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1922-2022



**Fallbrook Public Utility District
Fiscal Year 2022-23 Adopted 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, President
- District #2 - Ken Endter
- District #3 - Jennifer DeMeo
- District #4 - Don McDougal
- District #5 - Charley Wolk, Vice-President

District Management:

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

Acknowledgment: District Management would like to thank Jodi Brown, Aaron Cook, Mick Cothran, Noelle Denke, Kevin Collins, Mickey Case, Isabel Casteran, Kyle Drake, Owni Toma, Steve Stone, Devin Casteel, Steve Wuerth, Carl Quiram, Eddie Rodriguez, Veronica Tamzil, Annalece Bokma, Yelena Giannuzzi, Kelly Laughlin and Lisa Chaffin for their support in preparing this document.

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June 27, 2022

Board of Directors
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Charley Wolk
Division 5

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General Manager

David Shank
*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

Budget Message

Enclosed is the Fiscal Year 2022-23 Adopted 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.

Overcoming Challenges

This year the pandemic continued to challenge both the District and the World's ability to adapt to a rapidly changing operational environment. With operations adapted to the pandemic work environment, the supply chain disruptions due to material shortages and geopolitical conflict were added to the mix. As a result, the District's had to nimbly manage long lead times on materials and equipment to keep construction projects on schedule.

In addition to the pandemic, the State is entering into another period of drought. This makes sales and local supply availability difficult to project and introduces more volatility in the District's cost and revenue streams. As a result of the Board led enhancements to the District's financial management, staff are better able to report and manage the financial impacts brought by the drought conditions.

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 approximately 60% of the District's water enterprise operating costs. With SDCWA facing operational challenges from declining water demands and the additional costs from the potential 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 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



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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.

Having recently settled over 66 years of water rights litigation with Camp Pendleton Marine Corps Base, the Santa Margarita River Conjunctive Use Project (SMRCUP) has secured a local water supply for the District. This major achievement will provide all future District ratepayers long-term rate relief from increasing water costs at the wholesale and State levels. Construction of the Santa Margarita Groundwater Treatment Plant (SMGTP) was completed this year and it is currently fully operational. The District has secured local supply development incentives from the Metropolitan Water District that will offset some of the projects operating costs and is expected to make the supply cheaper on average than water purchased from SDCWA.

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 been made, but this is a long-term program to meet the future replacement needs.

Continuous Improvement

We 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. This year the District was able to secure over \$180,000 in direct financial assistance for its customers. These funds were applied directly to customer accounts. In addition, the Board used funds refunded by SDCWA to reduce the debt funding of the SMGTP by \$1.5 million. This provides an annual debt service savings of approximately \$75,000/year for the next thirty years. The District also secured grant funding for the construction and operation of four Tesla battery power storage facilities worth \$4.6 million, which will save the District an estimated \$100,000 a year on power costs. These savings are included in this year’s budget.

The District realizes that while small, savings like these add up and help lessen the financial burden our ratepayers face. The District is also participating in the new Low-Income Water Rate Assistance Program, which provides direct financial assistance to customers by paying a portion of their bill directly to the District.





Looking Forward

The District is committed to supporting its ratepayers by helping them access any available economic relief and get through these hard times. 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.

The Fallbrook community has requested that the District take responsibility for improving and maintaining public spaces in the service area. These activities are reflected in this Budget. The District is in the final stages of securing approval from the Local Agency Formation Commission (LAFCO) to assume this responsibility and create the Community Benefit Program. The program would be funded annually with \$546,000 of property tax revenues, supported by existing District staff and managed by a Board approved committee.

As we head into the new fiscal year, California is again faced by drought. The District is preparing for potential water use restrictions to ensure the highest level of water supply reliability possible for ratepayers.

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Budget in Brief

Fiscal Year 2021-22 Accomplishments

- Completed the Santa Margarita Groundwater Treatment Plant (SMGTP) Project construction. The SMGTP has received State permit to be fully operational.
- Developed and executed an operating plan for SMGTP that optimizes operations and minimizes operating costs.
- 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.
- Executed a new 5-year Memorandum of Understanding (MOU) with District employees that reduces the District's future Other Post Employment Benefits (OPEB) costs.
- Continue to move the District's LAFCO initiatives forward and complete the detachment negotiations with the San Diego County Water Authority (SDCWA).
- Developed and implemented a plan to bring the District's delinquent accounts into current status now that the moratorium on water shut-offs has been lifted.
- Secured over \$180,000 in State funds to provide direct financial support for customers behind on bills due to the pandemic.
- The District's Annual Comprehensive Financial Report (ACFR) and an annual budget document that received the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Award and California Society of Municipal Finance Officers (CSMFO) Operating Budget Excellence Award.
- Reduced the loan payment amount for the SMGTP by using funds refunded to the District by SDCWA to pay a portion of the projects costs.

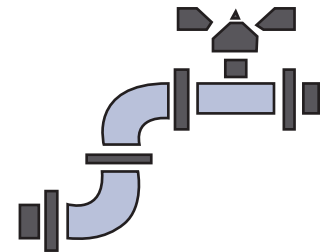
Fiscal Year 2022-23 Goals

The Key Goals for the upcoming year include:

- Operate the District's new SMGTP with a goal of producing approximately 100% of available water.
- Optimize SMGTP operations to maximize supply reliability and minimize operating costs.
- 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.
- Update the District's comprehensive financial plan based upon a detailed cost of service study and stakeholder input. The plan update includes extensive public outreach and the completion of a Proposition 218 process setting the District's maximum rates and charges.
- Continue to move the District's LAFCO initiatives forward and complete the detachment negotiations with the San Diego County Water Authority (SDCWA).
- Produce an Annual Comprehensive Financial Report (ACFR) and an annual budget document that meet the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards

Sources of Funds

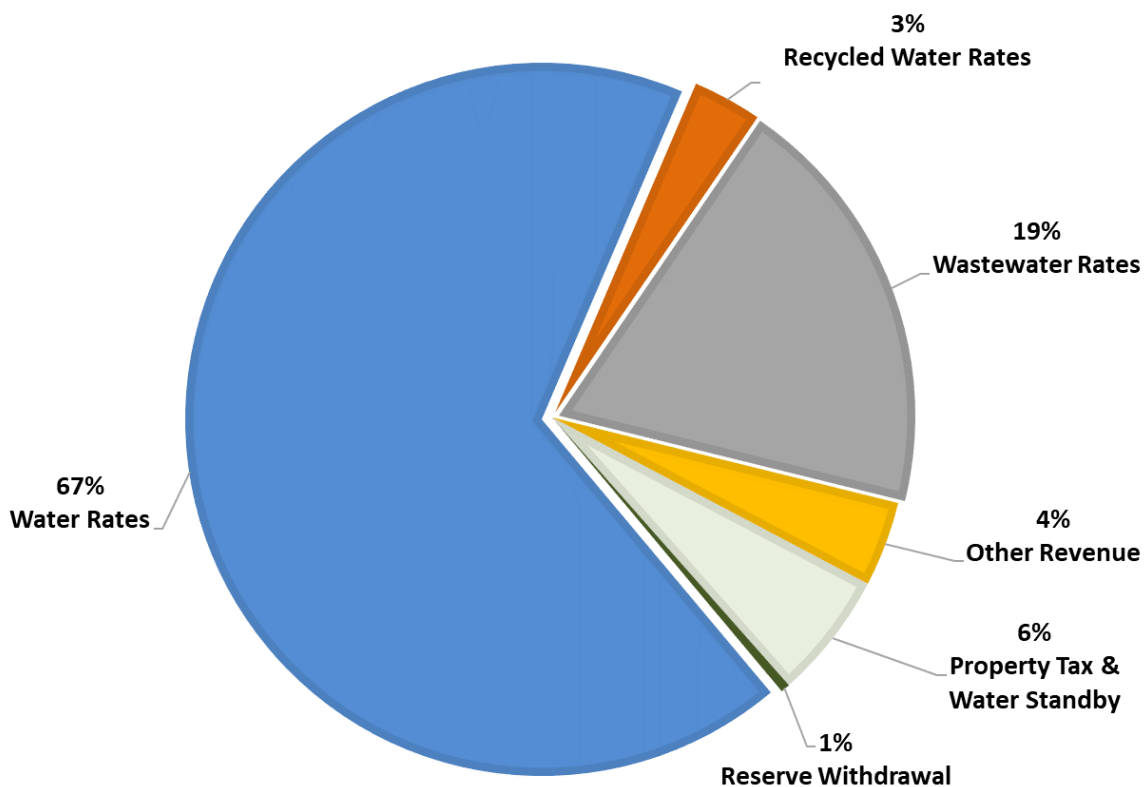
The water, recycled water and wastewater systems combined operating and non-operating revenues and net fund withdrawals are budgeted to be sufficient to fund the budgeted uses of funds. In Fiscal Year 2022-23, water sales are projected down from the previous year due to dry conditions. With current sales below the District’s projected long-term average water sales levels and supply challenges facing the State, the water sales level this budget cycle is projected to be approximately 4% below the long-term average of 8,100 AF at 7,800 AF. With a financial plan update under way, water, recycled water and wastewater rate increases for the Budget are projected at 6%, 6%, and 6%, respectively, for Calendar Year 2023. These increases are subject to change as the District updates its financial plan and completes the Proposition 218 process for Calendar Year 2023 rates and charges. The Board will take action to adopt Calendar Year 2023 rates and charges in December of 2022. When the Board takes action on rates and charges, it will be based upon the input received on the Proposition 218 process and the outcome of the Detachment process.



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

Chart 1 shows a breakdown of the District’s \$41.6 million budgeted sources of funds. Rate and charge revenues make up 89% of the District’s total budgeted sources of funds. Net fund withdrawal from reserves are budgeted this year. The District plans to fund renewal and replacement Capital Improvement Program (CIP) with cash on a Pay-As-You-Go (PAYGO) basis.

Chart #1 - Sources of Revenue Fiscal Year 2022-23 Total Revenue \$41,552,368



Use of Funds

The increase in Water Purchase costs from the SDCWA is being driven by an increase in rates and the amount of water purchased. The increase is the result of less water being available to the District from the Santa Margarita River (SMR). The reduction in SMR water deliveries results in a reduction of the District's Water Treatment Division cost of 50% driven by a 60% decrease in non-labor costs. Overall the 7.3% increase in the Operating Budget is being driven by increases in the amount of wholesale water purchased and the cost of that water.

San Diego County Water Authority is increasing its treated water rate by 9.2% in CY 2023, pushing the District's water supply costs higher.

Table #1 - Overview of Total Services' Operating Budget

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Water Supply Costs	\$ 13,955,908	\$ 11,547,729	\$ 12,769,032	\$ 13,617,771	17.9%
Debt Service	3,101,093	3,685,471	3,621,118	3,730,508	1.2%
Total Labor *	5,204,642	5,716,546	5,681,295	6,064,174	6.1%
Total Non-Labor **	4,288,444	6,667,765	5,161,755	6,309,478	-5.4%
Total Labor and Non-Labor Expenses	\$ 26,550,087	\$ 27,617,511	\$ 27,233,199	\$ 29,721,931	7.6%
Benefits Expenses	3,674,696	3,874,164	3,874,164	4,057,087	4.7%
Total Expenses	\$ 30,224,783	\$ 31,491,675	\$ 31,107,363	\$ 33,779,018	7.3%

* Total Labor does not include District's Benefits

** Total Non-Labor includes \$539,039 for Community Benefit Program beginning FY 2022-23



Recycled water program



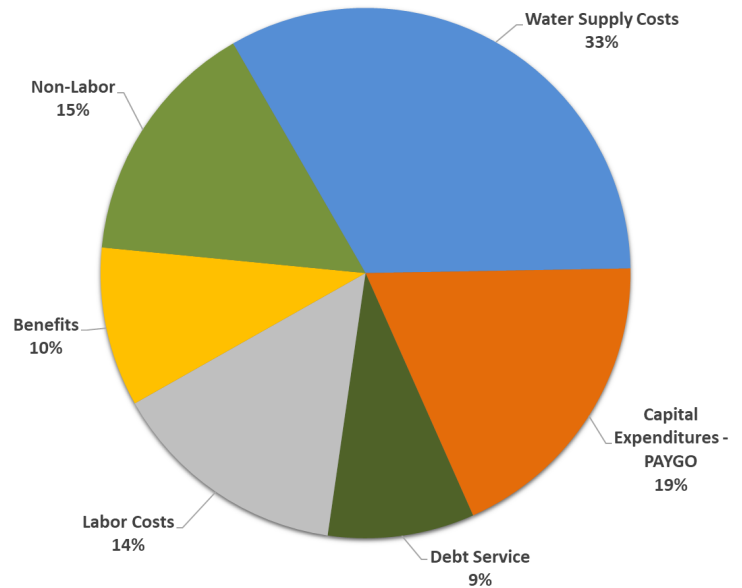
Pipeline relining program

Chart 2 shows the breakdown of the District’s total use of funds. Labor related uses of funds represent 24% of the District’s budgeted uses of funds. Seventy-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.

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. Chart 3 shows the annual CIP expenditures by project type. The Capital Budget for Fiscal Year 2022-23 is \$7.8 million. The budgeted amount for FY 2022 is above average due to the SMGTP costs that are reimbursed by the state loan funding project.

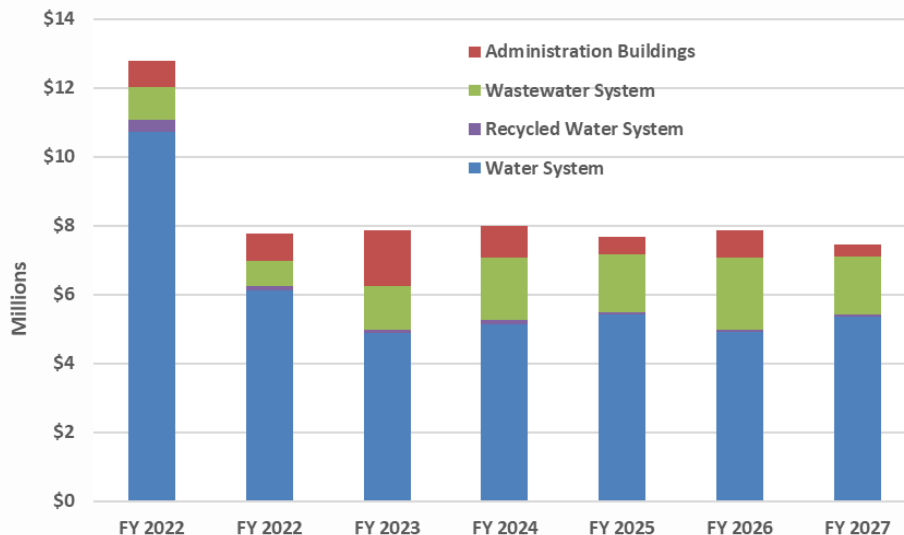
Chart #2 - Uses of Funds Fiscal Year 2022-23
Total Uses of Funds \$41,552,368



SDCWA Rate Lawsuit Rebate

The Board has elected to use the refunded overpayment from SDCWA to fund a portion of the SMGTP. The \$1,534,663.30 received reduces the loan amount for SMGTP, which saves water ratepayers approximately \$275,000 over the life of the loan on interest payments.

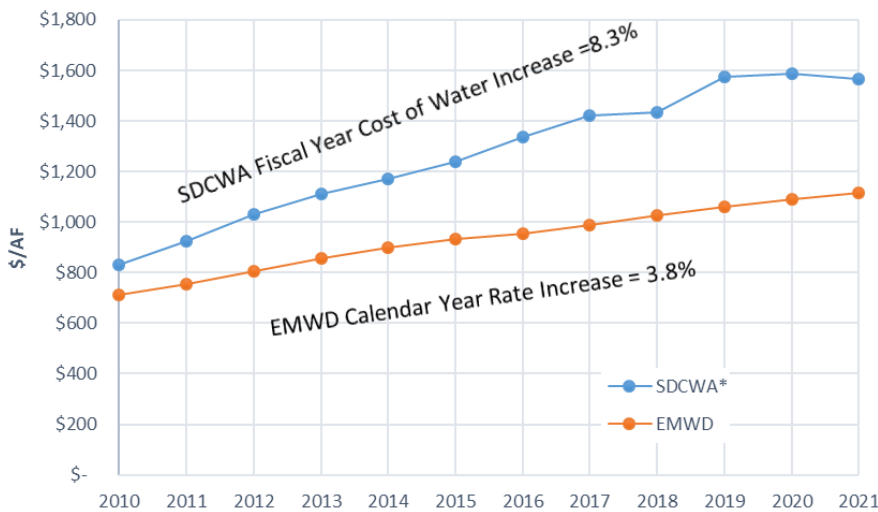
Chart #3 - Fallbrook Public Utility District’s Annual Budgeted CIP Expenditures



Financial Summaries

This year, as shown in the updated financial projections for Fiscal Year 2022-23 in Table 2, the District is projecting a withdrawal from reserves. Looking forward, the District has made a significant reduction in the projected 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 Resources. 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. 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 #4 - District’s Estimated Wholesale Water Costs



CHANGING WATER WHOLESALER

The LAFCO decision on the District’s proposed detachment from SDCWA will determine if ratepayers will see a 30% decrease in the wholesale cost of water or continued wholesale water rate increases as SDCWA pursues a high cost water reliability strategy.

*Based on total SDCWA charges paid by the District.

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

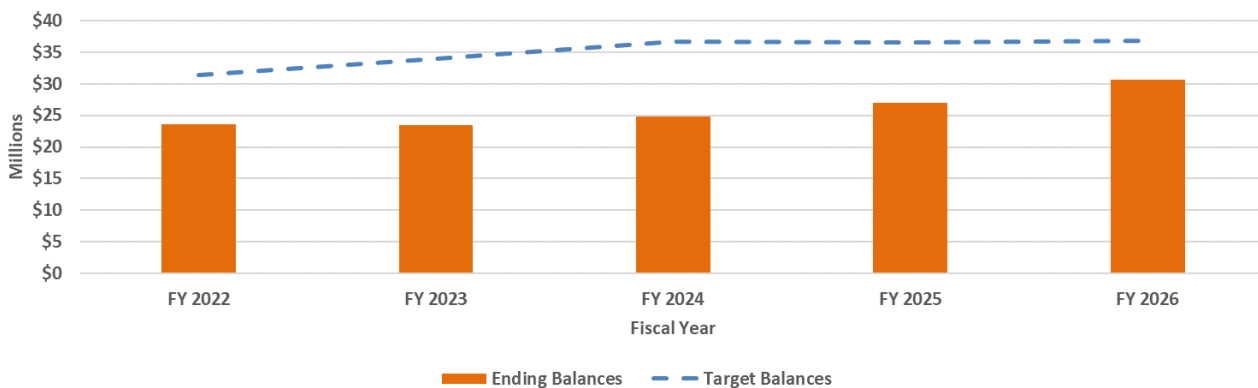


Table #2 - Fallbrook Public Utility District's Financial Summary

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenue from Rates					
Water	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Recycled Water	1,224,582	1,294,803	1,374,146	1,456,595	1,543,990
Wastewater	6,264,000	6,829,867	7,239,659	7,674,039	8,134,481
Subtotal Revenue from Rates	\$ 31,928,240	\$ 34,696,780	\$ 36,795,202	\$ 39,018,772	\$ 41,376,708
Other Operating Revenue Subtotal	\$ 872,132	\$ 926,975	\$ 984,227	\$ 1,038,431	\$ 1,068,541
Non-Operating Revenue	\$ 5,718,622	\$ 5,757,627	\$ 5,830,636	\$ 5,976,299	\$ 6,134,968
Total Revenues	\$ 38,518,993	\$ 41,381,382	\$ 43,610,065	\$ 46,033,502	\$ 48,580,218
Total Operating Expenses					
	\$ 27,486,247	\$ 30,048,510	\$ 29,180,165	\$ 30,714,123	\$ 32,133,216
Net Operating Revenues	\$ 11,032,747	\$ 11,332,872	\$ 14,429,901	\$ 15,319,379	\$ 16,447,002
Total Debt Service	\$ 3,621,118	\$ 3,730,508	\$ 5,156,080	\$ 5,158,581	\$ 5,154,243
Total Capital Expenditures					
	\$ 12,767,551	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864
Total Expenditures					
	\$ 43,874,916	\$ 41,552,368	\$ 42,208,184	\$ 43,852,436	\$ 44,950,322
SRF Loan Proceeds	\$ 7,152,655	\$ -	\$ -	\$ -	\$ -
Change in Net Position *	\$ 1,796,733	\$ (170,986)	\$ 1,401,881	\$ 2,181,066	\$ 3,629,895
Beginning Balances	\$ 21,764,977	\$ 23,561,710	\$ 23,390,723	\$ 24,792,605	\$ 26,973,671
Ending Balances	\$ 23,561,710	\$ 23,390,723	\$ 24,792,605	\$ 26,973,671	\$ 30,603,566

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

Budget User Guidance*

The District's Fiscal Year 2022-23 Adopted 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

Distinguished Budget Presentation Award

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**Fallbrook Public Utility District
California**

For the Fiscal Year Beginning

July 01, 2021

Christopher P. Morill

Executive Director

OPERATING BUDGET EXCELLENCE AWARD



DISTRICT TRANSPARENCY CERTIFICATE OF EXCELLENCE

OUR COMMITMENT TO TRANSPARENCY



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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: 32,000
- 9,300 water customers
- 5,000 sewer customers
- 30 recycled water customers
- 69 employees budgeted
- \$33 million operating revenues
- \$215 million in total assets
- 7,800 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.

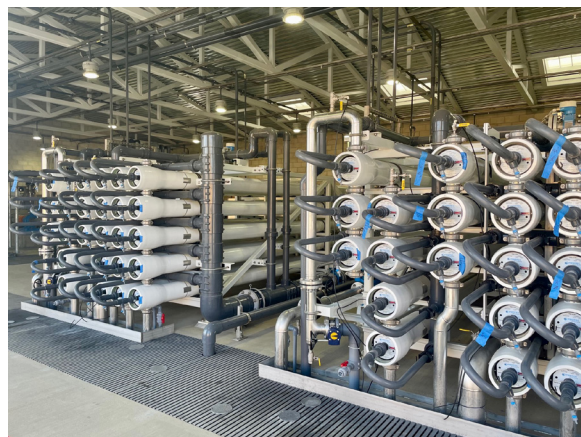
In 1968, a Memorandum of Understanding and Agreement was signed with the Federal Government to develop a two-dam reservoir project on the river that would benefit both Camp Pendleton and the District. This agreement was the culmination of 17 years of litigation. The federally sponsored project was known 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. That stored water will be pumped out of the ground and piped back to the District when available. The Santa Margarita River Conjunctive Use Project (SMRCUP) provides 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 on average.

