



**FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
REGULAR BOARD MEETING AND DISTRICT BUDGET MEETING**

AGENDA

PURSUANT TO WAIVERS TO CERTAIN BROWN ACT PROVISIONS UNDER EXECUTIVE ORDERS ISSUED BY GOVERNOR NEWSOM RELATED TO THE COVID-19 STATE OF EMERGENCY THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE USING THE BELOW INFORMATION, AND THERE WILL BE NO PHYSICAL LOCATION FROM WHICH MEMBERS OF THE PUBLIC MAY PARTICIPATE.

INSTEAD MEMBERS OF THE PUBLIC ARE ENCOURAGED TO PARTICIPATE IN THE BOARD MEETING VIA TELECONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION.

MEMBERS OF THE PUBLIC MAY ALSO SUBMIT PUBLIC COMMENTS AND COMMENTS ON AGENDA ITEMS IN ADVANCE IN ONE OF THE FOLLOWING WAYS:

- **BY EMAILING TO OUR BOARD SECRETARY AT LECKERT@FPUD.COM**
- **BY MAILING TO THE DISTRICT OFFICES AT 990 E. MISSION RD., FALLBROOK, CA 92028**
- **BY DEPOSITING THEM IN THE DISTRICT'S PAYMENT DROP BOX LOCATED AT 990 E. MISSION RD., FALLBROOK, CA 92028**

ALL COMMENTS SUBMITTED BY WHAT EVER MEANS MUST BE RECEIVED AT LEAST ONE HOUR IN ADVANCE OF THE MEETING. ALL COMMENTS WILL BE READ TO THE BOARD DURING THE APPROPRIATE PORTION OF THE MEETING. PLEASE KEEP ANY WRITTEN COMMENTS TO 3 MINUTES. THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT'S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.

**AUDIO CALL-IN 1-408-418-9388
ACCESS CODE 126 123 8251
AUDIO PASSWORD 39578253**

<https://fallbrookpublicutilitydistrict.my.webex.com/fallbrookpublicutilitydistrict.my/j.php?MTID=m2d6bb9a9131a78eb9f2b8f99edd55b10>

**MONDAY, JUNE 22, 2020
4:00 P.M.**

**FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125**

If you have a disability and need an accommodation to participate in the meeting, please call the Board Secretary at (760) 999-2704 for assistance.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on any item that is within the subject matter jurisdiction of the legislative body. The Board President may limit comments to three (3) minutes.

II. CONSENT CALENDAR-----(ITEMS A-C)****

All items appearing on the Consent Calendar may be disposed of by a single motion. Items shall be removed from the Consent Calendar if any member of the Board of Directors, or the public, requests removal prior to a vote on a motion to approve the items. Such items shall be considered separately for action by the Board.

A. CONSIDER APPROVAL OF MINUTES

1. May 27, 2020 Special Board Meeting
2. May 27, 2020 Regular Board Meeting
3. May 29, 2020 Special Board Meeting and Facilities Tour

Recommendation: *The Board approve the minutes of the aforementioned meetings of the Board of Directors of the Fallbrook Public Utility District.*

B. CONSIDER ADOPTION OF RESOLUTION NO. 4997 PLACING FIXED CHARGE SPECIAL ASSESSMENTS TO ADD DELINQUENT AND UNPAID CHARGES ON THE TAX ROLL

Recommendation: *That the Board adopt Resolution No. 4997 placing fixed charge special assessments to add delinquent and unpaid charges on the annual tax roll for 2020-21 by the San Diego County Treasurer-Tax Collector.*

C. CONSIDER ADOPTION OF ORDINANCE NO. 347 FIXING WATER STANDBY OR AVAILABILITY CHARGES FOR 2020-21

Recommendation: *The Board adopt Ordinance No. 347 as prepared and authorize the Secretary of the Board of Directors to send a certified copy to the Board of Supervisors of the County of San Diego and Auditor and Controller of the County of San Diego.*

III. PROPOSED FISCAL YEAR 2020-21 BUDGET -----(ITEM D)****

D. REVIEW OF PROPOSED BUDGET AND CONSIDER ADOPTION OF RESOLUTION NO. 4998 ADOPTING THE DISTRICT FISCAL YEAR 2020-

21 RECOMMENDED ANNUAL BUDGET AND ADOPTION OF
RESOLUTION NO. 4999 AMENDING ARTICLE 21 OF THE
ADMINISTRATIVE CODE

Recommendation: That the Board adopt Resolution No. 4998 adopting the final budget for Fiscal Year 2020-21 and adopt Resolution No. 4999 amending the Administrative Code to reflect the new RTS charge.

IV. ACTION / DISCUSSION CALENDAR -----(ITEM E)

E. CONSIDER CONCERNS BY NEIGHBORS OVER REPLACEMENT OF
THE MARTIN TANK

Recommendation: Staff supports Board direction.

V. ORAL/WRITTEN REPORTS----- (ITEMS 1-8)

1. General Counsel
2. SDCWA Representative Report
3. General Manager
 - a. Engineering and Operations Report
4. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
5. Public Affairs Specialist
6. Notice of Approval of Per Diem for Meetings Attended
7. Director Comments/Reports on Meetings Attended
8. Miscellaneous

ADJOURN TO CLOSED SESSION

VI. CLOSED SESSION ----- (ITEMS 1-3)

1. PERFORMANCE EVALUATION FOR THE GENERAL MANAGER
2. CONFERENCE WITH LABOR NEGOTIATORS PER GC § 54957.6
Unrepresented Employee: General Manager
3. PERFORMANCE EVALUATION FOR THE GENERAL COUNSEL

RECONVENE TO OPEN SESSION

REPORT FROM CLOSED SESSION (*As Necessary*)

VII. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

I, Lauren Eckert, Executive Assistant/Board Secretary of the Fallbrook Public Utility District, do hereby declare that I posted a copy of the foregoing agenda in the glass case at the entrance of the District Office located at 990 East Mission Road, Fallbrook, California, at least 72 hours prior to the meeting in accordance with Government Code § 54954.2(a).

I, Lauren Eckert, further declare under penalty of perjury and under the laws of the State of California that the foregoing is true and correct.

June 17, 2020
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: June 22, 2020
SUBJECT: Approval of Minutes

Recommended Action

That the Board approve the minutes of the following meetings of the Board of Directors of the Fallbrook Public Utility District:

1. May 27, 2020 Special Board Meeting
2. May 27, 2020 Regular Board Meeting
3. May 29, 2020 Special Board Meeting and Facilities Tour

May 27, 2020 Special Board Meeting



**FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
SPECIAL BOARD MEETING**

MINUTES

**WEDNESDAY, MAY 27, 2020
2:30 P.M.**

**FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125**

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 999-2704 for assistance so the necessary arrangements can be made.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

President Endter called the Special Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 2:35 p.m. President Endter made clear for the record that this meeting was conducted by teleconference using the call-in and web link pursuant to the Brown Act waivers to certain provisions of the Brown Act provided under the Governor’s Executive Orders in response to the COVID-19 State of Emergency.

President Endter also announced that the agenda provided notice that members of the public were encouraged to participate in the Board Meeting via teleconference using the call-in and web link information, and that members of the public could also email public comments and comments on agenda items in advance of the meeting by depositing them in the District’s payment drop box, mailing them to the District, or emailing them to the Board Secretary. Any such written comments would be read onto the record at the appropriate portion of the meeting, up to a limit of three (3) minutes per comment.

A quorum was established, and attendance was as follows:

Board of Directors

Present: Ken Endter, Member/President
Jennifer DeMeo, Member/Vice-President
Dave Baxter, Member
Don McDougal, Member
Charley Wolk, Member

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager

Paul de Sousa, General Counsel

PLEDGE OF ALLEGIANCE

President Endter led the Pledge of Allegiance.

APPROVAL OF AGENDA

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on any item that is within the subject matter jurisdiction of the legislative body. The Board President may limit comments to three (3) minutes.

President Endter stated, as permitted under the Brown Act, public comments would be heard on items within the subject matter jurisdiction of the District that are not on the agenda.

There were no public comments.

ADJOURN TO CLOSED SESSION

President Endter announced that members of the public were welcome to continue to stay on the line while the Board was in Closed Session; however, they would only hear silence.

President Endter announced that following Closed Session, and prior to the adjournment of the meeting, an oral announcement of reportable action by the Board in Closed Session would be made, should there be any. The oral announcement of any reportable action would be heard on the teleconference line.

The Board of Directors adjourned to Closed Session at 2:39 p.m. following an oral announcement by General Counsel de Sousa of Closed Session Items II. 1 through 4.

II. CLOSED SESSION ----- (ITEMS 1-4)

1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION PER GOVERNMENT CODE SECTION 54957:

Discuss Performance Evaluation of General Manager

2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION PER GOVERNMENT CODE SECTION 54957:

Discuss Performance Evaluation of General Counsel

3. PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE PER GOVERNMENT CODE SECTION 54957
4. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION SIGNIFICANT EXPOSURE TO LITIGATION PER GC § 54956.9 (d)(2)

Two (2) Potential Cases

RECONVENE TO OPEN SESSION

The Board returned from Closed Session and reconvened to Open Session at 3:56 p.m.

REPORT FROM CLOSED SESSION (*As Necessary*)

There was no reportable action taken in Closed Session.

III. ADJOURNMENT OF MEETING

At 3:57 p.m., President Endter adjourned the Special Meeting of the Board of Directors of the Fallbrook Public Utility District.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

May 27, 2020 Regular Board Meeting



**FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
REGULAR BOARD MEETING**

MINUTES

**WEDNESDAY, MAY 27, 2020
4:00 P.M.**

**FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125**

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 999-2704 for assistance so the necessary arrangements can be made.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

President Endter called the May Regular Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 4:03 p.m.

President Endter announced, for the record, that this meeting was conducted by teleconference using the call-in and web link on the agenda, pursuant to the Brown Act waivers to certain provisions under the Governor's Executive Order in response to the COVID-19 State of Emergency.

President Endter also announced the agenda provided notice that members of the public were encouraged to participate in the Board meeting via teleconference using the call-in and web link information, and that members of the public could have also emailed public comments and comments on agenda items in advance of the meeting by mailing them to the District, dropping them in the District's payment drop box, or emailing them to the Board Secretary. Any such written comments would be read on to the record at the appropriate portion of the meeting – up to a limit of three (3) minutes per comment. These instructions supersede the District's normal public comment procedures.

A quorum was established, and attendance was as follows:

Board of Directors

Present: Ken Endter, Member/President
Jennifer DeMeo, Member/Vice-President
Dave Baxter, Member
Don McDougal, Member
Charley Wolk, Member

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager
Paul de Sousa, General Counsel
Dave Shank, Assistant General Manager/CFO
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: There were no others present.

PLEDGE OF ALLEGIANCE

President Endter led the Pledge of Allegiance.

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

President Endter announced that he would call on staff to make a presentation of each agenda item. After the presentation was made, to avoid everyone speaking at once, President Endter reported he would then call on each Director to see if there were questions for staff regarding their presentation. President Endter stated after the round of questions, he would then ask for a motion and request that each Director identify themselves when making a motion or seconding a motion. Next, President Endter would call on each Director to see if there were any comments. He announced all votes would be done by roll call.

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on any item that is within the subject matter jurisdiction of the legislative body. The Board President may limit comments to three (3) minutes.

There were no public comments.

A. EMPLOYEE OF THE QUARTER
1. Nick Iliev

General Manager Bebee recognized Nick Iliev as the Employee of the Quarter for May 2020.

B. YEARS OF SERVICE
1. Kyle Drake – 35 years

2. Eddie Taylor – 33 years

General Manager Bebee recognized Kyle Drake for his 35 years of service to the District and Eddie Taylor for his 33 years of service to the District.

II. CONSENT CALENDAR----- (ITEMS C – E)

All items appearing on the Consent Calendar may be disposed of by a single motion. Items shall be removed from the Consent Calendar if any member of the Board of Directors or the public requests removal prior to a vote on a motion to approve the items. Such items shall be considered separately for action by the Board.

C. CONSIDER APPROVAL OF MINUTES

1. April 27, 2020 Regular Board Meeting

Recommendation: The Board approve the minutes of the aforementioned meeting of the Board of Directors of the Fallbrook Public Utility District.

**D. CONSIDER ADOPTION OF 2020-21 APPROPRIATION GROWTH RATE;
RESOLUTION NO. 4996**

Recommendation: That the Board adopt attached Resolution No. 4996 setting the tax appropriation limit for 2020-21 at \$3,320,644, which includes the Fallbrook and DeLuz service areas and Improvement District "S."

**E. CONSIDER NOTICE OF COMPLETION – MAIN PARKING AREA &
EQUIPMENT YARD REHABILITATION**

Recommendation: That the Board authorize staff to file the attached Notice of Completion with the San Diego County Recorder.

MOTION: Director McDougal moved to approve the Consent Calendar as presented;
Director Baxter seconded. Motion passed; **VOTE:**

AYES: Directors Baxter, DeMeo, Endter, McDougal, and Wolk

NOES: None

ABSTAIN: None

ABSENT: None

III. INFORMATION----- (ITEM F)

F. PIPELINE AND VALVE REPLACEMENT PROGRAM

Presented by: Aaron Cook, Senior Engineer

General Manager Bebee provided the Board an update to the Pipeline and Valve

Replacement Program. He explained this update went through the Engineering & Operations Committee. General Manager Bebee reported there is a target of 100 valve replacements per year, but because of the COVID-19 shutdown, we have fallen a little behind this year. He explained once the meter replacement project is finished, additional staff can be migrated to work on valve replacements to make more progress.

General Manager Bebee explained the District needed to look at getting on a more reasonable replacement cycle for mains, which may involve increasing the capital improvement charge, as right now, there is \$2M per year budgeted, but it should be around \$4.5M. General Manager Bebee reported the takeaway was that both pipeline and valve preplacement work would need to be escalated for the District to reach its target. This would require a discussion regarding the capital improvement charge in the future.

President Endter asked if there is an estimated completion date to have the meters done. General Manager Bebee stated they should be complete by the end of this year or beginning of next year.

Director Baxter reiterated that this was discussed in detail with the Engineering & Operations Committee, and the pipelines can be a complex problem. Director Baxter reported the District should expand its reach to other Districts to see if there are best practices that can be leveraged when it comes to certain areas of the distribution system that has pipeline that is thicker and has a much longer lifespan. He noted, by determining where this thicker pipe is, it can be taken out of the equation for the time being, which would lessen the overall capital improvement cost.

IV. ACTION / DISCUSSION CALENDAR -----(ITEMS G – H)

G. CONSIDER REGIONAL CONVEYANCE SYSTEM STUDY LETTER FROM BOARD PRESIDENT

***Recommendation:** That the Board approve the attached letter, drafted by the FP&I Committee, be sent from the District Board President to the Water Authority Chairman and to copy other District Board Presidents or SDCWA representatives.*

MOTION: Director McDougal moved to approve the letter, drafted by the FP&I Committee, be sent from the District Board President to the Water Authority Chairman and to copy other District Board Presidents or SDCWA representatives; Vice-President DeMeo seconded. Motion passed; **VOTE:**

AYES: Directors Baxter, DeMeo, Endter, McDougal, and Wolk
NOES: None
ABSTAIN: None
ABSENT: None

H. CONSIDER MORRO ROAD SEWER EXTENSION REPAYMENT AGREEMENT

Recommendation: That the Board of Directors approve the final Repayment Agreement for GRK Developers and the Payment Plan for the customers at Parcel 106-152-41.

MOTION: Director McDougal moved to approve the final Repayment Agreement for GRK Developers and the Payment Plan for the customers at Parcel 106-152-41; Director Wolk seconded. Motion passed; VOTE:

AYES: Directors Baxter, DeMeo, Endter, McDougal, and Wolk

NOES: None

ABSTAIN: None

ABSENT: None

V. **ORAL/WRITTEN REPORTS**-----**(ITEMS 1-8)**

1. General Counsel
2. SDCWA Representative Report
 - General Manager Bebee reported that the Water Authority is reviewing rates at their Board Meeting the following day. He summarized that the aggregate rate increase is 6%. For the time being, General Manager Bebee was not sure what that meant for the District, but recognized that since our demands have been dropping, typically that will yield a higher percentage of the increase to the District.
3. General Manager
 - a. Engineering and Operations Report
4. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
 - Assistant General Manager/Chief Financial Officer Shank provided an overview of the written reports included in the board packet.
5. Public Affairs Specialist
 - Public Affairs Specialist Denke reported she is working on a District newsletter and the annual water quality report. She also noted she is working on monthly videos in regards to the detachment and proposed Board members could be involved in the videos.
6. Notice of Approval of Per Diem for Meetings Attended
 - Notification of Approval for Director's attendance for a telephone conference between Supervisor Jim Desmond and Policy Advisor, Ben Mills, on Friday, May 1, 2020.

- President Endter provided notice to the Board that he approved Director McDougal's attendance at a telephone conference with Supervisor Jim Desmond, Supervisor Desmond's Policy Advisor, Ben Mills, and General Manager Bebee on Friday, May 1, 2020.
7. Director Comments/Reports on Meetings Attended
- Director McDougal provided an oral report on his teleconference meeting with Supervisor Jim Desmond, Supervisor Desmond's Policy Advisor, Ben Mills, and General Manager Bebee on Friday, May 1, 2020. Director McDougal explained Supervisor Desmond continues to be a good resource for the District, and the meeting went well.
 - President Endter announced he and General Manager Bebee had a teleconference with Senator Jones's office regarding the funds were available for the SMRCUP Project. The last payment was received in 60 days, and President Endter reiterated that he and General Manager Bebee were told that the extended timing of payment should not happen in the future, and notification should be provided to Senator Jones's office if payment is not received by the District within 45 days.
 - Director Baxter reported he had the opportunity to join General Manager Bebee and Director Wolk on May 4th for the LAFCO meeting. Director Baxter also noted, on May 11th, he had the opportunity to join the Wildlands Conservancy and Fallbrook Trails Counsel, as they were doing some clearing of the trails, and District Staff were able to show where the pipeline ran through the area.
8. Miscellaneous

VI. ADJOURNMENT OF MEETING

There being no further business to discuss, President Endter adjourned the May Regular Meeting of the Fallbrook Public Utility District at 4:47 p.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

May 29, 2020 Special Board Meeting
and Facilities Tour



FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
SPECIAL BOARD MEETING AND FACILITIES TOUR

MINUTES

FRIDAY, MAY 29, 2020
9:00 A.M.

FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD, FALLBROOK, CA 92028
PHONE: (760) 728-1125

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

President Endter called the Special Meeting and Facilities tour of the Board of Directors of the Fallbrook Public Utility District to order at 9:07 a.m.

President Endter made clear for the record that this meeting was conducted by teleconference using the call-in information listed on the agenda. The meeting was held pursuant to the waivers of certain provisions of the Brown Act provided under the Governor's Executive Orders in response to the COVID-19 State of Emergency.

President Endter announced that the agenda provided notice that members of the public were encouraged to participate in the Board Meeting via teleconference using the call-in information, and that members of the public could also submit public comments in advance of the meeting by emailing or submitting them to the Board Secretary. Any such written comments received would be read onto the record at the appropriate portion of the meeting, up to a limit of three (3) minutes per comment.

A quorum was established, and attendance was as follows:

Board of Directors

Present: Ken Endter, Member/President
Jennifer DeMeo, Member/Vice-President
Dave Baxter, Member
Don McDougal, Member
Charley Wolk, Member

Absent: None

District Staff

Present: Jack Bebee, General Manager
Nicholas Norvell, General Counsel

Noelle Denke, Public Affairs Specialist
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: Franz Schauer, Project Manager and Anthony Dazzo, Construction Manager

PLEDGE OF ALLEGIANCE

President Endter led the Pledge of Allegiance.

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on agenda items. The Board President may limit comments to three (3) minutes.

There were no public comments.

II. FACILITIES TOUR

A. TOUR OF THE SANTA MARGARITA RIVER CONJUNCTIVE USE FACILITY

The meeting begins at 9:00 a.m., and the Board of Directors, staff, and others will assemble in their vehicles in the parking lot of the Fallbrook Public Utility District located at 990 East Mission Road, Fallbrook, California and will call in using the teleconference information identified above. Participants will each take their own vehicle to tour the Santa Margarita River Conjunctive Use Facility. Each participant shall remain in their individual vehicle, and no one will be allowed outside their vehicle during the tour. Members of the public are also allowed to attend in their individual vehicle and/or listen to the tour by using the call-in information noted above. No action will be taken by the Board of Directors at this meeting.

President Endter announced the purpose of the meeting was to tour the Santa Margarita River Conjunctive Use Facility. As stated on the agenda, President Endter, reported that all participants, including Board members, staff, and members of the public were able to participate in the tour by using their own vehicles and by calling into teleconference line. President Endter announced that each participant was to remain in their own individual vehicle, and no one would be allowed outside their vehicle during the tour. He reported that members of the Board could ask questions and discuss the facility and related issues during the tour, but no action would be taken by the Board during the meeting.

Project Manager, Franz Schauer led the Board of Directors and staff on a vehicle tour of the Santa Margarita River Conjunctive Use Facility, including stops along the way at the Waste Water Treatment Plant and the Gheen Facility Site. The tour began at 9:15 a.m. and concluded at 10:12 a.m.

III. ADJOURNMENT OF MEETING

There being no further business to discuss, President Endter adjourned the Special Meeting and Facilities Tour of the Board of Directors of the Fallbrook Public Utility District at 10:12 a.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 22, 2020
SUBJECT: Resolution No. 4997 Placing Fixed Charge Special Assessments to Add Delinquent and Unpaid Charges on the Tax Roll

Purpose

To authorize the San Diego County Treasurer-Tax Collector to add delinquent and unpaid charges as a Fixed Charge Special Assessment to the annual 2020-21 tax roll.

Summary

Article 21, Section 21.8 of the Administrative Code provides that standby accounts with a delinquent balance greater than \$500 as of April 1 of each year may be sent notification to place delinquent and unpaid charges on the annual tax roll. The notification of intent must be sent by May 1, and it provides the property owner 60 days to bring the account current. If the amount is not brought current by July 1, the portion of the delinquency due may be reported to the County of San Diego for inclusion on the annual taxes levied on the property. Notification has been sent to property owners, and the final list of delinquent and unpaid charges for the 2020-21 annual tax roll will be finalized after the July 1 deadline.

The District has established Fund No. 6240-08 with the County of San Diego to place delinquent and unpaid charges on property tax bills as a Fixed Charge Special Assessment.

Recommended Action

That the Board adopt Resolution No. 4997 placing fixed charge special assessments to add delinquent and unpaid charges on the annual tax roll for 2020-21 by the San Diego County Treasurer-Tax Collector.

RESOLUTION NO. 4997

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT PLACING FIXED CHARGE SPECIAL
ASSESSMENTS FOR STANDBY ACCOUNTS WITH DELINQUENT AND
UNPAID CHARGES ON THE ANNUAL TAX ROLL**

* * * * *

WHEREAS, a number of parcels with accounts on standby have delinquent and unpaid charges with a balance greater than \$500, which are due and owing to the Fallbrook Public Utility District; and

WHEREAS, Section 21.8 of the Administrative Code provides that delinquent and unpaid charges may be reported to the County of San Diego for inclusion on annual taxes levied on property; and

WHEREAS, the property owners of parcels on standby with a delinquent account balance greater than \$500 as of April 1, 2020, were notified by mail at least 60 days prior to July 1, 2020, that the delinquent amount may be reported to the San Diego County Treasurer-Tax Collector; and

WHEREAS, Fund No. 6240-08 has been established with the County of San Diego to place delinquent and unpaid charges on property tax bills as a Fixed Charge Special Assessment (FCSA); and

WHEREAS, taxing agencies must submit a list of standby accounts with delinquencies to the San Diego County Treasurer-Tax Collector between July 1, 2020, and August 10, 2020.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Fallbrook Public Utility District as follows:

1. On or before August 10, 2020, the Secretary of the Fallbrook Public Utility District shall provide to the San Diego County Treasurer-Tax Collector the following:
 - a. An electronic list of parcels with delinquent and unpaid charges as of July 1, 2020, that have remained unpaid as of the date of filing and whose property owners were notified at least 60 days prior to July 1, 2020, that the delinquent charges may be added to the property tax roll; and
 - b. A letter of certification signed by an official of the District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 22nd day of June, 2020, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 22, 2020
SUBJECT: Ordinance No. 347 Fixing Water Standby or Availability Charges for 2020-21

Purpose

To adopt the annual water standby or availability charges and provide a certified copy of Ordinance No. 347 to the Board of Supervisors of the County of San Diego and Auditor and Controller of the County of San Diego.

Summary

The Board has assessed water standby or availability charges on all lands within the District for many years that goes for debt service and capital improvements. The budget has been prepared to allocate these charges.

A public hearing is not required, but is discretionary on the part of the Board. There are no proposed changes to the charges, and no changes are required for incorporation into the District's Administrative Code.

Recommended Action

The Board adopt Ordinance No. 347 as prepared and authorize the Secretary of the Board of Directors to send a certified copy to the Board of Supervisors of the County of San Diego and Auditor and Controller of the County of San Diego.

ORDINANCE NO. 347

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT, SAN DIEGO COUNTY, CALIFORNIA,
FIXING WATER STANDBY OR AVAILABILITY CHARGES AND
REPEALING ORDINANCE NO. 344**

* * * * *

BE IT ENACTED BY the Board of Directors of the Fallbrook Public Utility District as follows:

SECTION I. The Fallbrook Public Utility District is a member of the San Diego County Water Authority and the Metropolitan Water District of Southern California and as a member of such agencies, Fallbrook Public Utility District is entitled to purchase water for distribution within the District. Waterlines have been constructed and are being constructed within the District, and water service is available from these lines.

In accordance with Division 7, Chapter 4, Article 3, Sec. 16475 and 16477 of the Public Utility District Act, it is hereby determined that the best interests of the District, its inhabitants, landowners, and customers require that the following water availability charges be established; hereafter, referred to as standby or availability charges.

The word "District" as used herein shall mean and refer to the Fallbrook Public Utility District of San Diego County, California. Fallbrook Service Area will indicate that area known as Fallbrook Public Utility District prior to July 1, 1990. The DeLuz Improvement District will indicate that area known as Improvement District I and II of DeLuz Heights Municipal Water District prior to July 1, 1990.

SECTION II. Water availability charges are hereby fixed and established on all land within the District boundaries, whether the water is actually used or not, as provided herein:

1. Fallbrook Service Area

- a. Ten dollars (\$10) per acre for all parcels one acre or more prorated out to one hundredth of an acre, as set forth in the San Diego County Tax Assessor's maps, EXCEPTING lands permanently dedicated exclusively to transportation of persons or property, hereafter referred to as the transportation dedication exclusion. For purposes of this Ordinance, it is assumed that five percent of all parcels have been permanently dedicated exclusively to transportation of persons and property; therefore, the actual assessment will be \$9.50 per gross acre, as set forth in the San Diego County Tax Assessor's maps.

- b. Five dollars (\$5) for parcels of less than one acre. For purposes of this Ordinance, all parcels with gross acreage of 1.05 acres are considered to have a net acreage of less than one acre for purposes of the transportation dedication exclusion.

2. DeLuz Improvement District

- a. Acreage adjacent to or lying within 1320 feet of water distribution line \$10.00 per acre
- b. Acreage between 1320 and 2640 feet of a water distribution line..... \$9.00 per acre
- c. Acreage between 2640 and 3960 feet of a water distribution line..... \$8.00 per acre
- d. Acreage between 3960 and 5280 feet of a water distribution line..... \$7.00 per acre
- e. Acreage over 5280 feet from a water distribution line \$6.00 per acre
- f. All parcels of less than one acre.....\$5.00

3. The term "parcel" as used herein shall mean a parcel of land as shown upon the assessment rolls of the County Assessor of San Diego County; provided that where a legal final sub-division map has been approved, "parcel" shall mean each separate lot within the subdivision.

4. Exemptions:

Lands not using District water and obtaining water primarily from rainfall, springs, streams, lakes, rivers, or wells, and where the primary economic activity on the land is the commercial extraction of minerals.

SECTION III. On or before August 10, 2020, the Secretary of this District shall furnish in writing to the Board of Supervisors of the County of San Diego and the Auditor and Controller of the County of San Diego a description of the land within the District upon which standby or availability charges are to be levied and collected together with the amount of the charges. At the time and in the manner required by law for the levying of taxes for County purposes, the Board of Supervisors shall collect, in addition to taxes it levies, water availability charges in the amounts fixed by this Ordinance for the respective parcels of land described in Section II of this Ordinance. All County officers charged with the duty of collecting taxes will collect the charges with the regular tax payments in the same form and manner as County taxes are collected. Such availability charges are a lien on the property with respect to which they are fixed.

Collection of the charges may be enforced by the same means as provided for the enforcement of liens for State and County taxes.

SECTION IV. The Secretary of this District shall deliver certified copies of this Ordinance to the Board of Supervisors of the County of San Diego and to the Auditor and Controller of the County of San Diego with the list of charges described in Section II above.

SECTION V. The General Manager of the District is hereby authorized to correct any clerical error made in any assessment or charge pursuant to this Ordinance and to make an appropriate adjustment in any assessment or charge made in error.

SECTION VI. If any clause or provision of this Ordinance is found to be void or unenforceable by a court of competent jurisdiction, the remaining provisions of this Ordinance shall nonetheless continue in full force and effect.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 22nd day of June, 2020, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: Fiscal Policy and Insurance (FP&I) Committee
DATE: June 22, 2020
SUBJECT: Adopt the District Fiscal Year 2020-21 Recommended Annual Budget

Purpose

Consider the District's Fiscal Year 2020-21 Recommended Annual Budget (Budget) for approval (Attachment A). The District's Fiscal Year 2020-21 Budget Resolution (Attachment B) includes the appropriations for operations and capital improvement projects for the upcoming fiscal year. In addition, the District's Administrative Code will be amended, as shown in Attachment C, to reflect the Fiscal Year 2020-21 Readiness-To-Service (RTS) Charge, which is a Metropolitan Water District (MWD) charge passed through to the District by the San Diego County Water Authority (SDCWA). This charge is a fiscal year charge and is effective July 1, 2020.

Summary

The Fiscal Policy and Insurance Committee (Committee) has met and reviewed the Budget on April 22, 2020, May 26, 2020 and June 11, 2020. During these meetings, the Committee conducted a detailed line item review of the District's budgeted expenditures and revenues and identified cost savings opportunities. The attached Budget reflects these changes.

	FY 2018-19	FY 2019-20		FY 2020-21	Bgt to Bgt
	Actuals	Budget	Projected	Recommended	% Change
Salaries	5,111,090	5,324,861	5,420,878	5,316,951	-0.1%
Non-Labor Expense	4,565,405	4,509,670	4,088,997	4,515,332	0.1%
Operating Expense Total	9,676,495	9,834,531	9,509,875	9,832,283	0.0%
Benefits Expenditures (Ops)	2,899,667	3,425,369	3,425,369	3,625,253	5.8%
Total	\$12,576,162	\$13,259,901	\$12,935,244	\$ 13,457,536	1.5%

As shown in the summary table above, the Recommended Fiscal Year 2020-21 Budget is 1.5% higher than the prior budget. The primary driver of the increase is benefit costs with labor and non-labor costs flat. The increase in benefits expenditures is driven by pension related cost increases and changes in employee benefits made during the recent labor negotiations.

Attachment D provides the operating budget tables with line item budget to budget changes greater than $\pm 5\%$ indexed to a user guide that provides details on the driver of the change. This information will also be discussed during the Budget presentation. This is the first budget that presents these line item level changes for review.

The District strives to make the Budget an understandable and transparent document in line with industry best management practices. The District's reformatted Fiscal Year 2018-19 and 2019-20 Adopted Budgets received the California Society of Municipal Finance Officers' Excellence Award and the Governmental Finance Officers Association's Distinguished Budget Presentation Award. The receipt of these awards illustrates the significant progress made by the District towards greater fiscal transparency and prudent financial management.

At the Board meeting, staff will provide a detailed presentation of the Budget and address any questions submitted by the Board.

Board actions in June include:

- **Adopting the Budget Resolution** – This approves the Budget and authorizes the General Manager subject to the limitations provided in the resolution to execute the Budget and operate the District;
- **Administrative Code Amendment** – MWD has adopted its Fiscal Year 2020-21 RTS charge and SDCWA has published the draft monthly charge to the District. This action passes through the reduction in the RTS to customers effective for water use beginning on July 1, 2020.

Recommended Action

That the Board adopt Resolution No. 4998 adopting the final budget for Fiscal Year 2020-21 and adopt Resolution No. 4999 amending the Administrative Code to reflect the new RTS charge.

Attachment A



Fallbrook Public Utility District



Fallbrook Public Utility District Fiscal Year 2020-21 Recommended Annual Budget

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Fallbrook Public Utility District

990 East Mission Road
Fallbrook, CA 92028
760-728-1125
www.fpud.com



Current Board of Directors:

- District #1 - Dave Baxter
- District #2 - Ken Endter, President
- District #3 - Jennifer DeMeo, Vice-President
- District #4 - Don McDougal
- District #5 - Charley Wolk

District Management:

- General Manager - Jack Bebee
- Assistant General Manager/CFO - David Shank

Acknowledgment: District Management would like to thank Jodi Brown, Kelly Laughlin, Aaron Cook, Mick Cothran, Noelle Denke, Kevin Collins, Debra Potter, Mickey Case, Jason Cavender, Larry Ragsdale, Kyle Drake, Owni Toma, Steve Stone, Veronica Tamzil, Annalece Bokma, Caroline Wilson and Lisa Chaffin for their support in preparing this document.

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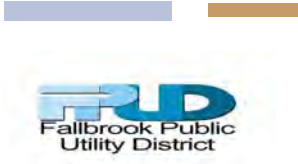
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June 22, 2020

Board of Directors
Fallbrook Public Utility District
990 East Mission Road
Fallbrook, California 92028

990 East Mission Road
Fallbrook, California
92028-2232
www.fpub.com
(760) 728-1125

Budget Message

Enclosed is the Fiscal Year 2020-21 Recommended Operating and Capital Budget (Budget) for the Fallbrook Public Utility District (District). The District is focused on executing the Board of Directors’ goals and objectives through the continued implementation of the District Strategic Plan, which is included at the beginning of the Budget document. These objectives help the District meet its overall objective, which is to benefit the community of Fallbrook by leveraging sound business practices to provide efficient and reliable services. The Budget presented here supports these goals and objectives.

Board of Directors

Dave Baxter
Division 1

Ken Endter
Division 2

Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Overcoming Challenges

This year has brought unprecedented challenges to the District and the World. The District’s ability to adapt business practices to effectively manage the changes in operations required by the pandemic speak directly to management’s recent efforts to both enhance and update the District’s operations. The new phone system allowed Customer Service to receive calls like normal with staff working remotely. Access to the billing and water use information allowed them to answer customer questions. The payment options like PayNearMe and credit cards recently implemented provide customers more payment options. This ensured cash and other payments could be made even with the offices closed. Dedicated operators ensured uninterrupted service.

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

We also understand that this pandemic has added an additional financial burden to our ratepayers many of whom were already struggling with the increasing cost of water. In this Budget, additional steps have been taken to hold the District’s costs flat to the prior budget as we continue to pursue our long-term objectives of stabilizing the cost of water to our customers.

Water Affordability

The District has been faced in the past with escalating wholesale water costs driven by major infrastructure investments by the San Diego County Water Authority (SDCWA) in supply reliability. The SDCWA water purchase costs represent over 50% of the District’s water enterprise operating costs. With SDCWA facing operational inefficiencies that result from declining water demands and considering the construction of a more than \$4 billion dollar pipeline to the All-American Canal, the District is facing significant water cost increases from SDCWA. To address this, the District has initiated





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a process to change its water wholesaler to Eastern Municipal Water District (EMWD). This change would reduce the District’s cost of water by approximately 30% and not impact water reliability. The significant cost savings that would result from this change would help make the District’s water more affordable for the community and help revitalize the region’s agricultural industry.

In addition to the regional investments in San Diego County water supplies, there is a significant proposed statewide water project to fix the Bay-Delta State Water Project, also known as the WaterFix, which delivers our key water supplies from Northern California. While the impact of the WaterFix on the cost of water is not known, the original cost in 2017 was expected to be just over \$16 billion. Since this cost is to be recovered on water rates, the project will cause an ongoing increase to wholesale water costs. With the additional increases in water costs due to WaterFix on the horizon, local water supply development, which will reduce our dependence on costly imported water, is another way to mitigate continued wholesale water rate increases.

The District recently settled over 66 years of water rights litigation with Camp Pendleton Marine Corps Base, which has been a hurdle to the District in achieving our own local water supply. This settlement allows the District to finally move forward on the Santa Margarita River Conjunctive Use Project (SMRCUP) which will make local supply for the District a reality and will provide District ratepayers long-term rate relief from increasing wholesale water costs. This project is under construction and is scheduled to begin producing water in 2022. This project will be one of the largest capital investments made by the District over the next decade. The District has secured local supply development incentives from the Metropolitan Water District that will offset some of the projects operating costs and make the supply even more cost effective.

Asset Management

The District has implemented an asset management program that balances the cost of infrastructure rehabilitation with the cost of emergency repairs. Our critical buried infrastructure, such as water mains, have an average service life of 80 to 100 years. In the past, the District’s replacement cycle for buried assets was on a replacement cycle of 400 years. With this replacement cycle, the frequency of asset failures was expected to increase significantly over the near-term resulting in an increasing number of emergency water disruptions and property damage claims. In response, the District has proactively managed the renewal and rehabilitation program and is on a path to drive the system service life down from 400 years to 100 years. The recent decreased frequency of asset failures shows that some progress on this program has made, but this is a long-term program to meet the future replacement needs.





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*Executive Assistant/
Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

Looking Forward

The social and economic impacts of the pandemic will continue to impact the region. The District is focused on tracking the impacts and mitigating cost increases to provide much needed economic relief to the District’s customers. The District is focused on taking the final step to a level of water independence by completing the construction the SMRCUP project. This project will provide a level of control on the cost of water the ratepayers are faced with. The District is also focused on lowering its wholesale water costs by changing the Districts wholesale provider. While this effort will be politically challenging it has the potential to provide our customers with immediate and substantial rate relief.

During this Budget cycle, management will remain vigilant and take proactive measures to cut expenditures if the economic impacts of the pandemic intensify and disrupt the District’s cash flows. This budget includes a reduction in staffing and a delay in filling vacant positions to hold down total labor costs. Additional mitigation may also include deferral of capital expenditures and identifying other expenditures that can be deferred.

Jack Bebee
General Manager

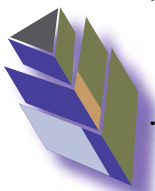
David Shank
Assistant General Manager/CFO



Budget in Brief

Fiscal Year 2019-20 Accomplishments

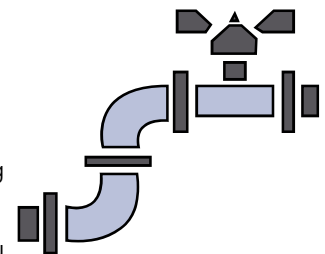
- Construction of the SMRCUP Project has begun and is on schedule.
- Key pipeline replacement projects to maintain system reliability and improve the methodology for evaluating and prioritizing projects have been completed.
- Continue progress on replacing meters with smart meters (Advanced Metering Infrastructure (AMI) meters) and continue outreach to customers on how these meters can help them better monitor and reduce water use and water costs.
- Due to operational efficiency gains one FTE position was eliminated saving the District over \$140,000/year in labor and benefit costs.
- Completed the planned enhancements to the financial accounting system operations and structure to streamline operations and enhance controls.
- Improved the District's customer bill paying experience by enhancing Bill pay and bill notification options.
- Upgraded and implemented a Computerized Maintenance Management System (CMMS) to enhance the District's maintenance and asset management practices.
- The District's first Comprehensive Annual Financial Report (CAFR) and an annual budget document that received the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards.



Fiscal Year 2020-21 Goals

The Key Goals for the upcoming year include:

- Maintain the SMRCUP Project construction schedule with a goal of beginning deliveries of approximately 50% of our supply by 2022.
- Complete key pipeline replacement projects to maintain system reliability and improve the methodology for evaluating and prioritizing projects.
- Complete project of replacing meters with smart meters (Advanced Metering Infrastructure (AMI) meters) replacement project and continue outreach to customers on how these meters can help them better monitor and reduce water use and water costs.
- Complete a review of the billing and banking systems to assess cost savings opportunities and operation enhancement that might be realized.
- Continue to move the District's LAFCO initiatives forward and complete the detachment negotiations with the San Diego County Water Authority (SDCWA).
- Pursue power storage grant opportunities to reduce the District's operating costs.
- Produce a Comprehensive Annual Financial Report (CAFR) and an annual budget document that meet the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards.



Continue projects to replace key pipelines and valves to reduce water outages and blowouts.

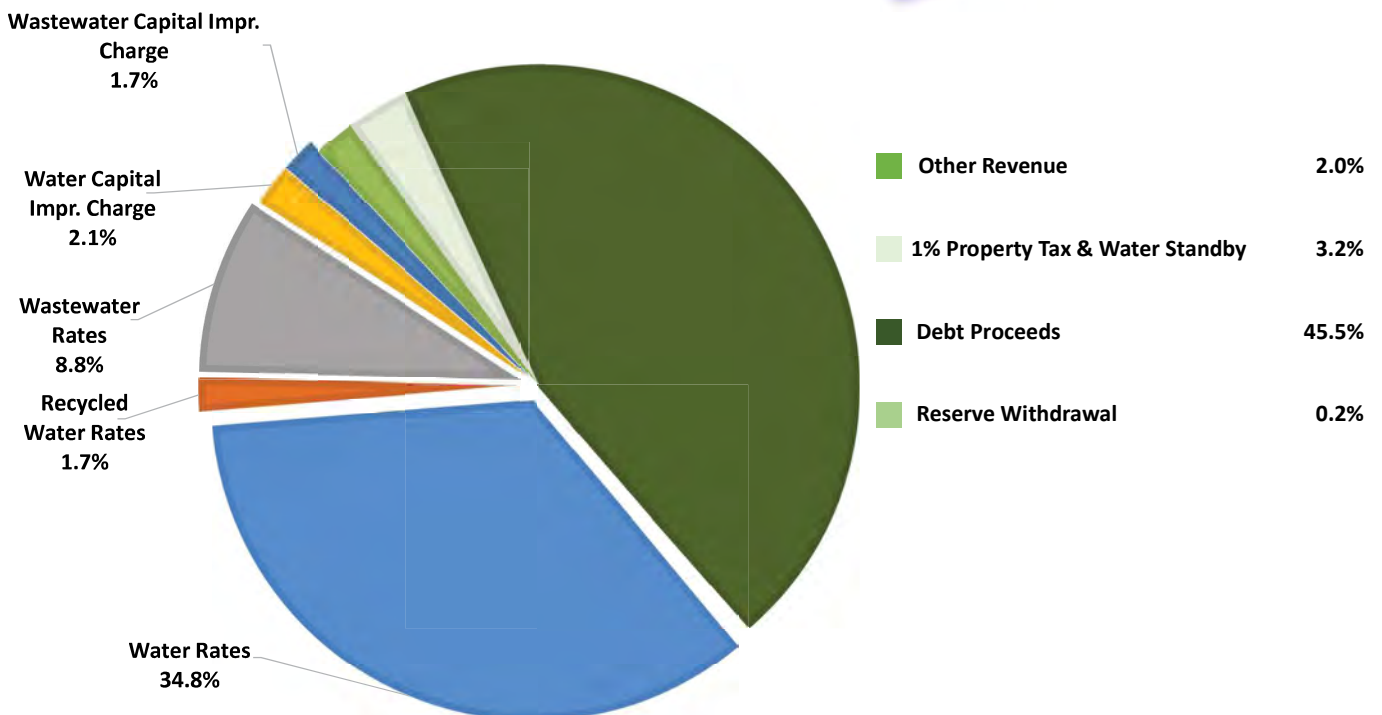
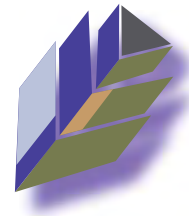


Sources of Funds

The water, recycled water and wastewater systems combined operating and non-operating revenues and net fund withdrawals are budgeted to be sufficient to fund the budgeted uses of funds. Fiscal Year 2019-20 was the second year with low water sales levels. As a result of this low water sales trend, the District has revised its projected average water sales levels lower for planning purposes. The water, recycled water and wastewater rate increases for the Budget are up to 8%, 8%, and 4.5%, respectively, for Calendar Year 2021 and were approved during the Proposition 218 process in 2017. While these increases are in-line with the financial plan adopted by the Board in 2018, the Board will take action to adopt Calendar Year 2021 rates and charges in December of 2020. When the Board takes action on rates and charges, it will take into account the economic impact the pandemic has had on the service area and strive to mitigate rate increases. **Appendix B shows the districts average water bill compared to other local agencies.**

Chart 1 shows a breakdown of the District’s \$70 million budgeted sources of funds. Rate and charge revenues makes up 49.1% of the District’s total budgeted sources of funds. In addition, the District is going to be drawing down its State Revolving Funds (SRF) loan and using the proceeds to pay for the SMRCUP. Net fund withdrawals from reserves are budgeted this year to make up for a budgeted revenue shortfall. The District plans to fund renewal and replacement Capital Improvement Program (CIP) projects that are funded with cash on a Pay-As-You-Go (PAYGO) basis.

Chart #1 - Sources of Revenue Fiscal Year 2020-21
Total Revenue \$70,155,238



Use of Funds

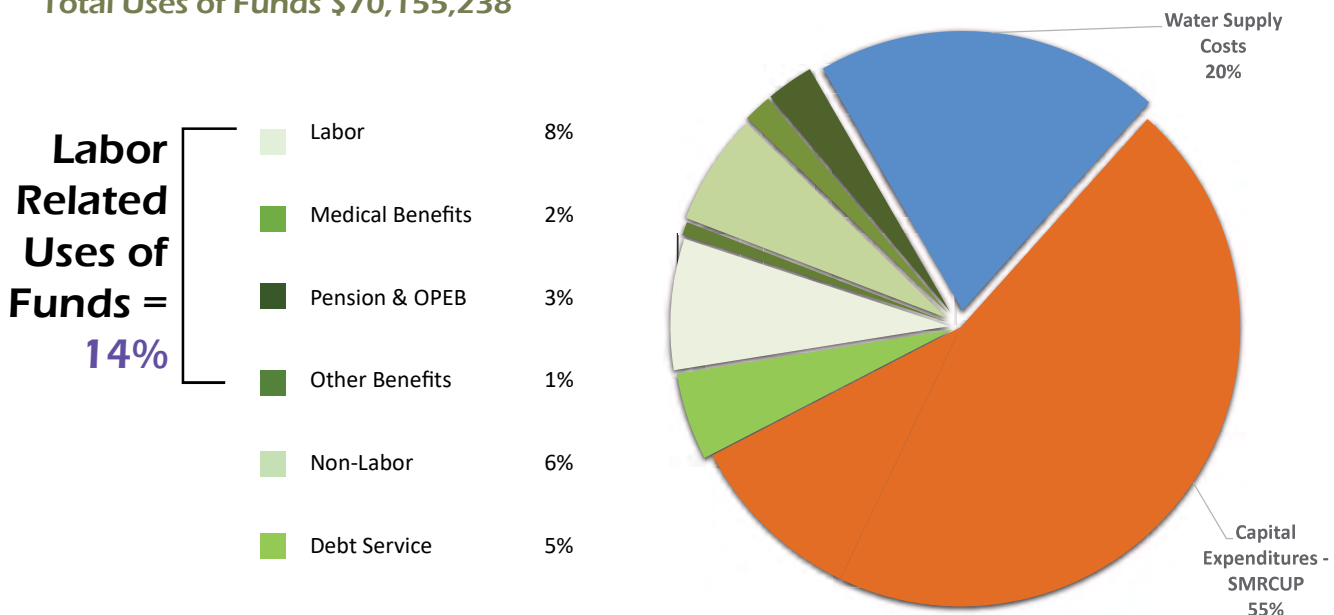
The Adopted Operating Budget includes a 0.1% decrease in the salaries and a 0.1% increase in non-labor expenses. The budget to budget salary decrease, while small, is due to the Board’s cost containment efforts. The District has focused on managing employee benefit costs with a long-term strategy to mitigate pension and healthcare costs. The increase of 5.8% is largely due to increased required retirement plan (CalPERS) payments. (See District Benefits and Appendix B for more detail) The overall increase in the salaries, non-labor and benefit budget is 1.5%, which is less than the rate of inflation.

Chart 2 shows the breakdown of the District’s total use of funds. Labor related uses of fund represent 14% of the District’s budgeted uses of funds. Eighty-six percent of the District’s uses of funds are for non-labor related expenditures. Water supply costs are the District’s single largest ongoing use of funds. Eighty-two percent of the CIP expenditures are due to SMRCUP and funded with a SRF loan.

Table #1 - Operating Budget Comparison, Salaries, Non-Labor and Benefits

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Salaries	\$ 5,111,090	\$ 5,324,861	\$ 5,420,878	\$ 5,316,951	-0.1%
Non-Labor (excludes cost of water)	4,565,405	4,509,670	4,088,997	4,515,332	0.1%
Total Labor and Non-Labor Expenses	\$ 9,676,495	\$ 9,834,531	\$ 9,509,875	\$ 9,832,283	0.0%
Benefits	2,899,667	3,425,369	3,425,369	3,625,253	5.8%
Total Expense	\$12,576,162	\$ 13,259,901	\$ 12,935,244	\$ 13,457,536	1.5%

Chart #2 - Uses of Funds Fiscal Year 2020-21
Total Uses of Funds \$70,155,238



Capital Budget

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The most significant on-going component of the capital program is the replacement of aging infrastructure. In addition to rehabilitation, the construction of the \$62.9 million SMRCUP in Fiscal Years 2019-20 through 2021-22 will be the most significant single project for the next 15-20 years and will provide a long-term cost effective local water supply. The SMRCUP is funded with an SRF loan. Chart 3 shows the annual CIP expenditures by project type. Other projects are shown. The Capital Budget for Fiscal Year 2020-21 is \$39.1 million, with \$31.9 million funded with a SRF Loan.

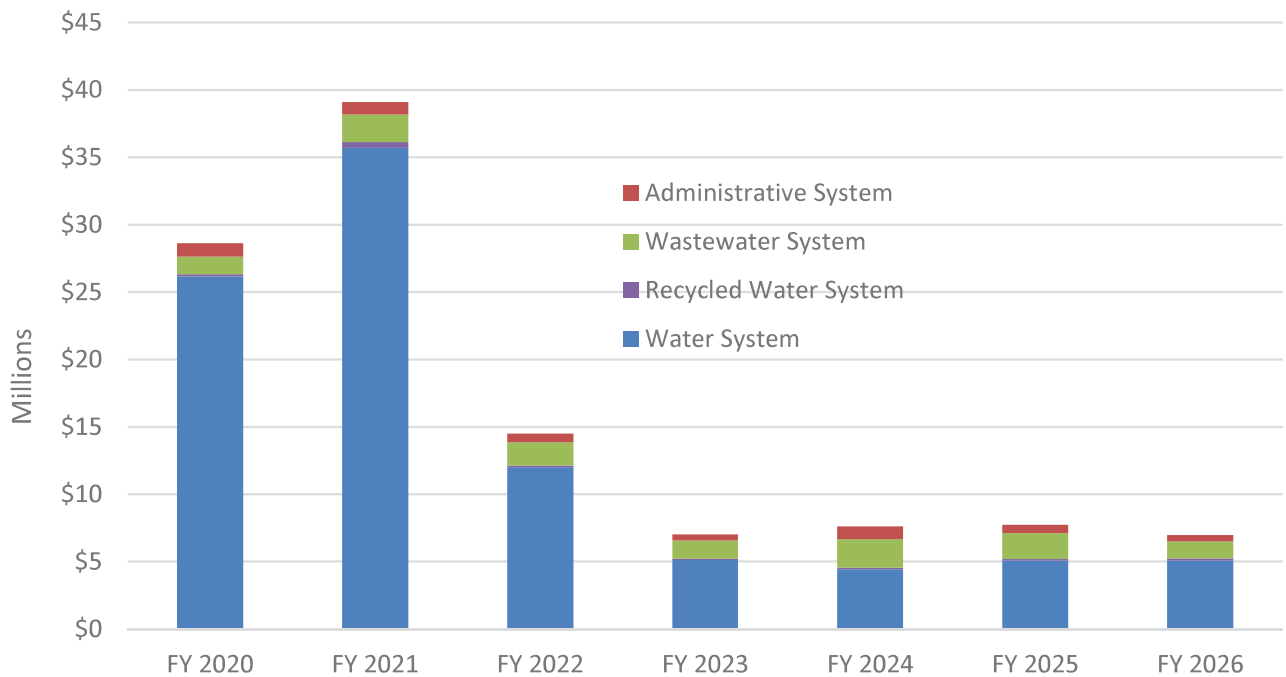


Recycled water program



Pipeline relining program

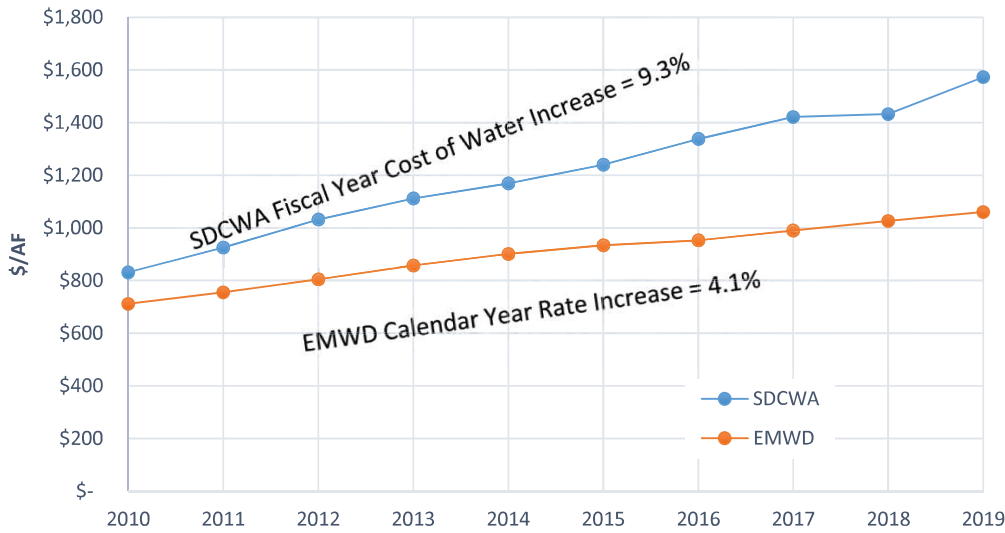
Chart #3 - Fallbrook Public Utility District's Annual Budgeted CIP Expenditures



Financial Summaries

This year, as shown in the updated financial projections for Fiscal Year 2019-20 in Table #2, the District is projecting a deposit to reserves. Looking forward, the District has made a significant reduction in the average water sales level due to a persistent trend of lower annual water sales. SDCWA, the District’s water wholesaler, continues to increase the region’s cost of water due to its high cost water supply mix that is comprised of water transfer deliveries from the Imperial Irrigation District (IID) and its purchase contract with Poseidon Recourses. The District is pursuing detachment from SDCWA and annexation into Eastern Municipal Water District (EMWD) to save the District water users over 30% on their water costs. EMWD offers the District a reliable alternative wholesaler to SDCWA at a significantly lower cost. Chart 4 illustrates the per unit savings that the District would realize by purchasing its water from EMWD and shows EMWD maintains a lower average annual increase.

Chart #4 - District’s Estimated Wholesale Water Costs



As shown in the financial projections in Table 2, a budgeted reserve withdrawal of \$0.2 million is planned. Chart 5 shows the District’s reserve balances are expected to remain relatively stable but below the target fund levels. The District is projected to maintain a debt service coverage level in excess of its required 1.2x.

