain the circumstances.

Executed on 9-12-17 at SAN DIEGO , California.

I declare, under penalty of perjury, that the foregoing is true and correct.


Signature of Authorized Bidder Representative

NON-COLLUSION DECLARATION

TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS

TO BE EXECUTED BY BIDDER AND SUBMITTED WITH BID

Failure to submit a Non-collusion Declaration in this form shall constitute grounds for rejection of the bid. This Declaration to be fully executed.

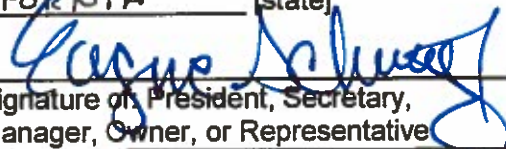
The undersigned declares:

I am the OWNER [title] of ARBOR WEST, INC.
[company name], the party making the foregoing bid.

The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The Bidder has not directly or indirectly induced or solicited any other Bidder to put in a false or sham bid. The Bidder has not directly or indirectly colluded, conspired, connived, or agreed with any Bidder or anyone else to put in a sham bid, or to refrain from bidding. The Bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the Bidder or any other Bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other Bidder. All statements contained in the bid are true. The Bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, to effectuate a collusive or sham bid, and has not paid, and will not pay, any person or entity for such purpose.

Any person executing this declaration on behalf of a Bidder that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the Bidder.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 9-12-17
[date], at SAN DIEGO [city], CALIFORNIA [state]



Signature of President, Secretary,
Manager, Owner, or Representative

(Attach here Acknowledgement on Standard Form)

LIST OF SUBCONTRACTORS FORM

**TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS**

The Bidder is required to furnish the following information in accordance with the provisions of the California Subletting and Subcontracting Fair Practices Act, contained in Sections 4100 to 4114, inclusive, of the Public Contract Code of the State of California (the "Act") and any amendments thereto, for each subcontractor performing more than one-half of one percent (0.5%) of the Total Bid. Do not list alternative subcontractors for the same work. The Contractor shall list only one subcontractor for each such portion of Work as is defined by the Contractor in his Bid. Contractor shall not substitute any person as subcontractor in the place of a subcontractor listed below, except as provided in the General Conditions.

The Bidder understands that if he/she fails to specify a subcontractor for any portion of the Work to be performed under the Contract, or specifies more than one subcontractor for the same portion of the Work, he/she shall be deemed to have agreed that he/she is fully qualified to perform that portion himself/herself and that he/she shall not be permitted to sublet or subcontract that portion of the Work, except as provided in the Act.

Name Under Which Subcontractor Licensed	License Number	Address and Telephone Number	Specific Description of Subcontract and Percent of Total Base Bid
NONE			

COMPLIANCE WITH THE IMMIGRATION REFORM AND CONTROL ACT OF 1986 (8 U.S.C. § 1324)

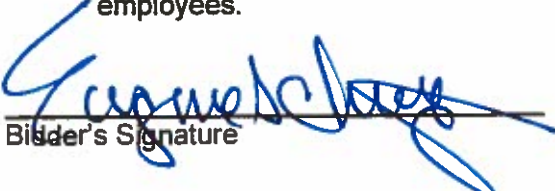
**TREE MAINTENANCE SERVICES
Specification Number SE 2018 TMS**

As a condition of submitting a bid for the Project, Bidders are required to verify whether or not they have been fined or otherwise penalized within the past three (3) years for failing to obtain and/or maintain valid Employment Eligibility ("I-9") forms for employees pursuant to the Immigration Reform and Control Act of 1986 (the "Act"). The Bidder shall check the appropriate box below, sign and date this page, and submit it to the San Elijo Joint Powers Authority (SEJPA) as part of his or her bid package.

Failure to properly submit this completed form shall result in the possible rejection of the bid as being non-responsive, in the SEJPA's sole discretion. In the event a Bidder has been fined or otherwise penalized within the past three (3) years, the SEJPA reserves the right, in its sole discretion, to reject the bid as being non-responsive. In the event the SEJPA awards a contract to a Bidder and subsequently discovers that the Bidder was fined or otherwise penalized for failing to obtain and/or maintain valid I-9 forms within the past three (3) years and failed to disclose such information, the SEJPA shall have the right, in its sole discretion, to immediately terminate the contract and award the bid to the next lowest Bidder, or re-bid the project. The SEJPA reserves the right to recover from the Bidder any costs and/or damages sustained by the SEJPA as the result of having to terminate the Bidder from the Project and/or re-award the contract due to the Bidder's failure to disclose previous I-9 violations.

ALL BIDDERS MUST CHECK ONE OF THE BOXES BELOW AND SIGN:

- Within the past three (3) years, Bidder HAS been fined or otherwise penalized for failing to obtain and/or maintain valid I-9 forms for its employees.
- Within the past three (3) years, Bidder HAS NOT been fined or otherwise penalized for failing to obtain and/or maintain valid I-9 forms for its employees.


Bidder's Signature

ARBOR WEST, INC
Company

9-12-17
Date

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Operations

SUBJECT: AWARD OF CONTRACT FOR PROFESSIONAL VIDEOGRAPHY SERVICES

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the Agreement with Television 101, LLC for Professional Videography Services for an amount not to exceed \$24,500; and
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) owns, operates, and manages a multitude of structures, pipelines, appurtenances, and equipment for wastewater treatment and water reclamation. Annual inspection of these assets is essential to properly plan and manage maintenance, and some assets have limited access or are located in environmentally sensitive areas.

In an effort to reduce inspection risk and cost, the SEJPA contracted with Television 101 in 2016 for professional unmanned aerial vehicle (UAV) or “drone” videography services. The SEJPA also utilized this contract to develop training and work safety videos. The inspection and training videos were of high quality and functional value to the SEJPA.

DISCUSSION

The 2016 proposal from Television 101, LLC listed strong experience with UAV videography and production services, including a firm understanding of SEJPA’s requirements. Overall, the proposal provided a direct and streamlined approach, led by competent staff, to efficiently complete the requested photography and videography effort.

The SEJPA is interested in executing a contract with Television 101 to perform additional UAV site inspections, site documentation, and training videos.

FINANCIAL IMPACT

The proposed agreement for Professional Videography Services is \$24,500. This expenditure will be shared equally between the Wastewater and Recycled Water Programs. Adequate funding is available within Supplies and Services category of each program for Fiscal Year 2017-18.

It is therefore recommended that the Board of Directors:

1. Approve the Agreement with Television 101, LLC for Professional Videography Services for an amount not to exceed \$24,500; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Christopher A. Trees
Director of Operations

Attachment 1: Television101 Proposal



Proposal From The Producers of Television I01

For

San Elijo Joint Powers Authority

For

Professional Unmanned Aerial Vehicle Video Footage, Standard Operating Procedure (SOP) Videos, Training/Tour Videos, and As-Needed Services.

Proposal Date: October 3, 2017

Delivered To:

San Elijo Joint Powers Authority
2695 Manchester Avenue
Cardiff by the Sea, California 92007
(760) 753-6203

Attention: Mike Konicke, Associate Engineer



Proposal

1. UAV (Unmanned Aerial Vehicle)
Capital Project Inspections, Asset Management Inspections

Preproduction & Shooting Production Cost: \$2,400.00

Post Production Cost: \$3,600.00

Total for UAV Finals: \$6,000.00

2. SOPs (Standard Operating Procedures)

Preproduction & Shooting Production Cost: \$4,400.00

Post Production Cost: \$4,600.00

Total for SOPs Finals: \$9,000.00

3. Training Video
Intern Training Spot

Pre-Production & Shooting Production Cost: \$2,800.00

Post Production Cost: \$3,000.00

Total for Training Spot: \$5,800.00

4. Tour Video
Additional filming and editing to previous SEJPA WaterReuse Spot

Pre-Production & Shooting Production Cost: \$500.00

Post Production Cost: \$800.00

Total for Tour Video Update: \$1,300.00

5. As-Needed Services
Videography/Stills

Cost: \$1,233.00

6. ODC at 5%

Cost: \$1,167.00



Consultants Fee Estimate

Task 1 Total; \$6,000.00
Task 2 Total: \$9,000.00
Task 3 Total: \$5,800.00
Task 4 Total: \$1,300.00
Task 5 Total: \$1,233.00
ODC Total: \$1,167.00

Grand Total: \$24,500.00

The overall cost to complete all objectives set forth by the SEJPA is:

\$24,500.00.

Sincerely,

Jeff Orsa
Producer
Television101

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance and Administration

SUBJECT: FISCAL YEAR 2016-17 FINANCIAL AUDIT ACCEPTANCE

RECOMMENDATION

It is recommended that the Board of Directors:

1. Accept and file the Fiscal Year 2016-17 Audited Financial Statements for the San Elijo Joint Powers Authority;
2. Accept and file the Fiscal Year 2016-17 SAS 114 Letter; and
3. Discuss and take action as appropriate.

BACKGROUND

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

DISCUSSION

The financial audit of the SEJPA for Fiscal Year 2016-17 has been completed and it is the auditor's opinion that SEJPA's June 30, 2017 financial statements are presented fairly in all material aspects. The audit was performed in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. As part of the audit, The Pun Group is required by professional standards to communicate to the Board of Directors specific information related to the audit. This communication to those charged with governance (auditor's SAS 114 letter) includes information related to accounting practices, audit difficulties, disagreements with management (if any), management representations, corrected and uncorrected misstatements, and other audit findings, issues or matters. Upon completion of the audit, the Pun Group stated that no transactions were noted where there was a lack of authoritative

guidance or consensus. In addition, there were no difficulties or disagreements with management in performing and completing the audit.

The audited financial statements include the following sections:

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

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

It is therefore recommended that the Board of Directors:

1. Accept and file the Fiscal Year 2016-17 Audited Financial Statements for the San Elijo Joint Powers Authority;
2. Accept and file the Fiscal Year 2016-17 SAS 114 Letter; and
3. Discuss and take action as appropriate.

Respectfully submitted,



Paul F. Kinkel
Director of Finance & Administration

- Attachment 1: San Elijo Joint Powers Authority, Financial Statements and Independent Auditors' Report for the Year Ended June 30, 2017
- Attachment 2: Fiscal Year 2016-17 SAS 114 Letter

San Elijo Joint Powers Authority

Cardiff by the Sea, California

Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2017

San Elijo Joint Powers Authority
Financial Statements
For the Year Ended June 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the San Elijo Joint Powers Authority ("SEJPA"), which comprise the statement of net position as of June 30, 2017, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Elijo Joint Powers Authority as of June 30, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 15 to the financial statements, the SEJPA implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2016 as described in Note 14 to the financial statements. In addition, the net other post employment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$423,020 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

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

The Pun Group, LLP
Certified Public Accountants
San Diego, California
September 29, 2017

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San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

Our discussion and analysis of the financial performance of the San Elijo Joint Powers Authority's (SEJPA) provides an overview of the SEJPA's financial activities as of and for the year ended June 30, 2017. Please read it in conjunction with the SEJPA's financial statements which begin on page 12.

Financial Statements

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

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

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

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

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

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

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

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

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

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

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2015

Financial Highlights

The SEJPA's net position increased by \$4,144,331, net of a prior period adjustment of \$(249,118), to \$42,244,685 for the year ended June 30, 2017.

The SEJPA's revenues totaled \$11,873,208 for the year ended June 30, 2017, an increase of \$3,984,130 resulting principally from an increase in Wastewater revenue from other government agencies for the Land Outfall Replacement and an energy grant for efficiency improvements.

The SEJPA's expenses totaled \$7,479,759 for the year ended June 30, 2017. The expense decrease was \$24,599 or (0.3)% and included a provision of \$140,000 for reducing the pension obligation. Total expense was slightly lower than budget and met expectation for the year.

Financial Analysis of the SEJPA

Net Position

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

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Assets:				
Current and other assets	\$ 15,038,645	\$ 12,723,888	\$ 2,314,757	18.2%
Capital assets	39,261,847	39,415,397	(153,550)	-0.4%
Total Assets	<u>54,300,492</u>	<u>52,139,285</u>	<u>2,161,207</u>	<u>4.1%</u>
Deferred Outflows of Resources	<u>1,194,748</u>	<u>1,088,315</u>	<u>106,433</u>	<u>9.8%</u>
Liabilities:				
Current liabilities	3,160,006	2,960,787	199,219	6.7%
Non-current liabilities	9,952,926	11,474,845	(1,521,919)	-13.3%
Total Liabilities	<u>13,112,932</u>	<u>14,435,632</u>	<u>(1,322,700)</u>	<u>-9.2%</u>
Deferred Inflows of Resources	<u>137,623</u>	<u>691,614</u>	<u>(553,991)</u>	<u>-80.1%</u>
Net Position:				
Net investment in capital assets	33,848,762	33,118,058	730,704	2.2%
Restricted	630,000	630,000	-	0.0%
Unrestricted	7,765,923	4,352,296	3,413,627	78.4%
Total Net Position	<u>\$ 42,244,685</u>	<u>\$ 38,100,354</u>	<u>\$ 4,144,331</u>	<u>10.9%</u>

Net position increased by \$4,144,331 from fiscal year 2016 to 2017. Net investment in capital assets increased \$730,704 in fiscal year 2017. This increase is the result of principal paid on the SEJPA's long-term debt and the increase in investment in capital assets, net of depreciation expense.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2017

Financial Analysis of the SEJPA (Continued)

Net Position (Continued)

Restricted net position is unchanged for the year ended June 30, 2017 as funds restricted for bond reserves remain in place.

Unrestricted net position (those that can be used to finance day-to-day operations) increased \$3,413,627.