Fiscal Year 2022-23 marks the first full year water deliveries from the SMRCUP will be delivered to the District’s ratepayers. To treat SMRCUP water deliveries, the District has constructed a \$65.6 million Santa Margarita Groundwater Treatment Plant (SMGTP).

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.



Santa Margarita Groundwater Treatment Plant (SMGTP)

Services

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

Water System

In the past, the District imported 99% of its potable water from the SDCWA with the remaining 1% coming from a local well. With the Santa Margarita Groundwater Treatment Plant (SMGTP) now operational, a significant amount of the District's water supply will be provided through its Santa Margarita River Water Rights. This new local supply is expected to reduce the average annual amount of water purchased from SDCWA by 40% or more and change the District's cost structure. The District's cost to treat and deliver the local water supply is expected to be less than the current cost of purchasing the same amount of water from SDCWA. With a local supply available, the District's ratepayers are not only saving on the cost of water but also limiting the impact of future SDCWA rate increases.

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 has nearly completed an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use. 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 five-year average annual water sales is 8,181 acre-feet. Residential and commercial customers represent 66% of sales, and agricultural customers make up the remaining 34%. 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 2,474 in Fiscal Year 2021 or down 65%.

SANTA MARGARITA GROUNDWATER TREATMENT PLANT and PUMPING STATION / STATISTICS

Fallbrook Public Utility District anticipates having this project completed in 2021 and to begin having its own cost-effective supply that same year.

- Minimum Plant Capacity-1.2 Million Gallons per Day (MGD)
- Maximum Plant Capacity-7.8 MGD



Ribbon cutting of the new SMGTP

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 12-mile ocean outfall line.

Recycled Water System

The District's recycled water system includes 10.5 miles of buried pipe. Currently the District has 30 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 received grant funding to explore development of a joint Indirect Potable Reuse Project with Camp Pendleton Marine Corps Base.

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, President

District #2 - Ken Endter

District #3 - Jennifer DeMeo

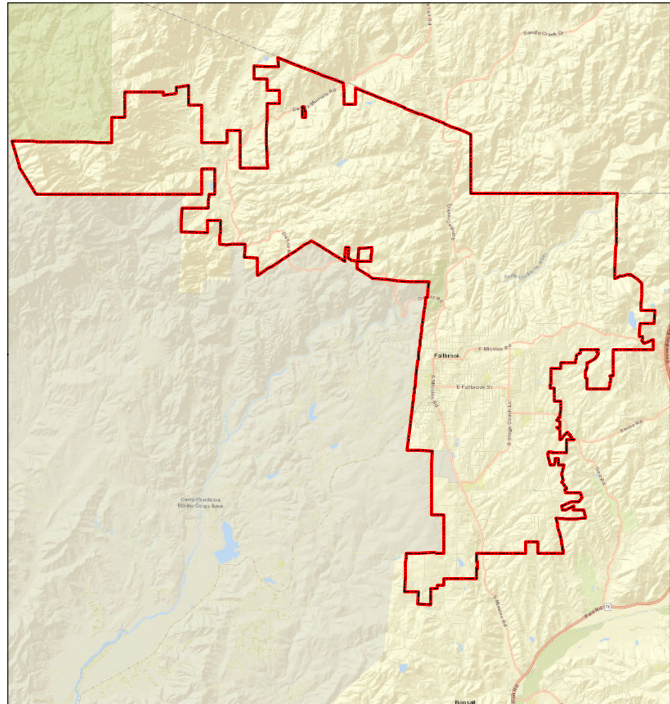
District #4 - Don McDougal

District #5 - Charley Wolk, Vice-President

Service Area and Local Economy

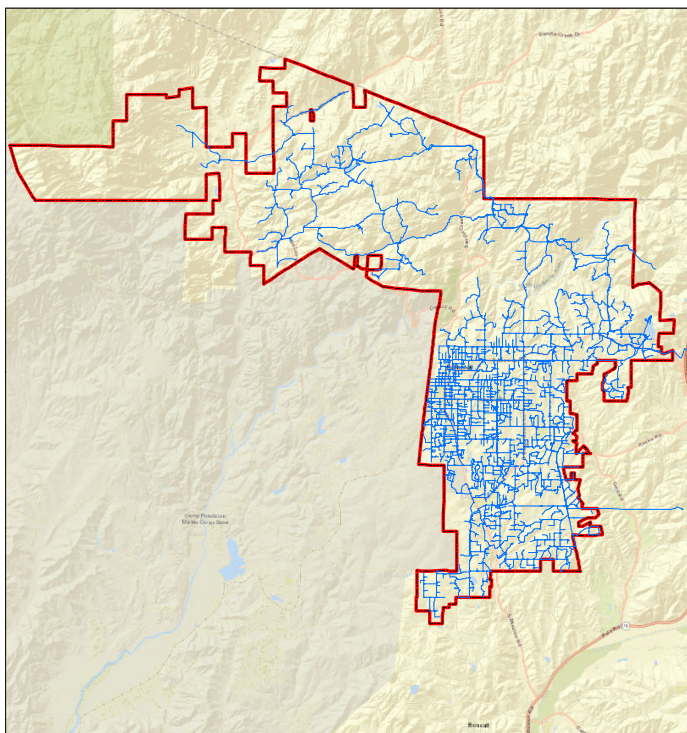
San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District’s service area and pipeline is shown in the accompanying maps. The District is bordered 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 2020 population is estimated to be 34,432 with 9,913 households. Fallbrook’s population has remained relatively unchanged over the past several years.

Figure #1 - District Service Area



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.	LEGEND FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY
	FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY
Source: ESRI, FPUID Projection: California State Plane NAD 83 Feet Zone 6 Epoch 1991.30 Map Created by Todd Javier (5-6-21) X:\GIS\Data - InvalProjectSpecial/DISTRICT/BOUNDARY/WATER_BOUNDARY.MXD	

Figure #2 - District Pipelines



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.	LEGEND FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY WATERLINE
	FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY
Source: ESRI, FPUID Projection: California State Plane NAD 83 Feet Zone 6 Epoch 1991.30 Map Created by Todd Javier (5-6-21) X:\GIS\Data - InvalProjectSpecial/DISTRICT/BOUNDARY/WATER_BOUNDARY/WATERLINE.MXD	

The median household income in Fallbrook was \$69,250, which is less than the state median of \$78,672 and slightly higher than the national average of \$64,994. As of April 2022, San Diego County’s unemployment rate was 3.0%, which is lower than the State’s 3.8%.

The San Diego Association of Governments (SANDAG) projects that the County’s population will approach 4.1 million residents in 2050, up from 3.3 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 2022/2023

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 optimizing operation of local water supply projects and securing the most cost effective source of imported water.

Fiscal Year 2022-23 District Objectives:

1. Maximize deliveries of local water by coordinating closely with Camp Pendleton on Santa Margarita water supply operations.
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 in coordination with Camp Pendleton including implementation of an Indirect Potable Reuse (IDP) project.
4. Utilize an updated recycled water master plan expand recycled water service to increase utilization of existing supplies with the District service area.

#2 Strategic Focus Area | Infrastructure

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

Fiscal Year 2022-23 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. Make any necessary adjustments to meet pipeline and valve replacement targets to ensure long-term reliability of our water infrastructure.
2. Implement the asset-management plan to track project costs and help prioritize projects. Leverage this data to make continued improvements in determining the most effective project approaches.

#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 2022-23 District Objectives:

1. Continue implementation and reporting of Key Performance Indicators (KPIs) for engineering, operations, finance, customer service and public outreach. Tie KPIs to nationally recognized Effective Utility Management (EUM) goals and measure against applicable national bench-marks.
2. Improve the efficiency of operations by developing additional metrics and reporting using the recently implemented Enterprise Asset Management (EAM) System.

3. Build on recently implemented regional collaboration programs and new contract service opportunities with Camp Pendleton 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 2022-23 District Objectives:

1. Ensure the upcoming Proposition 218 rate setting process is clearly communicated and provide clear information to District ratepayers about needs for future water and sewer rate increases and steps the District is taking to minimize costs.
2. Provide administrative support for the approval and implementation of the community benefit program proposal submitted to LAFCO.
3. Continue to improve customer engagement and promote District benefits to the Community through social media and quarterly newsletters. Develop two additional short videos to highlight key aspects of the District.
4. Further improve the District budget to identify clearly to the public how costs are allocated and how resources are being managed. Continue to produce an ACFR 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 2022-23 District Objectives:

1. Expand implementation of the career development program that identifies future leaders in the organization and provides them training and a clear sense of future opportunities. Continue to leverage capabilities of existing staff and expand their responsibility when they show potential to develop a long-term pipeline for advancement of internal qualified candidates.
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. Continue to participate in the regional internship program and expand the District's high-school internship program.



4. Participate in regional efforts to improve local education, training and internship programs to bring more qualified applications into the industry. Lead efforts to help address existing regulatory bottlenecks in advancing the Water/Wastewater workforce.
5. 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.

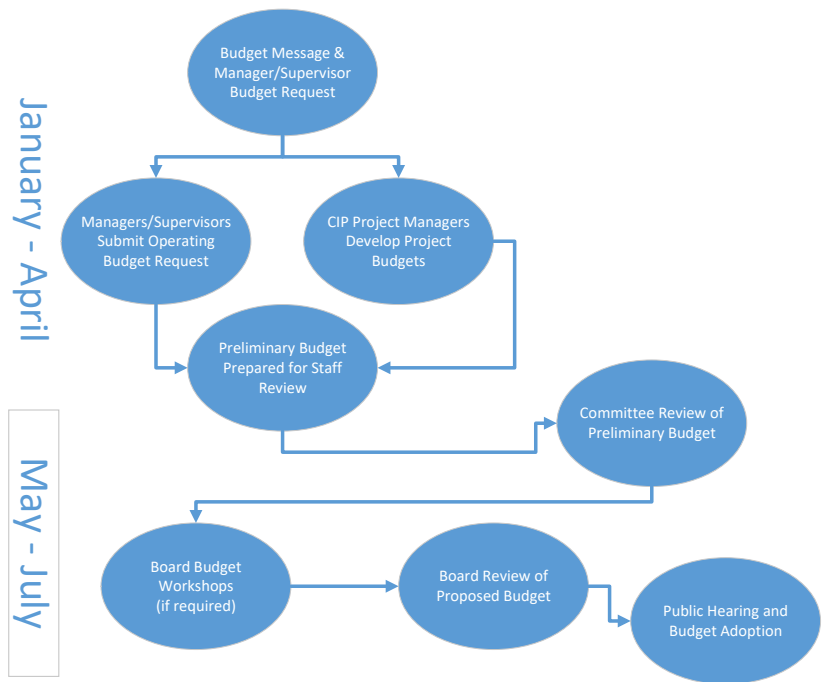
Budget Basis

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.

Figure #3 - Fallbrook District’s Annual Budget Process



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.

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

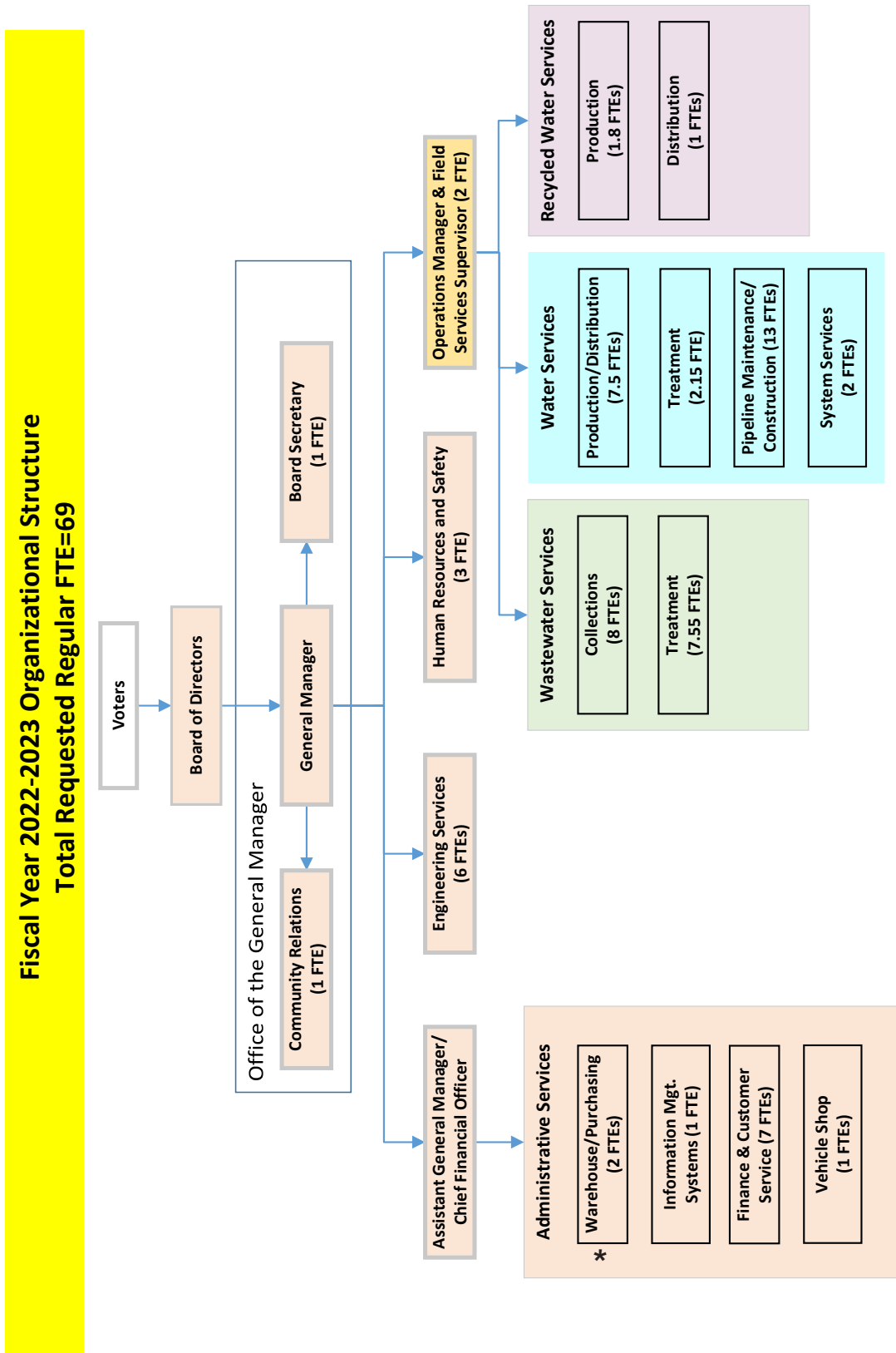
The District maintains an efficient level of staffing which requires an organizational structure that is very flat, with staff working across services and filling a variety of roles. The organizational chart provided is designed to illustrate the District’s structure and staffing levels. The Proposed Budget includes 69 Full Time Equivalent (FTE). The boxes under Administrative, Water, Wastewater and Recycled Water Services represent functional groups called Divisions. However, in some cases (Human Resources & Engineering Services) a division of Administrative Services is identified separately. 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 four Divisions while the other services are broken into two Divisions. The organizational chart shows the Water, Wastewater and Recycled Water Services reporting to two managers that manage multiple services. The function of each division is discussed in the Operating Budget Section.

Beginning this Budget Cycle, the District is introducing the Community Benefit Program (CBP). The Administrative Services department will allocate .05 FTE from existing staff hours to be directed toward this activity.

Figure #4 - Proposed Fiscal Year 2022-23 Organizational Structure ¹



FTE = Full-Time Equivalent

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.

*Includes 0.05 FTE allocated to Community Benefit Program.

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.

While the reserve structure and target amounts will be re-evaluated as part of the 2022 Financial Plan update, the District's 2017 Water, Recycled Water and Wastewater Rate Study Report (Report) fund structure and target fund balances are presented here. 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 2022-23 is \$5.7 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. The Rate Stabilization Fund (RSF) Target for Fiscal Year 2022-23 is \$2.2 million. The RSF has been prefunded with the \$6.2 million 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 2022-23 is \$1.5 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. The Rate Stabilization Fund Target for Fiscal Year 2022-23 is \$0.9 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 2022-23 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 the sum of three years of expenditures on recurring capital projects (i.e. pipeline renewal/replacement). The Fiscal Year 2022-23 target balance for the Water Capital Fund is \$18.4 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 the sum of three years of expenditures on recurring capital projects (i.e. pipeline renewal/replacement). The Fiscal Year 2022-23 target balance for the Wastewater Capital Fund is \$4.8 million.

Recycled Water Services Capital Fund

Target fund balance is set to the equivalent of the sum of three years of 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 2022-23 target balance for the Water Capital Fund is \$0.3 million.

Fund Summary

The Districts total water target fund balance (26.3 million) equals the water working capital/operating fund (5.7 million), the rate stabilization fund (2.2 million) and the water services capital fund (18.4 million). The total recycled water target fund balance (0.4 million) equals the recycled working capital/operating fund (0.1 million) and the recycled water services capital fund (0.3 million). The total wastewater target fund balance (7.2 million) equals the wastewater working capital/operating fund (1.5 million), the rate stabilization fund (0.9 million) and the wastewater services capital fund (4.8 million). The District’s projected Fiscal Year 2022-23 year-end balances are shown in the table below.

Table #1 - Total Fund Balances

Service	Target Balance (Millions)	Projected Fiscal Year 2022-23	
		Ending Balance (Millions)	
Water	\$ 26.3	\$	20.5
Recycled Water	\$ 0.4	\$	0.6
Wastewater	\$ 7.2	\$	2.3
Total	\$ 33.9	\$	23.4

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 \$9.9 million on March 31, 2022. The District OPEB obligation is nearly fully 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 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 \(Article 18 of the District’s Administrative Code\)](#)
- [Fund Balance Policies – Sets target balances for reserves and working capital \(Article 6 of the District’s Administrative Code\)](#)
- [Capitalization Policy – Establishes the parameters for defining an operating or capital expenditure](#)

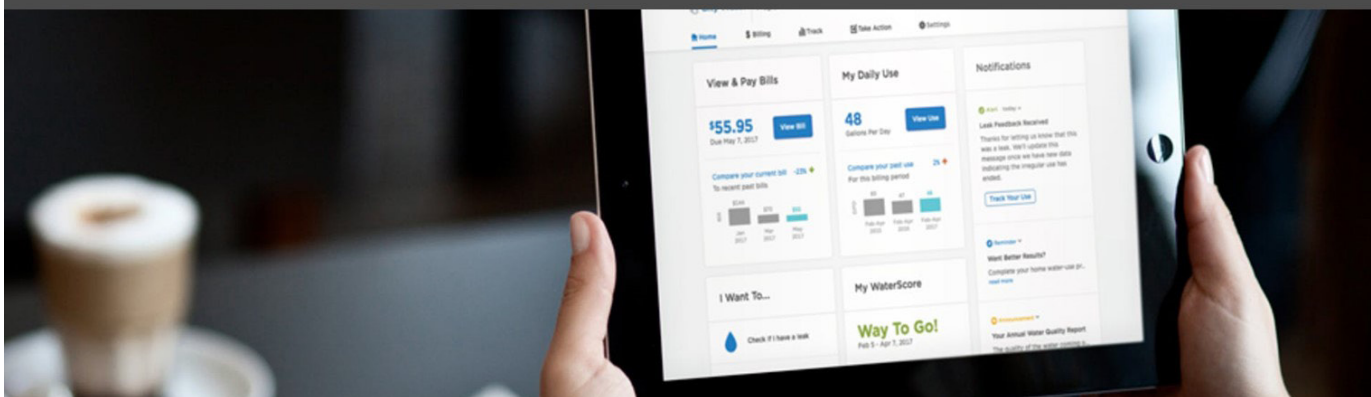
These policies can be found on the District’s website as standalone documents or as part of the District’s Administrative Code. Appendix C also provides a copy of the District’s Capitalization Policy and other policies for ease of reference.



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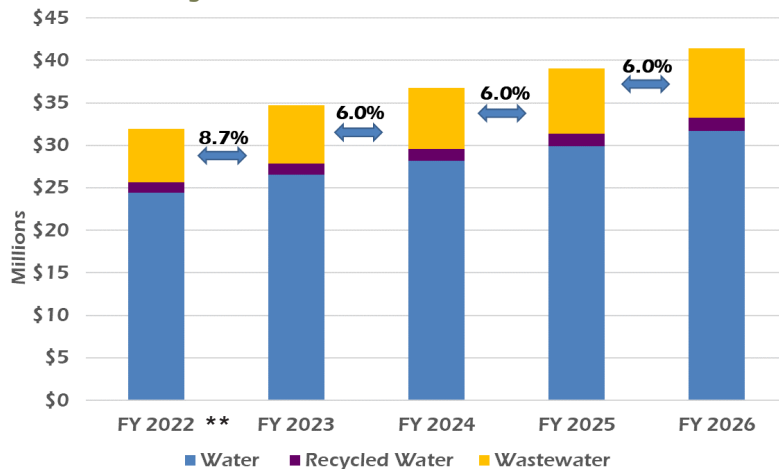
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Financial Summaries

The rate and charge increases included in the 2023 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. This year the Board will be updating the financial plan, conducting a Prop. 218 process and producing a rate and charge study for Calendar Years 2023, 2024, 2025, 2026 and 2027. 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 underlying rate increases. The Board will set the Calendar Year 2023 rates and charges in December 2022. Since no decision on the rate and charge increases has been made at this time, the Budget uses a flat 6% increase across Services to project revenues. Chart 1 shows the projected increase in revenues due to the rate adjustments. The large increase in Fiscal Year 2021-2022 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.**

Chart #1 - Projected Total Rate Revenues *



* Total Rate Revenue increases shown

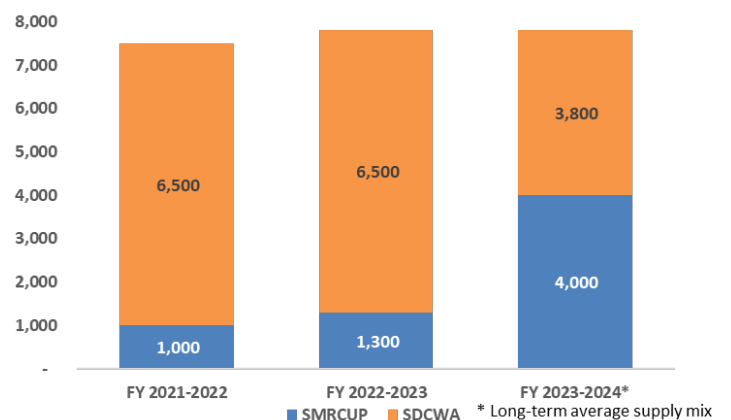
** Projected revenues based upon current District sales projections

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 2022. 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 1 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 rise at rates of inflation in line with levels assumed in the 2017 Water, Recycled Water and Wastewater Rate Study Report. Wholesale water rates are projected to increase annually in line with past averages driven by State and regional water supply reliability related costs. As shown in Chart 2, in Fiscal Year 2022-23, the District is projecting deliveries from the SMRCUP and the related costs to be below the expected average

Chart #2 - Wholesale and Local Supply Mix



due to the drought and limited amount SMR water available. The SMRCUP deliveries are expected to return to the projected average of 4,000 AF for the remainder of the projection period as shown in Table 1. The 7% increase in Fiscal Year 2022-23 purchased water costs is driven by higher wholesale costs and increased water purchases due to the limited amount of SMR deliveries. Fluctuations in SMR water deliveries change the District’s non-labor costs significantly, this is the result of utility (power) and chemical operating cost of the SMGTP. Utility and chemical costs are directly related to the amount of water treated by the plant.