Chart #5 - District’s Fund Balances and Target Balance Level



Table #2 - Fallbrook Public Utility District's Financial Summary

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenues					
Revenue from Rates					
Water	\$ 21,390,868	\$ 24,414,828	\$ 26,368,177	\$ 28,492,566	\$ 31,803,088
Recycled Water	1,229,603	1,188,241	1,285,881	1,388,751	1,499,851
Wastewater	5,941,086	6,186,330	6,466,015	6,756,986	7,061,050
Subtotal Revenue from Rates	\$ 28,561,557	\$ 31,789,398	\$ 34,120,073	\$ 36,638,302	\$ 40,363,989
Other Operating Revenue Subtotal	\$ 941,243	\$ 804,001	\$ 868,491	\$ 1,001,995	\$ 1,127,716
Non-Operating Revenue	\$ 5,582,222	\$ 5,508,830	\$ 5,646,870	\$ 5,802,424	\$ 5,969,437
Total Revenues	\$ 35,085,022	\$ 38,102,229	\$ 40,635,434	\$ 43,442,721	\$ 47,461,141
Total Operating Expenses					
	\$ 25,893,971	\$ 27,470,440	\$ 26,992,855	\$ 27,798,224	\$ 29,585,309
Net Operating Revenues	\$ 9,191,051	\$ 10,631,790	\$ 13,642,578	\$ 15,644,498	\$ 17,875,832
Total Debt Service	\$ 2,890,815	\$ 3,563,049	\$ 3,801,333	\$ 5,534,480	\$ 5,534,503
Total Capital Expenditures					
	\$ 28,650,013	\$ 39,121,750	\$ 14,517,971	\$ 7,026,158	\$ 7,630,858
Total Expenditures	\$ 57,434,799	\$ 70,155,238	\$ 45,312,160	\$ 40,358,862	\$ 42,750,670
SRF Loan Proceeds	\$ 23,308,627	\$ 31,900,000	\$ 7,727,258	\$ -	\$ -
Change in Net Position *	\$ 958,850	\$ (153,009)	\$ 3,050,531	\$ 3,083,860	\$ 4,710,471
<i>Beginning Balances</i>	\$ 18,624,152	\$ 19,583,002	\$ 19,429,993	\$ 22,480,524	\$ 25,564,384
<i>Ending Balances</i>	\$ 19,583,002	\$ 19,429,993	\$ 22,480,524	\$ 25,564,384	\$ 30,274,855

*Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds.

Budget User Guidance

The District's Fiscal Year 2020-21 Recommended Budget is organized and presented in a manner to better communicate the District's financial operations. Through enhanced transparency stakeholders will be better able to understand the District's costs and cost structure. The budget sections and a summary of the information provided in them is provided below:

Introduction – This section provides basic information on the District including history, governance, location and community profile and organizational structure.

Fund Structure – This section provides a description of the District's fund structure and financial policies.

Financial Summaries – This is a high level summary of the District's financial performance. Summaries for the Water, Wastewater and Recycled Services are shown in Appendix A.

Sources of Funds – This provides the projected revenues the District will receive and the underlying assumptions driving changes in the revenues.

Operating Budget – This section outlines the District's operating expenditures in addition to providing staffing and descriptions of activities and goals of each component of the District's operations. The benefit costs, debt service costs and how the cost are allocated to different services is also included in this section.

Capital Budget – This section outlines the District's capital expenditures and provides a description of the project. The description includes a summary of the project in addition to the project's cost and schedule.

Appendices – These provide historical and additional information on the District's financial operations, service area and policies.

* Tables may not foot due to rounding.

DISTINGUISHED BUDGET PRESENTATION AWARD



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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PRESENTED TO

**Fallbrook Public Utility District
California**

For the Fiscal Year Beginning

July 1, 2019

Christopher P. Morill

Executive Director

About the District

History

Fallbrook is an unincorporated community in San Diego County. The first permanent recorded settlement in Fallbrook was in 1869, in the east area of the District, which later became Live Oak County Park. While agriculture has always played a major role in the community, the first plantings were olives and citrus. These crops were replaced in the 1920's by avocados and it wasn't long before Fallbrook became generally recognized as the "Avocado Capital of the World."



Water Reclamation Plant on Alturas Road, before Camp Pendleton. Photo courtesy of Tom Rodgers, (1922)

Fallbrook Public Utility District (District) was incorporated on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles). To meet the growing demand for water, additional ground water supplies were developed along both the San Luis Rey and Santa Margarita rivers.

Service Area / STATISTICS

- 44 square-mile service area
- Population: 33,000
- 9,300 water customers
- 5,000 sewer customers
- 29 recycled water customers
- 67 employees budgeted
- \$32 million operating revenues
- \$145 million in total assets
- 8,200 acre-feet sold annually

The District became a member of the San Diego County Water Authority (SDCWA) at its formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted by the Metropolitan Water District of Southern California (MWD). When Colorado River water became available in 1948, consumption within the District gradually increased to approximately 10,000 acre-feet per year by 1959. Then in 1978, MWD augmented its supply system with water from the California State Water Project and began delivering water from both systems to San Diego County. Today, the SDCWA provides virtually all of the District's potable water.

Diversifying the District's Water Supply: The Santa Margarita River

Back when the District used to produce some of its water from the Santa Margarita River, it did so using a small pump in the river, under a direct diversion license from the state of California. In 1948, additional water permits were obtained for diversion facilities and construction of a proposed 150-foot dam that would store 30,000 acre-feet of river water. The diversion works for the small pump were destroyed in 1969 by floods and was not rebuilt. Subsequently the state canceled the small-diversion license for lack of use, but the 30,000 acre-foot storage permit remained in place while the dam was being planned.

The proposed dam, and associated water supply, immediately hit some hurdles. In 1951, soon after the District had obtained water permits from the state, the federal government filed suit against the District over water rights on the river, to quiet its title to the adjudicated rights accruing to the U.S. Marine Corps Base Camp Pendleton. The lawsuit, the U.S. v. Fallbrook case, is the oldest civil case in the county. For more than 66 years, the District has been attempting to develop a permanent local water supply on the Santa Margarita River.

In 1968, a Memorandum of Understanding and Agreement was signed with the Federal Government to develop a two-dam reservoir project on the river that would benefit both Camp Pendleton and the District. This agreement was the culmination of 17 years of litigation. The federally sponsored project was known as the Santa Margarita Project. It never came to fruition however, due to environmental issues, new faces in leadership, and lack of funding.

Then in January 2018, the District's Board of Directors signed an agreement with Camp Pendleton in a landmark settlement, resolving the U.S. v. Fallbrook case and in April 2019, the federal court adopted the settlement. As part of the settlement, river water will flow to Camp Pendleton and be stored in recharge ponds that seep into an underground aquifer there. Then some of that water will be pumped out of the ground and piped back to the District when needed. Called the SMRCUP, it will provide a local supply, reducing dependence on expensive wholesale purchases from the SDCWA, and is expected to provide just over half of the District's water needs.

Wastewater and Recycled Water History and Mergers

The District's scope of operations grew in 1994 when the Fallbrook Sanitary District merged with the District. It had provided parts of Fallbrook with recycled water and wastewater service within a 4,200 acre area of downtown. The District took over those services, and the same year the playing fields at Fallbrook High School started receiving reclaimed water as its source of irrigation water. So did two new large nurseries. For the next ten years, the District's Reclamation Plant (Plant) began receiving a series of awards for safety in operations. In 2015, the District completed a major overhaul, upgrade and expansion of the Plant. The \$27 million project took three years to complete, replacing aged and aging equipment, and allowed for a substantial expansion of the District's recycled water distribution system. The overhaul involved upgrades to the existing Plant to improve reliability in operation and created much-needed storage space for recycled water.



Services

The District provides residents, businesses and agricultural customers with full-service water, wastewater and recycled water services.

Water System

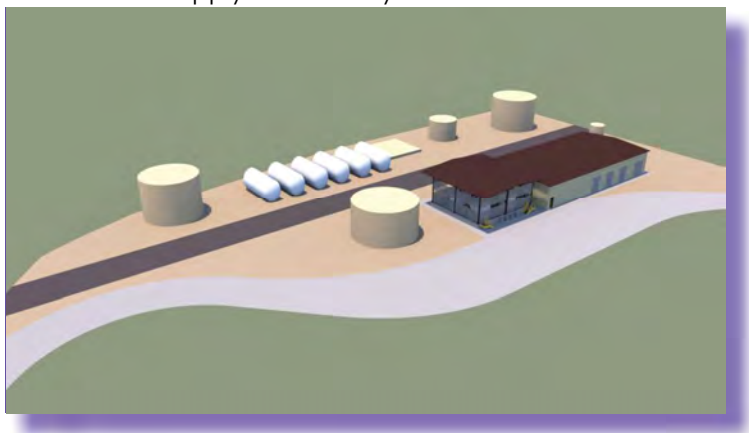
The District imports 99% of its water from the SDCWA with the remaining 1% coming from a local well. The District has 4 connections to the imported water system, three of the four are directed connected to MWD owned pipelines and the fourth which is currently not in use is connected to SDCWA's pipeline. The District's water distribution system is comprised of 270 miles of pipeline, 6,800 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 300-million-gallon treated water reservoir, five pump stations and plans for a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District is in the middle of an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use.

The District also recently finalized an agreement with U.S. Marine Corps Base Camp Pendleton to share local water in the Santa Margarita River, of the SMRCUP. The SMRCUP was originally projected to provide a long-term average annual of 3,100 acre-feet per year to the District's ratepayers based on an assessment of available supplies and demands for both the District and Camp Pendleton.

The District's demands were also originally projected to be approximately 9,500 acre-feet per year so the project was projected to provide roughly 30% of the District's demands. Based on demand reductions from Camp Pendleton the available supplies from the SMRCUP project has increased to approximately 4,600 acre-feet per year of average annual water supplies. In addition, the District's long-term demand projections have decreased to roughly 8,100 acre-feet per year, so the long term expected supply percentage is now projected to be just over half of the District's total demands. Construction of a bi-directional pipeline and groundwater treatment plant began construction in the Fall of 2019.

Construction / BI-DIRECTIONAL PIPELINE and GROUNDWATER TREATMENT PLANT

Fallbrook Public Utility District anticipates having this project completed by 2020 and to begin having its own cost-effective supply that same year.



Rendering of the Fallbrook Groundwater Treatment Plant

The District's five-year average annual water sales is 9,010 acre-feet. Residential and commercial customers represent 62% of sales, and agricultural customers make up the remaining 38%. The District's historic sales trend is down due to improved water efficiency for both residential and commercial indoor and outdoor use, combined with sharp decreases in agricultural water demands. The decrease in agricultural water demands is being driven by the economics of agriculture production and the fact that high wholesale water costs make only limited crops profitable. The District's agricultural water sales have reduced from 7,000 acre-feet in Fiscal Year 2008 to 2,300 in Fiscal Year 2019.

Wastewater System

The District's wastewater system is comprised of 78 miles of buried sewer lines and force mains, a 2.7 million gallon per day water reclamation plant, a 1-megawatt solar facility and a 23-mile ocean outfall line.

In an effort to go green, and to save money by reducing hauling and disposal costs of sewage sludge, the District began recycling its sewage sludge in 2008. A state-of-the-art thermal dryer heats the sludge to extremely high temperatures, killing all harmful pathogens. The end product is a sterile fertilizer that can be safely returned to the soil and is classified as a Class A soil amendment. Instead of paying to haul sewage sludge to a landfill, the fertilizer is sold to commercial growers.

Recycled Water System

The District's recycled water system includes 10.5 miles of buried pipe. Currently the District has 29 recycled water customers, and delivers an average of 0.6 million gallons per day to them. The District provides recycled water for nurseries, sports fields, home owners' associations, Fallbrook High School, street medians, and for freeway irrigation. In 2015, the District completed a \$27 million expansion and upgrade to the water reclamation plant to improve reliability of operation and provide storage for recycled water. The project was completed ahead of schedule and under budget.

To help new users tap into the expanding recycled water system, the District secured funding from the Department of Water Resources through the Prop. 84 grant program. In 2014, the District held a workshop to assist growers with planning, getting permits, purchasing new equipment, and receiving grant funds. Assisting growers through the entire process has helped bring new recycled customers online. The project included expanding the recycled water distribution system in order to add new large water users.

The District has recently applied for grant funding to explore development of a joint Indirect Potable Reuse Project with Camp Pendleton Marine Corps Base. The District is in the process of securing grant funding to help off-set the cost of the project feasibility studies.

Governance and Organizational Structure

The District's Board is made up of five community members who serve overlapping four-year terms. In March 2016, the Board unanimously approved a resolution to change the method of electing board members to "election by district" and approved a map identifying five territorial units within the District. Each director, therefore, is elected by the registered voters of the sub-district he or she resides in, within the District's service area. To run for office, a candidate must live in the area he or she is running to represent. Prior to 2016, directors would win a seat on the board by being the top vote-getters, regardless of where they lived within the District.

Current Board of Directors:

District #1 - Dave Baxter

District #2 - Ken Endter, President

District #3 - Jennifer DeMeo, Vice-President

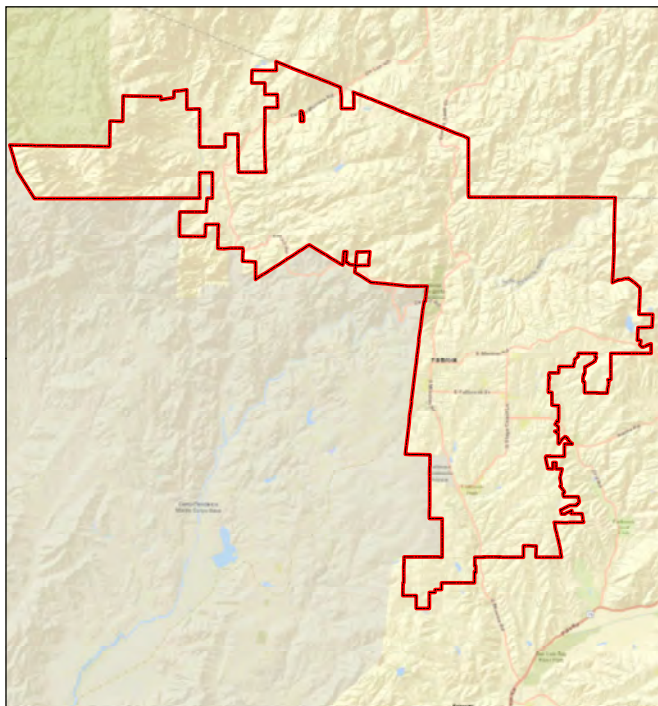
District #4 - Don McDougal

District #5 - Charley Wolk

Service Area and Local Economy

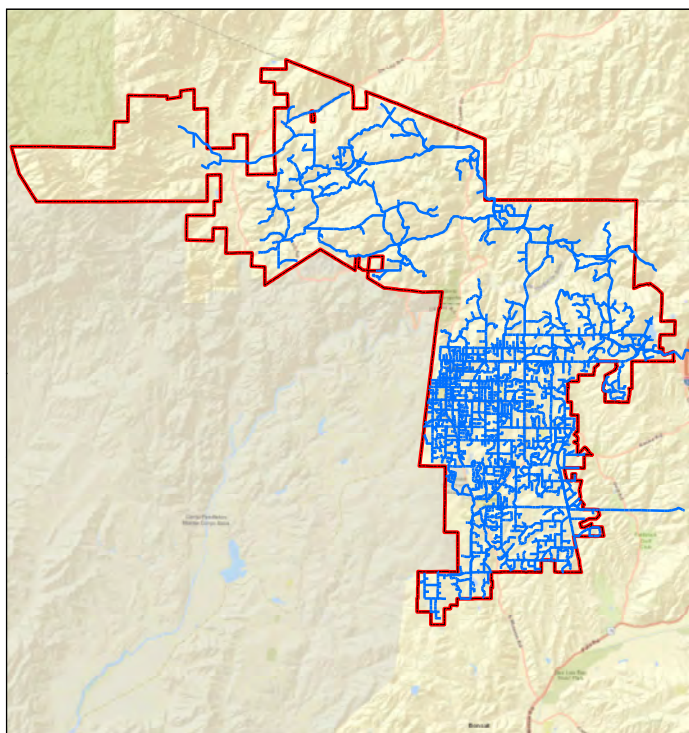
San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District’s service area and pipeline is shown in the accompanying maps. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District’s service area a bedroom community for Camp Pendleton’s active military and civilian-service workers. The service area’s 2018 population is estimated to be 33,021 with 11,289 households. Fallbrook’s population has remained relatively unchanged over the past several years.

Figure #1 - District Service Area



<p>DISCLAIMER: By accepting this map, you agree that the Fallbrook Public Utility District assumes no liability or responsibility of any kind arising from use of this map. This map, its data, and any calculations associated with this map is provided without warranty of any kind.</p>	<p>LEGEND</p> <p> FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY</p>
	<p>FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY</p> <p style="font-size: x-small;">Source: ESRI, FPU/D. Projection: California State Plane NAD 83, Feet, Zone 9, Epoch 1985.35 Map Created by Todd Jester (tjester@fallbrook.org) Special Projects/Geographic Information Systems/BOUNDARY/WATER_BOUNDARY/BOUNDARY.MXD</p>

Figure #2 - District Pipelines



<p>DISCLAIMER: By accepting this map, you agree that the Fallbrook Public Utility District assumes no liability or responsibility of any kind arising from use of this map. This map, its data, and any calculations associated with this map is provided without warranty of any kind.</p>	<p>LEGEND</p> <p> FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY</p> <p> WATERLINE</p>
	<p>FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY</p> <p style="font-size: x-small;">Source: ESRI, FPU/D. Projection: California State Plane NAD 83, Feet, Zone 9, Epoch 1985.35 Map Created by Todd Jester (tjester@fallbrook.org) Special Projects/Geographic Information Systems/BOUNDARY/WATER_BOUNDARY/WATERLINE.MXD</p>

The median household income in Fallbrook was \$60,223, which is less than the state median of \$71,228 and slightly lower than the national average of \$60,293. As of December 2019, San Diego County’s unemployment rate was 2.8%, which is lower than the State’s 3.9%.

The San Diego Association of Governments (SANDAG) projects that the County’s population will approach 4.1 million residents in 2050, up from 3.4 million in 2020. The District’s 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.

District's Strategic Plan for FY 2020/2021

Mission Statement: To benefit the community of Fallbrook by providing efficient and reliable services.

#1 Strategic Focus Area | Water Supply

District Goal: Provide a reliable, cost-effective water supply through implementation of local water supply projects and securing the most cost effective source of imported water.

Fiscal Year 2020-21 District Objectives:

1. Maintain the construction progress of the SMRCUP in order to begin delivery of local water by 2022.
2. Take all necessary steps to ensure the District's LAFCO application to switch water wholesalers and reduce water costs continues to move towards LAFCO approval and a vote of District ratepayers.
3. Continue to evaluate funding alternatives including additional grants to help support water quality treatment improvements to the SMRCUP and to expand recycled water service to increase utilization of existing supplies.
4. Implement grant funded Indirect Potable Reuse (IPR) pilot project with Camp Pendleton to lay the groundwork to increase the reliability and availability of local water supplies.

#2 Strategic Focus Area | Infrastructure

District Goal: Maintain reliable infrastructure to our customers in the most cost-effective manner.

Fiscal Year 2020-21 District Objectives:

1. Complete capital projects in accordance with approved budget and asset-management plan. Maintain utilization of District construction crews with proactive replacements versus reactive repairs.
2. Implement the recently updated asset-management plan to help prioritize projects. This will help ensure lower cost alternatives are evaluated before full replacement of buried infrastructure.

#3 Strategic Focus Area | Efficiency

District Goal: Create a District culture of continuous improvement through the implementation of systems, processes and goals for all aspects of the organization.

Fiscal Year 2020-21 District Objectives:

1. Continue implementation and reporting of Key Performance Measures (KPIs) for engineering, operations, finance, customer service and public outreach. Tie measures to nationally recognized Effective Utility Management (EUM) goals and measure against applicable national bench-marks.
2. Improve the efficiency of operations by implementation of mobile device work order and service order processes as part of the new Enterprise Asset Management (EAM) System.
3. Build on recently implemented regional collaboration programs to evaluate new ways to reduce operating costs through shared resources without reducing the level of service.

#4 Strategic Focus Area | Community

District Goal: Improve experience for our customers to help provide a positive impact on the community we serve.

Fiscal Year 2020-21 District Objectives:

1. Improve our customer engagement by holding an annual community engagement event to both educate the public and receive public input on District priorities.
2. Promote the District role in helping benefit the community. Expand high-school internship program.
3. Provide administrative support for the community benefit program proposal submitted to LAFCO.
4. Continue to improve customer engagement through social media and quarterly newsletters. Develop 2 short videos to highlight key aspects of the District.
5. Further improve the District budget to identify clearly to the public how costs are allocated and how resources are being managed. Continue to produce a CAFR and achieve a GFOA and California Society of Municipal Finance Officers (CSMFO) budget awards. Achieve District of Distinction from the California Special District's Association.

#5 Strategic Focus Area | Workforce

District Goal: Develop a resilient organization so that key positions can be filled internally with capable staff with proper training and education.

Fiscal Year 2020-21 District Objectives:

1. Develop the framework for a formal program to identify future leaders in the organization and provide them training and a clearer sense of future opportunities. Look to leverage capabilities of existing staff and expand their responsibility when they show potential.
2. Continue to expand cross-training and external training program for staff, and provide new opportunities and challenges for motivated employees. Reconstitute programs and events to recognize employees and improve employee recognition program.
3. Participate in regional efforts to improve local education, training and internship programs to bring more qualified applications into the industry.
4. Participate in key local and national organizations in the water/wastewater industry, including participating in presentations on District and trainings to improve recognition of the District as an effectively managed and forward-looking utility.



Budget Basis

The District’s accounting system and practices are based upon Generally Accepted Accounting Principles (GAAP) and are kept on an accrual basis. Under the accrual basis, revenues are recognized when earned and expenditures are recognized when a liability is incurred. The District’s budget is prepared on a cash basis, which means that projected revenues are recognized when cash is assumed to be received and projected expenses are recognized when cash is disbursed.

The District operates as an enterprise fund, which has a set of self-balancing accounts that record the financial position of each of the District’s services. The service funds track revenues from service fees and operating expenses specific to each service. This, in turn, makes each service fund independent and self-sufficient, and also ensures service fees are set to recover only costs associated with the particular service.

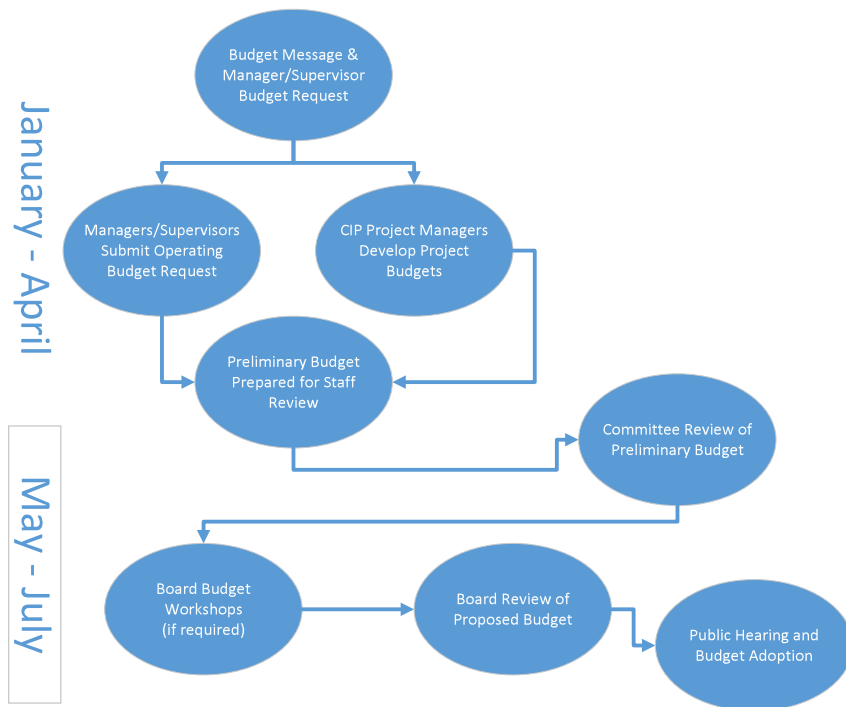
Budget adjustments are made if projects or expenditures are needed that fall outside the District’s adopted budget. These items are brought to the Board for approval and to appropriate the funds. A mid-year budget update is also provided to the Board each year to update spending trends and identify early any potential shortfalls. The District maintains a balanced budget, which means that sources of funds equals uses of funds. Reserve fund withdrawals, if necessary provide a source of funds. Likewise deposits to reserves are a use of funds and are unappropriated balances.

Budget Process

Each year, the District develops and adopts a new budget for the upcoming fiscal year. The budgeting process begins in January and starts with the budget message. The budget message establishes the priorities of the District in the next fiscal year and provides budget managers guidance on how to prioritize their budget needs. Along with the budget message, each manager/supervisor is provided a spreadsheet that has the current and projected operating expenditures for the current fiscal year and a placeholder for the proposed operating budget.

Each manager/supervisor then evaluates funding needs. Meetings with staff to review planned activities, as well as funding needs for services and equipment, are part of the process to develop and fill in the budgetary needs for each Division. Each manager/supervisor submits operating budgets by the end of February.

Figure #3 - Fallbrook District’s Annual Budget Process



While the operating budget is being developed, the CIP managers meet with the General Manager to develop the CIP project budgets for the upcoming fiscal year as well as the next five years of budgets. The CIP budgets are submitted by the end of February along with the operating budget.

The capital and operating budget are included in the District’s preliminary budget. Once assembled, the preliminary budget is reviewed by the General Manager and staff in a series of meetings. Adjustments are made to the preliminary budget and the revised preliminary budget is reviewed by the Fiscal Policy and Insurance Committee. Once the Committee’s comments are incorporated and the proposed budget developed, budget workshops with the Board, if required, are held. The final proposed budget is then sent to the Board for review. Once Board comments are incorporated into the document, a public hearing, if necessary, is held and the recommended budget is adopted. **Appendix C provides the Board Resolution.**

DISTRICT ORGANIZATIONAL CHART

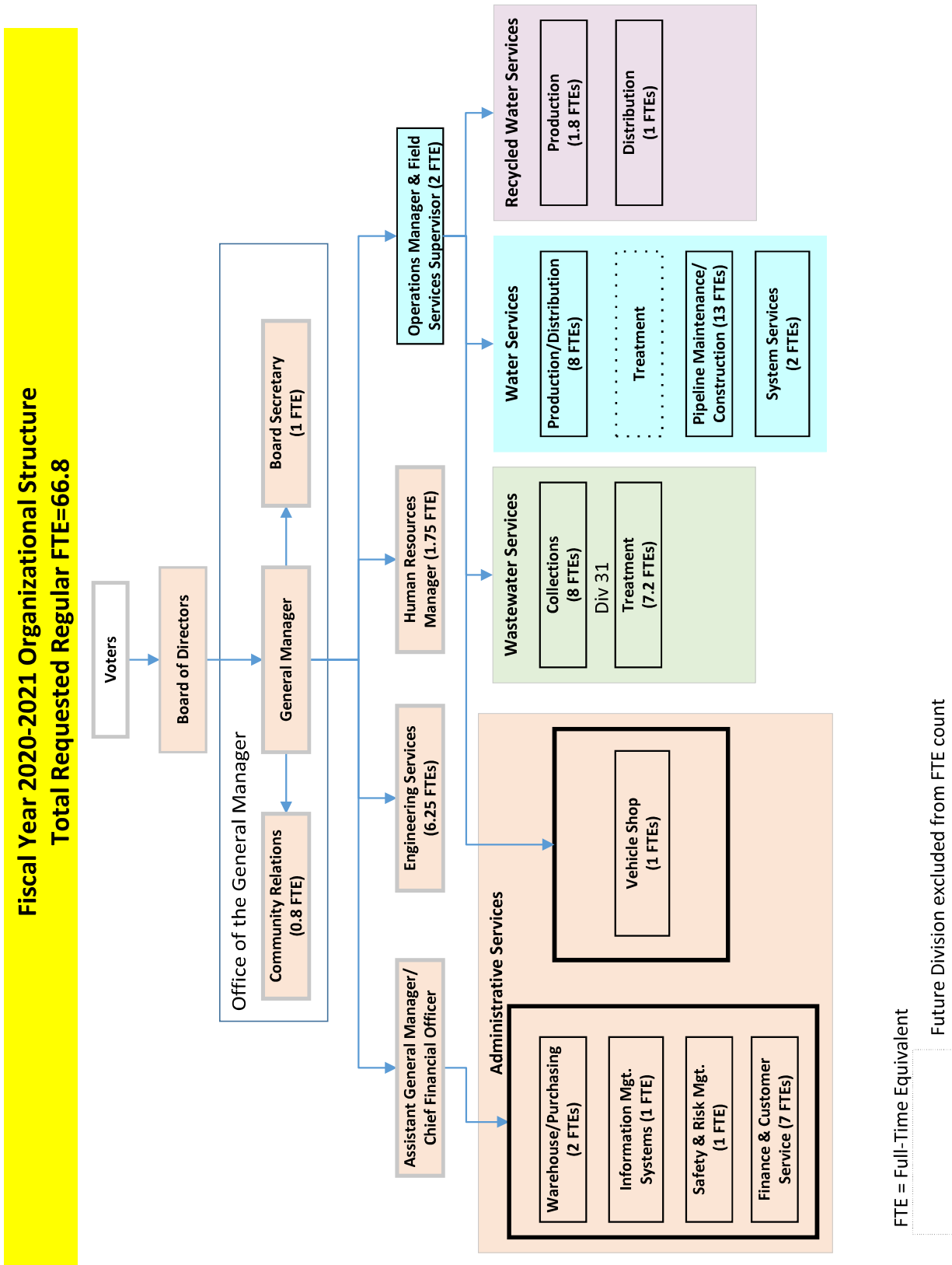
The District maintains an efficient level of staffing which requires an organizational structure that is very flat, with staff working across services and filling a variety of roles. The organizational chart provided is designed to illustrate the District’s structure and staffing levels. The Proposed Budget includes 66.8 Full Time Equivalent (FTE), which is one less FTE from the previous Fiscal Year. The boxes under Administrative, Water, Wastewater and Recycled Water Services represent functional groups called Divisions. However, in some cases (Human Resources) a division is a single position. In these cases, the object is colored to illustrate that it is part of Administrative Services.

The Administrative Services department includes all functions that are necessary for the District to operate, but are not specific to Water, Wastewater or Recycled Water Services. While this includes a wide range of activities, these costs are recovered through water, wastewater and sewer rates. The Operating Budget Section provides a detailed discussion of how these costs are recovered through rates and charges. Each Division is a function with the Services. For example, Wastewater Services is comprised of two Divisions. The function of each Division is discussed in the Operating Budget Section.

Water, Wastewater and Recycled Water Services are the District’s other services. The Divisions within each of these services are shown on the organizational chart. Water services is comprised of three Divisions while the other services are broken into two Divisions. While the SMRCUP is not expected to be operating during this Budget, a place holder under Water Services for treatment has been inserted. The function of each division is discussed in the Operating Budget Section.



Figure #4 - Proposed Fiscal Year 2020-21 Organizational Structure 1*



FTE = Full-Time Equivalent

Future Division excluded from FTE count

1. An FTE is the hours worked by one employee on a full-time basis for one year. This is equal to 2,080 hours.
 * Total Requested Regular FTE=66.8

Fund Structure

The District's fund structure is set up to support water, wastewater and recycled water operations, and capital funding needs. Each fund is structured to receive certain revenues and fund certain expenditures. The District's working capital or operating funds receive operating and certain non-operating revenues and fund operating expenses for each of the services. The District's capital funds receive certain non-operating revenues that are restricted to capital uses and funds the District's capital expenditures, including a portion of debt service.

In 2017, the District completed the 2017 Water, Recycled Water and Wastewater Rate Study Report (Report). As part of the Report, the District's fund structure and target fund balances were re-evaluated and modified to meet future funding needs. The District's current working capital/operating structure, and a description of each fund and the fund's target balance is provided below:

Water Services Funds

Working Capital/Operating Fund: To be established and maintained at a level of three months operating and maintenance expenses including water purchases. The primary source of funds for the Operating Fund are water sales, fixed service charge and pass-through charge revenues. The Operating Fund Target for Fiscal Year 2020-21 is \$5.4 million.

Rate Stabilization Fund: To prevent "spikes" and mid-year changes in rates because of net revenue shortfalls due to weather conditions, state or federal legislation or other future uncertainties. This fund was primarily established to buffer variability of water deliveries from the SMRCUP in dry years. The target level is set equal to two years of debt service payments on the SMRCUP financing. Transfers from the Operating Fund are the source of funds for the Rate Stabilization Fund (RSF). The RSF target and balance are \$0 until the SMRCUP is operational but has been prefunded with the \$6.2 from the sale of the District's Santa Margarita Property in Fiscal Year 2018-19.

Wastewater Services Funds

Working Capital/Operating Fund: To be established and maintained at a level of three months operating and maintenance expenses. The primary source of funds for the Operating Fund are wastewater service charges and investment earnings. The Operating Fund Target for Fiscal Year 2020-21 is \$1.4 million.

Rate Stabilization Fund: To promote smooth and predictable rates and charges, a Rate Stabilization Fund is established with a target level equal to 10% of annual revenues. Transfers from the Operating Fund are the source of funds for the Rate Stabilization Fund. The Rate Stabilization Fund Target for Fiscal Year 2020-21 is \$0.8 million.

Recycled Water Services Fund

Working Capital/Operating Fund: To be established at three months operating and maintenance expenses. The primary source of funds for the Operating Fund are water sales and fixed service charge revenues. The Operating Fund Target for Fiscal Year 2020-21 is \$0.1 million.

The District’s capital fund structure and their target balances are provided below:

Water Services Capital Fund

The primary source of funds are the Water and Pumping Capital Improvement charges, property tax and standby availability charge receipts, annexation fees, connection fees and meter fees. Target fund balance is set to the equivalent of three-year average expenditures on recurring capital projects (i.e. pipeline renewal/replacement). The Fiscal Year 2020-21 target balance for the Water Capital Fund is \$15.9 million.

Funds related to the 1958 Annexation and the DeLuz Service Area bond proceeds are tracked separately in the fund.

Wastewater Services Capital Fund

The primary source of funds are Wastewater Capital Improvement charges, connection fees, property tax receipts, and meter fees. Target fund balance is set to the equivalent of three-year average expenditures on recurring capital projects (i.e. pipeline renewal/replacement). The Fiscal Year 2020-21 target balance for the Wastewater Capital Fund is \$5.2 million.

Recycled Water Services Capital Fund

Target fund balance is set to the equivalent of three-year average expenditures on recurring capital projects (i.e. pipeline renewal/replacement). Recycled Operating Fund transfers are the primary source of funds followed by a portion of the property tax receipts. The Fiscal Year 2020-21 target balance for the Water Capital Fund is \$0.4 million.

Fund Summary

The Districts total water target fund balance (21.3 million) equals the water working capital/operating fund (5.4 million), the rate stabilization fund (0 million) and the water services capital fund (15.9 million). The total recycled water target fund balance (0.5 million) equals the recycled working capital/operating fund (0.1 million) and the recycled water services capital fund (0.4 million). The total wastewater target fund balance (7.4 million) equals the wastewater working capital/operating fund (1.4 million), the rate stabilization fund (0.8 million) and the wastewater services capital fund (5.2 million). The District’s projected Fiscal Year 2020-21 year-end balances are shown in the table below.

Table #1 - Total Fund Balances

Service	Target Balance (Millions)	Projected Fiscal Year 2020-21 Ending Balance (Millions)
Water	\$ 21.3	\$ 15.4
Recycled Water	\$ 0.5	\$ 0.3
Wastewater	\$ 7.4	\$ 3.7
Total	\$ 29.2	\$ 19.4

Other Funds Maintained by the District

Section 115 Pension and OPEB Trust Fund

This fund was set up in Fiscal Year 2016-17 as an irrevocable trust established for the benefit of the pension and Other Post-Employment Benefits (OPEB) beneficiaries. The fund is managed by Public Agency Retirement Services (PARS) and is restricted in its use to funding pension and OPEB expenditures. The funds restricted for OPEB and pension costs are tracked in the fund. The fund balance was \$6.5 million on March 31, 2020. The District OPEB obligation is over 90% funded and no additional contributions will be made this budget. The District has developed a strategy to use returns from the fund to help off-set on-going OPEB costs. Details on the District's pension and OPEB obligations are provided in Appendix D.

District's Financial Management Policies

The District maintains certain policies that govern aspects of the District's financial management. The District's maintains the following policies:

- Debt Management Policy – Defines the District's debt management (available on website).
- Investment Policy – Establishes permitted investments in compliance with State Code (Article 27 of the District's Administrative Code)
- Fund Balance Policies – Sets target balances for reserves and working capital (Article 15 of the District's Administrative Code)
- Capitalization Policy – Establishes the parameters for defining an operating or capital expenditure

These policies can be found on the District's website as standalone documents or as part of the District's Administrative Code. Appendix C also provides a copy of the District's Capitalization Policy and other policies for ease of reference.



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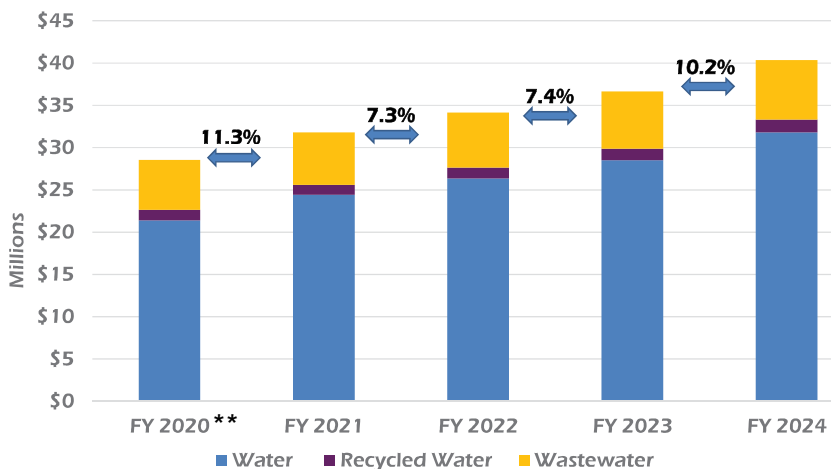
Financial Summaries

The rate and charge increases included in the projections are in line with the increases approved by the Board in December 2017 as part of the 2017 Water, Recycled Water and Wastewater Rate Study Report and Proposition 218 process. Table 1 shows the approved increases through 2022. A similar increase is assumed for Calendar Years 2023 and 2024 but a rate and charge study will be conducted to determine the actual rate increases. Because the rate and charge increases are effective for a calendar year, the impact of a rate increase spans two fiscal years. The projections take this into account and show revenues on a fiscal year basis with the approved rate increases. The Board will set the Calendar Year 2021 rates and charges in December 2020. Since no decision on the rate and charge increases has been made at this time, the Budget uses the approved rate and charge increases to project revenues. Chart 1 shows the projected increase in revenues due to the rate adjustments. The large increase in Fiscal Year 2020-2021 is driven by a return to average water sales levels. **Appendix A provides the detailed revenue, expense and fund balance projections for Water, Recycled Water, and Wastewater operations.**

Table #1 - Prop 218 Board Approved Maximum Rate Increases CY 2019-22

	CY 2019	CY 2020	CY 2021	CY 2022
Water Rate increase				
Approved Increase	(up to) 8.0%	(up to) 8.0%	(up to) 8.0%	(up to) 8.0%
Wastewater Rate increase				
Approved Increase	(up to) 4.5%	(up to) 4.5%	(up to) 4.5%	(up to) 4.5%
Recycled Water Rate increase				
Approved Increase	(up to) 8.0%	(up to) 8.0%	(up to) 8.0%	(up to) 8.0%

Chart #1 - Projected Total Rate Revenues *



* Total Rate Revenue increases shown

** Projected revenues based upon current District sales projections

Looking Forward

The economic impacts and duration of the pandemic are still unknown. While the Budget uses rate and charge increases in line with the Board's financial plan, the Board will take action to set rates in December 2020. At that time both the economic impacts and duration of the pandemic will be more clear. The Board will take these factors into consideration when adopting rates and charges and may elect to defer projects to mitigate rate increases.

This section provides an overview of the Districts overall projected financial operations. Table 2 provides a detailed summary of the District's revenues and expenditures and the projected year-end fund balances. Revenues from the District's water, recycled water and wastewater services are projected to increase over the projection period driven by rate and charge increases. Non-operating revenues are projected to remain relatively stable. Projected costs are assumed to rise at rates of inflation in line with levels assumed in the 2017 Water, Recycled Water and Wastewater Rate Study Report. The cost of treated water is expected to decrease by -8.8% next year based upon estimated wholesale water rate increases and a significant decrease in projected water sales. In the following years, wholesale water rates are

projected to increase annually in line with past averages driven by State and regional water supply reliability related costs. In Fiscal Year 2021-22, the District is projecting deliveries from the SMRCUP and the related costs. The SMRCUP deliveries reduce the cost of purchased water as shown in Table 2 and in Fiscal Year 2021-22 reduce projected purchased water costs by approximately 7.6%. For labor and non-labor, the result of the escalation is an average annual increase of 4.0%. This includes projected increase in the District’s pension and other benefits costs.

Table #2 - Fallbrook Public Utility District’s Financial Projections

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenues					
Revenue from Rates					
Water	\$ 21,390,868	\$ 24,414,828	\$ 26,368,177	\$ 28,492,566	\$ 31,803,088
Recycled Water	1,229,603	1,188,241	1,285,881	1,388,751	1,499,851
Wastewater	5,941,086	6,186,330	6,466,015	6,756,986	7,061,050
Subtotal Revenue from Rates	\$ 28,561,557	\$ 31,789,398	\$ 34,120,073	\$ 36,638,302	\$ 40,363,989
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$ 423,957	\$ 291,331	\$ 305,436	\$ 320,971	\$ 336,861
SDCWA IAC Charge	456,283	501,670	552,055	670,024	779,855
Sundry*	11,000	11,000	11,000	11,000	11,000
SDCWA Incentive	50,003	-	-	-	-
Other Revenue Subtotal	\$ 941,243	\$ 804,001	\$ 868,491	\$ 1,001,995	\$ 1,127,716
Non-Operating Revenue					
Water Availability Charge**	\$ 203,000	\$ 204,000	\$ 204,000	\$ 204,000	\$ 204,000
1% Property Tax	2,067,422	2,022,485	2,032,597	2,042,760	2,052,974
Investment Earnings	284,544	141,500	125,732	144,135	167,518
Water CIP Charge	1,373,621	1,455,281	1,556,735	1,653,313	1,755,694
Pumping CIP Charge	32,756	32,756	32,756	32,756	32,756
Other Revenue	220,000	250,000	255,000	260,100	265,302
Water Capacity Fees	3,000	50,000	50,500	51,005	51,515
Wastewater CIP Charge	1,170,233	1,207,132	1,255,873	1,293,426	1,332,275
Wastewater Capacity fees	105,000	35,000	35,700	36,414	37,142
Federal Interest Rate Subsidy	122,647	110,677	97,977	84,516	70,261
Subtotal Non-Operating Revenue	\$ 5,582,222	\$ 5,508,830	\$ 5,646,870	\$ 5,802,424	\$ 5,969,437
Total Revenues	\$ 35,085,022	\$ 38,102,229	\$ 40,635,434	\$ 43,442,721	\$ 47,461,141

* Sundry revenues is comprised of miscellaneous revenues and includes revenues from sale of assets taken out of service, which includes sale of equipment and vehicles.

** Fee is charge on a per acre or parcel basis in service area, which is not expected to change.

Table #2 - Fallbrook Public Utility District's Financial Projections, cont.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Total Revenues	\$35,085,022	\$38,102,229	\$40,635,434	\$43,442,721	\$47,461,141
Operating Expenses					
Water Supply Costs					
Purchased Water Costs***	\$ 12,778,727	\$ 13,810,108	\$ 11,302,476	\$ 10,813,148	\$ 11,928,736
Pumping Costs	180,000	202,797	212,936	223,583	246,159
SMRCUP Treatment	-	-	1,431,394	2,098,131	2,161,075
Labor Costs	2,869,597	2,895,222	3,039,983	3,191,982	3,351,581
Fringe Benefits	1,809,326	1,974,048	2,102,361	2,239,015	2,350,965
Services, Materials & Supplies	1,902,947	2,122,900	2,186,587	2,252,185	2,319,750
Administrative Expenses	6,353,374	6,465,365	6,717,118	6,980,180	7,227,043
Total Operating Expenses	\$ 25,893,971	\$ 27,470,440	\$ 26,992,855	\$ 27,798,224	\$ 29,585,309
Net Operating Revenues	\$ 9,191,051	\$ 10,631,790	\$ 13,642,578	\$ 15,644,498	\$ 17,875,832
Total Debt Service	\$ 2,890,815	\$ 3,563,049	\$ 3,801,333	\$ 5,534,480	\$ 5,534,503
Total Capital Expenditures	\$ 28,650,013	\$ 39,121,750	\$ 14,517,971	\$ 7,026,158	\$ 7,630,858
Total Expenditures	\$ 57,434,799	\$ 70,155,238	\$ 45,312,160	\$ 40,358,862	\$ 42,750,670
SRF Loan Proceeds	\$ 23,308,627	\$ 31,900,000	\$ 7,727,258	-	-
Change in Net Position ****	\$ 958,850	\$ (153,009)	\$ 3,050,531	\$ 3,083,860	\$ 4,710,471
<i>Beginning Balances</i>	\$ 18,624,152	\$ 19,583,002	\$ 19,429,993	\$ 22,480,524	\$ 25,564,384
<i>Ending Balance</i>	\$ 19,583,002	\$ 19,429,993	\$ 22,480,524	\$ 25,564,384	\$ 30,274,855

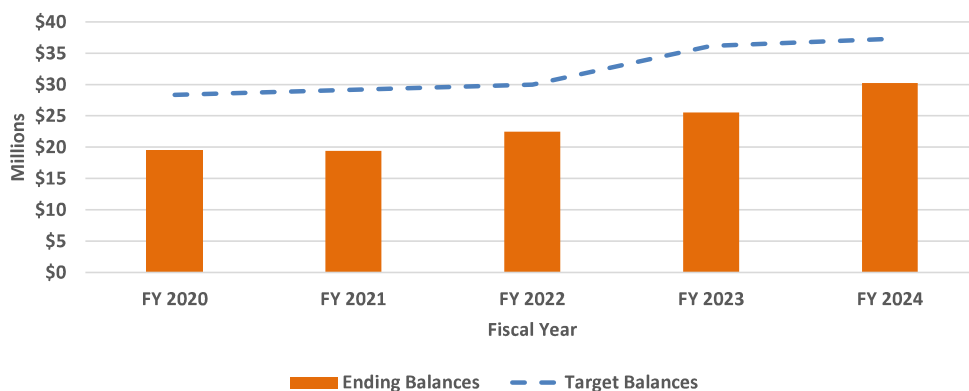
***Detail on purchased water costs provided on page 43. Purchased water costs include MWD RTS Charge and SDCWA IAC Charge.

****Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds..

Debt service and capital expenditures are deducted from the District's Net Operating Revenues to determine the change in Net Position for the fiscal year. It is important to note that funds from the SRF Loan offsets the use of the District's financial resources as shown in the table above. The Fiscal Year 2020-21 Change in Net Position shows the District is utilizing reserves in that particular fiscal year. In Fiscal Year 2020-21, the District is projecting the withdrawal of \$153,009 in reserves.

The Beginning Balance shows the funds available at the start of the year and the Ending Balance shows the funds that are available after the year is over. The chart below shows the Target Reserve levels compared to the projected fund balances. **Appendix A provides the detailed revenue, expense and fund balance projections for Water, Recycled Water, and Wastewater operations.**

Chart #2 - District Fund Balances and Target Level



Water Services Sources of Funds

The primary source of funds for water operations is water sales revenues. Water sales levels determine the Districts water sales revenues. Because Fallbrook is located in a semi-arid region of the United States and is subject to significant fluctuations in the level of water demands, each year careful attention is paid to the projected level of water sales. Heading into the Fiscal Year 2020-21 budget cycle, water supply conditions are near normal with most reservoirs near average. Therefore, at this point in time, no water use restrictions are expected to be in place this summer and water sales are projected to be in line with the District's average sales level.

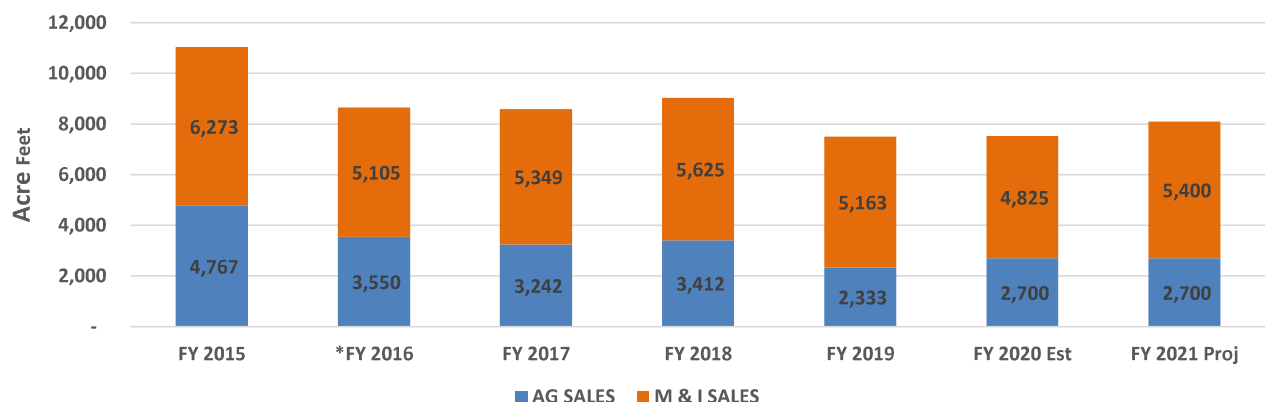
The District's sales over the last five years including the estimate for the current fiscal year and the projected water sales for the budget period are shown in Table 1. The table shows water production and total sales; production includes system losses, and water sales are units sold to customers. The sales are also split between Municipal & Industrial (M&I) customers and Agriculture (AG) customers. AG customers are eligible for a reduced water rate in exchange for a lower level of water supply reliability or put simply, agricultural customers have to cut back more than other customers when water restrictions are in place.

Table #1 - Five-Year Production and Sales History

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 Estimated	FY 2020-21 Projected
Production	11,849	9,573	9,193	10,090	8,043	8,100	8,650
Total Sales (adjusted for system losses)	11,040	8,656	8,592	9,269	7,496	7,525	8,100
AG Sales	4,767	3,550	3,242	3,412	2,333	2,700	2,700
M&I Sales	6,273	5,105	5,349	5,625	5,163	4,825	5,400

As the table and chart shows, recent years have been impacted by restrictions in use levels, wet weather and changes in customer use patterns all of which result in reduced water demands. The District's Fiscal Year 2019-20 water demands are expected to be at or near the historic low levels seen last year, Fiscal Year 2018-19. This persistent trend in lower water demands has caused the District to reevaluate how it projects future water demands. After looking at changes in the region's agricultural industry and domestic water use patterns, the District has reduced the long-term average water sales it uses for planning purposes. The projected Fiscal Year 2020-21 water sales use this new long-term average, which is an 11% decrease from what the District had previously used to project water sales largely due to the projected permanent loss of agriculture.

Chart#1 - Water Sales Trends



*Drought rates in effect July 2015-May 2016. Both M&I and AG sales decreased in this period.

The Water Services operating and non-operating revenues are shown in Table 2. Water sales revenues are those collected by the District for water usage during a billing cycle. Each of the District's customers are charged a fee based upon their user class and water purchased in that billing period. The monthly water fixed service charge revenues are an important revenue stream for the District because they are not subject to volatility in water demands. The District also passes through certain fixed charges from the MWD and the SDCWA. The revenue projection for Fiscal Year 2020-21 provided here include rate and charge increases in line what was approved by the Board as part of the 2017 Rate and Charge Study. The primary driver of the 2.5% revenue decrease budget to budget is the decrease in water sales. Fiscal Year 2019-20 sales revenues are projected to be 12.6% below budgeted levels due to lower water sales.

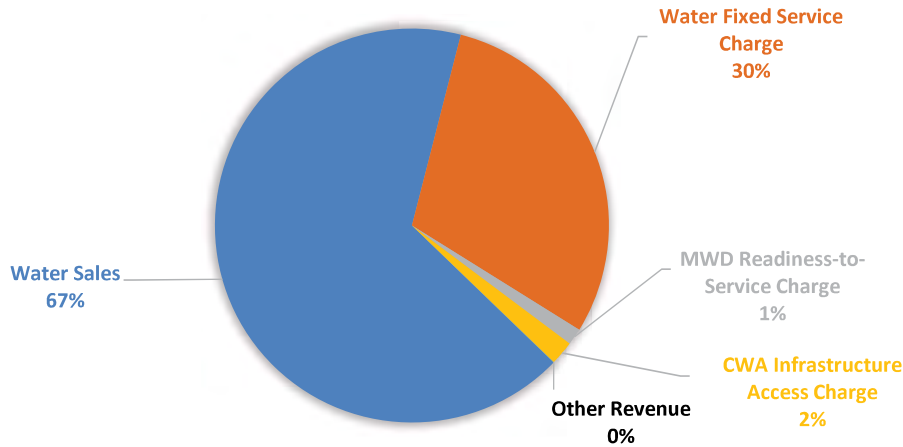
Table #2 - Water Services Sources of Revenue

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Operating Revenues:					
Water Sales	\$ 13,204,050	\$ 18,260,895	\$ 14,402,371	\$ 16,867,076	-7.6%
Water Fixed Service Charge	6,291,436	7,004,867	6,988,497	7,547,752	7.8%
MWD Readiness-to-Service Charge	339,086	310,753	423,957	291,331	-6.3%
SDCWA Infrastructure Access Charge	428,785	457,553	456,283	501,670	9.6%
Other Revenue	218,432	5,000	5,000	5,000	0.0%
Total Operating Revenue	\$ 20,481,789	\$ 26,039,068	\$ 22,276,108	\$ 25,212,828	-3.2%
Non-Operating Revenues:					
Water Capital Improvement Charge	\$ 1,305,331	\$ 1,390,702	\$ 1,373,621	\$ 1,455,281	4.6%
Property Tax	1,099,256	955,580	1,100,000	1,050,225	9.9%
Water Availability Charge	204,359	203,000	203,000	204,000	0.5%
Water Capacity Charges	47,237	70,000	3,000	50,000	-28.6%
Investment Earnings	239,393	213,394	200,822	100,000	-53.1%
Pumping Capital Improvement Charge	24,337	37,000	32,756	32,756	-11.5%
Gain/Loss on sale of assets	6,200,000	-	-	-	N/A
Other Revenue	199,433	180,046	220,000	250,000	38.9%
Total Non-Operating Revenue	\$ 9,319,346	\$ 3,049,723	\$ 3,133,199	\$ 3,142,262	3.0%
Total Revenues	\$ 29,801,135	\$ 29,088,790	\$ 25,409,306	\$ 28,355,090	-2.5%

Water sales revenues represent 60% of the District's water operating revenues with the remaining 40% of revenues coming from other sources that are independent from water sales. This variable/fixed mix of revenue means that operating revenues are subject to volatility due to water sales levels. Managing this volatility requires good fiscal planning and the use of the Rate Stabilization Fund to make up shortfalls. The primary sources of non-operating revenues are the water Capital Improvement Charge, which is a fixed charge restricted to fund only capital projects, and property tax and Water Availability Charge revenues. Other revenues include pumping Capital Improvement Charge, investment earnings and other income.

The SMRCUP is being funded with a SRF loan. While not shown here as a source of funds, the expected \$62.9 million loan will provide funding for the project's costs. The project costs are expected to be \$23.3 million, \$31.9 million and \$7.7 million in Fiscal Years 2019-20, 2020-21 and 2021-22, respectively.

Chart #2 - Fiscal Year 2020-21 Water Services Operating Revenues

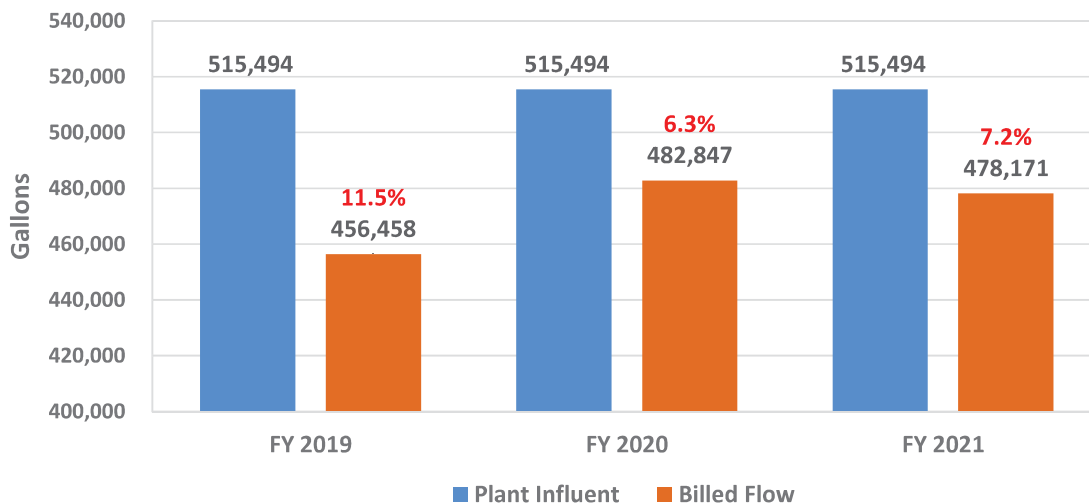


Wastewater Services Sources of Funds

Wastewater revenue is relatively stable since it is billed based upon indoor water used. To estimate the amount of water used indoors that is returned to the sewer, a return to sewer factor is applied to each user class. For residential users, the return to sewer factor is applied to their 3-month winter average. The winter months, which are typically wet, allow indoor use to be estimated since outdoor/landscape use is at a minimum. However, even the winter average use is adjusted to reflect some level of residential outdoor/landscape, which is not returned to the sewer. This methodology limits the impact weather has on billable sewer flows. The revenue projection for Fiscal Year 2020-21 provided here includes rate and charge increases in line with what was approved by the Board and billable wastewater flows in line with historic wastewater flows at the District water reclamation plant.