Revenues, Expenses and Changes in Net Position

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

	2017	2016	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
Operating contributions from members	\$ 3,379,007	\$ 3,214,224	\$ 164,783	5.1%
Charges for services to other government agencies	6,959,676	3,362,063	3,597,613	107.0%
Other nonoperating revenue	291,804	254,047	37,757	14.9%
Member agency assessments	915,336	997,819	(82,483)	-8.3%
State grants	327,385	60,925	266,460	437.4%
Total revenues	11,873,208	7,889,078	3,984,130	50.5%
Expenses				
Operating expenses	7,209,365	7,169,720	39,645	0.6%
Nonoperating expenses	270,394	334,638	(64,244)	-19.2%
Total expenses	7,479,759	7,504,358	(24,599)	-0.3%
Increase in net position	\$ 4,393,449	\$ 384,720	\$ 4,008,729	1042.0%

Capital Assets

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

	2017	2016	Increase (Decrease)	Percent Increase (Decrease)
Construction in progress	\$ 2,171,335	\$ 2,593,101	\$ (421,766)	-16.3%
Plant equipment	70,265,253	67,950,514	2,314,739	3.4%
Lab equipment	101,240	110,294	(9,054)	-8.2%
Office equipment	70,690	79,786	(9,096)	-11.4%
Vehicles	289,287	289,287	-	0.0%
Subtotal	72,897,805	71,022,982	1,874,823	2.6%
Less accumulated depreciation	(33,635,958)	(31,607,585)	(2,028,373)	6.4%
Total capital assets, net	\$ 39,261,847	\$ 39,415,397	\$ (153,550)	-0.4%

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2017

Financial Analysis of the SEJPA (Continued)

Capital Assets (Continued)

The net additions to capital assets for fiscal year 2017 totaled \$1,874,823. Capital asset additions included projects for Turbo Blowers and Land Outfall Replacement as well for as several smaller projects.

Long-Term Debt

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

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
2011 Refunding Revenue Bonds	\$ 3,234,580	\$ 4,619,428	\$ (1,384,848)	-30.0%
State loan payable	3,140,027	3,877,758	(737,731)	-19.0%
Private placement loan payable	1,602,066	1,681,260	(79,194)	-4.7%
SFID Reimbursement Agreement payable	438,339	445,343	(7,004)	-1.6%
Total long-term debt	<u>\$ 8,415,012</u>	<u>\$ 10,623,789</u>	<u>\$ (2,208,777)</u>	<u>-20.8%</u>

The total long term debt decreased by \$2,208,777 primarily due to the principal payments made on the 2011 Refunding Revenue Bonds and the State Loan Payable. The Current Portion increased due to the amortization of the debt.

Economic Factors

Consistent with the prior year, SEJPA's fiscal year 2017-18 sanitary fund operations and maintenance budget is \$4,652,174. The water reclamation budget is \$1,489,905. Sales of reclaimed water are budgeted to be approximately 1,510 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 \$145,500 and is \$6,300 higher than last year's budget levels.

The capital project program will have a budget of \$2,524,650 during the upcoming year. This is primarily for improvements to the wastewater, ocean outfall, and reclamation programs.

Costs of sanitary services are allocated on the basis of percentage of use, as indicated by measured flows, or level of effort, as appropriate. On the basis of connected equivalent dwelling units (EDU's) for wastewater treatment provided to the member agencies, the budgeted cost is approximately \$159 per EDU per year for 2017-18. This represents a 2% increase from 2016-17. The Encinitas Ranch Golf Course pays a set annual price for interruptible water service. For the remaining water agencies, recycled water sales are based on individual contracts which may include minimum annual purchase volumes and negotiated water rate prices. These revenues are supplemented by incentives from the Metropolitan Water District and the San Diego County Water Authority.

San Elijo Joint Powers Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2017

Economic Factors (Continued)

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

Contacting the Authority's Financial Manager

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

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FINANCIAL STATEMENTS

San Elijo Joint Powers Authority
Statement of Net Position
June 30, 2017

ASSETS

Current assets:

Cash and investments	\$	10,814,333
Due from other governmental agencies		476,396
Accrued interest receivable		59,645
Prepaid items		29,003
Current portion of loans receivable		1,365,000
Total current assets		12,744,377

Non-current assets:

Restricted cash and cash equivalents		630,247
Loans receivable - net of current portion		1,650,000
Other assets		14,021
Capital assets:		
Nondepreciable		2,171,335
Depreciable, net of accumulated depreciation		37,090,512
Total capital assets		39,261,847
Total non-current assets		41,556,115
Total assets		54,300,492

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding		113,537
Deferred outflows of resources related to pensions		1,081,211
Total deferred outflows of resources		1,194,748

San Elijo Joint Powers Authority
Statement of Net Position (Continued)
June 30, 2017

LIABILITIES

Current liabilities:

Accounts payable	\$	373,666
Accrued liabilities		322,946
Accrued interest payable		113,450
Retention payable		13,160
Unearned revenue		93,452
Revenue refunding bonds - due within one year		1,365,000
State loan payable - due within one year		756,175
Private placement loan payable - due within one year		82,525
Compensated absences - due within one year		39,632
Total current liabilities		3,160,006

Non-current liabilities:

Due to member agencies payable from restricted assets		247
Revenue refunding bonds - due in more than one year		1,869,580
State loan payable - due in more than one year		2,383,852
Private placement loan payable - due in more than one year		1,519,541
SFID reimbursement agreement payable		438,339
Net pension liability		2,924,994
Total OPEB liability		423,020
Compensated absences - due in more than one year		393,353
Total non-current liabilities		9,952,926
Total liabilities		13,112,932

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions		137,623
Total deferred inflows of resources		137,623

Net Position:

Net investment in capital assets		33,848,762
Restricted		630,000
Unrestricted		7,765,923
Total Net Position	\$	42,244,685

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San Elijo Joint Powers Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

Operating revenues:	
Charges for services to other government agencies	\$ 6,959,676
Contributions from the City of Encinitas	1,866,496
Contributions from the City of Solana Beach	<u>1,512,511</u>
Total operating revenues	<u><u>10,338,683</u></u>
Operating expenses:	
Personnel costs	2,844,929
Depreciation and amortization	2,104,886
Utilities	843,064
Contracted services	555,644
Supplies	258,550
Disposal services	193,563
Miscellaneous	170,830
Repair parts expense	106,145
Permit/purveyor fees	75,029
Insurance	<u>56,725</u>
Total operating expenses	<u><u>7,209,365</u></u>
Operating income	<u><u>3,129,318</u></u>
Non-operating revenues (expenses):	
Investment income	209,300
State grants	327,385
Rental income	26,618
Loss on disposal of assets	(2,282)
Interest expense	(268,112)
Other	<u>55,886</u>
Total non-operating revenues, net	<u><u>348,795</u></u>
Net income before capital contributions	3,478,113
Capital contributions:	
Member agency assessments	<u>915,336</u>
Total capital contributions	<u><u>915,336</u></u>
Change in net position	4,393,449
Net position:	
Beginning of year, as restated (Note 14)	<u>37,851,236</u>
End of year	<u><u>\$ 42,244,685</u></u>

San Elijo Joint Powers Authority
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Cash receipts from customers	\$ 10,437,954
Cash payments to vendors and suppliers for materials and services	(2,207,148)
Cash payments to employees for services	(2,793,743)
Net cash provided by operating activities	<u>5,437,063</u>
Cash flows from non-capital financing activities:	
Rental and other nonoperating income	82,504
Net cash provided by non-capital financing activities	<u>82,504</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,948,520)
Principal paid on long-term debt	(2,208,576)
Interest paid on long-term debt	(260,644)
Proceeds of state grants	327,385
Capital contributions	915,336
Net cash (used in) capital and related financing activities	<u>(3,175,019)</u>
Cash flows from investing activities:	
Proceeds from loans receivable	1,305,000
Proceeds from retrofit loans receivable	579
Investment earnings	215,991
Net cash provided by investing activities	<u>1,521,570</u>
Net increase in cash and cash equivalents	3,866,118
Cash and cash equivalents:	
Beginning of year	<u>7,578,462</u>
End of year	<u>\$ 11,444,580</u>
Cash and cash equivalents:	
Cash and cash equivalents	\$ 10,814,333
Restricted cash and cash equivalents	<u>630,247</u>
Total cash and cash equivalents	<u>\$ 11,444,580</u>

San Elijo Joint Powers Authority
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2017

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 3,129,318
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization	2,104,886
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Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:

Due from other governmental agencies	244,167
Prepaid items	(10,174)
Deferred outflows related to pensions	(147,713)
Accounts payable	50,527
Accrued liabilities	247,878
Retentions payable	12,049
Unearned revenue	(144,896)
Net pension liability	461,510
Net OPEB liability	18,951
Compensated absences	24,551
Deferred inflows related to pensions	(553,991)
Total adjustments	2,307,745
Net cash provided by operating activities	\$ 5,437,063

Non-cash items:

Amortization of other assets	\$ 5,098
Amortization of deferred amount on refunding	41,287
Total non-cash items	\$ 46,385

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NOTES TO THE FINANCIAL STATEMENTS

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San Elijo Joint Powers Authority
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 – Reporting Entity

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Method of Accounting

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

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Method of Accounting (Continued)

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

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

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

Estimates

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

Revenue Recognition

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

Cash and Cash Equivalents

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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

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

Investments

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

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all amounts due from other government agencies, loans receivable and the retrofit loans receivable were fully collectible; therefore no allowance for doubtful accounts was recorded at June 30, 2017.

Capital Assets

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

Capitalized Interest

The SEJPA incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the year ended June 30, 2017.

Amortization

Bond insurance costs are being amortized on the straight-line method over periods not to exceed the debt maturities. Amortization expense totaled \$5,098 for the year ended June 30, 2017.

The original issue premium is being amortized on the straight-line method over the remaining life of the related debt. Amortization of the original issue premium totaled \$79,847 for the year ended June 30, 2017 and is included in interest expense.

The deferred amount on refunding is being amortized over the remaining life of the refunded debt. Amortization expense totaled \$41,287 for the year ended June 30, 2017, and is included in interest expense.

Classification of Liabilities

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

Compensated Absences

Employees are entitled to accrue vacation leave up to a maximum amount equal to twice the employees' annual accrual rate, after which accrual ceases until the balance of maximum accrued falls below the maximum accumulation (208 – 368 hours, depending on length of service). Upon separation of employment, accrued vacation benefits that have not been used are paid to the employee. Sick leave benefits may be accrued up to a maximum of 1,000 hours after which accrual ceases. Employee who are not terminated for cause and have given the SEJPA 14 calendar days written notice are paid for 50% of their sick leave balance upon separation. Accumulated and unpaid vacation and sick-leave totaling \$432,985 is accrued when incurred and included in noncurrent liabilities at June 30, 2017.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Risk Management

The SEJPA is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of CSRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each insured agency pays for its proportionate share of its individually contracted insurance coverage and consulting services. At June 30, 2017, the SEJPA participated in the programs of CSRMA as follows:

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

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

- **Property Damage**

\$61,118,112 in scheduled values is covered through the APIP Property Program with a \$1,000,000,000 shared loss limit per occurrence with a \$5,000 deductible. Coverage includes: all risk property coverage, mobile equipment, auto physical damage and boiler and machinery. The SEJPA has a \$5,000 to \$350,000 deductible for boiler and machinery coverage depending on the size of the machinery.

- **Faithful Performance/Employee Dishonesty Bond**

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

- **Workers' Compensation**

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

The SEJPA pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The SEJPA's insurance expense totaled \$56,727 for the year ended June 30, 2017. There were no instances in the past three years where a settlement exceeded the SEJPA's coverage.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability at June 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 11). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Measurement period	July 1, 2015 to June 30, 2016

Net Position

In the financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, other borrowings, and deferred inflows and outflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Economic Dependency

The SEJPA received approximately 33% of its operating revenues from its member agencies for the year ended June 30, 2017.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 3 – Cash and Cash Equivalents

At June 30, 2017, cash and investments are reported at fair value based on quoted market prices. The following table presents the fair value measurements of investments recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2017:

	Amount Invested	Percentage of Portfolio	Measurement Input
Cash on hand	\$ 172	0.00%	N/A
Deposits held with financial institutions	386,134	3.37%	N/A
Local Agency Investment Fund (LAIF)	11,058,274	96.62%	N/A
Total cash and investments	\$ 11,444,580	100.00%	

**Cash and investments reported in the accompanying
Statement of Net Position:**

Cash and investments	\$ 10,814,333
Restricted cash and cash equivalents	630,247
Total cash, investments, and cash equivalents	\$ 11,444,580

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 3 – Cash and Cash Equivalents (Continued)

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

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

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

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

As of June 30, 2017, the SEJPA had \$11,058,274 invested in LAIF, which had invested 0.94% of the pool investment funds in structured notes and asset-backed securities.

Disclosures Relating to Interest Rate Risk

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 3 – Cash and Cash Equivalents (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the SEJPA’s investments (including investments held by the bond trustee) to market interest rate fluctuations is shown via the distribution of the SEJPA’s investments by maturity at June 30, 2017 as follows:

<u>Description</u>	<u>Balance</u>	<u>Maturity</u> <u>12 Months or</u> <u>Less</u>
Cash on hand	\$ 172	\$ 172
Deposits held with financial institutions	386,134	386,134
California Local Agency Investment Fund (LAIF)	11,058,274	11,058,274
Total cash and cash equivalents	<u>\$ 11,444,580</u>	<u>\$ 11,444,580</u>

Disclosures Relating to Credit Risk

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

Credit ratings as of June 30, 2017 were as follows:

<u>Description</u>	<u>Minimum</u> <u>Legal Rating</u>	<u>Standards &</u> <u>Poor's Rating at</u> <u>June 30, 2017</u>
Local Agency Investment Fund (LAIF)	N/A	Not Rated
Open ended money market mutual funds	N/A	Not Rated

Concentration of Credit Risk

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

The investment policy of the SEJPA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The SEJPA holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the SEJPA’s total investments at June 30, 2017.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 3 – Cash and Cash Equivalents (Continued)

Custodial Credit Risk

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

At June 30, 2017, none of the SEJPA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2017, no SEJPA investments were held by the same broker-dealer (counterparty) that was used by the SEJPA to buy the securities.