Table #1 - Fallbrook Public Utility District’s Financial Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenue from Rates					
Water	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Recycled Water	1,224,582	1,294,803	1,374,146	1,456,595	1,543,990
Wastewater	6,264,000	6,829,867	7,239,659	7,674,039	8,134,481
Subtotal Revenue from Rates	\$ 31,928,240	\$ 34,696,780	\$ 36,795,202	\$ 39,018,772	\$ 41,376,708
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$ 261,415	\$ 264,774	\$ 277,701	\$ 291,616	\$ 305,976
SDCWA IAC Charge	551,708	603,192	647,517	687,806	703,556
Sundry*	59,009	59,009	59,009	59,009	59,009
SDCWA Incentive	-	-	-	-	-
Other Revenue Subtotal	\$ 872,132	\$ 926,975	\$ 984,227	\$ 1,038,431	\$ 1,068,541
Non-Operating Revenue					
Water Availability Charge**	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842
1% Property Tax	2,184,459	2,195,381	2,206,358	2,217,390	2,228,476
Investment Earnings	135,980	140,857	144,550	155,299	172,732
Water CIP Charge	1,467,782	1,494,870	1,542,487	1,638,001	1,739,423
Pumping CIP Charge	32,756	32,756	32,756	32,756	32,756
Other Revenue	256,068	261,189	266,413	271,741	277,176
Water Capacity Fees	111,172	112,283	113,406	114,540	115,686
Wastewater CIP Charge	1,183,216	1,185,754	1,203,561	1,239,711	1,276,946
Wastewater Capacity fees	40,371	41,178	42,002	42,842	43,698
Federal Interest Rate Subsidy	97,977	84,516	70,261	55,178	39,233
Subtotal Non-Operating Revenue	\$ 5,718,622	\$ 5,757,627	\$ 5,830,636	\$ 5,976,299	\$ 6,134,968
Total Revenues	\$ 38,518,993	\$ 41,381,382	\$ 43,610,065	\$ 46,033,502	\$ 48,580,218

* Sundry revenue 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 #1 - Fallbrook Public Utility District's Financial Projections, cont.

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Total Revenues	\$ 38,518,993	\$ 41,381,382	\$ 43,610,065	\$ 46,033,502	\$ 48,580,218
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs***	\$ 12,398,032	\$ 13,104,531	\$ 9,913,385	\$ 10,680,224	\$ 11,364,867
SMRCUP Supply Costs	371,000	513,240	1,610,616	1,642,974	1,676,304
Subtotal Water Supply Costs	\$ 12,769,032	\$ 13,617,771	\$ 11,524,001	\$ 12,323,198	\$ 13,041,171
Labor Costs	3,261,355	3,344,204	3,511,414	3,686,984	3,871,334
Fringe Benefits	2,141,829	2,242,014	2,387,745	2,542,949	2,670,096
Services, Materials & Supplies	2,649,440	2,970,298	3,599,407	3,707,389	3,818,611
Administrative Expenses	6,664,591	7,328,223	7,611,597	7,907,602	8,186,004
Community Benefit Program	-	546,000	546,000	546,000	546,000
Total Operating Expenses	\$ 27,486,247	\$ 30,048,510	\$ 29,180,165	\$ 30,714,123	\$ 32,133,216
Net Operating Revenues	\$ 11,032,747	\$ 11,332,872	\$ 14,429,901	\$ 15,319,379	\$ 16,447,002
Total Debt Service	\$ 3,621,118	\$ 3,730,508	\$ 5,156,080	\$ 5,158,581	\$ 5,154,243
Total Capital Expenditures	\$ 12,767,551	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864
Total Expenditures	\$ 43,874,916	\$ 41,552,368	\$ 42,208,184	\$ 43,852,436	\$ 44,950,322
SRF Loan Proceeds	\$ 7,152,655	\$ -	\$ -	\$ -	\$ -
Change in Net Position ****	\$ 1,796,733	\$ (170,986)	\$ 1,401,881	\$ 2,181,066	\$ 3,629,895
<i>Beginning Balances</i>	\$ 21,764,977	\$ 23,561,710	\$ 23,390,723	\$ 24,792,605	\$ 26,973,671
<i>Ending Balance</i>	\$ 23,561,710	\$ 23,390,723	\$ 24,792,605	\$ 26,973,671	\$ 30,603,566

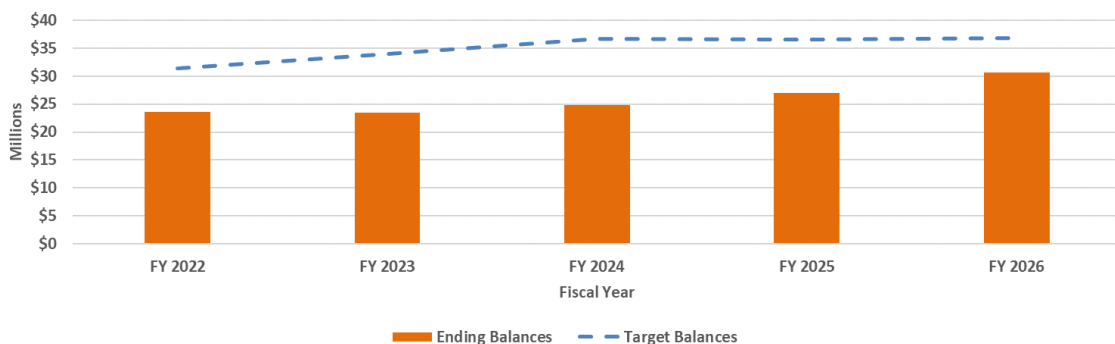
***Detail on purchased water costs provided on page 45. Purchased water costs include MWD RTS and Capacity Charges, SDCWA IAC Charge and Pumping Costs.

****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 for Fiscal Year 2021-2022. The Fiscal Year 2022-23 Change in Net Position shows the District is withdrawing from reserves in that particular fiscal year. In Fiscal Year 2022-23, the District is projecting a withdrawal of \$170,986 from 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 #3 - 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 District's 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 2022-23 budget cycle, California is again facing drought conditions with most reservoir levels are below the historical average (see Figure 1). At this point in time, no mandatory water use restrictions are in place but it is possible that some restrictions will be in place this summer. As a result of expected dry conditions and the potential for some use restrictions, water sales are projected to be slightly under the District's long-term expected average sales level at 7,800 AF.

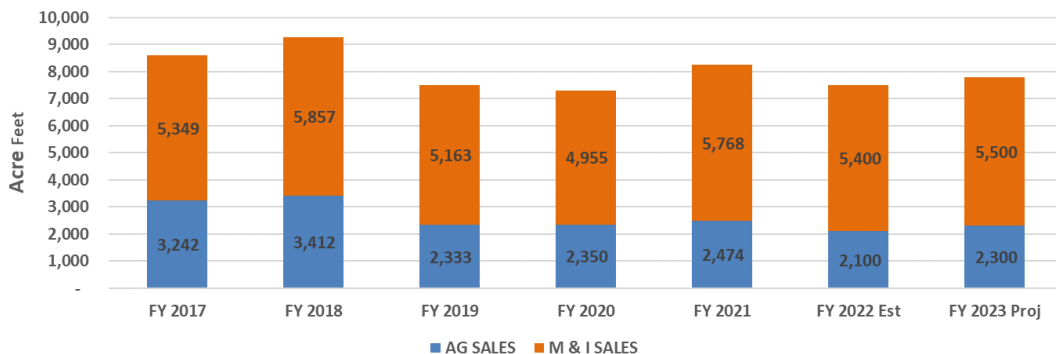
The District's sales over the last five years including the estimate for the current fiscal year and the projected water sales for the budget period are shown in Table 1. The table shows water production and total sales; production includes system losses, and water sales are units sold to customers. 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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 Estimated	FY 2022-23 Projected
Production	9,193	10,090	8,043	7,986	8,918	8,100	8,300
Total Sales (adjusted for system losses)	8,592	9,269	7,496	7,305	8,242	7,500	7,800
AG Sales	3,242	3,412	2,333	2,350	2,474	2,100	2,300
M&I Sales	5,349	5,625	5,163	4,955	5,768	5,400	5,500

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 have resulted in reduced water demands. The District's Fiscal Years 2018-19 and 2019-20 water demands were at or near the historic low levels due to wet weather. 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 last year. The projected Fiscal Year 2022-23 water sales are 4% under this new long-term average due to the water supply outlook and the potential for use restrictions this year.

Chart #1 - Water Sales Trends



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 for 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 2022-23 provided here include rate and charge increases in line with what was approved by the Board as part of the 2017 Rate and Charge Study. The primary driver of the 2.8% revenue increase budget to budget is the increase in water rates and charges. Fiscal Year 2021-22 sales revenues are projected to be close to budgeted levels.

Figure #1 - State Reservoir Conditions

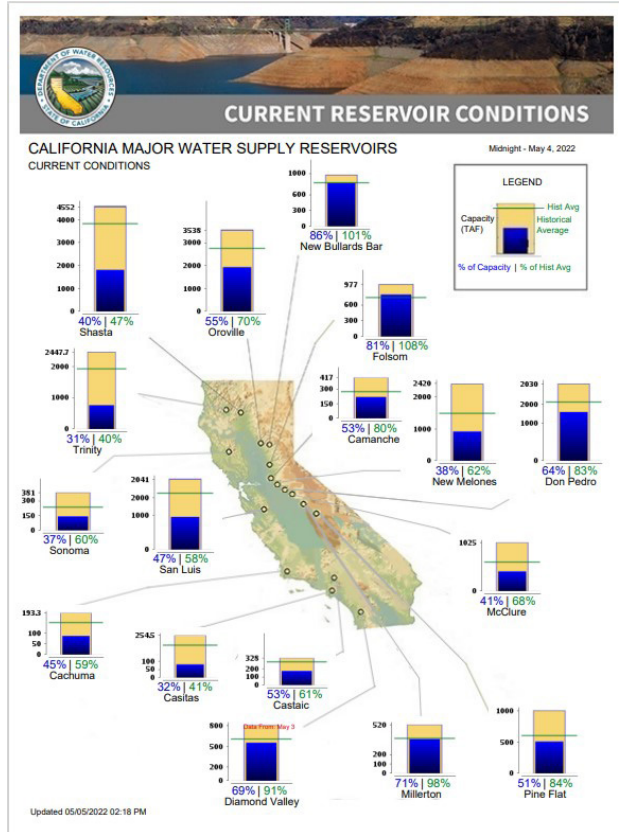


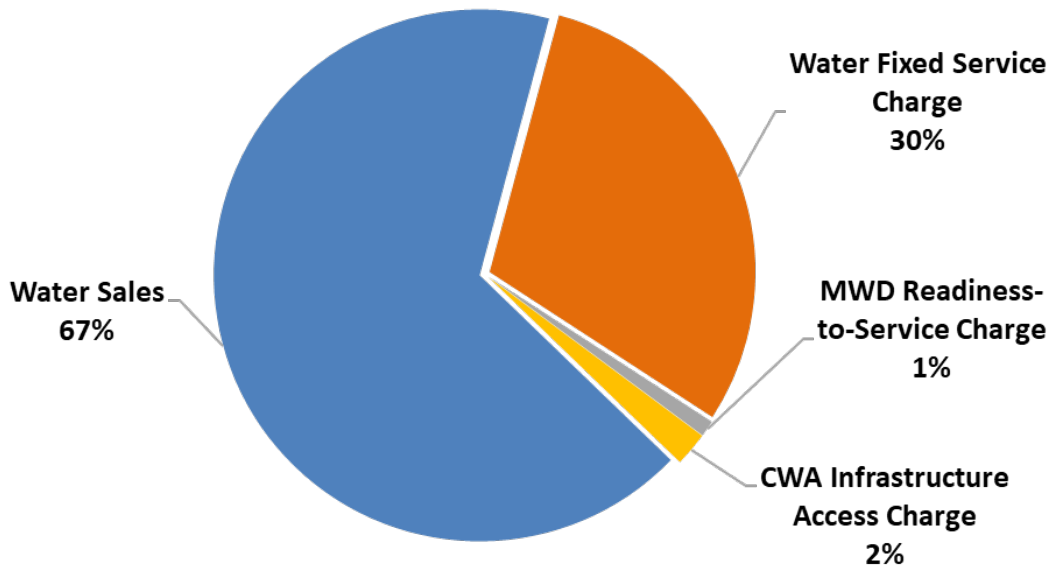
Table #2 - Water Services Sources of Revenue

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Operating Revenues:					
Water Sales	\$ 17,345,010	\$ 17,883,218	\$ 16,554,139	\$ 18,237,586	2.0%
Water Fixed Service Charge	7,237,052	8,000,687	7,885,518	8,334,524	4.2%
MWD Readiness-to-Service Charge	293,234	261,102	261,415	264,774	1.4%
SDCWA Infrastructure Access Charge	500,709	551,466	551,708	603,192	9.4%
Total Operating Revenue	\$ 25,376,005	\$ 26,696,472	\$ 25,252,780	\$ 27,440,076	2.8%
Non-Operating Revenues:					
Water Capital Improvement Charge	\$ 1,413,080	\$ 1,443,359	\$ 1,467,782	\$ 1,494,870	3.6%
Property Tax *	1,214,791	1,055,476	1,055,476	514,754	-51.2%
Water Availability Charge	208,842	204,000	208,842	208,842	2.4%
Water Capacity Charges	110,071	50,500	111,172	112,283	122.3%
Investment Earnings	131,414	99,482	123,179	125,392	26.0%
Pumping Capital Improvement Charge	19,736	32,756	32,756	32,756	0.0%
Gain/Loss on sale of assets	947,513	-	-	-	N/A
Other Revenue	53,009	5,000	53,009	53,009	960.2%
Cell Lease Revenue	251,047	255,000	256,068	261,189	2.4%
Total Non-Operating Revenue	\$ 4,349,503	\$ 3,145,573	\$ 3,308,284	\$ 2,803,095	-10.9%
Total Revenues	\$ 29,725,508	\$ 29,842,045	\$ 28,561,064	\$ 30,243,171	1.3%

*Property tax revenue reduced by \$546,000 beginning Fiscal Year 2022-23 for Community Benefit Program.

As Chart 2 shows, water sales revenues represent 67% of the District's water operating revenues with the remaining 33% 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.

Chart #2 - Fiscal Year 2022-23 Water Services Operating Revenues

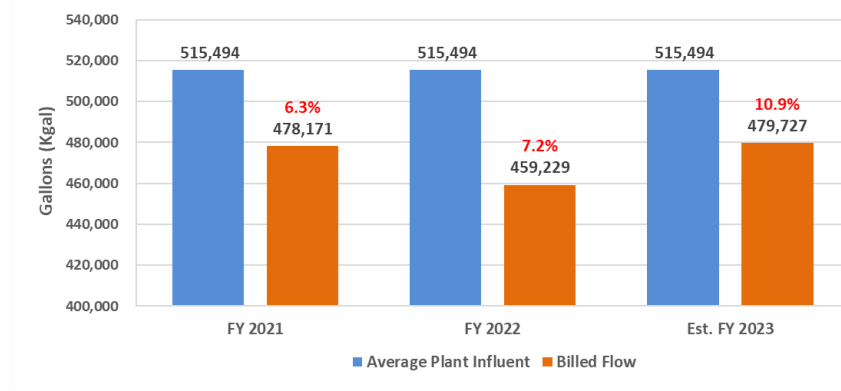


Wastewater Services Sources of Funds

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. As part of the Financial Plan update, the Board is considering different residential billing methodologies. The revenue projection for Fiscal Year 2022-23 provided here includes rate and charge increases in line with what was approved by the Board and billable residential wastewater flows using the current billing methodology.

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 variance between Average Plant Influent and Billable Flows is shown in red. The projection for Fiscal Year 2022-23 shows billable flows below the Fiscal Year 2021-22 plant flow levels. Prior to adopting rates and charges in December 2022, staff will develop a recommendation for changes in the residential billable flow methodology.

Chart #3 - Wastewater Services Annual Flows

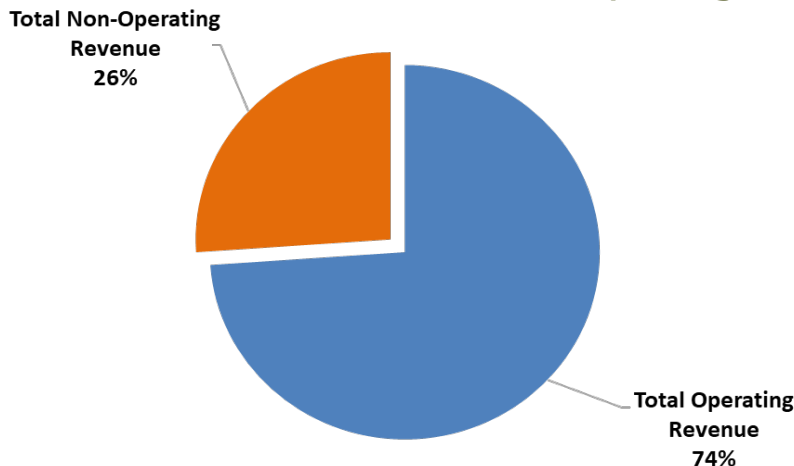


Wastewater Services operating and non-operating revenues are shown in Table 3 and Chart 4. The primary source of operating revenue for Wastewater Services is the Wastewater Service Charge. The primary non-operating revenues are the Wastewater Capital Improvement charge, which, like the Water Capital 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 2020-21 Actual	FY 2021-22		FY 2022-23 Budget	Budget to Budget Change (%)
		Budget	Projected		
Operating Revenue					
Wastewater Service Charges	\$ 5,993,042	\$ 6,469,183	\$ 6,264,000	\$ 6,829,867	5.6%
Sundry Other Revenue	1,382	1,000	1,000	1,000	0.0%
Total Operating Revenue	\$ 5,994,424	\$ 6,470,183	\$ 6,265,000	\$ 6,830,867	5.6%
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ 1,171,245	\$ 1,180,678	\$ 1,183,216	\$ 1,185,754	0.4%
Property Tax	1,069,872	1,016,181	1,075,221	1,080,597	6.3%
Wastewater Capacity Charges	39,579	35,700	40,371	41,178	15.3%
Investment Earnings	71,912	20,736	9,954	12,281	-40.8%
Federal Interest Rate Subsidy	112,207	97,977	97,977	84,516	-13.7%
Total Non-Operating Revenue	\$ 2,464,815	\$ 2,351,272	\$ 2,406,739	\$ 2,404,326	2.3%
Total Revenues	\$ 8,459,239	\$ 8,821,455	\$ 8,671,739	\$ 9,235,193	4.7%

Chart #4 - Fiscal Year 2022-23 Wastewater Services Operating Revenues



Recycled Water Services Sources of Funds

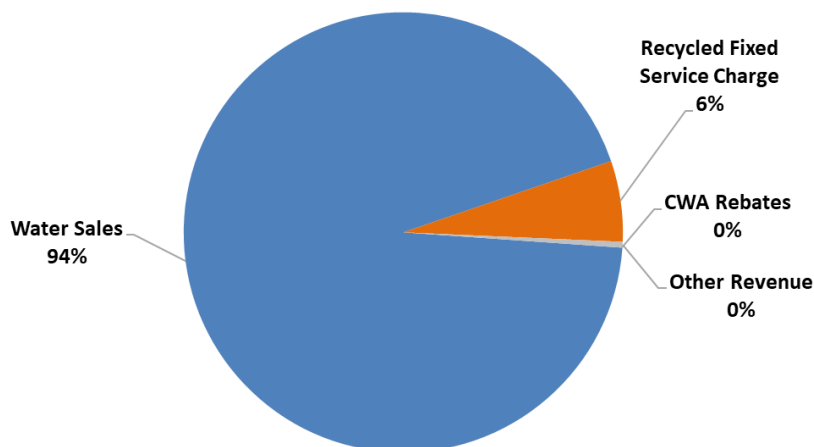
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively 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 projected recycled water sales for Fiscal Year 2022-23 is 610 acre-feet, which is a slight reduction from the prior year. The revenue projection for Fiscal Year 2022-23 provided here include rate and charge increases in line with what was approved by the Board. The Board will review and adopt CY 2023 rates in December 2022.

Recycled Water Services operating and non-operating revenues are shown in Table 4 and Chart 5. 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 and property tax make up the only non-operating revenues.