Historic averages provide a good basis from which flows and revenue projections can be evaluated. The chart below shows the average annual flows at the plant (Plant Influent) and the billable wastewater flows projected for this budget period. The projection for Fiscal Year 2020-21 shows billable flows near average plant flow levels. Prior to adopting rates and charges in December 2020, staff will develop a recommendation for changes in the residential billable flow methodology.

Chart #3 - Wastewater Services Average Annual Flows

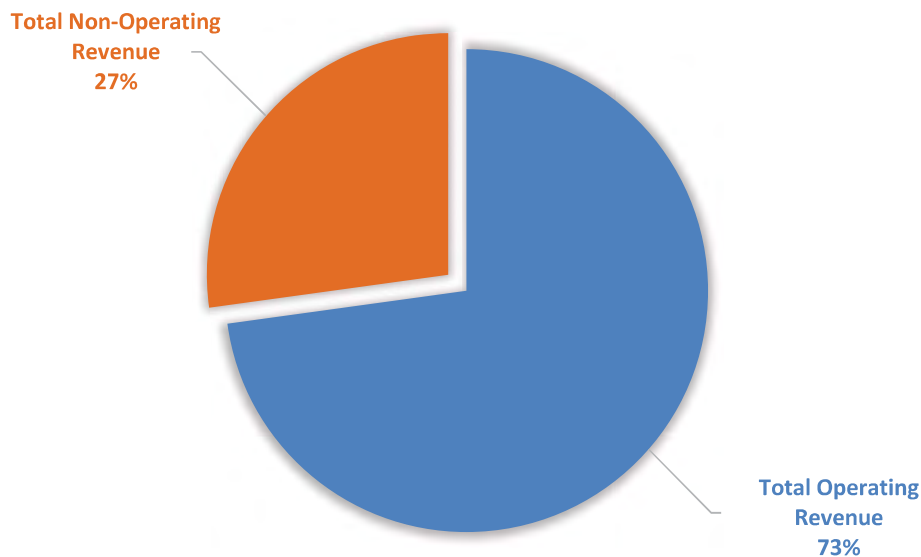


Wastewater Services operating and non-operating revenues are shown in Table 3. The primary source of operating revenue for Wastewater Services is the Wastewater Service Charge. The primary non-operating revenues are the Wastewater Capital Improvement charge, which, like the Water Capital Improvement Charge, is restricted to fund only capital projects. Other non-operating revenues include property tax revenues.

Table #3 - Wastewater Services Sources of Revenue

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Operating Revenue					
Wastewater Service Charges	\$ 5,453,590	\$ 6,214,076	\$ 5,941,086	\$ 6,186,330	-0.4%
Sundry Other Revenue	10,230	1,000	1,000	1,000	0.0%
Total Operating Revenue	\$ 5,463,820	\$ 6,215,076	\$ 5,942,086	\$ 6,187,330	-0.4%
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ 1,144,390	\$ 1,185,299	\$ 1,170,233	\$ 1,207,132	1.8%
Property Tax	956,993	912,422	912,422	916,985	0.5%
Wastewater Capacity Charges	133,729	31,522	105,000	35,000	11.0%
Investment Earnings	84,296	56,675	81,396	40,000	-29.4%
Federal Interest Rate Subsidy	134,924	122,647	122,647	110,677	-9.8%
Total Non-Operating Revenue	\$ 2,454,332	\$ 2,308,565	\$ 2,391,698	\$ 2,309,793	0.1%
Total Revenues	\$ 7,918,152	\$ 8,523,641	\$ 8,333,784	\$ 8,497,123	-0.3%

Chart #4 - Fiscal Year 2020-21 Wastewater Services Operating Revenues



Recycled Water Services Sources of Funds

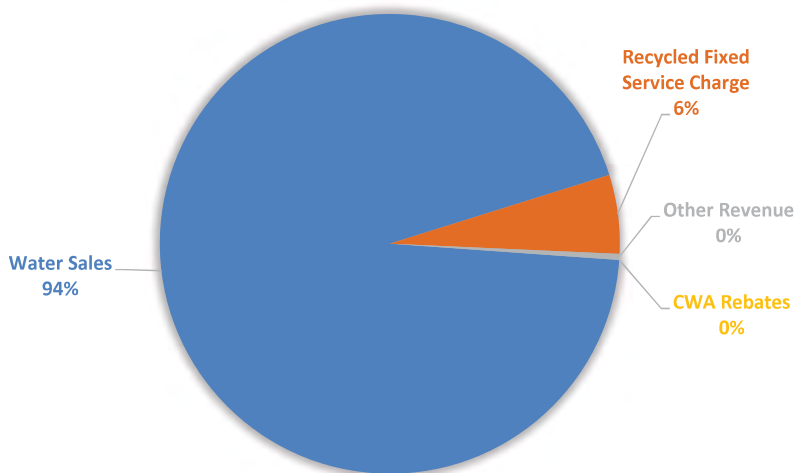
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively small and demands have remained static even with additional customers. Therefore, the historic average adjusted for a small level of growth provide a good basis from which revenues can be budgeted from. The accompanying chart shows the average annual recycled water sales and the sales projected for this budget period. The revenue projection for Fiscal Year 2020-21 provided here include rate and charge increases in line what was approved by the Board.

Recycled Water Services operating and non-operating revenues are shown in Table 4. The primary source of operating revenue for Recycled Water Services is water sales revenue. Recycled Water Services customers pay a per unit rate for recycled water. The District is actively exploring opportunities to more fully utilize the recycled water available. This includes expanding retail sales and utilizing the recycled water as part of an indirect potable water supply. Other operating revenues include the Fixed Recycled Water Charge. Investment earnings makes up the only non-operating revenues.

Table #4 - Recycled Water Services Sources of Revenue

	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Increase (%)
		Budget	Projected		
Operating Revenues					
Water Sales	\$ 920,376	\$ 1,318,476	\$ 1,168,400	\$ 1,122,142	-14.9%
Recycled Fixed Service Charge	(17,974)	64,354	61,203	66,099	2.7%
Other Revenue	6,061	5,000	5,000	5,000	0.0%
CWA Rebates	90,480	50,003	50,003	-	-100.0%
Total Operating Revenue	\$ 998,943	\$ 1,437,833	\$ 1,284,606	\$ 1,193,241	-17.0%
Non-Operating Revenues					
Property Tax	49,786	50,294	55,000	55,275	9.9%
Investment Earnings	2,409	14,475	2,326	1,500	-89.6%
Total Non-Operating Revenue	\$ 52,195	\$ 64,768	\$ 57,326	\$ 56,775	-12.3%
Total Revenues	\$ 1,051,138	\$ 1,502,602	\$ 1,341,932	\$ 1,250,016	-16.8%

Chart #5 - Fiscal Year 2020-21 Recycled Water Services Operating Revenues



Operating Budget

Overview

The District, while relatively small, provides a wide range of services to residents. This section of the budget document provides a detailed description of the District’s budgeted use of funds (operating expenses) for each division/function. To make the budget easy to follow, the District’s Operating Budget is broken out into its main cost centers. The cost center breakdown is: Administrative Services, Water Services, Wastewater Services and Recycled Water Services (collectively the Services).

This section also provides a detailed breakdown of the District’s employer-paid employee benefits and debt-service costs. Each of the District’s Services are allocated a portion of the District’s benefits costs based upon the Services’ share of total labor costs. The allocation of the benefits’ costs is detailed in the benefit cost section and each of the Districts Services’ operating budgets. It is denoted as Allocated benefit Allocation Expenditure on each Services’ Total Operating Budget Summary Table.

In addition to a detailed budget to fund day-to-day operations, this section also provides a description of the divisions within each of the Services. Each division performs a specific program or function. The Services budget’s are developed to support the long and short-term strategic goals of the District.

It should be noted that the District has restructured its accounting system and chart of accounts. As a result of these changes, year to year comparison of the line items are now possible and allow line item comparisons.

Table #1 - Overview of Total Services Operating Budget

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor *	\$ 5,111,090	\$ 5,324,861	\$ 5,420,878	\$ 5,316,951	-0.1%
Total Non-Labor	4,565,405	4,509,670	4,088,997	4,515,332	0.1%
Operating Total	\$ 9,676,495	\$ 9,834,531	\$ 9,509,875	\$ 9,832,283	-0.0%
Benefits Expenses	2,899,667	3,425,369	3,425,369	3,625,253	5.8%
Total Services Operating Budget	\$12,576,162	\$ 13,259,901	\$ 12,935,244	\$ 13,457,536	1.5%

* Total Labor does not include District’s Benefits

Administrative Services

Administrative Services includes a wide range of functions that support the District’s core services: water, wastewater and recycled water. The Organizational Chart on page 20 shows the broad scope of functions captured in the Administrative Services budget. Administrative Service functions include:

- Manages District operations and capital projects
- Implements and maintains District policies and procedures
- Directs and maintains District documents and archives
- Supports activities of the Board of Directors
- Coordinates District legal activities
- Oversees the District’s financial management including debt management, budget, annual audit, treasury and other required financial reporting

- Maintains customer accounts and billing for water, wastewater and recycled water
- Oversees permit process, right of way and District Geographic Information System (GIS) data
- Manages District contracts, and service and construction services procurement
- Administers the District’s water conservation and agricultural water programs
- Creates and administers public outreach activities
- Provides human resources support to the District
- Coordinates and monitors District safety and risk management programs

Administrative Services is broken down into divisions that support a specific Administrative Service’s function. Administrative Services historic and proposed staffing levels are shown in Table 2.

Table #2 - Administrative Services Approved Positions

Position	Actual FTE* FY 2018-19	Actual FTE FY 2019-20	Proposed FTE FY 2020-21
General Manager	1.0	1.0	1.0
Board Secretary	1.0	1.0	-
Executive Assistant/ Board Secretary	-	-	1.0
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Human Resources Manager	1.0	1.0	1.0
Senior Accountant	1.0	1.0	1.0
Accounting Technician	2.0	2.0	2.0
Management Analyst	-	1.0	1.0
Safety & Risk Officer	1.0	1.0	1.0
Information Systems Tech	1.0	1.0	1.0
Senior Engineer	1.0	1.0	1.0
Engineering Supervisor	1.0	1.0	-
Administrative Office Specialist	1.0	1.0	1.0
Engineering Technician	4.0	3.0	3.0
GIS Specialist	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Public Affairs Specialist	0.8	0.8	0.8
Customer Service Specialist	2.0	2.0	2.0
Customer Service Representative	1.0	1.0	1.0
Purchasing Warehouse Supervisor	1.0	1.0	1.0
Warehouse Purchasing Specialist	1.0	1.0	1.0
Equipment Tech	1.0	-	-
Equipment Mechanic	1.0	1.0	1.0
TOTAL FTE	25.8	24.8	23.8

*FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

The Office of the General Manager

- Oversees all District operations
- Plans, organizes and conducts Board of Directors activities and meetings in addition to supporting Board policy development and execution

- Manages legal activities including public hearing and other required notices
- Serves as public liaison to the Community and other entities (i.e. San Diego County Board member) and manages public relations
- Manages District documents, contracts, and Board of Director meeting agendas and minutes

Finance and Customer Services

- Manage and maintain the District's financial and customer information
- Develop and monitor the District's annual budget
- Manage the annual financial audit and develop financial reports
- Maintain and execute the District's financial policies and procedures
- Manage the District's payroll process, and treasury and debt-management functions
- Establish and monitors the District's internal controls
- Maintain customer service counter and phone line for questions and payment
- Generate and monitor customer bill

Warehouse and Purchasing

- Issue Requests for Proposals, and solicitations for equipment, supplies and materials
- Maintain and manage District equipment, supplies and materials inventory
- Manage purchasing contracts for materials, supplies, equipment and services

Human Resources

- Establish and maintain effective employee relations
- Implement and administer District personnel policies, practices and procedures, and various programs including the performance appraisal system
- Manage recruitment and selection activities, employee benefits and recognition, and training and technical certification
- Support Memorandum of Understanding (MOU) negotiations

Information Management

- Maintain, troubleshoot and upgrade the District's network servers, workstations, copiers and printers, phone system and wireless services
- Create and maintains the District's information system's policies and procedures
- Manage the security of the District's information management systems

Engineering Services

- Oversee implementation of the District's Capital Improvement Program
- Maintain records of District easements, as-built facility drawings and facility location drawings
- Design, develop and maintain the District GIS program
- Provide customer service for water and sewer service

- Process water and sewer requests for new service
- Support outside developer and County projects
- Participation in County subdivision map process for new development
- Assess water and sewer availability and develop requirements
- Review and plan check developer water and sewer improvement plans
- Inspect and document developer installation of District facilities

Vehicle Services/Shop

- Service and repair small and large equipment and vehicles

Safety and Risk

- Manage and administer the District’s safety and risk program
- Investigate claims against the District and conduct accident/incident investigations
- Maintain and update the District’s Emergency Response Plan and conduct vulnerability assessments

Table #3 - Administrative Services Total Operating Budget Summary

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor*	\$ 2,352,772	\$ 2,512,198	\$ 2,551,281	\$ 2,421,728	-3.6%
Total Non-Labor	2,295,135	2,279,270	2,186,050	2,392,432	5.0%
Services Operating Total	\$ 4,647,907	\$ 4,791,468	\$ 4,737,331	\$ 4,814,160	0.5%
Allocated Benefits Expenditures**	1,334,795	1,616,043	1,616,043	1,651,205	2.2%
Total Services Budget	\$ 5,982,702	\$ 6,407,511	\$ 6,353,374	\$ 6,465,366	0.9%

* Total Labor does not include District’s Benefits

** Includes transfer to Pension/OPEB Trusts



Table #4 - Administrative Services, Division Budget to Budget Comparison

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Office of the General Manager					
Labor:					
Salaries	\$ 471,350	\$ 449,438	\$ 492,201	\$ 431,934	-3.9%
Non-Labor:					
Director Expenses	33,527	40,000	31,522	40,000	0.0%
General & Administrative	14,757	13,320	15,404	12,700	-4.7%
Equipment (Non Capital)	2,987	-	-	-	0.0%
Materials/Services/Supplies	77,654	52,800	100,281	68,300	29.4% *
Professional Services	286,214	240,000	279,408	316,000	31.7% *
Memberships/Training/Permits	85,181	94,400	88,000	96,600	2.3%
Santa Margarita Watermaster	114,059	115,000	120,425	123,429	7.3%
Total Non-Labor	\$ 614,379	\$ 555,520	\$ 635,040	\$ 657,029	18.3%
Division Operating Total	\$ 1,085,729	\$ 1,004,958	\$ 1,127,241	\$ 1,088,963	8.4%

*Increased outside support costs for detachment efforts.

Finance & Customer Service					
Labor:					
Salaries	\$ 652,647	\$ 671,504	\$ 744,674	\$ 757,348	12.8% *
Non-Labor:					
Contractor Services	25,986	14,000	18,380	19,000	35.7%
Equipment (Non Capital)	2,686	4,000	5,277	4,000	0.0%
Materials/Services/Supplies	221,960	193,200	194,318	195,700	1.3%
Professional Services	151,333	145,500	124,443	136,000	-6.5%
Memberships/Training/Permits	3,373	3,000	2,059	2,700	-10.0%
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 405,338	\$ 359,700	\$ 344,477	\$ 357,400	-0.6%
Division Operating Total	\$ 1,057,985	\$ 1,031,204	\$ 1,089,151	\$ 1,114,748	8.1%

*FTE dedicated to Finance & Customer Service functions added.

Warehouse & Purchasing					
Labor:					
Salaries	\$ 166,186	\$ 162,550	\$ 188,105	\$ 169,919	4.5%
Non-Labor:					
Contractor Services	102,455	108,000	110,000	115,000	6.5%
Equipment (Non Capital)	1,910	3,500	4,025	4,000	14.3%
Materials/Services/Supplies	104,927	80,450	124,640	98,450	22.4% *
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	308	1,000	795	1,000	0.0%
Utilities **	45,571	40,000	51,444	45,000	12.5%
Total Non-Labor	\$ 255,171	\$ 232,950	\$ 290,904	\$ 263,450	13.1%
Division Operating Total	\$ 421,357	\$ 395,500	\$ 479,009	\$ 433,369	9.6%

*Cost increase driven by actual cost levels.

**Utility cost increase driven by actual cost levels.

Table #4 - Administrative Services, Division Budget to Budget Comparison, cont.

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Human Resources					
Labor:					
Salaries	\$ 186,551	\$ 169,083	\$ 217,424	\$ 198,212	17.2% *
Non-Labor:					
Contractor Services	4,722	43,200	30,649	31,325	-27.5%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	19,937	21,300	16,323	17,400	-18.3%
Professional Services	16,292	10,000	15,000	10,000	0.0%
Memberships/Training/Permits	86,738	91,450	72,191	95,950	4.9%
Education Funding	-	30,000	1,748	30,000	0.0%
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 127,689	\$ 195,950	\$ 135,911	\$ 184,675	-5.8%
Division Operating Total	\$ 314,240	\$ 365,033	\$ 353,335	\$ 382,887	4.9%

*Added .75 FTE dedicated to Human Resources functions.

**Utility cost increase driven by actual cost levels..

Information Management					
Labor:					
Salaries	\$ 85,608	\$ 87,578	\$ 89,649	\$ 93,937	7.3%
Non-Labor:					
Contractor Services	106,459	28,150	28,000	58,150	106.6% *
Equipment (Non Capital)	24,083	25,000	22,500	25,000	0.0%
Materials/Services/Supplies	129,198	149,800	132,500	145,728	-2.7%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 259,740	\$ 202,950	\$ 183,000	\$ 228,878	12.8%
Division Operating Total	\$ 345,348	\$ 290,528	\$ 272,649	\$ 322,815	11.1%

*Increase due to costs associated with web based Computerized Maintenance Management System (CMMS).

**Utility cost increase driven by actual cost levels..

Engineering Services					
Labor:					
Salaries	\$ 522,747	\$ 570,334	\$ 575,838	\$ 475,800	-16.6% *
Non-Labor:					
Contractor Services	193	2,500	345	2,500	0.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	45,393	67,500	69,495	42,000	-37.8%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	1,035	1,200	227	500	-58.3%
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 46,621	\$ 71,200	\$ 70,067	\$ 45,000	-36.8%
Division Operating Total	\$ 569,368	\$ 641,534	\$ 645,905	\$ 520,800	-18.8%

*1 FTE transferred to Finance & Customer Service functions, .75 FTE allocated to Human Resources functions, and 1 FTE eliminated.

**Utility cost increase driven by actual cost levels.

Table #4 - Administrative Services, Division Budget to Budget Comparison, cont.

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Safety & Risk					
Labor:					
Salaries	\$ 157,353	\$ 205,226	\$ 161,919	\$ 204,842	-0.2%
Non-Labor:					
Contractor Services	16,973	28,500	14,506	18,500	-35.1%
Equipment (Non Capital)	81,574	35,000	37,461	35,000	0.0%
Materials/Services/Supplies	3,267	11,500	35,940	27,500	139.1%
Professional Services	89,904	270,000	177,717	275,000	1.9%
Memberships/Training/Permits	-	500	767	-	-100.0%
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 191,718	\$ 345,500	\$ 266,391	\$ 356,000	3.0%
Division Operating Total	\$ 349,071	\$ 550,726	\$ 428,310	\$ 560,842	1.8%

**Utility cost increase driven by actual cost levels.

Vehicle Services & Shop					
Labor:					
Salaries	\$ 110,330	\$ 196,485	\$ 81,471	\$ 89,735	-54.3% *
Non-Labor:					
Contractor Services	22,676	20,500	24,700	25,000	22.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	371,803	295,000	235,560	275,000	-6.8%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 394,479	\$ 315,500	\$ 260,260	\$ 300,000	-4.9%
Division Operating Total	\$ 504,809	\$ 511,985	\$ 341,731	\$ 389,735	-23.9%

*Time allocation to division reduced.

**Utility cost increase driven by actual cost levels.

Fiscal Year 2019-20 Accomplishments

- Completed the financial system restructuring to better track labor and benefit costs for operations and capital projects
- Conducted a review of organizational structure
- Implemented several enhancements to bill payment options, water use alerts and electronic bill reminders
- Started construction of the SMRCUP
- Updated the District’s performance evaluation process
- Developed CAD standards and drawing templates for improved CIP design

Fiscal Year 2020-21 Goals and Objectives

- Document finance policy and procedure guides.
- Resilience Assessment for compliance with the 2018 AWIA Section 2013
- Assist in the Development or update of the District’s ERP based on Assessment study in accordance with the AWIA
- Develop a policies and procedures manual for HR
- Complete comprehensive update of standard specifications/drawings/approved materials list
- Utilize CityWorks to adopt improved work flows for new customer service requests
- Establish Sewer Improvement District in targeted portions of the sewer service area

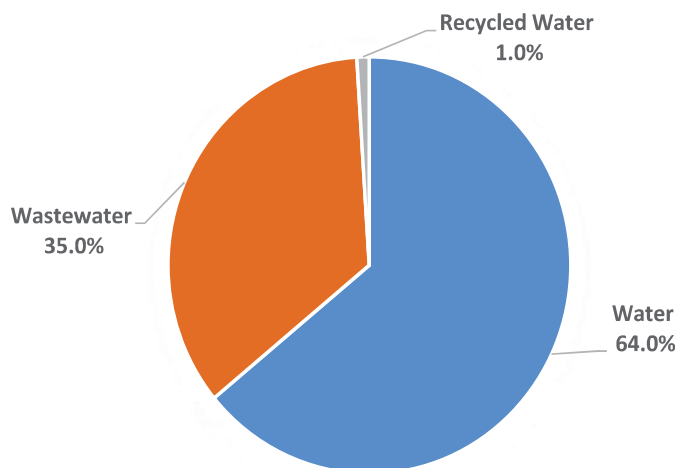
Key Performance Indicators

- Maintain an Experience Modification Rate below 1 for the District’s workers compensation rate
- Maintain an average customer service call wait time of less than 3 minutes
- Maintain an inventory shrinkage rate of less than 1%
- Reduce the number of audit findings from one year to the next

Cost Allocation of Administrative Services

Because Administrative Services acts like an internal service fund and supports the District’s revenue generating activities, the cost must be recovered through rates and charges levied by the core services; water, wastewater and recycled water. Administrative costs are allocated to water, wastewater and recycled water services operating budgets based upon the share of total accounts in each of the services. The accompanying chart shows the breakdown of accounts and the Administrative Service Allocations.

Chart #1 - Administrative Services Cost Allocation



Total Number of Accounts: 14,317



Water Services

The District provides Water Services to approximately 9,200 meters within the District’s service area. The largest component of the Water Services’ operating budget is the cost of water. The District buys 99% of its water from the SDCWA, which is the region’s wholesale water provider. Water Services provide the following functions:

- Manage the delivery of water from the District’s water supplier and the delivery of water to the District’s customers
- Manage an asset management program that optimizes life-cycle costs and maintains, repairs and replaces system assets
- Operate water system assets including reservoirs, valves, pump stations, control facilities
- Maintain the District’s Water Service’s rights of way
- Manage the District’s water meters and Smart Meter replacement program

Water Services is broken down into divisions that support a specific function. Water Services historic and proposed staffing levels are shown in Table 5.

Table #5 - Water Services Approved Positions

Position	Actual FTE FY 2018-19	Actual FTE FY 2019-20	Proposed FTE FY 2020-21
Construction/ Maintenance Supervisor	1.0	-	-
Field Services Manager	-	1.0	1.0
Utility Technician	4.75	4.75	5.5
Utility Worker I & II	9.5	9.5	9.5
System Service/ Shop Supervisor	1.0	1.0	1.0
Operations Manager	1.0	1.0	1.0
System Operations Supervisor	1.0	1.0	1.0
Systems Operator I/II	3.0	3.0	3.0
Instrumentation & Control Specialist	1.0	-	-
Senior Instrumentation & Control Specialist	-	1.0	1.0
Maintenance Electrician	1.0	-	-
Instrumentation, Electrical & Controls Tech	-	2.0	2.0
Backflow/ Cross Connection Tech	0.75	0.75	-
TOTAL FTE	24.0	25.0	25.0

*FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Production and Distribution

- Schedule and manages water deliveries to the District to meet customer demands
- Operate water system assets and monitors system conditions including water pressure and water quality
- Maintain crews to operate the system and respond to customer inquires

Pipeline Maintenance and Construction

- Maintain the District’s Water Services assets
- Manage all Water Services repairs and asset replacements

- Replace aged water mains and valves
- Maintain 24-hour coverage of large water main breaks
- Maintain all right-of-way and interconnects with neighboring districts

System Services

- Meter reading, meter repair and meter exchange programs and delinquent account lock/ unlocking

Table #6 - Water Services Total Operating Budget Summary

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Total Labor *	\$ 1,455,940	\$ 1,422,713	\$ 1,513,659	\$ 1,449,807	1.9%
Total Non-Labor	986,932	949,500	599,584	758,000	-20.2%
Operating Total	\$ 2,442,872	\$ 2,372,213	\$ 2,113,243	\$ 2,207,807	-6.9%
Allocated Benefits Expenditures	825,996	915,201	915,201	988,521	8.0%
Total Direct Water Costs	\$ 3,268,868	\$ 3,287,415	\$ 3,028,444	\$ 3,196,328	-2.8%
Allocation of Administrative Services	3,170,832	4,100,807	4,100,807	4,137,834	0.9%
Total Services Budget	\$ 6,439,700	\$ 7,388,221	\$ 7,129,251	\$ 7,334,162	-0.7%

* Total Labor does not include District's Benefits.

Table #7 - Water Services, Division Budget to Budget Comparison

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Production & Distribution					
Labor:					
Salaries	\$ 654,839	\$ 747,781	\$ 717,716	\$ 679,375	-9.1% *
Non-Labor:					
Contractor Services	28,640	49,000	25,595	51,000	4.1%
Equipment (Non Capital)	-	14,000	6,541	14,000	0.0%
Materials/Services/Supplies	270,647	217,000	195,843	238,000	9.7%
Professional Services	63	-	-	-	NA
Memberships/Training/Permits	60,736	90,000	72,159	80,000	-11.1%
Utilities **	63,047	65,000	68,718	75,000	15.4%
Total Non-Labor	\$ 423,133	\$ 435,000	\$ 368,856	\$ 458,000	5.3%
Division Operating Total	\$ 1,077,972	\$ 1,182,781	\$ 1,086,572	\$ 1,137,375	-3.8%

*Allocated additional labor costs to System Services.

**Utility cost increase driven by actual cost levels.

Table #7 - Water Services, Division Budget to Budget Comparison, cont.

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Pipeline Maintenance & Construction					
Labor:					
Salaries	\$ 299,607	\$ 346,089	\$ 397,139	\$ 380,361	9.9% *
Non-Labor:					
Contractor Services	80,079	111,000	26,324	36,000	-67.6%
Equipment (Non Capital)	-	10,000	3,722	10,000	0.0%
Materials/Services/Supplies	50,908	32,000	16,250	33,000	3.1%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	144	500	-	-	-100.0%
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 131,131	\$ 153,500	\$ 46,296	\$ 79,000	-48.5%
Division Operating Total	\$ 430,738	\$ 499,589	\$ 443,435	\$ 459,361	-8.1%

*Increased labor costs from Vehicle Services.

**Utility cost increase driven by actual cost levels.

System Services					
Labor:					
Salaries	\$ 501,494	\$ 328,844	\$ 398,804	\$ 390,071	18.6% *
Non-Labor:					
Contractor Services	205,294	136,000	62,222	76,000	-44.1%
Equipment (Non Capital)	712	-	-	-	NA
Materials/Services/Supplies	226,662	225,000	122,210	145,000	-35.6%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	-	-	-	-	NA
Total Non-Labor	\$ 432,668	\$ 361,000	\$ 184,432	\$ 221,000	-38.8%
Division Operating Total	\$ 934,162	\$ 689,844	\$ 583,236	\$ 611,071	-11.4%

*Increased labor costs from Production & Distribution

**Utility cost increase driven by actual cost levels.

Fiscal Year 2019-20 Accomplishments

- Replaced 63 water main valves as of May 1
- Upgraded the Yarnell Cla-Val Pressure Reducing Station by replacing critical components and added radio communication.
- Installed two 36” culverts and repaired the Stage Coach Right of Way.
- Removed the solar panels, replaced the roof and reinstalled the solar panels on the tractor shed in the yard.
- Completed multiple office remodels
- Currently working on the Bio Solids barn at the WRP and the drainage system for the FPUD warehouse
- Exchanged 691 meters and 38 back flow devices; Repaired 12 water main leaks and 13 service line leaks as of May 1
- Updated Calgon the software and HMI at the UV treatment plant. Added remote access capabilities for the Calgon technicians.
- Develop a full list of preventative maintenance activities and work-flows for with CityWorks CMMS.
- Added radio communications at the SDCWA De Luz-1 meter to monitor and track flow.
- Upgraded Harris Pump Station electrical and SCADA.

Fiscal Year 2020-21 Goals and Objectives

- Upgrade the SCADA system to improve communication between critical sites
- Upgraded pressure/flow control facilities to increase reliability and better track flow rates and water loss.
- Fully implement CMMS for preventative maintenance and reactive work orders
- Replace 100 valves
- Rebuild Lynda Ln PRV Station
- Rebuild Ross Lake PRV Station

Key Performance Indicators

- 100% regulatory compliance for water quality sampling
- Exercise 189 valves/month as part of the valve exercise program
- Complete all preventative maintenances work orders on time
- Replace 100 valves/year
- Replace 1,476 meters/year

Water Supply Costs

The District’s Water Supply Costs are comprised of Purchased Water Costs and pumping costs. The District’s Purchased Water Costs are the cost of wholesale water from SDCWA. Water Supply Costs are broken down into fixed and variable costs. Variable or Commodity costs vary depending on the amount of water purchased (this includes pumping costs). Fixed charges are set regardless of the water consumed during the billing period. The fixed water costs are comprised of the SDCWA’s charges and MWD fixed charges that are pass through by SDCWA. SDCWA’s recommended rates and charges are used for the cost of water estimate. The reduction in the Variable Water Cost is due to the reduced water sales projections. The District’s variable and fixed water charges are summarized below:

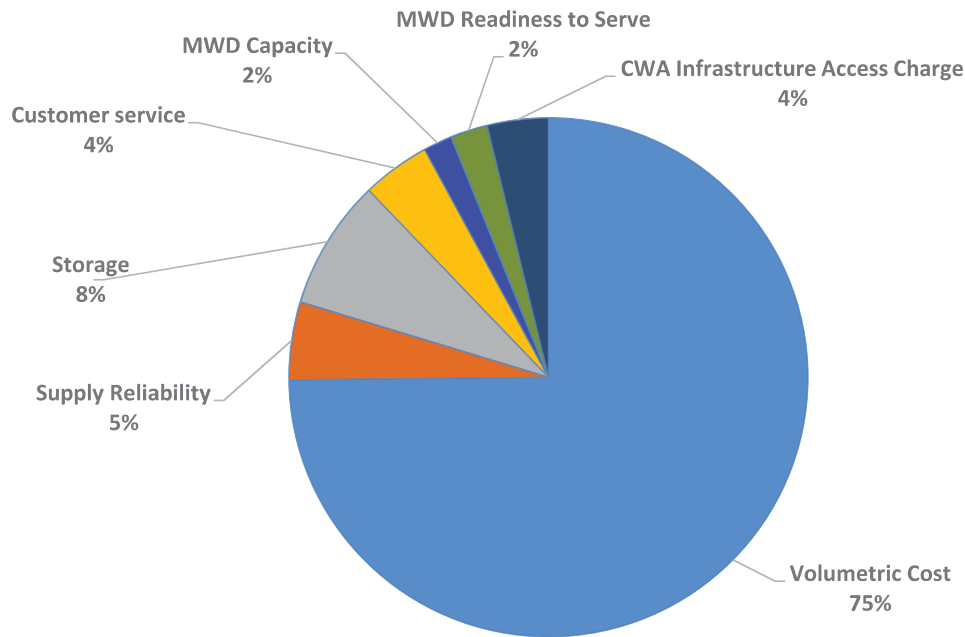
Fixed Costs

SDCWA has a fixed meter fee (the IAC), which has increased 37.4% over the past two calendar years. This fixed cost is passed through to the District’s customers and therefore increases each customers’ fixed costs.

Table #8 - Variable and Fixed Charges Budget to Budget Comparison

	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Variable Costs:					
Variable Water Costs	\$ 9,318,288	\$ 12,427,091	\$ 9,629,669	\$ 10,587,871	-14.8%
Fixed Costs:					
Supply Reliability	\$ 519,150	\$ 593,136	\$ 593,136	\$ 690,036	16.3%
Storage	1,133,928	1,110,090	1,110,090	1,066,398	-3.9%
Customer service	618,534	585,942	585,942	570,306	-2.7%
MWD Capacity	273,605	254,982	254,982	244,872	-4.0%
MWD Readiness to Serve	340,392	310,440	310,440	291,012	-6.3%
SDCWA IAC	436,668	474,468	474,468	562,410	18.5%
Total Cost of Water	\$ 12,640,565	\$ 15,756,149	\$ 12,958,727	\$ 14,012,905	-11.1%
Estimated \$/AF	\$ 1,686	\$ 1,583	\$ 1,722	\$ 1,730	9.3%

Chart #2 - Water Supply Costs Breakdown



Fixed Costs

Supply Reliability Charge - SDCWA charge to collect a portion of the costs associated with highly reliability water supplies (i.e. Desalination).

Infrastructure Access Charge (IAC) – Meter charge imposed by SDCWA to provide water capacity.

Customer Service Charge – SDCWA charge designed to recover costs associated with SDCWA’s customer service and functions.

Emergency Storage Charge – SDCWA charge to recover costs associated with the Emergency Storage Program.

MWD Capacity Charge – MWD charge passed-through by the SDCWA. The MWD charge collects costs associated with demand peak.

MWD Readiness-to-Serve Charge – MWD charge for State Water Project costs passed through by the SDCWA.

Fixed Costs are **25%** of the Total Cost of Water Purchased from SDCWA

Variable Costs

Melded Supply – This is the \$/acre-foot rate the District pays for water.

Melded Treatment - This is the \$/acre-foot rate the District pays for water that is potable. The District only purchases treated water.

Transportation - This is the \$/acre-foot rate the District pays for water transported by the SDCWA.

Special Agricultural Water Rate (SAWR) - This is the \$/acre-foot rate the District pays for water that is in the SAWR program.

Variable Costs are **75%** of the Total Cost of Water Purchased from SDCWA

Wastewater Services

The District provides Wastewater Services to approximately 5,000 meters within the District’s service area. The largest component of the Wastewater Services’ operating budget is the operating costs of the District’s water reclamation plant. Wastewater Services includes the following functions:

- Operate a water reclamation plant that provides secondary treatment
- Manage an asset management program that optimizes lifecycle costs and maintains, repairs and replace plant and collections system assets
- Meet the Regional Water Quality Control Board’s discharge permit requirements
- Operate and maintain the District’s six collections system lift station and 100 miles of wastewater system piping

Wastewater Services is broken down into divisions that support a specific functions. Wastewater Services historic and proposed staffing levels are shown in Table 9.

Table #9 - Wastewater Services Approved Positions

Position	Actual FTE	Actual FTE	Proposed FTE
	FY 2018-19	FY 2019-20	FY 2020-21
Collections Supervisor	1.0	1.0	1.0
Utility Technician	2.0	2.0	2.0
Utility Worker I & II	5.0	5.0	5.0
Chief Plant Operator	0.85	0.85	0.85
Lead Plant Operator	1.7	1.7	1.7
Plant Operator	1.7	1.7	1.7
Environmental Compliance Technician	0.5	0.5	0.5
Laboratory Technician	0.85	0.85	0.85
Mechanical Technician	0.8	0.8	0.8
Plant Maintenance Worker	0.8	0.8	0.8
TOTAL FTE	15.2	15.2	15.2

* FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Collections

- Provide emergency repairs and routine maintenance to the collections system
- Manage the District’s collection system inspection program that includes TV inspection of the collections system
- Maintain and operate a vactor truck
- Maintain lift stations, clean outs, system ocean outfall
- Provide light and heavy construction services

Treatment

- Operate and maintain the Water Reclamation Plant processes in the following areas: Headworks, Primary Sedimentation, Activated Sludge, Secondary Sedimentation and Solids Handling (which includes an aerobic digester, centrifuges and a sludge dryer)
- Conducts laboratory analysis and reporting to meet the Regional Water Quality Control Board’s discharge permit requirements

Table #10 - Wastewater Services Operating Budget Summary

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor *	\$ 1,171,926	\$ 1,190,718	\$ 1,230,872	\$ 1,257,231	5.6%
Total Non-Labor	1,019,664	1,018,400	1,057,013	1,136,900	11.6%
Operating Total	\$ 2,191,590	\$ 2,209,118	\$ 2,287,885	\$ 2,394,131	8.4%
Allocated Benefits Expenditures	664,867	765,963	765,963	857,217	11.9%
Total Direct Wastewater Costs	\$ 2,856,457	\$ 2,975,082	\$ 3,053,848	\$ 3,251,349	9.3%
Allocation of Administrative Services	2,512,735	2,242,629	2,242,629	2,262,878	0.9%
Total Services Budget	\$ 5,369,192	\$ 5,217,710	\$ 5,296,477	\$ 5,514,227	5.7%

* Total Labor does not include District’s Benefits.

Table #11 - Wastewater Services, Division Budget to Budget Comparison

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Collections					
Labor:					
Salaries	\$ 522,471	\$ 434,419	\$ 481,124	\$ 429,802	-1.1%
Non-Labor:					
Contractor Services	7,847	38,200	36,117	43,000	12.6%
Equipment (Non Capital)	-	5,000	2,366	5,000	0.0%
Materials/Services/Supplies	134,430	152,300	71,488	125,000	-17.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	1,369	900	307	900	0.0%
Utilities **	100,989	82,000	113,087	120,000	46.3%
Total Non-Labor	\$ 244,635	\$ 278,400	\$ 223,365	\$ 293,900	5.6%
Division Operating Total	\$ 767,106	\$ 712,819	\$ 704,489	\$ 723,702	1.5%

**Utility cost increase driven by actual cost levels.

Table #11 - Wastewater Services, Division Budget to Budget Comparison, cont.

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Treatment					
Labor:					
Salaries	\$ 649,455	\$ 756,299	\$ 749,748	\$ 827,430	9.4%
Non-Labor Expenses:					
Contractor Services	140,986	164,000	243,783	213,500	30.2% *
Equipment (Non Capital)	44,752	13,000	4,868	9,000	-30.8%
Materials/Services/Supplies	277,292	246,000	252,881	310,500	26.2% *
Professional Services	-	-	46,667	-	NA
Memberships/Training/Permits	60,111	65,000	83,689	95,000	46.2% *
Utilities **	251,888	252,000	201,760	215,000	-14.7%
Total Non-Labor	\$ 775,029	\$ 740,000	\$ 833,648	\$ 843,000	13.9%
Division Operating Total	\$ 1,424,484	\$ 1,496,299	\$ 1,583,396	\$ 1,670,430	11.6%

*Increase in cost due to new NPDES permit.

**Utility cost increase driven by actual cost levels.

Fiscal Year 2019-20 Accomplishments

- Operated Water Reclamation Plant processes effectively from the headwork’s to secondary treatment including solids handling to stay in compliance while optimizing operation.
- Made programming and minor hardware upgrades to increase reliability and provide flexibility of operation.
- Added redundancy and fail-over capabilities to key processes.
- Reduced power consumption by 10.7%.
- Maintained Water Reclamation Plant equipment from the headwork’s to secondary, including solids handling equipment using preventative and predictive measures.
- Kept common sewer spills to 3 during the year

Fiscal Year 2020-21 Goals and Objectives

- Operate Water Reclamation Plant treatment units to stay in compliance with state and federal regulations, including new NPDES permit R9-2019-0169.
- Minimize power and chemical usage.
- Maintain Water Reclamation Plant equipment from the headwork’s to secondary, including solids handling equipment using preventative and predictive measures
- Keep Common Sewer Spills to 3 during the year

Key Performance Indicators

- Reduce 10-year average wastewater spills by 10% - Keep spills under 9,075 gallons
- Reduce the energy use by MG treated at the WRP by an additional 5%.

Recycled Water Services

The District provides Recycled Water Services to 33 meters within the District’s service area. The largest component of the Recycled Water Services’ operating budget is the operating costs of the District’s water reclamation plant. Recycled Water Services includes the following functions:

- Operate the Water Reclamation Plant, equipment and processes necessary to produce recycled water
- Liaise with recycled water customers to schedule deliveries and inspections of service connections
- Operate and maintain the District’s distribution system, which includes 10.5 miles of pipe and 14 customers in the Fallbrook service area

Recycled Water Services is broken down into Divisions that support a specific function. Recycled Water Services historic and proposed staffing levels are shown in Table 12.

Table #12 - Recycled Water Services Approved Positions

Position	Actual FTE	Actual FTE	Proposed FTE
	FY 2018-19	FY 2019-20	FY 2020-21
Chief Plant Operator	0.15	0.15	0.15
Lead Plant Operator	0.3	0.3	0.3
Plant Operator	0.3	0.3	0.3
Environmental Compliance Technician	0.5	0.5	0.5
Laboratory Technician	0.15	0.15	0.15
Mechanical Technician	0.2	0.2	0.2
Plant Maintenance Worker	0.2	0.2	0.2
Utility Technician	0.25	0.25	0.5
Utility Worker I	0.5	0.5	0.5
Backflow/ Cross Connection Tech	0.25	0.25	-
TOTAL FTE	2.8	2.8	2.8

*FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Production

- Operates and maintains the Water Reclamation Plant tertiary processes, such as the filters, chlorine contact basin, recycled water pumps, and recycled water storage/pond
- Laboratory analyses and reporting to meet permit requirements

Distribution

- Maintains the Districts Recycled Water Services distribution assets
- Conducts valve and meter maintenance and replacement
- Operates and maintains a SCADA telemetry system
- Conducts site connection and system inspections
- Maintains right-of-way and interconnects with neighboring districts

Table #13 - Recycled Water Services Operating Budget Summary

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor *	\$ 130,452	\$ 199,232	\$ 125,066	\$ 188,184	-5.5%
Total Non-Labor	263,674	262,500	246,350	228,000	-13.1%
Operating Total	\$ 394,126	\$ 461,732	\$ 371,416	\$ 416,184	-9.9%
Allocated Benefits Expenditures	74,009	128,162	128,162	128,310	0.1%
Total Direct Recycled Water Costs	\$ 468,135	\$ 589,894	\$ 499,578	\$ 544,494	-7.7%
Allocation of Administrative Services	299,135	64,075	64,075	64,654	0.9%
Total Services Budget	\$ 767,270	\$ 653,969	\$ 563,653	\$ 609,148	-6.9%

* Total Labor does not include District's Benefits

Table #14 - Recycled Water Services, Division Budget to Budget Comparison

Description	FY 2018-19	FY 2019-20		FY 2020-21	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Production					
Labor:					
Salaries	\$ 125,989	\$ 159,229	\$ 122,277	\$ 150,060	-5.8%
Non-Labor:					
Contractor Services	13,623	17,500	27,603	20,000	14.3%
Equipment (Non Capital)	11	8,000	3,435	4,000	-50.0%
Materials/Services/Supplies	113,842	112,000	110,457	91,000	-18.8%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	107,952	108,000	86,468	95,000	-12.0%
Total Non-Labor	\$ 235,428	\$ 245,500	\$ 227,963	\$ 210,000	-14.5%
Division Operating Total	\$ 361,417	\$ 404,729	\$ 350,240	\$ 360,060	-11.0%

Distribution					
Labor:					
Salaries	\$ 4,463	\$ 40,003	\$ 2,789	\$ 38,124	-4.7%
Non-Labor:					
Contractor Services	-	-	-	-	NA
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	27,743	17,000	17,853	18,000	5.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	503	-	534	-	NA
Total Non-Labor	\$ 28,246	\$ 17,000	\$ 18,387	\$ 18,000	5.9%
Division Operating Total	\$ 32,709	\$ 57,003	\$ 21,176	\$ 56,124	-1.5%

**Utility cost increase driven by actual cost levels.

Fiscal Year 2019-20 Accomplishments

- Operated the Water Reclamation Plant tertiary treatment units effectively, reduced power, and stayed in compliance with applicable permits: Order No. 91-39, Title 22, State Recycled Water Permits and Policy
- Provided reliable recycled water production by maintaining the mechanical integrity of equipment using preventative and predictive measures

Fiscal Year 2020-21 Goals and Objectives

- Operate the Water Reclamation Plant tertiary treatment units while staying in compliance with the applicable recycled water permits: Order No. 91-39, Title 22, State Recycled Water Permits and Policy
- Maintain the Water Reclamation Plant tertiary equipment from the filters to the reclaimed water pond, using preventative and predictive measures, to reliably produce recycled water

Key Performance Indicators

- Maintain an overall compliance of > 99.9% each month from all samples associated with the Title 22 and WDR Permit

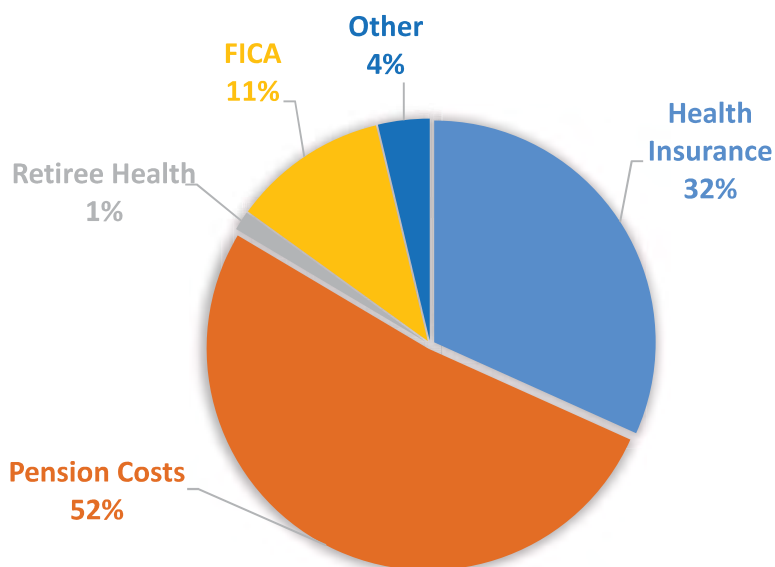


UV Plant

Employee Benefits

The District updates the cost of the benefits offered to District staff as part of the annual budget. The current Memorandum of Understanding (MOU) between the District and its employee association is set to expire in July 2022, the budget was developed based upon the terms of the current MOU. Table 15 shows the breakdown of the District's costs related to employee benefits. These cost estimates include expected increases in costs.

Chart #3 - Fiscal Year 2020-21 Benefits Breakdown



Strategic Planning

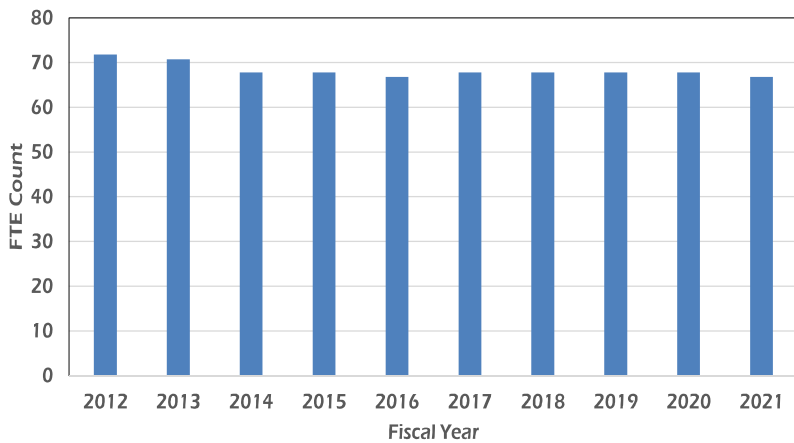
The District's proactive management of the district's pension obligations has resulted in approximately 84% funding of its pension obligations. This limits the potential for future rate and charge increases due to pension obligation funding needs.

Table #15 - Breakdown of District's Employee Benefit Costs

Description	FY 2018-19 Actual	FY 2019-20		FY 2020-21 Budget	Budget to Budget Change (%)
		Budget	Projected		
Auto Allowance	\$ 15,058	\$ 14,500	\$ 14,500	\$ 14,500	0.0%
Insurance - Dental	64,152	70,701	70,701	73,856	4.5%
Insurance - Vision	13,148	14,394	14,394	14,394	0.0%
Insurance - Health	873,472	964,776	964,776	1,000,135	3.7%
Insurance - Life and Disability	34,184	41,555	41,555	51,714	24.4% *
Insurance - Worker's Comp	138,235	154,979	154,979	157,403	1.6%
Longevity Bonus	27,529	32,945	32,945	36,448	10.6%
FICA - Employer's share	424,952	447,152	447,152	462,225	3.4%
CalPERS Annual Contribution	541,874	593,480	593,480	652,605	10.0%
CalPERS Unfunded Liability Payment	705,142	881,796	851,471	965,469	9.5%
Pension/OPEB Liability Trust Payment	650,000	500,000	500,000	500,000	0.0%
Employer's share (401 & 457)	17,048	20,410	20,410	51,467	152.2% *
District Share of Retiree Medical Insurance	36,801	45,851	45,851	57,615	25.7%
Retiree Compensated Absence Payout	-	50,000	50,000	20,000	-60.0%
Uniforms & Boots	8,862	31,396	31,396	31,460	0.2%
Total	\$ 3,550,457	\$ 3,863,936	\$3,833,611	\$ 4,089,292	5.8%

*Increase in benefit cost due to changes in employee Memorandum of Understanding (MOU).

Chart #4 - Fallbrook Public Utility District's Approved Full-Time Staffing Equivalent



The District's staffing levels shown in Chart 4 and reflect the reduction of one FTE. The District participates in the California Public Employees' Retirement System (CalPERS). Recent changes to CalPERS accounting practices have caused pension costs for participating agencies to increase. The District's pension cost budget incorporates the costs determined by CalPERS for the next fiscal year. The recent change to the discount rate used to calculate the current cost of

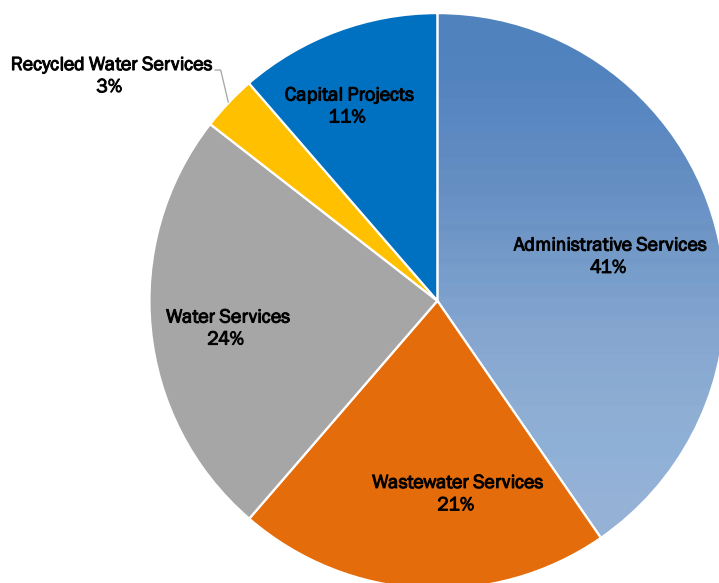
the pension benefits already earned by staff are driving up the Unfunded Liability Payment as seen by the 9.5% increase in this cost. The District has maintained its contribution to the Pension/OPEB Liability 115 Trust as part of the Board's strategy to mitigate the impacts of changing pension costs. Appendix D provides the District's CalPERS annual payment schedule for the Unfunded Actuarial Accrued Liability (UAAL).

The District's healthcare insurance costs are budgeted to increase by 4.1% driven by a changes in the healthcare coverage elections made by new hires. The District's healthcare insurance premium increases were in line with inflation. The other major driver of the increase is changes to employee benefits as a result of the MOU. This changed the District's cost for Life and Disability and provided a 0.5% District match to employee contributions to their deferred compensation plan. Changes to other benefits are shown on the table.

Benefit Allocation

The District's benefit costs are allocated to each of the District's Services based upon its share of the budgeted salary and wages. This allocation methodology aligns the benefit cost allocation with salary and wages, which are the primary determinants of the benefit costs. A portion of the Benefits cost is allocated to labor associated with Capital Projects and is integrated into the projects budget.

Chart#5 - Fiscal Year 2020-21 Benefits Allocation



Debt Service

The District currently has three outstanding long-term debt obligations, the Red Mountain State Revolving Fund Loan (2011 SRF Loan), the Wastewater Reclamation Plant State Revolving Fund Loan (2016 SRF Loan) and the Qualified Energy Conservation Revenue Bonds (2010 QECCB). The 2011 SRF Loan funded the construction of a water treatment facility serving the Red Mountain Reservoir. The 2016 SRF Loan funded the rehabilitation and modernization of the District’s Water Reclamation Plant. The 2010 QECCB loan funded the District’s 1 MW solar facility.

In addition, the District expects to issue approximately \$62.9 million in additional debt to finance the District’s SMRCUP groundwater treatment plant with State Revolving Fund Loans (2018 SRF Loan). While the agreement has been approved, the final amount and payment schedule have not yet been determined. During the construction period, interest payments will be made on the outstanding balance. The table below shows the debt service payment schedule for each debt issuance. The debt service in Fiscal Year 2021-22 increases significantly because full debt service payments for the SMRCUP loan begin.

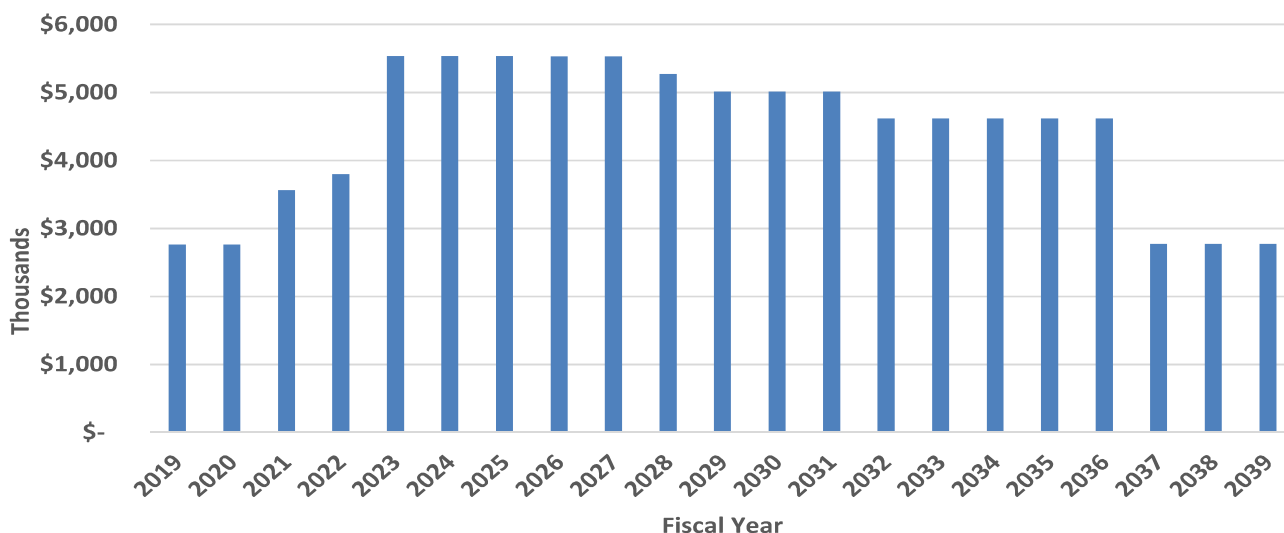
Table #16 - Debt Service Budget Summary

Debt Issuance	Service			Total Debt Service
	Water	Wastewater	Recycled Water	
2018 SRF Loan*	\$ 800,810	\$ -	\$ -	\$ 800,810
2011 SRF Loan	395,851	-	-	395,851
2016 SRF Loan**	-	1,292,022	553,724	1,845,746
2010 QECCB	-	520,642	-	520,642
Total	\$ 1,196,661	\$ 1,812,664	\$ 553,724	\$ 3,563,048

*During the construction period the District pays interest on the funds received from the State at the loan interest rate of 1.9%.