Investment in State of California Local Agency Investment Fund

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

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

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

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

As of June 30, 2017, SEJPA had \$11,058,274 invested in LAIF, which had invested 0.94% of the pool investment funds in structured notes and asset-backed securities. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investment in LAIF.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 4 – Due From Other Government Agencies

The SEJPA provides reclaimed water and wastewater treatment to a variety of governmental agencies within San Diego County. The following is a detail of amounts owed to/from the SEJPA by these agencies at June 30, 2017:

<u>Description</u>	<u>Balance</u>
San Dieguito Water District	\$ 100,771
San Diego County Water Authority	74,990
Rancho Santa Fe CSD 2 & 3	29,463
City of Encinitas	98,833
Santa Fe Irrigation District	90,109
City of Del Mar	48,228
Olivenhain Municipal Water District	26,607
Other	7,395
Total due from other governmental agencies	<u>\$ 476,396</u>

Note 5 – Restricted Assets

Restricted assets were provided by and are to be used for the following at June 30, 2017:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Receipts from customers	State loan reserve requirement	\$ 630,000
Debt proceeds and interest earned	Debt service - Solana Beach	59
Debt proceeds and interest earned	Debt service - Encinitas	188
		<u>\$ 630,247</u>

Note 6 – Loans Receivable

The City of Encinitas and the City of Solana Beach have entered into the third amendment and restated loan agreements with the SEJPA. The loans bear interest from 2% to 4%. Principal and interest are payable semi-annually four days prior to each September 1 and March 1 of each year, in order to provide the SEJPA with sufficient funds to service the debt on the Refunding Revenue Bonds (See Note 9). Loans receivable consist of the following at June 30, 2017:

City of Solana Beach	\$ 1,593,303
City of Encinitas	1,421,697
Subtotal	3,015,000
Less: current portion	(1,365,000)
Total	<u>\$ 1,650,000</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 7 – Retrofit Loans Receivable

The SEJPA has entered into agreements with certain reclaimed water users whereby the SEJPA reimbursed the reclaimed water users for reasonable costs incurred for the retrofitting of the water user’s facilities in order for them to accept and use reclaimed water for non-potable purposes. The water users agreed to repay the SEJPA the aggregate amount of the retrofit work together with interest ranging from 3.5% to 4.5%. Reclaimed water is purchased at the potable water rate with the difference between the two rates being considered repayment of the reimbursed costs with the payment first applied to interest. All retrofit loans have been paid in full as of June 30, 2017.

Note 8 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

Description	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Non-depreciable assets:					
Construction in progress	\$ 2,593,101	\$ 1,685,497	\$ -	\$ (2,107,263)	\$ 2,171,335
Total non-depreciable assets	<u>2,593,101</u>	<u>1,685,497</u>	<u>-</u>	<u>(2,107,263)</u>	<u>2,171,335</u>
Depreciable assets:					
Plant equipment	67,950,514	246,130	(38,654)	2,107,263	70,265,253
Lab equipment	110,294	-	(9,054)	-	101,240
Office equipment	79,786	16,893	(25,989)	-	70,690
Vehicles	289,287	-	-	-	289,287
Total depreciable assets	<u>68,429,881</u>	<u>263,023</u>	<u>(73,697)</u>	<u>2,107,263</u>	<u>70,726,470</u>
Accumulated depreciation:					
Plant equipment	(31,187,156)	(2,066,152)	30,818	-	(33,222,490)
Lab equipment	(98,780)	(4,723)	27,813	-	(75,690)
Office equipment	(73,938)	(5,490)	12,784	-	(66,644)
Vehicles	(247,711)	(23,423)	-	-	(271,134)
Total accumulated depreciation	<u>(31,607,585)</u>	<u>(2,099,788)</u>	<u>71,415</u>	<u>-</u>	<u>(33,635,958)</u>
Total depreciable assets, net	<u>36,822,296</u>	<u>(1,836,765)</u>	<u>(2,282)</u>	<u>2,107,263</u>	<u>37,090,512</u>
Total capital assets, net	<u>\$ 39,415,397</u>	<u>\$ (151,268)</u>	<u>\$ (2,282)</u>	<u>\$ -</u>	<u>\$ 39,261,847</u>

Depreciation totaled \$2,099,788 for the year ended June 30, 2017. Depreciation plus amortization of other assets of \$5,098, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, totaled \$2,104,886 for the year ended June 30, 2017.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 9 – Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2017	Classification	
						Due Within One Year	Due in More Than One Year
Payable from Restricted Assets:							
Due to member agencies payable from restricted assets	\$ 46	\$ -	\$ 201	\$ -	\$ 247	\$ -	\$ 247
Total payable from restricted assets	46	-	201	-	247	-	247
Long-Term Debt:							
2011 Refunding Revenue Bonds	4,320,000	-	-	(1,305,000)	3,015,000	1,365,000	1,650,000
add: original issue premium	299,428	-	-	(79,848)	219,580	-	219,580
State loan payable	3,877,758	-	-	(737,731)	3,140,027	756,175	2,383,852
Private placement loan payable	1,681,260	-	-	(79,194)	1,602,066	82,525	1,519,541
SFID Reimbursement Agreement payable	445,343	-	-	(7,004)	438,339	-	438,339
Total long-term debt	10,623,789	-	-	(2,208,777)	8,415,012	2,203,700	6,211,312
Other Noncurrent Liabilities:							
Compensated absences	408,434	-	183,227	(158,676)	432,985	39,632	393,353
Total OPEB liability	154,951	249,118	18,951	-	423,020	-	423,020
Net pension liability	2,463,484	-	461,510	-	2,924,994	-	2,924,994
Total other noncurrent liabilities	3,026,869	249,118	663,688	(158,676)	3,780,999	39,632	3,741,367
Total long-term obligations	\$ 13,650,704	\$ 249,118	\$ 663,889	\$ (2,367,453)	\$ 12,196,258	\$ 2,243,332	\$ 9,952,926

2011 Refunding Revenue Bonds

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

Although the refunding resulted in a deferred amount on refunding of \$340,611, the SEJPA in effect reduced the aggregate debt service payments by approximately \$222,000 each year over the next six years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,251,450. The deferred amount on refunding totaled \$113,537 at June 30, 2017.

The 2011 Refunding Revenue Bonds are payable in annual principal installments ranging from \$50,000 to \$1,415,000 through March 1, 2021. Interest payments are due semiannually on September 1, and March 1. Interest rates on the bonds range from 2% to 4%. The 2011 Refunding Revenue Bonds outstanding total \$3,015,000 at June 30, 2017. Accrued interest totaled \$39,222 at June 30, 2017. The member agencies have covenanted to make payments of loan installments in each year from net revenues derived from the operation of each Agency's respective wastewater collection system.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 9 – Noncurrent Liabilities (Continued)

2011 Refunding Revenue Bonds (Continued)

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,365,000	\$ 117,668	\$ 1,482,668
2019	1,415,000	63,068	1,478,068
2020	115,000	6,468	121,468
2021	120,000	3,420	123,420
Total	<u>\$ 3,015,000</u>	<u>\$ 190,624</u>	<u>\$ 3,205,624</u>

State Loan Payable

In March 1998, the SEJPA entered into an agreement with the State Water Resources Control Board for funding of the San Elijo Water Reclamation System. The loan was funded through the State Revolving Fund loan program administered by the State of California in the amount of \$12,633,522. The State Revolving Fund loan program provides funding for water reclamation projects at a reduced interest rate of 2.5%. The state loan payable outstanding totaled \$3,140,028 at June 30, 2017. Accrued interest totaled \$68,688 at June 30, 2017. The San Elijo Water Reclamation Project represented the construction of tertiary treatment, operational storage facilities, effluent pump stations and a reclaimed water distribution system. Annual loan payments are made by the SEJPA in the amount of \$834,675 and continue through August 2020. The SEJPA has agreed to maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of the loan.

The terms of the state loan payable require the SEJPA to place \$63,000 into a reserve fund each year for ten (10) years, beginning with the issuance of the loan. The reserve fund balance was \$630,000 at June 30, 2017 (See Note 4).

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 756,175	\$ 78,500	\$ 834,675
2019	775,079	59,596	834,675
2020	794,456	40,219	834,675
2021	814,317	20,358	834,675
Total	<u>\$ 3,140,027</u>	<u>\$ 198,673</u>	<u>\$ 3,338,700</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 9 – Noncurrent Liabilities (Continued)

Private Placement Loan Payable

In November 2011, the SEJPA entered into a private placement loan payable with Municipal Finance Corporation in the amount of \$2,000,000 to fund advanced water treatment improvements (Advanced Water Treatment Project) at the San Elijo Water Reclamation Facility. Interest accrues at 4.15% on the unpaid principal balance and is payable in forty (40) semi-annual payments of \$74,077 including principal and interest and continue through December 2031. The private placement loan payable outstanding totaled \$1,602,067 at June 30, 2017. Accrued interest totaled \$5,540 at June 30, 2017. The SEJPA's obligation to pay the loan repayments is a special obligation limited solely to the net revenues as defined in the loan agreement. The SEJPA has covenanted that it will fix, prescribe and collect rates, fees and charges sufficient to generate net revenues at least equal to 115% of the amount of the maximum annual debt service.

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

Year Ending	Principal	Interest	Total
June 30	Principal	Interest	Total
2018	\$ 82,525	\$ 68,959	\$ 151,484
2019	85,975	65,638	151,613
2020	89,580	58,574	148,154
2021	93,336	54,817	148,153
2022	97,249	50,904	148,153
2023-2027	550,941	189,825	740,766
2028-2032	602,460	64,217	666,677
Total	<u>\$ 1,602,066</u>	<u>\$ 552,934</u>	<u>\$ 2,155,000</u>

SFID Reimbursement Agreement Payable

The Santa Fe Irrigation District (SFID) constructed a reclaimed water distribution pipeline extension of 3,400 linear feet to the SEJPA's reclaimed water distribution system in order to extend SEJPA's existing recycled water distribution system and enable the SFID to serve new reclaimed water customers. SEJPA agreed to reimburse SFID for the cost of design and construction of the extension in the amount of \$526,149 and the SFID agreed to convey ownership of the extension to SEJPA. Under the terms of the agreement, the reimbursement amount shall be increased each July 1st by adding interest at the rate equivalent to the average LAIF rate for the past four quarters, but not less than 1% nor greater than 2.5% calculated on the unpaid monthly balance. SEJPA shall reimburse the SFID at a monthly rate of \$450 per acre foot of recycled water delivered through the extension including water delivered to purveyors other than SFID. In addition, SEJPA made an initial down payment of \$50,000. SEJPA will further make a lump sum payment of all remaining principal and interest due after completion of the 20th year of this agreement if the average annual delivery volume of the extension from year 13 through year 15 exceeds 50 acre feet annually. Future payments on the SFID reimbursement agreement payable are contingent upon future reclaimed water sales, therefore future maturities have not been estimated and the agreement is considered noncurrent. The SFID reimbursement agreement payable totaled \$438,339 at June 30, 2017.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 10 – Postemployment Benefits

Plan Description

The SEJPA provides medical insurance benefits to eligible retirees in accordance with various labor agreements subject to the SEJPA’s vesting schedule. Medical benefits are typically available at age 55 and are only available to those retirees that select CalPERS medical upon the date of retirement. The current maximum contribution by the SEJPA to the retiree is \$128 per month, which is set by CalPERS.

Eligibility

Employees of the 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, 2017, the date of the latest actuarial valuation:

Active plan members		20
Retirees		4
Total		24

Contributions

The obligation of the 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. For the fiscal year ended June 30, 2017, the SEJPA’s average contribution rate was 0.33 % of covered-employee payroll. Employees are not required to contribute to the plan.

Total OPEB Liability

The SEJPA’s total OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability at June 30, 2017 was:

Total OPEB liability		\$ 423,020
Total OPEB liability		\$ 423,020

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 10 – Postemployment Benefits (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Discount Rate	3.35%
Inflation	2.75%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2011
Mortality Improvement Scale	Modified MP-2014, 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 5.0% therefore.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.35% percent. 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 GO AA 20 Year Bond Index.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016 (as restated)	\$ 404,069
Changes Recognized for the Measurement Period:	
Service Cost	18,267
Interest on the total OPEB liability	13,926
Benefit payments	(13,242)
Net Changes during July 1, 2016 to June 30, 2017	18,951
Balance at June 30, 2017 (Measurement Date)	<u>\$ 423,020</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 10 – Postemployment Benefits (Continued)

Change in the Total OPEB Liability (Continued)

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

The following presents the total OPEB liability of the SEJPA, as well as what the SEJPA’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.35 percent) or 1-percentage- point higher (4.35 percent) than the current discount rate:

Plan's Total OPEB Liability/(Asset)		
Discount Rate - 1% (2.35%)	Current Discount Rate (3.35%)	Discount Rate + 1% (4.35%)
\$ 491,013	\$ 423,020	\$ 368,391

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

The following presents the total OPEB liability of the SEJPA, as well as what the 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 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

Plan's Total OPEB Liability		
Discount Rate - 1% (5.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	Discount Rate + 1% (7.5% decreasing to 5.0%)
\$ 363,686	\$ 423,020	\$ 497,784

OPEB Expense

For the fiscal year ended June 30, 2017, the SEJPA recognized OPEB expense of \$32,193. There were no deferred outflows or deferred inflows of resources associated with OPEB at June 30, 2017.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 11 – Defined Benefit Pension Plan

Plan Descriptions

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

Benefits Provided

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

The Plan’s provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire Date	Miscellaneous		
	Prior to July 1, 2012	On or After July 1, 2012	
		Second Tier	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	10.069%	7.159%	6.533%

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 11 – Defined Benefit Pension Plan (Continued)

Employees Covered by the Benefit Terms

For the year ended June 30, 2017, the SEJPA’s plan’s proportionate share of aggregate employer contributions made for the plan was as follows:

	Miscellaneous
Contributions - employer	\$ 315,703

At June 30, 2017, the following employees were covered by the benefit terms for the miscellaneous plan:

	Miscellaneous
Active employees	21
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to, but not yet receiving benefits	14
Total	48

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

As of June 30, 2017, the SEJPA reported net pension liabilities for its proportionate shares of the net pension liability of the plan as follows:

	Miscellaneous
Proportionate share of net pension liability	\$ 2,924,994

The SEJPA’s net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The SEJPA’s proportion of the net pension liability was based on a projection of the SEJPA’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 11 – Defined Benefit Pension Plan (Continued)

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

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The SEJPA’s proportionate share of the net pension liability for the plan as of June 30, 2017 was as follows:

	Miscellaneous
Proportion June 30, 2015	0.089800%
Proportion June 30, 2016	0.079200%
Change - increase (decrease)	-0.010600%

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 11 – Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2017, the SEJPA recognized pension expense of \$355,852. At June 30, 2017, the SEJPA reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 437,683	\$ -
Difference between expected and actual experience	8,378	-
Changes of assumptions	-	(102,830)
Net difference between projected and actual earnings on pension plan investments	535,200	-
Employer contributions in excess/(under) proportionate share of contributions	-	(34,793)
Adjustments due to difference in proportions	99,950	-
Total	\$ 1,081,211	\$ (137,623)

The \$437,683 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2017	\$ 74,133
2018	80,962
2019	212,184
2020	138,626
2021	-
Thereafter	-
Total	\$ 505,905

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 11 – Defined Benefit Pension Plan (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

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

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details for the Experience Study can be found on the CalPERS website under "Forms and Publications."