Table #4 - Recycled Water Services Sources of Revenue

	FY 2020-21 Actual	FY 2021-22 Budget Projected		FY 2022-23 Budget	Budget to Budget Increase (%)
Operating Revenues					
Water Sales	\$ 1,029,394	\$ 1,105,108	\$ 1,155,528	\$ 1,221,943	10.6%
Recycled Fixed Service Charge	53,769	70,066	69,055	72,861	4.0%
Other Revenue	5,000	5,000	5,000	5,000	0.0%
CWA Rebates	-	-	-	-	N/A
Total Operating Revenue	\$ 1,088,163	\$ 1,180,173	\$ 1,229,582	\$ 1,299,803	10.1%
Non-Operating Revenues					
Property Tax	\$ 55,522	\$ 50,809	\$ 53,761	\$ 54,030	6.3%
Investment Earnings	2,055	3,433	2,847	3,184	-7.2%
Total Non-Operating Revenue	\$ 57,577	\$ 54,242	\$ 56,608	\$ 57,214	5.5%
Total Revenues	\$ 1,145,740	\$ 1,234,415	\$ 1,286,190	\$ 1,357,018	9.9%

Chart #5 - Fiscal Year 2022-23 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, 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 Benefits Expenditures on each Services’ Total Operating Budget Summary Table. The Adopted FY 2022-23 Budget includes a 7.3% increase in the total Operating Budget.

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. Appendix A provides the detailed revenue, expense and fund balance projections for District operations.

In addition, the District, beginning this Budget Cycle, is implementing the Community Benefit Program (CBP). The CBP maintains public spaces in the District’s service area. To maximize financial transparency the annual budget for CBP is provided as a stand alone program.

Table #1 - Overview of Total Services’ Operating Budget

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Water Supply Costs	\$ 13,955,908	\$ 11,547,729	\$ 12,769,032	\$ 13,617,771	17.9%
Debt Service	3,101,093	3,685,471	3,621,118	3,730,508	1.2%
Total Labor *	5,204,642	5,716,546	5,681,295	6,064,174	6.1%
Total Non-Labor**	4,288,444	6,667,765	5,161,755	6,309,478	-5.4%
Operating Total	\$ 26,550,087	\$ 27,617,511	\$ 27,233,199	\$ 29,721,931	7.6%
Benefits Expenses	3,674,696	3,874,164	3,874,164	4,057,087	4.7%
Total Services Operating Budget	\$ 30,224,783	\$ 31,491,675	\$ 31,107,363	\$ 33,779,018	7.3%

* Total Labor does not include District’s Benefits

** Total Non-Labor includes \$539,039 for Community Benefit Program

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 21 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 2020-21	Actual FTE* FY 2021-22	Proposed FTE* FY 2022-23
General Manager	1.0	1.0	1.0
Executive Assistant/ Board Secretary	1.0	1.0	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	1.0
Safety & Risk Officer	1.0	1.0	1.0
Information Systems Tech	1.0	1.0	1.0
Senior Engineer	1.0	-	-
Engineering Manager	-	1.0	1.0
Administrative Office Specialist	1.0	1.0	-
Human Resources Technician	-	-	1.0
Engineering Technician	3.0	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	1.0	1.0
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	**0.95
Warehouse Purchasing Specialist	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
TOTAL FTE	23.8	24.0	23.95

* FTE - Full-Time Equivalents

** Reduced Purchasing Warehouse Supervisor FTE by 0.05 FTE due to the addition of the Community Benefit Program.

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 bills

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
- Maintain and manage the District's Fleet Services vehicles

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 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor*	\$ 2,441,325	\$ 2,556,158	\$ 2,419,940	\$ 2,713,010	6.1%
Total Non-Labor	2,430,513	2,615,365	2,512,314	2,800,141	7.1%
Services Operating Total	\$ 4,871,838	\$ 5,171,523	\$ 4,932,255	\$ 5,513,151	6.6%
Allocated Benefits Expenditures**	1,723,678	1,732,336	1,732,336	1,815,073	4.8%
Total Services Budget	\$ 6,595,516	\$ 6,903,859	\$ 6,664,591	\$ 7,328,223	6.1%

* 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 2020-21 Actual	FY 2021-22		FY 2022-23 Budget	Budget to Budget Change (%)
		Budget	Projected		
Office of the General Manager					
Labor:					
Salaries	\$ 421,619	\$ 453,099	\$ 443,846	\$ 471,492	4.1%
Non-Labor:					
Director Expenses	22,311	40,000	32,164	40,000	0.0%
General & Administrative	14,765	12,700	12,983	14,500	14.2%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	56,338	92,300	93,482	84,800	-8.1%
Professional Services	502,742	400,000	433,437	410,000	2.5%
Memberships/Training/Permits	73,428	96,600	87,435	88,000	-8.9%
Santa Margarita Watermaster	116,402	128,412	128,412	135,073	5.2%
Total Non-Labor	\$ 785,985	\$ 770,012	\$ 787,912	\$ 772,373	0.3%
Division Operating Total	\$ 1,207,603	\$ 1,223,111	\$ 1,231,759	\$ 1,243,865	1.7%

Finance & Customer Service					
Labor:					
Salaries	\$ 766,698	\$ 793,026	\$ 728,528	\$ 856,036	7.9%
Non-Labor:					
Contractor Services	31,390	21,000	20,688	24,000	14.3%
Equipment (Non Capital)	-	4,000	4,121	4,500	12.5%
Materials/Services/Supplies	131,892	197,200	151,131	145,200	-26.4%
Professional Services	92,301	166,000	157,255	181,500	9.3%
Memberships/Training/Permits	790	2,700	1,837	2,700	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 256,374	\$ 390,900	\$ 335,031	\$ 357,900	-8.4%
Division Operating Total	\$ 1,023,072	\$ 1,183,926	\$ 1,063,559	\$ 1,213,936	2.5%

Warehouse & Purchasing					
Labor:					
Salaries	\$ 217,145	\$ 171,869	\$ 167,911	\$ 174,529	1.5%
Non-Labor:					
Contractor Services	124,588	120,000	140,000	135,000	12.5%
Equipment (Non Capital)	658	500	284	500	0.0%
Materials/Services/Supplies	123,734	106,800	104,863	119,500	11.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	1,132	1,000	1,063	1,000	0.0%
Utilities**	43,212	45,000	44,458	45,000	0.0%
Total Non-Labor	\$ 293,323	\$ 273,300	\$ 290,668	\$ 301,000	10.1%
Division Operating Total	\$ 510,468	\$ 445,169	\$ 458,579	\$ 475,529	6.8%

**Utility cost increase driven by actual cost levels.

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

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget
	Actual	Budget	Projected	Budget	Change (%)
Human Resources					
Labor:					
Salaries	\$ 225,288	\$ 239,473	\$ 231,252	\$ 249,371	4.1%
Non-Labor:					
Contractor Services	16,729	61,325	61,325	20,000	-67.4%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	17,473	27,400	15,006	27,400	0.0%
Professional Services	7,651	10,000	7,398	10,000	0.0%
Memberships/Training/Permits	47,890	95,550	59,338	98,050	2.6%
Education Funding	5,040	3,000	7,674	7,000	133.3%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 94,783	\$ 197,275	\$ 150,740	\$ 162,450	-17.7%
Division Operating Total	\$ 320,071	\$ 436,748	\$ 381,992	\$ 411,821	-5.7%

Information Management					
Labor:					
Salaries	\$ 88,880	\$ 96,286	\$ 100,565	\$ 98,800	2.6%
Non-Labor:					
Contractor Services	59,681	62,150	62,380	65,150	4.8%
Equipment (Non Capital)	34,121	25,000	24,500	25,000	0.0%
Materials/Services/Supplies	162,109	185,728	175,695	193,068	4.0%
Professional Services	-	-	-	75,000	100.0%
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 255,911	\$ 272,878	\$ 262,575	\$ 358,218	31.3%
Division Operating Total	\$ 344,791	\$ 396,164	\$ 363,140	\$ 457,018	23.8%

Engineering Services					
Labor:					
Salaries	\$ 482,965	\$ 480,913	\$ 496,169	\$ 530,440	10.3%
Non-Labor:					
Contractor Services	29,838	10,000	-	10,000	0.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	37,912	42,000	42,565	42,000	0.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	170	500	250	500	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 67,750	\$ 52,500	\$ 42,815	\$ 52,500	0.0%
Division Operating Total	\$ 550,715	\$ 533,413	\$ 538,984	\$ 582,940	9.3%

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

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Safety & Risk					
Labor:					
Salaries	\$ 154,594	\$ 213,682	\$ 181,827	\$ 217,428	1.8%
Non-Labor:					
Contractor Services	21,119	19,000	19,171	25,000	31.6%
Equipment (Non Capital)	36,080	35,000	47,333	70,000	100.0%
Materials/Services/Supplies	10,418	29,500 *	22,367	30,200 *	2.4%
Professional Services	257,262	275,000	300,000	350,000	27.3%
Memberships/Training/Permits	-	-	3,550	3,000	100.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 324,880	\$ 358,500	\$ 392,421	\$ 478,200	33.4%
Division Operating Total	\$ 479,474	\$ 572,182	\$ 574,248	\$ 695,628	21.6%

*Includes \$20,000 budget for potential small claims.

Vehicle Services & Shop					
Labor:					
Salaries	\$ 84,136	\$ 107,811	\$ 69,843	\$ 114,913	6.6%
Non-Labor:					
Contractor Services	26,606	25,000	25,000	27,500	10.0%
Equipment (Non Capital)	-	-	107	-	NA
Materials/Services/Supplies	324,902	275,000	225,044	290,000	5.5%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 351,508	\$ 300,000	\$ 250,151	\$ 317,500	5.8%
Division Operating Total	\$ 435,644	\$ 407,811	\$ 319,994	\$ 432,413	6.0%

Fiscal Year 2021-22 Accomplishments

- Continued working with LAFCO on detachment efforts
- Implemented use of Self-Service Employee Benefits Portal
- Safety checklist forms converted to paperless electronic Jot-Forms
- Coordinated awards and annual safety luncheon
- Submitted for ACWA JPIA H.R. LaBounty Award – 2 FPUD employees received awards
- Completed Total Compensation Study
- Completed labor negotiations and updated Memorandums of Understanding
- Coordinated development and updates of District’s COVID Response Plan and administered COVID-related policies and protocols
- Conducted 10 recruitments resulting in 3 internal promotions/transfers and 19 newly-hired employees
- Secured over \$180,000 in Direct Customer Financial Support

- Fleet services expanded Teletrek utilization to implement best management practices for fleet vehicles and life-cycle cost management
- Completed construction of the SMRCUP on schedule, and added GAC treatment facilities

Fiscal Year 2022-23 Goals and Objectives

- Participate and finalize Emergency Response Plan (ERP) for compliance with America's Water Infrastructure Act of 2018 (AWIA)
- Submit for annual ACWA JPIA H.R. LaBounty Award
- Revise and update critical safety policies identified by safety program audit
- Conduct multiple site inspections to ensure stores are properly represented in the District's inventory
- Develop fleet performance report that assesses the fleet's operations and maintenance.
- Document finance policy and procedure guides
- Solicit and select new independent auditors for the Fiscal Year 2022-23 financial reports
- Implement GASB 87
- Update the District's 5-year financial plan and complete a Prop 218 process for rates and charges
- Execute CIP and catch up on pipeline replacement projects
- Revise pipeline replacement project packaging to reduce costs and improve quality of contractors

Key Performance Indicators

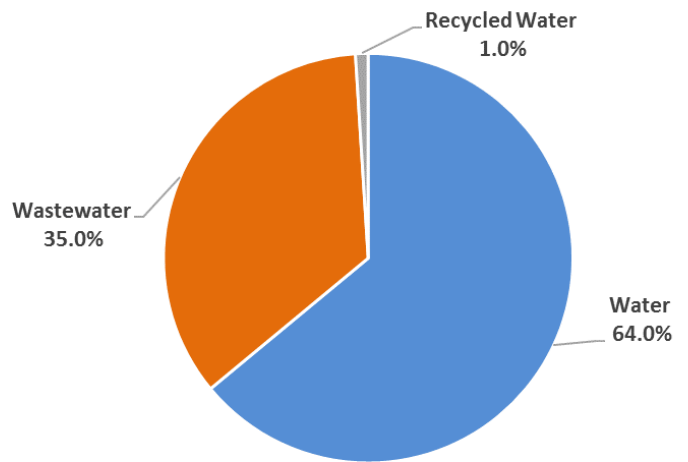
- Maintain a Workers Comp Experience Modification Rate below 1%; in FY 2022 rate was 0.89%
- Maintain an average customer service call wait time of less than 3 minutes; in FY 2022 wait time was approximately 0:40
- Maintain an inventory shrinkage rate of less than 1%; in FY 2022 shrinkage was 0.3%
- Reduce the number of audit findings from one year to the next. The District's last audit received an unmodified opinion with no findings



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: 14,353

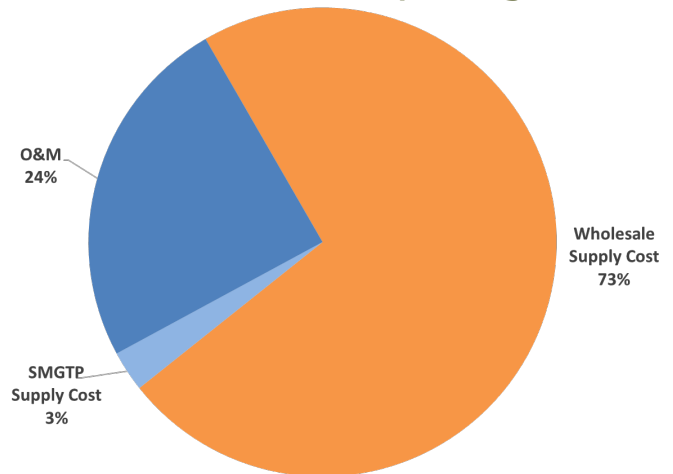
Water Services

The District provides Water Services to approximately 9,200 meters within the District’s service area. The Water Services’ operating budget is comprised of the District’s water operations costs, which includes the cost to operate and maintain the District’s SMGTP. The Water Supply Cost is reported separately. (Pg. 45). Appendix A provides the detailed revenue, expense and fund balance projections for Water operations. Water Services provide the following functions:

- Operate and maintain an advanced membrane ground water treatment plant (SMGTP) to produce quality treated water for the District’s customers
- Manage the production of SMGTP water and the delivery of water from the District’s wholesale water supplier for delivery 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



Chart #2 - Water Services Operating Costs



Water Services is broken down into divisions that support a specific function. Some changes to labor allocations have been made to align expenditures with cost of service principles given the addition of the Treatment Division. Water Services historic and proposed staffing levels are shown in Table 5.

Table #5 - Water Services Approved Positions

Position	Actual FTE* FY 2020-21	Actual FTE* FY 2021-22	Proposed FTE* FY 2022-23
Field Services Manager	1.0	1.0	1.0
Utility Technician	5.5	4.5	4.5
Utility Worker I & II	9.5	11.5	11.5
System Service/ Shop Supervisor	1.0	-	-
Meter Services/ Construction Supervisor	-	1.0	1.0
Operations Manager	1.0	0.75	0.75
System Operations Supervisor	1.0	1.0	1.0
Systems Operator I/II	3.0	4.0	4.0
Senior Instrumentation & Control Specialist	1.0	-	-
SCADA/Electrical/Maintenance Supervisor	-	0.75	0.75
Instrumentation, Electrical & Controls Tech	2.0	1.5	1.5
Senior Maintenance Technician	-	0.2	0.2
Maintenance Technician I/II	-	0.2	0.2
TOTAL FTE	25.0	26.4	26.4

*FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Treatment

- Operates and maintains a new groundwater treatment plant to treat water delivered by Camp Pendleton
- Maximize SMGTP production to achieve lowest Water Supply Cost mix

Production and Distribution

- Schedule and manage wholesale water deliveries to the District to optimize SMGTP operations
- Operate water system assets and monitors system conditions including water pressure and water quality
- Maintain crews to operate the system and respond to customer inquiries

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

**DISTRICT’S
NEW WATER
TREATMENT
PLANT**

Able to produce enough drinking water to fill 12 olympic size pools a day.

Table #6 - Water Services, Total Operating Budget Summary*

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor **	\$ 1,369,189	\$ 1,703,177	\$ 1,783,968	\$ 1,808,584	6.2%
Total Non-Labor	644,880	2,498,500	1,344,926	1,464,498	-41.4%
Operating Total	\$ 2,014,069	\$ 4,201,677	\$ 3,128,893	\$ 3,273,082	-22.1%
Allocated Benefits Expenditures	966,705	1,154,262	1,154,262	1,214,646	5.2%
Total Direct Water Costs	\$ 2,980,774	\$ 5,355,939	\$ 4,283,155	\$ 4,487,727	-16.2%
Allocation of Administrative Services	4,221,130	4,418,470	4,265,338	4,690,063	6.1%
Total Services Budget	\$ 7,201,905	\$ 9,774,409	\$ 8,548,493	\$ 9,177,790	-6.1%

* Appendix A provides the detailed revenue, expense and fund balance projections for Water operations.

** Total Labor does not include District's Benefits.

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

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual *	Budget	Projected	Budget	
Treatment					
Labor:					
Salaries	\$ -	\$ 180,473	\$ 104,185	\$ 237,424	31.6%
Non-Labor:					
Contractor Services	-	80,000	135,389	80,000	0.0%
Equipment (Non Capital)	-	5,000	3,632	5,000	0.0%
Materials/Services/Supplies	-	158,000	219,937	278,498	76.3%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	50,000	27,285	-	-100.0%
Utilities **	-	1,327,000	232,479	285,000	-78.5%
Total Non-Labor	\$ -	\$ 1,620,000	\$ 618,722	\$ 648,498	-60.0%
Division Operating Total	\$ -	\$ 1,800,473	\$ 722,906	\$ 885,922	-50.8%

* SMGTP not yet operational

**Utility cost increase driven by actual cost levels.

Production & Distribution					
Labor:					
Salaries	\$ 716,421	\$ 633,161	\$ 762,702	\$ 651,941	3.0%
Non-Labor:					
Contractor Services	87,317	111,500	91,000	101,000	-9.4%
Equipment (Non Capital)	9,386	20,000	18,000	20,000	0.0%
Materials/Services/Supplies	208,632	218,000	201,142	224,000	2.8%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	55,642	70,000	68,261	80,000	14.3%
Utilities **	93,202	120,000	62,687	90,000	-25.0%
Total Non-Labor	\$ 454,180	\$ 539,500	\$ 441,090	\$ 515,000	-4.5%
Division Operating Total	\$ 1,170,601	\$ 1,172,661	\$ 1,203,791	\$ 1,166,941	-0.5%

**Utility cost increase driven by actual cost levels.

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

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Pipeline Maintenance & Construction					
Labor:					
Salaries	\$ 299,107	\$ 457,939	\$ 395,291	\$ 439,956	-3.9%
Non-Labor:					
Contractor Services	19,280	30,000	30,000	40,000	33.3%
Equipment (Non Capital)	8,334	10,000	11,326	10,000	0.0%
Materials/Services/Supplies	25,690	98,000	54,329	40,000	-59.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 53,304	\$ 138,000	\$ 95,655	\$ 90,000	-34.8%
Division Operating Total	\$ 352,411	\$ 595,939	\$ 490,946	\$ 529,956	-11.1%
System Services					
Labor:					
Salaries	\$ 353,661	\$ 431,604	\$ 521,790	\$ 479,262	11.0%
Non-Labor:					
Contractor Services	64,282	76,000	85,000	106,000	39.5%
Equipment (Non Capital)	866	-	1,423	-	NA
Materials/Services/Supplies	72,249	125,000	103,036	105,000	-16.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 137,396	\$ 201,000	\$ 189,459	\$ 211,000	5.0%
Division Operating Total	\$ 491,058	\$ 632,604	\$ 711,250	\$ 690,262	9.1%

Fiscal Year 2021-22 Accomplishments

- Exchanged 224 meters and 32 back flow devices; Repaired 6 water main leaks and 10 water main breaks; Replaced 32 valves as of May 1
- Replaced/upgraded flow control facilities the UV Treatment Plant
- Installed new network firewalls at SMGTP, WWTP and the main office in order to securely extend the District's business network to the Reverse Osmosis (RO) Treatment Plant
- Maintained the CMMS preventative maintenance work order system at the UV Treatment Plant and the potable distribution system
- Maintained service request data collection, for water quality and pressure issues, from Excel to CMMS
- Successfully performed numerous planned shutdowns in support of the Santa Margarita project
- Completed construction of the SMGTP and started delivering water to the system
- Upgraded Lynda Ln. PRV Station with 2 new PRV, instead of the one that could not be maintained without putting customers out of water
- Installed a new PRV station at Ross Lake that will allow us to move water from the 2.8 Zone into the De luz Aqueduct Zone
- Added a new SolarBee Mixer in the Red Mountain Reservoir to improve water quality

Fiscal Year 2022-23 Goals and Objectives

- Rehabilitate Field Services Restroom/Locker-room
- Replace 100 water main valves
- Complete remaining meters in exchange program
- Begin meter testing program
- Demo dilapidated tank at Lange Reservoir
- Continue Right of Way maintenance program
- Continue valve maintenance program.
- Begin fire hydrant maintenance program
- 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
- Develop advanced reporting/dashboards in CMMS
- Install solar at key SCADA communication sites to maintain communication during SDG&E PSPS events
- Maintain operation of SMGTP to deliver all available water supplies
- Optimize operation of SMGTP
- Add a flow control facility at the SMGTP to allow continuous operation during an offspec event that would have shut the process offline
- Complete capital projects in accordance with approved budget and asset-management plan

Key Performance Indicators

- Maintain 3,000 feet of right of ways/year; in FY 2022 maintained 1,608 feet of right of ways as of May 1
- Test 400 meters/year; FY 2022 will be our first year of testing, this metric will increase to AWWA testing recommendations as the program is finalized
- Replace 100 water main valves/year; in FY 2022 replaced 49 as of May 1 (backflow exchanges took precedence)
- 100% regulatory compliance for water quality sampling, in FY 2022 we are at 100% compliance
- Exercise 189 valves and 46 fire hydrants per month as part of a three year valve exercise program cycle, in FY 2022 we are at an average of 159 valves/month
- Fire Flow test 5 Hydrants per month; FY 2023 will be our first year of testing
- Receive and treat all entitled deliveries to the SMGTP

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 comprised of the of wholesale water costs from SDCWA and Camp Pendleton’s water delivery costs for Santa Margarita River Water. As shown in Chart 4, this Fiscal Year Camp Pendleton will pump an estimated 1,300 AF 7 miles from the Santa Margarita River Aquifer to the SMGTP. The cost of treating the water and delivering it to customers is included in the District’s Water Services Treatment

LOCAL WATER SUPPLY

Local water supplies will reduce SDCWA water purchases by 1,300 AF or \$1.8 million this year.

