FALLBROOK PUBLIC UTILITY DISTRICT
MEETING OF THE FISCAL POLICY AND INSURANCE COMMITTEE

AGENDA

WEDNESDAY, MAY 17, 2017
11:00 A.M.

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

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 728-1125 for assistance so the necessary arrangements can be made.

Writings that are public records and are distributed during a public meeting are available for public inspection at the meeting if prepared by the local agency or a member of its legislative body or after the meeting if prepared by some other person.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

II. ACTION / DISCUSSION -- (ITEMS A - C)

A. QUARTERLY UPDATE FROM PFM

B. DRAFT DEBT MANAGEMENT POLICY

C. DRAFT BUDGET

III. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

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

I, Mary Lou West, further declare under penalty of perjury and under the laws of the State of California that the foregoing is true and correct.

May 11, 2017
Dated / Fallbrook, CA

Mary Lou West
Secretary, Board of Directors

FALLBROOK PUBLIC UTILITY DISTRICT

Investment Performance Review

For the Quarter Ended March 31, 2017

Client Management Team

Sarah Meacham, Managing Director
Henry Sun, Senior Analyst

PFM Asset Management LLC

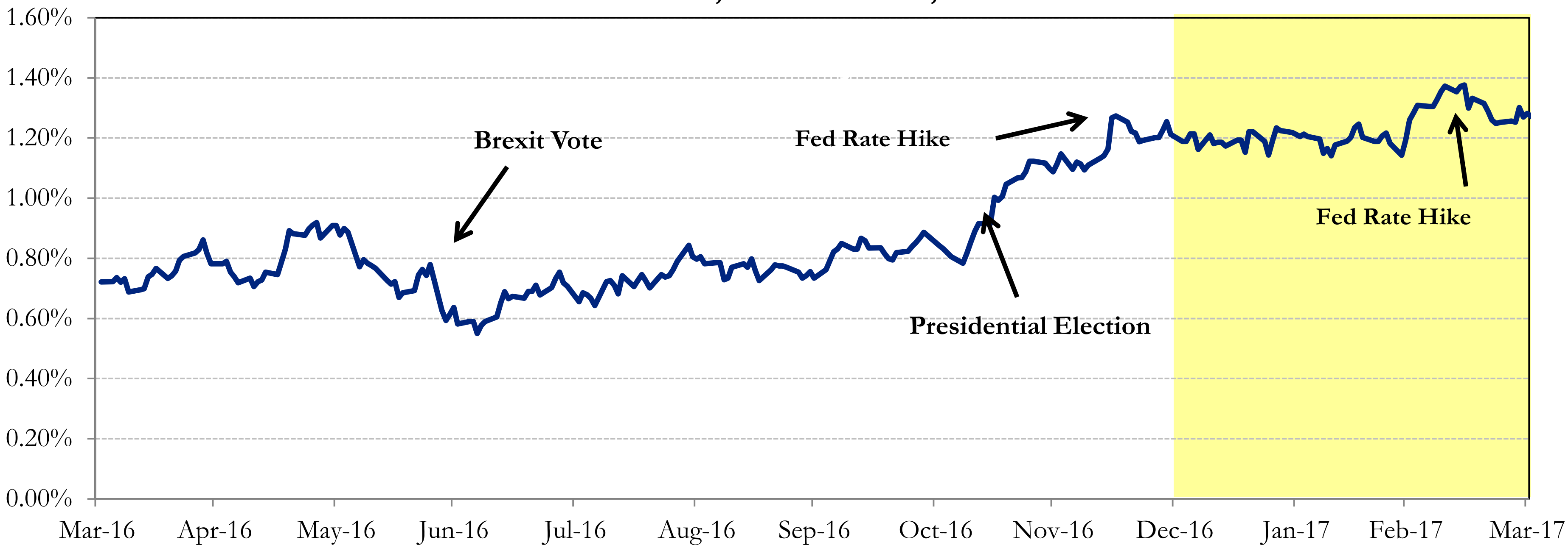
601 South Figueroa, Suite 4500
Los Angeles, CA 90017
213-489-4075

One Keystone Plaza, Suite 300
Harrisburg, PA 17101-2044
717-232-2723

Market Update

- Shorter-maturity U.S. Treasury yields moved higher following the Federal Reserve's decision to hike rates in March.

2-Year Treasury Yield
March 31, 2016 – March 31, 2017

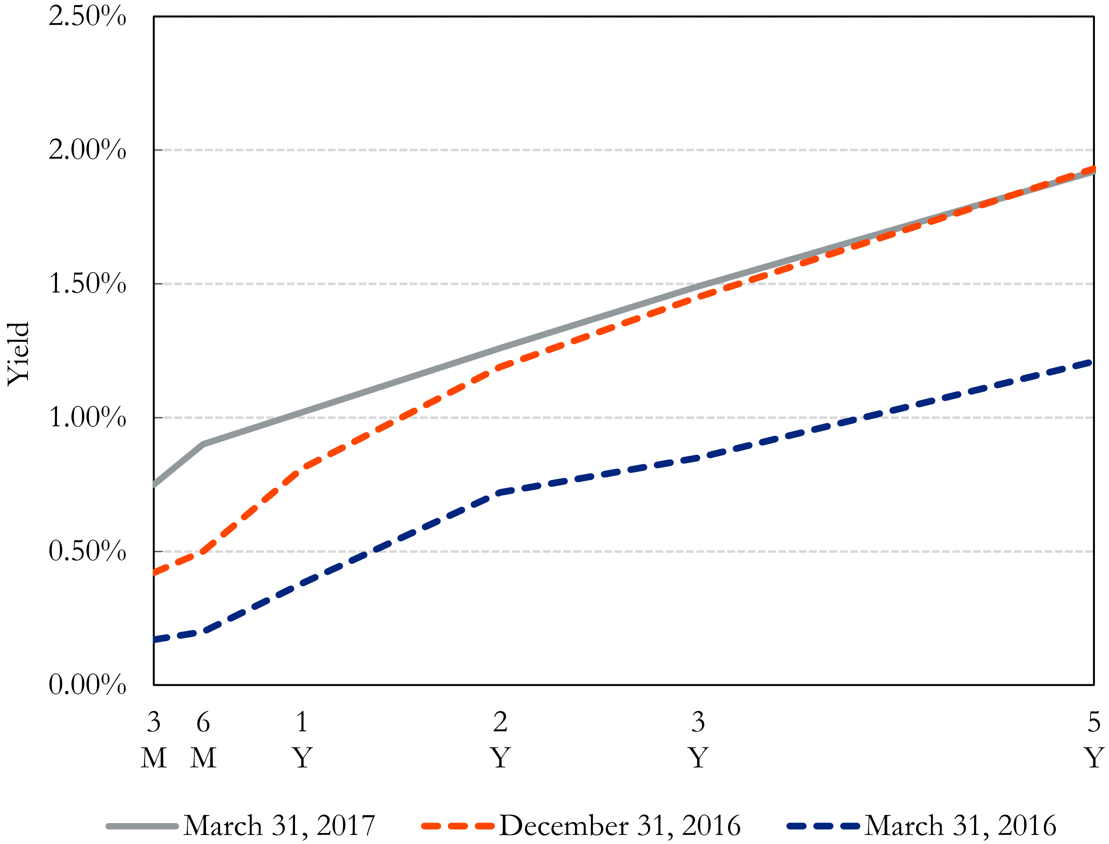


Source: Bloomberg, as of 3/31/17.

FLATTENING YIELD CURVE

- Treasury rates remain range-bound this quarter as long-term yields remain unchanged with future inflation expectations.
- The short end of the curve moved higher as participants priced in rate hikes in 2017.

U.S. Treasury Yield Curve



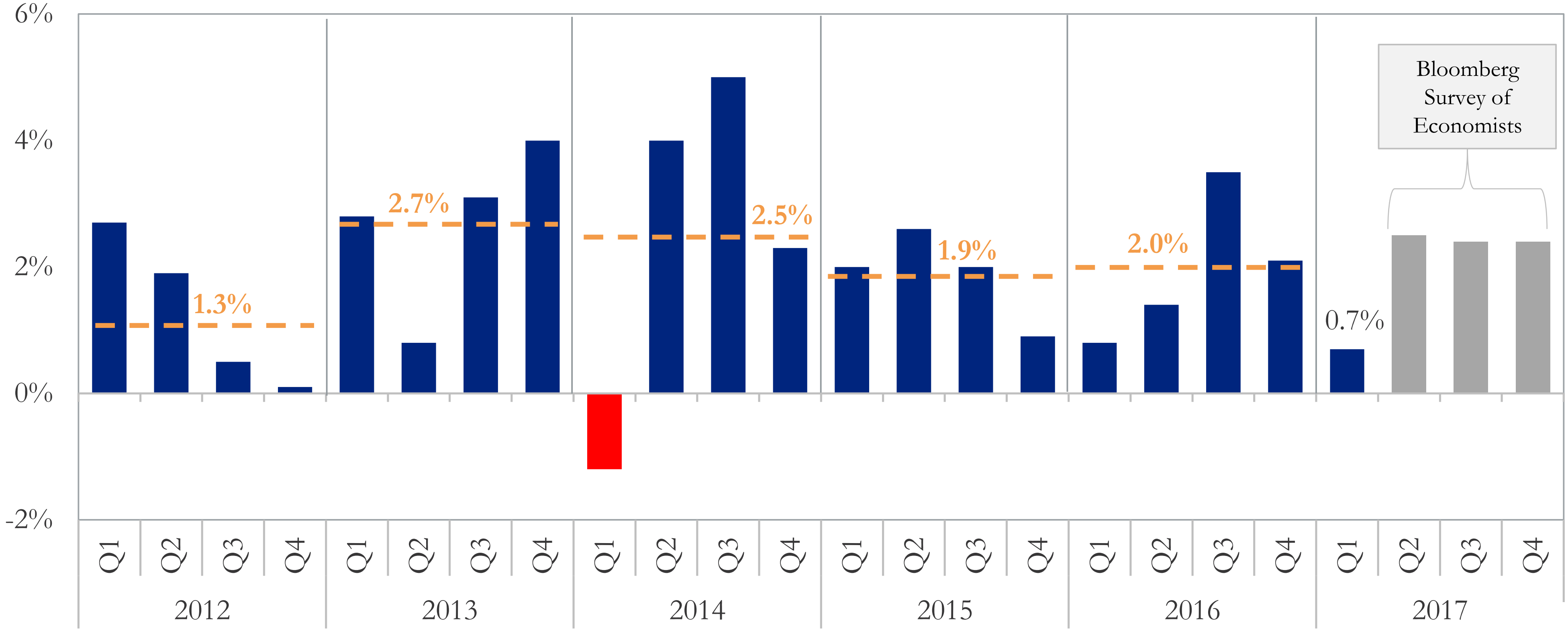
Yield Curve History

Maturity	3/31/16	12/31/16	3/31/17
3-Mo.	0.20	0.50	0.75
6-Mo.	0.38	0.61	0.90
1-Yr.	0.58	0.81	1.02
2-Yr.	0.72	1.19	1.26
3-Yr.	0.85	1.45	1.49
5-Yr.	1.21	1.93	1.92
7-Yr.	1.53	2.25	2.21
10-Yr.	1.77	2.45	2.39
30-Yr.	2.61	3.07	3.01

Source: Bloomberg, as of 3/31/17.

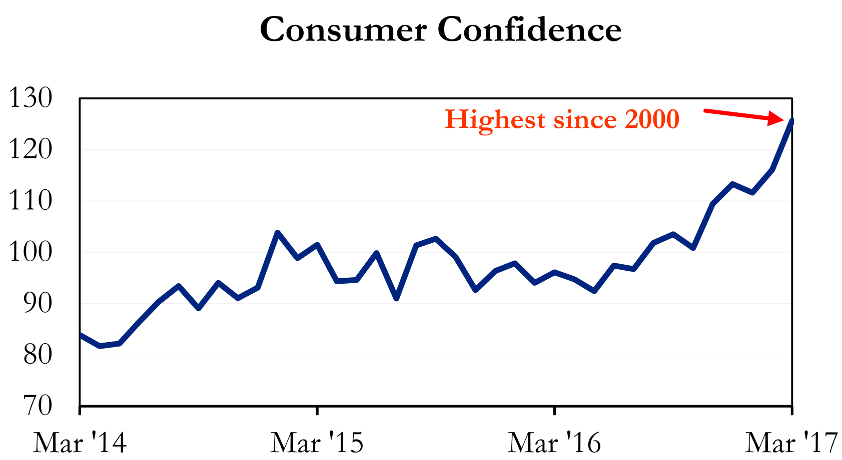
- Gross domestic product (GDP) increased at an annualized rate of 0.7% in the first quarter, down from the 2.1% pace of the prior quarter, and below expectations of 1.0%.
- A Bloomberg survey of economists project that GDP will increase at a rate of 2.4% for 2017.