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

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2016 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

Discount Rate

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 11 – Defined Benefit Pension Plan (Continued)

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

Discount Rate (Continued)

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11 +²</u>
Global equity	51.00%	5.25%	5.71%
Private equity	10.00%	0.99%	2.43%
Global fixed income	20.00%	0.45%	3.36%
Liquidity	1.00%	6.83%	6.95%
Real assets	12.00%	4.50%	5.13%
Inflation sensitive assets	6.00%	4.50%	5.09%
Other	0.00%	-0.55%	-1.05%

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

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

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

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

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 11 – Defined Benefit Pension Plan (Continued)

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

Discount Rate (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plan, as of the measurement date calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(6.65%)	Rate (7.65%)	(8.65%)
\$ 4,460,153	\$ 2,924,994	\$ 1,656,261

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

Payable to the Pension Plan

At June 30, 2017, the SEJPA reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Note 12 – Net Position

At June 30, 2017, net investment in capital assets consisted of the following:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 2,171,335
Capital assets, net – being depreciated	37,090,512
Loans receivable - capital	3,015,000
Deferred amount on refunding	113,537
Accrued interest payable	(113,450)
Retention payable	(13,160)
2011 Refunding Revenue Bonds	(3,234,580)
State loan payable	(3,140,027)
Private placement loan	(1,602,066)
SFID loan payable	(438,339)
Total net investment in capital assets	\$ 33,848,762

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 13 – Commitments and Contingencies

Contracts

The SEJPA has entered into various contracts for the purchase of material and construction of capital assets. The amounts contracted are based on the contractor's estimated cost of construction. At June 30, 2017, the total unpaid amount on these contracts is approximately \$10,502,671.

Litigation

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

Operating Leases

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

In January 2007, the SEJPA entered into a Communications Site License Agreement as lessor with Omnipoint Communications, Inc. which was subsequently conveyed to T-Mobile West, LLC. The initial term of the agreement, which calls for an annual payment of \$20,400 and increasing 3% annually, is for 5 years commencing the earlier of the date the licensees intend to commence construction or October 1, 2007. This lease agreement may be extended automatically for five additional five-year terms on the same terms and conditions at the election of Omnipoint. The lease is currently extended through October 1, 2017. The SEJPA recognized rental income in the amount of \$26,618 for the year ended June 30, 2017.

Note 14 – Prior Period Adjustments

The SEJPA recorded the following prior period adjustment in order to implement GASB 75 in fiscal year 2017:

	<u>Wastewater</u>	<u>Reclamation</u>	<u>Total</u>
Net position at July 1, 2016, as previously reported	\$ 25,638,369	\$ 12,461,985	\$ 38,100,354
To implement GASB 75 for net OPEB liability	(206,768)	(42,350)	(249,118)
Net position at July 1, 2016, as restated	<u>\$ 25,431,601</u>	<u>\$ 12,419,635</u>	<u>\$ 37,851,236</u>

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 15 – New and Upcoming Governmental Accounting Standards Implementation

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45.

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

GASB Statement No. 78

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 15 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017 (Continued)

GASB Statement No. 79

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

GASB Statement No. 80

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

Upcoming Governmental Accounting Standards Implementation

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

GASB Statement No. 81

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

GASB Statement No. 82

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

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 15 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2019.

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2020.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2018.

GASB Statement No. 86

In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2018.

San Elijo Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2017

Note 15 – New and Upcoming Governmental Accounting Standards Implementation (Continued)

Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2020.

Note 16 – Subsequent Events

Issuance of Debt and Notes Receivable

On June 21, 2017, the 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 the SEJPA's capital improvement plan. The 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 Bonds. 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 an secured by a pledge of System Revenues and other funds of each respective City lawfully available therefor 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 Revenues comprised of gross revenues derived from its respective wastewater collection and disposal system (including the SEJPA's treatment of wastewater collected by its system) after the deduction of operation and maintenance expenses, in an amount sufficient to pay the annul 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 the 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.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedules of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*
Miscellaneous Plan
As of June 30, 2017

	<u>6/30/2016</u> ¹	<u>6/30/2015</u> ¹	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.079200%	0.089800%	0.031140%
Plan's proportionate share of the net pension liability	\$ 2,924,994	\$ 2,463,640	\$ 1,937,636
Plan's covered-employee payroll ²	\$ 1,916,333	\$ 1,718,001	\$ 1,707,696
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	152.63%	143.40%	113.46%
Plan's fiduciary net position	\$ 8,559,081	\$ 8,203,952	\$ 7,976,883
Plan's fiduciary net position as a percentage of the total pension liability	74.53%	76.91%	80.46%
Plan's proportionate share of aggregate employer contributions ^{3,4}	\$ 315,703	\$ 308,067	\$ 215,709

Notes to Schedule:

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

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

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

¹ Ten year historical information is not available.

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

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

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

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions
Last Ten Fiscal Years*
Miscellaneous Plan
As of June 30, 2017

	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Contractually determined contribution (actuarially determined)	\$ 302,683	\$ 286,852	\$ 267,504	\$ 256,232
Contributions in relation to the actuarially determined contributions ²	(437,683)	(411,852)	(267,504)	(256,232)
Contribution deficiency (excess)	<u>\$ (135,000)</u>	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ^{3,4}	\$ 1,916,333	\$ 1,829,430	\$ 1,832,405	\$ 1,707,696
Contributions as a percentage of covered-employee payroll ³	22.84%	22.51%	14.60%	15.00%

¹ Ten year historical information is not available.

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

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

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

Notes to Schedule

Valuation date: 6/30/2015

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

Methods and assumptions used to determine contribution rates:

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

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

San Elijo Joint Powers Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years ¹
For the Year Ended June 30, 2017

	6/30/2017 ¹
Measurement period, year ending:	
Total OPEB liability	
Service cost	\$ 18,267
Interest	13,926
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(13,242)
Net change in total OPEB liability	18,951
Total OPEB liability - beginning	404,069
Total OPEB liability - ending (a)	\$ 423,020
OPEB fiduciary net position	
Contributions - employer	\$ 13,242
Net investment income	-
Benefit payments, including refunds of member contributions	(13,242)
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	-
Plan net OPEB liability - ending (a) - (b)	\$ 423,020
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	\$ 1,856,890
Plan net OPEB liability as a percentage of covered-employee payroll	22.78%

¹ Ten year historical information is not available.

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SUPPLEMENTARY INFORMATION

San Elijo Joint Powers Authority
Combining Statement of Net Position
June 30, 2017

	<u>Wastewater</u>	<u>Reclamation</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 9,954,046	\$ 860,287	\$ 10,814,333
Due from other governmental agencies	148,118	328,278	476,396
Accrued interest receivable	56,459	3,186	59,645
Prepaid items	24,252	4,751	29,003
Current portion of loans receivable	1,365,000	-	1,365,000
Total current assets	<u>11,547,875</u>	<u>1,196,502</u>	<u>12,744,377</u>
Non-current assets:			
Restricted cash and cash equivalents	247	630,000	630,247
Loans receivable - net of current portion	1,650,000	-	1,650,000
Other assets	14,021	-	14,021
Capital assets:			
Nondepreciable	478,242	1,693,093	2,171,335
Depreciable, net of accumulated depreciation	21,518,028	15,572,484	37,090,512
Total capital assets	<u>21,996,270</u>	<u>17,265,577</u>	<u>39,261,847</u>
Total non-current assets	<u>23,660,538</u>	<u>17,895,577</u>	<u>41,556,115</u>
Total assets	<u>35,208,413</u>	<u>19,092,079</u>	<u>54,300,492</u>
Deferred outflows of resources:			
Deferred amount on refunding	113,537	-	113,537
Deferred outflows related to pensions	913,758	167,453	1,081,211
Total deferred outflows of resources	<u>1,027,295</u>	<u>167,453</u>	<u>1,194,748</u>

San Elijo Joint Powers Authority
Combining Statement of Net Position (Continued)
June 30, 2017

	<u>Wastewater</u>	<u>Reclamation</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 307,195	\$ 66,471	\$ 373,666
Accrued liabilities	228,470	94,476	322,946
Accrued interest payable	39,222	74,228	113,450
Retention payable	13,160	-	13,160
Unearned revenue	93,452	-	93,452
Revenue refunding bonds - due within one year	1,365,000	-	1,365,000
State loan payable - due within one year	-	756,175	756,175
Private placement loan payable - due within one year	-	82,525	82,525
Compensated absences - due within one year	32,895	6,737	39,632
Total current liabilities	<u>2,079,394</u>	<u>1,080,612</u>	<u>3,160,006</u>
Non-current liabilities:			
Due to member agencies payable from restricted assets	247	-	247
Revenue refunding bonds - due in more than one year	1,869,580	-	1,869,580
State loan payable - due in more than one year	-	2,383,852	2,383,852
Private placement loan payable - due in more than one year	-	1,519,541	1,519,541
SFID reimbursement agreement payable	-	438,339	438,339
Net pension liability	2,494,432	430,562	2,924,994
Total OPEB liability	350,959	72,061	423,020
Compensated absences - due in more than one year	339,067	54,286	393,353
Total non-current liabilities	<u>5,054,285</u>	<u>4,898,641</u>	<u>9,952,926</u>
Total liabilities	<u>7,133,679</u>	<u>5,979,253</u>	<u>13,112,932</u>
Deferred inflows of resources			
Deferred inflows related to pensions	131,087	6,536	137,623
Total deferred inflows of resources	<u>131,087</u>	<u>6,536</u>	<u>137,623</u>
Net position:			
Net investment in capital assets	21,837,845	12,010,917	33,848,762
Restricted	-	630,000	630,000
Unrestricted	7,133,097	632,826	7,765,923
Total net position	<u>\$ 28,970,942</u>	<u>\$ 13,273,743</u>	<u>\$ 42,244,685</u>

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San Elijo Joint Powers Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

Operating revenues:	Wastewater	Reclamation	Total
Charges for services to other government agencies	\$ 4,484,696	\$ 2,474,980	\$ 6,959,676
Contributions from the City of Encinitas	1,866,496	-	1,866,496
Contributions from the City of Solana Beach	1,512,511	-	1,512,511
Total operating revenues	7,863,703	2,474,980	10,338,683
Operating expenses:			
Personnel costs	2,320,363	524,566	2,844,929
Depreciation and amortization	1,487,519	617,367	2,104,886
Utilities	565,315	277,749	843,064
Contracted services	420,239	135,405	555,644
Supplies	153,245	105,305	258,550
Disposal services	193,563	-	193,563
Miscellaneous	85,457	85,373	170,830
Repair parts expense	90,233	15,912	106,145
Permit/purveyor fees	49,930	25,099	75,029
Insurance	39,253	17,472	56,725
Total operating expenses	5,405,117	1,804,248	7,209,365
Operating income	2,458,586	670,732	3,129,318
Non-operating revenues (expenses):			
Investment income	199,103	10,197	209,300
State grants	-	327,385	327,385
Rental income	26,618	-	26,618
Loss on disposal of assets	(2,282)	-	(2,282)
Interest expense	(113,906)	(154,206)	(268,112)
Other	55,886	-	55,886
Total non-operating revenues (expenses), net	165,419	183,376	348,795
Net income before capital contributions	2,624,005	854,108	3,478,113
Capital contributions:			
Member agency assessments	915,336	-	915,336
Total capital contributions	915,336	-	915,336
Change in net position	3,539,341	854,108	4,393,449
Net position:			
Beginning of year, as restated (Note 14)	25,431,601	12,419,635	37,851,236
End of year	\$ 28,970,942	\$ 13,273,743	\$ 42,244,685

San Elijo Joint Powers Authority
Combining Statement of Cash Flows
For the Year Ended June 30, 2017