Division's costs. 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 fixed charges and MWD's fixed charges that are pass through by SDCWA. SDCWA's recommended rates and charges are used for the Water Supply Cost estimate. The reduction in the Variable Water Cost is due to the reduced water purchases from SDCWA now that the District produces its own treated drinking water. The District's variable and fixed water charges are summarized below.

CHANGING WATER WHOLESALER

The LAFCO decision on the District's proposed detachment from SDCWA will determine if ratepayers will see a 30% decrease in the wholesale cost of water.

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

	FY 2020-21 Actual	FY 2021-22 Budget Projected		FY 2022-23 Budget	Budget to Budget Change (%)
Variable Costs:					
SDCWA Variable Cost	\$ 10,552,116	\$ 7,043,180	\$ 9,010,564	\$ 9,710,757	37.9%
SMRCUP Supply Cost*	-	1,117,081	371,000	513,240	-54.1%
Fixed Costs:					
SDCWA Supply Reliability	\$ 668,805	\$ 667,260	\$ 667,260	684,192	2.5%
SDCWA Storage	1,066,395	1,036,866	1,036,866	1,048,488	1.1%
SDCWA Customer service	570,301	559,854	559,854	555,840	-0.7%
MWD Capacity	244,872	258,528	258,528	237,030	-8.3%
MWD Readiness to Serve	291,010	260,964	260,964	264,456	1.3%
SDCWA IAC	562,410	603,996	603,996	603,768	0.0%
Total Water Supply Costs	\$ 13,955,908	\$ 11,547,729	\$ 12,769,032	\$ 13,617,771	17.9%

* This estimate does not include the SMGTP LRP credit of \$305/AF @ 1,300 estimated AF; \$396,500.

Chart #3 - Water Supply Costs Breakdown

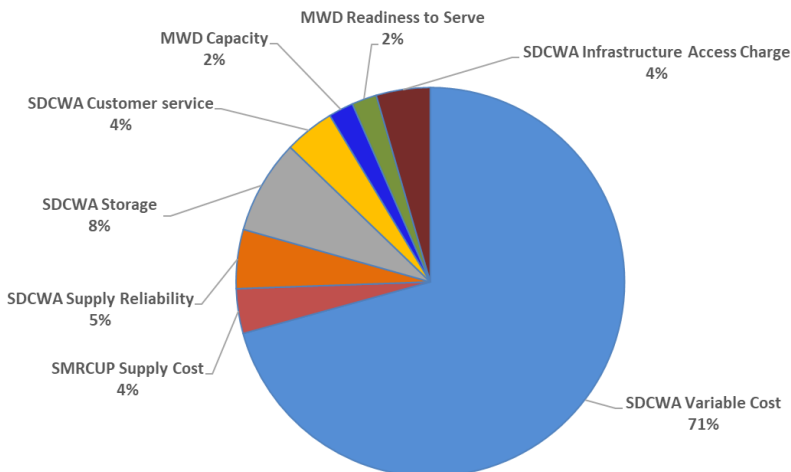
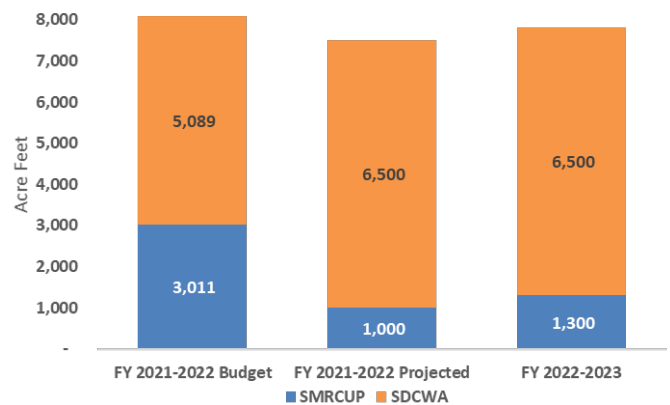


Chart #4 - Wholesale and Local Supply Mix



Variable Costs

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

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

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.

Santa Margritia Conjunctive Use Project Pumping Costs – This is the \$/acre-foot rate the District pays Camp Pendleton for SMR water that is pumped to the SMGTP.

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

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

Wastewater Services

The District provides Wastewater Services to approximately 5,000 services 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. Appendix A provides the detailed revenue, expense and fund balance projections for Wastewater operations. Wastewater Services includes the following functions:

- Operate a water reclamation plant that provides tertiary 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 2020-21	FY 2021-22	FY 2022-23
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
Operations Manager	-	0.25	0.25
Environmental Compliance Technician	0.5	0.5	0.5
Laboratory Technician	0.85	0.85	0.85
Mechanical Technician	0.8	-	-
Senior Maintenance Technician	-	0.6	0.6
Plant Maintenance Worker	0.8	-	-
Maintenance Technician I/II	-	0.6	0.6
SCADA/Electrical/Maintenance Supervisor	-	0.25	0.25
Instrumentation, Electrical & Controls Tech	-	0.5	0.5
TOTAL FTE	15.2	15.8	15.8

* 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 and centrifuges)
- 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 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor **	\$ 1,297,810	\$ 1,275,294	\$ 1,362,839	\$ 1,375,541	7.9%
Total Non-Labor	1,024,209	1,331,900	1,121,493	1,283,300	-3.6%
Operating Total	\$ 2,322,019	\$ 2,607,194	\$ 2,484,332	\$ 2,658,841	2.0%
Allocated Benefits Expenditures	916,309	864,281	864,281	920,272	6.5%
Total Direct Wastewater Costs	\$ 3,238,328	\$ 3,471,475	\$ 3,348,612	\$ 3,579,114	3.1%
Allocation of Administrative Services	2,308,431	2,416,351	2,332,607	2,564,878	6.1%
Total Services Budget	\$ 5,546,758	\$ 5,887,826	\$ 5,681,219	\$ 6,143,992	4.4%

* Appendix A provides the detailed revenue, expense and fund balance projections for Wastewater operations.

** Total Labor does not include District's Benefits.

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

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Collections					
Labor:					
Salaries	\$ 533,233	\$ 450,525	\$ 547,952	\$ 479,842	6.5%
Non-Labor:					
Contractor Services	35,075	56,000	42,104	75,000	33.9%
Equipment (Non Capital)	1,070	5,000	54	5,000	0.0%
Materials/Services/Supplies	81,607	124,000	135,696	170,000	37.1%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	900	900	900	0.0%
Utilities **	53,060	100,000	114,000	122,300	22.3%
Total Non-Labor	\$ 170,812	\$ 285,900	\$ 292,754	\$ 373,200	30.5%
Division Operating Total	\$ 704,044	\$ 736,425	\$ 840,706	\$ 853,042	15.8%

**Utility cost increase driven by actual cost levels.

Treatment					
Labor:					
Salaries	\$ 764,578	\$ 824,770	\$ 814,887	\$ 895,700	8.6%
Non-Labor Expenses:					
Contractor Services	292,872	433,000	289,576	353,000	-18.5%
Equipment (Non Capital)	9,433	9,000	5,473	7,000	-22.2%
Materials/Services/Supplies	249,226	312,000	246,801	297,500	-4.6%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	86,914	95,000	108,173	95,000	0.0%
Utilities **	214,951	197,000	178,717	157,600	-20.0%
Total Non-Labor	\$ 853,397	\$ 1,046,000	\$ 828,739	\$ 910,100	-13.0%
Division Operating Total	\$ 1,617,975	\$ 1,870,770	\$ 1,643,626	\$ 1,805,800	-3.5%

**Utility cost increase driven by actual cost levels.

Fiscal Year 2021-22 Accomplishments

- Water Reclamation Plant stayed in compliance with state and federal regulations, including the new NPDES permit R9-2019-0169
- Maintained equipment from the headwork’s to the secondary, including solids handling equipment
- Maintained energy consumption +/- 5%; FY 2022 energy consumption had 0% change
- Maintained chlorine usage +/- 5%; FY 2022 chlorine usage increased by 0.2%

Fiscal Year 2022-23 Goals and Objectives

- Operate Water Reclamation Plant treatment units to stay in compliance with state and federal regulations
- Maintain Water Reclamation Plant equipment from the headwork’s to secondary, including solids handling equipment using preventative and predictive measures
- Maintain energy consumption +/- 5%
- Maintain chlorine usage +/- 5%

Key Performance Indicators

- Maintain energy consumption (kWh) within 5% of target annual average of 2,760,000 or below
- Reduce 10-year average wastewater spills by 10% - Keep spills under 9,075 gallons; in FY 2022 spills averaged 12,296 gallons due to 2 contractor caused spills that totaled over 50,000 gallons
- Keep common sewer spills to 3 or less during the year; in FY 2022 we had 5 spills, 2 of which were contractor spills

Recycled Water Services

The District provides Recycled Water Services to 30 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. Appendix A provides the detailed revenue, expense and fund balance projections for Recycled Water operations. 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 2020-21	FY 2021-22	FY 2022-23
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	-	-
Senior Maintenance Technician	-	0.2	0.2
Plant Maintenance Worker	0.2	-	-
Maintenance Technician I/II	-	0.2	0.2
Utility Technician	0.5	0.5	0.5
Utility Worker I	0.5	0.5	0.5
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 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor **	\$ 96,318	\$ 181,916	\$ 114,548	\$ 160,078	-12.0%
Total Non-Labor	188,841	222,000	183,022	222,500	0.2%
Operating Total	\$ 285,159	\$ 403,916	\$ 297,570	\$ 382,578	-5.3%
Allocated Benefits Expenditures	68,004	123,286	123,286	107,097	-13.1%
Total Direct Recycled Water Costs	\$ 353,163	\$ 527,202	\$ 420,857	\$ 489,675	-7.1%
Allocation of Administrative Services	65,955	69,039	66,646	73,282	6.1%
Total Services Budget	\$ 419,119	\$ 596,241	\$ 487,502	\$ 562,957	-5.6%

* Appendix A provides the detailed revenue, expense and fund balance projections for Recycled Water operations.

** Total Labor does not include District's Benefits.

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

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Production					
Labor:					
Salaries	\$ 89,456	\$ 145,595	\$ 91,822	\$ 149,640	2.8%
Non-Labor:					
Contractor Services	25,453	34,000	29,284	36,000	5.9%
Equipment (Non Capital)	3,616	4,000	3,178	4,000	0.0%
Materials/Services/Supplies	64,072	77,000	73,443	89,500	16.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	91,854	85,000	76,593	68,000	-20.0%
Total Non-Labor	\$ 184,995	\$ 200,000	\$ 182,498	\$ 197,500	-1.3%
Division Operating Total	\$ 274,451	\$ 345,595	\$ 274,319	\$ 347,140	0.4%

**Utility cost increase driven by actual cost levels.

Distribution					
Labor:					
Salaries	\$ 6,862	\$ 36,321	\$ 22,726	\$ 10,438	-71.3%
Non-Labor:					
Contractor Services	-	-	-	-	NA
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	3,332	22,000	-	25,000	13.6%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	514	-	525	-	NA
Total Non-Labor	\$ 3,846	\$ 22,000	\$ 525	\$ 25,000	13.6%
Division Operating Total	\$ 10,708	\$ 58,321	\$ 23,251	\$ 35,438	-39.2%

**Utility cost increase driven by actual cost levels.

Fiscal Year 2021-22 Accomplishments

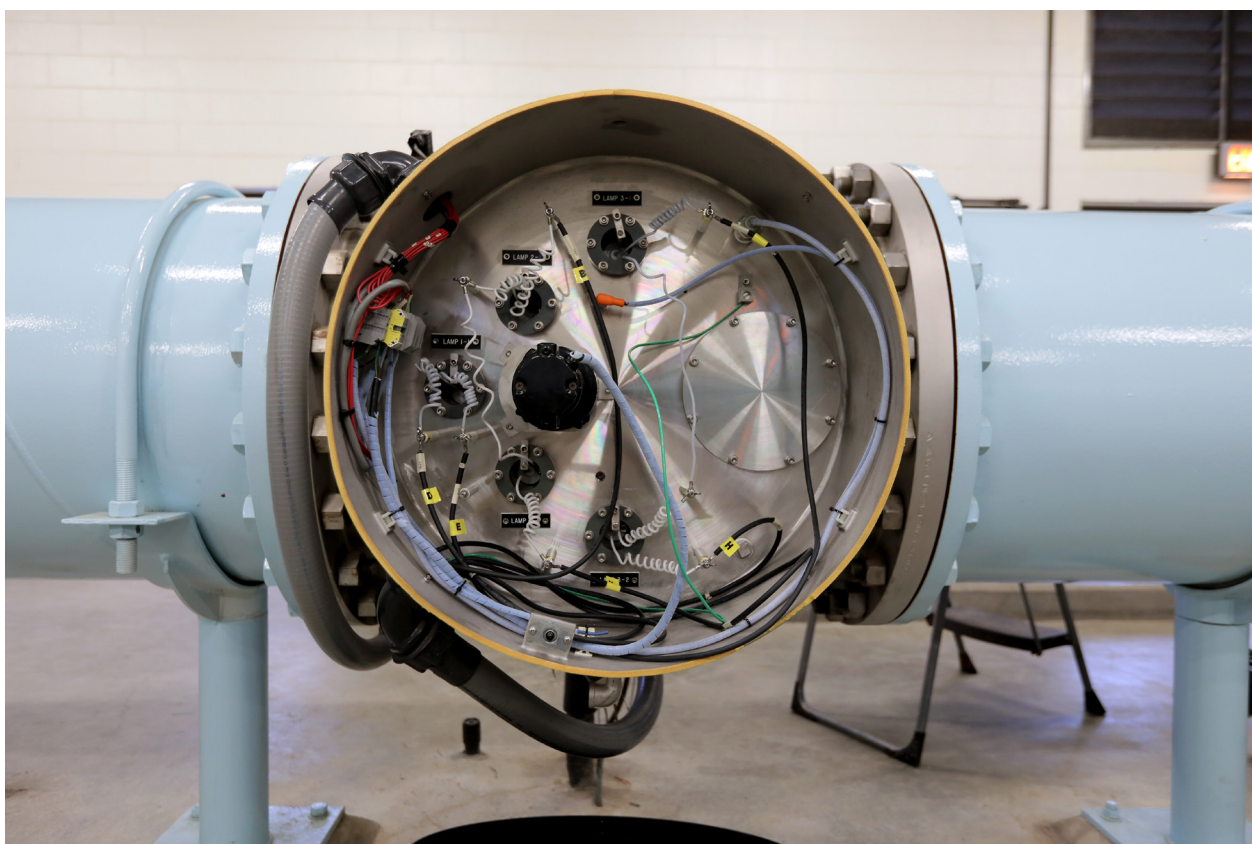
- Operated the Water Reclamation Plant tertiary treatment units while staying in compliance with applicable recycled water permits: Order No. 91-39, Title 22, State Recycled Water Permits and Policy
- Provided reliable recycled water production by maintaining the Water Reclamation Plant tertiary equipment from the filters to the reclaimed water pond, using preventative and predictive measures
- Maintained an overall compliance of > 99.9% each month from all samples associated with the Title 22 and WDR Permit

Fiscal Year 2022-23 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
- Maintain a Time out of Service of less than 20 hours for the Recycled Water Distribution System



UV Plant

Community Benefit Program

This year in response to the community’s request, the District is forming the new Community Benefit Program (CBP). The CBP will maintain public spaces in the District’s service area. The CBP is funded by water property tax revenues. Each year the amount established by the Board will be transferred into the CBP fund and used for the benefit of the community. The funds will be managed by a Board appointed committee and require minimal staff support.

Table #15 - Community Benefit Program Approved Positions

Position	Actual FTE*	Actual FTE*	Proposed FTE*
	FY 2020-21	FY 2021-22	FY 2022-23
Purchasing Warehouse Supervisor	-	-	0.05
TOTAL FTE	0.0	0.0	0.05

* FTE - Full-Time Equivalents

Table #16 - Community Benefit Program Operating Budget Summary

Description	*FY 2020-21	*FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected		
Total Labor	\$ -	\$ -	\$ -	\$ 6,961	NA
Total Non-Labor	-	-	-	539,039	NA
Total Budget	\$ -	\$ -	\$ -	\$ 546,000	NA

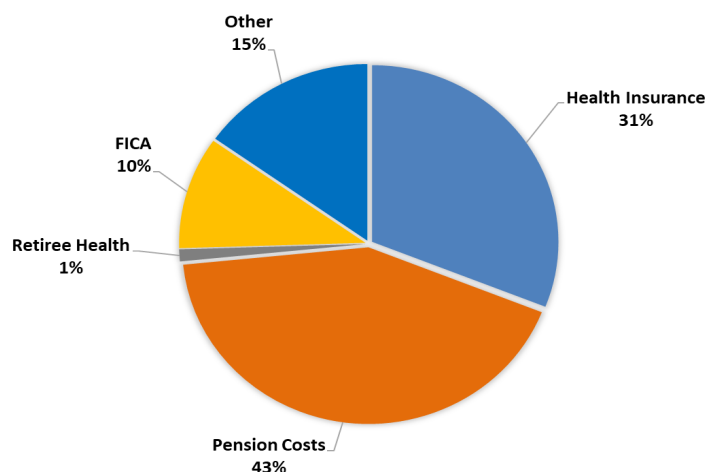
*Community Benefit Program not yet operational.



Employee Benefits

The District updates the cost of the benefits offered to District staff as part of the annual budget. A new Memorandum of Understanding (MOU) between the District and its employee associations was just negotiated and is set to expire in June 2027, the budget was developed based upon the terms of the MOU. Table 17 shows the breakdown of the District’s costs related to employee benefits. These cost estimates include expected increases in costs due mainly to scheduled pension related cost increases. These cost estimates include expected increases in costs due mainly to scheduled pension related cost increases.

Chart #5 - Fiscal Year 2022-23 Benefits Breakdown



Strategic Planning

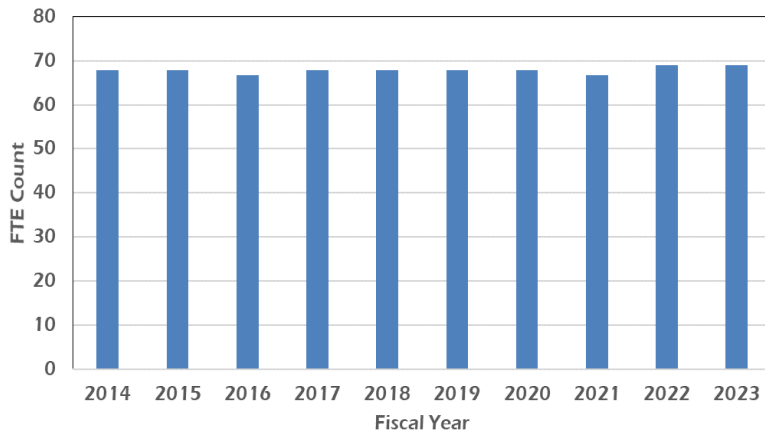
The District’s proactive management of the district’s pension obligations has resulted in approximately 84% funding of its pension obligations. This limits the potential for future rate and charge increases due to pension obligation funding needs.

Table #17 - Breakdown of District’s Employee Benefit Costs

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Auto Allowance	\$ 15,347	\$ 14,500	\$ 17,500	\$ 21,750	50.0%
Insurance - Dental	63,873	76,000	75,000	73,817	-2.9%
Insurance - Vision	12,613	14,606	14,606	14,606	0.0%
Insurance - Health	931,305	1,151,301	1,119,384	1,135,576	-1.4%
Insurance - Life and Disability	45,323	46,779	47,858	50,481	7.9%
Insurance - Worker's Comp	113,050	152,881	152,881	167,266	9.4%
Longevity/Performance Bonus	26,644	26,921	26,921	26,921	0.0%
FICA - Employer's share	427,652	480,601	460,000	478,138	-0.5%
CalPERS Annual Contribution	589,378	652,526	620,000	688,148	5.5%
CalPERS Unfunded Liability Payment	965,469	1,112,995	1,112,995	1,285,994	15.5%
Pension/OPEB Liability Trust Payment *	500,000	500,000	500,000	500,000	0.0%
Employer's share (401 & 457)	51,451	54,187	48,882	95,095	75.5%
District Share of Retiree Medical Insurance	55,556	55,300	54,069	50,812	-8.1%
Retiree Compensated Absence Payout	-	20,000	-	-	-100.0%
Merit Increase Bonus	-	-	-	20,000	100.0%
Uniforms & Boots	48,016	31,851	40,000	43,607	36.9%
Total	\$ 3,845,678	\$ 4,390,448	\$ 4,290,095	\$ 4,652,210	6.0%

*\$500,000 transferred to the District’s Section 115 Pension Trust.

Chart #6 - Fallbrook Public Utility District's Approved Full-Time Staffing Equivalents



The District's staffing levels shown in Chart 6 show no change in our FTE's. 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 15.5% 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).

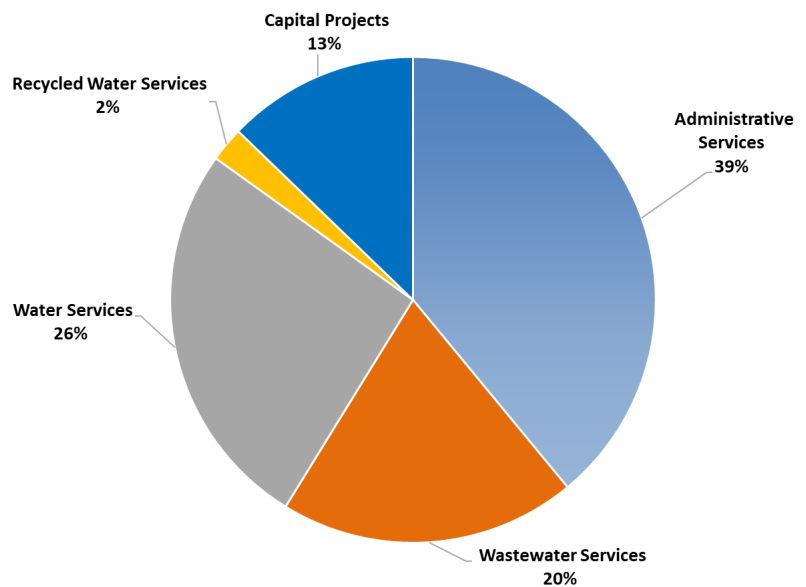
The District's healthcare insurance costs are held flat due to the unchanged FTE count. The District's 401a has increased due to the upcoming MOU contract. Changes to other benefits are shown on the table.