**70% is allocated to wastewater and 30% of the debt service is allocated to recycled water.

Chart #6 - Annual Debt Service



Each debt issuance is linked to the Service that it was used to fund. In some cases, the debt service can be allocated to more than one service. The table below shows the debt service payments for Fiscal Year 2020-21 and the amount allocated to each service.

Table #17 - Fiscal Year 2020-21 Debt Service Schedule

Year Ending June 30	Red Mountain State		Water Reclamation Plant		QECP* Loan		SMRCUP State	
	Revolving Fund Loan		State Revolving loan		QECP* Loan		Revolving Funds**	District Annual Debt Service
	Principle	Interest	Principle	Interest	Principle	Interest		
2019	285,826	110,025	1,247,544	598,202	306,282	212,141	-	\$2,760,019
2020	293,220	102,630	1,274,990	570,756	325,386	194,288	20	\$2,761,290
2021	300,807	95,044	1,303,039	542,706	345,316	175,326	800,810	\$3,563,048
2022	308,589	87,261	1,331,706	514,039	366,104	155,208	1,038,424	\$3,801,332
2023	316,573	79,277	1,361,004	484,742	387,783	133,884	2,771,216	\$5,534,479
2024	324,764	71,087	1,390,946	454,800	410,388	111,302	2,771,216	\$5,534,502
2025	333,166	62,685	1,421,547	424,199	433,953	87,409	2,771,216	\$5,534,174
2026	341,786	54,065	1,452,821	392,925	458,515	62,150	2,771,216	\$5,533,477
2027	350,628	45,222	1,484,783	360,963	484,114	35,465	2,771,216	\$5,532,391
2028	359,700	36,151	1,517,448	328,298	254,219	7,296	2,771,216	\$5,274,327
2029	369,006	26,844	1,550,832	294,914	-	-	2,771,216	\$5,012,812
2030	378,553	17,297	1,584,950	260,796	-	-	2,771,216	\$5,012,812
2031	388,347	7,503	1,619,819	225,927	-	-	2,771,216	\$5,012,812
2032	-	-	1,655,455	190,291	-	-	2,771,216	\$4,616,962
2033	-	-	1,691,875	153,871	-	-	2,771,216	\$4,616,962
2034	-	-	1,729,096	116,649	-	-	2,771,216	\$4,616,962
2035	-	-	1,767,136	78,609	-	-	2,771,216	\$4,616,962
2036	-	-	1,806,014	39,732	-	-	2,771,216	\$4,616,962
2037	-	-	-	-	-	-	2,771,216	\$2,771,216
2038	-	-	-	-	-	-	2,771,216	\$2,771,216
2039	-	-	-	-	-	-	2,771,216	\$2,771,216
2040	-	-	-	-	-	-	2,771,216	\$2,771,216
2041	-	-	-	-	-	-	2,771,216	\$2,771,216
2042	-	-	-	-	-	-	2,771,216	\$2,771,216
2043	-	-	-	-	-	-	2,771,216	\$2,771,216
2044	-	-	-	-	-	-	2,771,216	\$2,771,216
2045	-	-	-	-	-	-	2,771,216	\$2,771,216
2046	-	-	-	-	-	-	2,771,216	\$2,771,216
2047	-	-	-	-	-	-	2,771,216	\$2,771,216
2048	-	-	-	-	-	-	2,771,216	\$2,771,216
2049	-	-	-	-	-	-	2,771,216	\$2,771,216
2050	-	-	-	-	-	-	2,771,216	\$2,771,216
2051	-	-	-	-	-	-	2,771,216	\$2,771,216
2052	-	-	-	-	-	-	2,771,216	\$2,771,216

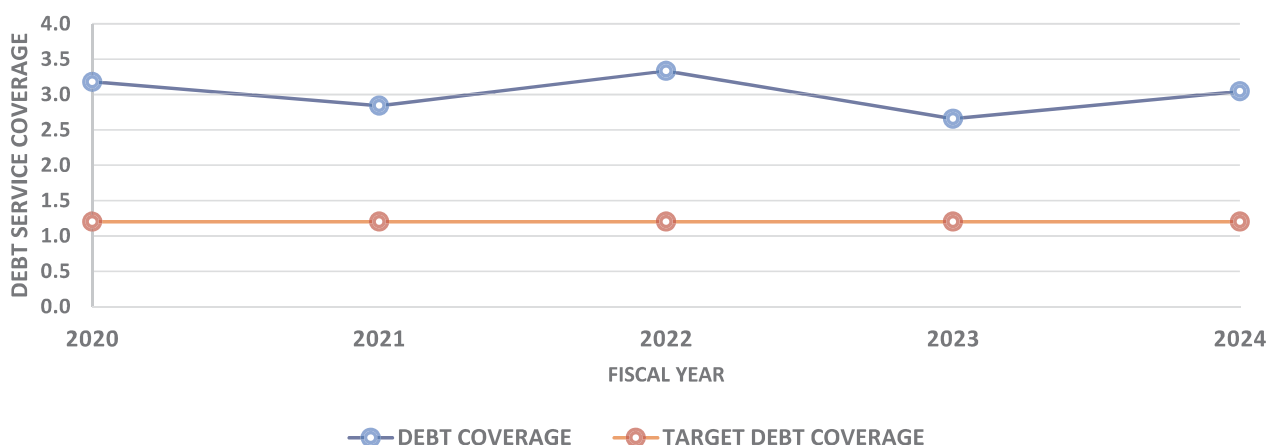
*Qualified Energy Conservation Revenue Bonds. Debt service is not adjusted for interest rate subsidy payments.

** Debt service based upon approved loan amount and interest rate. Actual debt service will be calculated once the Santa Margarita Conjectinove Use Project is completed.

The District expects to make an interest payment on the 2018 SRF Loan this budget period. The Full debt service for the 2018 SRF Loan is expected to begin in Fiscal Year 2021-22 and is shown in the summary table. The financial projections in this document include this debt service starting in Fiscal Year 2021-22.

While there is no established legal debt limit for the District, the District has an adopted Debt Management Policy. The Debt Management Policy creates the framework for issuing debt. The District’s debt service indentures require that the debt service coverage ratio be maintained at or above 1.2x. Chart 7 shows the projected debt service coverage above the target level of 1.2x. Currently the District has no subordinate debt outstanding.

Chart #7 - Debt Service Coverage Ratio



Santa Margarita River

Project Summary for Fiscal Year 2020-21

District Capital Program

Utility districts require long-term investments in extensive capital facilities. The District maintains over 370 miles of buried water and sewer pipe that must be maintained and replaced. The District also has pump stations, lift stations and treatment facilities that require significant expenses to replace and maintain. Figure 1 summarizes the facilities owned and operated by the District. It is critical to develop plans to reduce the overall cost of operating these facilities by completing pro-active capital projects to replace and rehabilitate these assets versus waiting for system failures. A well-planned Capital Program is critical to the long-term stability of the District.

The annual Capital Improvement Budget is used to implement the District’s long-range capital goals. These goals are developed using the District’s Strategic Plan, Urban Water Management Plan, Asset Management Plan and Master Plans. These plans are utilized to develop the lowest lifecycle cost to meet water and wastewater needs and maintain system reliability for the District’s customers. Projects are selected based on weighing prioritized needs versus available capital funds. Individual project costs are estimated based on current construction cost information. While some projects are well into the design phase and costs can be fairly accurately estimated, others are based on early stage planning estimates. Additionally, unforeseen changes to priorities can result from changing materials and construction costs, pipeline failures, extreme weather, etc.



Figure #1 - Fallbrook District Facilities.

For Fiscal Year 2019-20, Table #1 shows budget vs projected actual expenses for each capital project category. Water Capital expenses were slightly under budget. Recycled Water Capital expenses were under budget as a result of delays in the state grant process which slowed the start of the water supply reliability feasibility project. Wastewater Capital Expenses for the year were also under budget, primarily due to the Overland Trail Lift Station (OTLS) Rehabilitation Project bid coming in lower than budget and slower procurement schedules as a result of the pandemic response. The OTLS project was scheduled to be constructed over multiple fiscal years anyway as explained in greater detail in the individual project description section. Finally, administrative capital expenses were very close to budget.

Capital Project Summary for Fiscal Year 2020-21

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The most significant on-going component of the capital program is replacement of aging infrastructure. In addition to rehabilitation, the ongoing construction of the \$62.9 million SMRCUP will be the most significant single project for the next 15-20 years and will provide a long-term cost effective local water supply. The key capital projects scheduled for Fiscal Year 2020-21 are summarized on the following pages.

Water Capital Projects

District construction staff will continue with valve replacement projects to reduce outage impacts of breaks and failures. The District implemented an escalating capital improvement charge to ensure the District is meeting pipeline infrastructure replacement needs. The major pipeline projects for Fiscal Year 2020-21 include:

- Completion of the first phase of the Winter Haven Road Pipeline Replacement Project started in Fiscal Year 19-20.
- Replacement of approximately 1,000 linear feet of 20" pipe along the Gum Tree Pipeline.
- Initiate phase two of the Winter Haven Road Pipeline Replacement Project, approximately 2,650 linear feet of 12" water main.

The SMRCUP project is currently under construction, approximately 35 percent complete, and scheduled to begin operating in the fall of 2021.

The existing Toyon Pump Station was built in 1982 and has exceeded its useful life. It serves 63 accounts in the Toyon Service area, above Red Mountain Reservoir. The planned replacement will be constructed near the UV Plant, consolidating district facilities at the Red Mountain Site.

Recoating of the 2.8 MG Tank in the De Luz area. The 2.8 MG Tank is the last of the Districts 8 steel reservoirs to be recoated as part of the reservoir coating program implemented over the last few years.

In accordance with the Meter Replacement Program Budget, the District will complete the fifth year of a six year program to replace existing Automatic Meter Reading (AMR) meters with Advanced Metering Infrastructure (AMI) meters to provide for real time data collection and alerts.

Wastewater/ Recycled Capital Projects

As part of the long-term sewer system replacement plan, the focus will be on lining deteriorating manholes and constructing needed upgrades to the Overland Trail Lift Station (OTLS). The OTLS Improvements project was awarded in December 2019. The contractor is currently procuring long lead items and will mobilize to the site in early May. Work is scheduled to be completed in December 2020. The project will address needed maintenance while improving operational efficiencies by eliminating the Anthony's Corner Lift Station.

At the Water Reclamation Plant (WRP), the headworks cover replacement scheduled for the current year will not be completed until the coming fiscal year due to procurement delays. With that in mind, some smaller equipment replacements that were scheduled for next year are being prioritized in the final few months of the current year. Additionally, needed repairs to the secondary and tertiary storage pond liners will be made, as well as significant SCADA control improvements.

For the recycled water system, five aging below grade confined space air release/vacuum valve vaults will be replaced with new above grade air valves. Remote pressure monitoring capabilities will be added in strategic locations. The biggest recycled system project is the continuation of the water supply reliability feasibility effort currently underway.

Table #1 - Capital Improvements Projects Summary Table

	FY 2019-20	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
	Budget	Projected						
Water Capital Projects								
Pipelines & Valve Replacement Projects by District	\$ 720,000	\$ 656,214	\$ 670,000	\$ 587,272	\$ 593,144	\$ 704,177	\$ 605,066	\$ 611,117
Pipeline Replacement Projects by Contractors	1,303,933	1,377,411	1,298,000	2,507,237	3,615,579	3,168,795	3,014,717	3,216,406
Deluz ID Projects	80,000	-	80,000	103,030	104,060	105,101	106,152	107,214
Pump Stations	-	-	233,750	175,151	52,030	52,551	53,076	53,607
Meter Replacement	675,000	403,837	675,000	618,181	52,030	21,020	21,230	21,443
Pressure Reducing Stations	90,000	58,345	20,000	92,727	20,812	21,020	21,230	21,443
Red Mountain Reservoir Improvements	70,000	65,209	40,000	41,212	364,211	52,551	95,537	53,607
Steel Reservoir Improvements	-	235,415	669,000	70,060	10,406	10,510	849,216	696,888
Treatment Plant R&R	-	-	-	-	208,121	210,202	212,304	214,427
SCADA Upgrades/Security/Telemetry	130,000	61,186	130,000	97,879	93,654	89,336	111,460	112,574
Total PAYGO Water Capital Projects	\$ 3,068,933	\$ 2,857,617	\$ 3,815,750	\$ 4,292,749	\$ 5,114,048	\$ 4,435,262	\$ 5,089,989	\$ 5,108,725
Santa Margarita Conjointive Use Project Construction	\$ 27,179,100	\$ 23,308,627	\$ 31,900,000	\$ 7,727,258	\$ -	\$ -	\$ -	\$ -
Total Water Capital Projects	\$ 30,248,033	\$ 26,166,244	\$ 35,715,750	\$ 12,020,007	\$ 5,114,048	\$ 4,435,262	\$ 5,089,989	\$ 5,108,725
Recycled Water Capital Projects								
Recycled Water Improvements	\$ 406,000	\$ 158,898	\$ 430,000	\$ 117,454	\$ 118,629	\$ 119,815	\$ 121,013	\$ 175,830
Total Recycled Water Capital Projects	\$ 406,000	\$ 158,898	\$ 430,000	\$ 117,454	\$ 118,629	\$ 119,815	\$ 121,013	\$ 175,830
Wastewater Capital Projects								
WRP Improvements	\$ 240,000	\$ 224,300	\$ 245,000	\$ 257,575	\$ 208,121	\$ 998,460	\$ 796,140	\$ 428,854
Collection System Improvements	1,740,000	1,077,181	1,740,000	1,372,361	1,071,822	1,080,438	1,050,905	525,346
Outfall Improvements	80,000	10,000	50,000	82,424	52,030	52,551	53,076	268,034
Total Wastewater Capital Projects	\$ 2,060,000	\$ 1,311,481	\$ 2,035,000	\$ 1,712,360	\$ 1,331,973	\$ 2,131,448	\$ 1,900,121	\$ 1,222,234
Administrative Capital Projects								
Administrative Upgrades	\$ 20,000	\$ -	\$ 30,000	\$ 15,455	\$ 26,015	\$ 446,679	\$ 26,538	\$ 26,803
Engineering & Operations Information Systems	125,000	132,308	40,000	30,909	31,218	31,530	31,846	32,164
Facility Improvements/Upgrades/Security	70,000	86,537	185,000	128,788	88,451	26,275	26,538	26,803
District Yard Improvements	220,000	210,464	120,000	51,515	-	52,551	53,076	-
Vehicles and Heavy Equipment	560,000	584,081	566,000	441,484	315,823	387,297	497,322	395,082
Total Administrative Capital Projects	\$ 995,000	\$ 1,013,390	\$ 941,000	\$ 668,150	\$ 461,508	\$ 944,333	\$ 635,320	\$ 480,853
Total Capital Budget Projects	\$ 6,529,933	\$ 5,341,386	\$ 7,221,750	\$ 6,790,714	\$ 7,026,158	\$ 7,630,858	\$ 7,746,443	\$ 6,987,642
Total all Capital Projects (Including SMRCUP)	\$ 33,709,033	\$ 28,650,013	\$ 39,121,750	\$ 14,517,971	\$ 7,026,158	\$ 7,630,858	\$ 7,746,443	\$ 6,987,642

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Pipeline and Valve Replacement Projects by District

Project Description:

Projects include replacing existing valves and pipelines by District staff based on identified priority areas to reduce service interruptions. The primary focus is on valve replacements with a target of replacing 100 valves per year.

The proposed purchases and costs for Fiscal Year 2020-21 also include:

- Valve Replacement Program – Goal to replace 100 valves. Well-functioning isolation valves are critical to minimize the number of customers impacted during planned or unplanned shutdowns.
- Miscellaneous Pipeline Replacements – Small segments of mainline identified as needing repaired/replaced throughout the year.
- Mainline Leak Detection Survey – Survey of selected segments of water main to identify existing small leaks to help prioritize the pipeline replacement program.
- Easement Rehabilitation – Restoration of easement roads to maintain access to District pipelines and facilities.



Valves Replaced by Year	
Year	Quantity
FY 2016/17	82
FY 2017/18	112
FY 2018/19	57
FY 2019/20	76 (as of 5/1/20)
FY 2020/21	100 (Target)

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

The valve replacement program is critical in reducing the number of accounts effected by planned shutdowns and unplanned water outages. District pipeline and valve replacement projects do not require any additional operating budget funds, and are expected to reduce emergency repair costs.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Valve Replacement Program	Continuous Replacement Program	\$ 500,000
Miscellaneous Pipeline Replacements	Continuous Replacement Program	\$ 100,000
Mainline Leak Detection	Continuous Detection Program	\$ 20,000
Easement Rehabilitation	Continuous Rehabilitation Program	\$ 50,000
Total		\$ 670,000



Pipeline Replacement Projects by Contractors

Project Description:

Significant pipeline replacement projects performed by contractors. Projects are prioritized based on the pipeline asset risk assessment model to minimize pipeline failures and unplanned service outages. Specific projects planned for Fiscal Year 2020-21 include:



- Gum Tree Pipeline Replacement Phase 1 – 1,000 linear feet of 20 inch water main. The Gum Tree Lane Pipeline is a 20-inch cement lined iron pipe transmission main that conveys water from Red Mountain to Gheen Reservoir. Its actual age is unknown, but it was relined in 1966. There are multiple above grade creek crossings that have deteriorated and required repairs in areas that are challenging to access. This replacement project will focus on approximately 1,000 linear feet in the vicinity of the above grade creek crossings. Ideally the pipe will be realigned to avoid existing creek crossings depending on ability to acquire right-of-way.
- Winter Haven Road Pipeline Replacement Phase 1 – 2,500 linear feet of 12-inch water main. The Winter Haven Road Pipeline is a 12-inch cement lined iron pipe that was relined in 1968. In recent years, there have been multiple leaks and flow restrictions. Replacement of the first phase, between Clearcrest Lane and Havencrest Lane started in Fiscal Year 2019-20 and is scheduled to be complete by August of 2020.
- Winter Haven Road Pipeline Replacement Phase 2 – 2,650 linear feet of 12-inch water main. The second phase of the Winter Haven Road Pipeline Replacement will continue east from Havencrest Lane to Sunnycrest Lane. It is anticipated this project will start construction late in the year and will likely be completed during the following Fiscal Year.

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

These projects will reduce the cost of leak repair and potential property damage due to pipe failure, but do not require additional operating funds long term.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Gum Tree Pipeline Replacement Phase 1	\$ 370,500	\$ 370,500
Winter Haven Road Pipeline Replacement Phase 1	\$ 839,280	\$ 100,000
Winter Haven Road Pipeline Replacement Phase 2	\$ 927,500	\$ 827,500
Total		\$ 1,298,000



DeLuz ID Projects

Project Description:

Capital Projects in the DeLuz Improvement District using DeLuz Improvement District Funds. Projects include pipeline extension to specified parcels per adopted policy and rehabilitation of existing infrastructure. Projects for Fiscal Year 2020-21 include:

- Ross Lake PRV – New pressure reducing valve station connecting the De Luz Aqueduct to the 1.0 MG Zone. This will improve operational flexibility in the De Luz service area. The new station was planned for the current year, but had to be deferred due to construction staff constraints.
- Lynda Lane PRV – replacement or elimination of the aging Lynda Lane PRV depending on analysis from the updated system hydraulic model. The existing PRV serves a small zone with six meters. Staff will be exploring alternatives for serving these meters or replacing the aging PRV.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

The new pressure reducing station will help improve water reliability by providing operational flexibility in the DeLuz service area. The project will have a negligible impact on operation costs.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Ross Lake PRV	\$ 60,000	\$ 60,000
Lynda Lane PRV	\$ 20,000	\$ 20,000
Total		\$ 80,000



Pump Stations

Project Description:

The District has 5 pump stations that deliver water to higher elevation areas. In Fiscal Year 2020-21, the following Pump Station projects are planned:

- Toyon Pump Station Replacement – This pump station was scheduled to be replaced in 2019, but had to be deferred due to other capital priorities. The pump station serves 63 accounts in the Toyon Service Area above Red Mountain Reservoir. The existing facility, built in 1982, is housed in a wood structure adjacent to the narrow Toyon Heights Road and is in poor condition. The new station will be constructed at the Red Mountain site, near the UV Plant, making it easier for operators to access and getting it out of the way for the public. The project will include new pumps, improved SCADA capabilities, and approximately 550 linear feet of new 8-inch water main to connect it to the Toyon Service Area.
- Donnil Pump Station Surge Tank – The surge tank at the Donnil Pump Station has not been functioning consistently and has required frequent maintenance. Either upgrades to the existing tank will be made, or the tank will be replaced with pressure control valves to improve the performance of the pump station.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

These projects will reduce operations and maintenance cost for the facilities by replacing the equipment that is at the end of its useful life. There will be additional SCADA controls added to help with remote operation and troubleshooting. The projects will improve water service reliability in their respective service areas.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Toyon Pump Station Replacement	\$ 218,750	\$ 218,750
Donnil Pump Station Surge Tank	\$ 15,000	\$ 15,000
Total		\$ 233,750



Meter Replacement Program

Project Description:

In accordance with the Meter Replacement Program Budget, the District will complete the fifth of a six-year program to replace existing Automatic Meter Reading (AMR) meters with Advanced Metering Infrastructure (AMI) meters to provide for real time data collection and alerts. As of April 1, 2020, 7,265 of the District’s 9,252 meters have been exchanged.

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

This project ensures accurate billing of water use and reduces labor for reading meter by providing remote radio readings.



Project Budget:

Project	Total Project Budget	FY 2020-21 Budget
Meter Replacement Program	\$ 3,000,000	\$ 675,000
Total		\$ 675,000



Pressure Reducing Station Rehabilitation

Project Description:

The District has over 20 pressure control stations throughout the distribution system to enable service at all the various hydraulic zones. As part of the capital program, routine investments are made to maintain and improve the function of these pressure control stations. For Fiscal Year 2020-21, the focus will be to complete the final details of the two station overhauls done over the last two years; McDonald and Yarnell. McDonald was completely rebuilt and at Yarnell the pressure control valves were replaced. Remaining work to complete the two stations includes minor site surface work and adding telemetry to enhance the ability to monitor flow and pressure remotely.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

This project will reduce operations and maintenance cost for the facility by replacing the equipment that is at the end of its useful life. There will be additional SCADA controls added for monitoring flow and pressure to optimize operation and reduce staffing needs for operating this facility.

Project Budget:

Project	Total Project Budget	FY 2020-21 Budget
Rebuild PRVs	Continuous Rehabilitation Program	\$ 20,000
Total		\$ 20,000



Red Mountain Reservoir Facility Improvements

Project Description:

Replacement and rehabilitation of equipment and facilities at the Red Mountain Site, including the reservoir and UV plant. Projects for Fiscal Year 2020-21 include:



- Additional Mixer – with the SMRCUP scheduled to begin deliveries in late 2021, the operation of the Red Mountain Reservoir will be significantly altered. There will likely be winter months with little system demand, but large SMRCUP deliveries that will need to be stored for several months in the reservoir. To maintain water quality additional reservoir mixing capacity will be needed. Part of this project will be to identify the extent of that need and the best equipment to meet that need. Tentatively it is anticipated that an additional mixer similar to the Solarbee that is currently operating in the reservoir will be needed.
- De Luz/Sachse Pump Design – Similar to the mixing needs described above, during months when 100% of demand can be met by SMRCUP deliveries, additional pumping capabilities will be needed to deliver water from Red Mountain to the Sachse Zone and the De Luz Service Area. In the past, these areas have been supplied by higher elevation turn outs on the MWD aqueducts. The intent of this project is to have a pump station design complete, ready for construction in the second half of 2021.
- Reservoir Liner Condition Assessment – Assessment of the existing Red Mountain Reservoir liner to determine long term capital needs for maintenance and potential relining.

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

Proper reservoir mixing will improve operational efficiency. The addition of a new pump station will result in additional operational time and cost. However, there will be no impact until the pump station is actually operating in future fiscal years.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Reservoir Mixer	\$ 20,000	\$ 20,000
Sachse/De Luz Pump Station Design	\$ 10,000	\$ 10,000
Reservoir Liner Condition Assessment	\$ 10,000	\$ 10,000
Total		\$ 40,000



Steel Reservoir Improvements

Project Description:

The District has eight steel reservoirs. Seven of the eight have been recoated over the last seven years. Recoating the reservoirs protect them from corrosion and extend their useful life. In Fiscal Year 2020-21 the following projects are planned:

- 2.8 Million Gallon Tank Recoating—Recoating inside and outside of tank and replacement of old equipment and instrumentation. Replace cathodic protection system components as needed. Relining of manholes to extend the life of these facilities
- Cathodic Protection Repair – The steel reservoirs use sacrificial anodes to further prevent corrosion. Last year an assessment of the cathodic systems at each of the tanks was performed. As a result, the systems at the Rattlesnake and Toyon will be replaced.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

The projects will ensure the long-term integrity of these water supply tanks. There are no additional operating costs.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
2.8 MG Tank Recoating	\$ 654,000	\$ 654,000
Cathodic Protection Repair	\$ 15,000	\$ 15,000
Total		\$ 669,000

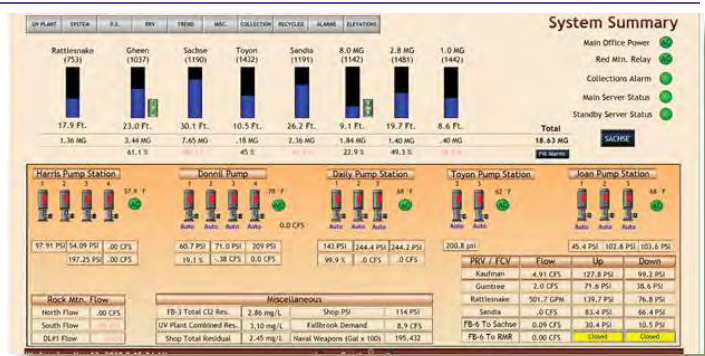


SCADA and Security

Project Description:

SCADA and security upgrades protect the District’s facilities and enable improved remote operations and controls. Projects for Fiscal Year 2020-21 include:

- Network Security/Firewall Improvements – Improvements will enable better remote access capabilities while enhancing network security.
- Development of Risk and Resiliency Plan – Per new EPA standards a comprehensive system Risk and Resiliency Plan is required to be in place by June 30, 2021.
- RTU/Control Panel Replacements – Replacement of outdated equipment that will improve remote monitoring and control of the system.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

Reduces long-term operating costs of the system by improving ability to address and monitor system conditions remotely.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Network Security/Firewall Improvements	Continuous Improvement Program	\$ 20,000
Development of Risk and Resiliency Plan	\$ 10,000	\$ 10,000
RTU/Control Panel Replacements	Continuous Improvement Program	\$ 100,000
Total		\$ 130,000



Santa Margarita River Conjunctive Use Project

Project Description:

Development of a new groundwater treatment plant to treat water delivered by Camp Pendleton per the executed settlement agreement of US vs FPUD. Projected to provide on average 3,100 acre-feet per year of local water. The project construction is expected to take approximately 2 years. Construction started in September 2019 and is expected to be completed in October 2021.



Supports Strategic Goals:

Provide a reliable, cost effective water supply through implementation of local water supply projects.

Operating Impacts:

The project will provide on average 30% of the District water needs and will help mitigate against future imported water cost increases. Without the project, the District would continue to rely on SDCWA for 99% of District potable water needs. The new facilities will result in significant additional operating costs, but the overall impact to the operating budget is more than offset by reduced expenditures on lower quantities of imported water.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Construction	\$ 58,395,885	\$ 30,000,000
Construction Management/Design Services During Construction	\$ 3,925,000	\$ 1,500,000
Internal Staff Support	\$ 215,000	\$ 150,000
SCADA Integration Services	\$ 400,000	\$ 250,000
Total	\$ 62,935,885	\$ 31,900,000

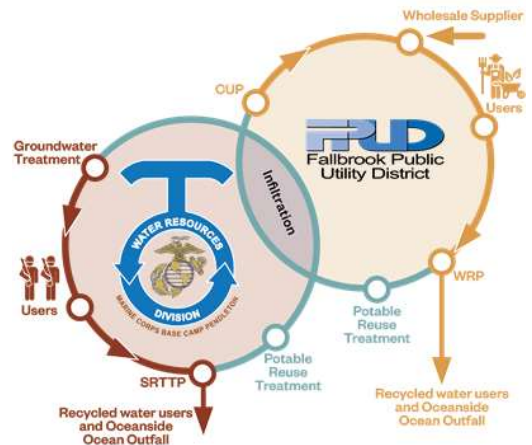


Recycled Water Improvements

Project Description:

The recycled system delivers water that has been treated to Title 22 tertiary standards for outdoor use. Projects for Fiscal Year 2020-21 include:

- Air/Vacuum Valve Replacement – When originally constructed, several of the air/vacuum valves were placed in vaults below grade. These vaults are in disrepair and require confined space entry when operated. Five of these vaults will be replaced with new above grade air valves.
- Distribution SCADA Improvements – Remote pressure monitoring capabilities will be added in strategic locations to better identify issues with fluctuating pressure.
- Water Supply Reliability Feasibility Study – This effort began in FY 2019-20 and will likely extend into the following FY as well. Due to challenges identifying potential new users for recycled water within cost effective expansion areas, alternative uses for treated WRP effluent need to be explored. With the addition of the SMRCUP facilities, the infrastructure needed to extract and treat ground water from the Lower Santa Margarita River Aquifer will be in place. Staff have begun looking into the feasibility of using treated WRP effluent for ground water augmentation in the aquifer. Grant funds have been applied for, and if received, will be used along with CIP matching funds to conduct pilot treatment studies to determine the feasibility for reuse. This pilot project will establish the parameters of a potential future full scale project, including additional treatment required, regulatory compliance, construction and operating costs and financial feasibility. The pilot project is expected to take two years. After completion of the pilot project, staff and all involved stakeholders will have the information needed to make an informed decision as to whether and when to move forward with a full scale project.



Supports Strategic Goals:

Provide a reliable, cost effective water supply through implementation of local water supply projects.

Operating Impacts:

There is no impact to the operating budget, but air/vac replacements and pressure monitoring will simplify operations. The pilot study would not have any operating impacts. If groundwater augmentation is considered feasible, full scale implementation would increase local water supply, eliminate the majority of discharges to the ocean, and improve operations by increasing utilization of the SMRCUP infrastructure.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Air/Vacuum Valve Replacement	\$ 60,000	\$ 60,000
Distribution SCADA Improvements	\$ 20,000	\$ 20,000
Water Supply Reliability Feasibility Study	\$ 700,000	\$ 350,000
Total		\$ 430,000



Water Reclamation Plant Improvements

Project Description:

On-going repair and replacement of key components of the Water Reclamation Plant (WRP) are critical to maintaining this critical facility. The projects for Fiscal Year 2020-21 include:



- Bio Solids Storage Shed – The existing barn was in very poor condition and was demolished as part of the SMRCUP project to make space for the new treatment facilities. The new barn was scheduled for FY 2019-20 and is substantially complete. However, the project will most likely be completed after the start of the new fiscal year.
- Headworks Cover Replacement – The headworks cover has deteriorated over time and is in need of replacing. The project was designed and awarded in FY 2019-20. However, due to longer than anticipated fabrication and delivery time, will not be installed until FY 2020-21. To prevent the deferment of needed capital improvements, projects planned for FY2020-21 were accelerated, essentially swapping the timing. These include replacement of plant equipment (air/vac valves, AC units, manual bar rake) and repairs to the pond liners.
- Fall Retrieval/Safety Equipment – Addition of fall retrieval system throughout the aeration basin for improved safety.
- Conveyor System Improvements – Replace conveyor control system, increasing automation and remote control capabilities.

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

On-going replacement of equipment will ensure long-term reliability of the facility. The projects will not have any impact on operation costs, and in the case of the conveyor improvements, will simplify operations.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Bio Solids Storage Shed	\$ 100,000	\$ 25,000
Headworks Cover Replacement	\$ 140,000	\$ 140,000
Fall Retrieval/Safety Equipment	\$ 20,000	\$ 20,000
Conveyor System Improvements	\$ 75,000	\$ 60,000
Total		\$ 245,000



Collections System Projects

Project Description:

Projects include replacements and major repairs to existing sewer infrastructure.

The proposed purchases and costs for Fiscal Year 2020-21 include:



- Overland Trail Lift Station Rehabilitation – The Overland Trail Lift Station is in need of mechanical, electrical and structural improvements due to its age and condition. The project includes replacement of the pumps, recoating of the wet well and replacement of electrical gear. The project will also include the elimination of Anthony’s Corner Lift Station and diversion of flows to Overland Trail Lift Station. Construction began in FY2019-20 and is scheduled to be complete in December 2020.
- Replacement of Sewer Main Creek Crossing – District staff have been strategically replacing sewer main lines at creek and culvert crossings to prevent spills into waterbodies. This year’s plan is to replace the Fallbrook Creek crossing on Elder Street.
- Sewer Main Relining – Extends the life of sewer mains by rehabilitating them in place. This year approximately 1,800 linear feet of pipe will be relined.
- SCADA/Telemetry Upgrades – Replacement of outdated RTU’s and radio communications at the Green Canyon and Dougherty Lift Stations for improved remote monitoring and control. Design for complete electrical upgrade of Green Canyon Lift Station.

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

On-going replacement of equipment will ensure long-term reliability of the facility. The projects will not have any impact on operation costs.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Overland Trail Lift Station	\$ 3,300,000	\$ 1,500,000
Creek Crossing	\$ 75,000	\$ 75,000
Sewer Main Relining	\$ 145,000	\$ 145,000
SCADA Upgrades	\$ 20,000	\$ 20,000
Total		\$ 1,740,000



Outfall Improvements

Project Description:

The project includes replacement of air/vac valves, drain valves, and connecting piping on the outfall. Replacement of these items is critical to preventing overflows and spills.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

On-going replacement of the items is critical to preventing spills and back-ups in the outfall. This project will reduce the cost of emergency repairs and maintenance, but does not require additional operating funds long term.

Project Budget:

Project	Total Project Budget	FY 2020-21 Budget
Outfall Improvements	Ongoing Improvement Program	\$ 50,000
Total		\$ 50,000



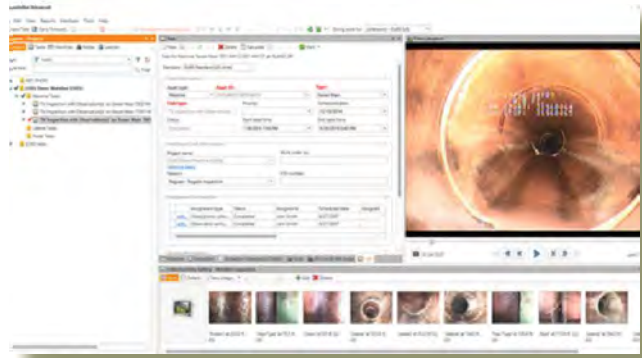
Engineering & Operations Information Systems

Project Description:

These project include updates to the tools and software utilized for asset management and operations.

The planned updates for Fiscal Year 2020-21 include:

- GIS Upgrade Implementation – Ongoing upgrades to the geographic information system that holds the district wide asset database and displays this information spatially on district mapbooks.
- EAM Implementation – The District adopted the enterprise asset management system CityWorks in FY 2019-20, which will streamline and digitize work orders and maintenance records, improving workforce productivity and longterm asset management. Funds for the current year are intended to provide training and support from the District’s contracted CityWorks specialist consultant and purchase remote access devices for use by crews in the field.
- Sewer CCTV Software Upgrade – The District uses the CCTV system GraniteNET for routine inspection of the collections facilities. The proposed software upgrades will enhance maintenance of the facilities and aid in prioritizing facility repairs and replacements.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

On-going investments in administrative facilities and systems is critical to maintain overall reliable and efficient operation.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
GIS Upgrade Implementation	Ongoing Upgrades	\$ 5,000
EAM Implementation	\$ 155,000	\$ 35,000
Sewer CCTV Software Upgrade	\$ 30,000	\$ 30,000
Total		\$ 70,000



Facility Improvements/Upgrades/Security

Project Description:

The project includes capital projects for administration facilities, including staff offices, shop, and warehouse facilities to help maintain efficient operation of the District.

The projects include the following:

- Minor Rehabilitation and Office Furniture – Miscellaneous office rehabilitation and furniture replacement.
- Building Roof Repair – Spot repairs as needed to keep the roof functional until it can be replaced.
- Facility Renovations – Continued renovation of the yard offices for Departments 3 and 4 as well as the yard restroom facilities. Replace the warehouse rollup door. Install new key fob door lock system.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

On-going investments in administrative facilities and systems is critical to maintain overall reliable and efficient operation.

Projects Budgets:

Project	Total Project Budget	FY 2020-21 Budget
Minor Rehabilitation and Office Furniture	Ongoing Rehabilitation	\$ 10,000
Building Roof Repair	\$ 25,000	\$ 25,000
Facility Renovations	\$ 150,000	\$ 150,000
Total		\$ 185,000



District Yard Improvements

Project Description:

Projects consist of on-going improvements at the District Yard to maintain the facility. The focus for Fiscal Year 2020-21 will be to replace the perimeter fence, which is in poor condition. Sections of the decorative fence around the front office have corroded, leaving gaps and openings. The chain-link and wood fence around the back yard is inadequate for proper security and is in poor condition in several areas.



Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

Reduces long-term costs of maintaining the facility by addressing maintenance needs as they are necessary.

Project Budget:

Project	Total Project Budget	FY 2020-21 Budget
Site Security Fencing	\$120,000	\$120,000
Total		\$120,000



Vehicles and Heavy Equipment

Project Description:

Having reliable heavy equipment is key to both maintaining reliable service and also replacing and maintaining critical infrastructure. The District has adopted a fleet replacement plan to minimize overall fleet and heavy equipment operating costs by reducing owner equipment to just critical higher use assets, replace vehicles when the cost of repairs for continued ownership is no longer economical and replace older engines to meet California Air Quality requirements. Since November 2016, the overall fleet and heavy equipment inventory has been reduced by eight transportation vehicles, one backhoe and one trencher.



The proposed purchases and costs for Fiscal Year 2020-21 include:

- Replacement of three fleet vehicles based on criteria established in the Fleet Replacement Plan
- Replacement of one full size truck (1054)
- Replacement of full size crane
- Miscellaneous Equipment – Wachs Vacuum Unit for Valve Truck, Generator for Main Office/SCADA System backup power.
- Safety Equipment/Trailer

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

Maintaining a reliable fleet and heavy equipment helps reduce overall operating costs and improves overall reliability of the District operation.

Projects Budget:

Project	Total Project Budget	FY 2020-21 Budget
Fleet Vehicles	Ongoing Replacement Program	\$ 100,000
Full Size Truck	\$ 100,000	\$ 100,000
Crane	\$ 300,000	\$ 300,000
Miscellaneous Equipment	\$ 45,000	\$ 45,000
Safety Equipment/Trailer	\$ 21,000	\$ 21,000
Total		\$ 566,000



Accrual Basis of Accounting - The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements.

Acre-Foot (AF) - A unit of measure equivalent to 325,900 gallons of water.

AG - Agricultural Customers

AMI – Advanced Meter Infrastructure

Appropriation - An amount of money in the budget authorized by the Board of Directors for expenditure or obligation within organizational units for specific purposes.

Assessed Valuation - An official government value placed upon real estate or other property as a basis for levying taxes.

Assets - Resources owned or held which have monetary and economic value.

Bay/Delta - Refers to an environmentally sensitive area of Sacramento/San Joaquin Rivers Delta through which State Water Project water must flow to reach Southern California and other areas.

Budget - A balanced financial plan for a given period of time, which includes expenditures and revenues funded through various funds. The budget serves as a financial plan as well as a policy guide, an operations guide, and a communications medium.

CAFR - Comprehensive Annual Financial Report

CalPERS - California Public Employee Retirement System

Capital Equipment - Fixed assets such as vehicles, computers, furniture, and technical instruments which have a life expectancy of more than three years and a value over five thousand dollars.

Capital Improvement Program (CIP) - A long-range plan for the construction, rehabilitation and modernization of the District-owned and operated infrastructure and assets.

Capital Outlay - Expenditures which result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery, and equipment. Most equipment or machinery is included in the Capital Budget. Capital improvements such as acquisition of land, construction, and engineering expenses are included in the Capital Budget.

Cash Management - A conscious effort to manage cash so that interest and penalties paid are minimized and interest earned is maximized. Funds received are deposited on the day of receipt and invested as soon as the funds are available. The District maximizes the return on all funds available for investment without sacrifice of safety.

CEQA - California Environmental Quality Act

CFS - Cubic Feet per Second

CMMS - Computerized Maintenance Management System

CSMFO – California Society of Municipal Finance Officers

Debt Service - The current year portion of interest costs and current year principal payments incurred on long-term debt issued by the District.

Disbursements - Payments made on obligations.

District Services - The District's main cost centers are broken into Services, which include Administrative, Water, Recycled Water, and Wastewater.

Division - Part of the District's organizational structure that performs a specific service or function.

DSCR - Debt Service Coverage Ratio

DWR - California Department of Water Resources

Each Parcel of Land - Shall mean each parcel of land assigned a parcel number by the San Diego County Assessor.

EAM – Enterprise Asset Management

EIR/EIS - Environmental Impact Report/Environmental Impact Statement

EMWD - Eastern Municipal Water District

EPA - Environmental Protection Agency

ERP - An Enterprise Resource Planning information management system integrate areas such as planning, purchasing, inventory, billing, customer accounts and human resources.

EUM - Effective Utility Management

Expenditure - An amount of money disbursed or obligated. Expenditures include current operating disbursements requiring the present or future use of net current assets, debt service, and capital improvements.

FCF - Flow Control Facility

Fiscal Year (FY) - The timeframe in which the budget applies. This is the period from July 1 through June 30.

Fixed Assets - Long-term tangible assets that have a normal use expectancy of more than three years and do not lose their individual identity through use. Fixed assets include buildings, equipment, and improvements other than buildings and land.

FTE - Full Time Equivalent

Generally Accepted Accounting Principles (GAAP) - Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative statement on the application of GAAP to state and local governments is Government Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements. GAAP provides a standard by which to measure financial presentations.

GFOA - Government Financial Officers Association

GIS - Geographic Information System. An organized collection of computer hardware, software, and geographic data designed to efficiently capture, store, update, manipulate, analyze, and display all forms of geographically referenced information.

GPS - Global Positioning System

HCF - Hundred Cubic Feet

IAC - Infrastructure Access Charge

IAWP - Interim Agricultural Water Program

IID – Imperial Irrigation District

IPR – Indirect Potable Reuse

IRWM - Integrated Regional Water Management Program

KPI - Key Performance Indicator

Leases and Rentals - This includes costs to rent equipment, copy machines, temporary easements and other items.

LRP - MWD's Local Resource Program

LWSD - SDCWA's Local Water Supply Development, which provides funds to support local supply development.

M&I - Municipal and Industrial

Master Plan - Regional Water Facilities Master Plan

ME - Meter Equivalent

MG - Million Gallon

MGD - Million Gallons per Day

MOU - Memorandum of Understanding

MW - Megawatt

MWD - Metropolitan Water District of Southern California

Non-Labor Expenditures - This includes professional services, services and other operating expenditure like materials, supplies and equipment but excludes the cost of water.

NPDES - National Pollutant Discharge Elimination System

OPEB - Other Post-Employment Benefits, which includes the District's retiree health care obligation.

Operating Budget - The normal, ongoing operating costs incurred to operate the District.

OTLS - Overland Trail Lift Station

PARS - Public Agency Retirement Services

PAYGO - Pay-as-you-go capital funding uses cash and reserves to fund Capital Outlays.

Professional Services - The normal, ongoing operating costs incurred to operate the District that are procured from companies outside of the District. Examples include legal, auditing, appraisals, engineering, drafting, and design.

Purchased Water Costs- These are the costs of the District's wholesale water purchases from SDCWA.

QECB - Qualified Energy Conservation Revenue Bond

Reliability - Consistently providing a water supply that adequately supports the regional economy.

Revenue - Income generated by taxes, notes, bonds, investment income, land rental, and user charges.

ROW - Right of Way

RSF - Rate Stabilization Fund

RTS - Readiness to Service charge

Salary – This is the cost of labor for 2,080 hours a year and does not include any employee benefits.

SANDAG - San Diego Association of Governments

SAWR - Transitional Special Agricultural Water Rate

SCADA - Supervisory Control and Data Acquisition

SD - San Diego

SDCWA - San Diego County Water Authority

Services - The normal, ongoing operating costs incurred to operate the District that are procured from companies outside of the District. Examples include repair, maintenance, custodial, and security.

SMRCUP - Santa Margarita River Conjunctive Use Project

SpringBrook - The District's ERP.

SR - State Route

SRF - State Revolving Fund

Sundry/Other Revenues – This includes disposal of assets and other miscellaneous revenues.

Total Capital Budget - The total budget requests for construction projects and associated expenses and equipment.

Total District Budget - The sum of the total Operating Budget, Debt Service, Cost of water and Capital Budget.

Treated Water - Water delivered to member agencies which has been treated by coagulation, sedimentation, filtration, and chlorination.

Unfunded Actuarial Accrued Liability - The unfunded actuarial accrued liability (UAAL) is the difference between the value of benefits earned by employees and the value of assets held in the pension plan. .

Utilities - This includes gas, electricity, water, and sewer. .

UWMP - Urban Water Management Plan

Water Supply Costs - Comprised of Purchased Water Costs and pumping costs.

WRP – Water Reclamation Plant

Table #1 - Fallbrook Public Utility District's Enterprise Projections

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenues					
Revenue from Rates					
Water	\$ 21,390,868	\$ 24,414,828	\$ 26,368,177	\$ 28,492,566	\$ 31,803,088
Recycled Water	1,229,603	1,188,241	1,285,881	1,388,751	1,499,851
Wastewater	5,941,086	6,186,330	6,466,015	6,756,986	7,061,050
Subtotal Revenue from Rates	\$ 28,561,557	\$ 31,789,398	\$ 34,120,073	\$ 36,638,302	\$ 40,363,989
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$ 423,957	\$ 291,331	\$ 305,436	\$ 320,971	\$ 336,861
SDCWA IAC Charge	456,283	501,670	552,055	670,024	779,855
Sundry	11,000	11,000	11,000	11,000	11,000
MWD/CWA Incentive	50,003	-	-	-	-
Subtotal Other Operating Revenues	\$ 941,243	\$ 804,001	\$ 868,491	\$ 1,001,995	\$ 1,127,716
Non-Operating Revenue					
Water Availability Charge	\$ 203,000	\$ 204,000	\$ 204,000	\$ 204,000	\$ 204,000
1% Property Tax	2,067,422	2,022,485	2,032,597	2,042,760	2,052,974
Investment Earnings	284,544	141,500	125,732	144,135	167,518
Water CIP Charge	1,373,621	1,455,281	1,556,735	1,653,313	1,755,694
Pumping Charge (Cap. Impr part)	32,756	32,756	32,756	32,756	32,756
Facility Rent	220,000	250,000	255,000	260,100	265,302
Water Capacity Fees	3,000	50,000	50,500	51,005	51,515
Wastewater CIP Charge	1,170,233	1,207,132	1,255,873	1,293,426	1,332,275
Wastewater Capacity Fees	105,000	35,000	35,700	36,414	37,142
Federal Interest Rate Subsidy	122,647	110,677	97,977	84,516	70,261
Subtotal Non-Operating Revenue	\$ 5,582,222	\$ 5,508,830	\$ 5,646,870	\$ 5,802,424	\$ 5,969,437
Total Revenues	\$ 35,085,022	\$ 38,102,229	\$ 40,635,434	\$ 43,442,721	\$ 47,461,141
Operating Expenses					
Water Supply Costs					
Purchased Water Costs	\$ 12,778,727	\$ 13,810,108	\$ 11,302,476	\$ 10,813,148	\$ 11,928,736
Pumping Costs	180,000	202,797	212,936	223,583	246,159
SMRCUP Treatment	-	-	1,431,394	2,098,131	2,161,075
Labor Costs	2,869,597	2,895,222	3,039,983	3,191,982	3,351,581
Fringe Benefits	1,809,326	1,974,048	2,102,361	2,239,015	2,350,965
Services, Materials & Supplies	1,902,947	2,122,900	2,186,587	2,252,185	2,319,750
Allocated Admin Expenses	6,353,374	6,465,365	6,717,118	6,980,180	7,227,043
Total Operating Expenses	\$ 25,893,971	\$ 27,470,440	\$ 26,992,855	\$ 27,798,224	\$ 29,585,309
Net Operating Revenues	\$ 9,191,051	\$ 10,631,790	\$ 13,642,578	\$ 15,644,498	\$ 17,875,832
Debt Service					
Total Debt Service	\$ 2,890,815	\$ 3,563,049	\$ 3,801,333	\$ 5,534,480	\$ 5,534,503
Capital Expenditures					
Total Capital Expenditures	\$ 28,650,013	\$ 39,121,750	\$ 14,517,971	\$ 7,026,158	\$ 7,630,858
Total Expenditures	\$ 57,434,799	\$ 70,155,238	\$ 45,312,160	\$ 40,358,862	\$ 42,750,670
SRF Loan Proceeds	\$ 23,308,627	\$ 31,900,000	\$ 7,727,258	\$ -	\$ -
Change in Net Position *	\$ 958,850	\$ (153,009)	\$ 3,050,531	\$ 3,083,860	\$ 4,710,471
Beginning Balances	\$ 18,624,152	\$ 19,583,002	\$ 19,429,993	\$ 22,480,524	\$ 25,564,384
Ending Balances	\$ 19,583,002	\$ 19,429,993	\$ 22,480,524	\$ 25,564,384	\$ 30,274,855

*Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds..

Table #2 - Fallbrook Public Utility District's Water Projections

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 21,390,868	\$ 23,475,796	\$ 23,475,941	\$ 23,488,253	\$ 24,275,304
Proposed Revenue Adjustments	-	939,032	2,892,236	5,004,313	7,527,783
Subtotal Operating Revenues	\$ 21,390,868	\$ 24,414,828	\$ 26,368,177	\$ 28,492,566	\$ 31,803,088
Other Operating Revenues					
Pass-through Charges					
MWD RTS Charge	\$ 423,957	\$291,331	\$305,436	\$320,971	\$336,861
SDCWD IAC Charge	456,283	501,670	552,055	670,024	779,855
Sundry	5,000	5,000	5,000	5,000	5,000
Subtotal Other Operating Revenues	\$ 885,240	\$798,001	\$862,491	\$995,995	\$1,121,716
Non-Operating Revenue					
Water Availability Charge	\$ 203,000	\$ 204,000	\$204,000	\$204,000	\$204,000
1% Property Tax	1,100,000	1,050,225	1,055,476	1,060,754	1,066,057
Investment Earnings	200,822	100,000	102,825	122,311	147,090
Water Capital Improvement Charge	1,373,621	1,455,281	1,556,735	1,653,313	1,755,694
Pumping Charge (Cap. Impr part)	32,756	32,756	32,756	32,756	32,756
Other Revenue	220,000	250,000	255,000	260,100	265,302
Water Capacity Fees	3,000	50,000	50,500	51,005	51,515
Subtotal Non-Operating Rev	\$ 3,133,199	\$ 3,142,262	\$3,257,292	\$3,384,239	\$3,522,415
Total Revenues	\$ 25,409,306	\$28,355,090	\$30,487,960	\$32,872,799	\$36,447,218
Operating Expenses					
Water Supply Costs					
Purchased Water Costs	\$ 12,778,727	\$13,810,108	\$11,302,476	\$10,813,148	\$11,928,736
Pumping Costs	180,000	202,797	212,936	223,583	246,159
SMRCUP Treatment	-	-	1,431,394	2,098,131	2,161,075
Labor Costs	1,513,659	1,449,807	1,522,297	1,598,412	1,678,333
Fringe Benefits	915,201	988,521	1,052,775	1,121,205	1,177,265
Services, Materials & Supplies	599,584	758,000	780,740	804,162	828,287
Allocated Administrative Expenses	4,066,159	4,137,834	4,298,956	4,467,315	4,625,307
Total Operating Expenses	\$ 20,053,330	\$21,347,066	\$20,601,574	\$21,125,957	\$22,645,162
Net Operating Revenue	\$ 5,355,976	\$7,008,024	\$9,886,386	\$11,746,842	\$13,802,056
Debt Service					
Total Debt Service	\$ 525,396	\$ 1,196,661	\$ 1,434,275	\$ 3,167,067	\$ 3,167,067
Capital Expenditures					
Total Capital Expenditures	\$ 27,179,634	\$ 36,656,750	\$ 12,688,157	\$ 5,575,556	\$ 5,379,595
Total Expenditures	\$ 47,758,360	\$ 59,200,477	\$ 34,724,006	\$ 29,868,580	\$ 31,191,824
SRF Loan Proceeds	23,308,627	31,900,000	7,727,258	\$ -	\$ -
Change In Net Position *	\$ 959,573	\$1,054,613	\$3,491,212	\$3,004,219	\$5,255,394
Beginning Balances	\$ 13,377,717	\$14,337,290	\$15,391,903	\$18,883,115	\$21,887,334
Ending Balances	\$ 14,337,290	\$15,391,903	\$18,883,115	\$21,887,334	\$27,142,728

*Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds..

Chart #1 - Water Fund Balances and Change in Target Level

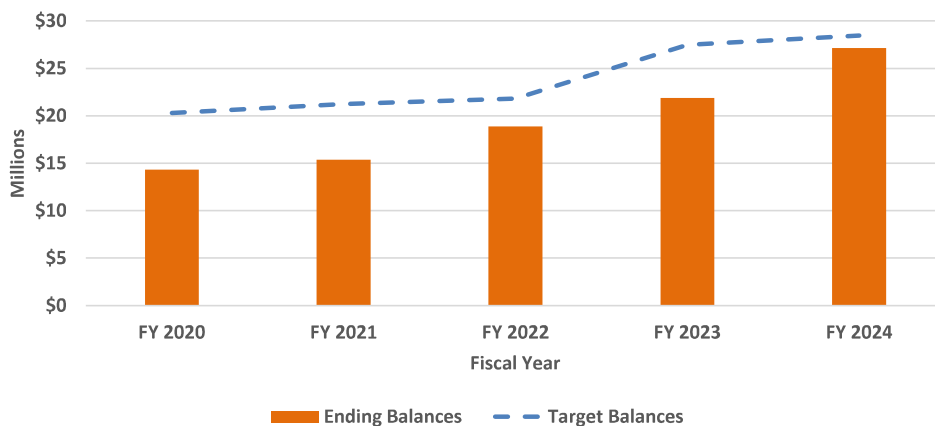


Table #3 - Fallbrook Public Utility District's Wastewater Projections

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 5,941,086	\$ 6,050,200	\$ 6,051,417	\$ 6,051,417	\$ 6,051,417
Proposed Revenue Adjustments	-	136,130	414,598	705,568	1,009,633
Subtotal Operating Revenues	\$ 5,941,086	\$ 6,186,330	\$ 6,466,015	\$ 6,756,986	\$ 7,061,050
Other Operating Revenues					
Sundry	1,000	1,000	1,000	1,000	1,000
Subtotal Other Operating Revenues	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ 1,170,233	\$ 1,207,132	\$ 1,255,873	\$ 1,293,426	\$ 1,332,275
Wastewater Capacity Fees	105,000	35,000	35,700	36,414	37,142
1% property Tax - IDS	912,422	916,985	921,569	926,177	930,808
Federal Interest Rate Subsidy	122,647	110,677	97,977	84,516	70,261
Investment Earnings	81,396	40,000	20,689	19,137	16,798
Subtotal Non-Operating Revenues	\$ 2,391,698	\$ 2,309,793	\$ 2,331,809	\$ 2,359,670	\$ 2,387,284
Total Revenues	\$ 8,333,784	\$ 8,497,123	\$ 8,798,824	\$ 9,117,655	\$ 9,449,334
Operating Expenses					
Labor Costs	\$ 1,230,872	\$ 1,257,231	\$ 1,320,093	\$ 1,386,097	\$ 1,455,402
Fringe Benefits	765,963	857,217	912,936	972,277	1,020,891
Services, Materials & Supplies	1,057,013	1,136,900	1,171,007	1,206,137	1,242,321
Allocated Administrative Expenses	2,223,681	2,262,878	2,350,991	2,443,063	2,529,465
Total Operating Expenses	\$ 5,277,529	\$ 5,514,226	\$ 5,755,027	\$ 6,007,574	\$ 6,248,079
Net Operating Revenue	\$ 3,056,255	\$ 2,982,897	\$ 3,043,797	\$ 3,110,081	\$ 3,201,255
Debt Service					
Total Debt Service	\$ 1,811,696	\$ 1,812,664	\$ 1,813,334	\$ 1,813,689	\$ 1,813,712
Capital Expenditures					
Total Capital Expenditures	\$ 1,311,481	\$ 2,035,000	\$ 1,712,360	\$ 1,331,973	\$ 2,131,448
Total Expenditures	\$ 8,400,706	\$ 9,361,890	\$ 9,280,721	\$ 9,153,236	\$ 10,193,239
Change in Net Position *	\$ (66,922)	\$ (864,767)	\$ (481,897)	\$ (35,581)	\$ (743,905)
Beginning Balances	\$ 4,620,809	\$ 4,553,887	\$ 3,689,121	\$ 3,207,223	\$ 3,171,642
Ending Balances	\$ 4,553,887	\$ 3,689,121	\$ 3,207,223	\$ 3,171,642	\$ 2,427,737

*Change in net position is Total Revenues minus Total Expenditures..