Cash flows from operating activities:	Wastewater	Reclamation	Total
Cash receipts from customers	\$ 7,863,012	\$ 2,574,942	\$ 10,437,954
Cash payments to vendors and suppliers for materials and services	(1,516,419)	(690,729)	(2,207,148)
Cash payments to employees for services	(2,318,749)	(474,994)	(2,793,743)
Net cash provided by operating activities	4,027,844	1,409,219	5,437,063
Cash flows from non-capital financing activities:			
Rental and other nonoperating income	82,504	-	82,504
Net cash provided by non-capital financing activities	82,504	-	82,504
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,588,838)	(359,682)	(1,948,520)
Principal paid on long-term debt	(1,384,645)	(823,931)	(2,208,576)
Interest paid on long-term debt	(90,022)	(170,622)	(260,644)
Proceeds of state grants	-	327,385	327,385
Capital contributions	915,336	-	915,336
Net cash used in capital and related financing activities	(2,148,169)	(1,026,850)	(3,175,019)
Cash flows from investing activities:			
Proceeds from loans receivable	1,305,000	-	1,305,000
Proceeds from retrofit loans receivable	-	579	579
Investment earnings	206,357	9,634	215,991
Net cash provided by investing activities	1,511,357	10,213	1,521,570
Net increase in cash and cash equivalents	3,473,536	392,582	3,866,118
Cash and cash equivalents:			
Beginning of year	6,480,757	1,097,705	7,578,462
End of year	\$ 9,954,293	\$ 1,490,287	\$ 11,444,580
Cash and cash equivalents	\$ 9,954,046	\$ 860,287	\$ 10,814,333
Restricted cash and cash equivalents	247	630,000	630,247
Total cash and cash equivalents	\$ 9,954,293	\$ 1,490,287	\$ 11,444,580

San Elijo Joint Powers Authority
Combining Statement of Cash Flows (Continued)
For the Year Ended June 30, 2017

	<u>Wastewater</u>	<u>Reclamation</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,458,586	\$ 670,732	\$ 3,129,318
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,487,519	617,367	2,104,886
Change in assets, liabilities, deferred outflows of resources, and deferred inflows of resources:			
Due from other governmental agencies	81,986	162,181	244,167
Prepaid items	(10,302)	128	(10,174)
Deferred outflows related to pensions	(122,601)	(25,112)	(147,713)
Accounts payable	79,069	(28,542)	50,527
Accrued liabilities	166,698	81,180	247,878
Retentions payable	12,049	-	12,049
Unearned revenue	(82,677)	(62,219)	(144,896)
Net pension liability	383,053	78,457	461,510
Net OPEB liability	15,729	3,222	18,951
Compensated absences	18,548	6,003	24,551
Deferred inflows related to pensions	(459,813)	(94,178)	(553,991)
Total adjustments	<u>1,569,258</u>	<u>738,487</u>	<u>2,307,745</u>
Net cash provided by operating activities	<u>\$ 4,027,844</u>	<u>\$ 1,409,219</u>	<u>\$ 5,437,063</u>
Non-cash items:			
Amortization of other assets	\$ 5,098	\$ -	\$ 5,098
Amortization of deferred amount on refunding	41,287	-	41,287
Total non-cash items	<u>\$ 46,385</u>	<u>\$ -</u>	<u>\$ 46,385</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Wastewater
For the Year Ended June 30, 2017
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 1,622,723	\$ 4,484,696	\$ 2,861,973
Contributions from the City of Encinitas	1,767,662	1,866,496	98,834
Contributions from the City of Solana Beach	1,514,518	1,512,511	(2,007)
Total operating revenues	<u>4,904,903</u>	<u>7,863,703</u>	<u>2,958,800</u>
Operating expenses:			
Personnel costs	2,434,379	2,320,363	114,016
Utilities	609,746	565,315	44,431
Contracted services	538,002	420,239	117,763
Supplies	194,311	153,245	41,066
Disposal services	225,920	193,563	32,357
Miscellaneous	101,547	85,457	16,090
Repair parts expense	135,097	90,233	44,864
Permit/purveyor fees	59,725	49,930	9,795
Insurance	46,389	39,253	7,136
Capital expense	46,550	-	46,550
Contingency	139,200	-	139,200
Total operating expenses	<u>4,530,866</u>	<u>3,917,598</u>	<u>613,268</u>
Operating income (loss)	<u>\$ 374,037</u>	<u>\$ 3,946,105</u>	<u>\$ 3,572,068</u>

San Elijo Joint Powers Authority
Operating Budget Comparison Schedule - Reclamation
For the Year Ended June 30, 2017
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services to other government agencies	\$ 2,621,001	\$ 2,474,980	\$ (146,021)
Contributions from the City of Encinitas	-	-	-
Contributions from the City of Solana Beach	-	-	-
Total operating revenues	<u>2,621,001</u>	<u>2,474,980</u>	<u>(146,021)</u>
Operating expenses:			
Personnel costs	520,828	524,566	(3,738)
Utilities	367,406	277,749	89,657
Contracted services	305,495	135,405	170,090
Supplies	116,609	105,305	11,304
Disposal services	-	-	-
Miscellaneous	92,808	85,373	7,435
Repair parts expense	42,840	15,912	26,928
Permit/purveyor fees	28,000	25,099	2,901
Capital expense	4,950	-	4,950
Insurance	19,511	17,472	2,039
Total operating expenses	<u>1,498,447</u>	<u>1,186,881</u>	<u>311,566</u>
Operating income (loss)	<u>\$ 1,122,554</u>	<u>\$ 1,288,099</u>	<u>\$ 165,545</u>

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September 29, 2017

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

We have audited the financial statements of the San Elijo Joint Powers Authority (SEJPA) for the year ended June 30, 2017, and have issued our report thereon dated September 29, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated May 12, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the SEJPA are described in Note 2 to the financial statements. The SEJPA adopted several new accounting policies during the year as described in Note 15 to the financial statements, the most significant of which was the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and the application of existing policies, except for accounting for net other postemployment benefits (OPEB) liability, was not changed during the year ended June 30, 2017. We noted no transactions entered into by the SEJPA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

- Note 2 – Summary of Significant Accounting Policies
- Note 3 – Cash and Cash Equivalents
- Note 8 – Capital Assets
- Note 9 – Noncurrent Liabilities
- Note 10 – Post-Employment Benefits
- Note 11 – Defined Benefit Pension Plan
- Note 13 – Commitments and Contingencies
- Note 14 – Prior Period Adjustments

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2017.

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

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

San Diego, California

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: Director of Finance and Administration

SUBJECT: SAN ELIJO JOINT POWERS AUTHORITY END OF YEAR REVIEW OF THE
FISCAL YEAR 2016-17 OPERATING AND DEBT SERVICE EXPENSES

RECOMMENDATION

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

BACKGROUND

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

Programs operated by the SEJPA include:

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

In providing these services, the SEJPA seeks to accomplish its mission in an environmentally, socially, and fiscally responsible manner. Each of the above programs is funded by the customer base that is served and cost allocations are applied based on actual flows treated or level of effort provided. Operational funding collected but not spent is returned to the contributing agencies. The total operating budget for the Fiscal Year (FY 2016-17) was \$6,029,313.

DISCUSSION

The SEJPA manages and operates ten programs of which nine of these programs were active the entire year, and one that was delayed. All of the programs completed the year under budget. The City of Del Mar (21st Street Pump Station) was not as active as anticipated due to construction delays and salinity in Del Mar's wastewater. The wastewater salinity can cause SEJPA's treatment process to become upset; as a result, Del Mar's wastewater is being diverted to San Diego for treatment until it is corrected.

The following information is the actual expense for FY 2016-17, which ended June 30, 2017. The final expense for FY 2016-17 includes an additional CalPERS contribution of \$140,000. This was a voluntary payment using unspent budgeted funds directed at reducing the pension liability and future costs.

Below is a table of expense and budget variance for FY 2016-17 by each of the SEJPA Programs excluding Del Mar Services (21st Street Pump Station). The Del Mar Services program only incurred minor expenses during the start-up phase of treating Del Mar's wastewater.

Summary by Program

Program	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Wastewater Treatment	2,668,771	2,711,166	(42,395)	98.4%
Laboratory	460,047	468,658	(8,610)	98.2%
Ocean Outfall	443,535	542,096	(98,561)	81.8%
Cardiff Sanitary Division	199,657	238,545	(38,887)	83.7%
Encinitas Sanitary Division	127,511	146,544	(19,034)	87.0%
City of Encinitas	25,886	30,236	(4,350)	85.6%
City of Solana Beach	265,988	307,098	(41,111)	86.6%
City of Solana Beach Services	7,554	9,245	(1,691)	81.7%
Programs before Recycled Water	4,198,950	4,453,589	(254,639)	94.3%
Recycled Water	1,252,189	1,498,447	(246,258)	83.6%
Total All SEJPA Programs	5,451,139	5,952,036	(500,897)	91.6%

Overall, as an agency, the SEJPA was 8.4% under the budget or \$500,897 excluding Del Mar Services. Recycled Water was \$246,258 or 16.4% under budget, and Wastewater Treatment and Disposal was \$254,639 or 5.7% under budget.

Wastewater Treatment

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	1,355,349	1,284,048	71,300	105.6%
Supplies & Services	1,235,625	1,332,267	(96,643)	92.7%
Capital Outlay	77,798	28,250	49,548	275.4%
Contingency	-	66,600	(66,600)	0.0%
Total JPA Wastewater Treatment	2,668,771	2,711,166	(42,395)	98.4%

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

Wastewater Treatment is under budget by \$42,395 or 1.6%. Personnel expense exceeded budget due to higher than anticipated labor as a result of the Plant upset in January and the voluntary contribution to the CalPERS pension liability. Capital Outlay and Repair Parts were also higher than budget due to unplanned replacement of the automatic transfer switch for the 500 kW emergency generator, secondary basin troughs, sludge valves, grinders and pump repairs. The Personnel expense and Capital Outlay were offset by unspent budgeted amounts in Supplies & Services and Contingency.

Laboratory

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	404,714	399,361	5,352	101.3%
Supplies & Services	53,910	59,297	(5,386)	90.9%
Capital Outlay	1,424	5,800	(4,376)	24.5%
Contingency	-	4,200	(4,200)	0.0%
Total JPA Laboratory	460,047	468,658	(8,610)	98.2%

The laboratory located at the San Elijo Water Reclamation Facility provides analytical laboratory services for the SEJPA's wastewater and recycled water programs as well as to other entities through contract agreements. For the Fiscal Year 2016-17, contract agreements include the Fairbanks Ranch Community Services District, the Rancho Santa Fe Community Services District, the Santa Fe Valley Community Services District, and the Whispering Palms Community Services District. The Laboratory program completed the year under budget by \$8,610 or 1.8%.

Ocean Outfall

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	289,903	281,967	7,937	102.8%
Supplies & Services	149,954	231,430	(81,476)	64.8%
Capital Outlay	3,679	12,500	(8,821)	29.4%
Contingency	-	16,200	(16,200)	0.0%
Total JPA Ocean Outfall	443,535	542,096	(98,561)	81.8%

This program provides a cost center for all operation and maintenance services related to the ocean outfall system. These activities include effluent pump station operations and maintenance; ocean monitoring; sampling and testing; and annual outfall inspection. As the outfall capacity is shared through an agreement with the City of Escondido, all operations and maintenance costs are shared on the basis of actual usage measured by discharged flow to the outfall (84.9% City of Escondido and 15.1% SEJPA). Capital improvement project costs are shared based on owned capacity (79% City of Escondido and 21% SEJPA).

Ocean Outfall was under budget by \$98,561. Personnel expense is greater than budget as a result of the additional CalPERS contribution. Lower than planned engineering and contractor services, utilities, Capital Outlay and Contingency provided unspent amounts resulting in the program ending the year 18.2% under plan.

Cardiff Sanitary Division

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	128,266	149,129	(20,863)	86.0%
Supplies & Services	71,392	74,516	(3,124)	95.8%
Capital Outlay	-	-	-	
Contingency	-	14,900	(14,900)	0.0%
Total Cardiff Sanitary Division	199,657	238,545	(38,887)	83.7%

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

This program was under budget by \$38,887 primarily due to lower than anticipated Personnel and unused Contingency.

Encinitas Sanitary Division

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	53,889	64,456	(10,567)	83.6%
Supplies & Services	62,178	68,389	(6,211)	90.9%
Capital Outlay	11,444	-	11,444	
Contingency	-	13,700	(13,700)	0.0%
Total Encinitas Sanitary Division	127,511	146,544	(19,034)	87.0%

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

The program is under budget by \$19,034. Less than planned Personnel and Utility expense. The Capital Outlay expense was related to the replacement of a pump motor; Contingency funding was used for this expense.

Encinitas Services

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	16,871	21,880	(5,009)	77.1%
Supplies & Services	9,015	8,356	659	107.9%
Capital Outlay	-	-	-	
Contingency	-	-	-	
Total City of Encinitas	25,886	30,236	(4,350)	85.6%

The SEJPA provides maintenance and operation services to the City of Encinitas that includes the Urban Runoff Treatment Facility, the Phoebe Storm Water Pump Station, and the Storm Drain Sediment Drying and Disposal program. The actual costs incurred are paid for by the City of Encinitas. This program was \$4,350 or 14.4% under budget.

Solana Beach Pump Stations

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	137,412	167,816	(30,405)	81.9%
Supplies & Services	119,478	119,582	(104)	99.9%
Capital Outlay	9,098	-	9,098	
Contingency	-	19,700	(19,700)	0.0%
Total City of Solana Beach	265,988	307,098	(41,111)	86.6%

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

This program is under budget due to lower than planned Personnel expense and unused Contingency funds. The Capital Outlay expense was for the rebuild of Pump No. 3 located at the Eden Gardens pump station.

Solana Beach Services

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	4,719	5,356	(638)	88.1%
Supplies & Services	2,836	3,889	(1,053)	72.9%
Capital Outlay	-	-	-	
Contingency	-	-	-	
Total City of Solana Beach Services	7,554	9,245	(1,691)	81.7%

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

Del Mar Services (21st Street Pump Station)

<i>Expense Category</i>	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	2,584	60,365	(57,781)	4.3%
Supplies & Services	26	13,013	(12,987)	0.2%
Contingency	-	3,900	(3,900)	0.0%
Total City of Del Mar	2,609	77,277	(74,668)	3.4%

Under this program, the SEJPA provides pump station operation and maintenance services to the City of Del Mar in conjunction with treating Del Mar's wastewater. The FY 2016-17 costs incurred were for evaluation and start-up costs associated with the conveyance of Del Mar's wastewater to SEJPA. Due to the high salinity content of this wastewater, the SEJPA is not able to treat the wastewater until the source of contamination is located and corrected.