This year the District's staff under the Public Employees' Pensions Reform Act (PEPRA) increased to over half of District staff. The changes in pension benefits for PEPRA staff are expected to lower the District's future pension costs.

Chart #7 - Fiscal Year 2022-23 Benefits Allocation

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. This year the portion of benefits allocated to Capital Projects is 13%, an increase of 1% from last year.



Debt Service

The District currently has four outstanding long-term debt obligations, the Red Mountain State Revolving Fund Loan (2011 SRF Loan), the 2021 Wastewater Refunding Revenue Bonds (2021 WWRRB), the Qualified Energy Conservation Revenue Bonds (2010 QECB) and the State Revolving Fund Loans (2018 SRF Loan). The 2011 SRF Loan funded the construction of a water treatment facility serving the Red Mountain Reservoir. The 2021 Wastewater Refunding Revenue Bonds (2021 WWRRB), which refunded a SRF Loan that funded the rehabilitation and modernization of the District’s Water Reclamation Plant. The 2010 QECB loan funded the District’s 1 MW solar facility. The 2018 SRF loan funded the District’s SMGTP. While the District has requested an increase in the loan amount, the original debt service is shown here since the requested modification to the agreement has not yet been approved.

The District successfully executed a public debt offering. With a rating from Standard and Poor’s of A+, the District debt was well received by investors and highlights the recent improvements to the District’s financial disclosure.

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 2022-23 and the amount allocated to each service.

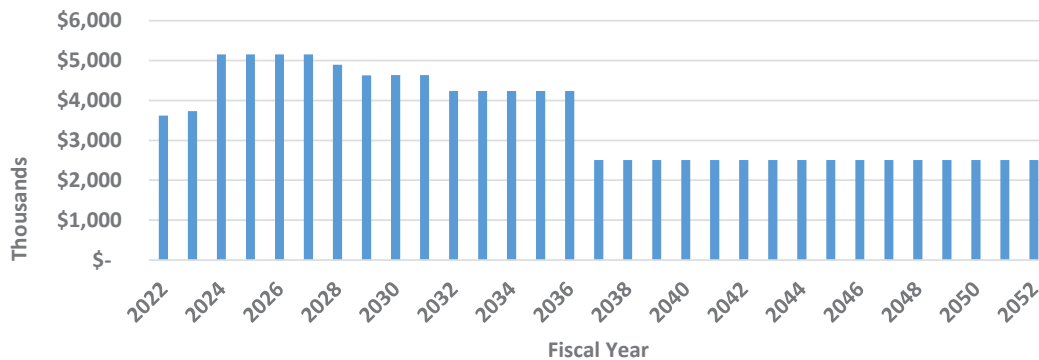
Table #18 - Debt Service Budget Summary

Debt Issuance	Service			Total Debt Service
	Water	Wastewater	Recycled Water	
2018 SRF Loan*	\$ 1,081,968	\$ -	\$ -	\$ 1,081,968
2011 SRF Loan	395,851	-	-	395,851
2021 WWRRB**	-	1,211,715	519,307	1,731,022
2010 QECB	-	521,667	-	521,667
Total	\$ 1,477,819	\$ 1,733,382	\$ 519,307	\$ 3,730,508

*The preliminary debt service schedule has no principal payments due until FY 2024.

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

Chart #8 - Annual Debt Service



The table below shows the debt service payment schedule for each debt issuance. The debt service in Fiscal Year 2023-24 increases significantly because full debt service payments for the SMRCUP loan begin.

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 2023-24 and is shown in the summary table. The financial projections in this document include this debt service starting in Fiscal Year 2022-23.

Table #19 - Fiscal Year 2022-23 Debt Service Schedule

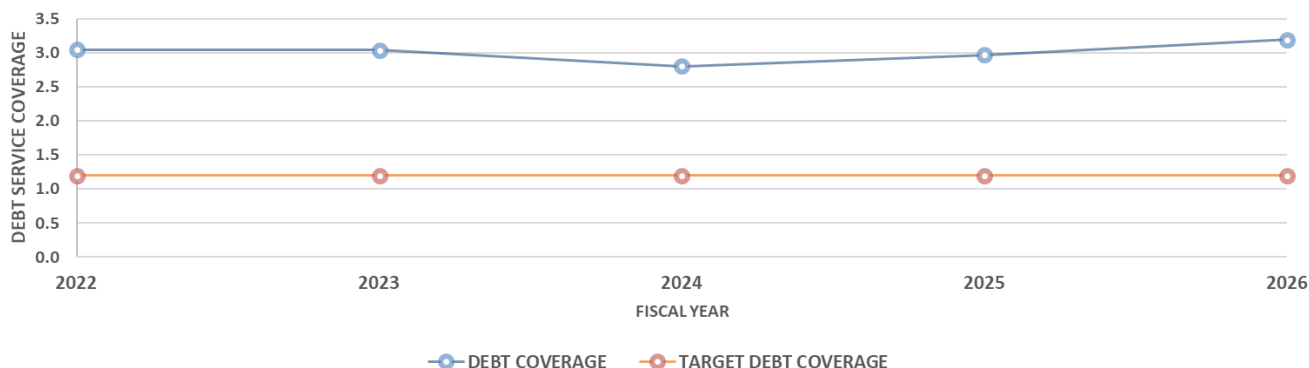
Year Ending June 30	Red Mountain State Revolving Fund Loan		Wastewater Revenue Refunding Bonds		QECB* Loan		SMRCUP State Revolving Funds**		District Annual Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	308,589	87,261	1,110,000	619,884	366,104	155,208	-	974,071	\$ 3,621,118
2023	316,573	79,278	1,115,000	616,022	387,783	133,884	-	1,081,968	\$ 3,730,508
2024	324,764	71,087	1,120,000	610,746	410,388	111,302	1,425,825	1,081,968	\$ 5,156,079
2025	333,166	62,685	1,130,000	603,575	433,953	87,409	1,452,916	1,054,878	\$ 5,158,581
2026	341,786	54,065	1,145,000	584,934	458,515	62,150	1,480,521	1,027,272	\$ 5,154,242
2027	350,628	45,222	1,185,000	546,700	484,114	35,465	1,508,651	999,142	\$ 5,154,923
2028	359,700	36,151	1,230,000	498,400	254,219	7,296	1,537,315	970,478	\$ 4,893,559
2029	369,006	26,845	1,280,000	448,200	-	-	1,566,524	941,269	\$ 4,631,844
2030	378,553	17,298	1,335,000	395,900	-	-	1,596,288	911,505	\$ 4,634,544
2031	388,347	7,503	1,390,000	341,400	-	-	1,626,618	881,176	\$ 4,635,044
2032	-	-	1,445,000	284,700	-	-	1,657,523	850,270	\$ 4,237,493
2033	-	-	1,505,000	225,700	-	-	1,689,016	818,777	\$ 4,238,493
2034	-	-	1,565,000	164,300	-	-	1,721,108	786,686	\$ 4,237,093
2035	-	-	1,630,000	100,400	-	-	1,753,809	753,984	\$ 4,238,193
2036	-	-	1,695,000	33,900	-	-	1,787,131	720,662	\$ 4,236,693
2037	-	-	-	-	-	-	1,821,087	686,707	\$ 2,507,793
2038	-	-	-	-	-	-	1,855,687	652,106	\$ 2,507,793
2039	-	-	-	-	-	-	1,890,945	616,848	\$ 2,507,793
2040	-	-	-	-	-	-	1,926,873	580,920	\$ 2,507,793
2041	-	-	-	-	-	-	1,963,484	544,309	\$ 2,507,793
2042	-	-	-	-	-	-	2,000,790	507,003	\$ 2,507,793
2043	-	-	-	-	-	-	2,038,805	468,988	\$ 2,507,793
2044	-	-	-	-	-	-	2,077,542	430,251	\$ 2,507,793
2045	-	-	-	-	-	-	2,117,016	390,778	\$ 2,507,793
2046	-	-	-	-	-	-	2,157,239	350,554	\$ 2,507,793
2047	-	-	-	-	-	-	2,198,226	309,567	\$ 2,507,793
2048	-	-	-	-	-	-	2,239,993	267,800	\$ 2,507,793
2049	-	-	-	-	-	-	2,282,553	225,241	\$ 2,507,793
2050	-	-	-	-	-	-	2,325,921	181,872	\$ 2,507,793
2051	-	-	-	-	-	-	2,370,114	137,680	\$ 2,507,793
2052	-	-	-	-	-	-	2,415,146	92,647	\$ 2,507,793

*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 preliminary debt service schedule is updated.

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 9 shows the projected debt service coverage above the target level of 1.2x. Currently the District has no subordinate debt outstanding.

Chart #9 - Debt Service Coverage Ratio



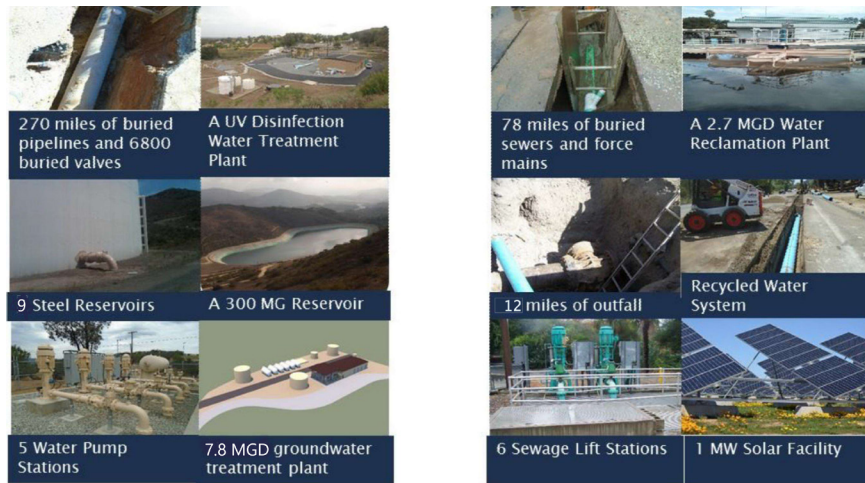
Santa Margarita Groundwater Treatment Plant Ribbon Cutting Ceremony

Project Summary for Fiscal Year 2022-23

Figure #1 - Fallbrook District Facilities

District Capital Program

Utility districts require long-term investments in extensive capital facilities. The District maintains over 360 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.

For Fiscal Year 2021-22, Table 1 shows budget versus projected actual expenses for each capital project category. Water Capital expenses are projected to end under budget for various reasons, including several projects being completed under budget, mainline replacement delays caused by longer than typical procurement times for engineered pipe, emergency repairs and COVID related absences impacting staff availability for the valve replacement program, and the postponement of the Toyon Pump Station replacement. The SMRCUP was completed under budget due to utilizing only about one third of the budgeted change order contingency. Recycled system capital expenses are projected to be over budget as a result of additional mainline replacement costs. Wastewater capital expenses are projected to be close to plan. And lastly, administrative capital expenses are projected to finish slightly under plan due to projects and capital purchases completed under budget.

Capital Budget Project Summary for Fiscal Year 2022-23

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The most significant component of the capital program is replacement of aging infrastructure. With the SMRCUP complete and online, the primary focus in the coming year will be catching up on both installation and planning of water main replacements, wastewater lift station improvements and identifying potential expansions for the recycled water system. The key capital projects scheduled for Fiscal Year 2022-23 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. In Fiscal Year 2020-2021, the pipeline replacement goals were not met due to limitations on staff time caused by the construction of the SMRCUP as well as alignment complications on one of the planned projects. Because of this, the replacement goal in Fiscal Year 2021-22 was increased from 5,000 linear feet to 7,680 feet. However, due to continued challenges procuring materials, it is projected approximately 6,700 linear feet of main line will be replaced by year end. In an effort to continue to gain and exceed replacement goals, additional pipeline replacement efforts are planned for the coming year and will be approached differently than the past. A single pipeline replacement package with approximately 7,500 linear feet of pipe of various sizes will be bid together, to be constructed over the next year and a half. With this approach, we anticipate more flexibility to handle long lead times for certain materials and expect to attract more experienced contractors at better prices.

Wastewater/ Recycled Capital Projects

As part of the long-term sewer system replacement plan, the focus will be on replacing and relining aging collection mains, and improvements to multiple lift stations.

At the Water Reclamation Plant (WRP), aging mechanical equipment will be replaced, the site asphalt will be resealed, and the storm water improvements begun in the previous year will be completed.

For the recycled water system, work will be completed to replace targeted sections of main line, while also continuing to plan and strategize for expanding service. The biggest recycled system project is the continuation of the water supply reliability project currently underway. The Integrated Regional Water Management Proposition 1 Grant that funds 50 percent of that project was formally approved by the State Department of Water Resources in April of 2021. All costs incurred in Fiscal Year 2022-23 will be covered by the grant funds.

Table #1 - Capital Improvements Projects Summary Table

	Budget	Projected	FY 2021-22	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Water Capital Projects										
Pipelines & Valve Replacement Projects by District	\$ 670,000	\$ 343,028	\$ 570,000	\$ 676,700	\$ 581,457	\$ 587,272	\$ 593,144	\$ 599,076		
Pipeline Replacement Projects by Contractors	3,388,000	2,668,960	4,543,350	2,928,495	3,177,612	3,606,054	3,121,812	3,678,535		
Deluz ID Projects	100,000	79,394	100,000	101,000	102,010	103,030	104,060	105,101		
Pump Stations	412,500	7,826	300,000	171,700	51,005	51,515	52,030	52,551		
Meter Replacement	275,000	126,558	25,000	20,200	20,402	20,606	20,812	21,020		
Pressure Reducing Stations	-	-	65,000	111,100	20,402	-	-	-		
Red Mountain Reservoir Improvements	112,000	103,341	175,000	50,500	51,005	51,515	52,030	52,551		
Steel Reservoir Improvements	180,000	162,734	60,000	515,100	816,080	669,696	676,393	472,955		
Treatment Plant R&R	-	-	200,000	202,000	204,020	206,060	208,121	210,202		
SCADA Upgrades/ Security/Telemetry	95,000	79,909	90,000	85,850	107,111	108,182	88,451	110,356		
Total PAYGO Water Capital Projects	\$ 5,232,500	\$ 3,571,750	\$ 6,128,350	\$ 4,862,645	\$ 5,131,103	\$ 5,403,929	\$ 4,916,854	\$ 5,354,896		
Santa Margarita Conjointive Use Project Construction	\$ 8,450,000	\$ 7,152,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Water Capital Projects	\$ 13,682,500	\$ 10,724,405	\$ 6,128,350	\$ 4,862,645	\$ 5,131,103	\$ 5,403,929	\$ 4,916,854	\$ 5,354,896		
Recycled Water Capital Projects										
Recycled Water Improvements	\$ 270,000	\$ 327,921	\$ 114,000	\$ 115,140	\$ 116,291	\$ 65,939	\$ 62,436	\$ 63,061		
Total Recycled Water Capital Projects	\$ 270,000	\$ 327,921	\$ 114,000	\$ 115,140	\$ 116,291	\$ 65,939	\$ 62,436	\$ 63,061		
Wastewater Capital Projects										
WRP Improvements	\$ 315,000	\$ 481,760	\$ 281,000	\$ 959,500	\$ 765,075	\$ 412,120	\$ 936,544	\$ 315,303		
Collection System Improvements	595,000	487,701	400,000	269,670	1,009,899	1,019,998	1,030,198	1,250,702		
Outfall Improvements	50,000	-	50,000	50,500	51,005	257,575	114,466	115,611		
Total Wastewater Capital Projects	\$ 960,000	\$ 969,461	\$ 731,000	\$ 1,279,670	\$ 1,825,979	\$ 1,689,694	\$ 2,081,208	\$ 1,681,616		
Administrative Capital Projects										
Administrative Upgrades	\$ 65,000	\$ 27,185	\$ 105,000	\$ 429,250	\$ 25,503	\$ 25,758	\$ 26,015	\$ 26,275		
Engineering & Operations Information Systems	-	-	30,000	30,300	30,603	30,909	31,218	31,530		
Facility Improvements/Upgrades/Security	120,000	127,704	410,000	328,250	66,307	66,970	234,136	68,316		
District Yard Improvements	25,000	27,636	-	50,500	306,030	-	52,030	-		
Vehicles and Heavy Equipment	615,500	563,239	255,000	776,185	477,917	379,666	471,914	229,646		
Total Administrative Capital Projects	\$ 825,500	\$ 745,764	\$ 800,000	\$ 1,614,485	\$ 906,359	\$ 503,302	\$ 815,313	\$ 355,767		
Total Capital Budget Projects	\$ 7,288,000	\$ 5,614,896	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864	\$ 7,875,811	\$ 7,455,340		
Total all Capital Projects (Including SMRCUP)	\$ 15,738,000	\$ 12,767,551	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864	\$ 7,875,811	\$ 7,455,340		

Capital Expenditure Carry-Over

As mentioned in the Water Capital Projects summary, additional pipeline replacement efforts are planned for the coming year to make up for delayed projects over the last two years. The unused portion of the planned budget, currently estimated to be approximately \$800,000, will be carried over to the coming year’s budget to enable funding additional pipeline replacement efforts. The Pipeline replacement lines on Table 1 reflect this carry-over into Fiscal Year 2022-23.

Table #2 - Capital Expenditure Carry-Over Summary Table

Project	FY 2021-22 Budget	FY 2021-22 Projected Actual	FY 2021-22 Carry-Over	FY 2022-23 Revised Budget*
Pipeline Replacements Projects by Contractors	\$ 3,388,000	\$ 2,668,960	\$ 719,040	\$ 4,543,350

*Includes FY 2021-22 carry-over

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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 2022-23 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.
- Fire Hydrant Replacements – New program to replace fire hydrants in poor condition.
- Easement Rehabilitation – Restoration of easement roads to maintain access to District pipelines and facilities.



Valves Replaced by Year	
Year	Quantity
FY 2017-18	112
FY 2018-19	57
FY 2019-20	89
FY 2020-21	82
FY 2021-22	32 (as of 5/1/22)
FY 2022-23	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 2022-23 Budget
Valve Replacement Program	Continuous Replacement Program	\$ 400,000
Miscellaneous Pipeline Replacements	Continuous Replacement Program	\$ 50,000
Mainline Leak Detection	Continuous Detection Program	\$ 20,000
Fire Hydrant Replacements	Continuous Rehabilitation Program	\$ 50,000
Easment Rehabilitation	Continuous Rehabilitation Program	\$ 50,000
Total		\$ 570,000



Pipeline Replacement Projects by Contractors

Project Description:

Significant pipeline replacement projects installed 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 2022-23 include:



- Winter Haven Road Pipeline Replacement Phase 2 and 3 – 5,580 linear feet of 12-inch water main. The second and third phases of the Winter Haven Road Pipeline Replacement will be completed together, replacing the existing water main from Havencrest Lane to the Yarnell PRV. The existing cement lined iron pipe was relined in 1968. The majority of this project is projected to be completed in FY21-22, but will not be finalized until September 2022.
- FY22-23 Pipeline Replacement Package – Approximately 7,500 linear feet of main line replacements on various streets. Pipe diameters range from 6-inches to 12-inches.

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 2022-23 Budget
Winter Haven Road Pipeline Replacement Phases 2 & 3	\$ 1,953,000	\$ 500,000
FY22-23 Pipeline Replacements	\$ 4,043,350	\$ 4,043,350
Total		\$ 4,543,350



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 2022-23 include:

- De Luz Area Valve and PRV Replacements – Strategic replacement of valves and rehabilitation of PRVs.



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.

Project Budget:

Project	Total Project Budget	FY 2022-23 Budget
DeLuz Area Valve and PRV Replacements	\$ 100,000	\$ 100,000
Total		\$ 100,000



Pump Stations

Project Description:

The District has 5 pump stations that deliver water to higher elevation areas. In Fiscal Year 2022-23, the following Pump Station projects are planned:

- Toyon Pump Station Replacement – This pump station has been scheduled for replacement for some time now, but has been deferred due to other capital priorities and new planning complexities introduced by details of the SMRCUP and potential change of imported water supplier. 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 away from public right-of-way. 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.
- De Luz Pump Station Construction – In order to deliver SMRCUP water to the De Luz Service Area, additional pumping capabilities will be needed. The new pump station will be constructed with the Toyon 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 2022-23 Budget
Toyon Pump Station Replacement	\$ 515,000	\$ 150,000
DeLuz Pump Station	\$ 360,000	\$ 150,000
Total		\$ 300,000



Meter Replacement Program

Project Description:

The Meter Replacement Program that was started in 2015 and is nearing completion. There are fewer than 40 meters to replace that are being coordinated with valve replacements. The program replaced over 9,000 existing Automatic Meter Reading (AMR) meters with Advanced Metering Infrastructure (AMI) meters, which are able to provide real time data collection and alerts. New meters typically have a service life of 15 to 20 years, but some regular replacements will be necessary to keep all meters in working order. A small budget will be set aside on an ongoing basis for this purpose.

Supports Strategic Goals:

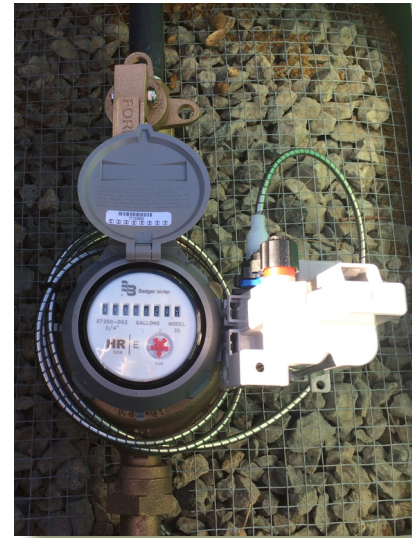
Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

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 2022-23 Budget
Meter Replacement Program	Ongoing Replacement Program	\$ 25,000
Total		\$ 25,000



Pressure Reducing Station Rehabilitation

Project Description:

Routine improvements and replacements of the District’s pressure reducing stations are needed to maintain reliable service. Projects planned for FY22-23 include installing two new pressure relief stations and adding a grid power connection to the Gum Tree 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:

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.



Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Gum Tree Power	\$ 15,000	\$ 15,000
Pressure Relief Stations	\$ 50,000	\$ 50,000
Total		\$ 65,000



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 2022-23 include:



- UPS Replacement – The uninterruptible power supply, which maintains power to the UV plant in the event of a power failure until the backup generator engages, will be replaced. It has exceeded its useful life and has components that are no longer available to purchase for replacement parts.
- Reactor Inlet Valve Replacements – the inlet valves to each reactor train have exceeded their useful life and require replacement. There are 3 reactor trains. One was replaced in FY21-22. The other two will be replaced in FY22-23.

