

SAN ELIJO JOINT POWERS AUTHORITY
MEMORANDUM

June 20, 2023

TO: Board of Directors
San Elijo Joint Powers Authority

FROM: General Manager

SUBJECT: ADOPTION OF THE SAN ELIJO JOINT POWERS AUTHORITY
FISCAL YEAR 2023-24 BUDGET, INVESTMENT POLICY, AND
APPOINTMENT OF TREASURER

RECOMMENDATION

It is recommended that the Board of Directors:

1. Adopt Resolution No. 2022-03, Approving the San Elijo Joint Powers Authority Operating and Capital Improvement Budgets for Fiscal Year 2023-24;
2. Adopt Resolution No. 2022-04, Approving the San Elijo Joint Powers Authority Investment Policy and Guidelines and Appointment of Amy Chang as SEJPA Treasurer; and
3. Discuss and take action as appropriate.

BACKGROUND

In April 2023, Staff presented the Fiscal Year (FY) 2023-24 Recommended Budget to the Board of Directors for review and public comment. In addition, staff met with staff from both Member Agencies and discussed the recommended budget with other government agencies that utilize San Elijo Joint Powers Authority (SEJPA) services.

In May 2023, Staff informed the Board of Directors that SEJPA has not received any proposed changes from the Member Agencies or other participating government agencies, as well as no public comments. However, staff have identified one change: adding \$14,832 of Other Revenue to account for laboratory rental revenue that SEJPA is scheduled to receive in FY 2023-24. In addition, the \$10 million private placement loan for the recycled water capital improvement plan was executed and the final debt service budget has been adjusted from the estimated \$800,000 to \$778,982 per the debt service schedule from the loan agreement. These changes increased revenue budget by \$14,832 and decreased overall expense budget by \$21,018.

DISCUSSION

FY 2023-24 Budget

The FY 2023-24 San Elijo Joint Powers Authority (SEJPA) Recommended Budget has been prepared in accordance with the SEJPA formation agreement and service agreements with other government entities. The budget estimates all expenditures necessary to provide wastewater treatment, waste disposal, water recycling, laboratory, ocean outfall, pump stations, and other services. The FY 2023-24 Recommended Budget Document is available on SEJPA's website at <https://www.sejpa.org/about-us/financials>.

The FY 2023-24 Recommended Budget consists of \$9,974,623 operating expense, \$6,570,000 capital appropriation, and \$2,373,548 debt service payments for a total budget of \$18,918,171. This amount includes the Recycled Water program, which has a total recommended budget of \$8,152,117 including operations and maintenance, capital projects appropriation, and debt service payments. The total recommended budget also includes Leucadia Wastewater District (WWD) Technical Support Services, a new program with a budget of \$22,800 and the second year of service to the 22nd District Agricultural Association clean water services program with a budget of \$136,953. Both programs are fully funded by the organizations that are requesting these services.

Program	Adopted Budget 2022-23	Recommended Budget 2023-24	Budget Change	% Change
Wastewater Treatment	\$ 3,455,532	\$ 3,963,797	\$ 508,265	14.7%
Laboratory Services	894,520	955,076	60,556	6.8%
Ocean Outfall	1,020,349	1,031,231	10,882	1.1%
Cardiff Sanitary Division Pump Stations	355,226	376,169	20,943	5.9%
Encinitas Sanitary Division Pump Station	155,882	167,777	11,895	7.6%
City of Encinitas Urban and Stormwater Services	37,314	55,514	18,200	48.8%
City of Solana Beach Pump Stations	446,437	463,275	16,838	3.8%
City of Solana Beach Generator Maintenance Services	14,884	15,507	623	4.2%
City of Del Mar Pump Station	61,888	66,392	4,504	7.3%
22nd District Agricultural Association (Del Mar Fairgrounds)	120,000	136,953	16,953	14.1%
Leucadia WWD Technical Support Services <i>New!</i>	-	22,800	22,800	
	\$ 6,562,032	\$ 7,254,491	\$ 692,459	10.6%
Recycled Water	2,349,413	2,720,132	370,719	15.8%
Total Operating Expenses	\$ 8,911,445	\$ 9,974,623	\$ 1,063,178	11.9%

The recommended FY 2023-24 Capital Improvement Program appropriation is \$6,570,000, which is comprised of the following.