Chart #2 - Wastewater Fund Balances and Change in Target Level

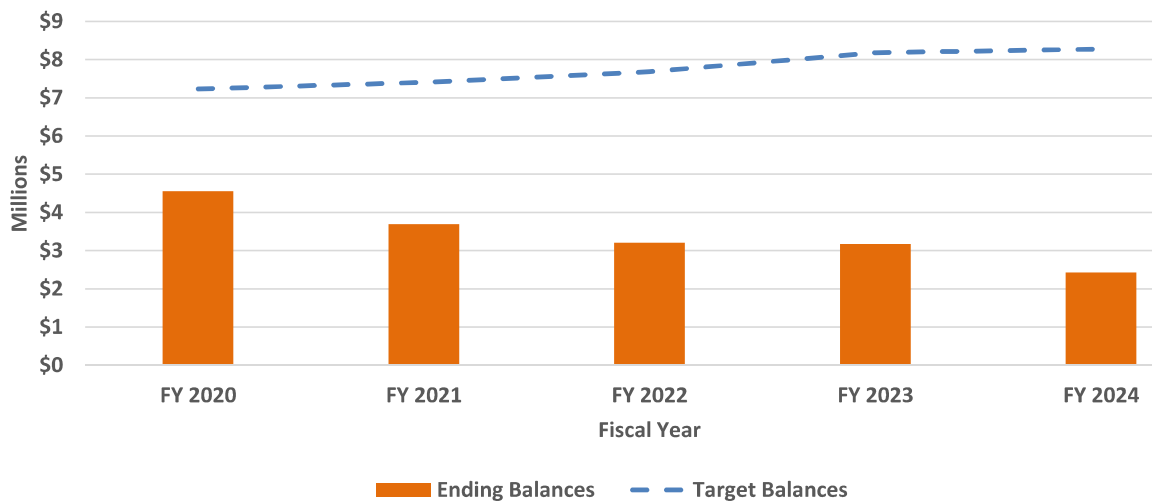


Table #4 Fallbrook Public Utility District's Recycled Water Projections

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 1,229,603	\$ 1,142,539	\$ 1,144,837	\$ 1,144,837	\$ 1,144,837
Proposed Revenue Adjustments	-	45,702	141,044	243,914	355,014
Other Operating Revenues					
SDCWA Incentive	\$ 50,003	\$ -	\$ -	\$ -	\$ -
Sundry	5,000	5,000	5,000	5,000	5,000
Subtotal Other Operating Revenues	\$ 55,003	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Non-Operating Revenue					
1% Property Tax	\$ 55,000	\$ 55,275	\$ 55,551	\$ 55,829	\$ 56,108
Investment Earnings	2,326	1,500	2,217	2,687	3,629
Subtotal Non-Operating Revenue	\$ 57,326	\$ 56,775	\$ 57,769	\$ 58,516	\$ 59,738
Total Revenue	\$ 1,341,932	\$ 1,250,016	\$ 1,348,649	\$ 1,452,267	\$ 1,564,589
Operating Expenses					
Labor Costs	\$ 125,066	\$ 188,184	\$ 197,593	\$ 207,473	\$ 217,847
Fringe Benefits	128,162	128,310	136,650	145,532	152,809
Services, Materials & Supplies	246,350	228,000	234,840	241,885	249,142
Allocated Administrative Expenses	63,534	64,654	67,171	69,802	72,270
Total Operating Expenses	\$ 563,112	\$ 609,148	\$ 636,255	\$ 664,692	\$ 692,068
Net Operating Revenue	\$ 778,820	\$ 640,868	\$ 712,395	\$ 787,575	\$ 872,521
Debt Service					
Total Debt Service	\$ 553,724	\$ 553,724	\$ 553,724	\$ 553,724	\$ 553,724
Capital Expenditures					
Total Capital Expenditures	\$ 158,898	\$ 430,000	\$ 117,454	\$ 118,629	\$ 119,815
Total Expenditures	\$ 1,275,734	\$ 1,592,872	\$ 1,307,433	\$ 1,337,045	\$ 1,365,607
Change in Net Position *	\$ 66,199	\$ (342,855)	\$ 41,217	\$ 115,222	\$ 198,982
Beginning Balances	\$ 625,626	\$ 691,825	\$ 348,969	\$ 390,186	\$ 505,408
Ending Balances	\$ 691,825	\$ 348,969	\$ 390,186	\$ 505,408	\$ 704,390

*Change in net position is Total Revenues minus Total Expenditures..

Chart #3 - Recycled Water Fund Balances and Change in Target Level

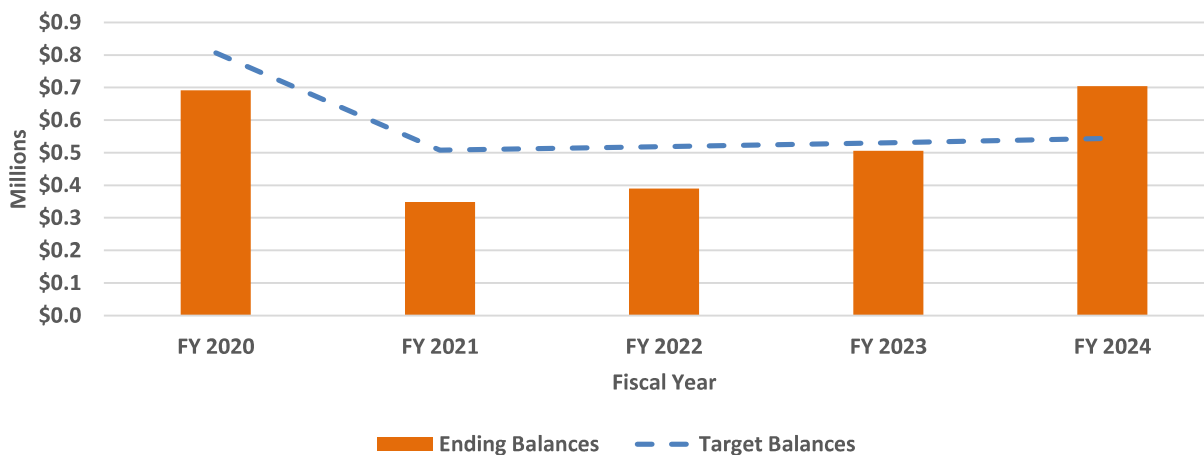


Table #5 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	FY 2009-10	FY 2010-11	FY 2011-12
Changes in Net Position:			
Operating Revenues	\$ 21,795,259	\$ 21,255,448	\$ 23,661,715
Operating Expenses	(24,347,069)	(24,175,989)	(26,140,572)
Other Operating Revenues	142,229	363,564	279,560
Operating Income (loss)	\$ (2,409,581)	\$ (2,556,977)	\$ (2,199,297)
Non-Operating Revenues (expenses)			
Property Taxes Ad-Valorem	\$ 1,602,551	\$ 1,549,625	\$ 1,552,911
Capital Improvement Charges	-	404,175	414,910
California Solar Initiative Rebate	-	-	534,835
Investment income	490,664	147,486	87,217
Water Availability Charges	201,397	200,944	200,906
Lease Revenue	215,154	184,983	177,095
Intergovernmental Revenue - Federal Interest Subsidy	-	-	-
Connection Fees	108,631	112,499	190,932
Federal Grants	-	-	-
Gain on Impairment	-	-	-
Other Non-Operating Revenues	748,834	102,704	109,261
Other Non-Operating Expenses	(276,937)	(508,849)	(294,462)
Total Non-Operating Revenues(expenses), net	\$ 3,090,294	\$ 2,193,567	\$ 2,973,605
Net income Before Capital Contributions	\$ 680,713	\$ (363,410)	\$ 774,308
Capital Contributions	211,782	3,094,483	273,825
Capital Grant - Proposition 50	-	-	338,331
Capital Grant - Proposition 84	-	-	-
Extraordinary Items	-	-	-
Changes in Net Position	\$ 892,495	\$ 2,731,073	\$ 1,386,464
Net Assets			
Beginning, as restated	\$ 67,149,470	\$ 68,041,965	\$ 70,773,038
Adjustments to restate balance	-	-	-
Ending, as restated	\$ 68,041,965	\$ 70,773,038	\$ 72,159,502

(1) Capital Grant of \$828,598 was received from State of California Wildlife Conservation Board Proposition 50 Funding.

(2) Accumulative effect of change in accounting principals.

(3) State Proposition 50 in the amount of \$874,040 and State Proposition 84 in the amount of \$68,428 was received.

Source: FPUD Finance Department

Table #5 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years, cont.

FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
\$ 27,582,160 (28,007,733) 439,560	\$ 28,955,183 (33,062,764) 681,876	\$ 27,483,881 (29,367,701) -	\$ 25,356,017 (27,921,351) -	\$ 27,256,065 (30,678,705) -	\$ 29,882,022 (33,319,799) -	\$ 26,944,550 (31,708,417) -
\$ 13,987	\$ (3,425,705)	\$ (1,883,820)	\$ (2,565,334)	\$ (3,422,640)	\$ (3,437,777)	\$ (4,763,867)
\$ 1,582,219 1,252,501 779,786 30,507 201,037 181,100 - 247,607 - - 81,008 (291,721)	\$ 1,694,090 1,981,822 843,714 209,175 200,779 183,641 - 118,581 - - 69,816 (344,730)	\$ 1,719,296 2,134,025 729,519 141,433 200,810 185,770 - 208,521 - - 162,913 (321,941)	\$ 1,815,734 2,224,529 740,125 324,126 200,808 185,220 185,040 131,894 - - 91,361 (690,409)	\$ 1,889,808 2,283,558 234,930 63,861 200,730 166,012 238,765 238,124 - - 32,729 (385,483)	\$ 1,984,543 2,476,452 - 18,188 229,400 178,602 145,338 411,744 (273,396) - - - (959,015)	\$ 2,106,034 2,505,876 - 915,275 204,359 199,433 134,924 180,966 - 9,338,297 - - (909,966)
\$ 4,064,044	\$ 4,956,888	\$ 5,160,346	\$ 5,208,428	\$ 4,963,034	\$ 4,211,886	\$ 14,675,198
\$ 4,078,031	\$ 1,531,183	\$ 3,276,526	\$ 2,643,094	\$ 1,540,394	\$ 774,109	\$ 9,911,331
595,205 - - -	76,746 828,598 ⁽¹⁾ -	153,790 224,596 ⁽¹⁾ -	75,299 874,040 ⁽³⁾ 682,428	59,509 773,163 -	73,661 - 67,100	73,789 - -
\$ 4,673,236	\$ 2,436,527	\$ 3,65,912	\$ 4,274,861	\$ 2,373,066	\$ 914,870	\$ 9,985,120
\$ 72,159,502 (154,385)	\$ 76,678,353 -	\$ 79,114,880 (7,734,801) ⁽²⁾	\$ 75,034,991 -	\$ 79,309,852 3,485,519	\$ 85,168,437 -	\$ 86,083,307 -
\$ 76,678,353	\$ 79,114,880	\$ 75,034,991	\$ 79,309,852	\$ 85,168,437	\$ 86,083,307	\$ 96,068,427

Chart #1 - Operating Expenses by Activity

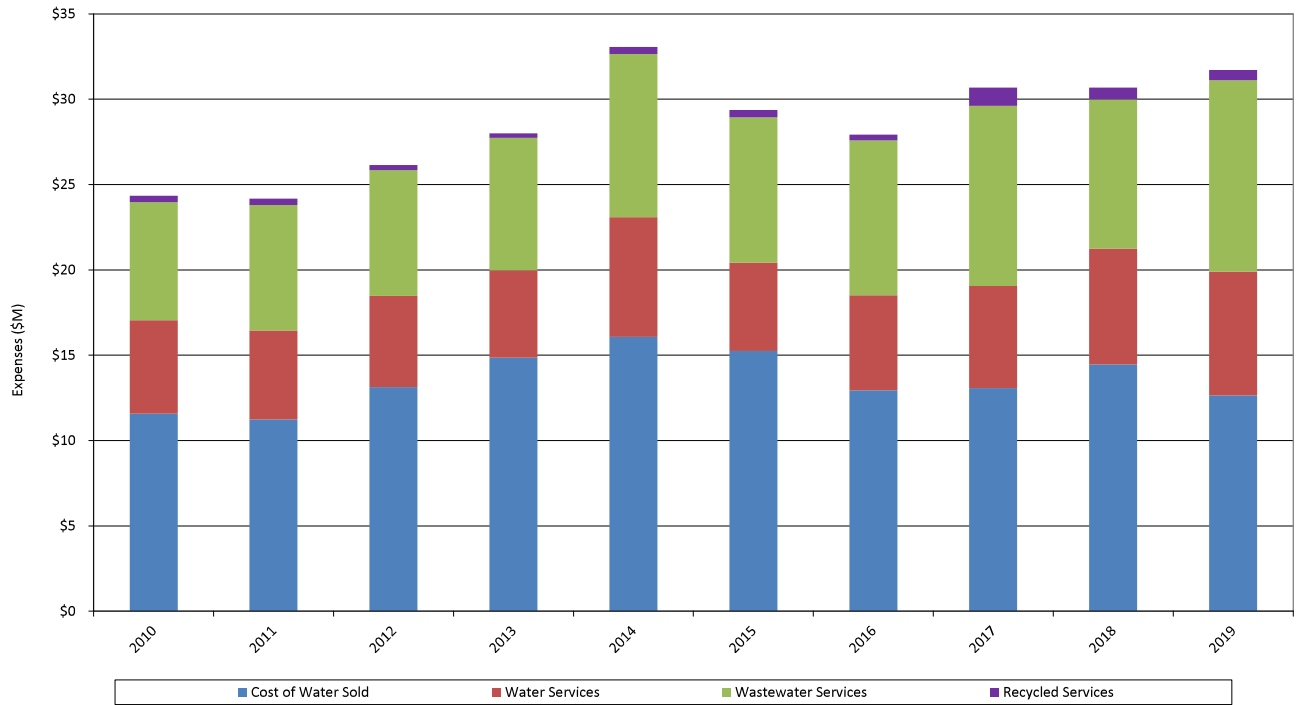


Chart #2 - Operating Revenues by Source

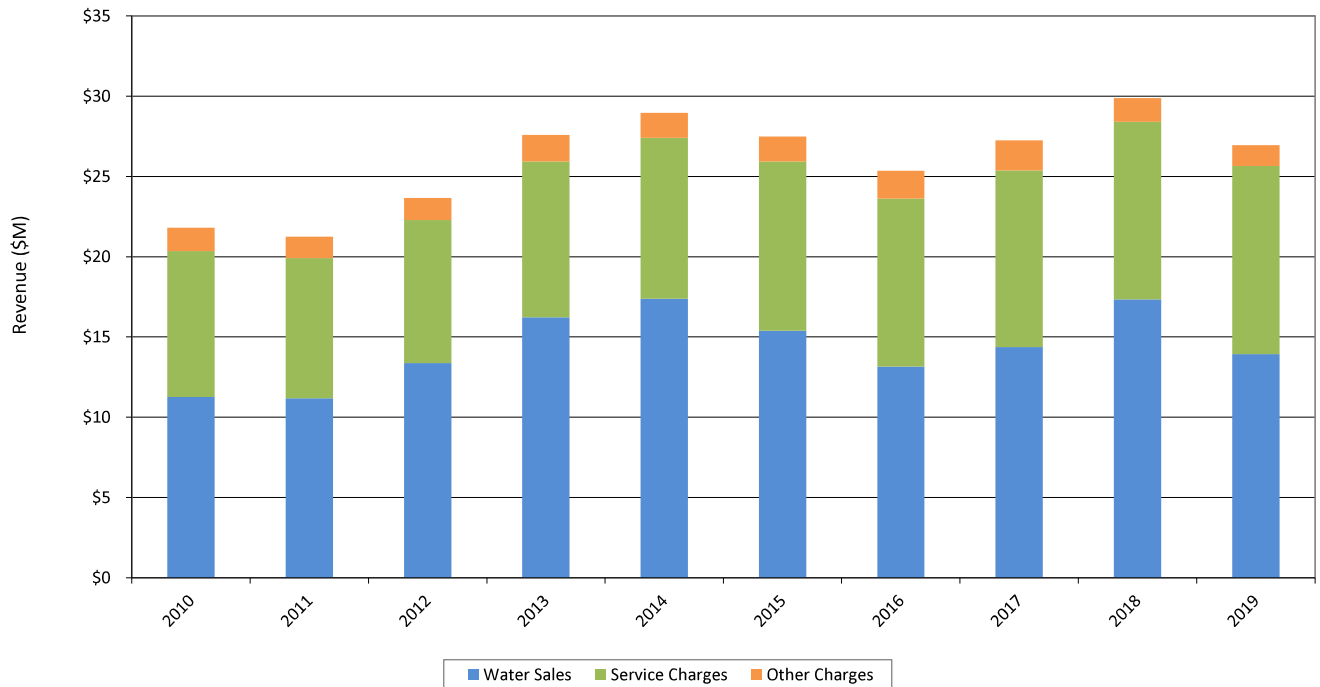
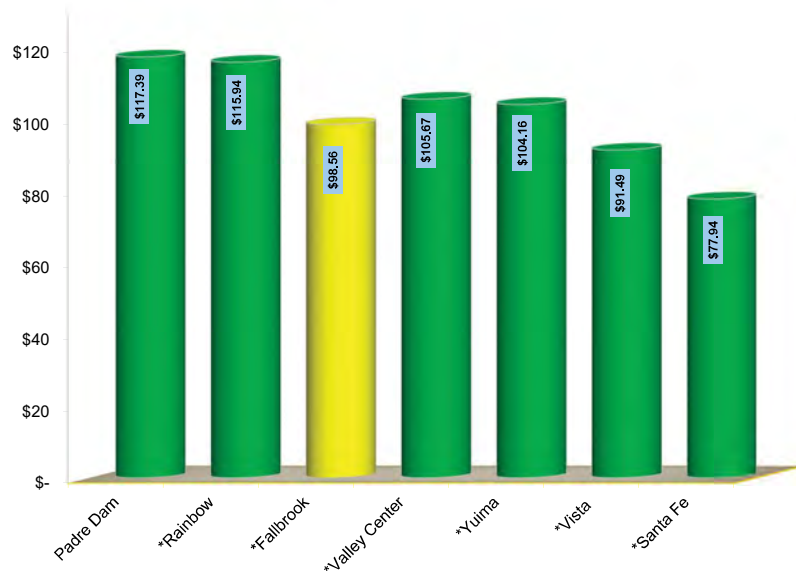
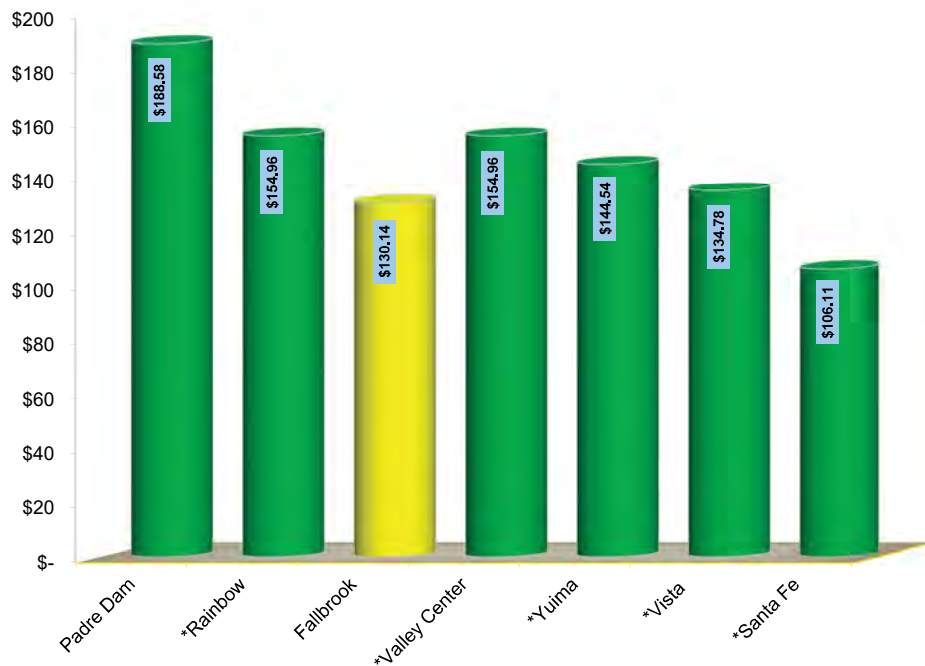


Chart #3 - Projected Water Bill for Fiscal Year 2020-21, Based on 11 HCF Water Use With a 3/4" Residential Meter *



*As of the time of the survey in May 2020, the member agency's FY 2021 rate increase was unavailable and an assumption was made that no rate increase will be implemented for FY 2021.

Chart #4 - Projected Water Bill for Fiscal Year 2020-21 Based on 20 HCF Water Use With a 3/4" Residential Meter *



*As of the time of the survey in May 2020, the member agency's FY 2021 rate increase was unavailable and an assumption was made that no rate increase will be implemented for FY 2021.

* Figures based on data available for proposed Calendar Year 2020 rates. Final rates are subject to change.

Source: Otay Water District rate survey.

Fallbrook Public Utility District 's Capitalization Policy

FALLBROOK PUBLIC UTILITY DISTRICT	Standard Policy		
	Drafted by:	CFO/General Manager	
	Original Date:	4-10-2018	
	Revision Date:		
Capital Policy	Review by department:	1 _____ 2 _____ 3 _____	4 _____ 5 _____ 6 _____
	Approved by:	General Manager	

Purpose:

To identify standard process for establishing capital versus operating expenses and placing items in the operating and capital improvement budgets

Personnel:

Accounting and Supervisors

Policy:

General Policy

The capital policy is established to distinguish capital and operating expenses and placement of projects and items in the Operating or Capital Improvement Budget. Capital expenses are recorded as capital assets and a depreciation schedule is established for these assets. Capital expenses will generally be identified in the Capital Budget as part of the Capital Program (CIP), which identifies the District's capital projects. This budget includes large multi-year construction projects as well as acquisitions of capital equipment and materials. The operational budgets may also include some items that are capitalized based on the criteria identified below:

Definitions

Capital Budget: part of the annual budget adopted by the Board of Directors that identified all Capital Projects for a division including construction projects and acquisition of capital equipment.

Operating Budget: Part of the annual budget adopted by the Board of Directors that identifies all on-going annual operating costs for a division.

Construction Projects: Includes actual physical projects completed to build new facilities or rehabilitate existing facilities.

Plant Equipment: Includes actual physical equipment that may or may not be a part of a larger facility. May include mobile equipment utilized by that division.

Useful Life: The period of time it is anticipate that the piece of equipment would normally last before having to be replaced. The useful life of the equipment can be extended due to a significant rehabilitation project on the equipment.

Capital Projects

A. Construction Projects

All construction projects for construction of new facilities will be capitalized and included in the Capital Improvements Program. The costs to be capitalized include the costs of associated studies, design, construction, equipment, construction management, legal and administrative expenses. Construction projects related to rehabilitation of existing facilities will be capitalized if the project extends the useful life of the asset for three or more years and the cost of the project related to the asset exceeds \$5,000. Repairs to existing pipelines, valves, meters, etc. that maintain the existing service and repair a leak or failure and do not extending the life of the asset by three or more years and do not exceed \$5,000 are not capitalized. For example, repairing a leak with a leak repair coupling does not change the assets service life and will be expensed even if the project costs exceed \$5,000. If a valve is replaced or a full section of pipe is replaced and the value exceeds \$5,000 the project will be capitalized and the service life adjusted.

B. Plant Equipment

All Plant Equipment purchased with a value of \$5,000 or greater and a useful life of greater than three years will be capitalized. In general, these items will be included under the capital Improvement budget either as part of a larger capital improvement project or as an acquisition of capital equipment. Routine part replacement costs, such as air filters for the high efficiency blowers, are considered operating expense. Improvements to existing fixed assets may be capitalized and appear in the Capital Budget if they extend the useful life of the asset by three or more years and the cost of the improvement exceeds the \$5,000 threshold.

C. Office Equipment

Office equipment will be capitalized with a value of \$5,000 or greater and a useful life of greater than three years. Office equipment includes: Office furniture, cabinets, copiers, computer systems and other information technology system. This includes larger software system integrations including initial software costs and implementation costs. In general, these items will be included as a project in the Capital Improvement Program.



Fallbrook Public Utility District 's Fund Balance Policy

Article 15. Budget and Fund Management

Sec. 15.1 District's Annual Budget.

Preparation of the District Budget is directed by the Assistant General Manager/CFO. Working with the Fiscal Policy and Insurance Committee the General Managers develops annual financial goals and objectives for the budget in February. A first preliminary Budget is presented to the Committee/Board of Directors and public in April and a second preliminary Budget in May. The final Budget is presented in June for adoption, along with a resolution adopting a tax rate for Bonded Indebtedness.

The budgeting process is intended to create a transparent process that enables the Board of Directors to estimate the Districts revenues and expenses including employee compensation arising from negotiations and changes in other costs of operations.

15.1.1 Annual Budget Resolution.

The Board shall approve an annual budget resolution that establishes the total appropriation for the fiscal year based on the following budget categories:

1. Administration, operations, and maintenance
2. Water purchases and contingencies
3. Capital improvements and equipment
4. Revenue Bonds, State Revolving Fund, interest, and principal
5. Established annual Liquidity Fund level

In addition, the budget resolution shall identify any anticipated net withdrawal of District reserves for the Fiscal Year. Any unanticipated net withdrawal of District reserves shall be a separate board action. Any withdrawal of funds from long-term investments, as shown in the District's Treasurer's Report, shall require prior Board approval.

Any spending above the established appropriations or additional withdrawal of reserves shall require Board approval. As part of the annual budget process, the Board will review and approve the District's liquidity fund level.

Sec. 15.2 Treasurer's Fund.

The Treasurer's Fund is established primarily to account for all District cash and investments and also to record detailed accounting for fringe benefits. Revenues are obtained from a budgeted mark-up on District labor. Revenue and Expense accounts in this fund are closed to the Utility fund annually.

Sec. 15.3 General Fund.

The General Fund shall consist of accounts for property tax revenues and appropriations to other funds as determined by the Board.

Sec. 15.4 Utility Funds.

The Utility Funds consists of three separate funds reflecting the operating departments of Water, Wastewater and Recycled Water. The funds reflect the revenues from water sales, monthly service charges and other recurring fees and all expenses, including Operating and Maintenance (O&M) and General & Administrative (G&A).

Sec. 15.5 Capital Funds.

The Capital Funds consists of all Property, Plant and Equipment and the expenditures as well as revenues from Capital Improvement Charges that are dedicated/restricted to capital expenditures. All use of revenues in the Capital Funds is restricted to capital investments, which includes capital assets as defined by the District's accounting policy and debt service. Sources of funding and expenditures for capital assets are maintained in three separate funds:

Water – all capital assets associated with the water treatment and distribution system; all administrative buildings and equipment; and all construction equipment and vehicles.

Wastewater – all capital assets associated with treatment facilities and the wastewater collection system.

Recycled Water – all capital assets associated with the recycled water facilities and the recycled water distribution system.

Sec. 15.6 Equipment Fund.

The Equipment Fund consists of all expenses for field equipment operations, maintenance, repair and replacement. Revenues are obtained from a budgeted mark-up on District labor. Revenue and expenses are closed to the Utility fund annually.

Sec. 15.7 Debt Service Funds.

Debt Service funds shall be established to account for General Obligation Bonds, Certificates of Participation, or other indebtedness which the District may incur for construction, completion, or acquisition of works, for the treatment, storage and distribution of water and water rights, including dams, reservoirs, storage tanks, treatment facilities, pipes, pumping equipment, and all necessary equipment and property therefor. The funds shall record annual transactions showing source of revenue, and both interest and principal payments.

Sec. 15.8 Appropriated Fund Balances.

Appropriated Fund Balances shall be established to provide adequate funding to meet the District's short term and long term plans and commitments; to minimize adverse annual and multi-year budgetary impacts from unanticipated expenditures; and to preserve the financial stability of the District against present and future uncertainties in an ever-changing environment. The following Appropriated Fund Balances will be established and maintained.

15.8.1 Utility Funds Appropriated Fund Balances.

1. Water.

- a) Working Capital. To be established and maintained at a level of three months operating and maintenance expenses including water purchases.

- b) Santa Margarita Debt Payment Fund. To prevent “spikes” and mid-year changes in rates because of net revenue shortfalls due to weather conditions, state or federal legislation or other future uncertainties. The target level is set equal to 2-years of debt service payments on the Santa Margarita Conjunctive Use Project financing.

2. Wastewater.

- a) Working Capital. To be established and maintained at a level of three months operating and maintenance expenses.
- b) Rate Stabilization Fund. To promote smooth and predictable rates and charges a Rate Stabilization Fund is established with a target of level equal to 10% of annual revenues.

3. Recycled Water.

- a) Working Capital. To be established at three months operating and maintenance expenses.

15.8.2 Utility Capital Funds Appropriated Fund Balances.

1. Water Capital Fund.

The primary source of funds are the Water and Pumping Capital Improvement charges, annexation fees, connection fees and meter fees. Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

- a) Funds related to the 1958 Annexation and the DeLuz Service Area bond proceeds are tracked separately in the fund.

2. Wastewater Capital Fund.

The primary source of funds are Wastewater Capital Improvement Charges, connection fees and meter fees. Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

3. Recycled Water Capital Fund.

Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

15.8.3 Debt Service Funds.

Each borrowing activity is maintained within a separate Debt Service fund. Some indentures require the establishment of a reserve fund and the District must comply with any creditor

imposed requirements. Since sources of funding to repay each debt instrument varies, the possibility of that inflow being interrupted is likely/possible with different issues in differing circumstances. Because of the possibility of this interruption, each Debt Service Fund should establish an Appropriated Fund Balance equal to the next year’s total debt service (principal and interest).

Sec. 15.9 Petty Cash.

The responsibility for and the accountability for the petty cash fund is assigned to the Assistant General Manager/CFO and/or the Accountant. The fund at all times will total \$400.00 in cash and disbursement receipts. When an employee requires reimbursement, not-to-exceed \$50.00, for an out-of-pocket District expense, a petty cash voucher is filled out and the receipts for purchases attached.

Reimbursement will not be made from the petty cash fund without the immediate supervisor's approval on the petty cash voucher and receipts attached thereto.

During the planned absence of either the Assistant General Manager/CFO or Accountant, the Supervising Accounting Assistant will be authorized to make petty cash reimbursements. Prior to assumption of these duties, cash in the fund will be counted and verified by both the Assistant General Manager/CFO and Accountant.

Periodic audits will be performed as required by District management or the Auditor. Checks drawn to replace the disbursement will be processed in the same manner as any other invoice paid by the District.

ARTICLE 15
Sec. 15.8 - Rev. 74/97
Sec. 15.4 & 15.5 – Rev. 4/03
Sec. 15.8 added 4/03
Sec. 15.1 & 15.9 – Rev. 6/06
Sec. 15.9 – Rev. 8/08
Sec. 15.6 – Rev. 9/09
Sec. 15.8.1 – Rev. 12/09
Secs. 15.1, 15.5, 15.8.1, 15.8.2, 15.8.4, 15.9 – Rev. 1/18
Secs. 15.1.1, 15.8.1 – Rev. 2/19
Sec. 15.1.1 – Rev. 4/19
Sec. 15.1 – Rev. 7/19

Fallbrook Public Utility District 's Investment Policy

Article 27. Investment Policy

Sec. 27.1 General.

The District's Investment Policy and practices of the District Treasurer are based on prudent money management principles and California Government Code, specifically Sections 53600 and 53630 et. seq.

27.1.1 Delegation of Authority. The Board of Directors delegates the investment authority of the District to the Treasurer under the supervision of the General Manager. The Treasurer shall deposit money under the Treasurer's supervision and control in such institutions and upon such terms as the laws of the State of California and the Board of Directors may permit.

The Treasurer may delegate day-to-day investment decision making and execution authority to an investment advisor. Eligible investment advisors must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940. The advisor will follow the Policy and such other written instructions as are provided by the District.

27.1.2 Investment Objectives. The practices of this District will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws, allowing for the dynamics of the money markets, will be the focus of this Investment Policy. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the objectives of this District shall be:

1. The primary objective shall be to safeguard the principal of the funds under the Treasurer's control.
2. The secondary objective shall be to meet the liquidity needs of the District.
3. The third objective shall be to achieve a return on the funds under control of the Treasurer within the parameters of prudent risk management.

27.1.3 Prudent Investor Standard. The Board of Directors, General Manager, and Treasurer adhere to the guidance provided by the "prudent investor standard," California Government Code (Section 53600.3), which obligates a fiduciary to insure that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual

investments as part of an overall strategy, investments may be acquired as authorized by law.”

Sec. 27.2 Treasurer’s Annual Statement of Investment Policy.

The following is the District’s annual statement of investment policy rendered pursuant to Section 53646 (a) of the Government Code:

27.2.1 Security of Principal Policy. The policy issues directed to protecting the District are:

- a) Limiting exposure to each type of security.
- b) Limiting exposure to each issue and issuer of debt.
- c) Determining the minimum credit requirement for each type of security at the time of purchase.

27.2.2 Liquidity Policy. The policy issues directed to provide necessary liquidity are:

- a) Limiting the length of maturity for securities in the portfolio.
- b) Limiting exposure to illiquid securities.

27.2.3 Return Policy. The policy issues directed to achieving a return are:

- a) Attaining a market rate of return taking into account the investment risk constraints and liquidity needs.
- b) Return is of least importance compared to the safety and liquidity policies described above.
- c) Majority of the investments shall be limited to low risk securities in anticipation of earning a fair return relative to the risk being taken.
- d) The performance of the portfolio shall be compared to an industry benchmark established by the Fiscal Policy and Insurance Committee and shall be reported quarterly. The Fiscal Policy and Insurance Committee shall review the performance benchmark on an annual basis to ensure that it remains appropriate for the District’s investment objectives. The Fiscal Policy and Insurance Committee will bring any recommended changes to the industry benchmark to the Board for approval.

27.2.4 Maturity Policy. The maximum maturity allowed by the California Government Code is five (5) years with shorter limitations specified for specific types of securities. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five-year maturity limit. Such approval must be issued no less than three (3) months prior to the purchase of any security exceeding the five-year maturity limit.

27.2.5 Prohibited Securities. The California Government Code does not authorize a local agency to invest in any of the following derivative notes:

- a) Inverse Floater
- b) Range Notes
- c) Interest-only strips derived from a pool of mortgages
- d) Any security that could result in zero interest accrual

Sec. 27.3 Internal Controls.

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed benefits likely to be derived; and, 2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the Treasurer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

Control of Collusion: Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

Separation of Transaction Authority from Accounting and Record Keeping: By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.

Custodial Safekeeping: Securities purchased from any bank or dealer including appropriate collateral (as defined by Government Code) shall be placed with an independent third party for custodial safekeeping.

Avoidance of Physical Delivery Securities: Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

Clear Delegation of Authority to Subordinate Staff Members: Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

Written Confirmation of Telephone Transactions for Investments and/or Wire Transfers: Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.

Development of a Wire Transfer Agreement with the Lead Bank or Third Party

Custodian: This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

Sec. 27.4 Permissible Investments.

Where this Policy specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Credit criteria listed in this Policy refers to the credit rating at the time the security is purchased. If an investment advisor is used and an investment's credit rating falls below the minimum rating required at the time of purchase, the investment advisor will immediately notify the Treasurer. The securities shall be reviewed and a plan of action shall be recommended by the Treasurer or investment advisor. The course of action to be followed will be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further drop, and market price of the security. The Fiscal Policy and Insurance Committee will be advised of the situation and intended course of action by e-mail or fax.

The District will limit investments in any one non-government issuer, except investment pools and money market funds, to no more than 5% regardless of security type.

Government Code 53601 addresses permissible investments. These investment categories are:

27.4.1 Government Obligations. Two categories of Government Obligations, U.S. Treasury and Agency obligations may be invested. Both are issued at the federal level. U.S. Treasury obligations are United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. Agency obligations are federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises..

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is unlimited.

- 1) Treasury: Unlimited.
- 2) Agencies: Unlimited. No more than 75% of the portfolio value shall be invested in any single issuer.

Minimum Credit Requirement: None.

27.4.2 Banker's Acceptance. This is a draft or bill of exchange, accepted by a bank or trust company and brokered to investors in a secondary market. The purpose of the banker's acceptance (BA) is to facilitate trade and provide liquidity to the import-export markets. Acceptances are collateralized by the pledge of documents such as invoices, trust receipts, and other documents evidencing ownership and insurance of the goods financed.

Maximum Maturity: The maximum maturity of an issue shall be 180 days.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 25%.

Minimum Credit Requirement: "A-1" or equivalent by a nationally recognized statistical rating organization (NRSRO)

27.4.3 Commercial Paper. These are short-term, unsecured, promissory notes issued by firms in the open market. Commercial paper (CP) is generally backed by a bank credit facility, guarantee/bond of indemnity, or some other support agreement. The entity that issues the commercial paper must meet all of the following conditions in either paragraph a or paragraph b:

- a. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of "A", the equivalent or higher by a NRSRO.
- b. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Maximum Maturity: The maximum maturity of an issue shall be 270 days.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 25%. The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.

Minimum Credit Requirements: "A-1", the equivalent or higher by a NRSRO.

27.4.4 Medium-Term Notes. Corporate and depository institution debt securities issued by corporations organized and operating within the United States, or by depository institutions licensed by the U.S. (or any state) and operating within the U.S.

Maximum Maturity: The maximum maturity of an issue shall be 5 years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 30%.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher by a NRSRO

27.4.5 Repurchase Agreements. A repurchase agreement (RP) consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the District), the other is the commitment by the seller (i.e., a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

Maximum Maturity: The maximum maturity of repurchase agreements shall be up to one year.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 10%.

Minimum Credit Requirements: None

27.4.6 Negotiable Certificates of Deposit. Certificates of deposit must be issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

Maximum Maturity: The maximum maturity of an issue shall be five (5) years.

Maximum Exposure to Portfolio: The maximum exposure to the portfolio for this category shall be 30%.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for CDs issued with a long-term rating and “A-1” or higher for CDs issued with a short-term rating or their equivalents by a NRSRO.

27.4.7 State Local Agency Investment Fund (LAIF). There is no limit by law on the amount of funds that can be placed in this account. Interest is paid directly into the account by the State Local Agency Investment Fund.

27.4.8 San Diego County Treasurer’s Fund. There is no limit by law on the amount of funds that can be placed in this account. Interest is paid directly into the account by the County Treasurer.

27.4.9 Passbook and Money Market Savings Accounts. Savings accounts and/or money market accounts shall be maintained for monies that are needed on a day-to-day basis.

27.4.10 State Obligations / State of California and Other States. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or by a department, board, agency or authority of the state.

Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for 27.4.10 and 27.4.11-California Local Agency Obligations, category shall be a combined 25% of the book value of the investment portfolio. No more than 5% of the book value of the portfolio at the time of purchase may be invested in bonds issued by any one agency.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for obligations issued with a long-term rating and “A-1” for obligations issued with a short-term rating or their equivalents by a NRSRO .

27.4.11 California Local Agency Obligations. Bonds, notes warrants or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for 27.4.10 and 27.4.11-California Local Agency Obligations, category shall be a combined 25% of the book value of the investment portfolio. No more than 5% of the book value of the portfolio at the time of purchase may be invested in bonds issued by any one agency.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for obligations issued with a long-term rating and “A-1” for obligations issued with a short-term rating or their equivalents by a NRSRO.

27.4.12 Joint Powers Authority Pool. The investment with a Joint Powers Authority Pool is mandated by that pool. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria: (1) The adviser is registered or exempt from registration with

the Securities and Exchange Commission; (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive; and (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is unlimited.

Minimum Credit Requirement: None.

27.4.13 Money Market Mutual Funds.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 20%.

Minimum Credit Requirements: A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.

A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.

27.4.14 Mortgage Pass-Through Securities and Asset-Backed Securities. A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 20%.

Minimum Credit Requirements: Rated in a rating category of “AA”, the equivalent or higher by a NRSRO.

27.4.15 Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 30%.

Minimum Credit Requirements: Rated in a rating category of “AA”, the equivalent or higher by a NRSRO.

Approval: Investments in supranational securities may only be made with prior approval of the Fiscal Policy and Insurance Committee.

Sec. 27.5 Maturity/Limit of Investments.

With the exception of U.S. Treasury and Federal Agency securities, the maturity of a give investment will not exceed five (5) years, without prior board approval per Section 27.2.4.

Sec. 27.6 Reporting Requirements.

The Treasurer shall prepare a quarterly investment report to the Board of Directors that provides an overview of the District’s investments and lists the investment transactions for the period. The report shall also (1) state the compliance of the portfolio with the statement of investment policy, or the manner in which the portfolio is not in compliance, and (2) the report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available. The Treasurer shall also provide the Board a summary report of investments on a monthly basis.

A subsidiary ledger of investments may be used in the report in accordance with accepted accounting practices.

In the event that an investment originally purchased within policy guidelines is downgraded by any one of the credit rating agencies, the Treasurer shall report it at the next regular scheduled meeting of the Board.

ARTICLE 27
Revised in its entirety: 2/94
Adopted in current form: 1/96, 1/97, 1/98, 1/99
Sec. 27.2.4 – Rev. 1/00
Adopted in current form: 1/01
Sec. 27.4.7 – Rev. 10/01
Sec. 27.6 – Rev. 1/03
Sec. 27.2.4 – Rev. 1/07
Sec. 27.4.4 – Rev. 3/07
Secs. 27.2.3, 27.4.1(2), 27.4.2, 27.4.3, 27.4.4, & 27.4.6 – Rev. 9/07
Sec. 27.2.1 – Rev. 1/10
Secs. 27.4.10-12 – Rev. 1/12
Secs. 27.2.4, 27.2.5, 27.4.5, 27.4.6, 27.4.7, 27.4.10, 27.4.11, 27.4.13, 27.4.14, 27.5 – Rev. 2/13
Secs. 27.4.6, 27.4.11 – Rev. 1/14
Secs. 27.1, 27.1.1, Attachment A – Rev. 3/15
Secs. 27.1, 27.1.1, 27.1.2, 27.1.3, 27.2, 27.2.3, 27.2.4, 27.3, 27.4, 27.4.1, 27.4.2, 27.4.3, 27.4.4, 27.4.6, 27.4.10, 27.4.11, 27.4.12, 27.4.13, 27.4.14, 27.4.15, 27.5 – Rev. 2/16
Secs. 27.2.4, 27.4, 27.4.3, 27.4.4, 27.4.6, 27.4.10, 27.4.11, 27.4.14, 27.4.15 – Rev. 3/17
Sec. 27.2.3 – Rev. 6/18
Sec. 27.6 – Rev. 7/18
Sec. 27.4.14 – Rev. 2/19

27-10

PLACE HOLDER FOR BOARD RESOLUTION

PLACE HOLDER FOR BOARD RESOLUTION

District's Pension Benefits

The District participates in CalPERS and has two benefit tiers. The Classic employees are eligible to receive 2.5% of their single highest annual salary for each year of service at the age of 55. An employee hired after January 1, 2013, and is new to CalPERS, or those that have had a break in service of more than six-months fall under the California Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA employees are eligible to receive 2.0% of the highest three-year average annual salary for each year of service at the age of 62. Both Classic and PEPRA employees are potentially subject to salary maximums when determining their benefit.

CalPERS Unfunded Actuarial Accrued Liability (UAAL):

The AUL is portion of the pension liability that has been earned but has not been fully funded. The liability is estimated by an actuary based upon many different underlying assumptions. CalPERS amortizes these existing liabilities over a 30-year period. The payment schedule for the Unfunded Liability is shown below for both Classic and PEPRA. The District's net pension liability in Fiscal Year 2017-18 was \$14.1 million. In Fiscal Year 2017-18, the latest CalPERS valuation date, the District's pension liability was 72.6% funded for Classic employees and 91.6% funded for PEPRA employees.

Fiscal Year Ending (6/30)	Classic	PEPRA	Total
FY 2018-19	\$ 730,148	\$ 534	\$ 730,682
FY 2019-20	888,000	1,300	889,300
FY 2020-21	1,013,000	2,800	1,015,800
FY 2021-22	1,159,000	4,300	1,163,300
FY 2022-23	1,269,000	5,900	1,274,900
FY 2023-24	1,361,000	7,100	1,368,100
FY 2024-25	1,439,000	8,000	1,447,000

Current Normal Cost

The Normal Cost Rate (NCR) is the percentage of payroll that is contributed to CalPERS to pay for the benefit earned by employees in the current year. This rate is expressed as a percent of payroll. The NCR for Classic employees for Fiscal Year 2020-21 is 13.146% of payroll, which is up from the Fiscal Year 2019-20 is 12.142%. The NCR for PEPRA employees is 7.874% of payroll in Fiscal Year 2020-21 and was 7.072% in Fiscal Year 2019-20.

District's 115 Pension Trust

As part of the District's commitment to fiscal sustainability, a Section 115 Pension Trust has been established. The trust holds assets pledged to pay for future pension related expenses. The Trust as of April 30 held \$5.98 million.

District's Other Post-Employment Benefits (OPEB)

The District provides a retiree healthcare benefit to employees who have ten years of service and are 50 or older. Under the OPEB benefit the District pays for half of the employees' health insurance premium until the beneficiary is 65-years old. The employee must contribute the other half of the insurance premium. The District has established the Section 115 Pension and OPEB Trust Fund (See Fund Structure Section) to fund the District's OPEB liabilities. The District's OPEB liability is 96.6% funded based upon an actuarial valuation report as of June 30, 2020. Based upon planned contributions to the OPEB Trust Fund, the District expects to fully fund the OPEB liability over the next 3 years. As of April 30, 2020, the OPEB Trust Fund held \$986,761.

Attachment B

RESOLUTION NO. 4998

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
FALLBROOK PUBLIC UTILITY DISTRICT APPROVING AND
ESTABLISHING THE DISTRICT'S FISCAL YEAR 2020-21 BUDGET
FOR OPERATIONS, MAINTENANCE, WATER PURCHASES, CAPITAL
IMPROVEMENTS, EQUIPMENT, AND DEBT SERVICE AND
APPROPRIATING \$70,711,170 CONSISTENT WITH THE APPROVED
BUDGET**

* * * * *

WHEREAS, the Fiscal Policy and Insurance Committee has reviewed and considered the Recommended Fiscal Year 2020-21 Budget during publicly noticed meetings on April 22, 2020 and May 26, 2020; and

WHEREAS, the Board has reviewed and considered the Recommended Fiscal Year 2020-21 Budget during a publicly noticed meeting on June 22, 2020;

NOW, THEREFORE, BE IT RESOLVED BY the Board of Directors of the Fallbrook Public Utility District as follows:

1. The District's Fiscal Year 2020-21 Budget, as presented to the Board of Directors at the publicly noticed meeting on June 22, 2020, is hereby approved.
2. Expenditure under the District's approved Fiscal Year 2020-21 Budget is hereby appropriated as follows:

For administration, operations, and maintenance:	\$13,457,534
For water purchases:	\$14,012,905
For PAYGO capital improvements, and equipment:	\$ 7,221,750
For Santa Margarita Conjunctive Use Project capital improvements:	\$31,900,000
For Revenue Bonds, State Revolving Fund, and interest and principal:	\$ 3,563,049
	<hr/>
TOTAL	<u>\$70,155,238</u>

3. Expenditure of appropriated funds shall be consistent with the approved Budget. Except as provided in this Resolution, no increases or decreases to the Budget shall occur except upon prior approval by the Board.
4. Notwithstanding the total appropriations, set forth herein, the General Manager is authorized subject only to the total appropriations to exceed the expenditure amount designated in the approved Budget for water purchases to meet the District's water demands.
5. The annual Liquidity Fund Level target for Fiscal Year 2020-21 is kept at the current level of \$3.7 million and no draws from the District's long-term investment portfolio is planned.
6. A draw of \$153,009 from the District's long-term investments is planned, and any unanticipated draws will go to the Board for approval.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 22nd day of June, 2020, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Attachment C

Article 21. Water and Sewer Rates and Service Charges.

Water and sewer rates and charges are set to fully recover the District's costs. In order to help stabilize the revenue of the District during increasing or decreasing sales, the District has established a policy to collect approximately 80% of the District's fixed water operating costs through the monthly fixed charges and collect the remaining approximately 20% of the District's fixed operating cost through volumetric water rates. The rates and charges are set based upon cost of service principals that meet legal requirements and industry standards.

Effective January 1, 2020, the following rates for water deliveries to each class of service are established:

Sec. 21.1 Volumetric Water, Recycled Water and Pumping Rates.

For purposes of determining water rates, one unit equals 1,000 gallons:

Domestic (D), Large Lot Domestic (LD).

1-5 units per month	\$6.44 per unit
6-30 units per month	\$6.53 per unit
Over 30 units per month	\$7.96 per unit

Commercial (C).

All usage	\$6.63 per unit
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Multi-Unit (M) (Tier ranges factor residential units, per Article 19.1).

1 - 5 units per month	\$6.44 per unit
6 - 30 units per month	\$6.53 per unit
Over 30 units per month	\$7.96 per unit

Government (G).

All usage	\$6.52 per unit
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Irrigation Only (I).

All usage	\$6.64 per unit
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SAWR - Ag Only (AS).

All usage\$4.77 per unit

SAWR - Ag & Home (AT).

1-5 units per month\$6.44 per unit

6-20 units per month\$5.53 per unit

Over 20 units per month\$4.77 per unit

Commercial Ag (CA).

All usage\$5.53 per unit

Commercial Ag Domestic (CB).

1-5 units per month\$6.44 per unit

Over 5 units per month\$5.53 per unit

Drought Rates

In order to prepare and manage future periods of water shortage and mandatory conservation, the District adopted a water shortage contingency plan called the Water Shortage Response Program (the “Program”). Pursuant to the Program, the District established four Water Shortage Response Levels. Article 26 Water Shortage Response Program provides information on the program and the applicable water use rates.

Volumetric Recycled Water Rate.

Recycled water furnished within the District service area for any appropriate purpose will be billed at \$5.51 per 1,000 gallons. Recycled water sold outside the District service area will be sold by contract with specific customers. For San Diego County Water Authority and Metropolitan Water District rebate purposes, reclaimed water rates must be set at higher of 85 percent of lowest applicable potable water rate or 80 percent of the average of Tier 1 and Tier 2 rates.

Construction Meter.

Water furnished for construction purposes will be billed at \$8.21 per 1,000 gallons.

Volumetric Pumping Charges. (DSA and Toyon only)

Pumping charges for the DeLuz High Pressure Service Area and Toyon Heights shall be furnished at \$0.79 per 1,000 gallons to recover the cost of electricity.

Sec. 21.2 Monthly Fixed Charges.

Effective January 1, 2020, the following rates and charges are established and shall be collected by the District for water and recycled water service:

Monthly Service Charges for each meter (\$/meter size):

	Water Fixed Charges	Recycled Water Charges	Standby Service Charge	Private Fire Services Charge
3/4 inch meter	\$50.49	\$22.66	\$22.66	NA
1 inch meter	\$77.08	\$30.68	\$30.68	NA
1-1/2 inch meter	\$143.51	\$50.73	\$50.73	NA
2 inch meter	\$223.25	\$74.78	\$74.78	\$11.01
3 inch meter	\$435.86	\$138.95	\$138.95	\$11.74
4 inch meter	\$675.05	\$211.14	\$211.14	\$13.00
6 inch meter	\$1,339.48	\$411.64	\$411.64	\$17.52
8 inch meter	NA	NA	NA	\$25.32

NA- Not applicable

For construction meters, a service charge of \$334.88 per month or fraction thereof will be made in addition to the cost of water consumed. This rate is calculated using a factor of 1.5 times the fixed charge for a 2” water meter.

The foregoing fixed charges for water service through various sized meters that are installed or upgraded will be effective commencing the day of installation, regardless of the amount of water used, as long as the consumer's property is actually connected with the District's distribution system. In addition, any request to down size a meter properly filed with the District will receive a fixed charge commensurate with the meter size effective the next billing cycle.

Billings for water furnished to all accounts will be on a monthly basis.

A monthly service charge to cover the District's cost for annual inspection, maintenance, repair and replacement of backflow prevention devices will be made as follows (\$/meter size):

For each 3/4 inch device	\$5.57
For each 1 inch device	\$6.56
For each 1-1/2 inch device	\$12.13
For each 2 inch device	\$14.55
For each 3 inch device	\$29.07
For each 4 inch device	\$45.42
For each 6 inch device	\$90.83

Sec. 21.3 MWD Readiness-to-Serve Charge (RTS) and SDCWA Infrastructure Access Charge (IAC).

Effective [January-July 1, 2020](#), the following monthly charges are established and shall be collected by the District for the Metropolitan Water District of Southern California’s Readiness-to-Serve (the “RTS”) charge and San Diego County Water Authority’s Infrastructure Access Charge (the “IAC”).

Monthly charges for each meter (\$/meter size):

	RTS	IAC
3/4 inch meter	\$1.95 \$2.05	\$3.31
1 inch meter	\$3.26 \$3.42	\$5.53
1-1/2 inch meter	\$6.49 \$6.83	\$11.02
2 inch meter	\$10.39 \$10.93	\$17.64
3 inch meter	\$20.81 \$21.87	\$35.33
4 inch meter	\$32.51 \$34.17	\$55.20
6 inch meter	\$64.99 \$68.33	\$110.35

Sec. 21.4 Water Capital Improvement Charge.

For each water account, an additional \$9.47 per month per Equivalent Meter Unit (EMU) shall be added as a Capital Improvement Charge effective January 1, 2020. This charge is solely dedicated to funding water capital improvement projects. The Water Capital Improvement Charge (the "CIC") was implemented to provide a partial funding source for capital projects like the UV treatment facility at the Red Mountain Reservoir and to fund pipeline replacement projects.

Water Capital Improvement Charges will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, plus 3% not to exceed 10%. Staff will report back to the Board of Directors no less than every five (5) years with analysis of its necessity. The Capital Improvement Charge will be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from the Capital Improvement Charge will not be used to fund Operating Costs.

Fallbrook Public Utility District's Equivalent Meter Unit (EMU) is associated with meter size as listed below.

Meter Size	FPUD EMU	Water CIC	Water CIC (Standby Service)
3/4 inch meter	1.0	\$9.47	\$4.29
1 inch meter	1.67	\$15.78	\$7.15
1-1/2 inch meter	3.33	\$31.56	\$14.30
2 inch meter	5.33	\$50.49	\$22.88
3 inch meter	10.67	\$100.98	\$45.76
4 inch meter	16.67	\$157.79	\$71.50
6 inch meter	33.33	\$315.57	\$142.99

An additional, a Water CIC Pumping charge of \$.10 per 1,000 gallons is charged and allocated to capital improvements for the DeLuz High Pressure service area and Toyon Heights zone. This Capital Improvement Charge will be adjusted annually based on the

ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10% annually.

Sec. 21.5 Billing Periods.

Billing due dates fall on the 10th, 20th, and 30th of the month depending on meter location in the District. All charges for water and sewer services during specified meter read dates are due and payable when rendered. Bills become delinquent the day after the due date. Residential accounts not paid within 30 days of the due date are sent past due statements and the meters are subject to lock-up for non-payment (See District Residential Discontinuation of Service Policy available on the District website). Non-Residential accounts not paid within 30 days of the due date are subject to meter lock-up. All water accounts accrue a \$30 Delinquent Processing Fee on the 31st day of delinquency.

Accounts not paid within 30 days after lock-up and accounts that have tampered with the meter to obtain water illegally are subject to removal of meters and permanent disconnection of water service. Standby charges will continue to accrue after the meter has been removed.

If a meter has been locked for non-payment for a period of 90 days, it may be placed on Standby Service by FPUD. Standby Service charges will accrue from that time until an application for service restoration has been received by the District.