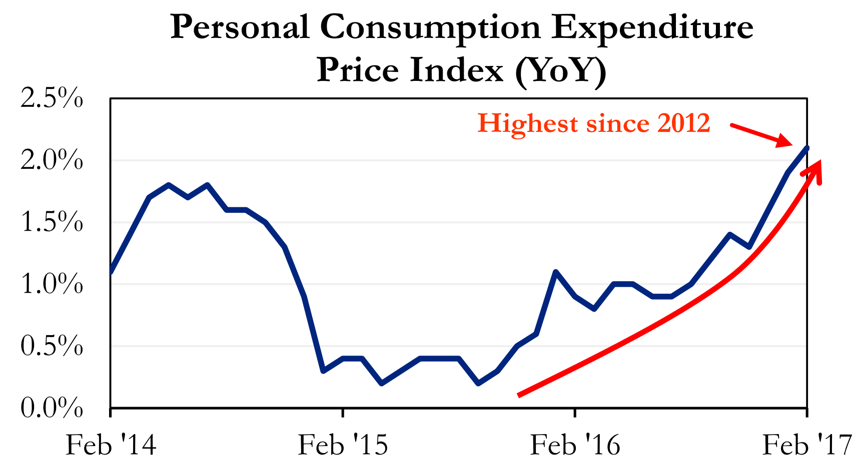
U.S. Real GDP
QoQ, SAAR

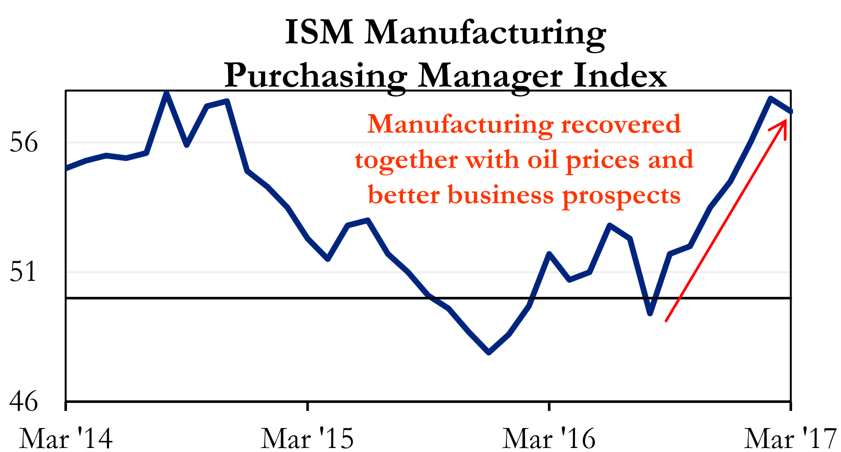


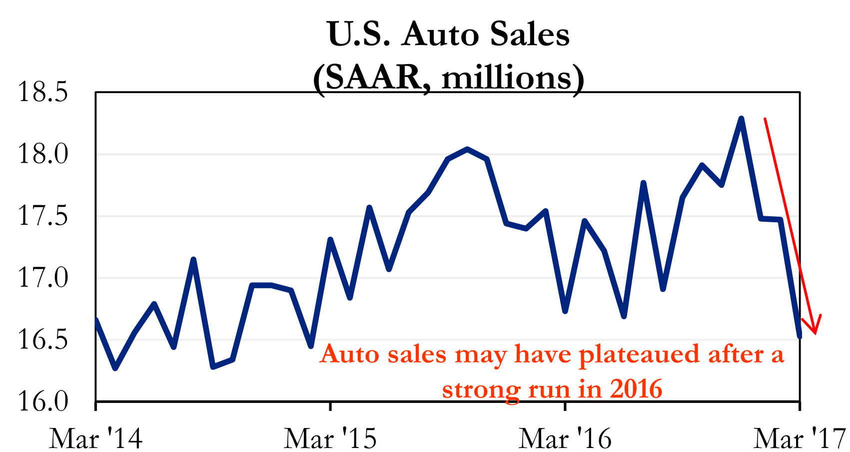
Source: Bloomberg, as of April 2017. SAAR is seasonally adjusted annualized rate.

THE SWEET SPOTS OF THE U.S. ECONOMY



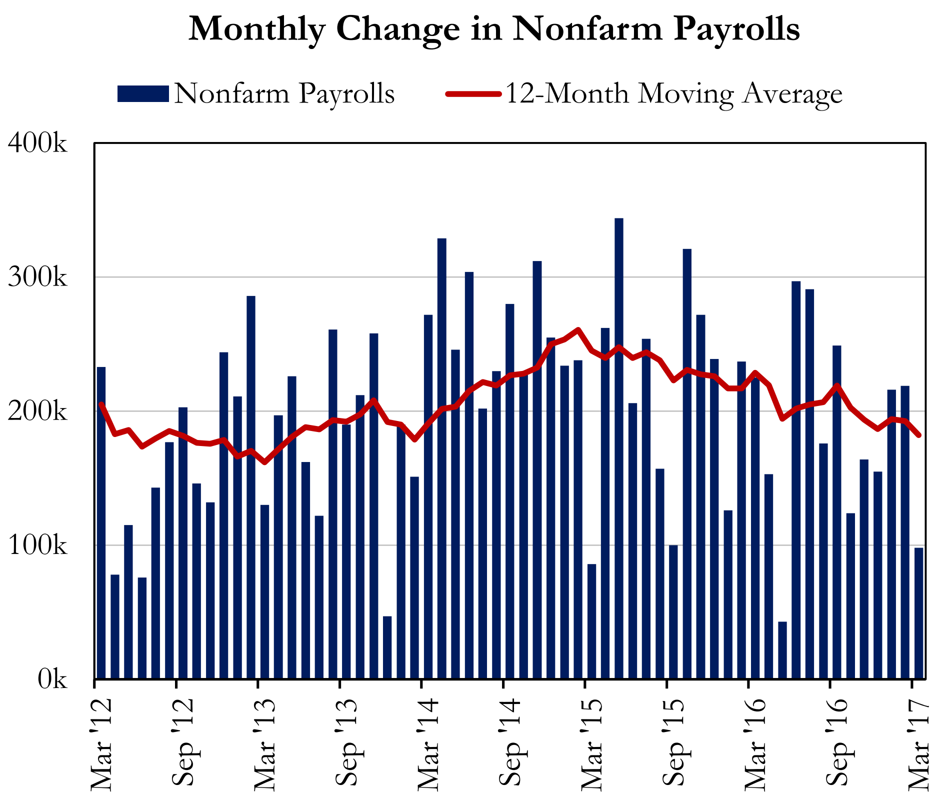


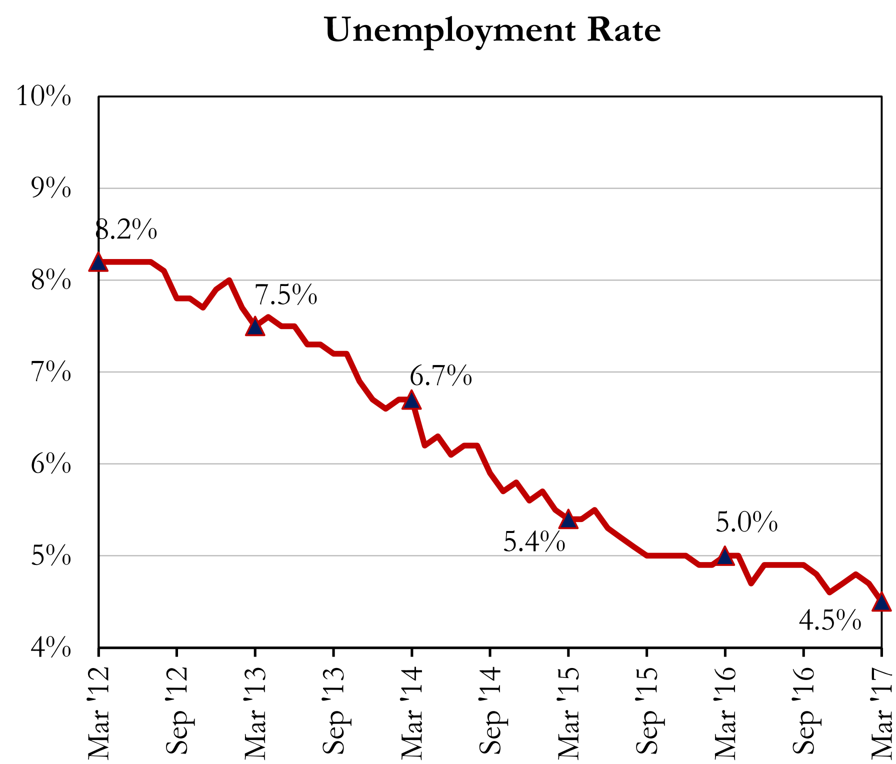




Source: Bloomberg, as of March 2017. SAAR is seasonally adjusted annualized rate.

- The U.S. labor market continues to tighten, adding an average of 182k jobs per month over the past year.
- The headline unemployment rate ticked down to 4.5% in March while the U-6 rate, which includes part-time and discouraged workers for economic reasons, fell to 8.9%, the lowest since 2007.
- The annual growth rate of average hourly earnings—an important gauge of wage growth—averaged 2.7% over the past 12 months.



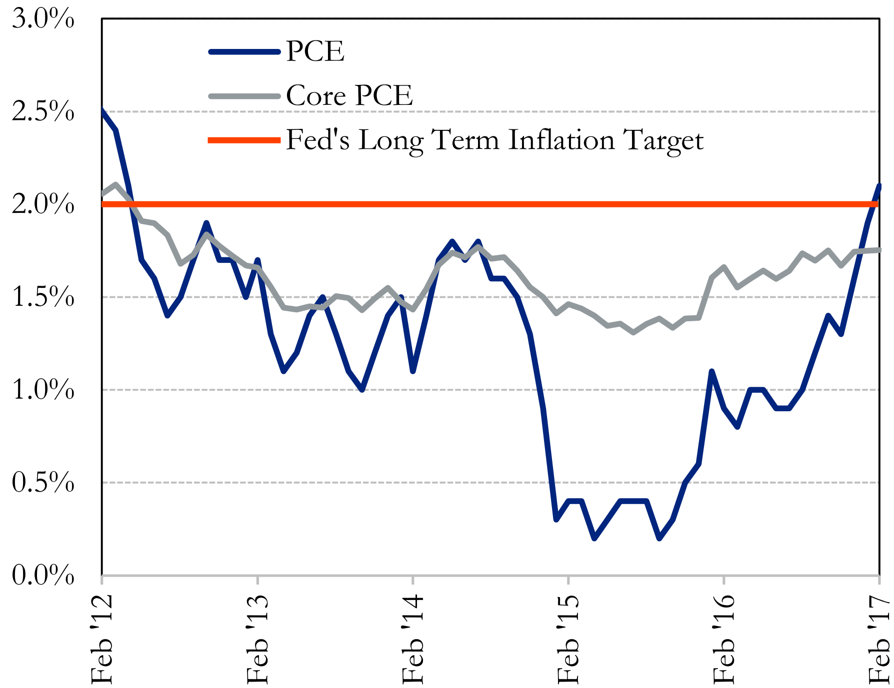


Source: Bloomberg, as of 3/31/17.

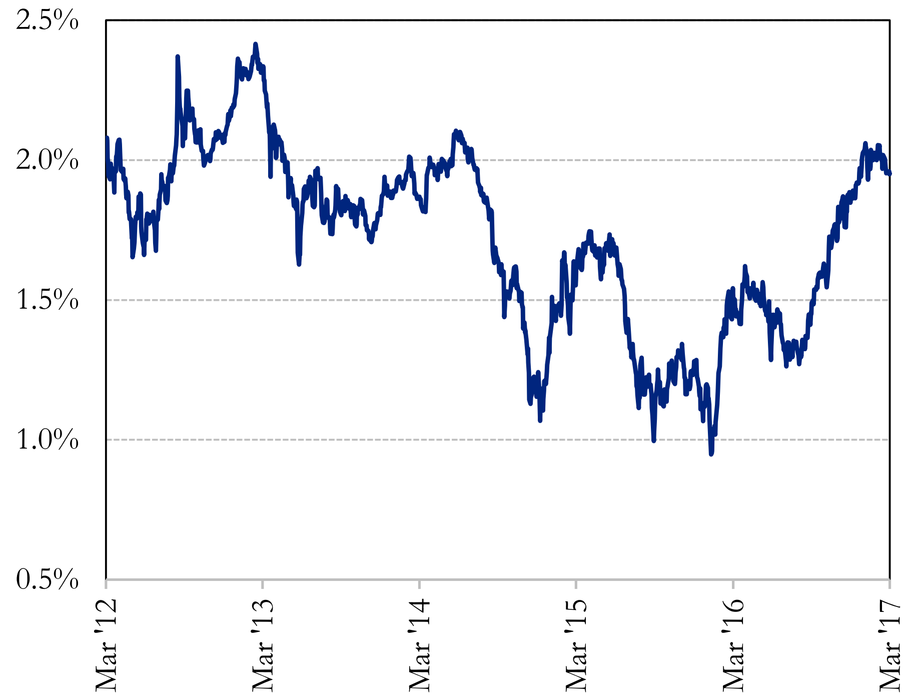
INFLATION RISING SLOWLY

- The core personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, ticked up during the first quarter to 1.8% year-over-year through February, inching closer to the Fed's 2% target.
- Investors are expecting inflation to pick up, with market expectations for inflation over the next five years recovering to levels last seen in 2014; should President Trump realize his proposed spending policies, price pressures could increase and prompt the Federal Reserve to raise rates faster.