Recycled Water

The SEJPA owns and operates a recycled water utility which wholesales recycled water to the Santa Fe Irrigation District, the San Dieguito Water District, the City of Del Mar, and the Olivenhain Municipal Water District, as well as provides direct water sales to the Encinitas Ranch Golf Authority (ERGA). SEJPA's recycled water program typically delivers between 1,400 and 1,600 acre-feet per year (AFY) of recycled water to its retail partners. For FY 2016-

17, the SEJPA budgeted 1,507 acre feet (AF); the program delivered 1,433 AF or 4.9% less than budget. This less than planned use of recycled water was most likely due to higher than normal rainfall. Local customers that use the recycled water for landscape irrigation include the Encinitas Ranch Golf Course, Lomas Santa Fe Executive and Country Club Golf Courses, Ecke YMCA, Encinitas Community Park, Del Mar Fairgrounds, local schools, parks, businesses, and street/freeway landscape.

Summary of Recycled Water Expenses:

Expense Category	Final FY 2016-17	Budget FY 2016-17	Over/(Under) Budget	% Budget Spent
Personnel	537,467	520,828	16,638	103.2%
Supplies & Services	699,408	972,669	(273,261)	71.9%
Capital Outlay	15,315	4,950	10,365	309.4%
Contingency	-	-	-	
Total Operating Expense	1,252,189	1,498,447	(246,258)	83.6%

The total expense for Recycled Water was \$246,258 or 16.4% less than budgeted expense. Personnel expense was over budget by 3.2% in part due to coordination of Capital projects that will result in increased water sales in future years, and the additional voluntary CalPERS contribution to the pension liability. Capital Outlay exceeded budget as a result of the upgrading and relocating the recycled water fill station in Solana Beach to accommodate the Stevens Avenue Widening Project.

Debt Service

SEJPA debt service includes three capital loans and one bond issuance. The 2011 Refunding Bonds refinanced existing debt for the Wastewater program in December 2011 resulting in about \$1.2 million savings. The 2011 Refunding Bonds primarily consists of debt incurred in 1991 for the construction of wastewater treatment improvements and this debt is scheduled for retirement in FY 2020-21. The Recycled Water Utility was constructed in the late 1990's with funding by the State Revolving Fund (SRF) loan program; this debt is also scheduled for retirement in FY 2020-21. The Private Placement Loan provided funding for the construction of advance water treatment and is scheduled for retirement in FY 2031-32. The Santa Fe Irrigation loan funded the purchase of a recycled water pipeline that expanded the distribution system. The repayment of the SFID loan is based on the volume of recycled water sold via this pipeline and therefore the debt does not have a predetermined retirement date. Below is a table showing the principal balances paid on each loan:

Long Term Debt	Original Balance	Paid in Prior Years	Paid in FY 2016-17	FY 2016-17 Balance
2011 Refunding Bonds	24,465,000	(20,145,000)	(1,305,000)	3,015,000
State Revolving Fund Loan (SRF)	12,633,522	(8,755,764)	(737,731)	3,140,027
Private Placement Loan (AWP)	2,000,000	(318,740)	(79,194)	1,602,066
Santa Fe Irrigation Loan (SFID Pipeline)	526,149	(80,806)	(7,004)	438,339
Total Long Term Debt Outsanding	39,624,671	(29,300,310)	(2,128,929)	8,195,432

All of the SEJPA's loans and bonds were paid timely and in accordance with the agreement provisions. SEJPA's credit rating was increased from AA to AA+ by S&P during FY 2016-17.

Overall Summary

Overall, the SEJPA was below budget by \$500,897 or 8.4% excluding Del Mar Services, which has been delayed. Wastewater Treatment, Pump Stations, Ocean Outfall, and Storm Drains programs were under budget by \$254,639 or 5.7%. Recycled Water expenditures were \$246,258 or 16.4% under budget. All debt service payments were paid according to the loan agreements. Each program absorbed a portion of the \$140,000 voluntary contribution to the CalPERS pension liability, which is estimated to save the agency approximately \$26,000 in interest expense.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'P Kinkel', is written over the typed name.

Paul Kinkel, Director of Finance and Administration

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: CONSIDERATION OF APPROVAL OF RESOLUTION 2018-02, ENTITLED
"RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN ELIJO JOINT
POWERS AUTHORITY ADOPTING SALARY AND BENEFITS FOR FISCAL
YEARS 2016-17, 2017-18, AND 2018-19"

RECOMMENDATION

It is recommended that the Board of Directors:

1. Adopt Resolution No. 2018-02, Resolution Adopting the San Elijo Joint Powers Salary and Benefits for Fiscal Years 2016-17, 2017-18, and 2018-19; and
2. Discuss and take action as appropriate.

BACKGROUND

The San Elijo Joint Powers Authority (SEJPA) is a public agency that employs a non-unionized workforce of approximately 25 employees. Core functions of the agency include wastewater treatment, water recycling treatment and distribution, ocean outfall management, pump station operation and maintenance, and laboratory services.

The SEJPA employees are currently operating under a 3-year labor agreement (Resolution No. 2016-10), which is scheduled to expire June 30, 2019.

DISCUSSION

Subsequent to the Board approving Resolution 2016-10, OSHA published a memorandum interpreting the new anti-retaliation provisions in Section 1904.35 as part of the new final rule: "*Improve Tracking of Workplace Injuries and Illness*". Incentive and disciplinary programs were addressed in this memorandum. The OSHA memo specifically stated, "employers must not use incentive programs in a way that penalizes workers for reporting work-related injuries or illness." Rather, OSHA recommends incentive programs that reward employee participation in safety program activities and evaluations, completion of employee training, and identification of hazards via safety walkthroughs.

In April 2017, as a result of OSHA's memorandum, the SEJPA Board authorized the General Manager to review and modify the safety incentive program to be in agreement with OSHA's guidelines and requirements. The General Manager, working with the SEJPA Safety Advisory Committee, has developed an incentive program that is cost neutral, designed to maintain and improve SEJPA's culture of safety, and comply with OSHA requirements. The revised safety incentive program was then reviewed by the SEJPA's legal team, Procopio Cory Hargreaves & Savitch (Procopio), for employee law compliance, and by the SEJPA's pooled insurance provider (California Sanitation Risk Management Association) for purpose and function.

In addition to revising the Safety Incentive program, Staff requested Procopio to perform a review of Resolution 2016-10 to ensure compliance with current employment law. Consistently reviewing and updating personnel rules are both a practical and legal necessity. It is essential for keeping up with ever-changing laws and issues that occur both within and outside of the agency. Public agencies must keep abreast of the new laws and regulations created by the California legislature, California and federal courts, and administrative bodies.

Procopio provided recommended changes to Resolution 2016-10. The changes primarily provide further clarification on terms and conditions of the resolution; updates the conversion, payment, and use of Accrued, Unused Vacation and Sick Leave; replaces the prior Safety Incentive Program with the new program (included in Resolution 2018-02), and provides other minor updates ("housekeeping").

FINANCIAL IMPACT

The adoption of Resolution 2018-02 is expected to be cost neutral while achieving the intent of revising the SEJPA's safety incentive program for compliance with OSHA requirements and providing clarity to terms and conditions of employment.

It is therefore recommended that the Board of Directors:

1. Adopt Resolution No. 2018-12, Resolution Adopting the San Elijo Joint Powers Salary and Benefits for Fiscal Years 2016-17, 2017-18, and 2018-19; and
2. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: Resolution No. 2018-02

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SAN ELIJO JOINT POWERS AUTHORITY
ADOPTING SALARY AND BENEFITS
FOR FISCAL YEARS 2016-17, 2017-18, and 2018-19**

WHEREAS, the San Elijo Joint Powers Authority (SEJPA), which provides direct employment of SEJPA employees, desires to meet in an informal input process with SEJPA employees (Employees) regarding the wages, benefits, and certain other terms and conditions of employment;

WHEREAS, the Board of Directors has appointed the General Manager to act as a Labor Relations committee;

WHEREAS, the General Manager and the SEJPA Board of Directors have reviewed salary and benefit data of comparable service agencies;

WHEREAS, the General Manager has met with the Employees regarding compensation and benefits;

WHEREAS, the Employees are a valuable and important part of the SEJPA and have had the opportunity to meet in the informal input process with the designated SEJPA representative, the General Manager, on compensation, benefits, and other terms and conditions of employment;

WHEREAS, the Board of Directors of the SEJPA approved Resolution No. 2016-10 to formally establish the salary, benefits, and other terms and conditions of employment for Employees for the Fiscal Years 2016-17, 2017-18, and 2018-19;

WHEREAS, the SEJPA desires to modify and/or clarify certain terms and conditions of employment, including the SEJPA safety incentive program and paid sick leave, consistent with changes in governing law and best practices; and

NOW THEREFORE, be it resolved by the Board of Directors of the SEJPA that Resolution No. 2016-10 be revoked in its entirety and replaced by Resolution 2018-02 establishing the salary, benefits, and other terms and conditions of employment for the Employees set forth below are hereby adopted and established as those of the SEJPA. The San Elijo Joint Powers Authority Employee Handbook may be updated as deemed necessary by the General Manager to incorporate these provisions.

SECTION I GENERAL

The provisions of this resolution shall commence on October 9, 2017 and terminate on June 30, 2019. If a new resolution is not in place by July 1, 2019, the provisions of this resolution will continue with all salary and benefit allowance frozen at the Fiscal Year 2018-19 limits. For Section II, F, the process for determining benefit limits remains the same until a new resolution is in place.

SECTION II BENEFITS

A. Vacation Leave

Employees accrue vacation leave as follows:

Vacation Increment	Hours of Vacation Leave	Bi-Weekly Rate	Accrual	Maximum Accumulation
0-5 years	104	4.00 hours		208 hours
5-10 years	128	4.92 hours		256 hours
10-15 years	152	5.85 hours		304 hours
15+ years	184	7.08 hours		368 hours

Vacation leave for part-time employees is prorated based on the number of hours worked, e.g. an employee who works 30 hours per week would accrue vacation leave at a rate of 75 percent of that rate at which a regular full-time employee accrues vacation leave. Vacation accrues on an as-worked basis. Vacation does not accrue during any unpaid leave of absence.

Employees are entitled to accrue vacation leave up to a maximum amount equal to twice the employees' annual accrual rate ("Maximum Accumulation"), after which accrual ceases until the balance of maximum accrued hours falls below the Maximum Accumulation.

Accrued, Unused Vacation Payout Upon Separation of Employment

Upon separation of employment with the SEJPA, accrued vacation benefits that have not been used or cashed out will be paid to the employee in accordance with applicable law.

Conversion of Accrued, Unused Vacation Leave to Cash

Annually, on December 1st of each year, an employee may elect to cash-out vacation hours in excess of 72 hours, provided that the employee has used at least 72 hours of vacation time within the previous 12 months. The maximum allowable hours to be cashed-out annually is limited to an amount equal to the employee's one-year accrual rate at the time the vacation is cashed out. For example, an employee with who has worked for SEJPA for 0 to 5 years is permitted to cash out a maximum of 104 hours annually, provided the employee has used at least 72 vacation hours during the 12 months preceding December 1. The pay rate will be the employee's applicable hourly wage at the time each cash-out payment is made. Cash-out will be paid on a quarterly basis by the last payday of April, July, October, and January. If an employee's employment is terminated prior to receiving all of the employee's quarterly cash-out payments, the employee will be paid all remaining accrued, unused vacation at the time the employee receives his or her final pay. The election to cash-out vacation hours may not be revoked or modified.

B. Holidays

Employees of the San Elijo Joint Powers Authority (SEJPA) receive 12 paid holidays each fiscal year: 10 fixed holidays and 2 floating holidays. Floating holidays for employees hired after the start of the fiscal year are prorated based upon the date of hire. Employees are entitled to pay that is equal to the employee's regularly scheduled hours on any given holiday.

Fixed holidays include:

- | | |
|---|--|
| 1. New Year's Day, January 1 | 6. Labor Day, First Monday in September |
| 2. Martin Luther King, Jr., Third Monday in January | 7. Veteran's Day, November 11 |
| 3. President's Day, Third Monday in February | 8. Thanksgiving Day, Fourth Thursday in November |
| 4. Memorial Day, Last Monday in May | 9. Day after Thanksgiving |
| 5. Independence Day, July 4 | 10. Christmas Day, December 25 |

C. Paid Sick Leave

Eligible Employees

All employees (including part-time and temporary) who work for the SEJPA are eligible to accrue Paid Sick Leave ("PSL") beginning on the first day of employment under the accrual rate and cap set forth in this policy.

Permitted Use

Eligible employees may use their accrued PSL to take paid time off for the diagnosis, care, or treatment of an existing health condition of (or preventive care for) the employee or the employee's family member.

For purposes of this policy, "family member" means a child, parent, spouse, registered domestic partner, grandparent, grandchild, or sibling of the employee. "Child" means a biological child, a foster child, an adopted child, a step-child, a child of a registered domestic partner, a legal ward, or a child of a person standing in loco parentis. "Parent" means a biological, foster, or adoptive parent, a step-parent, or a legal guardian of the employee or the employee's spouse or registered domestic partner. "Spouse" means a legal spouse, as defined by California law.

Employees may also use their PSL to take time off from work for reasons related to domestic violence, stalking, or sexual assault.

Accrual Rate, Maximum, and Carryover

Eligible **full-time employees** will accrue eight hours of PSL per month accumulated on a bi-weekly basis beginning immediately upon hire. Part-time employees will accrue on a prorated bases, but not less than one hour of PSL for every 30 hours worked beginning immediately upon hire. Accrual for non-exempt, part-time employees will be calculated based on actual hours worked. PSL accrues on an as-worked basis and does not accrue during an unpaid leave of absence.

There is a cap on PSL accrual. PSL accrues up to a maximum of 1,000 hours after which accrual ceases until the balance of maximum accrued hours falls below the cap. In such a case, no PSL will be earned for the period in which the employee's PSL was at the maximum. Accrued but unused PSL will carry over from year to year, subject to this maximum accrual.