The District must be notified in a timely manner with the name and mailing address of the new owner or tenant and the upcoming date of transfer. Notification of the transfer of property ownership, or tenancy, is the responsibility of the owner/seller. The District is not responsible for the proration of the final billing if notification is not received prior to the date of sale, or change of tenancy.

Sec. 21.5.1 Unclaimed Funds

Unclaimed funds in an amount less than \$15 or where the depositor's name is unknown will become FPUD general funds if unclaimed for 1 year. Unclaimed funds in an amount greater than \$15 become may become FPUD general funds once the following procedure is completed:

1. The FPUD treasurer will publish notice once a week for two (2) successive weeks in a newspaper of general circulation published within FPUD boundaries.

2. The notice will state the amount of unclaimed money, the formal name of the fund in which the money is held, and a statement that the money will become FPUD property after a specified date ("Effective Date"). The Effective Date will be no less than forty-five (45) days nor more than sixty (60) days of the date of the first publication of the notice ("Claim Period").

3. Upon the expiration of the Claim Period, and if there are no claims filed with FPUD or verified lawsuits filed with the superior court, the funds will become FPUD property and may be transferred to FPUD's general fund.

Any person with a claim to such money may file a claim prior to the Effective Date with the FPUD treasurer. Pursuant to Government Code Section 50052, the claim shall include the following information: claimant’s name, address, amount of claim, grounds upon which the claim is founded, and any other information that may be required by the FPUD treasurer. FPUD has the right to accept or reject a claim. If the claim is accepted, FPUD will return the money without interest. If FPUD rejects the claim, the claimant may file a verified complaint against FPUD with the superior court within thirty (30) days of receiving notice of FPUD’s rejection pursuant to Government Code section 50052. In the event that the original customer or depositor is deceased, such person’s heir, beneficiary, or duly appointed representative may file a claim before the Effective Date as provided in Government Code section 50052.5.

Sec. 21.6 Meter Locks and Restrictors.

If for any reason, other than District convenience, a water meter shall be locked by the District, the water may not be again turned on to serve the property through such meter until all past due charges plus the Disconnection Processing Fee of Fifty Dollars (\$50) shall have been paid to the District. A Delinquent Processing Fee of \$30 to process and deliver delinquent account notices and a fee of \$100 for broken or damaged locks may also apply. Damage to corporation or angle stop in attempt to restore services locked for non-payment will be billed at actual time and material and added to the water bill.

If flow restrictors are required for any reason in order to implement policies within this Administrative Code, the fees are as follows:

<u>Meter Size</u>	<u>Installation Fee</u>
¾” and 1” Meters	\$137
1-1/2” and larger	\$582

Sec. 21.7 Meter Not Registering.

Whenever, for any reason, a meter fails to register correctly, the consumer will be charged an amount for the previous billing period increased or decreased by the percentage change in total billing by the District for all consumers for the two billing periods.

Sec. 21.8 Water Rates or Service Charges Lien on Property.

In addition to any other remedy provided therein or by law for the collection of any water rate, charges or account, all rates or service charges provided for in this Administrative Code shall be charged and become a charge against the property on which the water is furnished and against the owner thereof, and all charges for water so served to a property shall be and become a lien against the premises upon which the water is used or served.

Standby accounts with a delinquent balance greater than \$500 as of April 1st of each year may be sent notification of intent to place delinquent and unpaid charges on the annual tax roll. The notification will be sent by May 1st and provides the customer 60 days to

bring the account current. If the amount is not brought current by July 1st, the portion of the delinquency due as of the prior April 1st may be reported to the County Treasurer for inclusion on the annual taxes levied on the property.

If for any reason or cause the sums of money owing for such water services are not paid as required by the terms and provisions of this Administrative Code, the District shall have the right to shut off such water, and in no case shall service of water be resumed on the same property until all such delinquencies and additional turn-on charges shall have been paid in full. Delinquent bills from former owners or tenants are the responsibility of the present owner.

Sec. 21.8.1 Theft of Water.

Water is defined as stolen from the customer if the water is stolen from the customer's side of the meter. Water stolen from a mainline, hydrant, District pipeline, appurtenance, or tampering with a customer's meter is defined as water being stolen from the District.

Water Stolen from Customer.

Customers who have reported water theft to the District must also notify local law enforcement agencies. The District will require proof of theft from a law enforcement agency that a theft of water occurred. Customer's asking for credit on the bill for water theft will be processed by account type. If a full price M&I customer, the District may discount the estimated amount of water stolen and charge the District's wholesale cost of water for the amount stolen. An estimate of the amount of water stolen will be made by District staff using that customer's usage history. Water sold to agricultural customers, SAWR, and Commercial Ag/Commercial Ag Domestic, is sold at District cost so no discount may be applied. If the stolen water caused the customer's allocation bank to be adversely affected, the District will restore the estimated amount stolen to the customer's allocation bank. If the water theft resulted in an overuse penalty, the District will credit the penalty to the customer for the estimated amount of water stolen.

Water Stolen from District.

Any theft of water from the District will be reported to law enforcement agencies. If the theft is due to meter tampering, the customer will be charged a \$250 fee for tampering with the meter plus time and materials to place the meter back into proper position. If a water theft from the District due to meter tampering occurs again on the same meter, the customer will be charged a \$500 fee for tampering and an item will be brought forward to the Board of Directors to consider discontinuance of service. An estimate of the amount of water stolen will be calculated and billed to the customer's account. Collection of said fees are subject to all District regulations regarding collection of past due accounts.

Sec. 21.9 Volumetric Wastewater Charges.

Wastewater service charges are established upon each property within the District that is connected to a sewer line of the District whether said premises are occupied or unoccupied. Volumetric Wastewater Charges are applied to estimated billable wastewater flows, which are based upon adjusted water deliveries. The charge per killogallon of wastewater flow is shown below:

User Class	Volumetric Wastewater Charge (\$/kgal)
Ag. Domestic	\$ 10.32
Commercial Ag. Domestic	\$ 10.32
Residential (Single , Multi-family)	\$ 10.32
Government	\$ 10.25
School	\$ 10.25
Church	\$ 10.25
Commercial – Low Strength*	\$ 10.25
Commercial – Medium Strength*	\$ 12.65
Commercial – High Strength*	\$ 15.77

Appendix A to this Article provides commercial effluent classification.

For the purpose of determining the billable wastewater flows, water deliveries must be converted to wastewater flows returned to the sewer system. To do this conversion, a Return to Sewer Factor is applied. The Return to Sewer factor adjusts the water received by the meter to the estimated flows from the residence or entity into the sewer system. The Return to Sewer Factor applied to the different customer classes are shown below:

Cusomer Class	Return to Sewer Factor
Residential (Multi-Family, Single Family)	75%
Non-Residential/Commercial	90%
Low / Medium / High	90%
Government	
Low / Medium / High	90%
Schools	80%
Churches	80%
Special	
Low / Medium / High	100%
Special 10% RTS (1-10%)	
Low / Medium / High	10%
Special 20% RTS (11-20%)	
Low / Medium / High	20%
Special 30% RTS (21-30%)	
Low / Medium / High	30%
Special 40% RTS (31-40%)	
Low / Medium / High	40%

Customer Class	Return to Sewer Factor
Special 50% RTS (41-50%)	
Low / Medium / High	50%
Special 60% RTS (51-60%)	
Low / Medium / High	60%
Special 70% RTS (61-70%)	
Low / Medium / High	70%
Special 80% RTS (71-80%)	
Low / Medium / High	80%

Non-residential customers with higher outdoor are evaluated on a case by case basis.

For those Single Family Residences (D, LD, AT, CB), volumetric charges are calculated as follows:

1. The 2-year average winter use is calculated based upon prior year water deliveries that include December, January and February. The average used for wastewater billing is capped at 21.33 units.
2. 75% of this water is assumed to be returned to sewer/billable flow.
3. The Volumetric Wastewater Charge (\$/kgal) is applied to this flow.
4. Consumption analysis is performed annually. Appeal for consumption is available.
5. No prior history customer (new customer) will be placed at that customer class median of 6. For customers with at least one winter of use data, that data will be used for the their winter average.
6. Use must be > 0 unless customer is on standby.

For those Multi-Family Residences (M), volumetric charges are calculated as follows:

7. The average winter use is calculated based upon prior year water deliveries that include December, January and February.
8. 75% of this water is assumed to be returned to sewer/billable flow.
9. The Volumetric Wastewater Charge (\$/kgal) is applied to this flow.
10. Consumption analysis is performed annually. Appeal for consumption is available.
11. No prior history customer (new customer) will addressed on a case by case basis.

All other water customer classes (G, C, A,, AS, CA), with the exception of public elementary and public junior high schools:

1. Monthly sewer bill based on actual water sold.
2. The Return to Sewer factor applied to determine the billable flow. Appeals for irrigation and/or water usage which does not get returned to the sewer is available.
3. Customer is classified as high, medium, or low strength (based upon BOD and SS). See attached Appendix A. Appeal for strength classification is available.
4. The applicable Wastewater Volumetric Charge is applied to the billable flow.

Public elementary and public junior high schools:

1. Monthly sewer bill based on per person, per month charge.
2. The public elementary and / or public junior high school district to provide a report each October that documents the number of students and faculty at each site.
3. CY 2020 public elementary school rate is \$1.25 per student and \$1.83 per staff, per month.

4. CY 2020 public junior high school and administrative offices rate is \$1.83 per person, per month.
5. Rates to be increased by the overall percentage increase in wastewater revenues each year.

Sec. 21.10 Monthly Fixed Wastewater Charge.

For each sewer account, Effective January 1, 2020, the Monthly Fixed Wastewater Charge shall be \$10.14 per month per Equivalent Dwelling Unit (EDU). EDUs will be calculated per Administrative Code Sections 20.7.2, 20.7.3, or 20.7.4.

Sec. 21.10.1 Wastewater Capital Improvement Charge.

For each account, an additional \$11.62 per month per Equivalent Dwelling Unit (EDU) shall be added as a Wastewater Capital Improvement Charge Effective January 1, 2020. This charge is dedicated to Wastewater Debt Service and Wastewater Capital Improvements. The Wastewater Capital Improvement Charge has been implemented to partially fund the debt service payments for upgrades to the Wastewater Treatment Plant. EDUs will be calculated per Administrative Code Sections 20.7.2, 20.7.3, or 20.7.4. This Capital Improvement Charge will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10%. Staff will report back to the Board of Directors every five (5) years with analysis of its necessity. The Capital Improvement Charge will only be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from the Capital Improvement Charge will not be used to fund Operating Costs.

ARTICLE 21

Sec. 21.1 – Rev. 7/02
Sec. 21.2-21.8.2 – Rev. 9/96
Sec. 21.3 – Rev. 10/96
Sec. 21.4 & 21.9 – Rev. 6/97
Sec. 21.4 – Rev 7/02
Sec. 21.9 – Rev. 10/97
Sec. 21.9 – Rev. 6/04
Sec. 21.9 – Rev. 1/05
Sec. 21.1, 21.3, 21.4, 21.9 – Rev. 6/05
Sec. 21.1, 21.2, 21.4, & 21.9 – Rev. 6/06
Sec. 21.9, Flat Rate + Metered Flow – Rev. 7/06
Sec. 21.9 (Flat Rate classification) – Rev. 10/06
Sec. 21.4 (construction meters), Sec. 21.5 & Sec. 21.6 – Rev. 12/06
Sec. 21.5 – Rev. 3/07
Sec. Sec. 21.1, 21.2, 21.4 , 21.10, 21.10.1– Rev. 6/07
Sec. 21.5 – Added 6/07
Sec. 21.10.2 – Deleted 6/07
Sec. 21.11 – Added 10/07
Sec. 21.4.1 – Added 12/07; Sec. 21.7 renamed and addition of flow restrictors – Rev. 12/07
Sec. 21.1, 21.2, 21.4, 21.5, 21.7, 21.10, and 21.11 – Rev. 6/08
Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2 (added), 21.5, 21.7, 21.10 (new table), 21.10.1, - Rev. 6/09
Sec. 21.4, 21.10 – Rev. 12/09
Sec. 21.6, 21.9 – Rev. 5/10
Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 – Rev. 6/10
Sec. 21.9.1 (added) – Rev. 9/10
Sec. 21.1, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 - Rev. 6/11
Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/12
Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/13
Sec. 12.1, 21.2, 21.4, 21.5, 21.9.1, 21.10, 21.10.1 – Rev. 6/14
Sec. 21.1, 21.2, 21.5 – Rev. 1/15
Sec. 21.1, 21.2, 21.3, 21.4, 21.4.2, 21.5, 21.10, 21.10.1 Rev 6/15
Sec. 21, 21.1 – Rev. 11/15
Secs. 21, 21.2, 21.4, 21.5, 21.7, 21.10, 21.10.1 – Rev. 7/16
Secs. 21, 21.1 - Rev. 12/16
All Secs. – Rev. 12/17
Sec. 21.3 – Rev. 6/18
Secs. 21.1, 21.2, 21.3, 21.4, 21.9, 21.10, 21.10.1 – Rev. 12/18
Sec. 21.3 – Rev. 6/19

ARTICLE 21 CONTINUED

Secs. 21, 21.1, 21.2, 21.3, 21.4,
21.5, 21.9, 21.10, 21.10.1 – Rev
12/19

Secs. 21.5, 21.6, 21.5.1 (added) –
Rev. 1/27

**Resolution No. 4999 Making Pass-through
Adjustments to the Readiness-to-Serve Charge**

RESOLUTION NO. 4999

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
FALLBROOK PUBLIC UTILITY DISTRICT MAKING PASS-
THROUGH ADJUSTMENTS TO THE READINESS-TO-
SERVE-CHARGE**

* * * * *

WHEREAS, the Fallbrook Public Utility District (“District”) is a public utility district organized and operating pursuant to the Public Utility Districts Act, commencing with section 15501 of the California Public Utilities Code; and

WHEREAS, the District is authorized to fix and collect charges for the provision of services and facilities including water, recycled water, and wastewater services; and

WHEREAS, the District purchases almost all of its water from the San Diego County Water Authority (the “CWA”), which in turn purchases water from the Metropolitan Water District of Southern California (“MWD”); and

WHEREAS, the District pays a Readiness-To-Serve charge (“RTS”) to MWD and an Infrastructure Access Charge (“IAC” and, collectively, the “Pass-throughs”) to CWA, which are passed through to customers; and

WHEREAS, the District anticipates that CWA and MWD will increase the rates of the IAC and RTS, respectively, and in order to ensure that there are sufficient revenues to provide water services to customers, the District will annually pass through to customers any increases in the IAC and RTS for a five year period to reflect any such increases by CWA and/or MWD, respectively, commencing January 1, 2018 and ending on December 31, 2022, provided however that the District shall not increase either the IAC or RTS in any year by more than 10% in such year, in no event shall the rates be increased by more than the cost of providing water service, and the District will provide customers at least 30 days written notice prior to an increase (each a “Pass-through Adjustment”); and

WHEREAS, MWD has adopted a decrease in the RTS and CWA has adjusted the District’s RTS charge effective July 1, 2020, as set forth in Exhibit A hereto; and

WHEREAS, On December 11, 2017, the Board adopted Resolution 4920 authorizing the Board to make certain Pass-through Adjustments for the MWD RTS and the CWA IAC for a five-year period, to authorize inflationary adjustments for certain of the rates, such as the Water and Wastewater CICs, as described in the Resolution, and to authorize revisions to the drought rates for a five-year period, in the maximum amounts; and

WHEREAS, the Board of Directors is authorized to amend Articles 21 of the District’s Administrative Code to reflect the Pass-through Adjustment proposed;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT AS FOLLOWS:

1. Incorporation of Recitals:

The Recitals set forth above are made findings of this Board of Directors and are incorporated herein and made an operative part of this Resolution.

2. Inconsistency with other Fees:

To the extent any Charges, including the drought rates and Pass-through Adjustments, established by this Resolution are inconsistent with the Charges, drought rates, or any other fee or charge previously adopted by the Board of Directors; it is the explicit intention of the Board of Directors that the Charges, including the drought rates and Pass-through Adjustments, adopted pursuant to this Resolution shall prevail.

3. Authorization:

The General Manager is hereby authorized and directed to take all actions necessary to implement and collect the Charges, including the drought rates and any Pass-through Adjustments, as set forth herein. The General Manager, or his or her authorized designee, is hereby authorized and directed to revise Article 21 of the District's Administrative Code as set forth in Exhibit B and as approved by the Board of Directors pursuant to this Resolution.

4. CEQA Compliance:

The Board of Directors finds that the administration, operation, maintenance, and improvements of the District's water, recycled water, and wastewater systems, which are to be funded by the Charges, including the drought rates and the Pass-through Adjustments, and set forth herein, are necessary to maintain service within the District's existing water, recycled water, and wastewater service areas as described herein. The Board of Directors further finds that the administration, operation, maintenance and improvements of the District's water, recycled water, and wastewater systems, to be funded by the Charges, including the drought rates and the Pass-through Adjustments, will not expand the District's water, recycled, and wastewater systems. The Board of Directors further finds that the adoption of the rates for the Charges, including the drought rates and the Pass-through Adjustments, is necessary and reasonable to fund the administration, operation, maintenance and improvements of the District water, recycled water, and wastewater systems. Based on these findings, the Board determines that the adoption of the Charges, including the drought rates and the Pass-through Adjustments, established by this Resolution are exempt from the requirements of the California Environmental Quality Act pursuant to section 21080(b)(8) of the Public Resources Code and section 15273(a) of the State CEQA Guidelines. The documents and materials that constitute the record of proceedings on which these findings have been based are located at the District, 990 E Mission Rd, Fallbrook, CA 92028. The custodian for these records is the secretary of the District.

5. Severability:

If any section, subsection, clause or phrase in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

6. Effective Date of Resolution:

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a special meeting of the Board held on the 22nd day of June, 2020, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

EXHIBIT A

MONTHLY WATER MWD RTS

Monthly MWD RTS Charge (\$/meter size)	
Effective July 1, 2020	
Meter Size	MWD RTS
3/4"	\$1.95
1"	\$3.26
1 1/2"	\$6.49
2"	\$10.39
3"	\$20.81
4"	\$32.51
6"	\$64.99

EXHIBIT B

**REVISIONS TO ARTICLES 21 OF THE
FALLBROOK PUBLIC UTILITY DISTRICT
ADMINISTRATIVE CODE
EFFECTIVE JULY 1, 2020**

Article 21. Water and Sewer Rates and Service Charges.

Water and sewer rates and charges are set to fully recover the District's costs. In order to help stabilize the revenue of the District during increasing or decreasing sales, the District has established a policy to collect approximately 80% of the District's fixed water operating costs through the monthly fixed charges and collect the remaining approximately 20% of the District's fixed operating cost through volumetric water rates. The rates and charges are set based upon cost of service principals that meet legal requirements and industry standards.

Effective January 1, 2020, the following rates for water deliveries to each class of service are established:

Sec. 21.1 Volumetric Water, Recycled Water and Pumping Rates.

For purposes of determining water rates, one unit equals 1,000 gallons:

Domestic (D), Large Lot Domestic (LD).

1-5 units per month	\$6.44 per unit
6-30 units per month	\$6.53 per unit
Over 30 units per month	\$7.96 per unit

Commercial (C).

All usage	\$6.63 per unit
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Multi-Unit (M) (Tier ranges factor residential units, per Article 19.1).

1 - 5 units per month	\$6.44 per unit
6 - 30 units per month	\$6.53 per unit
Over 30 units per month	\$7.96 per unit

Government (G).

All usage	\$6.52 per unit
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Irrigation Only (I).

All usage	\$6.64 per unit
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SAWR - Ag Only (AS).

All usage\$4.77 per unit

SAWR - Ag & Home (AT).

1-5 units per month\$6.44 per unit

6-20 units per month\$5.53 per unit

Over 20 units per month\$4.77 per unit

Commercial Ag (CA).

All usage\$5.53 per unit

Commercial Ag Domestic (CB).

1-5 units per month\$6.44 per unit

Over 5 units per month\$5.53 per unit

Drought Rates

In order to prepare and manage future periods of water shortage and mandatory conservation, the District adopted a water shortage contingency plan called the Water Shortage Response Program (the “Program”). Pursuant to the Program, the District established four Water Shortage Response Levels. Article 26 Water Shortage Response Program provides information on the program and the applicable water use rates.

Volumetric Recycled Water Rate.

Recycled water furnished within the District service area for any appropriate purpose will be billed at \$5.51 per 1,000 gallons. Recycled water sold outside the District service area will be sold by contract with specific customers. For San Diego County Water Authority and Metropolitan Water District rebate purposes, reclaimed water rates must be set at higher of 85 percent of lowest applicable potable water rate or 80 percent of the average of Tier 1 and Tier 2 rates.

Construction Meter.

Water furnished for construction purposes will be billed at \$8.21 per 1,000 gallons.

Volumetric Pumping Charges. (DSA and Toyon only)

Pumping charges for the DeLuz High Pressure Service Area and Toyon Heights shall be furnished at \$0.79 per 1,000 gallons to recover the cost of electricity.

Sec. 21.2 Monthly Fixed Charges.

Effective January 1, 2020, the following rates and charges are established and shall be collected by the District for water and recycled water service:

Monthly Service Charges for each meter (\$/meter size):

	Water Fixed Charges	Recycled Water Charges	Standby Service Charge	Private Fire Services Charge
3/4 inch meter	\$50.49	\$22.66	\$22.66	NA
1 inch meter	\$77.08	\$30.68	\$30.68	NA
1-1/2 inch meter	\$143.51	\$50.73	\$50.73	NA
2 inch meter	\$223.25	\$74.78	\$74.78	\$11.01
3 inch meter	\$435.86	\$138.95	\$138.95	\$11.74
4 inch meter	\$675.05	\$211.14	\$211.14	\$13.00
6 inch meter	\$1,339.48	\$411.64	\$411.64	\$17.52
8 inch meter	NA	NA	NA	\$25.32

NA- Not applicable

For construction meters, a service charge of \$334.88 per month or fraction thereof will be made in addition to the cost of water consumed. This rate is calculated using a factor of 1.5 times the fixed charge for a 2” water meter.

The foregoing fixed charges for water service through various sized meters that are installed or upgraded will be effective commencing the day of installation, regardless of the amount of water used, as long as the consumer's property is actually connected with the District's distribution system. In addition, any request to down size a meter properly filed with the District will receive a fixed charge commensurate with the meter size effective the next billing cycle.

Billings for water furnished to all accounts will be on a monthly basis.

A monthly service charge to cover the District's cost for annual inspection, maintenance, repair and replacement of backflow prevention devices will be made as follows (\$/meter size):

For each 3/4 inch device	\$5.57
For each 1 inch device	\$6.56
For each 1-1/2 inch device	\$12.13
For each 2 inch device	\$14.55
For each 3 inch device	\$29.07
For each 4 inch device	\$45.42
For each 6 inch device	\$90.83

Sec. 21.3 MWD Readiness-to-Serve Charge (RTS) and SDCWA Infrastructure Access Charge (IAC).

Effective July 1, 2020, the following monthly charges are established and shall be collected by the District for the Metropolitan Water District of Southern California’s Readiness-to-Serve (the “RTS”) charge and San Diego County Water Authority’s Infrastructure Access Charge (the “IAC”).

Monthly charges for each meter (\$/meter size):

	RTS	IAC
3/4 inch meter	\$1.95	\$3.31
1 inch meter	\$3.26	\$5.53
1-1/2 inch meter	\$6.49	\$11.02
2 inch meter	\$10.39	\$17.64
3 inch meter	\$20.81	\$35.33
4 inch meter	\$32.51	\$55.20
6 inch meter	\$64.99	\$110.35

Sec. 21.4 Water Capital Improvement Charge.

For each water account, an additional \$9.47 per month per Equivalent Meter Unit (EMU) shall be added as a Capital Improvement Charge effective January 1, 2020. This charge is solely dedicated to funding water capital improvement projects. The Water Capital Improvement Charge (the “CIC”) was implemented to provide a partial funding source for capital projects like the UV treatment facility at the Red Mountain Reservoir and to fund pipeline replacement projects.

Water Capital Improvement Charges will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, plus 3% not to exceed 10%. Staff will report back to the Board of Directors no less than every five (5) years with analysis of its necessity. The Capital Improvement Charge will be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from the Capital Improvement Charge will not be used to fund Operating Costs.

Fallbrook Public Utility District’s Equivalent Meter Unit (EMU) is associated with meter size as listed below.

Meter Size	FPUD EMU	Water CIC	Water CIC (Standby Service)
3/4 inch meter	1.0	\$9.47	\$4.29
1 inch meter	1.67	\$15.78	\$7.15
1-1/2 inch meter	3.33	\$31.56	\$14.30
2 inch meter	5.33	\$50.49	\$22.88
3 inch meter	10.67	\$100.98	\$45.76
4 inch meter	16.67	\$157.79	\$71.50
6 inch meter	33.33	\$315.57	\$142.99

An additional, a Water CIC Pumping charge of \$.10 per 1,000 gallons is charged and allocated to capital improvements for the DeLuz High Pressure service area and Toyon Heights zone. This Capital Improvement Charge will be adjusted annually based on the

ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10% annually.

Sec. 21.5 Billing Periods.

Billing due dates fall on the 10th, 20th, and 30th of the month depending on meter location in the District. All charges for water and sewer services during specified meter read dates are due and payable when rendered. Bills become delinquent the day after the due date. Residential accounts not paid within 30 days of the due date are sent past due statements and the meters are subject to lock-up for non-payment (See District Residential Discontinuation of Service Policy available on the District website). Non-Residential accounts not paid within 30 days of the due date are subject to meter lock-up. All water accounts accrue a \$30 Delinquent Processing Fee on the 31st day of delinquency.

Accounts not paid within 30 days after lock-up and accounts that have tampered with the meter to obtain water illegally are subject to removal of meters and permanent disconnection of water service. Standby charges will continue to accrue after the meter has been removed.

If a meter has been locked for non-payment for a period of 90 days, it may be placed on Standby Service by FPUD. Standby Service charges will accrue from that time until an application for service restoration has been received by the District.

The District must be notified in a timely manner with the name and mailing address of the new owner or tenant and the upcoming date of transfer. Notification of the transfer of property ownership, or tenancy, is the responsibility of the owner/seller. The District is not responsible for the proration of the final billing if notification is not received prior to the date of sale, or change of tenancy.

Sec. 21.5.1 Unclaimed Funds

Unclaimed funds in an amount less than \$15 or where the depositor's name is unknown will become FPUD general funds if unclaimed for 1 year. Unclaimed funds in an amount greater than \$15 become may become FPUD general funds once the following procedure is completed:

1. The FPUD treasurer will publish notice once a week for two (2) successive weeks in a newspaper of general circulation published within FPUD boundaries.

2. The notice will state the amount of unclaimed money, the formal name of the fund in which the money is held, and a statement that the money will become FPUD property after a specified date ("Effective Date"). The Effective Date will be no less than forty-five (45) days nor more than sixty (60) days of the date of the first publication of the notice ("Claim Period").

3. Upon the expiration of the Claim Period, and if there are no claims filed with FPUD or verified lawsuits filed with the superior court, the funds will become FPUD property and may be transferred to FPUD's general fund.

Any person with a claim to such money may file a claim prior to the Effective Date with the FPUD treasurer. Pursuant to Government Code Section 50052, the claim shall include the following information: claimant’s name, address, amount of claim, grounds upon which the claim is founded, and any other information that may be required by the FPUD treasurer. FPUD has the right to accept or reject a claim. If the claim is accepted, FPUD will return the money without interest. If FPUD rejects the claim, the claimant may file a verified complaint against FPUD with the superior court within thirty (30) days of receiving notice of FPUD’s rejection pursuant to Government Code section 50052. In the event that the original customer or depositor is deceased, such person’s heir, beneficiary, or duly appointed representative may file a claim before the Effective Date as provided in Government Code section 50052.5.

Sec. 21.6 Meter Locks and Restrictors.

If for any reason, other than District convenience, a water meter shall be locked by the District, the water may not be again turned on to serve the property through such meter until all past due charges plus the Disconnection Processing Fee of Fifty Dollars (\$50) shall have been paid to the District. A Delinquent Processing Fee of \$30 to process and deliver delinquent account notices and a fee of \$100 for broken or damaged locks may also apply. Damage to corporation or angle stop in attempt to restore services locked for non-payment will be billed at actual time and material and added to the water bill.

If flow restrictors are required for any reason in order to implement policies within this Administrative Code, the fees are as follows:

<u>Meter Size</u>	<u>Installation Fee</u>
3/4” and 1” Meters	\$137
1-1/2” and larger	\$582

Sec. 21.7 Meter Not Registering.

Whenever, for any reason, a meter fails to register correctly, the consumer will be charged an amount for the previous billing period increased or decreased by the percentage change in total billing by the District for all consumers for the two billing periods.

Sec. 21.8 Water Rates or Service Charges Lien on Property.

In addition to any other remedy provided therein or by law for the collection of any water rate, charges or account, all rates or service charges provided for in this Administrative Code shall be charged and become a charge against the property on which the water is furnished and against the owner thereof, and all charges for water so served to a property shall be and become a lien against the premises upon which the water is used or served.

Standby accounts with a delinquent balance greater than \$500 as of April 1st of each year may be sent notification of intent to place delinquent and unpaid charges on the annual tax roll. The notification will be sent by May 1st and provides the customer 60 days to

bring the account current. If the amount is not brought current by July 1st, the portion of the delinquency due as of the prior April 1st may be reported to the County Treasurer for inclusion on the annual taxes levied on the property.

If for any reason or cause the sums of money owing for such water services are not paid as required by the terms and provisions of this Administrative Code, the District shall have the right to shut off such water, and in no case shall service of water be resumed on the same property until all such delinquencies and additional turn-on charges shall have been paid in full. Delinquent bills from former owners or tenants are the responsibility of the present owner.

Sec. 21.8.1 Theft of Water.

Water is defined as stolen from the customer if the water is stolen from the customer's side of the meter. Water stolen from a mainline, hydrant, District pipeline, appurtenance, or tampering with a customer's meter is defined as water being stolen from the District.

Water Stolen from Customer.

Customers who have reported water theft to the District must also notify local law enforcement agencies. The District will require proof of theft from a law enforcement agency that a theft of water occurred. Customer's asking for credit on the bill for water theft will be processed by account type. If a full price M&I customer, the District may discount the estimated amount of water stolen and charge the District's wholesale cost of water for the amount stolen. An estimate of the amount of water stolen will be made by District staff using that customer's usage history. Water sold to agricultural customers, SAWR, and Commercial Ag/Commercial Ag Domestic, is sold at District cost so no discount may be applied. If the stolen water caused the customer's allocation bank to be adversely affected, the District will restore the estimated amount stolen to the customer's allocation bank. If the water theft resulted in an overuse penalty, the District will credit the penalty to the customer for the estimated amount of water stolen.

Water Stolen from District.

Any theft of water from the District will be reported to law enforcement agencies. If the theft is due to meter tampering, the customer will be charged a \$250 fee for tampering with the meter plus time and materials to place the meter back into proper position. If a water theft from the District due to meter tampering occurs again on the same meter, the customer will be charged a \$500 fee for tampering and an item will be brought forward to the Board of Directors to consider discontinuance of service. An estimate of the amount of water stolen will be calculated and billed to the customer's account. Collection of said fees are subject to all District regulations regarding collection of past due accounts.

Sec. 21.9 Volumetric Wastewater Charges.

Wastewater service charges are established upon each property within the District that is connected to a sewer line of the District whether said premises are occupied or unoccupied. Volumetric Wastewater Charges are applied to estimated billable wastewater flows, which are based upon adjusted water deliveries. The charge per killogallon of wastewater flow is shown below:

User Class	Volumetric Wastewater Charge (\$/kgal)
Ag. Domestic	\$ 10.32
Commercial Ag. Domestic	\$ 10.32
Residential (Single , Multi-family)	\$ 10.32
Government	\$ 10.25
School	\$ 10.25
Church	\$ 10.25
Commercial – Low Strength*	\$ 10.25
Commercial – Medium Strength*	\$ 12.65
Commercial – High Strength*	\$ 15.77

Appendix A to this Article provides commercial effluent classification.

For the purpose of determining the billable wastewater flows, water deliveries must be converted to wastewater flows returned to the sewer system. To do this conversion, a Return to Sewer Factor is applied. The Return to Sewer factor adjusts the water received by the meter to the estimated flows from the residence or entity into the sewer system. The Return to Sewer Factor applied to the different customer classes are shown below:

Cusomer Class	Return to Sewer Factor
Residential (Multi-Family, Single Family)	75%
Non-Residential/Commercial	90%
Low / Medium / High	90%
Government	
Low / Medium / High	90%
Schools	80%
Churches	80%
Special	
Low / Medium / High	100%
Special 10% RTS (1-10%)	
Low / Medium / High	10%
Special 20% RTS (11-20%)	
Low / Medium / High	20%
Special 30% RTS (21-30%)	
Low / Medium / High	30%
Special 40% RTS (31-40%)	
Low / Medium / High	40%

Customer Class	Return to Sewer Factor
Special 50% RTS (41-50%)	
Low / Medium / High	50%
Special 60% RTS (51-60%)	
Low / Medium / High	60%
Special 70% RTS (61-70%)	
Low / Medium / High	70%
Special 80% RTS (71-80%)	
Low / Medium / High	80%

Non-residential customers with higher outdoor are evaluated on a case by case basis.

For those Single Family Residences (D, LD, AT, CB), volumetric charges are calculated as follows:

1. The 2-year average winter use is calculated based upon prior year water deliveries that include December, January and February. The average used for wastewater billing is capped at 21.33 units.
2. 75% of this water is assumed to be returned to sewer/billable flow.
3. The Volumetric Wastewater Charge (\$/kgal) is applied to this flow.
4. Consumption analysis is performed annually. Appeal for consumption is available.
5. No prior history customer (new customer) will be placed at that customer class median of 6. For customers with at least one winter of use data, that data will be used for the their winter average.
6. Use must be > 0 unless customer is on standby.

For those Multi-Family Residences (M), volumetric charges are calculated as follows:

7. The average winter use is calculated based upon prior year water deliveries that include December, January and February.
8. 75% of this water is assumed to be returned to sewer/billable flow.
9. The Volumetric Wastewater Charge (\$/kgal) is applied to this flow.
10. Consumption analysis is performed annually. Appeal for consumption is available.
11. No prior history customer (new customer) will addressed on a case by case basis.

All other water customer classes (G, C, A,, AS, CA), with the exception of public elementary and public junior high schools:

1. Monthly sewer bill based on actual water sold.
2. The Return to Sewer factor applied to determine the billable flow. Appeals for irrigation and/or water usage which does not get returned to the sewer is available.
3. Customer is classified as high, medium, or low strength (based upon BOD and SS). See attached Appendix A. Appeal for strength classification is available.
4. The applicable Wastewater Volumetric Charge is applied to the billable flow.

Public elementary and public junior high schools:

1. Monthly sewer bill based on per person, per month charge.
2. The public elementary and / or public junior high school district to provide a report each October that documents the number of students and faculty at each site.
3. CY 2020 public elementary school rate is \$1.25 per student and \$1.83 per staff, per month.

4. CY 2020 public junior high school and administrative offices rate is \$1.83 per person, per month.
5. Rates to be increased by the overall percentage increase in wastewater revenues each year.

Sec. 21.10 Monthly Fixed Wastewater Charge.

For each sewer account, Effective January 1, 2020, the Monthly Fixed Wastewater Charge shall be \$10.14 per month per Equivalent Dwelling Unit (EDU). EDUs will be calculated per Administrative Code Sections 20.7.2, 20.7.3, or 20.7.4.

Sec. 21.10.1 Wastewater Capital Improvement Charge.

For each account, an additional \$11.62 per month per Equivalent Dwelling Unit (EDU) shall be added as a Wastewater Capital Improvement Charge Effective January 1, 2020. This charge is dedicated to Wastewater Debt Service and Wastewater Capital Improvements. The Wastewater Capital Improvement Charge has been implemented to partially fund the debt service payments for upgrades to the Wastewater Treatment Plant. EDUs will be calculated per Administrative Code Sections 20.7.2, 20.7.3, or 20.7.4. This Capital Improvement Charge will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10%. Staff will report back to the Board of Directors every five (5) years with analysis of its necessity. The Capital Improvement Charge will only be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from the Capital Improvement Charge will not be used to fund Operating Costs.

ARTICLE 21

Sec. 21.1 – Rev. 7/02
Sec. 21.2-21.8.2 – Rev. 9/96
Sec. 21.3 – Rev. 10/96
Sec. 21.4 & 21.9 – Rev. 6/97
Sec. 21.4 – Rev 7/02
Sec. 21.9 – Rev. 10/97
Sec. 21.9 – Rev. 6/04
Sec. 21.9 – Rev. 1/05
Sec. 21.1, 21.3, 21.4, 21.9 – Rev. 6/05
Sec. 21.1, 21.2, 21.4, & 21.9 – Rev. 6/06
Sec. 21.9, Flat Rate + Metered Flow – Rev. 7/06
Sec. 21.9 (Flat Rate classification) – Rev. 10/06
Sec. 21.4 (construction meters), Sec. 21.5 & Sec. 21.6 – Rev. 12/06
Sec. 21.5 – Rev. 3/07
Sec. Sec. 21.1, 21.2, 21.4 , 21.10, 21.10.1– Rev. 6/07
Sec. 21.5 – Added 6/07
Sec. 21.10.2 – Deleted 6/07
Sec. 21.11 – Added 10/07
Sec. 21.4.1 – Added 12/07; Sec. 21.7 renamed and addition of flow restrictors – Rev. 12/07
Sec. 21.1, 21.2, 21.4, 21.5, 21.7, 21.10, and 21.11 – Rev. 6/08
Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2 (added), 21.5, 21.7, 21.10 (new table), 21.10.1, - Rev. 6/09
Sec. 21.4, 21.10 – Rev. 12/09
Sec. 21.6, 21.9 – Rev. 5/10
Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 – Rev. 6/10
Sec. 21.9.1 (added) – Rev. 9/10
Sec. 21.1, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 - Rev. 6/11
Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/12
Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/13
Sec. 12,1, 21.2, 21.4, 21.5, 21.9.1, 21.10, 21.10.1 – Rev. 6/14
Sec. 21.1, 21.2, 21.5 – Rev. 1/15
Sec. 21.1, 21.2, 21.3, 21.4, 21.4.2, 21.5, 21.10, 21.10.1 Rev 6/15
Sec. 21, 21.1 – Rev. 11/15
Secs. 21, 21.2, 21.4, 21.5, 21.7, 21.10, 21.10.1 – Rev. 7/16
Secs. 21, 21.1 - Rev. 12/16
All Secs. – Rev. 12/17
Sec. 21.3 – Rev. 6/18
Secs. 21.1, 21.2, 21.3, 21.4, 21.9, 21.10, 21.10.1 – Rev. 12/18
Sec. 21.3 – Rev. 6/19

ARTICLE 21 CONTINUED

Secs. 21, 21.1, 21.2, 21.3, 21.4,
21.5, 21.9, 21.10, 21.10.1 – Rev
12/19

Secs. 21.5, 21.6, 21.5.1 (added) –
Rev. 1/27

Attachment D

FY 2020-21 Operating Budget Justifications (+/- 5%)

Administration

- 1-1 Increased budget for additional public outreach needed for detachment
- 1-2 Increased budget for additional contracted resources needed to support detachment
- 1-3 Increased budget based on approved Watermaster budget
- 1-4 Increased budget for new FTE, Management Analyst
- 1-5 Increased budget for to align with projections and included document storage line item
- 1-6 Reduced level of consulting support on the rate model.
- 1-7 Decreased budget for Finance meetings & travel
- 1-8 Increased budget for expected contractor price increases and additional support on door and gate repairs and maintenance.
- 1-9 Increase budget for anticipated Warehouse equipment to support electronic inventory tracking.
- 1-10 Increased budget due to the Warehouse now budgeting for materials such as asphalt and concrete, which used to be charged directly to departments. Almost all misc. items used throughout the District are paid for through this account (trash cans, snacks for board meetings, paper plates, etc.)
- 1-11 Increased budget based on FY 19/20 projections. However, it may be lower in FY 20/21 due to the solar panels being fully operational for the entire FY, compared to half of them being off during a large period of FY 19/20.
- 1-12 Increased budget for Admin Specialist support time allocation transferred from Engineering.
- 1-13 Decreased budget due to lower Neogov Annual Fee expenses, reduced 2 modules.
- 1-14 Decreased budget for recruiting expenses.
- 1-15 Increase due to labor allocation change. Position no longer performs Customer Service functions.
- 1-16 Increased budget for 2 newly added Contractor Services (City Works and AWS-Amazon Web Services).
- 1-17 Decreased budget due to 2 less FTE's in FY21:Eng. Sup & Eng. Tech.
- 1-18 Decreased budget due to CityWorks License is budgeted in Information Management budget.
- 1-19 Decreased budget to fall in line with actuals.
- 1-20 Decreased budget due to consulting services taken out of budget.
- 1-21 Increased budget due to new account added for "Small Claims".
- 1-22 Eliminated from the budget.
- 1-23 Decreased budget due to the reduction of 1 FTE and reduced supervisor time allocation.
- 1-24 Increased budget due to anticipated increases in charges to contracts used by Fleet.
- 1-25 Decreased budget due to vehicle repairs reduced cost due to overall fleet maintenance costs across the industry coming down in price and better sourcing of materials.

Water Services

- 2-1 Decreased budget due to allocation of Systems Services related activities being moved to Division 42 to align with actuals.
- 2-2 Increased budget due to system materials increase for additional aqueduct shutdowns and SDG&E shut-off events.
- 2-3 Decreased budget to align with actuals.

- 2-4 Increased budget due to UV Plant, pump stations additional usage and increase to align with actuals.
- 2-5 Increased budget due to Dep 6 increase in allocation of hours to valve maintenance.
- 2-6 Decreased budget due to Reduced paving/service line leak repair budget.
- 2-7 Eliminated from the budget.
- 2-8 Increased budget due Systems Services related activities transferred from Division 31 to align with actuals.
- 2-9 Decreased budget due to reduction in paving/service leak repair.
- 2-10 Decreased budget due to reduction in system materials and stores/inventory expense to align with actuals.

Wastewater Services

- 3-1 Increased budget due to additional need for paving for repair work.
- 3-2 Decreased budget for materials, chemicals/pesticides and stores/inventory.
- 3-3 Increased budget to align with actuals.
- 3-4 Increased budget due to larger allocation of Telemetry (SCADA) labor and budget for Standby which were not budgeted in Wastewater last FY.
- 3-5 Increased budget due to additional contract expenses (Neuros MSP, Sunpower Maintenance, Equipment Rentals, All meter/instrument calibrations, All hazardous waste pickups, tree trimming for fire prevention, Coast Mgt. Waste Services)
- 3-6 Decreased budget due to reduction of Laboratory Equipment budget.
- 3-7 Increased due to additional Lab Supplies & Services costs to maintain ELAP certification (New State program for lab certifications), increased QA/QC/ supplies and increased outside laboratory monitoring costs from new NPDES permit.
- 3-8 Increased budget due to costs associated with new NPDES permit (plume tracking plan and study, HF-183 monitoring, etc.). District has appealed the permit but this is assuming appeal is not upheld.
- 3-9 Decreased budget due to continuing efforts to reduce power.

Recycled Water Services

- 4-1 Decreased budget due to less hours budgeting to Tertiary compared to last FY.
- 4-2 Increased budget due to cost of D&H annual & semi-annual service for chlorine gas has increased.
- 4-3 Decreased budget due to reduce Laboratory Equipment in 1/2; kept in budget in event of refrigerator/incubator failure.
- 4-4 Decreased budget within lab supplies & services, moved some sampling to fund 32. Reduced maintenance-equipment.
- 4-5 Decreased budget to align with actuals as well as continuing efforts to reduce power.
- 4-6 Increased budget due to align budget with projections.

FPUD Expense Summary
Fiscal Year 2020-21 Operating Budget

Description	Div	FY 2018-19		FY 2019-20		FY 2020-21	% Change
		Actual	Budget	Projected	Budget	Bgt to Bgt	
Administrative Services							
Office of the General Manager	50						
Labor Expenses:							
Salaries		\$ 471,350	\$ 449,438	\$ 492,201	\$ 431,934		-3.9%
Non-Labor Expenses:							
Director Expenses		33,527	40,000	31,522	40,000		0.0%
Contractor Services		14,757	13,320	15,404	12,700		-4.7%
Materials/Services/Supplies		77,654	52,800	100,281	68,300		29.4% 1-1
Equipment (Non Capital)		2,987					0.0%
Professional Services		286,214	240,000	279,408	316,000		31.7% 1-2
Memberships/Training/Permits		85,181	94,400	88,000	96,600		2.3%
Santa Margarita Watermaster		114,059	115,000	120,425	123,429		7.3% 1-3
Total Non-Labor		<u>\$ 614,379</u>	<u>\$ 555,520</u>	<u>\$ 635,040</u>	<u>\$ 657,029</u>		18.3%
				\$ 79,520			
Division Operating Total		<u>\$ 1,085,729</u>	<u>\$ 1,004,958</u>	<u>\$ 1,127,241</u>	<u>\$ 1,088,963</u>		8.4%
Finance & Customer Service							
	53/54						
Labor Expenses:							
Salaries		\$ 652,647	\$ 671,504	\$ 744,674	\$ 757,348		12.8% 1-4
Non-Labor Expenses:							
Contractor Services		25,986	14,000	18,380	19,000		35.7% 1-5
Equipment (Non Capital)		2,686	4,000	5,277	4,000		0.0%
Materials/Services/Supplies		221,960	193,200	194,318	195,700		1.3%
Professional Services		151,333	145,500	124,443	136,000		-6.5% 1-6
Memberships/Training/Permits		3,373	3,000	2,059	2,700		-10.0% 1-7
Utilities		-	-	-	-		NA
Total Non-Labor		<u>\$ 405,338</u>	<u>\$ 359,700</u>	<u>\$ 344,477</u>	<u>\$ 357,400</u>		-0.6%
Division Operating Total		<u>\$ 1,057,985</u>	<u>\$ 1,031,204</u>	<u>\$ 1,089,151</u>	<u>\$ 1,114,748</u>		8.1%
Warehouse & Purchasing							
	60						
Labor Expenses:							
Salaries		\$ 166,186	\$ 162,550	\$ 188,105	\$ 169,919		4.5%
Non-Labor Expenses:							
Contractor Services		102,455	108,000	110,000	115,000		6.5% 1-8
Equipment (Non Capital)		1,910	3,500	4,025	4,000		14.3% 1-9
Materials/Services/Supplies		104,927	80,450	124,640	98,450		22.4% 1-10
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		308	1,000	795	1,000		0.0%
Utilities		45,571	40,000	51,444	45,000		12.5% 1-11
Total Non-Labor		<u>\$ 255,171</u>	<u>\$ 232,950</u>	<u>\$ 290,904</u>	<u>\$ 263,450</u>		13.1%
Division Operating Total		<u>\$ 421,357</u>	<u>\$ 395,500</u>	<u>\$ 479,009</u>	<u>\$ 433,369</u>		9.6%
Human Resources							
	70						
Labor Expenses:							
Salaries		\$ 186,551	\$ 169,083	\$ 217,424	\$ 198,212		17.2% 1-12
Non-Labor Expenses:							
Contractor Services		4,722	43,200	30,649	31,325		-27.5% 1-13
Equipment (Non Capital)		-	-	-	-		NA
Materials/Services/Supplies		19,937	21,300	16,323	17,400		-18.3% 1-14
Professional Services		16,292	10,000	15,000	10,000		0.0%
Memberships/Training/Permits		86,738	91,450	72,191	95,950		4.9%
Education Funding		-	30,000	1,748	30,000		0.0%
Utilities		-	-	-	-		NA
Total Non-Labor		<u>127,689</u>	<u>195,950</u>	<u>135,911</u>	<u>184,675</u>		-5.8%
Division Operating Total		<u>\$ 314,240</u>	<u>\$ 365,033</u>	<u>\$ 353,335</u>	<u>\$ 382,887</u>		4.9%

FPUD Expense Summary
Fiscal Year 2020-21 Operating Budget

Description	Div	FY 2018-19		FY 2019-20		FY 2020-21	% Change
		Actual	Budget	Projected	Budget	Bgt to Bgt	
Administrative Services							
Information Management	51						
Labor Expenses:							
Salaries		\$ 85,608	\$ 87,578	\$ 89,649	\$ 93,937		7.3% 1-15
Non-Labor Expenses:							
Contractor Services		106,459	28,150	28,000	58,150		106.6% 1-16
Equipment (Non Capital)		24,083	25,000	22,500	25,000		0.0%
Materials/Services/Supplies		129,198	149,800	132,500	145,728		-2.7%
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		-	-	-	-		NA
Utilities		-	-	-	-		NA
Total Non-Labor		<u>\$ 259,740</u>	<u>\$ 202,950</u>	<u>\$ 183,000</u>	<u>\$ 228,878</u>		12.8%
Division Operating Total		<u>\$ 345,348</u>	<u>\$ 290,528</u>	<u>\$ 272,649</u>	<u>\$ 322,815</u>		11.1%
Engineering Services	52						
Labor Expenses:							
Salaries		\$ 522,747	\$ 570,334	\$ 575,838	\$ 475,800		-16.6% 1-17
Non-Labor Expenses:							
Contractor Services		193	2,500	345	2,500		0.0%
Equipment (Non Capital)		-	-	-	-		NA
Materials/Services/Supplies		45,393	67,500	69,495	42,000		-37.8% 1-18
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		1,035	1,200	227	500		-58.3% 1-19
Utilities		-	-	-	-		NA
Total Non-Labor		<u>\$ 46,621</u>	<u>\$ 71,200</u>	<u>\$ 70,067</u>	<u>\$ 45,000</u>		-36.8%
Division Operating Total		<u>\$ 569,368</u>	<u>\$ 641,534</u>	<u>\$ 645,905</u>	<u>\$ 520,800</u>		-18.8%
Safety & Risk	57						
Labor Expenses:							
Salaries		\$ 157,353	\$ 205,226	\$ 161,919	\$ 204,842		-0.2%
Non-Labor Expenses:							
Contractor Services		16,973	28,500	14,506	18,500		-35.1% 1-20
Equipment (Non Capital)		81,574	35,000	37,461	35,000		0.0%
Materials/Services/Supplies		3,267	11,500	35,940	27,500		139.1% 1-21
Professional Services		89,904	270,000	177,717	275,000		1.9%
Memberships/Training/Permits		-	500	767	-		-100.0% 1-22
Utilities		-	-	-	-		NA
Total Non-Labor		<u>\$ 191,718</u>	<u>\$ 345,500</u>	<u>\$ 266,391</u>	<u>\$ 356,000</u>		3.0%
Division Operating Total		<u>\$ 349,071</u>	<u>\$ 550,726</u>	<u>\$ 428,310</u>	<u>\$ 560,842</u>		1.8%
Vehicle Services & Shop	65						
Labor Expenses:							
Salaries		110,330	196,485	81,471	89,735		-54.3% 1-23
Non-Labor Expenses:							
Contractor Services		22,676	20,500	24,700	25,000		22.0% 1-24
Equipment (Non Capital)		-	-	-	-		NA
Materials/Services/Supplies		371,803	295,000	235,560	275,000		-6.8% 1-25
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		-	-	-	-		NA
Utilities		-	-	-	-		NA
Total Non-Labor		<u>\$ 394,479</u>	<u>\$ 315,500</u>	<u>\$ 260,260</u>	<u>\$ 300,000</u>		-4.9%
Division Operating Total		<u>\$ 504,809</u>	<u>\$ 511,985</u>	<u>\$ 341,731</u>	<u>\$ 389,735</u>		-23.9%
Total Labor		2,352,772	2,512,198	2,551,281	2,421,728		-3.6%
Total Non-Labor Expenses		2,295,135	2,279,270	2,186,050	2,392,432		5.0%
Operating Total		<u>\$ 4,647,907</u>	<u>\$ 4,791,468</u>	<u>\$ 4,737,331</u>	<u>\$ 4,814,160</u>		0.5%
Allocated Benefits Expenditures*		1,334,795	1,616,043	1,616,043	1,651,205		2.2%
Total Budget		<u>\$ 5,982,702</u>	<u>\$ 6,407,511</u>	<u>\$ 6,353,374</u>	<u>\$ 6,465,366</u>		0.9%

* Includes transfer to Pension/OPEB Trusts

FPUD Expense Summary
Fiscal Year 2020-21 Operating Budget

Description	Div	FY 2018-19		FY 2019-20		FY 2020-21	% Change
		Actual	Budget	Projected	Budget	Bgt to Bgt	
Water Services							
Production & Distribution	31						
Labor Expenses:							
Salaries		\$ 654,839	\$ 747,781	\$ 717,716	\$ 679,375		-9.1% 2-1
Non-Labor Expenses:							
Contractor Services		28,640	49,000	25,595	51,000		4.1%
Equipment (Non Capital)		-	14,000	6,541	14,000		0.0%
Materials/Services/Supplies		270,647	217,000	195,843	238,000		9.7% 2-2
Professional Services		63	-	-	-		NA
Memberships/Training/Permits		60,736	90,000	72,159	80,000		-11.1% 2-3
Utilities		63,047	65,000	68,718	75,000		15.4% 2-4
Total Non-Labor		<u>\$ 423,133</u>	<u>\$ 435,000</u>	<u>\$ 368,856</u>	<u>\$ 458,000</u>		5.3%
Division Operating Total		<u>\$ 1,077,972</u>	<u>\$ 1,182,781</u>	<u>\$ 1,086,572</u>	<u>\$ 1,137,375</u>		-3.8%
Pipeline Maintenance & Construction	32						
Labor Expenses:							
Salaries		\$ 299,607	\$ 346,089	\$ 397,139	\$ 380,361		9.9% 2.5
Non-Labor Expenses:							
Contractor Services		80,079	111,000	26,324	36,000		-67.6% 2.6
Equipment (Non Capital)		-	10,000	3,722	10,000		0.0%
Materials/Services/Supplies		50,908	32,000	16,250	33,000		3.1%
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		144	500	-	-		-100.0% 2.7
Utilities		-	-	-	-		NA
Total Non-Labor		<u>\$ 131,131</u>	<u>\$ 153,500</u>	<u>\$ 46,296</u>	<u>\$ 79,000</u>		-48.5%
Division Operating Total		<u>\$ 430,738</u>	<u>\$ 499,589</u>	<u>\$ 443,435</u>	<u>\$ 459,361</u>		-8.1%
System Services	42						
Labor Expenses:							
Salaries		\$ 501,494	\$ 328,844	\$ 398,804	\$ 390,071		18.6% 2.8
Non-Labor Expenses:							
Contractor Services		205,294	136,000	62,222	76,000		-44.1% 2.9
Equipment (Non Capital)		712	-	-	-		NA
Materials/Services/Supplies		226,662	225,000	122,210	145,000		-35.6% 2.10
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		-	-	-	-		NA
Utilities		-	-	-	-		NA
Total Non-Labor		<u>\$ 432,668</u>	<u>\$ 361,000</u>	<u>\$ 184,432</u>	<u>\$ 221,000</u>		-38.8%
Division Operating Total		<u>\$ 934,162</u>	<u>\$ 689,844</u>	<u>\$ 583,236</u>	<u>\$ 611,071</u>		-11.4%
Total Labor		1,455,940	1,422,713	1,513,659	1,449,807		1.9%
Total Non-Labor		986,932	949,500	599,584	758,000		-20.2%
Operating Total		<u>\$ 2,442,872</u>	<u>\$ 2,372,213</u>	<u>\$ 2,113,243</u>	<u>\$ 2,207,807</u>		-6.9%
Allocated Benefits Expenditures		825,996	915,201	915,201	988,521		8.0%
Total Direct Water Costs		<u>\$ 3,268,868</u>	<u>\$ 3,287,415</u>	<u>\$ 3,028,444</u>	<u>\$ 3,196,328</u>		-2.8%
Allocation of Administrative Services		3,170,832	4,100,807	4,100,807	4,137,834		0.9%
Total Budget		<u>\$ 6,439,700</u>	<u>\$ 7,388,221</u>	<u>\$ 7,129,251</u>	<u>\$ 7,334,162</u>		-0.7%

FPUD Expense Summary
Fiscal Year 2020-21 Operating Budget

Description	Div	FY 2018-19		FY 2019-20		FY 2020-21	% Change
		Actual	Budget	Projected	Budget	Bgt to Bgt	
Wastewater Services							
Collections	31						
Labor Expenses:							
Salaries		\$ 522,471	\$ 434,419	\$ 481,124	\$ 429,802		-1.1%
Non-Labor Expenses:							
Contractor Services		7,847	38,200	36,117	43,000		12.6% 3-1
Equipment (Non Capital)		-	5,000	2,366	5,000		0.0%
Materials/Services/Supplies		134,430	152,300	71,488	125,000		-17.9% 3-2
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		1,369	900	307	900		0.0%
Utilities		100,989	82,000	113,087	120,000		46.3% 3-3
Total Non-Labor		<u>\$ 244,635</u>	<u>\$ 278,400</u>	<u>\$ 223,365</u>	<u>\$ 293,900</u>		5.6%
Division Operating Total		<u>\$ 767,106</u>	<u>\$ 712,819</u>	<u>\$ 704,489</u>	<u>\$ 723,702</u>		1.5%
Treatment	30						
Labor Expenses:							
Salaries		\$ 649,455	\$ 756,299	\$ 749,748	\$ 827,430		9.4% 3-4
Non-Labor Expenses:							
Contractor Services		140,986	164,000	243,783	213,500		30.2% 3-5
Equipment (Non Capital)		44,752	13,000	4,868	9,000		-30.8% 3-6
Materials/Services/Supplies		277,292	246,000	252,881	310,500		26.2% 3-7
Professional Services		-	-	46,667	-		NA
Memberships/Training/Permits		60,111	65,000	83,689	95,000		46.2% 3-8
Utilities		251,888	252,000	201,760	215,000		-14.7% 3-9
Total Non-Labor		<u>\$ 775,029</u>	<u>\$ 740,000</u>	<u>\$ 833,648</u>	<u>\$ 843,000</u>		13.9%
Division Operating Total		<u>\$ 1,424,484</u>	<u>\$ 1,496,299</u>	<u>\$ 1,583,396</u>	<u>\$ 1,670,430</u>		11.6%
Total Labor		1,171,926	1,190,718	1,230,872	1,257,231		5.6%
Total Non-Labor		1,019,664	1,018,400	1,057,013	1,136,900		11.6%
Operating Total		<u>\$ 2,191,590</u>	<u>\$ 2,209,118</u>	<u>\$ 2,287,885</u>	<u>\$ 2,394,131</u>		8.4%
Allocated Benefits Expenditures		664,867	765,963	765,963	857,217		11.9%
Total Direct Wastewater Costs		<u>\$ 2,856,457</u>	<u>\$ 2,975,082</u>	<u>\$ 3,053,848</u>	<u>\$ 3,251,349</u>		9.3%
Allocation of Administrative Services		2,512,735	2,242,629	2,242,629	2,262,878		0.9%
Total Budget		<u>\$ 5,369,192</u>	<u>\$ 5,217,710</u>	<u>\$ 5,296,477</u>	<u>\$ 5,514,227</u>		5.7%

FPUD Expense Summary
Fiscal Year 2020-21 Operating Budget

Description	Div	FY 2018-19		FY 2019-20		FY 2020-21	% Change
		Actual	Budget	Projected	Budget	Bgt to Bgt	
Recycled Water Services							
Production	30						
Labor Expenses:							
Salaries		\$ 125,989	159,229	122,277	150,060		-5.8% 4-1
Non-Labor Expenses:							
Contractor Services		13,623	17,500	27,603	20,000		14.3% 4-2
Equipment (Non Capital)		11	8,000	3,435	4,000		-50.0% 4-3
Materials/Services/Supplies		113,842	112,000	110,457	91,000		-18.8% 4-4
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		-	-	-	-		NA
Utilities		107,952	108,000	86,468	95,000		-12.0% 4-5
Total Non-Labor		<u>\$ 235,428</u>	<u>\$ 245,500</u>	<u>\$ 227,963</u>	<u>\$ 210,000</u>		-14.5%
Division Operating Total		<u>\$ 361,417</u>	<u>\$ 404,729</u>	<u>\$ 350,240</u>	<u>\$ 360,060</u>		-11.0%
Distribution	31						
Labor Expenses:							
Salaries		4,463	40,003	2,789	38,124		-4.7%
Non-Labor Expenses:							
Contractor Services		-	-	-	-		NA
Equipment (Non Capital)		-	-	-	-		NA
Materials/Services/Supplies		27,743	17,000	17,853	18,000		5.9% 4-6
Professional Services		-	-	-	-		NA
Memberships/Training/Permits		-	-	-	-		NA
Utilities		503	-	534	-		NA
Total Non-Labor		<u>\$ 28,246</u>	<u>\$ 17,000</u>	<u>\$ 18,387</u>	<u>\$ 18,000</u>		5.9%
Division Operating Total		<u>\$ 32,709</u>	<u>\$ 57,003</u>	<u>\$ 21,176</u>	<u>\$ 56,124</u>		-1.5%
Total Labor		130,452	199,232	125,066	188,184		-5.5%
Total Non-Labor		263,674	262,500	246,350	228,000		-13.1%
Operating Total		<u>\$ 394,126</u>	<u>\$ 461,732</u>	<u>\$ 371,416</u>	<u>\$ 416,184</u>		-9.9%
Allocated Benefits Expenditures		74,009	128,162	128,162	128,310		0.1%
Total Direct Recycled Water Costs		<u>\$ 468,135</u>	<u>\$ 589,894</u>	<u>\$ 499,578</u>	<u>\$ 544,494</u>		-7.7%
Allocation of Administrative Services		299,135	64,075	64,075	64,654		0.9%
Total Budget		<u>\$ 767,270</u>	<u>\$ 653,969</u>	<u>\$ 563,653</u>	<u>\$ 609,148</u>		-6.9%

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: June 22, 2020
SUBJECT: Concerns by Neighbors over Replacement of the Martin Tank

Description

As part of the Santa Margarita Conjunctive Use Project the existing Martin Tank was replaced by a larger welded steel tank. The tank is necessary given the project will operate in a manner that will have imported water deliveries coming from the east side of the District combined with SMRCUP project delivers coming from the west side of the District and the Gheen and Martin reservoirs will be used to balance supply and demand. The new Martin Tank is substantially taller as it needs to be at the same height as the existing Gheen tank on the site to function properly. Three neighbors have expressed concerns over the impact of the new tank to their property and have several requests from the Board.