Inflation Measures (YoY)



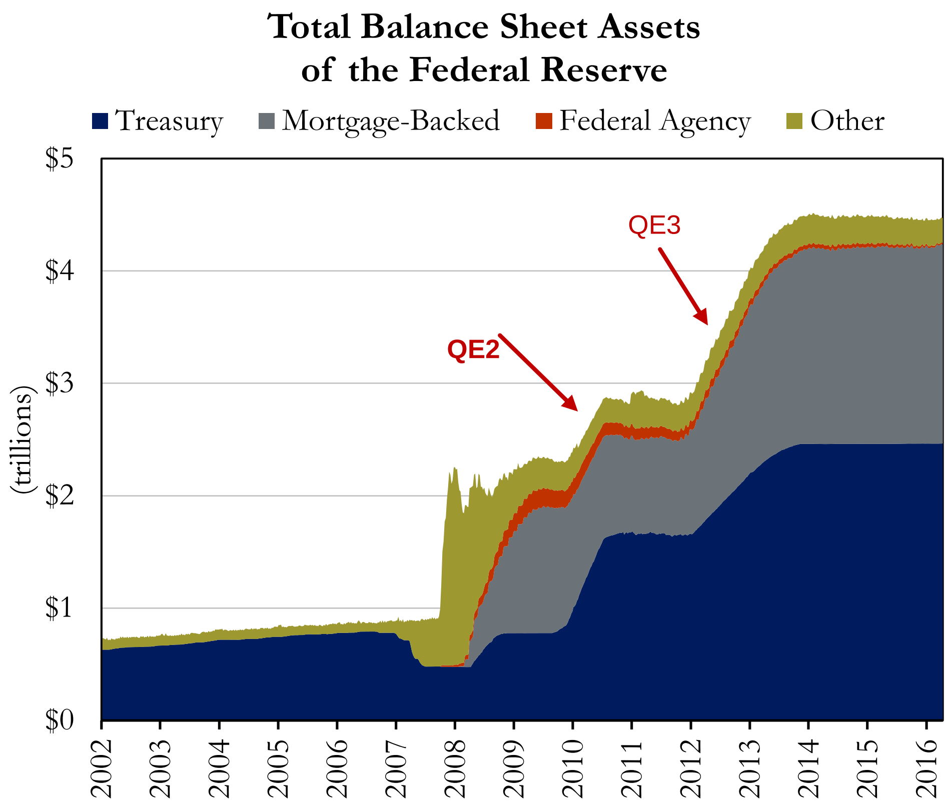
Expectations for Average Inflation Rate over Next 5 Years

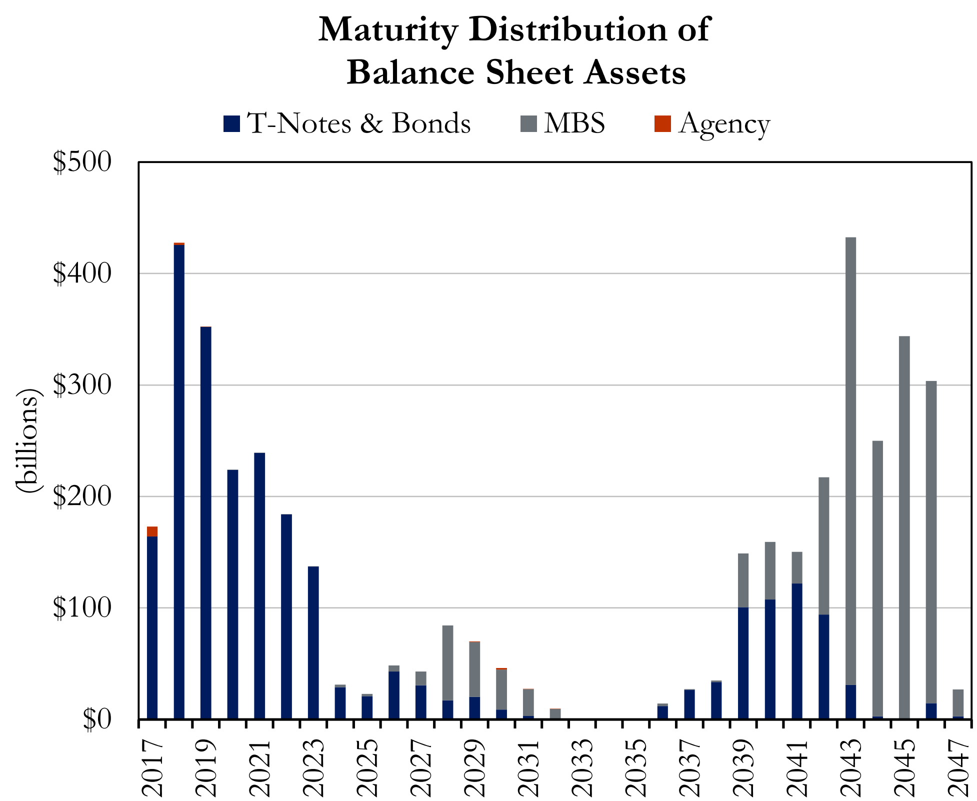


Source: Bloomberg, as of 3/31/17.

FOMC MEETING FOCUS: FED'S BALANCE SHEET

- After multiple rounds of quantitative easing, the Federal Reserve's balance sheet has swelled from under $1 trillion to approximately $4.5 trillion.
- March meeting highlights: "participants agreed that reductions in the Federal Reserve's securities holdings should be gradual and predictable, and accomplished primarily by phasing out reinvestments… Most participants anticipated that gradual increases in the federal funds rate would continue and judged that a change to the Committee's reinvestment policy would likely be appropriate later this year."





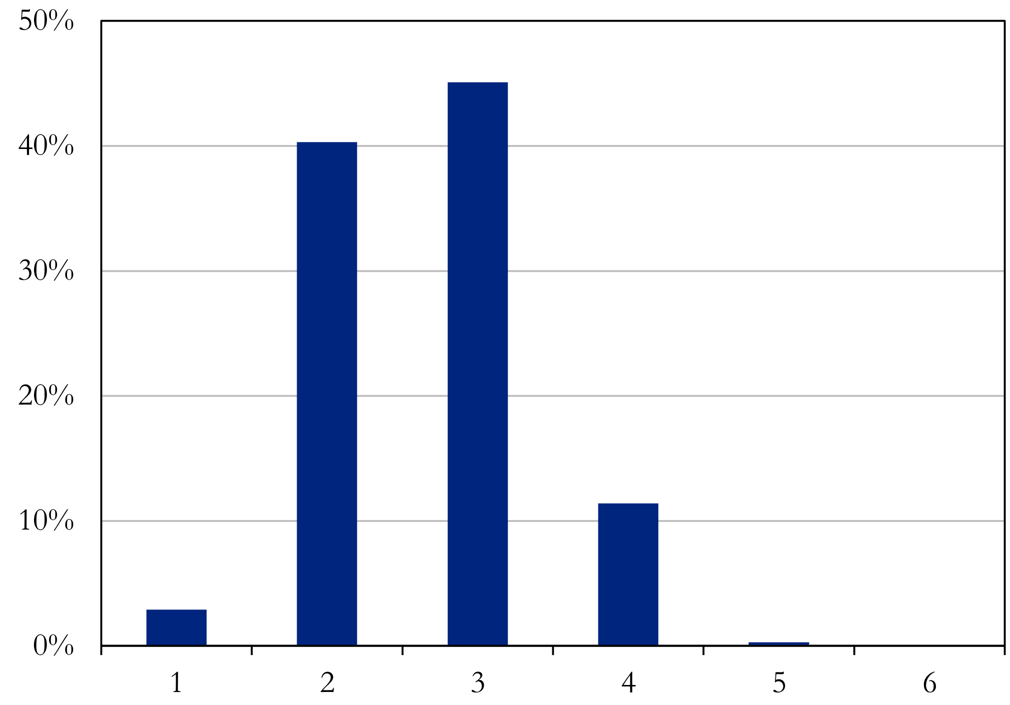
Source: The Federal Reserve, FRB of St. Louis, as of 3/29/17.

- Market implied probabilities indicate that there is a 100% chance of the Fed raising rates at their June meeting. Additionally, the market has priced in a roughly 45% chance of three total rate hikes in 2017.

When Will the Next Rate Hike Occur?

Meeting	5/8/2017
6/14/2017	100%
7/26/2017	93%
9/20/2017	96%
11/1/2017	97%
12/13/2017	97%
1/31/2018	98%

Market Implied Total Number of Rate Hikes Expected in 2017



Source: Bloomberg and Federal Reserve.

Investment Performance Review

- Yields on the short end of the curve ended the quarter higher, reflecting the rate hike, while long-term yields declined alongside future inflation expectations.
- Seeing that investors had become a bit too complacent about the potential for near-term Fed rate hikes, which resulted in rates being too low in our opinion, we maintained a modestly short, more defensive posture in January and February. We took advantage of the higher yields by slightly extending duration just before the March 15 Fed meeting. Market yields fell after the meeting as the Fed's accompanying statement implied a more gradual tightening path than anticipated.
- Federal agency yield spreads remained historically tight throughout the quarter as demand continued to outpace supply. We evaluated agency spreads across the yield curve and took advantage of opportunities to swap out of expensive agency holdings and into certificates of deposit, U.S. Treasuries, and asset-backed securities with attractive yields.
- We maintained the portfolio's corporate allocation as the sector continued to provide incremental income and benefit from "roll-down." The corporate sector outperformed comparable-maturity Treasuries for the sixth straight quarter.
- We participated in a number of new asset-backed security (ABS) issues, as AAA-rated tranches of high quality structures continued to offer good value. The ABS sector performed well in the quarter, adding to returns and further diversifying the portfolio.
- Although negotiable CD spreads narrowed somewhat after the March Fed rate hike, the sector continued to offer excellent incremental yield opportunities.

- We anticipate the Fed to remain on track to make two additional rate hikes in 2017, matching the three hikes projected for 2017 by the Federal Open Market Committee's "dot plot." In addition, a potential reduction in the size of the Fed's balance sheet later in the year could have significant implications for the markets.
- As the market awaits clarity on policies proposed and enacted by the Trump administration, financial markets (both bonds and equities) may become more range-bound.
- Since yields are currently stable and we expect no action at the next FOMC meeting in May, we are targeting the portfolio's duration to closely match that of its benchmark. We will continue to revisit this position regularly, especially in light of the potential for higher yields later in the year. During periods of rising rates, our active management approach, which seeks to maximize long-term returns, may result in the realization of short-term losses. This is in contrast to the gains realized over the past several years, which resulted from generally declining rates.
- Agency yield spreads over Treasuries continue to remain historically narrow. As a result, our strategy will generally favor U.S. Treasuries over agencies unless specific issues offer identifiable value. Supranational issues may also offer opportunities in the space.
- Although yield spreads on corporate securities drifted wider at the end of the first quarter, they remain near multi-year lows. Identifying incremental return potential in the corporate bond sector requires careful relative value analysis.
- We anticipate continuing to add to ABS allocations, as the sector offers good incremental return potential.
- Yields on commercial paper and negotiable CDs continue to offer significant yield pickup relative to short-term government securities.
- We will continue to monitor incoming economic data, Fed policy, and sector relationships to identify market opportunities. This will include assessing the impact of additional policies put forth by the Trump administration.