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 and functioning valves will improve operational efficiency.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Valve Replacements	\$ 25,000	\$ 25,000
UPS Replacement	\$ 150,000	\$ 150,000
Total		\$ 175,000



Steel Reservoir Improvements

Project Description:

Each existing reservoir has been recoated within the last ten years, protecting the existing reservoirs from corrosion and extending their useful life. The coatings typically last 10 to 15 years, so no recoating projects are anticipated for the next few years. Other projects planned in Fiscal Year 2022-23 include:



- Lang Reservoir Decommissioning – The Lang Reservoir has been out of service for several years. The site is used for District communications equipment and a cell tower lease. The reservoir itself will be removed to improve safety at the site. This project was initiated in FY21-22. Due to asbestos and lead abatement requirements and the relocation of the existing cell tower, only a portion of the decommissioning was complete. The remainder will be completed this budget year.
- Cathodic Protection Replacements – The steel reservoirs use sacrificial anodes to further prevent corrosion. The anodes are replaced regularly based on assessed condition at each tank.

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 2022-23 Budget
Lang Reservoir Decommissioning	\$ 80,000	\$ 50,000
Cathodic Protection Repair	Ongoing Replacement Program	\$ 10,000
Total		\$ 60,000



Santa Margarita Groundwater Treatment Plant Improvements

Project Description:

Construction of the Santa Margarita Groundwater Treatment Plant (SMGTP) was completed in FY21-22. The plant treats water delivered by Camp Pendleton per the executed settlement agreement of US v. FPUD. On average, it is expected to provide 4,600 acre-feet per year of local water. Each year’s actual quantity is determined by hydrologic conditions in the river basin. This year, due to dry conditions, the project is expected to yield 1,300 acre-feet.



With the construction complete, the plant will require routine equipment replacements and improvements. Two primary improvements scheduled for FY22-23 are:

- Automated Drain Valve
- Chemical Delivery and Storage Improvements

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 50% 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.

Project Budget:

Project	Total Project Budget	FY 2022-23 Budget
Plant Improvements	Continuous Program	\$ 200,000
Total		\$ 200,000

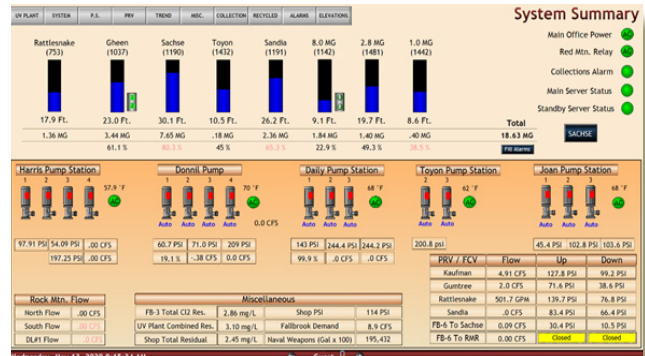


SCADA and Security

Project Description:

SCADA and security upgrades protect the District’s facilities and enable improved remote operations and controls. Projects for Fiscal Year 2022-23 include:

- Network Security/Firewall Improvements – Continued improvements to network security and data storage/backup capabilities.
- SCADA Upgrades – Replacement of outdated equipment with newer technology increases remote capabilities. The focus will be on backup power with batteries or solar at more communications sites.



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.

Project Budget:

Project	Total Project Budget	FY 2022-23 Budget
SCADA Upgrades	\$ 90,000	\$ 90,000
Total		\$ 90,000

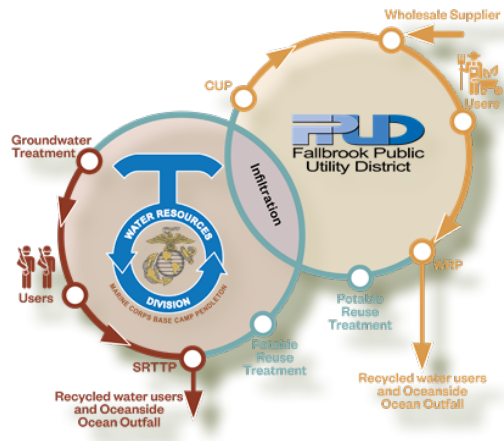


Recycled Water Improvements

Project Description:

The recycled system delivers water that has been treated to Title 22 tertiary standards for outdoor use. Projects for Fiscal Year 2022-23 include:

- Mainline Rehabilitation – Sections of the recycled distribution system have experienced multiple breaks and will be replaced.
- Distribution SCADA Improvements
- Water Supply Reliability Feasibility Study – This effort began in Fiscal Year 2019-20. 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. Integrated Regional Water Management Grant funds covering 50% of the cost have been awarded, and 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 planning and majority of the piloting has been completed. 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. All costs incurred in FY22-23 will be reimbursed by the awarded grant funds.



Supports Strategic Goals:

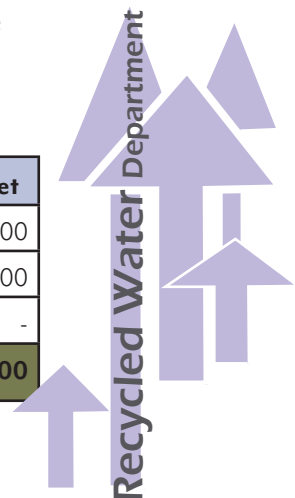
Provide a reliable, cost effective water supply through implementation of local water supply projects.

Operating Impacts:

There is no impact to the operating budget, but mainline 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 2022-23 Budget
Mainline Rehabilitation	\$ 104,000	\$ 104,000
Distribution SCADA Improvements	Continuous Improvement Program	\$ 10,000
Water Supply Reliability Feasibility Study	\$ 700,000	\$ -
Total		\$ 114,000



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 2022-23 include:

- Capital Equipment Replacements – Several pieces of mechanical equipment have exceeded their useful life and are in need of replacement. These include air vacuum release valves, air conditioning units, pumps, etc.
- Pavement Replacement – The pavement around the plant site will be resealed.
- Coating Replacement – Concrete structures throughout the treatment plant have industrial strength coatings to prevent corrosion/deterioration and prolong useful life expectancy. Several areas of the coating system have failed and will be strategically patched to prevent damage to the structures.
- Storm Water Basins – in FY21-22, 2 new storm water basins were built to meet the requirements of the industrial storm water permit. Final improvements to these basins will be installed to properly treat the storm water before it is released from the basins.



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 2022-23 Budget
Capital Equipment Replacements	Continuous Replacement Program	\$ 136,000
Pavement Sealing	\$ 45,000	\$ 45,000
Coating Replacement	\$ 30,000	\$ 30,000
Storm Water Improvements	\$ 70,000	\$ 70,000
Total		\$ 281,000



Collections System Projects

Project Description:

Projects include replacements and major repairs to existing sewer infrastructure.

The proposed projects for Fiscal Year 2022-23 include:

- Hawthorne Lift Station Replacement – This lift station serves only 4 customers and is in need of repair. Instead of replacing the lift station itself, it can be decommissioned with the installation of approximately 500 linear feet of gravity sewer main, eliminating a maintenance need by reducing the number of operating lift stations. This project was scheduled for FY21-22, but was postponed to prioritize the storm water basin construction required at the WRP to comply with current storm water regulations.
- Mainline Replacement and Relining – Approximately 1,500 linear feet of sewer main line will be replaced or relined to like-new condition.
- SCADA/Telemetry Upgrades – Electrical and controls upgrades of Shady Lane Lift Station.
- Overland Trail Lift Station – This project was scheduled to be completed in FY21-22. However, due to the new pumps not performing as designed, the project is ongoing as the issues are resolved. The final task of the project is to decommission Anthony’s Corner Lift Station, which cannot be completed until the new upsized OTLS is functioning as designed.



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 collection systems capital program is critical in reducing the number of spills and potential fines. Operations will be simplified by the elimination of the Hawthorne Lift Station. The planned projects do not require any additional operating budget funds, and are expected to reduce emergency repair costs.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Hawthorne Lift Station Replacement	\$ 100,000	\$ 100,000
Mainline Replacement & Relining	\$ 125,000	\$ 125,000
Electrical & SCADA Upgrades	\$ 50,000	\$ 50,000
Overland Trail Lift Station	\$ 3,000,000	\$ 125,000
Total		\$ 400,000



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 2022-23 Budget
Outfall Improvements	Ongoing Improvement Program	\$ 50,000
Total		\$ 50,000



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, as well as network and server improvements for the main office.



The projects include the following:

- Upgrade Network/Server Room – Replacement of servers for improved network speed and security.
- Total Station Replacement – Replacement of total station equipment for surveying.
- Alturas Property Security Fence Replacement – Replacement of the fence along the west side of Alturas Road on the property line of the District’s treatment plant properties. The new fence will meet Homeland Security recommended security measures and include landscaping and lighting enhancements to improve the appearance along Alturas Road. .
- 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 restroom facilities, door replacements, and electrical safety improvements in the yard offices.

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 2022-23 Budget
Upgrade Network/Server Room	\$ 115,000	\$ 115,000
Total Station Replacement	\$ 30,000	\$ 30,000
Alturas Property Security Fence Replacement	\$ 300,000	\$ 300,000
Minor Rehabilitation and Office Furniture	Ongoing Rehabilitation	\$ 10,000
Building Roof Repair	\$ 20,000	\$ 20,000
Facility Renovations	\$ 75,000	\$ 75,000
Total		\$ 545,000



Vehicles and Heavy Equipment

Project Description:

The fleet consists of a combination of light duty vehicles, heavy equipment, and trailers. In addition, the department maintains the District’s refueling station, generators, and various hydraulic and gas powered tools.

During Fiscal Year 2020-21, the department updated its methodology for fleet replacement in combination with a new software program to better track how much is spent on each vehicle.



Supports Strategic Goals:

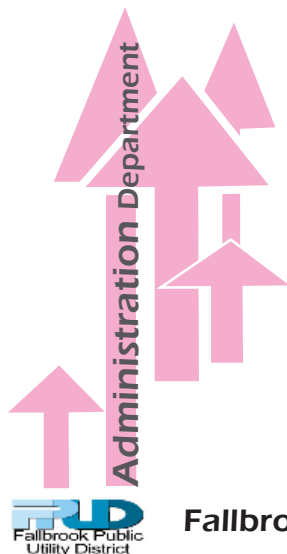
By reviewing various data points using the new software, staff can ensure ratepayers that funds are being spent prudently on vehicle replacements and repairs. This new method of evaluation helps guarantee an extremely reliable fleet. In turn, the fleet allows field operations to respond quickly to leaks, new installations, and infrastructure maintenance.

Operating Impacts:

Detailed documentation of repairs and inspections will allow the department to make better informed decisions about true needs. Long-term, this will lead to cost reduction as it will enable staff to focus on problematic vehicles and replace them while keeping reliable vehicles for an extended period of time.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Fleet Vehicles	Ongoing Replacement Program	\$ 75,000
CCTV System	\$ 140,000	\$ 140,000
Miscellaneous Equipment	\$ 40,000	\$ 40,000
Total		\$ 255,000



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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.

ACFR - Annual Comprehensive Financial Report

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

AG - Agricultural Customers

AMI - Advanced Meter Infrastructure

AMR - Automatic Meter Reading

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.

AWIA – America’s Water Infrastructure Act of 2018.

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.

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.

CBP - Community Benefit Program

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.

FPUD - Fallbrook Public Utility District

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. .

PEPRA - Public Employees' Pension Reform Act.

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.

PRV- Pressure Reducing Valve

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

QECCB - 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

S&P - Standard and Poor's rating services

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.

SMGTP - Santa Margarita Groundwater Treatment Plant

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.

UV - Ultraviolet

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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenue from Rates					
Water	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Recycled Water	1,224,582	1,294,803	1,374,146	1,456,595	1,543,990
Wastewater	6,264,000	6,829,867	7,239,659	7,674,039	8,134,481
Subtotal Revenue from Rates	\$ 31,928,240	\$ 34,696,780	\$ 36,795,202	\$ 39,018,772	\$ 41,376,708
Other Operating Revenue					
Pass-through Charges					
MWD/RTS Charge	\$ 261,415	\$ 264,774	\$ 277,701	\$ 291,616	\$ 305,976
SDCWA IAC Charge	551,708	603,192	647,517	687,806	703,556
Sundry	59,009	59,009	59,009	59,009	59,009
MWD/CWA Incentive	-	-	-	-	-
Subtotal Other Operating Revenues	\$ 872,132	\$ 926,975	\$ 984,227	\$ 1,038,431	\$ 1,068,541
Non-Operating Revenue					
Water Availability Charge	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842
1% Property Tax	2,184,459	2,195,381	2,206,358	2,217,390	2,228,476
Investment Earnings	135,980	140,857	144,550	155,299	172,732
Water CIP Charge	1,467,782	1,494,870	1,542,487	1,638,001	1,739,423
Pumping Charge (Cap. Impr part)	32,756	32,756	32,756	32,756	32,756
Facility Rent	256,068	261,189	266,413	271,741	277,176
Water Capacity Fees	111,172	112,283	113,406	114,540	115,686
Wastewater CIP Charge	1,183,216	1,185,754	1,203,561	1,239,711	1,276,946
Wastewater Capacity Fees	40,371	41,178	42,002	42,842	43,698
Federal Interest Rate Subsidy	97,977	84,516	70,261	55,178	39,233
Subtotal Non-Operating Revenue	\$ 5,718,622	\$ 5,757,627	\$ 5,830,636	\$ 5,976,299	\$ 6,134,968
Total Revenues	\$ 38,518,993	\$ 41,381,382	\$ 43,610,065	\$ 46,033,502	\$ 48,580,218
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs	\$ 12,398,032	\$ 13,104,531	\$ 9,913,385	\$ 10,680,224	\$ 11,364,867
SMRCUP Supply Costs	371,000	513,240	1,610,616	1,642,974	1,676,304
Subtotal Water Supply Costs	\$ 12,769,032	\$ 13,617,771	\$ 11,524,001	\$ 12,323,198	\$ 13,041,171
Labor Costs	3,261,355	3,344,204	3,511,414	3,686,984	3,871,334
Fringe Benefits	2,141,829	2,242,014	2,387,745	2,542,949	2,670,096
Services, Materials & Supplies	2,649,440	2,970,298	3,599,407	3,707,389	3,818,611
Allocated Admin Expenses	6,664,591	7,328,223	7,611,597	7,907,602	8,186,004
Community Benefit Program	-	546,000	546,000	546,000	546,000
Total Operating Expenses	\$ 27,486,247	\$ 30,048,510	\$ 29,180,165	\$ 30,714,123	\$ 32,133,216
Net Operating Revenues	\$ 11,032,747	\$ 11,332,872	\$ 14,429,901	\$ 15,319,379	\$ 16,447,002
Debt Service					
Total Debt Service	\$ 3,621,118	\$ 3,730,508	\$ 5,156,080	\$ 5,158,581	\$ 5,154,243
Capital Expenditures					
Total Capital Expenditures	\$ 12,767,551	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864
Total Expenditures	\$ 43,874,916	\$ 41,552,368	\$ 42,208,184	\$ 43,852,436	\$ 44,950,322
SRF Loan Proceeds	\$ 7,152,655	\$ -	\$ -	\$ -	\$ -
Change in Net Position *	\$ 1,796,733	\$ (170,986)	\$ 1,401,881	\$ 2,181,066	\$ 3,629,895
Beginning Balances	\$ 21,764,977	\$ 23,561,710	\$ 23,390,723	\$ 24,792,605	\$ 26,973,671
Ending Balances	\$ 23,561,710	\$ 23,390,723	\$ 24,792,605	\$ 26,973,671	\$ 30,603,566

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

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

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 24,439,657	\$ 25,798,165	\$ 25,811,868	\$ 25,825,570	\$ 25,839,273
Proposed Revenue Adjustments	-	773,945	2,369,529	4,062,569	5,858,964
Subtotal Operating Revenues	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Other Operating Revenues					
Pass-through Charges					
MWD RTS Charge	\$ 261,415	\$ 264,774	\$ 277,701	\$ 291,616	\$ 305,976
SDCWD IAC Charge	551,708	603,192	647,517	687,806	703,556
Sundry	53,009	53,009	53,009	53,009	53,009
Subtotal Other Operating Revenues	\$ 866,132	\$ 920,975	\$ 978,227	\$ 1,032,431	\$ 1,062,541
Non-Operating Revenue					
Water Availability Charge	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842
1% Property Tax *	1,055,476	514,754	520,057	525,388	530,744
Investment Earnings	123,179	125,392	125,792	134,768	149,921
Water Capital Improvement Charge	1,467,782	1,494,870	1,542,487	1,638,001	1,739,423
Pumping Charge (Cap. Impr part)	32,756	32,756	32,756	32,756	32,756
Other Revenue	256,068	261,189	266,413	271,741	277,176
Water Capacity Fees	111,172	112,283	113,406	114,540	115,686
Subtotal Non-Operating Rev	\$ 3,255,275	\$ 2,750,086	\$ 2,809,754	\$ 2,926,036	\$ 3,054,548
Total Revenues	\$ 28,561,064	\$ 30,243,171	\$ 31,969,379	\$ 33,846,606	\$ 35,815,326
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs	\$ 12,398,032	\$ 13,104,531	\$ 9,913,385	\$ 10,680,224	\$ 11,364,867
SMRCUP Supply Costs	371,000	513,240	1,610,616	1,642,974	1,676,304
Subtotal Water Supply Costs	\$ 12,769,032	\$ 13,617,771	\$ 11,524,001	\$ 12,323,198	\$ 13,041,171
Labor Costs	1,783,968	1,808,584	1,899,013	1,993,964	2,093,662
Fringe Benefits	1,154,262	1,214,646	1,293,597	1,377,681	1,446,565
Services, Materials & Supplies	1,344,926	1,464,498	2,048,433	2,109,886	2,173,183
Allocated Administrative Expenses	4,265,338	4,690,063	4,871,422	5,060,865	5,239,043
Total Operating Expenses	\$ 21,317,525	\$ 22,795,561	\$ 21,636,467	\$ 22,865,594	\$ 23,993,624
Net Operating Revenue	\$ 7,243,539	\$ 7,447,610	\$ 10,332,912	\$ 10,981,011	\$ 11,821,703
Debt Service					
Total Debt Service	\$ 1,369,922	\$ 1,477,819	\$ 2,903,644	\$ 2,903,644	\$ 2,903,644
Capital Expenditures					
Total Capital Expenditures	\$ 11,470,169	\$ 6,788,350	\$ 6,477,130	\$ 6,037,462	\$ 5,907,231
Total Expenditures	\$ 34,157,616	\$ 31,061,730	\$ 31,017,241	\$ 31,806,701	\$ 32,804,499
SRF Loan Proceeds	\$ 7,152,655	\$ -	\$ -	\$ -	\$ -
Change In Net Position **	\$ 1,556,103	\$ (818,559)	\$ 952,137	\$ 2,039,905	\$ 3,010,828
Beginning Balances	\$ 19,751,780	\$ 21,307,883	\$ 20,489,324	\$ 21,441,461	\$ 23,481,367
Ending Balances	\$ 21,307,883	\$ 20,489,324	\$ 21,441,461	\$ 23,481,367	\$ 26,492,194

*Property tax revenue reduced by \$546,000 beginning Fiscal Year 2022-23 for Community Benefit Program.