Summary

The Santa Margarita Conjunctive Use Project (SMRCUP) has been in development in some form since the 1960s. The current form of the project has been in progress since 2010. The Environmental Impact Report (EIR) was certified by the Board in September 2016. Prior to certification there were numerous public hearings on the project and mailings to properties adjacent to the project facilities. The EIR identified the project facilities that were necessary for the project.

Since 2016, the District has provided updates on the project through articles and mailers to residents that would be impacted by the construction, but the ability to modify project facilities was limited after the adoption of the EIR and completion of the design of the project. That said, in December 2018, pursuant to the request of one of the neighbors, the Board directed that the removal of the existing Martin tank be an initial activity by the Contractor. This work began in November 2019.

The construction of the shell for the new Martin tank has been completed and this raised concerns with three neighbors over the visual impacts of the tank. The letters from these neighbors are attached. There are three main requests from these residents:

1. Additional landscaping
2. Painting a mural on the tank
3. Additional paving of the private road.

Typically, staff will work with residents and provide additional landscaping or specific fencing or painting to try and minimize visual impacts. The requests by the residents are beyond what can be addressed within staff's authorization and additional input from the Board is necessary. The residents have the option to file a formal claim request if they are not satisfied with the proposed resolution identified by the Board. If the Board did not accept the claim it would go to ACWA JPIA for resolution.

Budget Impact

The cost of additional landscaping or painting was not budgeted in the project. The estimated cost of these improvements are:

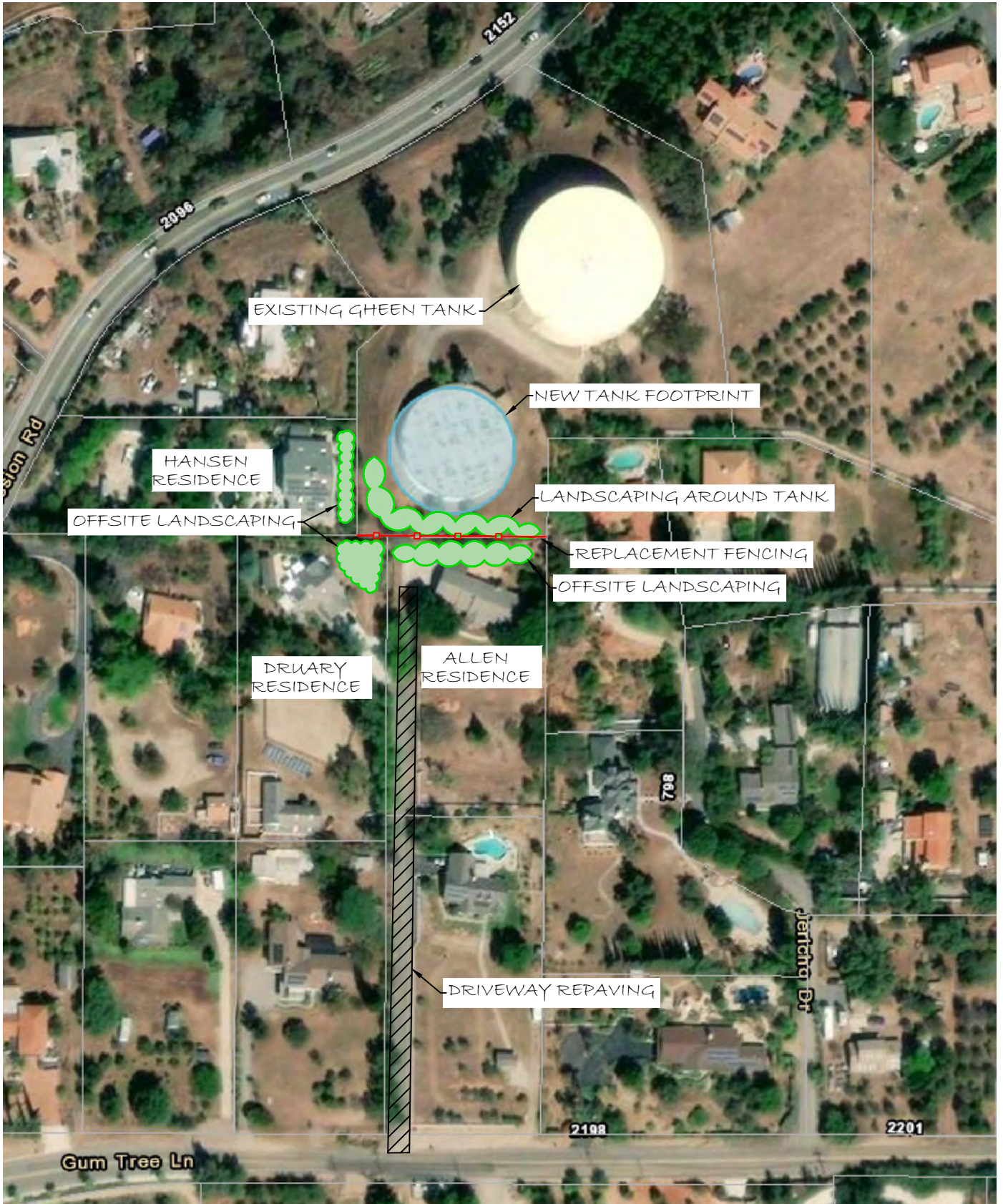
1. Additional landscaping around the tank: \$6,200
2. Replacement fencing: \$5,500
3. Full repaving on asphalt road: \$25,000
4. Painting a mural on the tank: \$60,000
5. Additional offsite landscaping improvements: \$2,700

The attached figure shows the residents location and location of requested improvements.

Recommended Action

Staff supports Board direction.

SMRCUP - GHEEN SITE MARTIN TANK REPLACEMENT



May 17, 2020

Mr. Jack Bebee
General Manager
Fallbrook Public Utility District
P.O. Box 2290
Fallbrook CA 92088

Dear Mr. Bebee,

I understand you have requested a letter from each of the residents impacted by the new tank installation adjacent to Gheen reservoir.

I will first give a little history as to what has transpired since we moved into our residence in August of 2018. Both my wife and I are former employees of FPUD so we were familiar with FPUD facilities and we knew that the Martin reservoir was not in service and had not been for quite some time. We did not pay any attention to the Martin tank and just considered it part of the scenery until November 2018, 3 months after we moved in, there was a fire next to Mission Road just west of FPUD's property.

It was after that fire that we started to look more closely at the Martin tank and realized what a fire hazard the wooden roof was.

My wife, Ruth, went to the December Board meeting and expressed her concern about this hazard and was told that the tank would be removed as part of the Conjunctive Use Project. We had not heard that the project was moving forward and so I did some research to see what all it entailed. I learned that along with a treatment plant and piping there would be a pump station installed at the old Martin tank site and there would be a new 24" pipeline installed down the easement adjacent to our house to the Cla-Valve on Gum Tree Ln. My wife and I decided that even though the easement was on our neighbor's property and we would not be affected with the pipeline installation, it made more sense to go straight down our driveway and so we granted an easement to FPUD for this purpose to alleviate the issues that this would cause our neighbor.

We had a meeting with FPUD engineers Aaron Cook and Jeff Marchand around April 2019 to go over the easement proposal and it was during this meeting that we were told that FPUD was "hoping" to get a new tank installed but it depended on the budget and the district wouldn't know until the bids were processed. At that meeting, we were informed that if there was a new tank it would be smaller. Unbeknownst to us, smaller to Aaron and Jeff meant smaller than Gheen; smaller to us meant smaller than the old tank. We were never told whether FPUD would indeed be able to get a new tank or not. We saw the old tank get demolished in late 2019 and then grading commenced at the site. I watched day by day as more material was removed and eventually saw the footing being dug. We then realized that FPUD was indeed installing a new tank at the site but with the word "smaller" from FPUD's engineers in our heads we paid little attention to it. I saw the footing size and realized the new tank would be close to the fence but figured it was going to be shorter so it wouldn't be an issue.

We watched the first two layers go up with some trepidation but still were thinking smaller meant at the very least shorter than the old tank. At the third layer, my wife said it was starting to look a bit claustrophobic and she sent an email to the District. Franz responded quickly and informed her that there were two more layers still to come and the roof and that it would be 40 feet high, the same height as Gheen. We were in disbelief. This location and size has definitely negatively affected both our quality of life and property values. At two layers we could still see the sky from our living room but at 40' all we see is tank from our living room and spare bedroom. Please see photos attached to get some idea of the imposing nature of this thing. Our concerns with this whole process have been and are as follows: #1, Lack of communication from FPUD regarding the fact that there was, in fact, going to be a tank, its size and it's placement. We were never informed of the fact that FPUD was successful in getting a new tank included in this project and none of the neighbors were consulted as to the tank placement. While I applaud FPUD's initiative in working to obtain additional storage, I think more districts should do the same. During MWD aqueduct shutdowns, it goes far to mitigate the impacts. I cannot fathom whose idea it was to place this tank so close to the neighboring properties when there is 88 feet between the old Martin tank and Gheen. If FPUD would have moved the new tank 68 feet closer to Gheen it would have hardly impacted us at all. FPUD could have installed the new tank 20 feet from Gheen allowing for plenty of room to travel around it and placed the pump station in the North West corner of the property and had almost zero impact on the surrounding properties. That being said, what's done is done and we just want to move forward and take steps to mitigate the impact to our quality of life and property values. The steps we would like to see taken to mitigate this situation are as follows:

- 1) Installation of approximately 15 Box Elder Maple trees along FPUD's southern property line adjacent to 2132 Gum Tree lane.
- 2) Installation of new 8' chain link fencing along same property line.
- 3) Installation of approximately 24 Halls Honeysuckle plants on the same fence line.
- 4) Lastly, and most importantly, painting the tank with a mural that looks like trees and sky. (See photo below). This is the most important to us as this will go the furthest in mitigating this massive, soul crushing blight on our homes. We cannot stress enough how far this would go in alleviating the duress and claustrophobic inducing eyesore we now have to contend with on a daily basis.

On a separate note, we are also requesting that after the new 24" pipeline has been installed that FPUD R&R the entire driveway leading up to the affected residences. The existing pavement is at the end of its useful life, very thin and unlikely to be serviceable after the construction is complete.

In closing, it is obvious to everyone that no consideration was given to any of us when the position of this new tank was laid out. This tank installation has caused considerable duress and strained our marriage at times. This was to be our forever home but now we aren't sure what we want to do because we have assuredly lost a great deal of selling power with this monstrosity now looming over our house like some sort of gigantic tumor growing out of the earth. We see it from almost every room of our house and it has rendered our back yard useless. I encourage both you and each individual director to come up our driveway and look at this eyesore in person. It is the only way to get the full effect of what FPUD has done to us. I implore you and the board to do what is right, approve the things we are asking for ASAP and let us try to make peace with this new monstrous imposition on our lives.

Sincerely,

Billy and Ruth Allen





A view from right outside our back door.



From the front of our house.



From inside our living room.



From our driveway.



An example of the kind of mural we are requesting.

[REDACTED]
Fallbrook, CA 92028
May 22, 2020

Board of Directors
Fallbrook Public Utility District
Attn: Mr. Jack Bebee
990 East Mission Road
Fallbrook, CA 92028

Dear Mr. Bebee,

My name is Kelly Hansen. My husband, Lief Hansen, and I would like to express our concerns about the new water tank that was built behind our newly purchased home.

We became the owners of this home in September of 2019 (about 8 months ago). At that time there was a very small water tank behind the house which did not block any views from our back patio. At no time during the purchase was there any mention of plans for a new water tank. We enjoyed a view of some mountains and the sky. When we saw the workers behind our home we inquired of their intentions. They let us know that they were simply replacing the current water tank with a new one. We were under the assumption that it would be of the same dimensions. We were never contacted by anyone from the water district to explain the impact of the new water tank dimensions.

During the demolition of the old water tank, the top was taken off and a termite swarm was released which descended on our property including our home. When we purchased the home it had undergone significant termite remediation and fumigation. We are unsure if there will now be further termite damage to our property due to this demolition induced swarm. We will keep a close eye on that possibility.

Concerning the new water tank dimensions, we are concerned how this will effect our property value. We had our home appraised recently (before the new water tank) and the value had jumped over \$100k. Now that the tank has been built with such monstrous dimensions, we fear that our home value may drop. We have a few requests to help mitigate the damage and help restore the marketability of the home at its value before the new tank. We would appreciate at least 4 large trees be planted on our property in order to shield the view of the new water tank. We also request a woodland mural painted on the tank to make it more aesthetically pleasing. I have attached some pictures to illustrate the impact that the new tank has imposed on our view and outdoor enjoyment of our beautiful home.

In conclusion, we hope that the Board of Directors can understand our concerns and have sympathy to our situation. We are asking that you make this transition a little more tolerable for all parties impacted. Our proposal will finish this project with minimal impact to the value of our homes. Even with these changes, there will still be a negative impact on our home values. Completion of this project should include consideration of all the impacted neighbors; the Hansens, Lisa Druary, and the Allens.

Thank you for your time and consideration. Please feel free to call us or stop by anytime to discuss further. Have a wonderful day!

Attached are six pictures showing the visual impact to our property.

Yours truly,
Kelley Hansen
Kelly Hansen
and the
Hansen Family



View 1



View 2



View 3



View 4



View 5



View 6

[REDACTED]
Fallbrook, CA 92028
May 18, 2020

Board of Directors
Fallbrook Public Utility District
Attn: Mr. Jack Bebee
990 East Mission Road
Fallbrook, CA 92028

Dear Mr. Bebee,

I am writing to convey my concerns and desired mitigations regarding the District's construction of a new water tank, adjacent to my property, which has replaced the original Martin tank.

Some back story information follows. In December of 2017 my parents purchased the property at 2130 Gum Tree Lane in unincorporated Fallbrook. At that time they were aware that the Martin tank existed and that it was not in service. Upon surveying the property, they could only see the wooden tank top from the second story of the house and appeared to have no visual impact elsewhere. This was taken into consideration before the property was purchased as it was deemed not to be detrimental to their enjoyment of their new equestrian home nor as a potential impediment to a possible resale of the home in the future should that be necessary. There was no disclosure either from the real estate agent, the sellers or the water district regarding any future plans for the tank or the tank property. Had they been made aware of the changes that were already in play, they would have passed on the purchase owing to the uncertainty that it would introduce. Subsequently the property was deeded to me on July 5, 2019. Just as in the case of my parents I was not made aware of any potential changes to the water tank or its environs.

The first I was made aware of any issue with the tank was during a vegetation fire, in November of 2018, that broke out west of the tank property across the street on East Mission. Embers from the fire were landing on the old disused wooden tank top. My immediate neighbors, the Allens, and I quickly realized the hazard this presented to both ourselves and the larger community in the event of any future fires. This led Ruth Allen to contact the water district and voice our collective concerns regarding this danger. Ruth was told that the water district was planning on removing the old tank sometime during the following year. At that time there was no discussion about erecting a new tank and to date I still have not received any written notification regarding the tank replacement project.

At some point I learned that there existed an easement on my property for a water pipeline (which I also was not previously made aware of) and that this easement would not be used as the Allens had generously decided to permit the use of their driveway in any new pipeline construction. This was a relief to me as it would lessen the upset to my horse Emme which I stabled on my property. I was in general concerned that any construction activity would distress her. In the Fall of 2019 during site survey activities the project manager, Mr. Franz Schauer, informed me that the old tank would be removed within the next few months. I expressed my concerns about Emme regarding the construction and asked to be notified in advance when that activity commenced so I could take appropriate actions to keep her safe in

her stall. However, Mr. Schauer never informed me of the start date and as a consequence on the first day of the removal Emme was turned out in the arena area. She became spooked and distressed which caused her to injure her right front leg. This started a cascade of painful medical problems which ultimately cost her her life. There was nothing Emme's veterinarian could do to give her quality of life and he recommended euthanization as the most humane course of action. Emme was my therapy horse who had guided me through my own arduous medical ordeal during the previous seven years and had been with me for 21 years. Emme's presence saved my life during my illness and thus meant the world to me. Her death has caused me tremendous sorrow and great emotional pain. She should have lived another decade with the good care that she had always received from me.

As construction proceeded it became clear that the footprint of the new tank was larger than the old and that the positioning of the tank had changed as well. Originally Mr. Schauer had told the property owners during site survey that the new tank would be "smaller than the old tank but a little taller". Collectively the three (all new) property owners: e.g. myself, the Allens and the Hansons were not expecting the larger more imposing structure that was now closer to our property boundaries. On my property the new tank dominates all views to the north and east, destroying the beautiful feel of the landscape and detracting from the property value or marketability.

The construction activity in itself has caused damage to my property. During the period November 6th through the 13th, 2019 my house and barn underwent termite remediation and tenting. On November 22, 2019 removal of the wooden tank top released a termite swarm which descended on my buildings possibly re-infesting them. In December 2019 the tank demolition caused significant shaking of my house for days at a time. Subsequently I noted concrete cracks on my entry walkway and several areas of the back patio. More distressingly a unique and charming compass rose embedded in the concrete began to crack and fissure. During that same month the hot water tank in the garage began to leak due to a fracture in the tank that a professional plumber described as occurring in "a most unusual place" that he had never seen before. I notified Mr. Schauer about the termites (as did the Allens), the cement cracks and the water tank and never received any follow up as requested. Regarding the termites, I was dismissively told by him to "prove it".

The cumulative effect of Emme's tragic death and the negative implications of the new tank have caused me great duress and anxiety. Daily I experience tremendous stress as a direct result of the new and imposing tank. I'm not sleeping well as I contemplate the millions of gallons of water poised above my house in an earthquake prone area. I fear that the resale value of my property has plummeted. Every time I view the tank I am reminded of Emme's tragic death. To mitigate these damages I propose and request the following three items: 1.) a woodland mural painted on the tank, 2.) greenscaping consisting of 15 Boxelder Maple trees around the tank proper and 3.) one Chinese Elm True Green Specimen tree, two Japanese Privet trees and two Shamel Ash trees planted strategically on my property. The mural would help to blend the tank into the natural landscape. Greenscaping with large trees immediate to the tank would offer further camouflage. Given the severe impact to my property the installation of five trees on my land would help restore the feeling of serenity that I originally enjoyed.

Turning to the pipeline changes, the rework of the pipe will essentially destroy the existing driveway creating the need for a complete resurfacing of same. The roadbed is in poor shape

and at the end of its usable life. A simple spot patching of the disturbed surface will not only be a stopgap measure but would be unsightly causing further distress and diminution of the property value.

Overall I am dismayed that communication to the impacted property owners by the District in this matter was either poor, non-existent or misleading.

In closing I hope that the Board of Directors will concur with these proposed mitigations and bring this project to a more agreeable conclusion. Attached please find twelve photographs to help the board visualize the tank impact to my property. I further invite the Board to visit my property in person to view the tank.

Yours truly,
Lisa Drury
Lisa J. Drury



Old Tank Driveway View



New Tank Driveway View



View from Patio



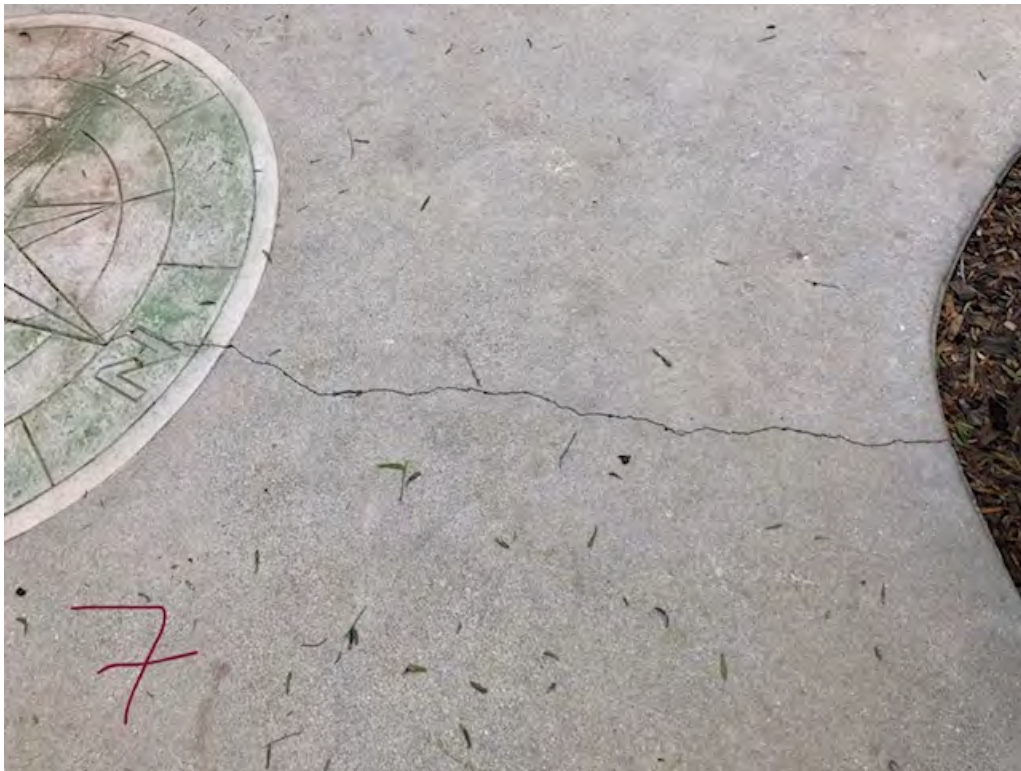
Master Bedroom Sunroom View



Master Bedroom Deck View



Compass Rose



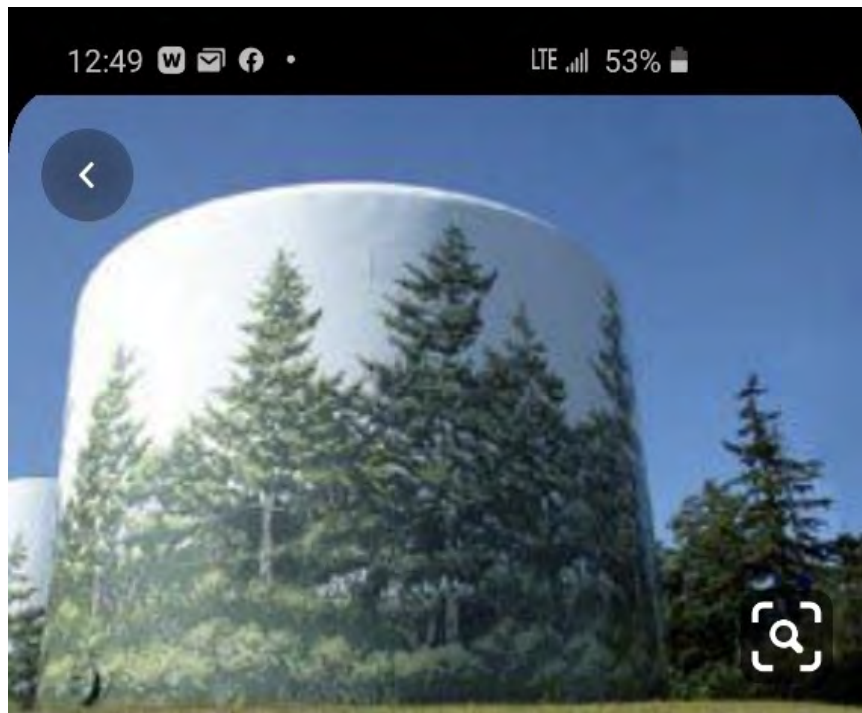
Compass Rose Detail



Below Driveway View



Horse Arena View



10

From fishertank.com

First Tank Mural Example



Second Tank Mural Example

<https://www.artistbrothers.com/water-tank-murals>



Emme and Lisa

1. **Rates**

SDCWA will be considering establishing rates and making mid-term budget adjustments on June 25th. They implemented a number of cost saving measures such as a hiring freeze. They also plan to issue debt instead of using cash for PAYGO CIP funding to cut back the rate increase. The overall estimated rate increase is 6%. Based on the proposed rates and our demand projections, the unit cost increase to FPUD is 7.7%. I had some specific concerns on the budget which are included in the attached letter I sent to Sandy at SDCWA.

2. **Regional Conveyance**

They are finishing the 3rd party review of the first phase of the study. It is anticipated that the request to continue the project and initiate the second phase will occur in July. A group of agencies including FPUD is doing another independent financial review of the proposed project versus a no project alternative.

3. **FPUD/RMWD Detachment**

The SDCWA Board passed a resolution requested that certain items should be addressed as part of the LAFCO process including how FPUD will meet it's obligations to it's ratepayers and ensuring that FPUD's change in wholesaler does not impact the Bay-Delta.

4. **Key Upcoming Issues**

Some other key issues for the upcoming year include:

- Reviewing the long-term fiscal sustainability of SDCWA and determining any structural changes to the rate structure.
- Developing an updated forecast of water demands and the rate impacts of the updated demand forecast.
- Implementing the new agricultural water program.
- Determining if the regional conveyance study should move to Phase 2 and verifying the rate impacts of the potential project.

Detailed updates on any of these items will be provided by the General Manager at the request of any Board members.



990 East Mission Road
Fallbrook, California
92028-2232
www.fpud.com
(760) 728-1125

Board of Directors

Dave Baxter
Division 1

Ken Endter
Division 2

Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

June 2, 2020

Sandy,

I appreciate the efforts that you and staff have made to help reduce rate impacts given current economic conditions. I also appreciate the reminder you gave Board members at the beginning of the meeting, of their fiduciary responsibility in their role on the SDCWA Board —I think it was beneficial. I take responsibility as a CWA Board member seriously and as a result, I have a few concerns and questions to share with you relative to the proposed rates.

1. **Role and Purpose of Fiscal Sustainability Committee:**

Given there were substantial changes in the proposed rate process from past years, including debt funding CIP, and changing the Access Charge (IAC) approach, was any of this discussed with the Fiscal Sustainability Committee (Committee)? If not, were the changes and approach just discussed among staff and the officers? I understand, the Committee made some recommendations on the IAC, but I'm not sure it was ever brought to the Board for formal adoption. Is the Committee expected to bring recommendations to the Board or just staff and officers? I would feel much more comfortable if the Committee was involved in making the proposed recommended changes instead of each Board member trying to work through these changes independently, as it would help ensure our Board meets its fiduciary responsibility. Is the recommendation on the IAC is different than what the Committee was anticipating? If it is, this would be concerning to me.

2. **New Debt Issuance:**

I have substantial concerns about issuing new debt to fund the PAYGO CIP. I think managing existing debt with SDCWA's declining water demands due to local supply projects as a primary challenge facing SDCWA over the next decade. Issuing additional, unbudgeted, debt only compounds the challenges facing SDCWA. The proposed updated FY 20/21 CIP is \$132 million pursuant to the revised CIP summary table provided. Based on the rate memo, the rates are based on funding \$120 million of CIP with the proposed new debt. Based on the Operating Department Budget Summary provided, the proposed \$132 million CIP budget, approximately \$22 million is for labor and benefits, , which is roughly 17% of the capital budget. This seems like a very high labor cost allocation for CIP program management , which is typically closer to 5%-- financing this with new debt is concerning.

The proposed CIP also includes a projected \$2 million increase in direct labor costs. Was this labor that was moved from Operating to Capital since the budget was adopted? My concern here is the long-term fiscal sustainability of SDCWA if the current payroll levels on CIP continues to be financed with debt.

The proposed capital budget also includes a number of studies that may never result in construction of capital facilities. I don't think SDCWA should be issuing debt to finance costs for current payroll related expenses as well as studies. Debt funding routine renewal and replacement projects is not a fiscally sustainable approach. SDCWA has level debt for the next 16 years assuming no additional debt issuances, but there are likely going to be some larger projects that may require debt such as permanent repairs under Moosa Creek and rehabilitation of the Twin Oaks Valley WTP after the initial operating period. I would request staff and the Committee evaluate rate setting options that include no new debt issuances.

3. **Changes to the IAC:** In the adopted Fiscal Year 20/21 budget, the IAC includes funding for PAYGO CIP. In the CY 2021 Cost of Service Study IAC policy discussion, there is no mention of or justification for the apparent IAC methodology change to include depreciation expenses. I have a couple concerns with the IAC in general as well as this change in the methodology. Since the IAC includes funding for all rate and charge categories and is almost doubling, it has the increased potential to cross subsidize different rate and charge categories if it is not allocated correctly. Including the depreciation expense the IAC should result in a change in the revenue allocation to rate and charge categories. Flat charges that treat all customers the same run the risk of violating cost of service principles if customers utilize differing levels of service. For example, FPUD uses no transportation infrastructure, yet we pay for an increasing amount of transportation infrastructure costs through the IAC. The IAC charge also disproportionately impacts low water use rate payers, who are often low income ratepayers. Agricultural users under the SAWR program are also impacted.

The use of depreciation instead of PAYGO CIP adds the debt service for facilities financed and the depreciation expense of these same facilities together to create a revenue requirement for the IAC. Are the cost of facilities counted twice with this methodology? While I understand the need to maintain fixed revenues in a declining demand scenario, I think staff and the Committee need to evaluate the IAC methodology changes as well as alternatives that help align fixed charges with cost of service principles and provide a detailed analysis to support the changes.

4. **Timing of Adoption and Rating Impact:** In the Board meeting, it was discussed that just the mere discussion about rates and a delay in the process by a month to further evaluate options would potentially result in a downgrade of SDCWA's credit rating. Was there any discussion with the rating agencies about this? Did any rating agency voice this concern to SDCWA? It would seem to me that this would be seen as a healthy discussion and proper exercise of the Board's fiduciary responsibility to ask staff to help clarify and evaluate some other alternatives—in fact I would think that the absence of a substantive discussion by the Board on clarifying and evaluating other alternatives would be more of a cause of concern to the rating agencies. My primary concern at this time is that we take a step this year to reduce the rates slightly that results in larger rate impacts down the road. A combination of additional budget

reductions and potentially higher rates may be necessary to fully address the financial needs of SDCWA. The CY 2021 Cost of Service Study shows \$79.82 million in cash and reserves will be consumed to set the Melded Supply Rate at the recommended level. The current budget includes use of stored water, rate stabilization funds and debt to reduce rate increases, but this approach leaves few tools next year if there are continued declines in water demands or unexpected capital needs. I understand a rate increase is necessary and I want to make sure the choice we make today keeps SDCWA on a firm footing going forward.

I appreciate your efforts to help balance immediate rate impacts with long-term financial needs. I just wanted to provide you a written summary of my concerns as we move towards the rate adoption process in June. I know you have a lot of pressing issues so I don't necessarily need a detailed response, but I'm hopeful we can start to work through these issues or can address them as part of the rate adoption process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jack Bebee". The signature is fluid and cursive, with the first name "Jack" and last name "Bebee" clearly distinguishable.

Jack Bebee
General Manager

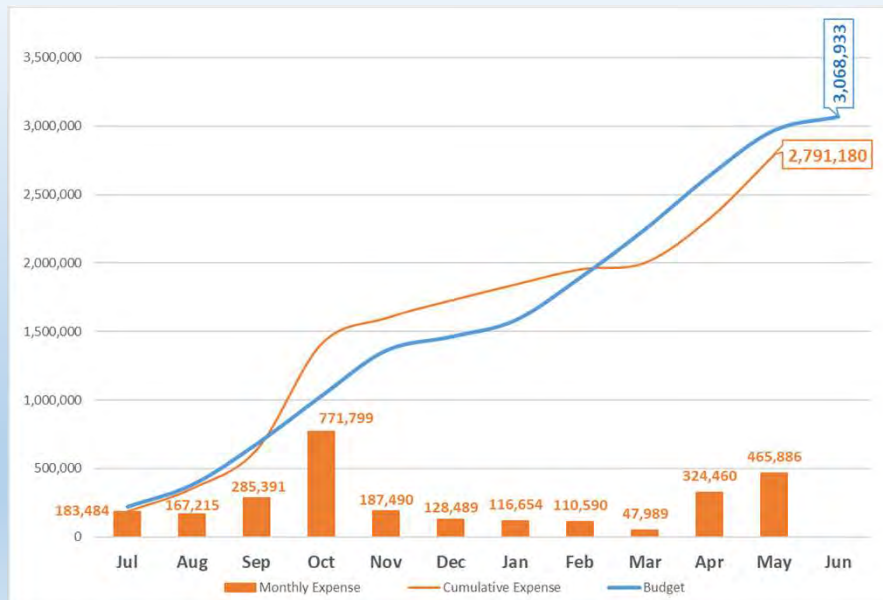


Fallbrook Public Utility District

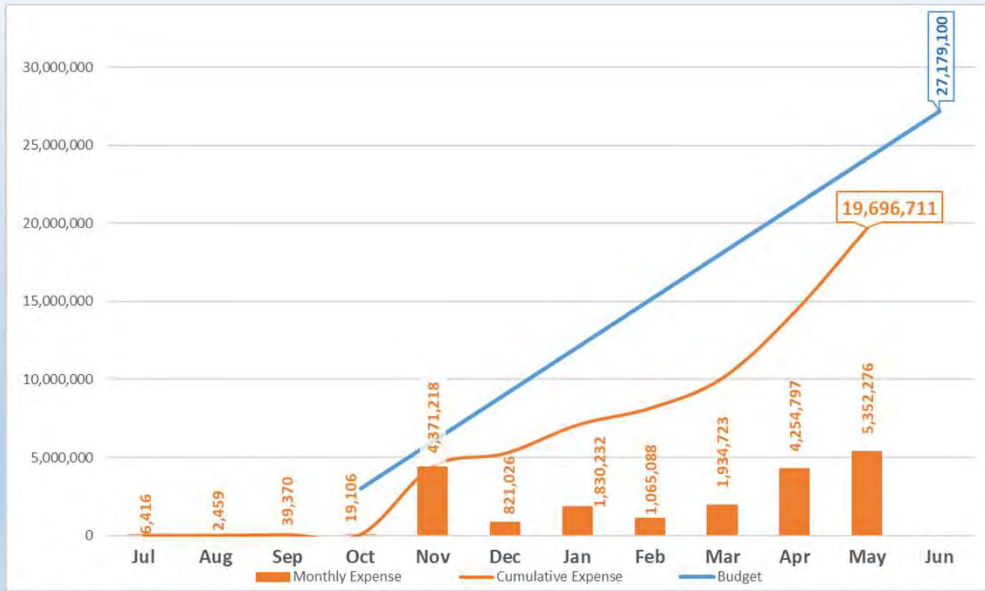
Engineering and Operations FY20

Board Meeting June 2020

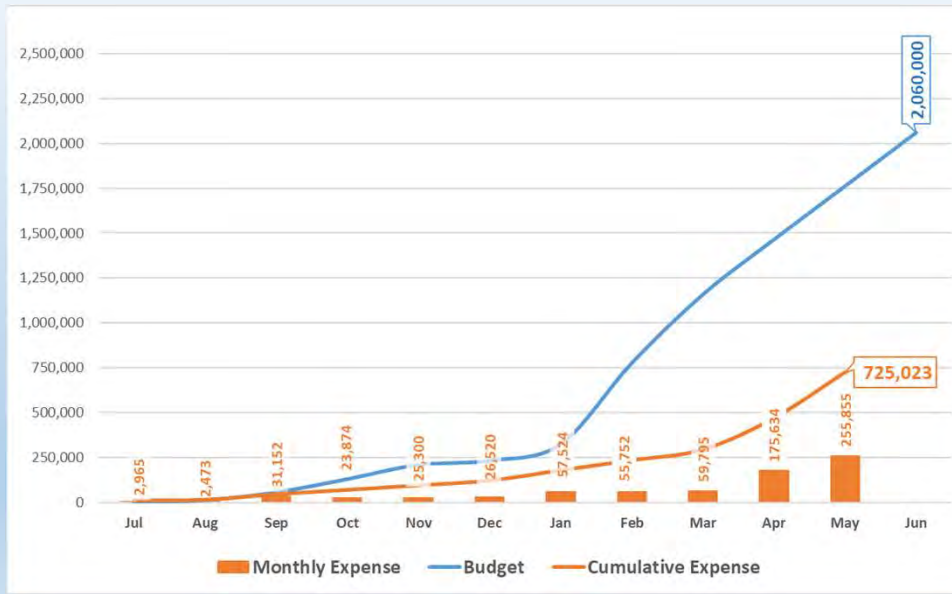
Water PAYGO CIP FY20



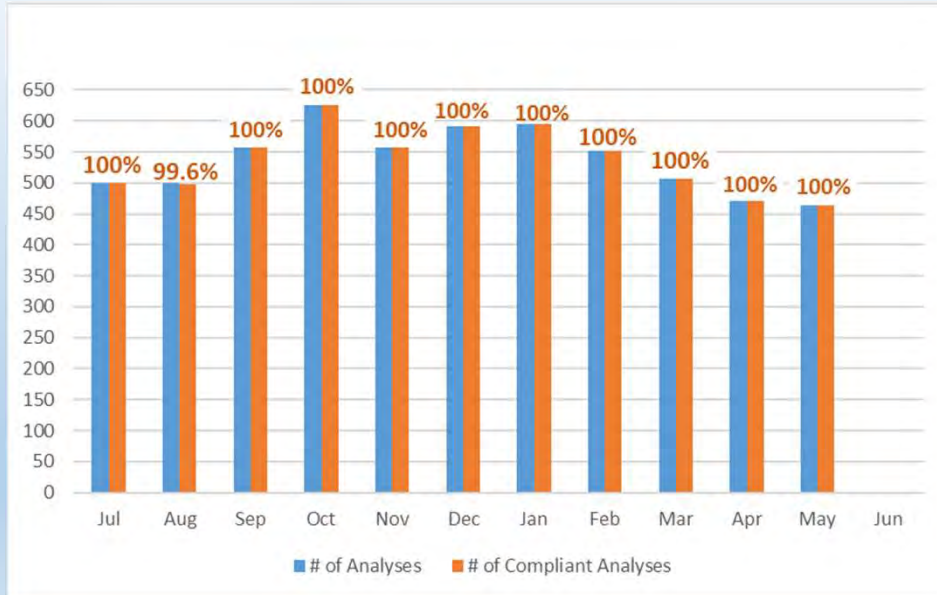
Water SMRCUP CIP FY20



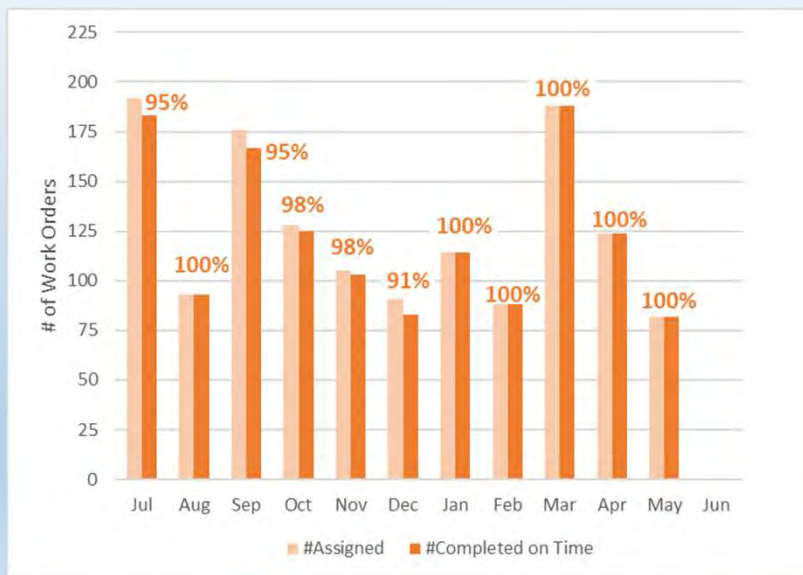
Wastewater System CIP FY20



Wastewater System Regulatory Compliance



Reclamation Plant – Preventative Maintenance Work Orders



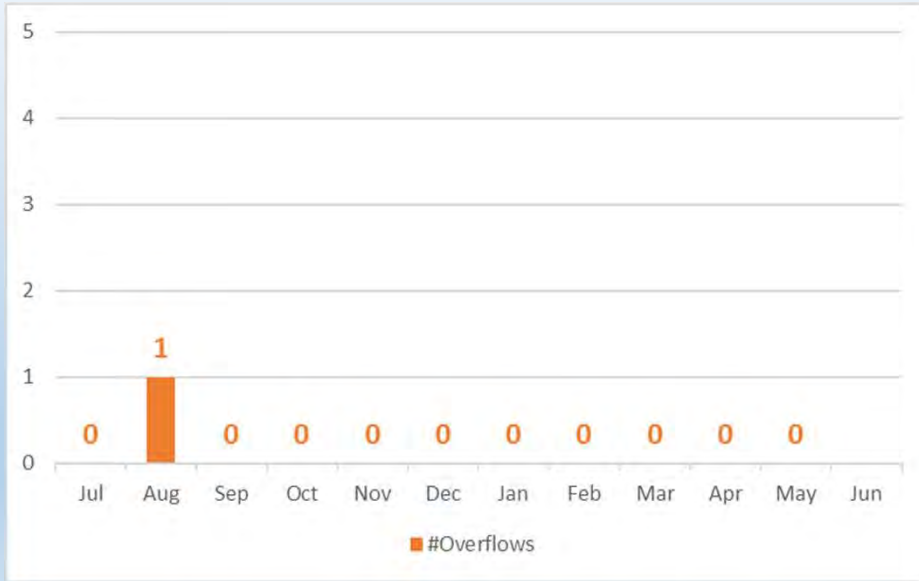
Reclamation Plant – Energy Usage (KWh/MG Treated)



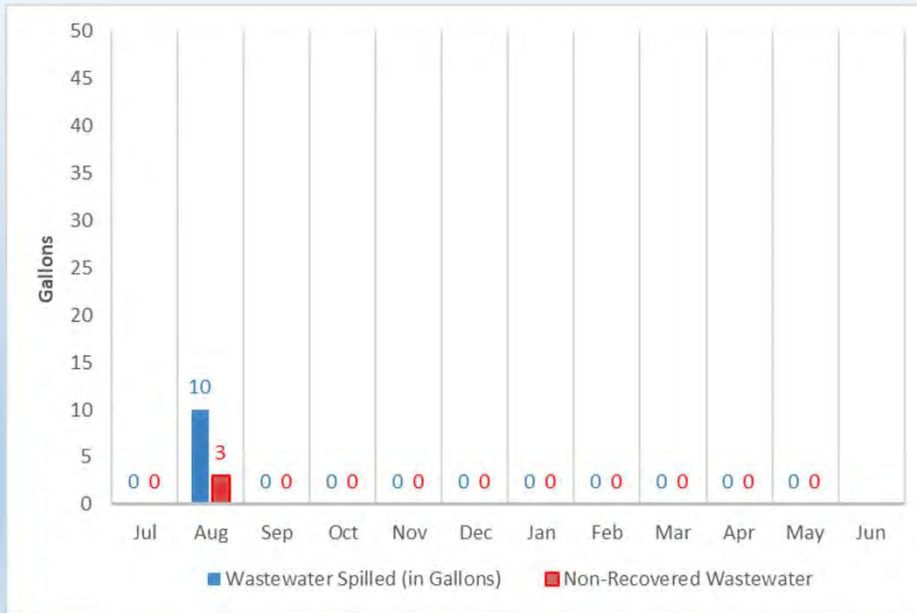
Recycled Water – Time out of Service (Hours)



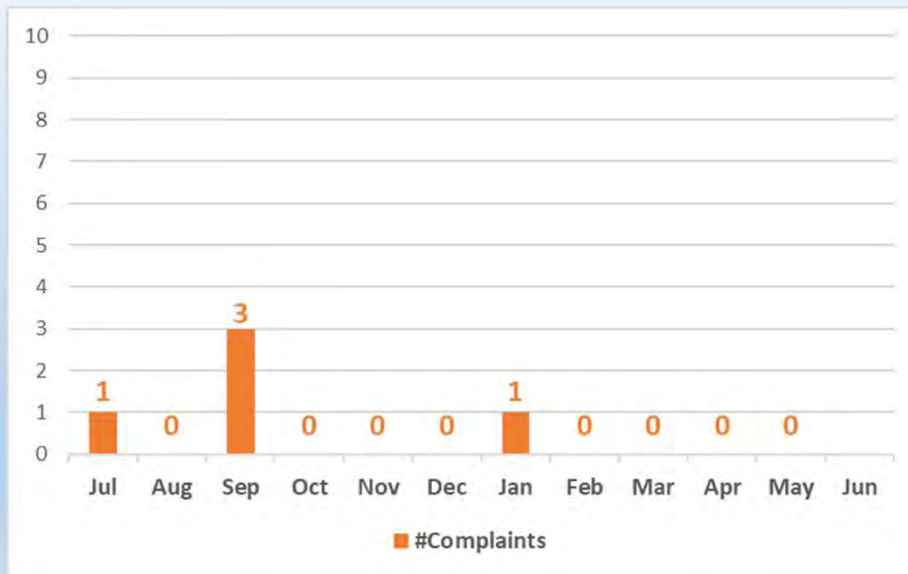
Sewer Overflows



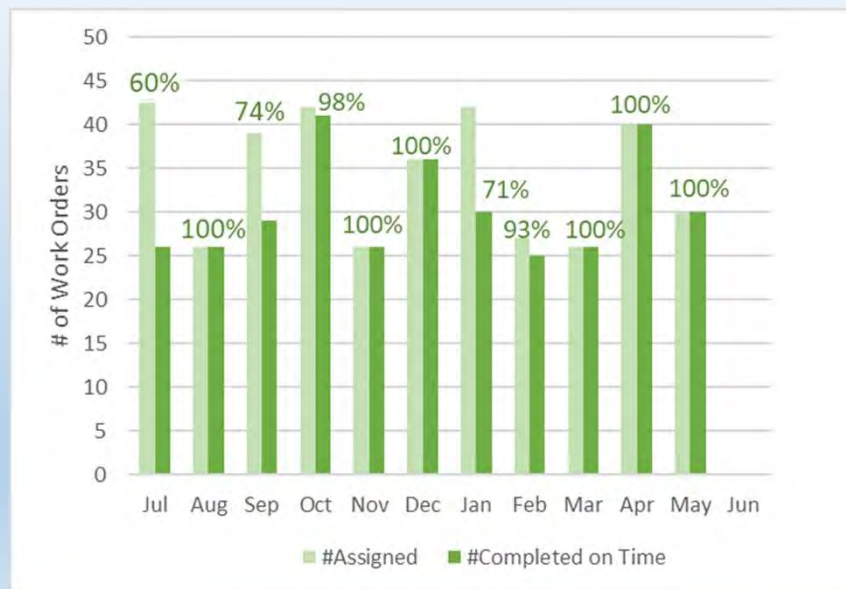
Wastewater Spilled



Wastewater System Odor Complaints



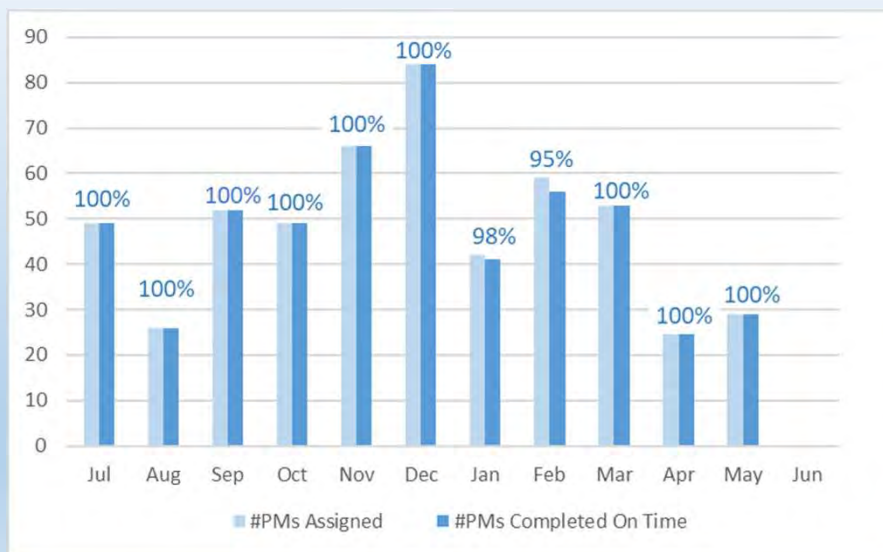
Collections – Preventative Maintenance Work Orders



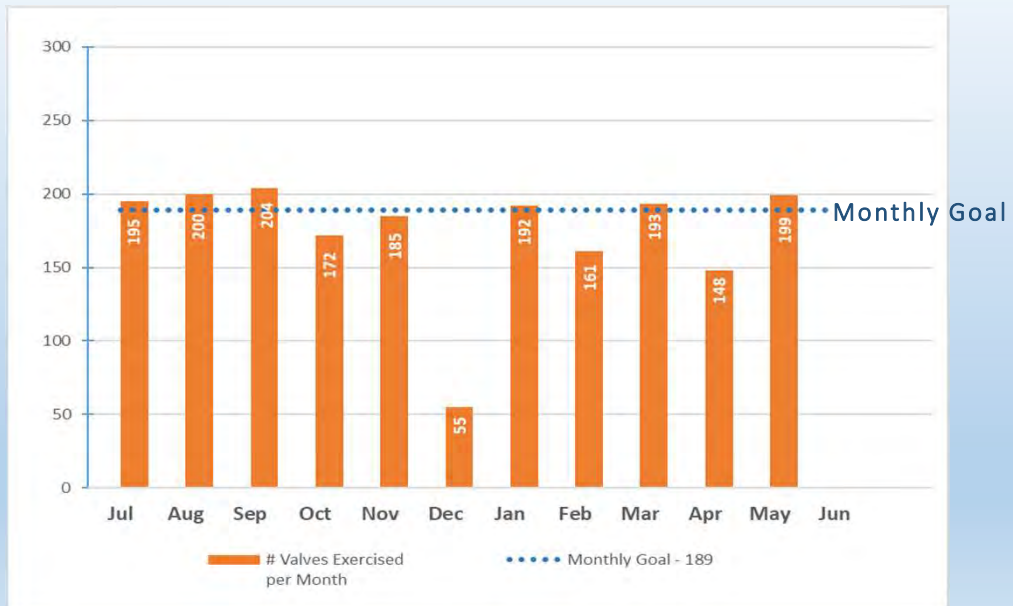
Water System Regulatory Compliance



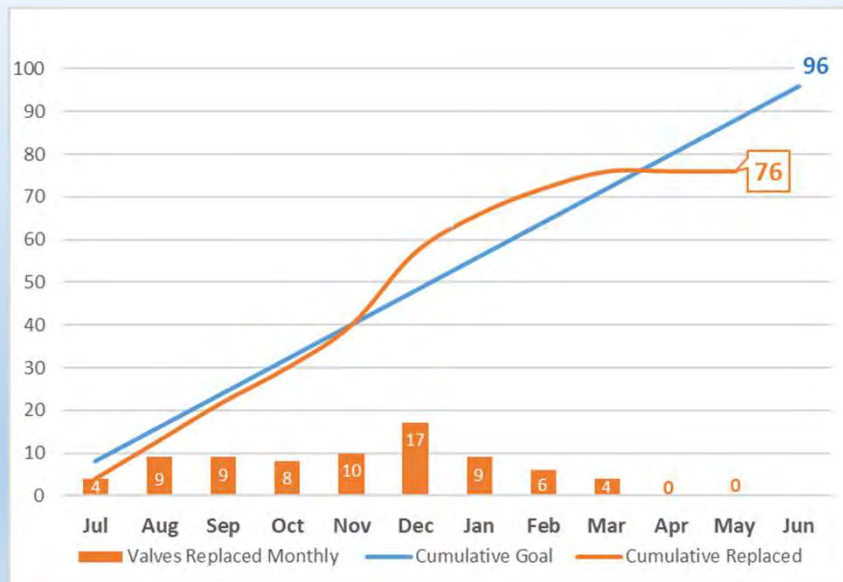
Water Preventative Maintenance Work Orders



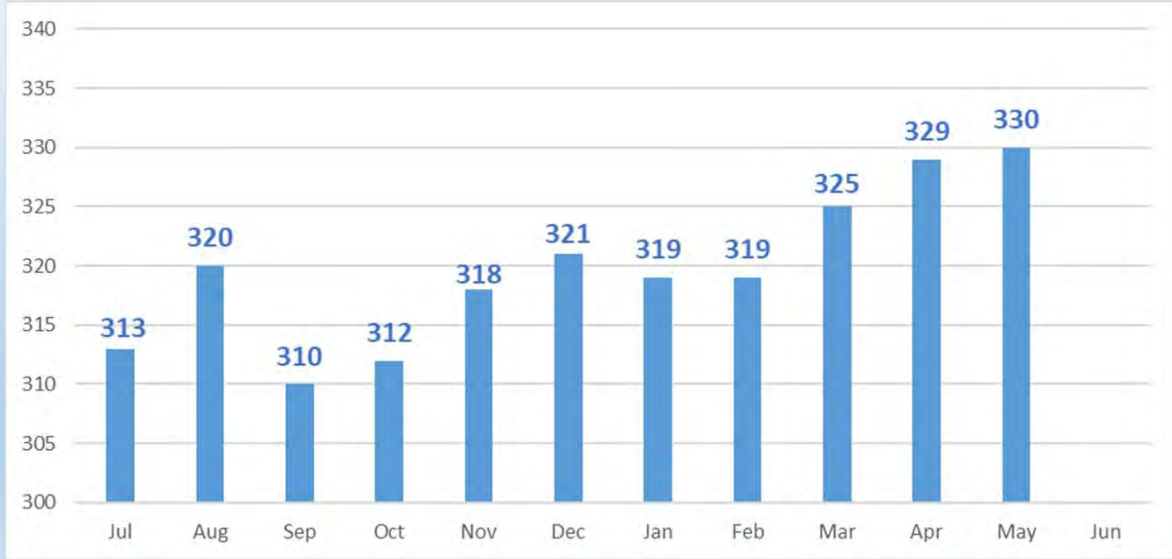
Valve Exercise Program



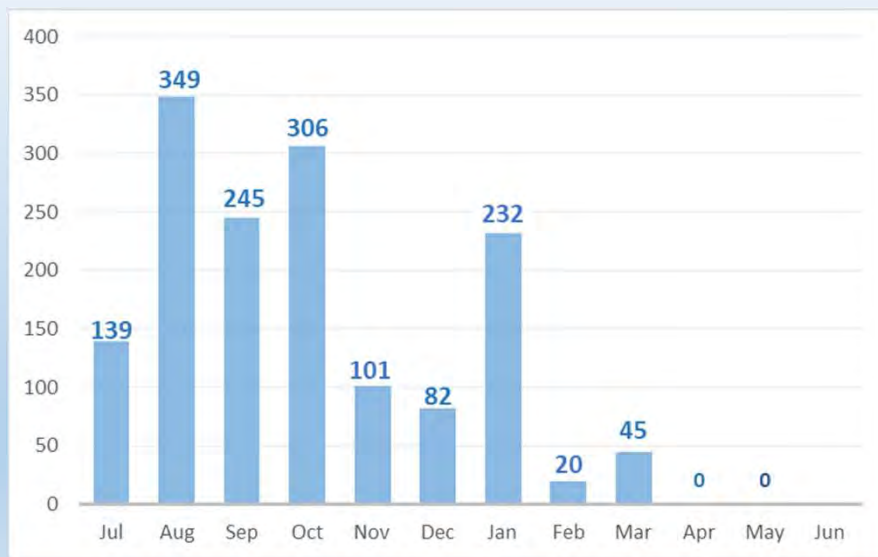
Valves Replaced



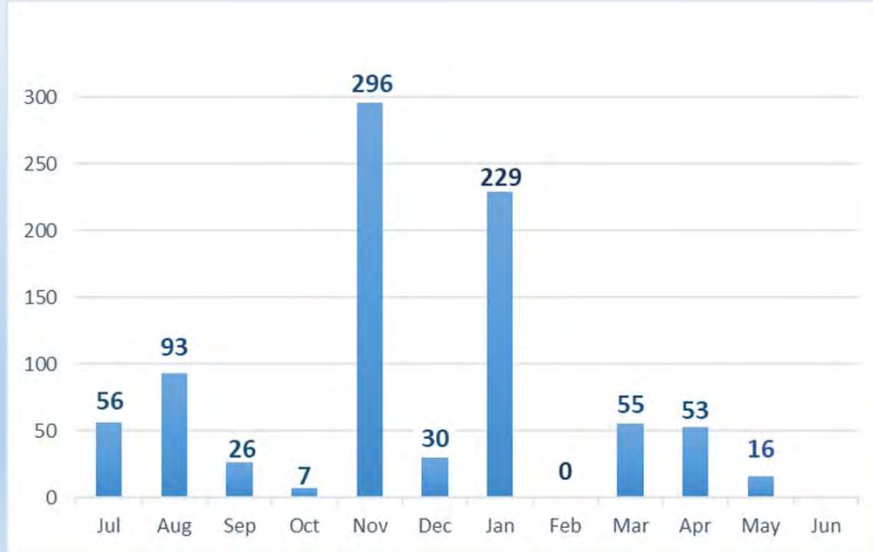
Rolling Total Broken Valves



Planned Outages > 4 Hours # of Customers Affected



Unplanned Disruption > 4 Hours # of Customers Affected



Meter Exchange



M E M O

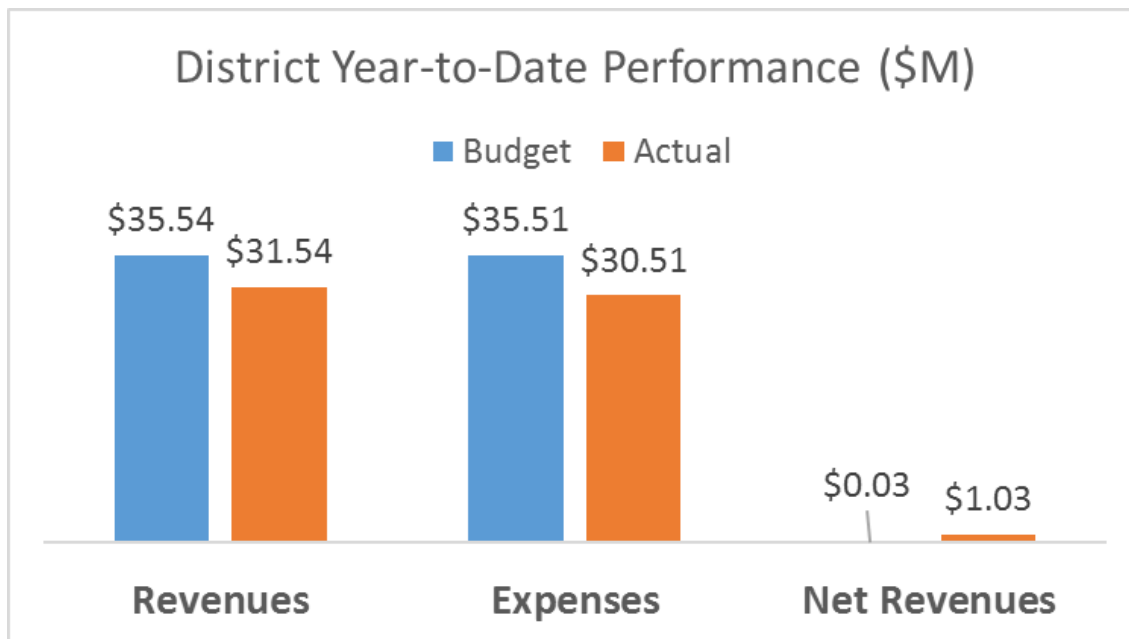
TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 22, 2020
SUBJECT: Financial Summary Report – May

Purpose

Provide an overview of changes in the District's financial position.