Security Type	Market Value as of March 31, 2017[1]	Percentage of Portfolio	% Change vs. 12/31/16	Permitted by Policy	In Compliance
U.S. Treasury	$3,870,195	27%	+3%	100%	✓
Federal Agencies	$1,284,809	9%	-6%	100%	✓
Federal Agency CMOs	$105,029	1%	-	100%	✓
Commercial Paper	$348,131	2%	-3%	25%	✓
Certificate of Deposit	$3,612,980	25%	+3%	30%	✓
Corporate Notes	$4,210,442	30%	-	30%	✓
Asset-Backed Securities	$783,636	5%	+3%	20%	✓
Money Market Fund	$31,827	<1%	-	20%	✓
Securities Sub-Total	**$14,247,050**	**100%**			
Accrued Interest	$73,784				
Total Portfolio	**$14,320,833**				

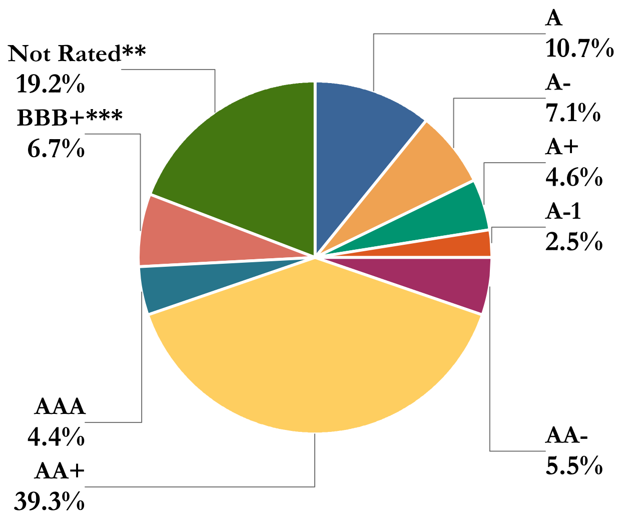
Notes:
1. *End of quarter trade-date market values of portfolio holdings include accrued interest.*

Portfolio Statistics

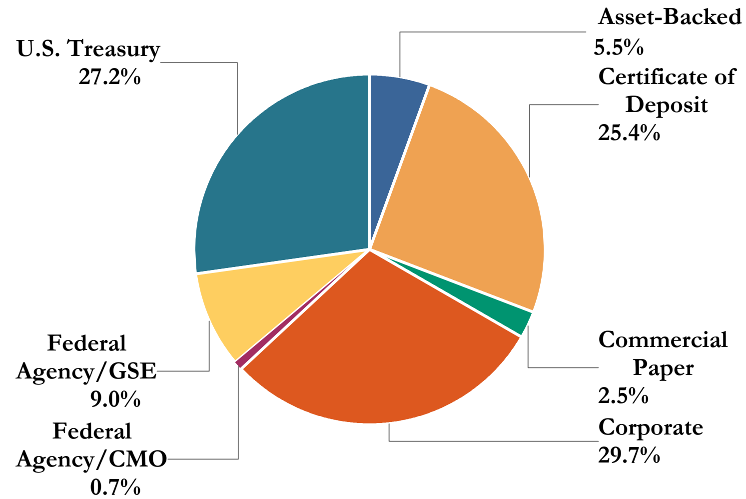
As of March 31, 2017

Par Value:	14,161,597
Total Market Value:	14,320,833
Security Market Value:	14,215,222
Accrued Interest:	73,784
Cash:	31,827
PFM	-
Amortized Cost:	14,262,854
Yield at Market:	1.67%
Yield at Cost:	1.64%
Effective Duration:	2.58 Years
Duration to Worst:	2.63 Years
Average Maturity:	2.80 Years
Average Credit: *	AA

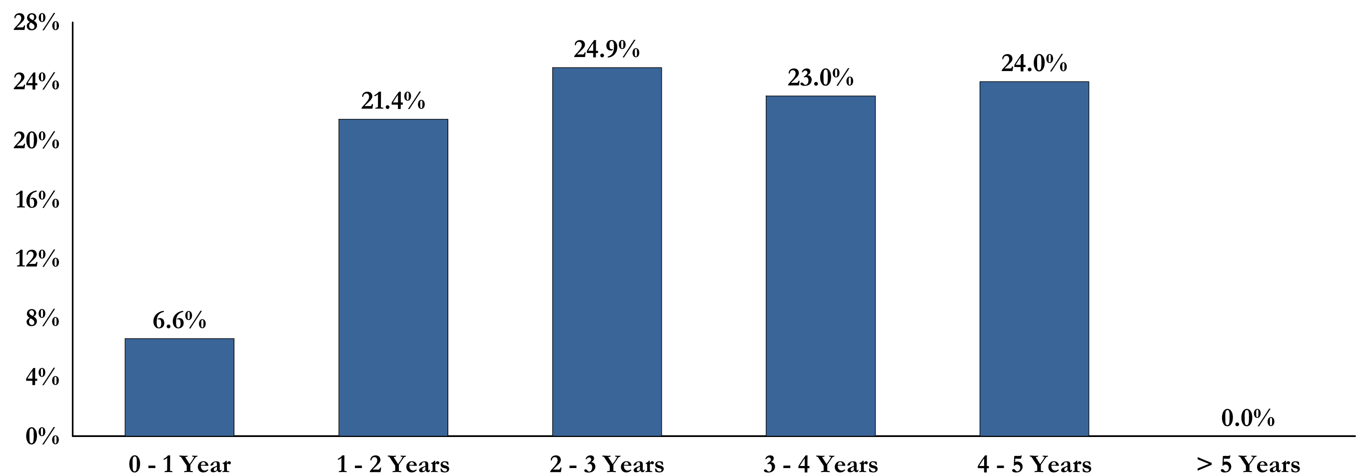
Credit Quality (S&P Ratings)



Sector Allocation



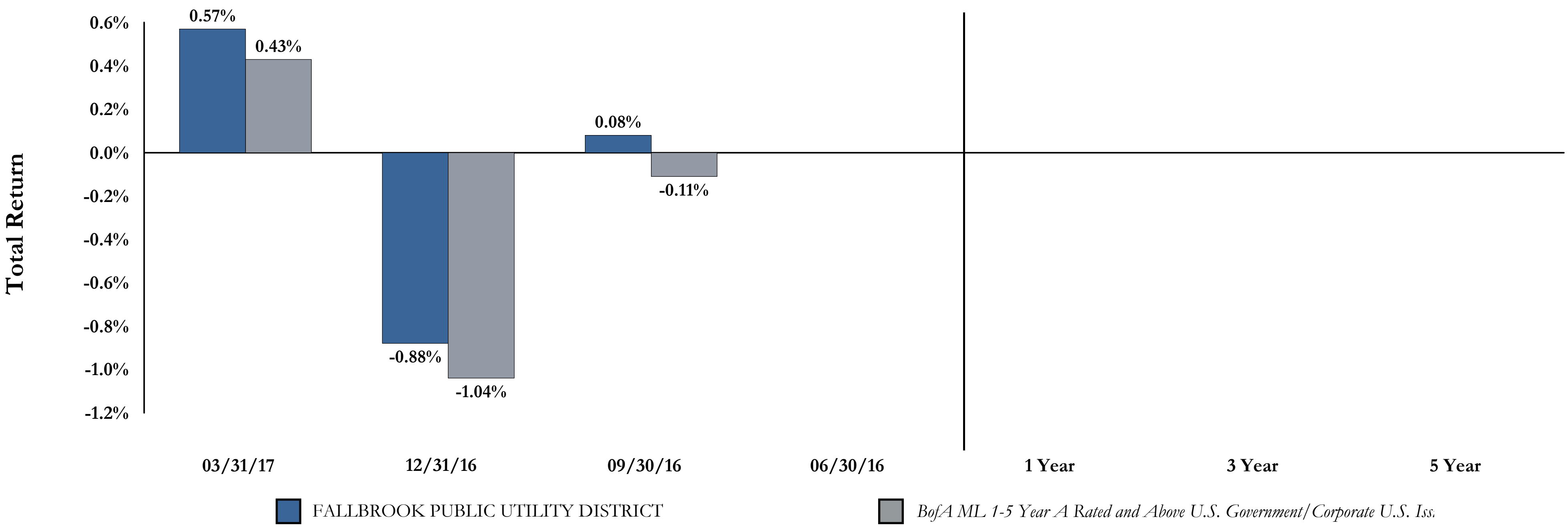
Maturity Distribution



**An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.*
***Non-negotiable CDs are FDIC-insured and not rated by S&P. Ford ABS is not rated by S&P but is rated Aaaa by Moody's, John Deere ABS is not rated by S&P but is rated Aaa by Moody's.*
****Citigroup is rated BBB+ by S&P but A by Fitch, Goldman Sachs is rated BBB+ by S&P but A3 by Moody's and A by Fitch, Morgan Stanley is rated BBB+ by S&P but A3 by Moody's and A by Fitch.*

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended					Annualized Return	
		03/31/17	12/31/16	09/30/16	06/30/16	1 Year	3 Year	5 Year
FALLBROOK PUBLIC UTILITY DISTRICT	2.58	0.57%	-0.88%	0.08%	-	-	-	-
Net of Fees	-	0.54%	-0.90%	0.05%	-	-	-	-
BofA ML 1-5 Year A Rated and Above U.S. Government/Corporate U.S. Issuers Only Index	*2.61*	*0.43%*	*-1.04%*	*-0.11%*	-	-	-	-
Difference (Gross)		0.14%	0.16%	0.19%	-	-	-	-
Difference (Net)		0.11%	0.14%	0.16%	-	-	-	-



*Portfolio performance is gross of fees unless otherwise indicated. *Fees were calculated based on average assets during the period at the contractual rate.*

Portfolio Earnings

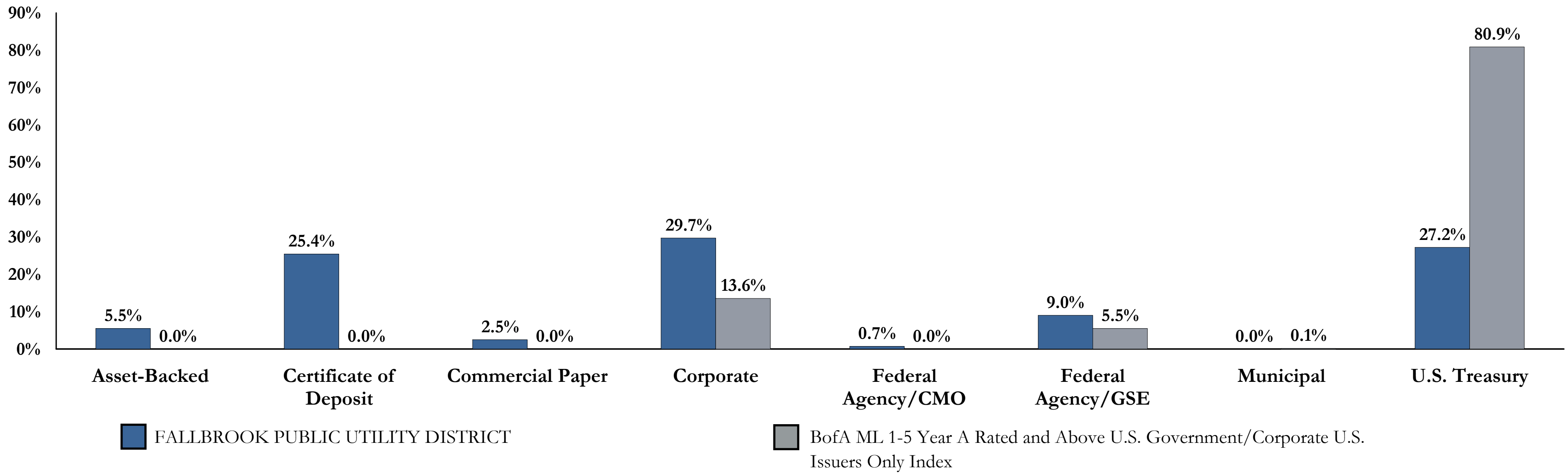
Quarter-Ended March 31, 2017

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (12/31/2016)	$14,142,765.73	$14,225,196.20
Net Purchases/Sales	$55,598.92	$55,598.92
Change in Value	$16,857.73	($17,940.79)
Ending Value (03/31/2017)	$14,215,222.38	$14,262,854.33
Interest Earned	$63,790.98	$63,790.98
Portfolio Earnings	$80,648.71	$45,850.19

Sector Allocation

As of March 31, 2017

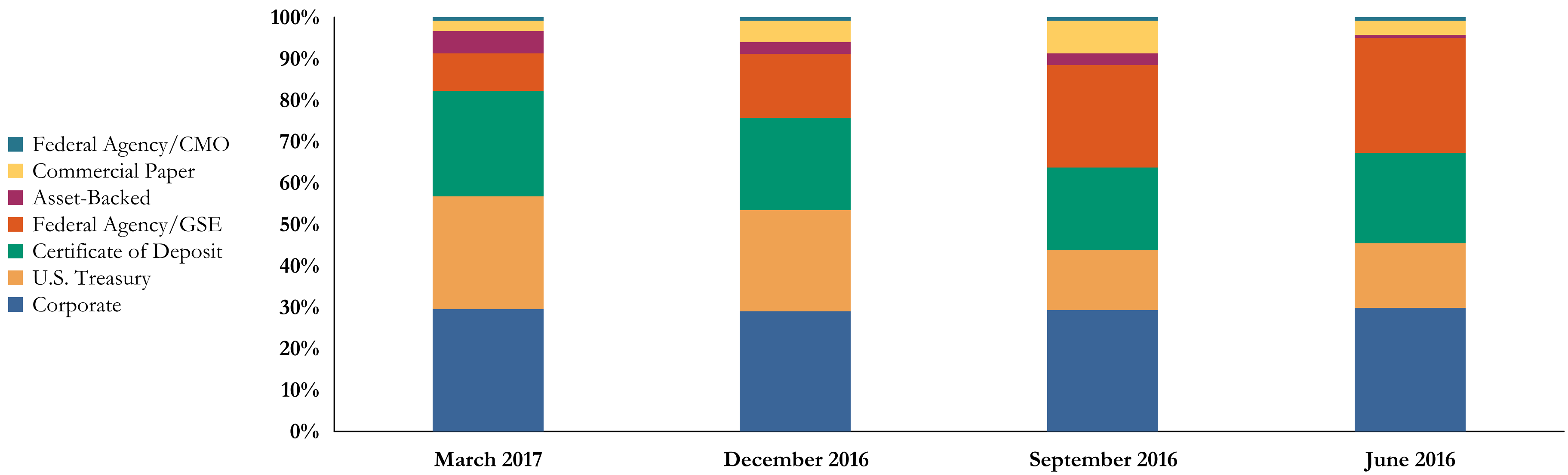
Sector	Market Value ($)	% of Portfolio	% of Benchmark
Corporate	4,210,442	29.7%	*13.6%*
U.S. Treasury	3,870,195	27.2%	*80.9%*
Certificate of Deposit	3,612,980	25.4%	-
Federal Agency/GSE	1,284,809	9.0%	*5.5%*
Asset-Backed	783,636	5.5%	-
Commercial Paper	348,131	2.5%	-
Federal Agency/CMO	105,029	0.7%	-
Municipal	0	-	*0.1%*
Total	**14,215,222**	**100.0%**	***100.0%***



Detail may not add to total due to rounding.