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Limits on Use and Cashing Out

If an employee absents himself or herself from work for part or all of a workday for a reason covered by this policy, he or she will be required to use accrued PSL to make up for the absence. If while on vacation, an employee becomes ill, he/she may have the period of illness charged to his/her accumulated sick leave instead of vacation.

Employees who have accumulated more than 176 hours of sick leave may elect to be paid for any sick leave in excess of 176 hours provided an election is made prior to December 15th each year for payment in the following year. The pay rate will be 50 percent of the employee’s hourly wage at the time of the cash-out.

Notification

The employee must provide reasonable advance notification, orally or in writing, of the need to use PSL, if foreseeable. If the need to use PSL is not foreseeable, the employee must provide notice as soon as practicable.

Termination

Employees who are not terminated for cause and have given the SEJPA 14 calendar days (beginning on the date the notice is received by the SEJPA) written notice shall be paid for 50 percent of their accumulated sick leave. Sick leave pay will be calculated based on the employee’s regular rate of pay at the time of the cash-out.

All other employees who do not meet the conditions above will not receive pay in lieu of accrued but unused PSL. Accrued but unused PSL will not be paid out upon termination for cause or where the employee has failed to provide 14 days’ notice of termination.

Retaliation

SEJPA prohibits discrimination or retaliation against employees for using their PSL.

D. Bereavement Leave

Employees may receive 3 days off with pay for bereavement of an individual who is a member of the employee’s immediate family. Upon approval by the General Manager, additional sick leave may be used to supplement the bereavement leave in the event of a death of an immediate family member. Immediate family member is defined as:

- | | |
|---------------------|--------------------------------------|
| Spouse | Mother/Father-in-Law |
| Child/Adopted Child | Daughter/Son-in-Law |
| Stepchild | Grandparent |
| Sibling | Niece/Nephew |
| Parent | Sister/Brother-in-Law |
| Stepparent | Registered Domestic Partner |
| Grandchild | Child of Registered Domestic Partner |
| Aunt/Uncle | Persons who have raised the employee |

Employees may receive one paid full day off to attend the funeral of a relative who is not a member of the employee’s immediate family. The SEJPA may request documentation (i.e. a copy of the death certificate) to certify the need for such leave.

E. Administrative Leave

Exempt employees are exempt from overtime provisions of the Fair Labor Standards Act. In lieu of compensating overtime, these employees shall be entitled to take up to five (5) days of administrative leave annually. This leave must be taken in increments of not less than half a day.

F. Health, Dental Insurance and Vision Care Plan

Employees and their dependents are provided a group dental and vision care plan; the employer's contribution for premiums for vision and dental plans shall be an amount each year that is 95% of the average of the plans being offered, at the appropriate tier (single, double and family). Eligibility for dental and vision insurance will begin the first of the month following employment. If there is a conflict between this Agreement and the applicable plan document, the plan document shall apply.

Employees and their dependents are provided with group health insurance coverage under the CalPERS PEMCHA program. Effective July 1, 2016, the employer's contribution for each employee shall be an amount each year that is 95% of the average of all health plans CalPERS makes available to the SEJPA, excluding the CalPERS Care Plan, at the appropriate tier (single, double and family). The employee shall pay for any premium cost for coverage that exceeds the SEJPA's contribution. Eligibility for health coverage will begin the first of the month following employment.

Employees who meet the applicable eligibility requirements established by the SEJPA, in accordance with applicable law, shall be provided health, dental and vision insurance for themselves and their dependents, upon request. Flexible contributions allocated to part-time employees are prorated based on the number of hours worked, i.e. an employee who works 30 hours per week would receive 75 percent of the maximum annual contribution.

In lieu of health insurance coverage, eligible employees may elect to receive compensation of 25 percent of the single employee benefit in addition to their regular pay. Employees must show current proof of health insurance coverage under another plan outside of the SEJPA and may be required to periodically show proof upon request. Requests for compensation in lieu of health insurance coverage should be in writing and are subject to review and approval of the General Manager.

Employees hired before July 1, 2008, shall receive a minimum annual contribution of \$8,870 with maximum cash out of \$6,530.

G. Health Care Reimbursement

Employees shall be able to designate dollars for eligible medical, dental, and vision reimbursement. Employees may supplement Plan contributions with tax-exempt dollars through voluntary payroll deduction. Each employee shall assume responsibility for any income tax obligations resulting from participation in the health care reimbursement program.

H. Dependent Care Reimbursement

Employees shall be able to designate dollars for eligible dependent care reimbursement. Employees may supplement Plan contributions with tax-exempt dollars through voluntary payroll deduction. Each employee shall assume responsibility for any income tax obligations resulting from participation in the dependent care reimbursement program.

I. Life and Disability Insurance

The SEJPA provides for its employees life insurance equal to the employee's annual salary. Each employee shall assume responsibility for any income tax obligations resulting from the payment of insurance premiums.

The SEJPA provides for its employees' short-term and long-term disability insurances. Each employee shall assume responsibility for any income tax obligations resulting from the payment of insurance premiums and disability compensation received from the disability insurance provider.

J. Retirement

For all employees hired prior to July 1, 2012, the SEJPA shall participate in the California Public Employees' Retirement System (CalPERS) program, 2.5% at 55 Full Formula, One-Year Final Compensation for active SEJPA miscellaneous members effective July 1, 2008.

Effective the first pay date of each fiscal year, the employees shall pay the full employee portion as defined or set forth by CalPERS, which as of July 1, 2016 is 8.00%.

For all employees hired after June 30, 2012 and CalPERS Classic Employees, the SEJPA shall participate in the California Public Employees' Retirement System (CalPERS) program, 2.0% at 60 Full Formula, Three Year Average Final Compensation for active SEJPA miscellaneous members effective July 1, 2012. Effective the first pay date of each fiscal year, the employees shall pay the full employee portion as defined or set forth by CalPERS, which as of July 1, 2016 is 7.00%.

For all employees hired after January 1, 2013, the SEJPA shall participate in the California Public Employees' Retirement System (CalPERS) program, 2.0% at 62 Full Formula, subject to the California Public Employees' Pension Reform Act of 2013 ("PEPRA"). Effective the first pay date of each fiscal year, the employees shall pay the full employee portion as defined or set forth by CalPERS, which as of July 1, 2016 is 6.25%.

K. Deferred Compensation Plan

Where the employee voluntarily participates in the SEJPA's deferred compensation plan, the SEJPA shall contribute an equal amount on a matching basis up to 4 percent (4%) of the employee's annual base salary.

L. Uniforms and Safety Equipment

The SEJPA shall provide all laboratory, operations and maintenance employees (and any other employee classification as deemed appropriate) with necessary personal protective equipment as required for their duties, including but not limited to uniforms. The SEJPA shall provide employees, upon date of hire and yearly thereafter, up to a maximum amount of \$185.00 to purchase safety shoes/boots required of their position. If an employee damages their boots performing work duties, the General Manager has authority to approve reimbursement of replacement boots.

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The SEJPA shall provide employees up to \$300.00 each fiscal year for the purchase of SEJPA-approved prescription safety glasses.

In certain circumstances, the General Manager also has authority to approve a uniform and safety equipment allowance beyond the maximum amount.

M. Tuition Reimbursement

The SEJPA will reimburse employees for certain educational expenses incurred by employees in connection with the employee’s successful completion of educational courses approved in advance by the SEJPA. Employees may be reimbursed up to \$600.00 for any one course, and up to a maximum of \$2,000.00 per employee per fiscal year.

SECTION III. COMPENSATION

A. Employee Compensation

Employees, except the General Manager, shall receive compensation in accordance with the adjusted ranges in the Classification and Compensation Schedule.

B. Salary Adjustments

Effective the first pay date in July of 2016, 2017, and 2018, the Classification and Compensation Schedule for all personnel classifications shall be increased as follows:

Year	Salary Schedule Adjustment*
July 1, 2016	0.9%
July 1, 2017	1.9%
July 1, 2018	1.9%

* Salary schedule adjustment shall apply to all SEJPA labor classifications except for the General Manager position, which is generally reviewed annually by the Board of Directors.

Employees shall be provided a performance review, typically on an annual basis. Employees that are not at the top of their classification salary range shall receive consideration of a merit pay increase. Employees that are at the top of their classification salary range that receive an above average review may qualify for a one-time annual bonus of up to \$800.00 for meritorious work performance.

The Classification and Compensation Schedule for Fiscal Year 2017-18 is shown in Exhibit A.

SEJPA and its employees acknowledge and agree that during the term of this agreement the SEJPA may implement decisions within its discretion related to implementation of its on-going assessment of the competitiveness of the SEJPA. This means that job positions, classifications, and their respective job descriptions may be revised, added, or deleted; work and shift hours may be revised; new or revised automation; and new or revised procedures may be implemented. The SEJPA invites employees to provide input on these decisions if they result in a modification of any express provision of the SEJPA’s policies and procedures.

C. Working Out of Position Specification

Occasionally, an employee is required by the General Manger to assume an “acting” position that is outside his/her job specification. This policy is intended to provide the employee with additional compensation based upon the newly assumed duties.

An employee designated as “acting” by the General Manager, will assume the acting title and associated base salary for the position that he/she is assuming. This title and compensation will continue throughout the duration of the acting period. The General Manager can designate a rate of pay within the range of the assumed position. Under no circumstance will the employee’s increased salary exceed the top of the assumed position range.

The needs of the SEJPA will prevail in determining the length of time for which the employee assumes the acting position.

This provision does not apply to the General Manager.

D. Shift Differential

The SEJPA shall pay non-exempt operations and maintenance employees a shift differential of \$1.50 per hour in addition to their base rate of pay for hours assigned to a work shift other than the day shift.

E. Standby Duty

Non-exempt operations and maintenance employees are required to be on standby to respond to emergency situations. Non-exempt operations and maintenance employees on standby are compensated at one hour of their regular hourly rate of pay per day.

F. Call-Back

The SEJPA shall compensate, at the rate of time and one-half their regular rate of pay, non-exempt employees who are unexpectedly ordered to report back to duty to perform necessary work following completion of the non-exempt employee’s workweek or work-shift and their departure from the site. Non-exempt employees called back under this condition shall receive a minimum of two hours compensation. Call-backs on holidays, weekdays or weekends after midnight and before the start of the non-exempt employee’s regular shift are compensated at a rate of two times the non-exempt employee’s regular hourly rate.

G. Meal Allowance

The SEJPA shall reimburse non-exempt employees a maximum of \$12.00 per meal for food and non-alcoholic beverages when the non-exempt employee is unexpectedly ordered to work due to an emergency for at least two hours overtime beyond the standard work shift.

H. Incentive Program

The Employee Recognition Program is designed to provide an opportunity for the SEJPA to recognize dedicated and loyal employees who contribute to its success.

1. Professional and Technical Achievement

Recognizes employees for their individual accomplishments in the area of work related professional development such as education or technical certification or recognition by a work related professional organization, payable within 45 days of receiving certification or education and providing proof of completion of the qualifying certification or education.

Industry Awards and Professional Certifications - \$500.00

Associates Degree - \$1,000.00, Bachelor's Degree - \$1,500.00, Master's Degree - \$2,000.00

2. Organizational Performance Achievements

Recognizes employees for SEJPA accomplishments related to environmental performance, safety and industry recognition.

Environmental Performance

- Region 9 Regional Water Quality Control Board Performance
 - No more than 5 violations of NPDES requirements - \$250.00
 - 100% compliance with NPDES requirements - \$1,000.00
 - 100% compliance with NPDES requirements for 5 consecutive years - \$2,000.00
- Environmental Performance at Pump Stations
 - No reportable spills from pump stations - \$250.00
- Period of Performance
 - The period of performance will be January 1 to December 31, of each year, payable in January of the following year.

Safety Program – Provides incentive funding to all employees up to \$1,000.00 per employee per year that successfully perform safety inspections, safety presentations, develop corrective actions, demonstrate understanding of SEJPA's illness and Injury Prevention Plan, and safety online training as prescribed in the SEJPA Safety Incentive Program.

Industry Awards – Industry organizations may include, but not limited to, American Society of Civil Engineers (ASCE), California Water Environment Association (CWEA), WaterReuse, California Association of Sanitary Agencies (CASA), California Sanitary Risk Management Authority (CSRMA), and Water Environment Federation (WEF), payable within 45 days of receiving award and providing proof of receipt of award.

- Local Award – 1st place - \$150.00
- State Award – Honorable Mention, Second, or Third Place - \$200.00, First Place - \$300.00

All organizational awards apply to each and every employee employed on the date of award. Employees hired during the award year will receive a prorated award bonus provided they remain an employee on the date of the award. For example, an employee employed for only six (6) months of the award year will receive 50% of the applicable award bonus.

Terms and Conditions of Employment

All other terms and conditions of employment are specified in the SEJPA's Employee Handbook.

Competitiveness Assessment Decision

The SEJPA will perform a Classification and Compensation Study and present recommendations to the SEJPA Board of Directors prior to the end of this contract.