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

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

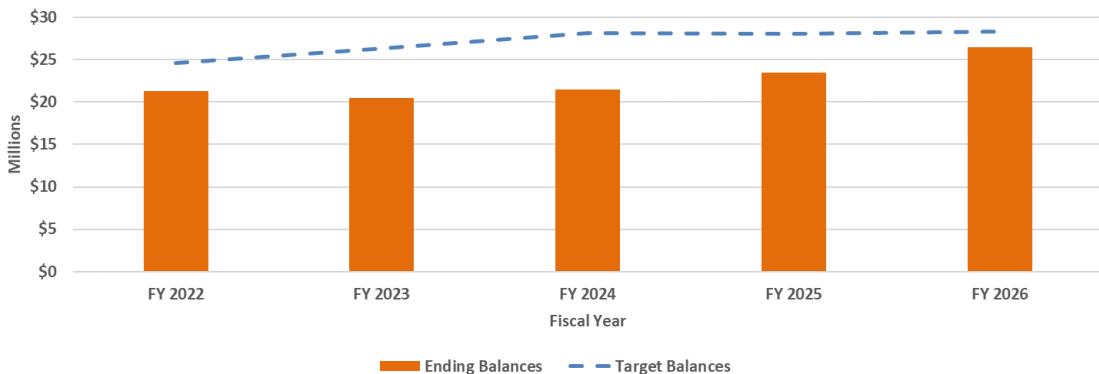


Table #3 - Fallbrook Public Utility District's Wastewater Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 6,264,000	\$ 6,630,939	\$ 6,630,939	\$ 6,630,939	\$ 6,630,939
Proposed Revenue Adjustments	-	198,928	608,720	1,043,100	1,503,542
Subtotal Operating Revenues	\$ 6,264,000	\$ 6,829,867	\$ 7,239,659	\$ 7,674,039	\$ 8,134,481
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	\$ 1,183,216	\$ 1,185,754	\$ 1,203,561	\$ 1,239,711	\$ 1,276,946
Wastewater Capacity Fees	40,371	41,178	42,002	42,842	43,698
1% property Tax - IDS	1,075,221	1,080,597	1,086,000	1,091,430	1,096,888
Federal Interest Rate Subsidy	97,977	84,516	70,261	55,178	39,233
Investment Earnings	9,954	12,281	14,443	14,750	15,047
Subtotal Non-Operating Revenues	\$ 2,406,739	\$ 2,404,326	\$ 2,416,267	\$ 2,443,911	\$ 2,471,812
Total Revenues	\$ 8,671,739	\$ 9,235,193	\$ 9,656,926	\$ 10,118,950	\$ 10,607,293
Operating Expenses					
Labor Costs	\$ 1,362,839	\$ 1,375,541	\$ 1,444,318	\$ 1,516,534	\$ 1,592,361
Fringe Benefits	864,281	920,272	980,090	1,043,796	1,095,986
Services, Materials & Supplies	1,121,493	1,283,300	1,321,799	1,361,453	1,402,297
Allocated Administrative Expenses	2,332,607	2,564,878	2,664,059	2,767,661	2,865,101
Total Operating Expenses	\$ 5,681,219	\$ 6,143,992	\$ 6,410,266	\$ 6,689,444	\$ 6,955,745
Net Operating Revenue	\$ 2,990,520	\$ 3,091,202	\$ 3,246,660	\$ 3,429,506	\$ 3,651,548
Debt Service					
Total Debt Service	\$ 1,732,231	\$ 1,733,383	\$ 1,733,212	\$ 1,734,864	\$ 1,731,618
Capital Expenditures					
Total Capital Expenditures	\$ 969,461	\$ 871,000	\$ 1,279,670	\$ 1,825,979	\$ 1,689,694
Total Expenditures	\$ 8,382,911	\$ 8,748,374	\$ 9,423,148	\$ 10,250,287	\$ 10,377,057
Change in Net Position *	\$ 288,828	\$ 486,819	\$ 233,778	\$ (131,337)	\$ 230,236
Beginning Balances	\$ 1,514,652	\$ 1,803,480	\$ 2,290,299	\$ 2,524,077	\$ 2,392,740
Ending Balances	\$ 1,803,480	\$ 2,290,299	\$ 2,524,077	\$ 2,392,740	\$ 2,622,976

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

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

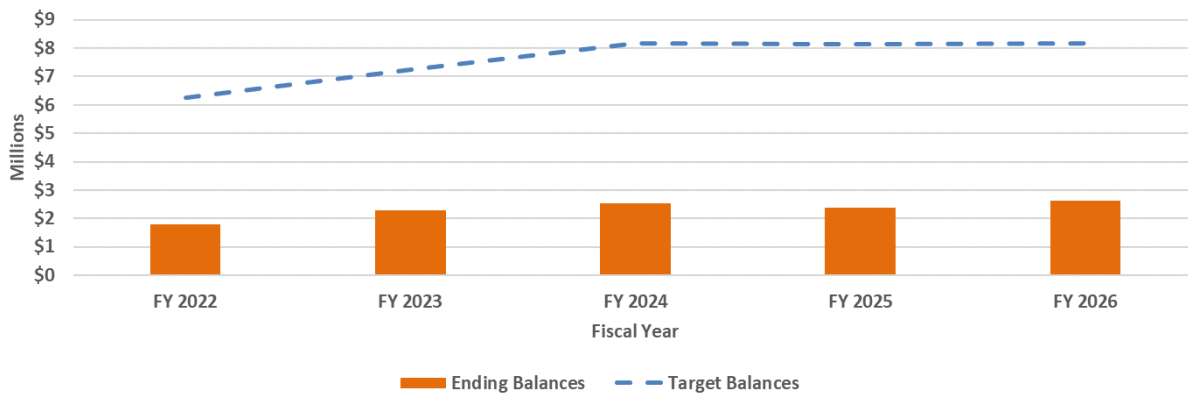


Table #4 Fallbrook Public Utility District’s Recycled Water Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 1,224,582	\$ 1,257,091	\$ 1,258,606	\$ 1,258,606	\$ 1,258,606
Proposed Revenue Adjustments	-	37,713	115,540	197,989	285,384
Other Operating Revenues					
SDCWA Incentive	\$ -	\$ -	\$ -	\$ -	\$ -
Sundry	5,000	5,000	5,000	5,000	5,000
Subtotal Other Operating Revenues	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Non-Operating Revenue					
1% Property Tax	\$ 53,761	\$ 54,030	\$ 54,300	\$ 54,572	\$ 54,844
Investment Earnings	2,847	3,184	4,314	5,780	7,764
Subtotal Non-Operating Revenue	\$ 56,608	\$ 57,214	\$ 58,615	\$ 60,351	\$ 62,608
Total Revenue	\$ 1,286,190	\$ 1,357,018	\$ 1,437,760	\$ 1,521,946	\$ 1,611,599
Operating Expenses					
Labor Costs	\$ 114,548	\$ 160,078	\$ 168,082	\$ 176,486	\$ 185,311
Fringe Benefits	123,286	107,097	114,058	121,472	127,545
Services, Materials & Supplies	183,022	222,500	229,175	236,050	243,132
Allocated Administrative Expenses	66,646	73,282	76,116	79,076	81,860
Total Operating Expenses	\$ 487,502	\$ 562,957	\$ 587,431	\$ 613,084	\$ 637,848
Net Operating Revenue	\$ 798,688	\$ 794,060	\$ 850,329	\$ 908,862	\$ 973,751
Debt Service					
Total Debt Service	\$ 518,965	\$ 519,307	\$ 519,224	\$ 520,072	\$ 518,980
Capital Expenditures					
Total Capital Expenditures	\$ 327,921	\$ 114,000	\$ 115,140	\$ 116,291	\$ 65,939
Total Expenditures	\$ 1,334,388	\$ 1,196,264	\$ 1,221,795	\$ 1,249,448	\$ 1,222,767
Change in Net Position *	\$ (48,198)	\$ 160,754	\$ 215,966	\$ 272,498	\$ 388,831
Beginning Balances	\$ 498,545	\$ 450,347	\$ 611,100	\$ 827,066	\$ 1,099,564
Ending Balances	\$ 450,347	\$ 611,100	\$ 827,066	\$ 1,099,564	\$ 1,488,395

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

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

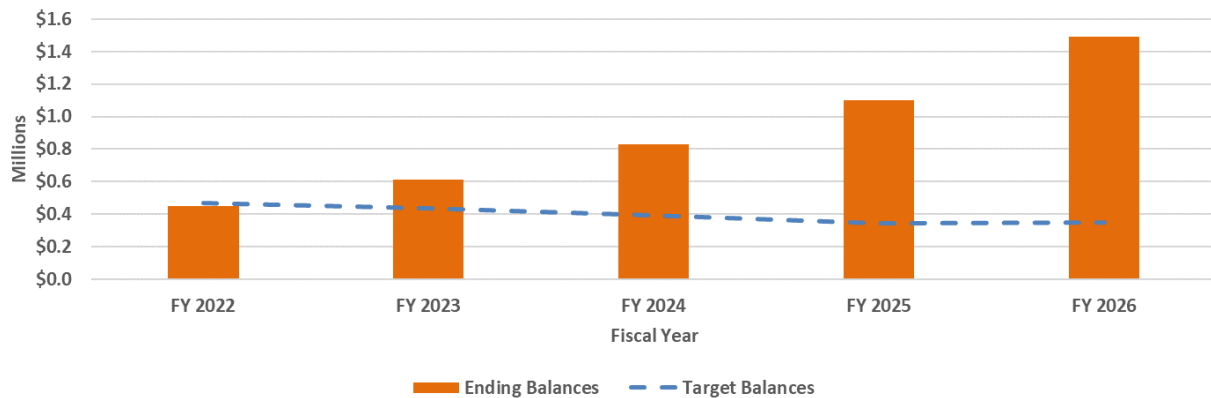


Table #5 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	FY 2011-12	FY 2012-13	FY 2013-14
Changes in Net Position:			
Operating Revenues	\$ 23,661,715	\$ 27,582,160	\$ 28,955,183
Operating Expenses	(26,140,572)	(28,007,733)	(33,062,764)
Other Operating Revenues	279,560	439,560	681,876
Operating Income (loss)	\$ (2,199,297)	\$ 13,987	\$ (3,425,705)
Non-Operating Revenues (expenses)			
Property Taxes Ad-Valorem	\$ 1,552,911	\$ 1,582,219	\$ 1,623,510
Capital Improvement Charges	414,910	1,252,501	1,981,822
California Solar Initiative Rebate	534,835	779,786	843,714
Investment income	87,217	30,507	209,175
Water Availability Charges	200,906	201,037	200,779
Lease Revenue	177,095	181,100	183,641
Intergovernmental Revenue - Federal Interest Subsidy	-	-	-
Connection Fees	190,932	247,607	118,581
Federal Grants	-	-	-
SDCWA Rate Refund	-	-	-
Gain on Impairment	-	-	-
Other Non-Operating Revenues	109,261	81,008	140,396
Other Non-Operating Expenses	(294,462)	(291,721)	(344,730)
Total Non-Operating Revenues(expenses), net	\$ 2,973,605	\$ 4,064,044	\$ 4,956,888
Net income Before Capital Contributions	\$ 774,308	\$ 4,078,031	\$ 1,531,183
Capital Contributions	273,825	595,205	76,746
Capital Grant - Proposition 50	338,331	-	828,598 ⁽¹⁾
Capital Grant - Proposition 84	-	-	-
Extraordinary Items	-	-	-
Changes in Net Position	\$ 1,386,464	\$ 4,673,236	\$ 2,436,527
Net Assets			
Beginning, as restated	\$ 70,773,038	\$ 72,159,502	\$ 76,678,353
Adjustments to restate balance	-	(154,385)	-
Ending, as restated	\$ 72,159,502	\$ 76,678,353	\$ 79,114,880

(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: FPU D Finance Department

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

FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
\$ 27,483,881 (28,604,249)	\$ 25,356,017 (27,144,267)	\$ 27,256,065 (29,890,177)	\$ 29,882,022 (33,319,799)	\$ 26,944,550 (31,708,417)	\$ 28,931,007 (33,234,259)	\$32,511,601 (33,933,185)
-	-	-	-	-	-	-
\$ (1,120,368)	\$ (1,788,250)	\$ (2,634,112)	\$ (3,437,777)	\$ (4,763,867)	\$ (4,303,252)	\$ (1,421,584)
\$1,719,296	\$ 1,815,734	\$ 1,889,808	\$ 1,984,543	\$ 2,106,034	\$ 2,205,975	\$ 2,340,185
2,134,025	2,224,529	2,283,558	2,476,452	2,505,876	2,559,135	2,604,061
729,519	740,125	234,930	-	-	-	-
141,433	324,126	63,861	18,188	915,275	920,135	1,543,078
200,810	200,808	200,730	229,400	204,359	204,418	208,842
185,770	185,220	166,012	178,602	199,433	249,092	251,047
206,584	185,040	238,765	145,338	134,924	123,762	112,207
208,521	131,894	238,124	411,744	180,966	107,107	149,650
-	-	-	-	-	-	-
-	-	-	-	-	-	909,413
(444,252)	(551,281)	-	(273,396)	9,338,297	(31,450)	38,100
162,913	91,361	32,729	-	-	-	-
(847,725)	(916,212)	(1,174,011)	(959,015)	(909,966)	(910,224)	(1,665,457)
\$ 4,396,894	\$ 4,431,344	\$ 4,174,506	\$ 4,211,886	\$ 14,675,198	\$ 5,427,950	\$ 6,491,127
\$ 3,276,526	\$ 2,643,094	\$ 1,540,394	\$ 774,109	\$ 9,911,331	\$ 1,124,698	\$ 5,069,543
153,790	75,299	59,509	73,661	73,789	372,507	47,842
224,596 ⁽¹⁾	874,040 ⁽³⁾	773,163	-	-	-	-
-	682,428	-	67,100	-	-	-
-	-	-	-	-	-	-
\$ 3,654,912	\$ 4,274,861	\$ 2,373,066	\$ 914,870	\$ 9,985,120	\$ 1,497,205	\$ 5,117,385
\$ 79,114,880	\$ 75,034,991	\$ 79,309,852	\$ 85,168,437	\$ 86,083,307	\$ 97,207,549	\$ 98,704,754
(7,734,801) ⁽²⁾	-	3,485,519	-	1,139,122	-	-
\$ 75,034,991	\$ 79,309,852	\$ 85,168,437	\$ 86,083,307	\$ 97,207,549	\$ 98,704,754	\$ 103,822,139

Chart #1 - Operating Expenses by Activity

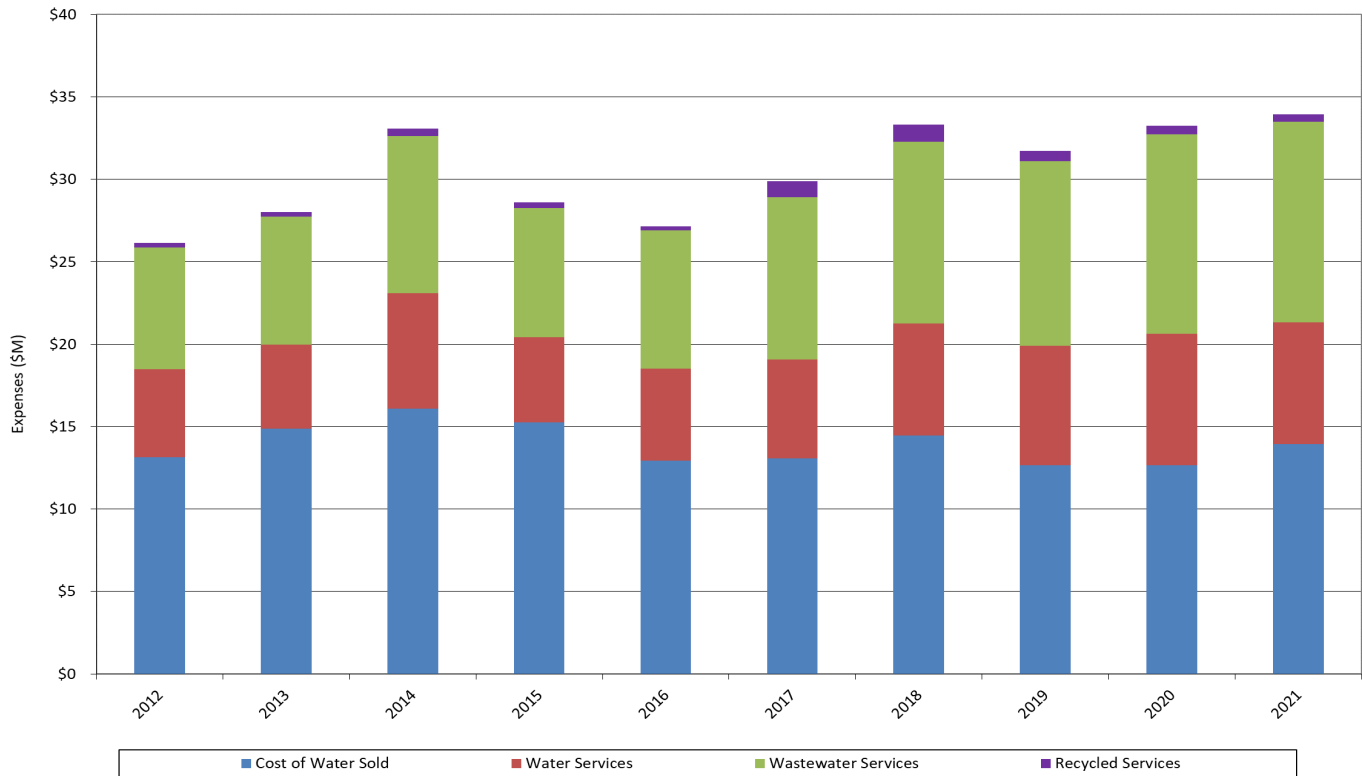
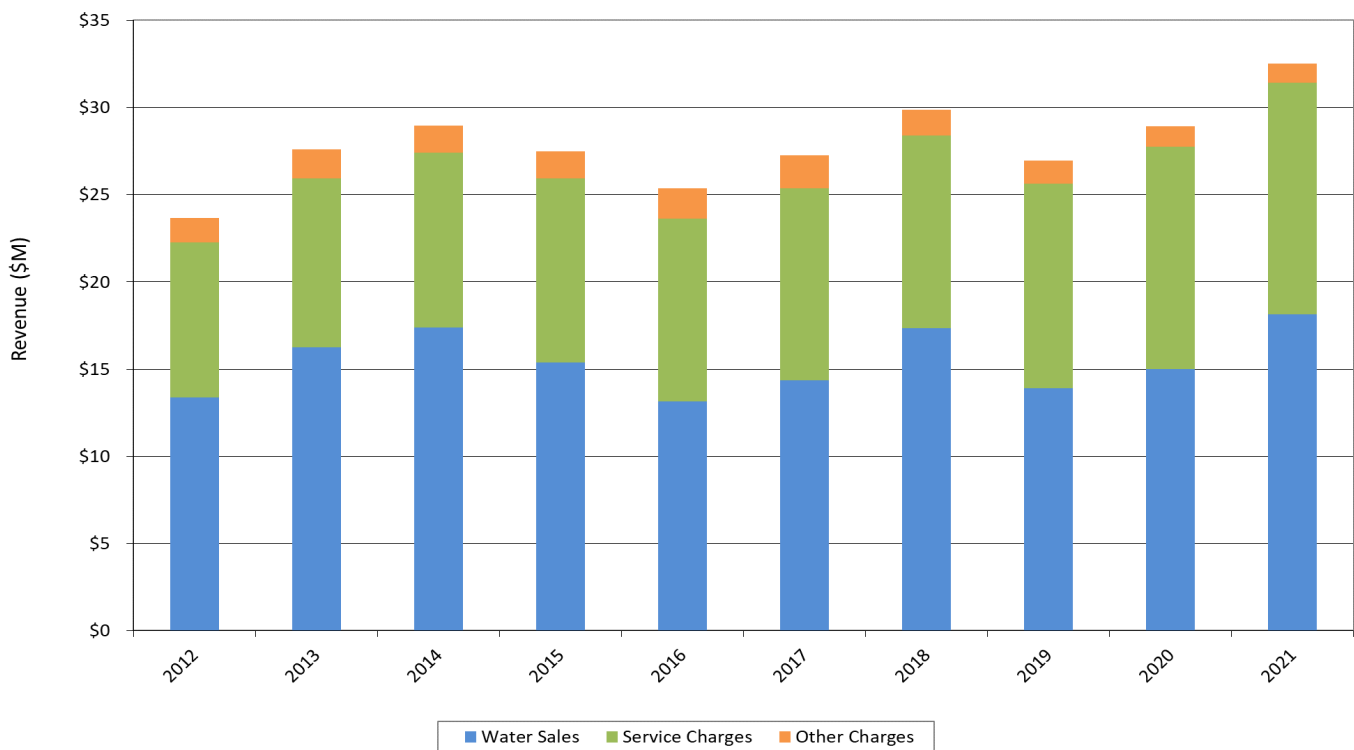


Chart #2 - Operating Revenues by Source



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 6. Budget and Fund Management

Sec. 6.1 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.

6.1.1 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. 6.2 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. 6.3 General Fund.

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

Sec. 6.4 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. 6.5 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. 6.6 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. 6.7 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. 6.8 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.

6.8.1 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.

6.8.2 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).

6.8.3 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. 6.9 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
(Renumbered	as
Article 6	by
Resolution 5006)	
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 18. Investment Policy

Sec. 18.1 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.

18.1.1 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.

18.1.2 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.

18.1.3 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. 18.2 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:

18.2.1 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.

18.2.2 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.

18.2.3 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.

18.2.4 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.

18.2.5 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, except as authorized by Government Code Section 53601.6.

Sec. 18.3 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. 18.4 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:

18.4.1 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.

18.4.2 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)

18.4.3 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 invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

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

18.4.4 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%. The District may invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

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

18.4.5 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

18.4.6 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.

18.4.7 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.

18.4.8 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.

18.4.9 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.

18.4.10 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 18.4.10 and 18.4.11-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 .

18.4.11 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 18.4.10 and 18.4.11-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.

18.4.12 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.

18.4.13 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.

18.4.14 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.

18.4.15 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. 18.5 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 18.2.4.

Sec. 18.6 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 (Renumbered as Article 18 by Resolution 5006)

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
 Sec. 18.2.5 – Rev. 6/21
 Sec. 18.4.3 – Rev. 6/21
 Sec. 18.4.4 – Rev. 6/21

RESOLUTION NO. 5032

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT APPROVING AND ESTABLISHING THE DISTRICT'S FISCAL YEAR 2022-23 BUDGET FOR OPERATIONS, MAINTENANCE, WATER PURCHASES, CAPITAL IMPROVEMENTS, EQUIPMENT, AND DEBT SERVICE AND APPROPRIATING \$41,552,368 CONSISTENT WITH THE APPROVED BUDGET

* * * * *

WHEREAS, the Fiscal Policy and Insurance Committee has reviewed and considered the Recommended Fiscal Year 2022-23 Budget during publicly noticed meetings on April 25, 2022, May 18 & 23, 2022 and June 17, 2022; and

WHEREAS, the Board has reviewed and considered the Recommended Fiscal Year 2022-23 Budget during a publicly noticed meeting on June 27, 2022;

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

- 1. The District's Fiscal Year 2022-23 Budget, as presented to the Board of Directors at the publicly noticed meeting on June 27, 2022, is hereby approved.
- 2. Expenditure under the District's approved Fiscal Year 2022-23 Budget is hereby appropriated as follows:

For administration, operations, and maintenance:	\$16,430,739
For water purchases:	\$13,617,771
For PAYGO capital improvements, and equipment:	\$ 7,773,350
For Revenue Bonds, State Revolving Fund, and interest and principal:	\$ 3,730,508
TOTAL	<u>\$41,552,368</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 2022-23 is kept at the current level and no draws from the District's long-term investment portfolio is planned.
6. No deposit or withdrawal to 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 27th day of June, 2022, by the following vote:

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



President, Board of Directors

ATTEST:



Secretary, Board of Directors

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 2019-20 was \$16.0 million. In Fiscal Year 2019-20, the latest CalPERS valuation date, the District's pension liability was 70.1% funded for Classic employees and 89.9% funded for PEPRA employees.

Fiscal Year Ending (6/30)	Classic	PEPRA	Total
FY 2021-22	\$1,277,112	\$ 8,882	\$1,285,994
FY 2022-23	1,372,096	10,766	1,382,862
FY 2023-24	1,472,168	12,707	1,484,875
FY 2024-25	1,535,737	13,739	1,549,476
FY 2025-26	1,595,836	14,686	1,610,522
FY 2026-27	1,635,046	14,965	1,650,011
FY 2027-28	1,675,333	15,248	1,690,581
FY 2028-29	1,716,724	15,542	1,732,266
FY 2029-30	1,759,254	15,841	1,775,095
FY 2030-31	1,802,958	16,150	1,819,108

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 2022-23 is 13.02% of payroll, which is up from the Fiscal Year 2021-22 which was 12.99%. The NCR for PEPRA employees is 7.76% of payroll in Fiscal Year 2022-23 and was 7.73% in Fiscal Year 2021-22.

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 March 31st held \$8.7 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 almost fully funded based upon an actuarial valuation report as of June 30, 2021. 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 March 31, 2022, the OPEB Trust Fund held \$1,222,681.