Sector Allocation

	March 31, 2017		December 31, 2016		September 30, 2016		June 30, 2016	
Sector	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**
Corporate	4.2	29.7%	4.1	29.2%	4.2	29.3%	4.2	29.8%
U.S. Treasury	3.9	27.2%	3.5	24.4%	2.1	14.5%	2.2	15.7%
Certificate of Deposit	3.6	25.4%	3.1	22.2%	2.8	19.9%	3.1	21.8%
Federal Agency/GSE	1.3	9.0%	2.2	15.5%	3.5	24.8%	3.9	27.7%
Asset-Backed	0.8	5.5%	0.4	2.8%	0.4	2.8%	0.1	0.8%
Commercial Paper	0.3	2.5%	0.7	5.2%	1.1	8.0%	0.5	3.4%
Federal Agency/CMO	0.1	0.7%	0.1	0.7%	0.1	0.7%	0.1	0.8%
Total	**$14.2**	**100.0%**	**$14.1**	**100.0%**	**$14.3**	**100.0%**	**$14.2**	**100.0%**

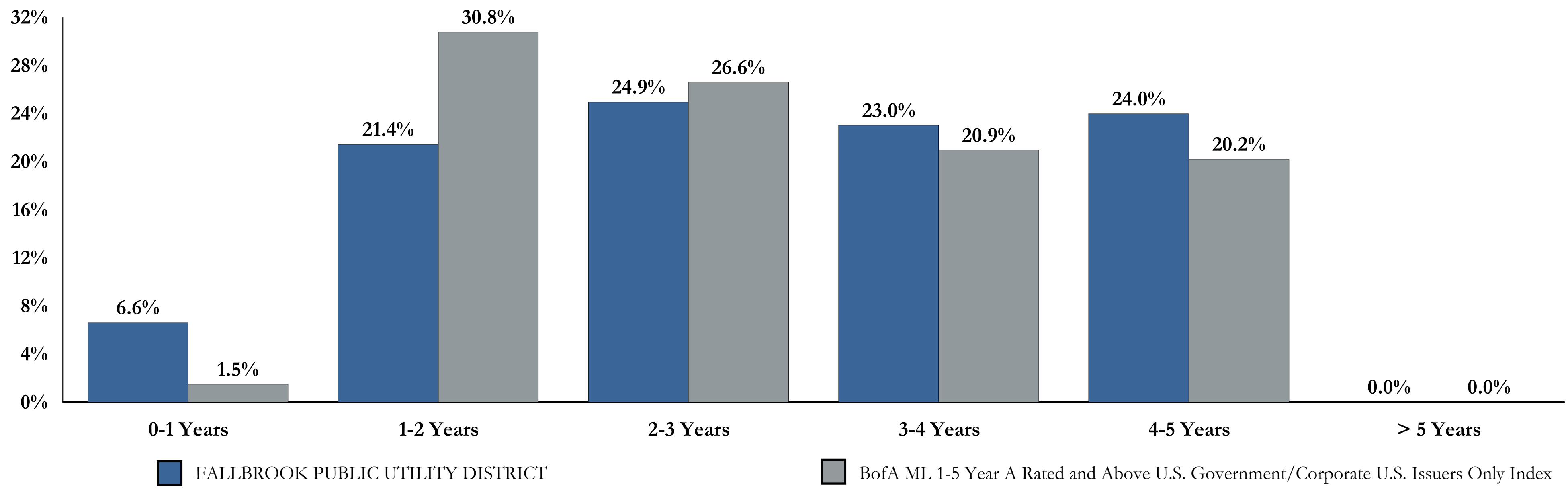


Detail may not add to total due to rounding.

Maturity Distribution

As of March 31, 2017

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
FALLBROOK PUBLIC UTILITY DISTRICT	1.67%	2.80 yrs	6.6%	21.4%	24.9%	23.0%	24.0%	0.0%
BofA ML 1-5 Year A Rated and Above U.S. Government/Corporate U.S. Issuers Only Index	*1.57%*	*2.81 yrs*	*1.5%*	*30.8%*	*26.6%*	*20.9%*	*20.2%*	*0.0%*



Issuer Distribution

As of March 31, 2017

Issuer	Market Value ($)	% of Portfolio		
UNITED STATES TREASURY	3,870,195	27.2%	Top 5 = 45.0%	Top 10 = 59.4%
FANNIE MAE	854,542	6.0%		
CATERPILLAR INC	569,401	4.0%		
MORGAN STANLEY	566,660	4.0%		
AMERICAN EXPRESS CO	529,552	3.7%		
CAPTIAL ONE FINANCIAL CORP	493,849	3.5%		
JP MORGAN CHASE & CO	484,932	3.4%		
WELLS FARGO & COMPANY	386,952	2.7%		
BANK OF NEW YORK CO INC	353,444	2.5%		
APPLE INC	328,528	2.3%		
CHEVRON CORP	299,012	2.1%		
FREDDIE MAC	296,355	2.1%		
GOLDMAN SACHS GROUP INC	289,206	2.0%		
BANK OF MONTREAL	281,934	2.0%		
CANADIAN IMPERIAL BANK OF COMMERCE	281,550	2.0%		
NORDEA BANK AB	281,550	2.0%		
MITSUBISHI UFJ FINANCIAL GROUP INC	248,956	1.8%		
SYNCHRONY BANK	247,904	1.7%		

Issuer	Market Value ($)	% of Portfolio
STATE BANK OF INDIA	247,260	1.7%
BANK OF BARODA	247,107	1.7%
FIRST RESOURCE BANK	246,451	1.7%
RONDOUT SAVINGS BANK	246,423	1.7%
CELTIC BANK	246,179	1.7%
BB&T CORPORATION	246,148	1.7%
GOLD COAST BANK	245,938	1.7%
FEDERAL HOME LOAN BANKS	238,941	1.7%
BURLINGTON NORTHERN SANTA FE	213,573	1.5%
SVENSKA HANDELSBANKEN	199,452	1.4%
TOYOTA AUTO RECEIVABLES	154,318	1.1%
CNH EQUIPMENT TRUST	150,392	1.1%
CARMAX AUTO OWNER TRUST	124,509	0.9%
CITIBANK CREDIT CARD ISSUANCE	120,191	0.9%
CIT BANK	100,282	0.7%
CITIGROUP INC	99,914	0.7%
ING GROUP NV	99,175	0.7%
FORD CREDIT AUTO OWNER TRUST	95,017	0.7%
AMERICAN HONDA FINANCE	90,221	0.6%
HYUNDAI AUTO RECEIVABLES	74,437	0.5%
JOHN DEERE OWNER TRUST	64,771	0.5%

Grand Total:	**14,215,222**	**100.0%**

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FHLB NOTES DTD 07/08/2016 0.625% 08/07/2018	3130A8PK3	125,000.00	AA+	Aaa	08/01/16	08/02/16	124,556.25	0.80	117.19	124,701.78	124,051.13
FHLB NOTES DTD 12/08/2016 1.250% 01/16/2019	3130AAE46	115,000.00	AA+	Aaa	12/07/16	12/08/16	114,995.40	1.25	299.48	114,995.76	114,890.06
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	285,000.00	AA+	Aaa	04/27/16	04/29/16	284,495.55	1.06	277.08	284,659.19	283,137.24
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	300,000.00	AA+	Aaa	07/19/16	07/20/16	299,274.00	0.96	525.00	299,441.09	296,354.70
FANNIE MAE GLOBAL NOTES DTD 10/25/2016 1.000% 10/24/2019	3135G0R39	255,000.00	AA+	Aaa	10/24/16	10/25/16	254,224.80	1.10	1,105.00	254,335.33	251,893.34
FNMA NOTES DTD 02/28/2017 1.500% 02/28/2020	3135G0T29	215,000.00	AA+	Aaa	02/24/17	02/28/17	214,862.40	1.52	277.71	214,866.32	214,482.50
Security Type Sub-Total		**1,295,000.00**					**1,292,408.40**	**1.12**	**2,601.46**	**1,292,999.47**	**1,284,808.97**
Corporate Note											
APPLE INC GLOBAL NOTES DTD 05/06/2014 2.100% 05/06/2019	037833AQ3	325,000.00	AA+	Aa1	05/29/14	05/29/14	329,582.50	1.80	2,748.96	326,997.02	328,527.88
CHEVRON CORP NOTES DTD 05/16/2016 1.561% 05/16/2019	166764BH2	300,000.00	AA-	Aa2	05/09/16	05/16/16	300,000.00	1.56	1,756.13	300,000.00	299,012.40
CITIGROUP INC CORP NOTES DTD 06/09/2016 2.050% 06/07/2019	172967KS9	100,000.00	BBB+	Baa1	06/02/16	06/09/16	99,948.00	2.07	649.17	99,961.74	99,914.30
BURLINGTON NRTH CORP DTD 09/24/2009 4.700% 10/01/2019	12189TBC7	200,000.00	A	A3	06/03/16	06/08/16	220,780.00	1.48	4,700.00	215,772.89	213,573.20
CATERPILLAR FINANCIAL CORP NOTES DTD 12/01/2014 2.250% 12/01/2019	14912L6F3	565,000.00	A	A3	04/24/15	04/24/15	577,181.40	1.76	4,237.50	572,178.27	569,401.35
AMERICAN HONDA FINANCE DTD 02/16/2017 2.000% 02/14/2020	02665WBM2	90,000.00	A+	A1	02/13/17	02/16/17	89,872.20	2.05	225.00	89,876.90	90,221.04
BNY MELLON (CALLABLE) CORP NOTE DTD 02/24/2015 2.150% 02/24/2020	06406HCZ0	352,000.00	A	A1	07/07/15	07/07/15	352,148.30	2.14	777.82	352,096.93	353,443.55

FPUD - INVESTMENT PORTFOLIO

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
JP MORGAN CHASE & CO NOTES DTD 07/22/2010 4.400% 07/22/2020	46625HHS2	455,000.00	A-	A3	04/27/16	04/29/16	493,065.30	2.31	3,837.17	485,085.36	484,931.72
WELLS FARGO & COMPANY NOTES DTD 12/07/2015 2.550% 12/07/2020	94974BGR5	385,000.00	A	A2	04/27/16	04/29/16	391,579.65	2.16	3,108.88	390,316.37	386,952.34
MORGAN STANLEY CORP NOTES DTD 04/21/2016 2.500% 04/21/2021	61746BEA0	350,000.00	BBB+	A3	05/10/16	05/13/16	352,009.00	2.38	3,888.89	351,668.86	348,110.00
GOLDMAN SACHS GRP INC CORP NT (CALLABLE) DTD 04/25/2016 2.625% 04/25/2021	38141GVU5	290,000.00	BBB+	A3	08/10/16	08/15/16	296,693.20	2.11	3,298.75	295,823.42	289,206.27
AMERICAN EXPRESS CREDIT CORP NOTES DTD 05/05/2016 2.250% 05/05/2021	0258M0EB1	285,000.00	A-	A2	05/05/16	05/10/16	286,558.95	2.13	2,600.63	286,292.40	282,449.82
BRANCH BANKING & TRUST CORP NOTE DTD 05/10/2016 2.050% 05/10/2021	05531FAV5	250,000.00	A-	A2	05/10/16	05/16/16	249,835.00	2.06	2,007.29	249,863.13	246,148.00
MORGAN STANLEY BONDS DTD 11/17/2016 2.625% 11/17/2021	61746BED4	220,000.00	BBB+	A3	02/01/17	02/03/17	216,755.00	2.96	2,149.58	216,859.83	218,550.20
Security Type Sub-Total		**4,167,000.00**					**4,256,008.50**	**2.06**	**35,985.77**	**4,232,793.12**	**4,210,442.07**
Commercial Paper											
BANK TOKYO MITSUBISHI UFJ LTD COMM PAPER DTD 02/03/2017 0.000% 08/02/2017	06538BV26	250,000.00	A-1	P-1	02/03/17	02/03/17	248,337.50	1.34	0.00	248,863.96	248,955.50
ING (US) FUNDING LLC COMM PAPER DTD 02/06/2017 0.000% 11/01/2017	4497W0Y10	100,000.00	A-1	P-1	02/06/17	02/06/17	98,928.00	1.46	0.00	99,144.00	99,175.20
Security Type Sub-Total		**350,000.00**					**347,265.50**	**1.37**	**0.00**	**348,007.96**	**348,130.70**
Certificate of Deposit											
GOLD COAST BANK LT CD DTD 12/30/2013 1.200% 10/30/2017	38058KCS3	245,000.00	NR	NR	12/31/13	12/31/13	245,000.00	1.13	16.11	245,000.00	245,937.62