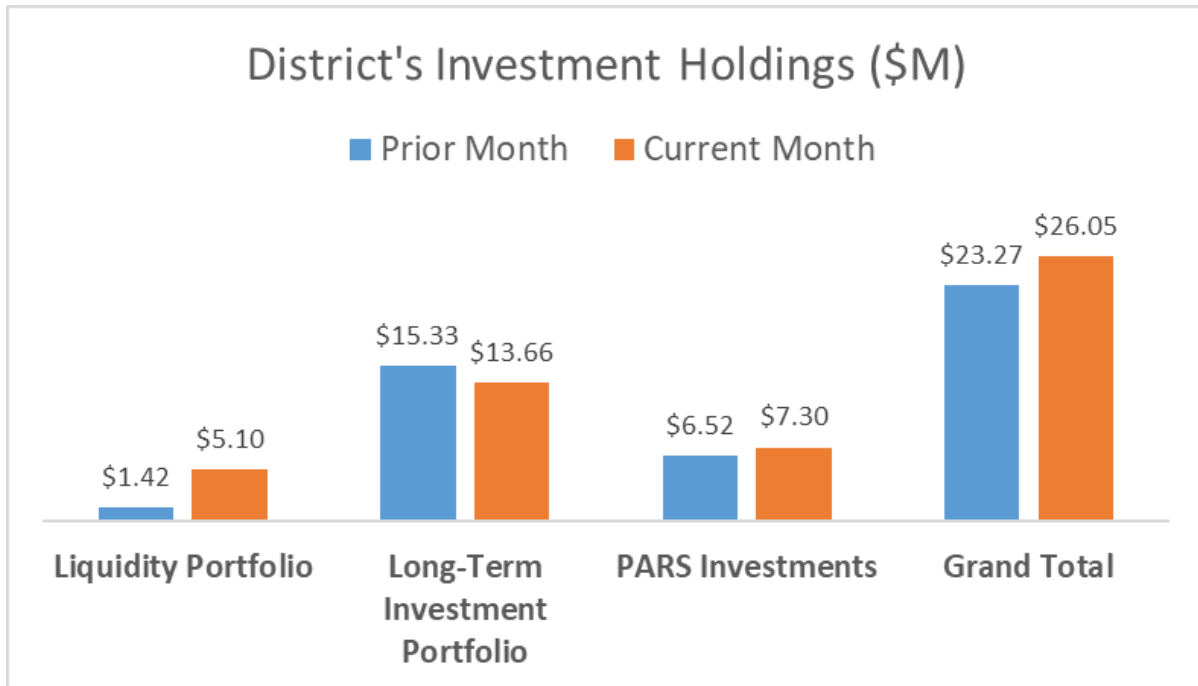
Summary

The graph below shows the District's year-to-date Revenues, Expenditures and Net revenues.



Total revenues are under budget due to lower than expected water and wastewater sales. Expenditures, including the Capital Improvement Program (CIP) expenditures, are below budget due to reduced water purchases driven by lower demands and lower than budgeted CIP expenditures. The year-to-date, expenditures are net of reimbursement related to the Santa Margarita Conjunctive Use Project (SMCUP) State loan. The budget includes budgeted SMCUP reimbursements and Actual includes reimbursements based upon actual expenditures. This shows that the District's overall financial performance, once SMCUP expenditures are reimbursed, will be slightly better than budget expectations. State funds are expected to continue to lag the payment of SMCUP invoices by more than a month.

The graph below shows the District's bank holdings reported in the Treasurer's Report at the end of the current and prior month.



Overall the District's financial position improved with \$2.8 million more held in District accounts at month end. The change in the Liquidity Portfolio, was driven by \$3.4 million in reimbursements from the State received in May. As noted in the Treasurer's Report, \$1.38 million was incorrectly classified as Operations funded and deposited in to the District's Liquidity Portfolio. These funds should have been returned to the District's LAIF account, which is part of the District's Long-term Investment Portfolio. While this correction has been made, the error was not identified until after month end. The LAIF account, per Board direction, is now being used to fund Santa Margarita Conjunctive Use Project expenditures until State reimbursement is received. The District also transferred \$100,000 in to the PARS Pension account as part of the Budgeted transfer to that account.

Recommended Action

This item is for discussion only. No action is required.

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 22, 2020
SUBJECT: Treasurer's Report

Purpose

Provide the May, 2020 Treasurer's Report. Confirm that the District's investment portfolio is in compliance with the Investment Policy and that the District is able to meet the expenditure requirements for the next 6-months.

Notes

The District received \$3.4 million in reimbursement from the State in May. The account balances reported below reflect this. It should be noted that a portion of the reimbursement received from the State was incorrectly classified as Operating funded instead of LAIF funded. Because this was not corrected until after the end of the month, the CAMP Account balance includes \$1.4 million in funds that should have been returned to the LAIF account. In addition, the District added \$0.1 million to the PARS account.

Summary

Treasurer's Report May 31, 2020

Account	Beginning Balance	Ending Balance
Operating Fund	\$ 17,349	\$ 16,370
Money Market	\$ 870,006	\$ 1,118,074
County Pool	\$ 15,430	\$ 15,430
CAMP Account	\$ 513,729	\$ 3,945,213
<i>District's Liquidity Portfolio</i>	\$ 1,416,514	\$ 5,095,087
PFM Managed Long-term Investment Portfolio*	\$ 11,163,216	\$ 11,218,552
LAIF (Long-term Reserves)	\$ 4,170,617	\$ 2,436,617
PARS (OPEB & Pension Trust)**	\$ 6,967,674	\$ 7,299,416
<i>District Accounts Total</i>	\$ 23,718,021	\$ 26,049,672

*\$6.21M of funds are from the sale of the Santa Margarita properties.

**\$3.78M of funds are from the sale of the Santa Margarita Properties.



Dave Shank
June 22, 2020



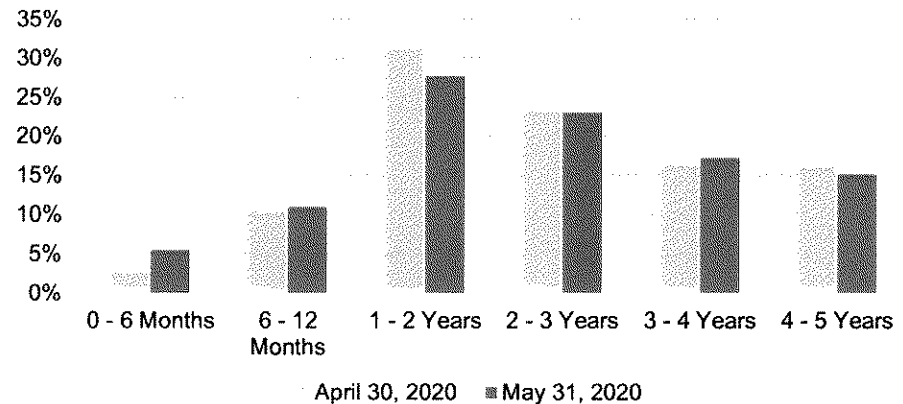
Fallbrook Public Utilities District - Holdings Summary

Security Type	April 30, 2020	May 31, 2020	Change (\$)	Change (%)
U.S. Treasury	\$5,891,057.81	\$5,890,762.47	(\$295.34)	0.0%
Municipal	\$172,813.50	\$172,985.20	\$171.70	0.1%
Federal Agency CMO	\$113,976.43	\$114,421.51	\$445.08	0.4%
Corporate Note	\$3,599,885.88	\$3,634,640.47	\$34,754.59	1.0%
Negotiable CD	\$282,073.40	\$282,424.80	\$351.40	0.1%
Asset-Backed Security	\$800,986.23	\$786,568.24	(\$14,417.99)	-1.8%
Securities Total	\$10,860,793.25	\$10,881,802.69	\$21,009.44	0.2%
Money Market Fund	\$302,422.88	\$336,749.14	\$34,326.26	11.4%
Total Investments	\$11,163,216.13	\$11,218,551.83	\$55,335.70	0.5%

Summary

FY 19-20 Accrual Earnings	\$317,856.50
Yield to Maturity at Cost	2.21%
Weighted Average Maturity (Years)	2.42

Maturity Distribution





Managed Account Security Transactions & Interest

For the Month Ending **May 31, 2020**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	05/01/20	05/01/20	PNC BANK NA CORP NOTES DTD 11/01/2019 2.200% 11/01/2024	693475AY1	100,000.00	0.00	1,100.00	1,100.00			
	05/01/20	05/01/20	MONEY MARKET FUND	MONEY0002	0.00	0.00	46.00	46.00			
	05/01/20	05/25/20	FHLMC SERIES K721 A2 DTD 12/01/2015 3.090% 08/01/2022	3137BM6P6	110,000.00	0.00	283.25	283.25			
	05/10/20	05/10/20	BRANCH BANKING & TRUST (CALLABLE) NOTE DTD 05/10/2016 2.050% 05/10/2021	05531FAV5	250,000.00	0.00	2,562.50	2,562.50			
	05/15/20	05/15/20	JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	30,000.00	0.00	55.25	55.25			
	05/15/20	05/15/20	JDOT 2018-A A3 DTD 02/28/2018 2.660% 04/15/2022	47788CAC6	19,684.74	0.00	43.63	43.63			
	05/15/20	05/15/20	JOHN DEERE ABS 2017-B A3 DTD 07/15/2017 1.820% 10/15/2021	47788BAD6	6,447.28	0.00	9.78	9.78			
	05/15/20	05/15/20	COPAR 2019-1 A3 DTD 05/30/2019 2.510% 11/15/2023	14042WAC4	40,000.00	0.00	83.67	83.67			
	05/15/20	05/15/20	DCENT 2019-A3 A DTD 10/31/2019 1.890% 10/15/2024	254683CM5	120,000.00	0.00	189.00	189.00			
	05/15/20	05/15/20	HAROT 2018-1 A3 DTD 02/28/2018 2.640% 02/15/2022	43814UAC3	73,320.19	0.00	161.30	161.30			
	05/15/20	05/15/20	MBALT 2019-B A3 DTD 11/20/2019 2.000% 10/17/2022	58769QAC5	60,000.00	0.00	100.00	100.00			
	05/15/20	05/15/20	FORD ABS 2017-A A3 DTD 01/25/2017 1.670% 06/15/2021	34531EAD8	4,292.00	0.00	5.97	5.97			
	05/15/20	05/15/20	COMET 2019-A2 A2 DTD 09/05/2019 1.720% 08/15/2024	14041NFU0	285,000.00	0.00	408.50	408.50			
	05/15/20	05/15/20	US TREASURY NOTES DTD 05/15/2018 2.625% 05/15/2021	9128284P2	100,000.00	0.00	1,312.50	1,312.50			
	05/15/20	05/15/20	ALLY ABS 2017-4 A3 DTD 08/23/2017 1.750% 12/15/2021	02007FAC9	24,844.05	0.00	36.23	36.23			
	05/16/20	05/16/20	GM FINANCIAL SECURITIZED TERM DTD 07/24/2019 2.180% 04/16/2024	36257PAD0	50,000.00	0.00	90.83	90.83			



Managed Account Security Transactions & Interest

For the Month Ending **May 31, 2020**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
05/17/20	05/17/20	CATERPILLAR FINL SERVICE CORP NOTES DTD 05/17/2019 2.850% 05/17/2024	1491302V0	95,000.00	0.00	1,353.75	1,353.75			
05/17/20	05/17/20	MORGAN STANLEY BONDS DTD 11/17/2016 2.625% 11/17/2021	61746BED4	220,000.00	0.00	2,887.50	2,887.50			
05/18/20	05/18/20	SWEDBANK (NEW YORK) CERT DEPOS DTD 05/18/2020 2.270% 11/16/2020	87019U6D6	280,000.00	0.00	3,213.31	3,213.31			
05/21/20	05/21/20	HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	75,000.00	0.00	157.50	157.50			
05/30/20	05/30/20	ABBOTT LABORATORIES CORP NOTES DTD 11/22/2016 3.400% 11/30/2023	002824BE9	135,000.00	0.00	2,295.00	2,295.00			
Transaction Type Sub-Total				2,078,588.26	0.00	16,395.47	16,395.47			
PAYDOWNS										
05/15/20	05/15/20	ALLY ABS 2017-4 A3 DTD 08/23/2017 1.750% 12/15/2021	02007FAC9	3,897.12	3,897.12	0.00	3,897.12	0.05	0.00	
05/15/20	05/15/20	FORD ABS 2017-A A3 DTD 01/25/2017 1.670% 06/15/2021	34531EAD8	3,499.96	3,499.96	0.00	3,499.96	0.02	0.00	
05/15/20	05/15/20	JDOT 2018-A A3 DTD 02/28/2018 2.660% 04/15/2022	47788CAC6	2,423.06	2,423.06	0.00	2,423.06	0.17	0.00	
05/15/20	05/15/20	HAROT 2018-1 A3 DTD 02/28/2018 2.640% 02/15/2022	43814UAC3	6,262.44	6,262.44	0.00	6,262.44	0.81	0.00	
05/15/20	05/15/20	JOHN DEERE ABS 2017-B A3 DTD 07/15/2017 1.820% 10/15/2021	47788BAD6	1,848.21	1,848.21	0.00	1,848.21	0.13	0.00	
Transaction Type Sub-Total				17,930.79	17,930.79	0.00	17,930.79	1.18	0.00	
Managed Account Sub-Total					17,930.79	16,395.47	34,326.26	1.18	0.00	
Total Security Transactions					\$17,930.79	\$16,395.47	\$34,326.26	\$1.18	\$0.00	



Account Statement - Transaction Summary

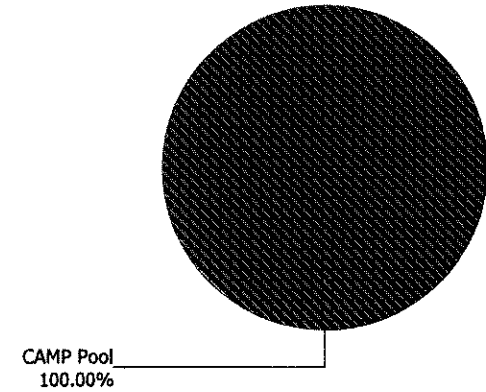
For the Month Ending **May 31, 2020**

Fallbrook Public Utility District - Liquidity - 6050-004

CAMP Pool	
Opening Market Value	513,729.37
Purchases	3,431,483.41
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$3,945,212.78
Cash Dividends and Income	554.41

Asset Summary	May 31, 2020	April 30, 2020
CAMP Pool	3,945,212.78	513,729.37
Total	\$3,945,212.78	\$513,729.37

Asset Allocation
CAMP Pool 100.00%





Account Statement

For the Month Ending **May 31, 2020**

Fallbrook Public Utility District - Liquidity - 6050-004

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					513,729.37
05/27/20	05/27/20	Purchase - Incoming Wires	1.00	3,430,929.00	3,944,658.37
05/29/20	06/01/20	Accrual Income Div Reinvestment - Distributions	1.00	554.41	3,945,212.78
Closing Balance					3,945,212.78

	Month of May	Fiscal YTD July-May		
Opening Balance	513,729.37	2,821,437.95	Closing Balance	3,945,212.78
Purchases	3,431,483.41	5,973,774.83	Average Monthly Balance	1,067,158.67
Redemptions (Excl. Checks)	0.00	(4,850,000.00)	Monthly Distribution Yield	0.67%
Check Disbursements	0.00	0.00		
Closing Balance	3,945,212.78	3,945,212.78		
Cash Dividends and Income	554.41	42,845.83		

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
 P.O. Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001

June 03, 2020

[LAI Home](#)
[PMIA Average](#)
[Monthly Yields](#)

FALLBROOK PUBLIC UTILITY DISTRICT

TREASURER
 P.O. BOX 2290
 FALLBROOK, CA 92088

[Tran Type](#)
[Definitions](#)

Account Number: 85-37-001

May 2020 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
5/14/2020	5/13/2020	RW	1641670	N/A	DAVID SHANK	-1,734,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	4,170,617.02
Total Withdrawal:	-1,734,000.00	Ending Balance:	2,436,617.02

FALLBROOK PUBLIC UTILITY DISTRICT
PARS Post-Employment Benefits Trust

Account Report for the Period
5/1/2020 to 5/31/2020

David Shank
Assistant General Manager/CFO
Fallbrook Public Utility District
990 East Mission Road
Fallbrook, CA 92028

Account Summary

Source	Balance as of 5/1/2020	Contributions	Earnings	Expenses	Distributions	Transfers	Balance as of 5/31/2020
OPEB	\$986,760.60	\$0.00	\$33,220.77	\$447.73	\$0.00	\$0.00	\$1,019,533.64
PENSION	\$5,980,913.79	\$100,000.00	\$201,682.41	\$2,713.73	\$0.00	\$0.00	\$6,279,882.47
Totals	\$6,967,674.39	\$100,000.00	\$234,903.18	\$3,161.46	\$0.00	\$0.00	\$7,299,416.11

Investment Selection

Source

OPEB Moderate HighMark PLUS
PENSION Moderate HighMark PLUS

Investment Objective

Source

OPEB The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

PENSION The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Investment Return

Source	1-Month	3-Months	1-Year	Annualized Return			Plan's Inception Date
				3-Years	5-Years	10-Years	
OPEB	3.37%	-0.54%	5.63%	4.69%	-	-	2/16/2017
PENSION	3.36%	-0.55%	5.62%	4.56%	-	-	2/16/2017

Information as provided by US Bank, Trustee for PARS: Not FDIC Insured: No Bank Guarantee: May Lose Value

Past performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.
Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.
Account balances are inclusive of Trust Administration, Trustee and Investment Management fees

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 22, 2020
SUBJECT: Budget Status Report for Fiscal Year 2019-2020

Purpose

Provide a Budget Status Report (BSR) to the Board.

Summary

The BSR shows the District's financial performance compared to the budget for the month of May, Year-to-Date and the annual budgeted amount.

Total revenues year-to-date are below budget by 10.6%. This under performance is due to lagging water sales, which as shown in the monthly water sales chart below are 20% below budget. Water sales levels for the year are expected to be in line with last year's levels and well below the budget levels. Water sales levels have been adjusted down in the Fiscal Year 2020-21 Recommended Budget to reflect this trend.

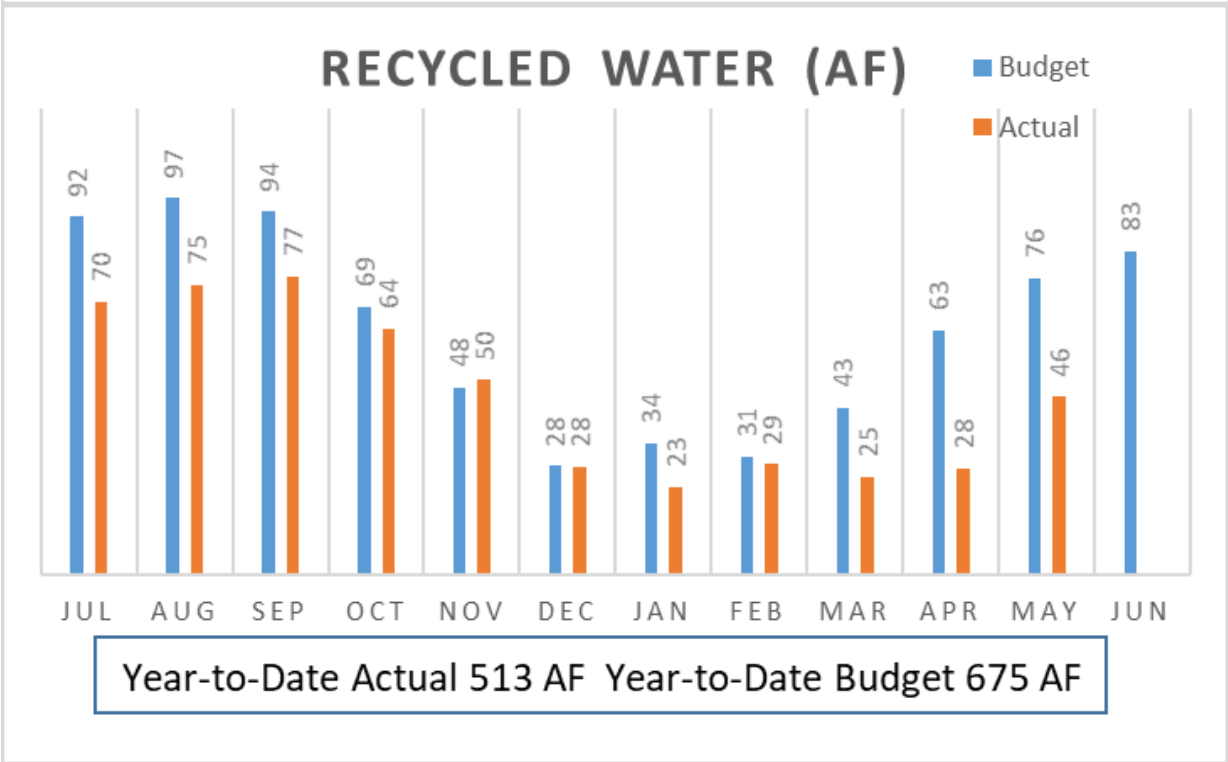
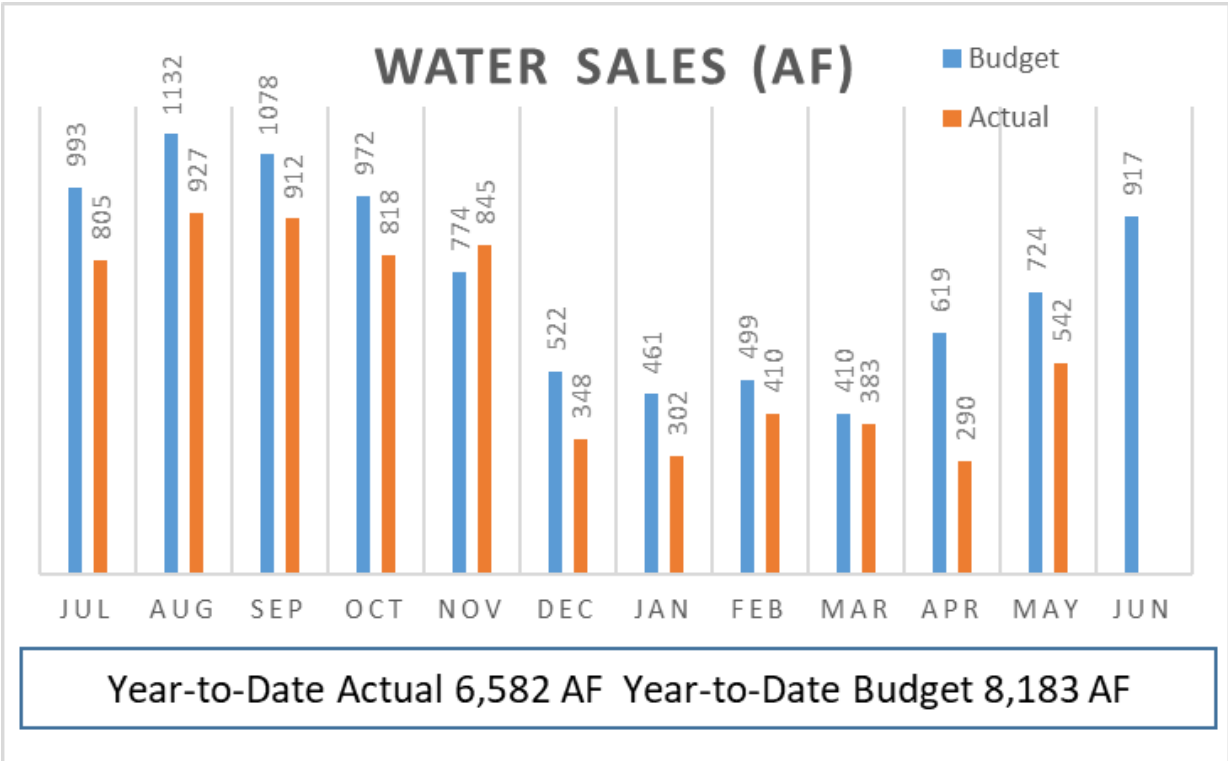
Non-operating revenues have been higher than budgeted helping to offset lower operating revenues. The higher than budgeted non-operating revenues have been driven by property tax, capacity charge and portfolio interest revenues along with facility rents and other non-operating revenues, which are over the budgeted levels.

The District's year-to-date total expenditures are under budget due to the lower than budgeted purchased water expense, which is a result of lower water sales levels and lower than budgeted operating expenditures.

Total revenue is \$31,536,455 or 11.3% under budget and total expenditures are \$25,948,955 or 12.0% under budget. Capital spending for Santa Margarita Conjunctive Use Project (SMCUP) is under budget as are other capital project costs. The result of this financial performance is a Net Loss. However, once expected State Loan proceeds are factored in, the District's financial results will be slightly better than budgeted.

Recommended Action

This item is for discussion only. No action is required.



Monthly Budget Report for May

Favorable Variance Shown as a positive number

	Current Month		Year-To-Date				Annual Budget		
	Actual	Budget	Actual	Budget	Variance	%	Budget	Remaining Balance	%
Operating Revenues:								Year remaining	8.3%
Water Sales	1,152,325	1,600,153	13,174,743	17,018,912	(3,844,169)	-22.6%	19,029,180	5,854,437	30.8%
Water Meter Service Charges	604,768	606,190	6,375,872	6,398,677	(22,805)	-0.4%	7,004,867	628,995	9.0%
Wastewater Service Charges	493,007	488,719	5,411,393	5,725,357	(313,964)	-5.5%	6,214,076	802,683	12.9%
Recycled Water Revenues	82,788	145,140	863,979	1,225,218	(361,239)	-29.5%	1,382,830	518,851	37.5%
Other Operating Revenue	-	917	-	10,083	(10,083)	-100.0%	11,000	11,000	100.0%
CWA Rebates	-	-	53,520	50,003	3,517	7.0%	50,003	(3,517)	-7.0%
Total Operating Revenue	2,332,888	2,841,119	25,879,507	30,428,250	(4,548,744)	-14.9%	33,691,956	7,812,449	23.2%
Non Operating Revenues:									
Water Capital Improvement Charge	116,050	115,892	1,250,993	1,274,810	(23,818)	-1.9%	1,390,702	139,709	10.0%
Wastewater Capital Improvement Charge	97,898	98,775	1,071,305	1,086,524	(15,219)	-1.4%	1,185,299	113,994	9.6%
Property Taxes	41,372	16,982	2,144,919	1,884,533	260,386	13.8%	1,918,296	(226,623)	-11.8%
Water Standby/Availability Charge	2,021	4,026	189,200	192,873	(3,674)	-1.9%	203,000	13,800	6.8%
Water/Wastewater Capacity Charges	5,771	8,460	109,900	93,062	16,838	18.1%	101,522	(8,378)	-8.3%
Portfolio Interest	14,609	23,712	376,981	260,832	116,149	44.5%	284,544	(92,437)	-32.5%
Pumping Capital Improvement Charge	1,626	3,083	21,030	33,917	(12,887)	-38.0%	37,000	15,970	43.2%
Federal Interest Rate Subsidy	60,499	60,097	123,762	122,647	1,115	0.9%	122,647	(1,115)	-0.9%
Facility Rents	17,886	-	216,991	-	216,991	NA	-	(216,991)	NA
Other Non-Operating Revenues	8,170	15,004	151,869	165,042	(13,174)	-8.0%	180,046	28,177	15.7%
Total Non Operating Revenues	365,903	346,032	5,656,948	5,114,240	542,708	10.6%	5,423,052	(233,896)	-4.3%
Total Revenues	2,698,791	3,187,151	31,536,455	35,542,490	(4,006,035)	-11.3%	39,115,008	7,578,553	19.4%
Expenditures									
Purchased Water Expense	1,007,372	1,308,636	11,361,473	14,436,571	3,075,098	21.3%	15,987,885	4,626,412	28.9%
Water Services	263,073	236,599	2,949,853	3,050,816	100,964	3.3%	3,287,415	337,562	10.3%
Wastewater Services	203,616	215,286	2,605,468	2,759,796	154,328	5.6%	2,975,082	369,614	12.4%
Recycled Water Services	35,350	43,342	413,645	546,552	132,908	24.3%	589,894	176,249	29.9%
Administrative Services	578,715	464,397	5,857,228	5,943,114	85,887	1.4%	6,407,511	550,283	8.6%
Total Operating Expenses	2,088,126	2,268,260	23,187,665	26,736,849	3,549,184	13.3%	29,247,787	6,060,121	20.7%
Debt Service Expenses									
SMCUP SRF	-	-	20	-	(20)	NA	-	(20)	NA
Red Mountain SRF	-	-	395,850	395,850	-	0.0%	395,850	-	0.0%
WWTP SRF	-	-	1,845,746	1,845,746	-	0.0%	1,845,746	-	0.0%
QECB Solar Debt	258,261	258,261	519,674	519,674	-	0.0%	519,674	-	0.0%
Total Debt Service	258,261	258,261	2,761,290	2,761,270	(20)	0.0%	2,761,270	(20)	0.0%
Total Expenses	2,346,387	2,526,521	25,948,955	29,498,119	3,549,164	12.0%	32,009,056	6,060,101	18.9%
Net Revenue/(loss) From Operations and Debt Service	352,404	660,631	5,587,500	6,044,371	(456,871)	-8%	7,105,951	1,518,451	21.4%
Capital Investment									
Capital Investment									
Construction Expenditures	849,291	750,403	4,561,299	6,011,016	1,449,717	24.1%	6,529,933	1,968,634	30.1%
SMCUP Expenditures*	5,350,622	5,166,748	21,256,279	23,245,904	1,989,625	8.6%	27,179,100	5,922,821	21.8%
SRF Loan Proceeds Draw (Capital Project Funds)	(3,430,929)	(5,166,748)	(8,450,455)	(23,245,904)	(14,795,450)	63.6%	(27,179,100)	(18,728,645)	68.9%
Net Revenue/(Loss)	(2,416,580)	(89,773)	(11,779,624)	33,355	(11,812,979)	-35415.9%	576,018	12,355,642	2145.0%

*CIP expenditures related to the SMCUP have been updated based upon contractor draw scheduled and are funded by SRF Loan proceeds.

05/31/2020

Treasurer's Warrant No. May

TO: Treasurer of the Fallbrook Public Utility District

The bills and claims listed below are approved as authorized by resolution no. 3538 of the Board of Directors dated July 8, 1985. You are hereby authorized and directed to pay said prospective claims for the amounts stated (less discounts in instances where discounts are allowed).

Payroll -05/2020

Computer Check Register

Payroll #1	\$138,553.21
Payroll #2	<u>\$136,510.33</u>
	<u>\$275,063.54</u>

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
 Printed: 6/3/2020 2:30 PM



Fallbrook Public Utility District
 Purchasing Dept. Phone: (760) 728-1151, Fax: (760) 728-8491
 Main Office Phone: (760) 728-1125, Fax: (760) 728-6029

Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	00152	FPUD EMPL ASSOCIATION	05/07/2020	487.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	05/07/2020	3,523.00
ACH	06758	US TREASURY - PAYROLL TAXES	05/07/2020	54,670.68
ACH	06759	STATE OF CA - PR TAXES	05/07/2020	8,250.87
ACH	06760	STATE OF CA - SDI	05/07/2020	2,155.93
ACH	06761	LINCOLN FINANCIAL GROUP	05/07/2020	7,323.34
ACH	06763	PERS - PAYROLL	05/07/2020	36,842.64
ACH	91508	CALIFORNIA STATE DISBURSEMENT	05/07/2020	346.15
83530	02925	DATA NET SOLUTIONS	05/07/2020	2,551.25
83531	02170	GRAINGER, INC.	05/07/2020	800.27
83532	91286	AMAZON CAPITAL SERVICES, INC.	05/07/2020	1,303.44
83533	91550	AMERICAN BUSINESS BANK	05/07/2020	2,760.45
83534	06020	BABCOCK LABORATORIES, INC	05/07/2020	1,810.00
83535	91440	BP BATTERY INC	05/07/2020	279.13
83536	91429	BSK ASSOCIATES	05/07/2020	1,035.00
83537	03134	CALIFORNIA WATER ENVIRONMENT	05/07/2020	192.00
83538	UB*00332	MARILYN COLBURN	05/07/2020	198.01
83539	05192	DIAMOND ENVIRONMENTAL SERVIC	05/07/2020	350.65
83540	91123	DIGITAL DEPLOYMENT, INC.	05/07/2020	550.00
83541	05177	DOWNEY BRAND, LLP	05/07/2020	8,641.48
83542	04411	ENVIRONMENTAL RESOURCE ASSOC	05/07/2020	1,740.70
83543	01099	FALLBROOK IRRIGATION INC	05/07/2020	40.38
83544	01432	FERGUSON WATERWORKS #1083	05/07/2020	10,890.73
83545	02767	GRANGETTO FARM & GARDEN SUPPI	05/07/2020	391.88
83546	06429	HEALTHPOINTE MEDICAL GROUP,INC	05/07/2020	150.00
83547	91536	ICONIX WATERWORKS (US) INC.	05/07/2020	2,539.25
83548	06577	INFOSEND INC	05/07/2020	1,306.82
83549	05255	INLAND WATER WORKS SUPPLY CO.	05/07/2020	1,551.60
83550	91029	MALLORY SAFETY AND SUPPLY CO	05/07/2020	215.84
83551	91077	MULTI SERVICE TECHNOLOGY SOLU	05/07/2020	406.69
83552	91151	OCEAN DATA SYSTEMS INC	05/07/2020	918.00
83553	91522	PACIFIC HYDROTECH CORP	05/07/2020	52,448.31
83554	91007	PFM ASSET MANGEMENT LLC	05/07/2020	916.28
83555	00216	PINE TREE LUMBER	05/07/2020	53.94
83556	06199	PLUMBERS DEPOT INC	05/07/2020	574.10
83557	90923	SANCON TECHNOLOGIES INC.	05/07/2020	39,447.00
83558	00236	SCRAPPYS	05/07/2020	906.86
83559	91385	VERONICA TAMZIL	05/07/2020	60.00
83560	05731	TEMECULA VALLEY POWDER COATIN	05/07/2020	312.50
83561	04290	VILLAGE NEWS, INC.	05/07/2020	750.00
83562	00233	WAXIE SANITARY SUPPLY	05/07/2020	142.62
83563	UB*00331	STAN & DEBORAH WHITE	05/07/2020	31.58
Total for 5/7/2020:				249,866.37
83564	91256	AFP	05/14/2020	325.00
83565	91286	AMAZON CAPITAL SERVICES, INC.	05/14/2020	234.64

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83566	91216	APGN INC	05/14/2020	439.00
83567	02805	ASBURY ENVIRONMENTAL SERVICES	05/14/2020	2,407.00
83568	91534	ASI NETWORKS, INC.	05/14/2020	5,621.95
83569	UB*00333	ANTHONY & KIM BARNES	05/14/2020	0.64
83570	91069	BRENNTAG PACIFIC INC.	05/14/2020	1,952.55
83571	03978	CAMERON WELDING SUPPLY	05/14/2020	3,421.28
83572	03205	CITY OF OCEANSIDE	05/14/2020	653.36
83573	91210	CORE & MAIN LP	05/14/2020	1,476.99
83574	06299	D & H WATER SYSTEMS, INC	05/14/2020	689.90
83575	02925	DATA NET SOLUTIONS	05/14/2020	2,852.25
83576	91291	EVANTEC CORPORATION	05/14/2020	155.00
83577	91552	FAITH AUTO GLASS AND TINTING	05/14/2020	191.98
83578	09523	FALLBROOK EQUIP RENTALS	05/14/2020	7,782.57
83579	00169	FALLBROOK OIL COMPANY	05/14/2020	2,636.81
83580	01155	FALLBROOK REFUSE	05/14/2020	215.80
83581	00170	FALLBROOK WASTE & RECYCLING	05/14/2020	818.35
83582	91499	FILANC ALBERICI A JOINT VENTURE	05/14/2020	1,383,761.84
83583	04958	GOSCH FORD TEMECULA	05/14/2020	2,180.78
83584	02170	GRAINGER, INC.	05/14/2020	2,564.53
83585	91544	HAZEN AND SAWYER, D.P.C.	05/14/2020	5,802.50
83586	06577	INFOSEND INC	05/14/2020	1,238.50
83587	06359	INFRASTRUCTURE ENGINEERING CO	05/14/2020	228,066.67
83588	05255	INLAND WATER WORKS SUPPLY CO.	05/14/2020	13.19
83589	06267	J2 GLOBAL IRELAND LIMITED	05/14/2020	59.91
83590	00190	JCI JONES CHEMICALS INC.	05/14/2020	4,056.56
83591	06243	JIM'S SIGN SHOP	05/14/2020	102.36
83592	04027	JOES HARDWARE	05/14/2020	1,388.35
83593	06479	KNOCKOUT PEST CONTROL & TERMI	05/14/2020	550.00
83594	91192	MISSION LINEN SUPPLY	05/14/2020	981.60
83595	91077	MULTI SERVICE TECHNOLOGY SOLU'	05/14/2020	456.17
83596	90932	NAPA AUTO PARTS	05/14/2020	1,279.62
83597	00370	NUTRIEN AG SOLUTIONS, INC.	05/14/2020	168.28
83598	06298	ONESOURCE DISTRIBUTORS, LLC	05/14/2020	153.87
83599	91207	PARRISH & SON SPECIALTIES	05/14/2020	3,012.38
83600	91155	QUALITY GATE COMPANY, INC	05/14/2020	625.00
83601	00231	SAN DIEGO COUNTY WATER AUTH	05/14/2020	723,826.91
83602	00232	SAN DIEGO GAS & ELECTRIC	05/14/2020	39,523.39
83603	90923	SANCON TECHNOLOGIES INC.	05/14/2020	39,340.00
83604	91094	SCADA INTEGRATIONS	05/14/2020	7,449.75
83605	90929	SOUTHWEST ANSWERING SERVICE, I	05/14/2020	559.34
83606	05319	T.S. INDUSTRIAL SUPPLY	05/14/2020	897.99
83607	91255	TOP-LINE INDUSTRIAL SUPPLY L.L.C.	05/14/2020	403.62
83608	00724	UNDERGROUND SERVICE ALERT	05/14/2020	345.78
83609	06211	UNITED IMAGING	05/14/2020	536.92
83610	91500	US BANK NATIONAL ASSOCIATION	05/14/2020	72,829.57
83611	00458	VERIZON WIRELESS	05/14/2020	1,400.31
83612	91480	WAVE CONNECTS	05/14/2020	1,925.00
83613	00233	WAXIE SANITARY SUPPLY	05/14/2020	71.31
83614	01719	MICKEY M. CASE	05/14/2020	60.00
83615	02767	GRANGETTO FARM & GARDEN SUPPI	05/14/2020	71.08
83616	06555	LIEBERT CASSIDY WHITMORE	05/14/2020	250.00
83617	91461	OCEANSIDE SECURITY AGENCY	05/14/2020	2,231.00
83618	91107	SPECTRUM BUSINESS	05/14/2020	122.58
83619	02927	TIM STERGER	05/14/2020	120.00

Total for 5/14/2020:

2,560,301.73

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ACH	00152	FPUD EMPL ASSOCIATION	05/21/2020	487.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	05/21/2020	3,523.00
ACH	06758	US TREASURY - PAYROLL TAXES	05/21/2020	54,164.42
ACH	06759	STATE OF CA - PR TAXES	05/21/2020	8,161.06
ACH	06760	STATE OF CA - SDI	05/21/2020	2,142.28
ACH	06761	LINCOLN FINANCIAL GROUP	05/21/2020	7,323.34
ACH	06763	PERS - PAYROLL	05/21/2020	36,646.24
ACH	91508	CALIFORNIA STATE DISBURSEMENT	05/21/2020	346.15
83621	91490	AMAZON WEB SERVICES, INC.	05/21/2020	1,064.82
83622	05088	AT&T	05/21/2020	781.02
83623	03978	CAMERON WELDING SUPPLY	05/21/2020	479.00
83624	06115	CDW GOVERNMENT INC.	05/21/2020	1,529.35
83625	91541	CLARIFIER PERFORMANCE EVALUAT	05/21/2020	4,000.00
83626	91210	CORE & MAIN LP	05/21/2020	103.44
83627	02176	CORELOGIC SOLUTIONS, LLC	05/21/2020	225.00
83628	05953	CORODATA RECORDS MANAGEMENT	05/21/2020	647.43
83629	06675	CORODATA SHREDDING, INC	05/21/2020	64.37
83630	02925	DATA NET SOLUTIONS	05/21/2020	1,884.35
83631	91551	DEBRA L. REILLY, A PROFESSIONAL I	05/21/2020	26,024.40
83632	06507	EUROFINS EATON ANALYTICAL INC	05/21/2020	453.60
83633	04122	EVOQUA WATER TECHNOLOGIES LLC	05/21/2020	4,269.75
83635	04494	FEDERAL EXPRESS CORPORATION	05/21/2020	25.35
83636	02170	GRAINGER, INC.	05/21/2020	110.10
83637	02767	GRANGETTO FARM & GARDEN SUPPI	05/21/2020	37.65
83638	05970	GRISWOLD INDUSTRIES	05/21/2020	3,312.26
83639	05380	HACH CO	05/21/2020	6,610.55
83640	06577	INFOSEND INC	05/21/2020	973.25
83641	06555	LIEBERT CASSIDY WHITMORE	05/21/2020	481.00
83642	06263	LOS ANGELES FREIGHTLINER, LLC	05/21/2020	220.87
83643	91029	MALLORY SAFETY AND SUPPLY CO	05/21/2020	3,238.60
83644	03201	NATIONAL SAFETY COMPLIANCE INC	05/21/2020	50.00
83645	00370	NUTRIEN AG SOLUTIONS, INC.	05/21/2020	3.01
83646	06298	ONESOURCE DISTRIBUTORS, LLC	05/21/2020	306.14
83647	01267	PACIFIC PIPELINE	05/21/2020	72,291.64
83648	03708	PAULEY EQUIPMENT CO INC	05/21/2020	650.78
83649	91535	PAYMENTUS GROUP, INC	05/21/2020	3,326.63
83650	91173	ROTORK CONTROLS INC.	05/21/2020	724.08
83651	05608	STEVEN ENTERPRISES INC	05/21/2020	326.50
83652	91511	STUDIO WEST LANDSCAPE ARCHITE	05/21/2020	1,750.00
83653	00159	SUPERIOR READY MIX	05/21/2020	778.02
83654	00458	VERIZON WIRELESS	05/21/2020	666.30
83655	91254	WESTERN PUMP, INC.	05/21/2020	757.50
83656	00101	ACWA JPIA	05/21/2020	99,394.26
83657	91286	AMAZON CAPITAL SERVICES, INC.	05/21/2020	208.62
83658	91550	AMERICAN BUSINESS BANK	05/21/2020	540.36
83659	03205	CITY OF OCEANSIDE	05/21/2020	182.65
83660	91272	KEVIN COLLINS	05/21/2020	60.00
83661	91210	CORE & MAIN LP	05/21/2020	871.95
83662	06299	D & H WATER SYSTEMS, INC	05/21/2020	332.59
83663	91553	DELL BUSINESS CREDIT	05/21/2020	2,678.67
83664	05192	DIAMOND ENVIRONMENTAL SERVIC	05/21/2020	225.90
83665	03391	ELECTRICAL SALES INC	05/21/2020	241.02
83666	06303	EXECUTIVE LANDSCAPE INC.	05/21/2020	770.00
83667	01099	FALLBROOK IRRIGATION INC	05/21/2020	64.65
83668	01432	FERGUSON WATERWORKS #1083	05/21/2020	7,036.12
83669	06286	GARDA CL WEST, INC.	05/21/2020	280.48
83670	91533	GLOBAL TEST SUPPLY LLC	05/21/2020	8,728.26

Check No	Vendor No	Vendor Name	Check Date	Check Amount
83671	02767	GRANGETTO FARM & GARDEN SUPPI	05/21/2020	213.71
83672	05380	HACH CO	05/21/2020	759.69
83673	03276	HOME DEPOT CREDIT SERVICES	05/21/2020	171.83
83674	06380	JANI-KING OF CALIFORNIA, INC - SA	05/21/2020	2,993.00
83675	06338	MYTHOS TECHNOLOGY INC	05/21/2020	1,879.94
83676	01406	NORTH COUNTY WELDING SUPPLY	05/21/2020	86.18
83677	UB*00334	ROBERT NOSEK	05/21/2020	45.98
83678	06298	ONESOURCE DISTRIBUTORS, LLC	05/21/2020	21.87
83679	91522	PACIFIC HYDROTECH CORP	05/21/2020	10,266.76
83680	04075	RAYNE WATER SYSTEMS	05/21/2020	135.00
83681	02958	RSIS INC	05/21/2020	1,356.50
83682	04434	SNAP ON TOOLS	05/21/2020	182.10
83683	91082	TELETRAC, INC	05/21/2020	2,084.27
83684	91255	TOP-LINE INDUSTRIAL SUPPLY L.L.C.	05/21/2020	74.53
83685	91276	WOLFE DOOR INDUSTRIES, INC.	05/21/2020	6,680.54
Total for 5/21/2020:				399,527.68
83687	01460	AFLAC	05/28/2020	911.28
83688	91513	ALCHEMY CONSULTING GROUP	05/28/2020	7,500.00
83689	04949	ALLDATA	05/28/2020	1,500.00
83690	05091	ANALYTICAL TECHNOLOGY INC	05/28/2020	314.39
83691	05958	BAMM! PROMOTIONAL PRODUCTS, I	05/28/2020	2,314.91
83692	91547	BARBER-WEBB COMPANY, INC.	05/28/2020	29,924.50
83693	91241	LISA CHAFFIN	05/28/2020	294.54
83694	91330	AARON COOK	05/28/2020	347.13
83695	91210	CORE & MAIN LP	05/28/2020	121.84
83696	03391	ELECTRICAL SALES INC	05/28/2020	195.50
83697	91291	EVANTEC CORPORATION	05/28/2020	155.00
83698	05987	FALLBROOK GARAGE & QWIK LUBE	05/28/2020	139.33
83699	91316	FALLBROOK HEATING & AIR CONDIT	05/28/2020	973.00
83700	00169	FALLBROOK OIL COMPANY	05/28/2020	3,254.14
83701	91540	FIRST BANKCARD	05/28/2020	5,243.96
83702	91108	FLEETCREW	05/28/2020	1,529.85
83703	03174	HAAKER EQUIPMENT COMPANY	05/28/2020	464.77
83704	05380	HACH CO	05/28/2020	1,328.29
83705	91536	ICONIX WATERWORKS (US) INC.	05/28/2020	128.67
83706	06577	INFOSEND INC	05/28/2020	1,408.81
83707	05255	INLAND WATER WORKS SUPPLY CO.	05/28/2020	32,118.12
83708	04926	KONICA MINOLTA PREMIER FINANCE	05/28/2020	2,031.18
83709	91130	LINCOLN NATIONAL LIFE INSURANC	05/28/2020	3,254.55
83710	06156	LOMACK SERVICE CORPORATION	05/28/2020	349.00
83711	91029	MALLORY SAFETY AND SUPPLY CO	05/28/2020	601.26
83712	91427	MITEL CLOUD SERVICES, INC	05/28/2020	1,654.75
83713	91077	MULTI SERVICE TECHNOLOGY SOLU'	05/28/2020	271.85
83714	01267	PACIFIC PIPELINE	05/28/2020	4,026.62
83715	04900	PARADISE CHEVROLET CADILLAC	05/28/2020	293.91
83716	91486	SATELLITE PHONE STORE	05/28/2020	66.82
83717	00236	SCRAPPYS	05/28/2020	1,254.66
83718	06064	SOLENIS LLC	05/28/2020	10,287.99
83719	91223	STERLING HEALTH SERVICES INC.	05/28/2020	125.00
83720	91255	TOP-LINE INDUSTRIAL SUPPLY L.L.C.	05/28/2020	449.79
83721	UB*00335	CJ JR FRANDELL TRUST	05/28/2020	274.60
83722	UB*00336	CJ JR FRANDELL TRUST	05/28/2020	774.78
83723	00458	VERIZON WIRELESS	05/28/2020	6.20
83724	91480	WAVE CONNECTS	05/28/2020	3,498.32
83725	06231	WESTERN WATER WORKS SUPPLY CC	05/28/2020	19,910.05

Check No	Vendor No	Vendor Name	Check Date	Check Amount
			Total for 5/28/2020:	139,299.36
			Report Total (209 checks):	3,348,995.14



Jack Bebee

General Manager