PASSED AND AMENDED this 9th day of October, 2017, by the following vote:

AYES: Boardmembers:
NOES: Boardmembers:
ABSENT: Boardmembers:
ABSTAIN: Boardmembers:

Ginger Marshall, Chairperson
SEJPA Board of Directors

ATTEST:

Michael T. Thornton, P.E.
Secretary of the Board

EXHIBIT A



Adopted Annual Budget 2017-18

Classification and Salary Schedule

**SAN ELIJO JOINT POWERS AUTHORITY
CLASSIFICATION AND SALARY SCHEDULE
July 1, 2017**

Position	Full-Time Equivalent (FTE)	Salary			
		Monthly		Annual	
		Minimum	Maximum	Minimum	Maximum
Accounting Technician	1	\$ 4,249	\$ 6,063	\$ 50,991	\$ 72,757
Administrative Assistant I	1	2,316	3,619	27,794	43,434
Administrative Assistant II	1	3,582	5,265	42,981	63,182
Director of Operations	1	9,418	13,847	113,011	166,166
Associate Engineer	1	6,438	9,231	77,257	110,773
Director of Finance/Administration	1	9,418	13,847	113,011	166,166
General Manager (Under Contract)	1	16,500	16,500	198,000	198,000
Laboratory Series	2				
<i>Laboratory Analyst I</i>		4,287	5,853	51,443	70,238
<i>Laboratory Analyst II</i>		4,878	7,004	58,535	84,043
<i>Senior Laboratory Analyst</i>		5,941	9,038	71,289	108,450
Mechanic Series	3				
<i>Mechanic I</i>		4,331	5,912	51,969	70,947
<i>Mechanic II</i>		4,967	6,782	59,599	81,390
<i>Mechanical Systems Supervisor</i>		5,782	10,015	69,382	120,177
Systems Integration Series	2				
<i>Systems Integration Technician I</i>		4,331	5,911	51,969	70,935
<i>Systems Integration Technician II</i>		4,967	6,782	59,599	81,390
<i>SCADA Manager</i>		7,640	10,898	91,686	130,778
Wastewater Treatment Operator Series	5				
<i>Operator-In-Training</i>		3,979	5,433	47,750	65,200
<i>Operator I</i>		4,331	5,912	51,969	70,947
<i>Operator II</i>		4,967	7,122	59,599	85,461
Lead Operator	2	5,673	8,334	68,073	100,013
Chief Plant Operator	1	7,778	10,118	93,336	121,412
Water Reclamation Series	1				
Water Reclamation Specialist		5,066	7,266	60,798	87,198

Salary amounts approved by the SEJPA Board of Directors on January 11, 2016, and updated per SEJPA Board Resolution No. 2016-10, Section III(B).

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

October 9, 2017

TO: Board of Directors San Elijo Joint Powers Authority
FROM: General Manager
SUBJECT: EMERGENCY REPAIR – SCREENINGS WASHER COMPACTOR

RECOMMENDATION

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

BACKGROUND

The San Elijo Water Reclamation Facility's preliminary treatment system (also known as "Headworks/Grit" treatment) provides basic physical treatment of the raw wastewater that enters the facility. This treatment system includes mechanical processes that remove trash, rocks, rags, and other debris that can clog, damage, or interfere with downstream treatment. In addition, preliminary treatment removes sand, grit, and other dense materials from the wastewater that can cause premature wearing of pumps and pipes within the treatment plant. The material that is removed is washed, dewatered, and sent to the local landfill for final disposal. The organic materials are returned to the plant to fuel the biological treatment process. The equipment that washes and dewateres the incoming material is commonly referred to as the "washer compactor" and the existing unit was originally installed in 2003. Last month, this existing washer compactor experienced major mechanical issues that rendered the system inoperable. Staff made every effort to repair the system but parts were not available due to factory damage (located in Fort Lauderdale, Florida) incurred by Hurricane Irma. The existing unit, which was at the end of its life cycle, was slated for replacement during the Preliminary Treatment Upgrade project currently in progress, but unfortunately, the unit specified for the project will not be available for approximately 9 months.

DISCUSSION

Staff promptly evaluated multiple emergency replacement options and determined that a rental solution is the best course of action. Staff identified two companies that are able to deliver a rental system. However, Duperon Corporation is the only company able to provide a rental unit that fits within the physical constraints of the existing headworks. As a result, bidding this project would not have been practical or produced any benefit for the agency and Staff proceeded with direct negotiations with Duperon as an emergency repair project.

Upon development of mutually acceptable terms and conditions between SEJPA and Duperon, SEJPA legal counsel performed a review of the agreement. The final agreement was executed on September 27, 2017. The emergency washer compactor is anticipated to arrive at the beginning of November 2017. In the interim, Staff will continue to tend to the headworks manually until the rental unit is received. NEWest, the contractor for the Preliminary Treatment Upgrades project, has agreed to install the unit at no additional cost.

FINANCIAL IMPACT

Adequate funding is available for this emergency expenditure within the Fiscal Year 2017-18 Operation and Maintenance Budget. The rental cost is expected to be less than \$50,000. However if the need to rent the unit extends longer than anticipated, the rental agreement is capped at \$60,000, at which time the SEJPA owns the equipment. Funding for this expenditure will be from the Wastewater Program Contingency, which has an available budget of \$70,200.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: Duperon Corporation – Rental Agreement

ATTACHMENT 1

RENTAL AGREEMENT

This Rental Agreement ("Agreement") is entered into on September 27, 2017 (the "Effective Date"), by and between Duperon Corporation ("DUPERON"), a Michigan Corporation located at 1200 Leon Scott Ct, Saginaw, MI 48601 and San Elijo Powers Authority, a joint powers authority organized and operating pursuant to Government Code Sections 6500 *et seq.*, ("SEJPA") with offices located at 2695 Manchester Ave., Cardiff by the Sea 92007. The SEJPA agrees to rent the equipment listed herein, including: Used WC.A2.5 Washer Compactor ("Rental Equipment") in accordance with the following terms and conditions.

Rental Period: The Rental Period is 12 MONTHS unless terminated beforehand subject to the Termination terms of this Agreement.

Rent and Payment: The SEJPA agrees to pay DUPERON a lump sum in the amount of twenty-five thousand dollars (\$25,000.00), exclusive of inbound and outbound freight charges, within 15 days upon the Effective Date of this Agreement, which payment shall cover rent for the first six months of this Agreement. SEJPA shall be separately responsible for payment of inbound and outbound freight charges. During the remaining six months of the Rental Period, the SEJPA shall pay a monthly rent of four thousand dollars and no cents (\$4,000.00) at the beginning of each monthly billing period by the 1st day of each calendar month.

Warranties and Disclaimer of Warranties: DUPERON warrants only that the Rental Equipment will be free from defects in material and workmanship and will conform to Duperon Proposal Number P9487. DUPERON makes no other warranties, express or implied, as to any other matter whatsoever, including, without limitation, the merchantability or fitness of the equipment for any particular purpose, any performance warranties regarding SEJPA's use or application, or that the equipment will meet the requirements of any laws, or rules. The SEJPA's sole remedy under this warranty is the repair or replacement of defective, non-conforming products or agreement termination. Upon notification to DUPERON and concurrence of the performance or other failure of the Rental Equipment, DUPERON will temporarily suspend the monthly rent payments. If the performance or other failure of the Rental Equipment is not cured within 30 days, SEJPA may terminate the agreement.

Extension: Thirty (30) days prior to the expiration of the one-year rental period, SEJPA shall make a determination for a lease extension or removal of the product. If the SEJPA opts to extend the lease, it will be on a month to month basis in the amount of \$1,500 per month until SEJPA sends a 30 day notification to terminate. However, in no case shall SEJPA's total rental payments under this contract exceed sixty thousand dollars (\$60,000). Should extension of the lease result in total rental payments of \$60,000, the equipment will be considered purchased at that time.

Buy Out Option: The SEJPA can purchase the equipment anytime during the lease period provided that Duperon receives a total of \$60,000 in rental payments.

Liability and Indemnity: The SEJPA agrees to maintain the Rental Equipment in strict conformance with the DUPERON user manual(s) and training provided while in its possession, and shall be responsible for

all equipment maintenance and operation costs. The SEJPA shall operate Rental Equipment in a careful and proper manner and ensure its use complies with all laws, ordinances, regulations, and instructions relating to the possession, use, and release of hazardous materials, including all registration and/or licensing requirements, if any.

The SEJPA, to the fullest extent permitted by law, shall defend, indemnify and hold harmless DUPERON, its officers, directors, employees, and representatives from and against any and all claims, actions, suits, proceedings, costs, expenses, damages, and liabilities, including attorney fees, arising out of, connected with, or resulting from the Rental Equipment or this Agreement, including, without limitation, the control, possession, use, operation, maintenance or return of the equipment, or based on misuse, negligence, and/or failure to operate the Equipment in a safe manner. In no event shall DUPERON be responsible for any errors or omissions due to the SEJPA's lack of operational or technical capability. SEJPA recognizes and agrees that included in this indemnity clause, but not by way of limitation, is the SEJPA's assumption of any and all liability for injury, disability and death of workmen and other persons caused by the operation, use, control, handling, or transportation of the Rental Equipment during the Rental Period.

DUPERON, to the fullest extent permitted by law, shall defend, indemnify and hold harmless SEJPA, its member agencies, and their respective officers, directors, employees, and representatives from and against any and all claims, actions, suits, proceedings, costs, expenses, damages, and liabilities, including attorney fees, arising out of, connected with, or resulting from the Rental Equipment or this Agreement to the extent caused by any negligent acts or omissions or misconduct by DUPERON.

Risk of Loss: Following delivery and acceptance of the Rental Equipment at SEJPA's premises, the SEJPA assumes all risks of loss or damage to the Rental Equipment from any cause, and agrees to return the Rental Equipment at SEJPA's premises for shipment to DUPERON at the end of the Rental Period in the same condition, less normal wear and tear, as received from DUPERON. The SEJPA shall repair or replace Rental Equipment lost or damaged while in SEJPA's possession up the equipment's replacement value of \$60,000 less any depreciation due to age or normal use.

Insurance: During the Rental Period, SEJPA shall maintain at its own expense, the following minimum insurance coverage: a) General Commercial Liability insurance of not less than \$1,000,000 per occurrence, including, coverage for SEJPA's contractual liabilities, such as the Liability and Indemnity clause included herein, b) Property Insurance against loss by all risks to the Rental Equipment of not less than equipment's replacement value, and c) Workers Compensation Insurance as required by local statute. SEJPA shall furnish a certificate of insurance executed by an authorized representative of an insurance company licensed in the state of California. DUPERON, its officers, directors, employees, and representatives shall be named as Additional Insureds under the Commercial General Liability insurance. The Commercial General Liability insurance shall apply as primary insurance and each shall contain a waiver of subrogation in favor of DUPERON, its officers, directors, employees, and representatives. DUPERON understands and agrees that such insurance may be coverages pursuant to Government Code section 990.4.

Termination: DUPERON may terminate the Agreement for SEJPA's default upon the occurrence of any of the following: i) failure of SEJPA to make a required payment under the Agreement when due, ii) violation of any material provision or requirement of the Agreement that is not corrected within 10 business day(s) written notice, iii) insolvency or bankruptcy of the SEJPA, or iv) any levy, seizure, assignment, application or sale of SEJPA's property by any creditor or government agency. If the SEJPA is in default, DUPERON may take possession of the Rental Equipment as provided by law, deduct the costs of recovery (including attorney fees and legal costs), repair, and related costs, and hold the SEJPA responsible for any deficiency. DUPERON or SEJPA may terminate this Agreement at any time upon 30 days written notification any time after the first six months beginning at the Effective Date. SEJPA may terminate this Agreement at any time by returning the Rental Equipment to DUPERON. Upon termination, SEJPA shall remove, steam clean/wash down, and disinfect the Rental Equipment to remove all debris and material, secure the Rental Equipment in the shipping crates, and notify DUPERON, or its representative, when the equipment is available for transport. DUPERON shall have the opportunity to inspect the equipment prior to securing the Rental Equipment in the shipping crates. SEJPA shall be responsible for shipping the Rental Equipment back to Duperon, including freight charges. Any damage noted or other costs for repair shall be documented by both DUPERON and SEJPA. The effective date of termination shall be that date on which the Rental Equipment is in the possession of a common carrier. Any unpaid charges owed to DUPERON by the SEJPA will be applied to the unused prorated rent due or billed to the SEJPA at DUPERON's option. If SEJPA has a balance of prepaid rent at termination, DUPERON will refund the unused prorated rent after deducting for damages or other costs, if any, within 10 business days of DUPERON taking possession.

Limitation of Liability: DUPERON shall not be liable for lost profits or other special, indirect or consequential damages. The maximum total liability of DUPERON shall under no circumstances exceed the accumulated rental payments paid under the Agreement.

Title: DUPERON shall retain title to the Rental Equipment, unless DUPERON transfers the title by sale. The SEJPA shall immediately advise the DUPERON regarding any notice of any claim, levy, lien, or legal process issued against the equipment. During the term of this Rental, the SEJPA shall pay all taxes, assessments, and license and registration fees on the equipment.

Notices: All notices required under this Agreement shall be deemed delivered when delivered by registered mail addressed to:

If to DUPERON

Jodi Jaskiewicz
1200 Leon Scott Ct
Saginaw, MI 48601

If to SEJPA

Michael Thornton
2695 Manchester Ave.
Cardiff by the Sea, CA 92007

Assignment: The SEJPA shall not assign or sublet any interest in this Agreement or the Rental Equipment or permit its use by anyone other than SEJPA's employees, without DUPERON's prior written consent which shall not be unreasonably withheld or delayed.

Entire Agreement: This contract constitutes the entire agreement between the parties. No modification or amendment of this contract shall be effective unless in writing and signed by both parties. This contract replaces any and all prior agreements between the parties whether written or verbal.

Jurisdiction and Severability: This Agreement is entered into in San Diego, California. This Agreement and performance by the parties hereunder shall be construed in accordance with, and governed by, the laws of the State of California. Any claim or dispute arising from or based upon this Agreement or the Rental Equipment which form its subject matter shall be resolved by binding arbitration before the American Arbitration Association in San Diego, California, pursuant to the Commercial Arbitration Rules. Any award made by the arbitrator may be entered as a final judgment, in any court having jurisdiction to do so. If any provision of this Agreement shall be held by a court of competent jurisdiction or an arbitrator to be unenforceable to any extent, that provision shall be enforced to the full extent permitted by law and the remaining provisions shall remain in full force and effect.

Agreed and Accepted:

For DUPERON

By  _____

Name Michael Olivera

Title Lead Sales Project Manager

Date September 27, 2017

For SEJPA

By  FOR/MTT

Name Michael Thornton

Title General Manager

Date 9/27/2017