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Certificate of Deposit											
CELTIC BANK LT CD DTD 12/20/2013 1.250% 12/20/2017	15118RJL2	245,000.00	NR	NR	12/21/13	12/21/13	245,000.00	1.22	855.82	245,000.00	246,179.43
CIT BANK LT CD DTD 03/13/2013 1.100% 03/13/2018	17284A6P8	100,000.00	NR	NR	03/14/13	03/14/13	100,000.00	1.08	57.26	100,000.00	100,281.80
RONDOUT SAVINGS BANK LT CD DTD 01/23/2015 1.350% 07/23/2018	776322AP4	245,000.00	NR	NR	01/24/15	01/24/15	245,000.00	1.32	616.19	245,000.00	246,422.72
FIRST RESOURCE BANK LT CD DTD 01/28/2015 1.300% 07/30/2018	336177AQ3	245,000.00	NR	NR	01/29/15	01/29/15	245,000.00	1.10	549.74	245,000.00	246,451.14
CAPTIAL ONE BANK USA NA LT CD DTD 08/12/2015 1.700% 08/13/2018	14042E5N6	245,000.00	NR	NR	08/12/15	08/12/15	245,000.00	1.40	547.73	245,000.00	246,301.20
SYNCHRONY BANK LT CD DTD 10/25/2013 2.150% 10/25/2018	36157OSM0	245,000.00	NR	NR	10/25/13	10/25/13	245,000.00	2.05	2,280.18	245,000.00	247,903.99
BANK OF BARODA LT CD DTD 10/28/2013 2.050% 10/29/2018	0606246K4	245,000.00	NR	NR	10/29/13	10/29/13	245,000.00	1.96	2,132.84	245,000.00	247,107.00
CANADIAN IMPERIAL BANK NY CD DTD 12/05/2016 1.760% 11/30/2018	13606A5Z7	280,000.00	A+	Aa3	12/01/16	12/05/16	279,781.60	1.78	1,601.60	279,816.85	281,549.52
NORDEA BANK FINLAND NY CD DTD 12/05/2016 1.760% 11/30/2018	65558LWA6	280,000.00	AA-	Aa3	12/01/16	12/05/16	280,000.00	1.74	1,601.60	280,000.00	281,549.52
STATE BANK OF INDIA LT CD DTD 12/18/2013 2.050% 12/18/2018	856283VY9	245,000.00	NR	NR	12/19/13	12/19/13	245,000.00	1.96	1,431.07	245,000.00	247,260.13
SVENSKA HANDELSBANKEN NY LT CD DTD 01/12/2017 1.890% 01/10/2019	86958JHB8	200,000.00	AA-	Aa2	01/10/17	01/12/17	200,000.00	1.91	829.50	200,000.00	199,451.80
BANK OF MONTREAL CHICAGO CERT DEPOS DTD 02/09/2017 1.880% 02/07/2019	06427KRC3	280,000.00	A+	Aa3	02/08/17	02/09/17	280,000.00	1.90	745.73	280,000.00	281,934.24
AMERICAN EXPRESS BK FSB LT CD DTD 07/24/2014 2.000% 07/24/2019	02587CAJ9	245,000.00	NR	NR	07/25/14	07/25/14	245,000.00	1.92	899.45	245,000.00	247,102.10
CAPTIAL ONE BANK USA NA LT CD DTD 08/12/2015 2.000% 08/12/2019	140420UE8	245,000.00	NR	NR	08/12/15	08/12/15	245,000.00	1.94	644.38	245,000.00	247,548.25

FPUD - INVESTMENT PORTFOLIO

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		**3,590,000.00**					**3,589,781.60**	**1.65**	**14,809.20**	**3,589,816.85**	**3,612,980.46**
Asset-Backed Security / Collateralized Mortgage Obligation											
CARMAX ABS 2016-3 A2 DTD 07/20/2016 1.170% 08/15/2019	14314EAB7	124,597.06	AAA	NR	07/14/16	07/20/16	124,586.89	1.18	64.79	124,589.30	124,508.76
TOYOTA ABS 2016-B A3 DTD 05/11/2016 1.300% 04/15/2020	89231UAD9	110,000.00	AAA	Aaa	05/02/16	05/11/16	109,994.38	1.30	63.56	109,995.87	109,645.40
JOHN DEERE ABS 2016-B A3 DTD 07/27/2016 1.250% 06/15/2020	47788NAC2	35,000.00	NR	Aaa	07/19/16	07/27/16	34,997.21	1.25	19.44	34,997.79	34,782.67
CNH EQUIPMENT TRUST POOL DTD 03/22/2017 1.800% 07/15/2020	12636WAB2	150,000.00	AAA	Aaa	03/15/17	03/22/17	149,994.24	1.80	67.50	149,994.26	150,392.39
TOYOTA ABS 2016-C A3 DTD 08/10/2016 1.140% 08/15/2020	89237WAD9	45,000.00	AAA	Aaa	08/01/16	08/10/16	44,998.79	1.14	22.80	44,999.02	44,672.73
CCCIT 2017-A2 A2 DTD 01/26/2017 1.740% 01/17/2021	17305EGA7	120,000.00	AAA	Aaa	01/19/17	01/26/17	119,977.02	1.75	377.00	120,000.00	120,190.97
JDOT 2017-A A3 DTD 03/02/2017 1.780% 04/15/2021	47787XAC1	30,000.00	NR	Aaa	02/22/17	03/02/17	29,995.73	1.79	23.73	29,995.85	29,988.74
HYUNDAI AUTO RECEIVABLES TRUST DTD 09/21/2016 1.290% 04/15/2021	44891EAC3	75,000.00	AAA	Aaa	09/14/16	09/21/16	74,989.91	1.30	43.00	74,991.20	74,437.27
FORDO 2017-A A3 DTD 01/25/2017 1.670% 06/15/2021	34531EAD8	95,000.00	NR	Aaa	01/18/17	01/25/17	94,999.65	1.67	70.51	94,999.68	95,017.35
Security Type Sub-Total		**784,597.06**					**784,533.82**	**1.50**	**752.33**	**784,562.97**	**783,636.28**
Managed Account Sub-Total		**14,161,597.06**					**14,294,574.35**	**1.64**	**73,783.55**	**14,262,854.33**	**14,215,222.38**
Securities Sub-Total		**$14,161,597.06**					**$14,294,574.35**	**1.64%**	**$73,783.55**	**$14,262,854.33**	**$14,215,222.38**
Accrued Interest											**$73,783.55**
Total Investments											**$14,289,005.93**

Important Disclosures

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- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- MBS maturities are represented by expected average life.

FALLBROOK PUBLIC UTILITY DISTRICT

DRAFT

DEBT MANAGEMENT POLICY

APRIL 2017

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Policy Statement

This Debt Management Policy ("Policy") documents Fallbrook Public Utility District's (the "District" or "FPUD") goals and guidelines for the use of debt instruments for financing District water, wastewater and recycled water infrastructure, projects, and other financing needs. The District recognizes the need to invest in ongoing capital replacement and rehabilitation of its facilities to ensure future viability of services, and that the appropriate use of debt can facilitate the timely construction of such facilities.

The District expects to pay for infrastructure and other projects (e.g., water supply) from a combination of current revenues, available reserves, and prudently issued debt. FPUD recognizes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is cost-effective and fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iii) if there are other important policy reasons therefor. All District debt will be approved by the Board of Directors ("Board").

To achieve the highest practicable credit ratings and endorse prudent financial management, the District is committed to systematic capital planning, and long-term financial planning. Evidence of this commitment to long term capital planning is demonstrated through adoption and periodic adjustment of the District's Capital Improvement Plan (CIP) identifying the benefits, costs and method of funding capital improvement projects over the planning horizon.

Purpose of the Policy

The purpose of this Policy is to establish parameters for issuing debt; provide guidance to decision makers with respect to options available to finance capital projects and support other financing needs so that the most prudent, equitable and cost effective method of financing can be chosen; and promote objectivity in the decision-making process.

The District will adhere to the following legal requirements for the issuance of debt:

- The state law which authorizes the issuance of the debt;
- The federal and state law which govern the eligibility of the debt for tax-exempt status;
- The federal and state law which govern the issuance of taxable debt;
- The federal and state laws which govern disclosure, sale, and trading of the debt both before and subsequent to issuance; and
- Generally Accepted Accounting Principles (GAAP).

Purpose and Use of Debt

The District will utilize reasonable debt financing to fund long-term improvements and thus ensure that existing and future users pay an equitable and fair share of capital project funding requirements. Long-term improvements include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or expansions to existing water, wastewater and recycled water capacity and facilities. Debt can be issued to fund the planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment and other costs as permitted by law.

The District will not issue debt to cover operating needs.

The District may utilize short term financing (including leases) to finance certain essential equipment and vehicles. These assets range from service vehicles to laboratory equipment. The underlying asset must have a minimum useful life of one year or more. Short-term financings, including loans, on bill financing and capital lease purchase agreements, are executed to meet such needs.

The General Manager and Administrative Services Manager/Treasurer will periodically evaluate the District's existing debt and execute re-financings or prepayment (refunding) when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as commercial paper or loans.

The General Manager and Administrative Services Manager/Treasurer shall be responsible for analyzing any debt financing proposal to determine if it is beneficial to the District complies with the District's long-term financial planning objectives, including maintaining or improving the current credit ratings assigned to outstanding public debt (if applicable) by the major credit rating agencies.

The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized. Debt may only be issued upon Board authorization. No debt shall be issued with a maturity date greater than the expected weighted average useful life of the facilities or improvements being financed. The final maturity of bonds or State Revolving Fund (SRF) loan debt shall be limited to 30 years after the date of issuance, unless circumstances warrant otherwise (e.g. Federal funding programs that offer 35-year repayment terms).

Debt Management

The District will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process. Necessary appropriations for annual debt service requirements will be routinely included in the District's budget. The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The District's Debt Management Policy and Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the District's approach to debt management.

The proceeds of the bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The District's Investment Policy and the specific bond indentures and/or loan agreements govern objectives and criteria for investment of bond proceeds. The Administrative Services Manager/Treasurer will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

Proceeds from bond or other debt issuance will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of District cash. The District's trustee will administer the disbursement of bond proceeds pursuant to an Indenture of Trust. Requisition for the disbursement of bonds funds will be approved by the District's General Manager or Administrative Services Manager/Treasurer. The District's Engineering Department is responsible for reviewing expenditures and submitting for reimbursement from the State of California with respect to State Revolving Fund (SRF) Loans.

The Administrative Services Manager/Treasurer will monitor dedicated debt reserve fund balances and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of reissuing new debt. A potential refunding will be assessed in combination with any new capital projects requiring financing, and the benefits of the refunding will be evaluated in relation to its costs and risks.

Debt can be refunded to achieve one or more of the following objectives:

- Reduce future interest costs; Restructure future debt service in response to evolving conditions regarding anticipated revenue sources; and

- Restructure the legal requirements, termed covenants of the original issue to reflect more closely the changing conditions of the Agency or the type of debt.

Debt Service Coverage Target

The District will not engage in debt financing unless the proposed obligation, when combined with all existing debts, will result in acceptable debt ratios. In determining the affordability of proposed revenue bonds, the District will perform an analysis comparing projected annual net revenues (after payment of operating and maintenance (O&M expense) to estimated annual debt service and estimated debt coverage ratio (DCR). DCR is the amount of cash flow available to meet annual interest and principal payment on debt.

Debt Instrument Rating

The Administrative Services Manager/Treasurer, in consultation with a financial advisor if appropriate, will assess whether a credit rating should be obtained for an issuance and make a recommendation to the Board. If it is determined that a credit rating is desirable, the probable rating of the proposed debt issuance is assessed before its issuance, and necessary steps are taken in structuring the debt issuance to ensure that the best possible rating is achieved.