Capital Project	Encinitas	Solana Beach	Del Mar	Rancho Santa Fe CSD	Escondido	Recycled Water	Total
Biological Treatment (NDN & CCT)* \$	220,000	\$ 220,000	\$ 60,000	\$ 25,000	\$ -	\$ 525,000	\$ 1,050,000
Stormwater Capture and Reuse*	146,667	146,667	40,000	16,666	-	350,000	700,000
Miscellaneous Projects	146,667	146,667	40,000	16,666	-	-	350,000
Laboratory Remodel	50,286	50,286	13,714	5,714	-	-	120,000
Outfall Reballast Reserve	4,412	4,412	1,176	490	39,510	-	50,000
Escondido Vault Rehabilitation	4,412	4,412	1,176	490	39,510	-	50,000
Olivehain Inlet Gate Replace	75,000	-	-	-	-	-	75,000
Moonlight Beach PS Rehab	600,000	-	-	-	-	-	600,000
RW Valve Replace (Wanket proj)	-	-	-	-	-	460,000	460,000
Wanket Tank Refurb & Pipeline	-	-	-	-	-	2,990,000	2,990,000
Pump Services	-	-	-	-	-	125,000	125,000
Total	\$ 1,247,444	\$ 572,444	\$ 156,066	\$ 65,026	\$ 79,020	\$ 4,450,000	\$ 6,570,000

* The Wastewater Program will reimburse the Recycled Water Program for its share of the NDN conversion and stormwater capture and reuse across the Water Campus through four annual installments of \$875,000 per year, totaling \$3.5 million, starting in FY 2023-24.

Recommended Debt Service for FY 2023-24 is \$2,373,548, which includes \$1,391,563 for Wastewater and \$981,985 for Recycled Water. Below is a table listing the debt services.

Expense	Adopted FY 2022-23	Recommended FY 2023-24	\$ Change	% Change
Wastewater - 2017 Revenue Bonds	\$ 1,337,425	\$ 1,338,175	\$ 750	0.1%
Wastewater - San Diego Gas & Electric	53,388	53,388	-	0.0%
Recycled Water - Advanced Water Purification	148,153	148,153	-	0.0%
Recycled Water - SFID Pipeline Loan	37,500	44,500	7,000	18.7%
Recycled Water - Solana Beach Pipeline Loan	11,250	10,350	(900)	-8.0%
Recycled Water - Capital Improvement Program (Phase 4)	-	778,982	778,982	100.0%
Total	\$ 1,587,716	\$ 2,373,548	\$ 785,832	49.5%

FY 2023-24 revenue budget is recommended at \$15,573,210. See below table for detail.

Revenue Source	Adopted Budget 2022-23	Recommended Budget 2023-24	Budget Change	% Change
City of Encinitas	\$ 4,874,444	\$ 4,691,390	\$ (183,054)	-3.8%
City of Solana Beach	3,145,811	3,332,966	187,155	5.9%
City of Del Mar	949,515	994,172	44,657	4.7%
22nd District Agricultural Association	120,000	136,953	16,953	14.1%
Rancho Santa Fe CSD	377,184	404,207	27,023	7.2%
City of Escondido	988,720	996,841	8,121	0.8%
Laboratory Services	42,000	100,600	58,600	139.5%
Recycled Water	4,236,796	4,803,713	566,917	13.4%
T-Mobile Cell Site Lease	31,783	32,736	953	3.0%
Other Revenue	50,000	37,632	(12,368)	-24.7%
Interest on Wastewater Operations	30,000	30,000	-	0.0%
Interest on Water Reclamation	12,000	12,000	-	0.0%
Total Revenue Sources	\$ 14,858,253	\$ 15,573,210	\$ 714,957	4.8%

The recommended FY 2023-24 Budget is now ready for Board consideration for adoption as presented in the attached Resolution No. 2023-03. A copy of the FY 2023-24 Recommended Budget Document is available on SEJPA website at <https://www.sejpa.org/about-us/financials>.

Investment Policy

State law requires that the Investment Policy be reviewed and adopted annually. Current SEJPA investment policy allows for investment in the State Local Agency Investment Fund (LAIF) and in the San Diego County Investment Pool. These two tools have been the basis of all investment activity since SEJPA became independent from the County of San Diego. Staff is recommending to add a third investment instrument, Money Market Fund, to provide diversified investment options. Money Market Fund, which allows investment in short-term dollar-denominated securities that are issued by diversified management companies and registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) in accordance with Government Code 53601(l)(2) and subject to the criteria and restrictions set forth in Government Code 53601(l)(4) and (5).

In addition, State law requires that a SEJPA Treasurer be appointed annually. The current SEJPA Treasurer is Amy Chang, Director of Finance and Administration. The General Manager recommends reappointing Amy Chang as SEJPA Treasurer.

RECOMMENDATION

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3. Discuss and take action as appropriate.

Respectfully submitted,



Michael T. Thornton, P.E.
General Manager

Attachment 1: Resolution No. 2023-03, "Resolution Approving the San Elijo Joint Powers Authority Operating and Capital Improvement Budgets for Fiscal Year 2023-24"

Attachment 2: Resolution No. 2023-04, "Resolution Approving the San Elijo Joint Powers Authority Investment Policy and Guidelines and Appointment of SEJPA Treasurer"