Debt Structuring

In structuring a debt issuance, the District will manage the amortization of debt, and to the extent possible, match its cash flow to the anticipated debt service payments. The District will seek to structure debt with aggregate level principal and interest payments over the life of the borrowing. "Backloading" of debt service will be considered only when such structuring is beneficial to the District's aggregate overall debt payment schedule.

The Administrative Services Manager/Treasurer and/or General Manager will evaluate and recommend to the Board the use of a call option, if any, and call protection period for each issuance. A call option, or optional redemption provision, gives the District the right to prepay or retire debt prior to its stated maturity. This option may permit the District to achieve interest savings in the future through refunding of the bonds. Because the cost of call options can vary widely, depending largely on market conditions, an evaluation of factors, such as the call premium, time until the bonds may be called at a premium or at par, and interest rate volatility will all be considered when determining the call option. Generally, 30-year tax exempt municipal borrowings are structured with a 10-year call at no premium.

Types of Allowable Debt

There are many different types of financing instruments available to the District. The following are brief summaries of the types of long and short-term debt obligations that the District may consider:

Revenue Obligations/Certificates of Participation. Long-term revenue obligations / COPs issued through the District, a financing corporation, joint powers agency or other entity should be used to finance and refurbish capital facilities, projects and certain equipment where it is determined to be cost effective and fiscally prudent. Long-term revenue obligations will not be used to fund operations of the District. The scope, requirements, and demands of the budget, reserve levels, and the ability or need to expedite or maintain the programmed schedule of approved capital projects, will also be factors in the decision to issue long-term debt. Revenue obligations / COPs will be structured to achieve the lowest possible net cost to the District given market conditions while balancing risks, considering the District's CIP, and the nature and type of security to be provided.

The District's debt capacity will not exceed legal or contractual limitations, such as rate covenants or additional debt tests imposed by existing financing covenants. Prior to the issuance of any new revenue obligations, the impact of debt service payments on total annual fixed costs will be analyzed.

As users of the District facilities will benefit from long-term capital investments in future years, it is appropriate that future revenues pay a share of the costs and more closely match the term of repayment to the expected economic useful life of the project being financed.

Commercial Paper. Commercial paper and similar financing products including revolving bank credit agreements and letters of credit are cash management programs that the District may use to provide interim and long-term funding for capital expenditures that will ultimately be funded from another source such as a grant or long-term debt. Such a program may be implemented directly by the District or through a financing corporation or other entity. If implemented through a financing corporation or other entity a tax revenue anticipation note or other instrument will be delivered by the District as security for the program. Periodic issuances or retirements of commercial paper notes or similar financing products within a Board approved program would not require further Board action once the program is implemented.

The Administrative Services Manager/Treasurer and/or General Manager is responsible for implementing and managing the District's commercial paper or similar financing program. The Administrative Services Manager/Treasurer will work closely with commercial paper dealers, if any, to develop a marketing strategy for the initial sale and subsequent roll-over of maturing amounts.

Fixed and Variable Rate Obligations. The District typically issues fixed-rate obligations. When appropriate, however, the District may choose to issue variable rate obligations (including Commercial Paper), or securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing or auction of securities. Variable rate exposure can provide a means to enhance asset/liability management. The primary goal of asset/liability management is to mitigate the impact of increased interest costs in a rising interest rate environment, and mitigate the impact of decreased interest income in a declining interest rate environment. The Administrative Services Manager/Treasurer and/or General Manager will review the net variable rate exposure of the overall debt portfolio on a quarterly basis and at any time that additional debt is issued.

In selecting and retaining remarketing agents for variable rate debt, the District should choose remarketing agents that diversify its exposure and foster competition. The Administrative Services Manager/Treasurer and/or General Manager will regularly review the performance of the individual remarketing agents in relation to other remarketing agents, similar programs, and market indices.

Grant Anticipation Notes. The District may issue short-term notes to be repaid with the proceeds of State or Federal grants if appropriate for the project and in the best interest of the District. Generally, grant anticipation notes ("GAN's") will only be issued if there is no other viable source of up-front cash for the project. Prior to embarking on selling GAN's the District must identify a secondary source of repayment for the GAN's in the event that expected grant funding does not occur.

Lease Financings. Lease obligations are a routine and appropriate means of financing certain types of equipment, but are generally not appropriate for long-term financing of capital assets such as land or facilities. Leases should be considered where lease financing will be more beneficial than funding from reserves or current revenues. The useful life of capital equipment, the term and conditions of the lease, the direct impact on debt capacity and budget flexibility will be evaluated prior to the implementation of a lease program. Cash flow sufficiency, capital program requirements, lease program structures and cost, and market factors will be considered in conjunction with Pay-As-You-Go strategies in lieu of lease financing.

State Revolving Fund Loans. The District may enter into loan agreements with the State Revolving Fund (SRF), which provides a low or zero interest loan program made available for specific construction projects. SRF loans are generally structured such that the District is required to contribute a percentage of the total project cost and receives loan proceeds from the State of California for the balance. The SRF loan interest rate is calculated by taking half of the True Interest Cost (TIC) of the most recent sale of State General Obligation Bonds. The term of the loans can be 20 or, if applicable, an extended financing term of 30 years. SRF Loans may provide additional assistance in the form of principal forgiveness. Principal forgiveness must be specified at the execution of the loan agreement for the amount forgiven to be counted against the total loan required to be provided by the SRF.

Water Infrastructure Finance and Innovation Act (WIFIA) Loans. The WIFIA program is a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. The WIFIA program can fund development and implementation activities for eligible projects, including wastewater conveyance and treatment projects that are eligible for the Clean Water SRF; drinking water treatment and distribution projects that are eligible for the Drinking Water SRF; enhanced energy efficiency projects at drinking water and wastewater facilities; brackish or seawater desalination, aquifer recharge, alternative water supply, and water recycling projects; drought prevention, reduction, or mitigation projects; acquisition of property if it is integral to the project or will mitigate the environmental impact of a project. The minimum project size is $20 million and a WIFIA loan can fund up to 49% of an eligible project cost with a maximum final maturity date of 35 years after the date of substantial project completion. The District will evaluate the use and applicability of WIFIA for qualifying capital projects.

In addition to some of the long and short term financing instruments described above that the District may access, the District may also consider joint arrangements with other governmental agencies when a project serves the public interest beyond the District's boundaries. Communication and coordination will be made with other local, state, and federal governments regarding potential jurisdictional overlap, joint projects, tax issues, and other issues that may arise. If the potential does exist, then the possibility of grants or cost sharing will be explored, quantified, and specific financial arrangements and liabilities negotiated. Municipal issuers are authorized to join together to create a separate entity, a Joint Powers Authority (JPA), to issue bonds on behalf of the municipality. The Board may sit as the governing body of the agency or authority. Typically, joint venture debt is repaid through revenues generated by the project and if structured as a JPA, a debt issuance associated with joint venture arrangements does not require voter approval. The District will only be liable for its share of debt service, as specified in a contract executed in connection with the joint venture debt.

Credit Enhancement

Credit enhancement may be used to improve or establish a credit rating on a District debt obligation. Types of credit enhancement may include Letters of Credit, bond insurance or surety policies. The Board may be asked to authorize a credit enhancement if it reduces the overall cost of the proposed financing or if, in the opinion of the General Manager or the Administrative Services Manager/Treasurer, the use of such credit enhancement furthers the District's overall financial objectives.

Debt Service Reserve Fund

Unless there are extraordinary circumstances, the District will size the debt issuance such that a debt service reserve fund is established at the time of issuance. On a case-by-case basis, assuming there is no economic or credit disadvantage, the District may issue bonds without a debt service reserve fund or a reserve that is sized at a lower level.

Capitalized Interest

Generally, interest shall be capitalized for the construction period of a revenue-producing project, that debt service expense does not begin until the project is expected to be operational and producing revenues. In addition, for lease back arrangements, such as those used for lease revenue bond transactions interest may be capitalized for the construction period, until the asset is operational. Only under extraordinary circumstances, interest may be capitalized for a period longer than the construction period. Capitalized interest is sometimes referred to as "funded interest."

Credit Ratings

The District will seek to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the District's policy objectives. Ratings are a reflection of the general fiscal soundness of the District and the capabilities of its management. Maintaining the highest possible credit ratings allows the District to issue debt at a lower interest cost. To enhance creditworthiness, the District is committed to prudent financial management, systematic capital planning, and long-term financial planning. The District recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Each proposal for new debt will be analyzed for its impact upon the District's debt rating on its outstanding debt.

Rating Agency Relationships

District staff shall be responsible for maintaining professional relationships with the rating agencies: including Standard & Poor's, Moody's Investors Service, and Fitch Ratings, as appropriate. This effort shall include providing periodic updates, both formal and informal, on the District's general financial condition and coordinating meetings and presentations in conjunction with a new debt issuance, when determined necessary. Written disclosure documents to the rating agencies shall be provided by District staff. The retention of a rating agency relationship will be based on a determination of the potential for more favorable interest costs as compared to the direct and indirect cost of maintaining that relationship.

Bond Ratings

District staff, working with the District's financial advisor, shall be responsible for determining whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

Method of Sale

The District will select the method of sale that best fits the type of debt being issued, market conditions, and the desire to structure maturities to enhance the overall performance of the entire debt portfolio.

Three general methods exist for the sale of municipal bonds:

I. **Competitive sale.** Bonds are marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its best bid for its securities. The District will award the sale of the competitively sold bonds on a true interest cost (TIC) basis. Pursuant to this policy, District staff are authorized to sign the bid form on behalf of the District fixing the interest rates on bonds sold on a competitive basis.

II. **Negotiated sale.** District staff selects the underwriter, or team of underwriters, of its securities in advance of the bond sale. District staff works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, District staff will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the General Manager or his designee (typically the Administrative Services Manager/Treasurer) will be authorized to sign the bond purchase agreement on behalf of the District, fixing the interest rates on bonds sold on a negotiated basis.

III. **Private placement.** The District may elect to issue debt on a private placement bases. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or of it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Roles and Responsibilities

The primary responsibility for developing debt financing recommendations rests with the General Manager and/or the Administrative Services Manager/Treasurer. In developing such recommendations, consideration should be given to the need for debt financing and an assessment of the progress on the current CIP and any other program/improvement deemed necessary by the District. The Board will review, authorize and approve debt financing and/or debt service related recommendations and proposals.

All proposed debt financings shall be presented to the Board through the Fiscal Policy and Insurance Committee and subsequently approved by the full Board. Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of California Government Code (CGC) §54300 et seq.

Bond Counsel

The District will retain external bond counsel for all public debt issues. As part of its responsibility to oversee and coordinate the marketing of all District indebtedness, District staff shall make recommendations for approval by the Board on the retention of bond counsel.

Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the District will include a written opinion by bond counsel affirming that the District is authorized to issue the debt, stating that the District has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status.

Financial Advisors

The District will select financial advisors who may either be independent financial advisors or firms who engage in municipal bond underwriting or brokerage services. While serving as the District's financial advisor, a firm may not also engage in the underwriting of the District's debt issuance for which that firm also acts as financial advisor. A firm may also not switch roles (i.e., from financial advisor to underwriter) after a financial transaction has begun. Financial advisors shall be selected through a competitive process.

During the contract term of any party acting as financial advisor, neither the firm nor any individual employed by that firm will perform financial advisory, investment banking or similar services for any entity other than the District in transactions involving a financial commitment of the District without the specific direction of District staff.

The financial advisor will advise the District on refunding opportunities for current outstanding debt, as well as assist in evaluating the merits of competitive, negotiated or private placement of new debt, and determining the most appropriate structure to ensure effective pricing that meets the District's near-term and long term cash flow needs. The financial advisor will work with all parties involved in the financing transaction, including the District's bond counsel, trustee, underwriters, credit liquidity providers, to develop and monitor the financing schedule and preparation of the Official Statement. The financial advisor will assist the District in developing and distributing bid specifications for desired services as, trustee and paying agents, printing, remarketing and credit liquidity service providers, and assist the District in its review process. The District also expects its financial advisor to provide objective advice and analysis, maintain confidentiality of the District's financial plans, and be free from any conflict of interest.

Underwriters

For negotiated sales, the District will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to all firms considered appropriate for the underwriting of a particular issue or type of bonds. District staff will determine the appropriate method to evaluate the underwriter submittals and then select or qualify firms on that basis. The District will not be bound by the terms and conditions of any underwriting agreement; oral or written, to which it was not a party.

Internal Controls Related to the Expenditure of Bond Proceeds

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of District funds. The District's Trustee or Fiscal Agent will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements invoices are submitted by the Engineering Department and approved by the Finance Department for payment. Requisition for the disbursement of bonds funds will be approved by the District's Administrative Services Manager/Treasurer or designated alternate.

The District will fully comply with federal arbitrage and rebate regulations. Concurrent with this policy, District staff will take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues. All of the District's tax-exempt issuances are subject to arbitrage compliance regulations.

The District's Finance Department shall be responsible for the following:

I. Monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the District shall meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds will be expended within the three-year temporary period.

II. Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.

III. Contracting the services of outside arbitrage consultants to establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.

To the extent any arbitrage rebate liability exists, the District will report such liability in its annual audited financial statements.

Continuing Disclosure

So long as the District has public debt outstanding, the District will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the Securities Exchange Commission (SEC) Rule 15c2-12 and consistent with the District's Standard Operating Procedure for Compliance with Security and Exchange Commission Rule 15c2-12. The Administrative Services Manager/Treasurer shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers.

The District will keep current with any changes to the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event of a 'material event' requiring immediate disclosure, the District will work with its Dissemination Agent to ensure dissemination of the information to the appropriate disclosure notification parties.

Compliance with Bond Covenants

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the District is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Timely transfer of debt service payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Compliance with all other bond covenants

On an annual basis, the District will prepare all required debt-related schedules and footnotes for inclusion in the District's audited financial statements. The audited financial statements shall describe in detail all funds and fund balances established as part of any direct debt financing of the District.

Policy Review

On an as needed based, the Administrative Services Manager/Treasurer will be responsible for updating and revising this Policy, and present any recommended revisions to the Board.

Fallbrook Public Utility District
2017-18 Proposed Budget Vs. 2016-17 Adopted and Projected YTD -Through 4/30/17

	2017-18 Proposed Budget	2016-2017 Adopted Budget	2016-17 Projected	Change from Proposed to Projected Budget	Percent Change from Prior Budget
REVENUES:					
Water and Recycled Sales	9,523	9,740	9,437	86	0.9%
Operating Revenues:					
Water Sales	16,124,308	14,854,447	14,129,434	1,994,874	14.1%
MWD Readiness to Serve	405,267	398,232	506,718	(101,451)	-20.0%
CWA Infracture Access Charge	411,331	398,056	396,979	14,352	3.6%
Meter Service Charges	5,348,419	5,338,784	5,431,248	(82,829)	-1.5%
Wastewater Service Charges	5,787,904	5,804,379	5,518,871	269,033	4.9%
Overuse Penalties	0	0	0	-	0.0%
Sundry Other Revenue	306,100	306,100	263,126	42,974	16.3%
CWA Rebates	162,448	148,000	146,827	15,621	10.6%
Total Operating Revenue	28,545,777	27,247,998	26,393,203	2,152,574	8.2%
Non Operating Revenues:					
Capital Improvement Charge	2,396,200	2,282,000	2,282,860	113,340	5.0%
Property Taxes	1,777,720	1,814,077	1,916,939	(139,219)	-7.3%
Water Standby/Availability Charge	203,000	203,000	203,000	-	0.0%
Water/Wastewater Capacity Charges	136,914	107,315	212,966	(76,052)	-35.7%
Portfolio Interest	49,622	175,000	213,920	(164,298)	-76.8%
Pumping Charge	39,952	60,000	39,022	930	2.4%
Prop 84 & 50 Funds	0	0	773,163	(773,163)	-100.0%
SRF Loan Proceeds	0	0	0	-	0.0%
CSI Rebate	0	559,450	234,930	(234,930)	-100.0%
Facility Rents & Other Non Operating Revenues	173,055	185,000	214,616	(41,561)	-19.4%
Total Non Operating Revenues	4,776,463	5,385,842	6,091,416	(1,314,953)	-21.6%
Total Budgeted Revenues	**33,322,240**	**32,633,840**	**32,484,619**	**837,621**	2.6%
EXPENDITURES:					
Operating Expenses:					
Purchased Water Expense	13,228,586	12,263,929	12,102,900	1,125,686	9.3%
MWD Readiness to Serve	405,267	398,232	398,232	7,035	1.8%
CWA Infracture Access Charge	411,331	398,056	398,056	13,275	3.3%
Production-Water Quality & Treatment	1,388,176	1,270,610	1,083,357	304,819	28.1%
Distribution	1,896,071	2,047,562	1,443,408	452,663	31.4%
Customer Service	1,421,119	1,290,349	1,256,554	164,565	13.1%
General Administration	5,094,194	5,182,798	4,729,461	364,733	7.7%
Collection, Treatment & Disposal	2,731,560	2,818,664	2,426,680	304,880	12.6%
Total Operating Expenses	26,576,304	25,670,200	23,838,648	2,737,656	11.5%
Debt Service Expenses					
Red Mountain SRF	395,893	395,893	395,893	-	0.0%
WWTP SRF	1,845,746	1,845,746	1,845,746	-	0.0%
QECB Solar Debt	372,854	349,024	349,024	23,830	6.8%
CalPERS 15-16 Unfunded Actuarial Liability Lump Sum	572,652	466,860	466,860	105,792	22.7%
Prefund CalPERS UAL Lump Sum Pymt to PARS	750,000	0	500,000	250,000	50.0%
Total Debt Service Expenses	3,937,145	3,057,523	3,557,523	379,622	10.7%
Net Revenue/(loss) From Operations and Debt Service	**2,808,791**	**3,906,117**	**5,088,448**	(2,279,657)	-44.8%
Capital Project Expenses-completed and ongoing projects	6,674,283	5,966,926	5,835,507	838,776	14.4%
NET REVENUES & EXPENDITURES	**(3,865,492)**	**(2,060,809)**	**(747,059)**	**(3,118,433)**	417.4%
Estimated Reserves as of 7/1/17	14,841,858	14,841,858	14,841,858		
Estimated Reserves as of 6/30/18	10,976,366	12,781,049	14,094,799	- (3,118,433)	-22.1%

Fallbrook Public Utility District
2017-18 Budget Overview

	2017-18 Water Ops Proposed Budget	2017-18 WW Ops Proposed Budget	2017-18 Recycled Ops Proposed Budget	2017-18 Total
REVENUES:				
AF Sales	8,673	-	850	9,523
Operating Revenues:				
Water Sales	14,842,821	-	1,281,487	16,124,308
MWD Readiness to Serve	405,267	-	-	405,267
CWA Infracture Access Charge	411,331	-	-	411,331
Meter Service Charges	5,268,977	-	79,442	5,348,419
Wastewater Service Charges	-	5,787,904	-	5,787,904
Overuse Penalties	-	-	-	-
Sundry Other Revenue	300,000	1,100	5,000	306,100
CWA Rebates	-	-	162,448	162,448
Total Operating Revenue	21,228,396	5,789,004	1,528,377	28,545,777
Non Operating Revenues:				
Capital Improvement Charge	1,272,836	1,123,364	-	2,396,200
Property Taxes	897,708	880,012	-	1,777,720
Water Standby/Availability Charge	203,000	-	-	203,000
Water/Wastewater Capacity Charges	102,779	34,135	-	136,914
Portfolio Interest	42,902	5,481	1,239	49,622
Pumping Charge	39,952	-	-	39,952
Prop 84 & 50 Funds	-	-	-	-
SRF Loan Proceeds	-	-	-	-
CSI Rebate	-	0	-	-
Facility Rents & Other Non Operating Revenues	173,055	-	-	173,055
Total Non Operating Revenues	2,732,232	2,042,992	-	4,776,463
Total Budgeted Revenues	**23,960,628**	**7,831,996**	**1,528,377**	**33,322,240**
EXPENDITURES:				
AF Purchases	9,223		902	10,125
Operating Expenses:				
Purchased Water Expense	13,228,586	-	-	13,228,586
MWD Readiness to Serve	405,267	-	-	405,267
CWA Infracture Access Charge	411,331	-	-	411,331
Production-Water Quality & Treatment	732,360	-	655,816	1,388,176
Distribution	1,782,954	-	113,117	1,896,071
Customer Service	1,421,119	-	-	1,421,119
General Administration	2,547,097	2,241,445	305,652	5,094,194
Collection, Treatment & Disposal	0	2,731,560	-	2,731,560
Total Operating Expenses	20,528,714	4,973,005	1,074,585	26,576,304
Debt Service Expenses				
Red Mountain SRF	395,893	-	-	395,893
WWTP SRF	-	1,107,448	738,298	1,845,746
QECB Solar Debt	-	372,854	-	372,854
Prefund CalPERS UAL Lump Sum Pymt to PARS	375,000	330,000	45,000	750,000
CalPERS Unfunded Actuarial Liability Lump Sum Pymt	286,281	251,927	34,444	572,652
Total Debt Service Expenses	1,057,174	2,062,229	817,743	3,937,145
Net Revenue/(loss) From Operations and Debt Service	**2,374,740**	**796,762**	**(363,951)**	**2,807,552**
Capital Project Expenses-completed and ongoing projects	5,354,783	1,254,500	65,000	6,674,283
NET REVENUES & EXPENDITURES	**(2,980,043)**	**(457,738)**	**(428,951)**	**(3,866,731)**
Estimated Reserves as of 7/1/17	12,929,566	380,379	1,531,913	14,841,858
Estimated Reserves as of 6/30/18	9,949,523	(77,359)	1,102,962	10,975,127

Fallbrook Public Utility District
2017-18 Proposed Budget Vs 2016-17 Adopted and Projected -Through 4/30/17

	2017-18 Proposed Budget		2016-2017 Adopted Budget	2016-17 Projected	Change from Proposed to Projected Budget
Labor Costs:					
Annual Wages	5,828,492		5,698,680	5,704,586	(123,906)
Direct Benefits:					
Medical/Dental/Vision	908,782		964,259	946,781	37,999
Other Post Employment Benefits (OPEB) contribution	150,000		150,000	150,000	-
Life Insurance/Long Term Disability	35,780		38,418	36,000	220
Uniforms/Safety Equipment	38,317		38,317	43,260	4,943
Auto Allowance & Rec Fund	18,700		18,700	18,490	(210)
Total Wages & Direct Benefits	6,980,070		6,908,374	6,899,117	(80,953)
Indirect Benefits:					
CalPERS/401A*	558,770	*	438,162	511,926	(46,844)
CalPERS Lump Sum Unfunded Liability Payment	593,281		459,468	459,468	(133,813)
CalPERS Side Fund Payoff**	585,000	**	485,000	485,000	(100,000)
CalPERS Unfunded Liability contribution	100,000	***	100,000	100,000	-
FICA/Social Security	426,321		419,177	427,907	1,586
Workers Comp Premiums	127,023		130,558	134,800	7,777
Other-Unemployment Insurance	0		0	11,734	11,734
**Reimburse Reserves for 6/30/14 Side Fund Payoff					-
***Actuarial Unfunded Liablility of $9.8M					-
Total Indirect Benefits	2,390,394		2,032,365	2,130,835	(259,559)
Total Wages and Fringe Benefits	**9,370,464**		**8,940,739**	**9,029,952**	**(340,512)**

*Employer Contribution 10.848% for Misc Members and 6.908% for PEPRA Members

**Reimburse Reserves for 6/30/14 Side Fund Payoff Balance remaining is $2,058,848 as of 6/30/17

***Unfunded Actuarial Liablility (UAL) of $9.8M. This action prefunds a portion of the UAL into PARS

Authorized Personnel Listing

	FY 2016-17 Current	FY 2017-18 Add/(Delete)	Total
Administration			
General Manager	1		1
Administrative Services Manager/Treasurer	1		1
Human Resources Manager	1		1
Public Affairs Specialist	0.8		0.8
Secretary	1		1
Accounting Supervisor	1		1
Accounting/Customer Service Assistant I/II	2		2
Information Systems Technician	1		1
Customer Service Specialist	1		1
Customer Service Representatative I/II	2		2
Administration	11.8	0	11.8
Engineering			
Assistant General Manager	1		1
Engineering Supervisor	1		1
Engineering Technician I/II/III	3		3
GIS Specialist	1		1
Administrative Office Specialist	1		1
Drought Management Coordinator	1		1
Operations Specialist	1		1
Engineering	9	0	9
Collections			
Collections Supervisor	1		1
Utility Technician	2		2
Utility Worker I/II/III	5		5
Collections	8	0	8
Construction/Maintenance			
Construction/Maintenance Supervisor	1		1
Utility Technician	2		2
Utility Worker I/II/III	5		5
Construction/Maintenance	8	0	8
System Services			
System Service/Shop Supervisor	1		1
Utility Technician	2		2
Backflow/Cross-Connection Tech	1		1
Equipment Technician	1		1
Equipment Mechanic	1		1
Utility Worker I/II/III	4		4
System Services	10	0	10
System Operations			
System Operations Manager	1		1
Lead System Operator	1		1

System Operator I/II	3		3
Utility Tech	1		1
Instrumentation & Controls Specialist	1		1
Utility Worker I/II/III	1		1
Maintenance Electrician	1		1
System Operations	9	0	9
Operations Support			
Safety & Risk Administrator	1		1
Warehouse Supervisor	1		1
Warehouse/Purchasing Specialist	1		1
Operations Support	3	0	3
Wastewater Plant Operations			
Chief Plant Operator	1		1
Lead Plant Operator	2		2
Environmental Compliance Tech	1		1
Plant Operator I/II	2		2
Mechanical Technician	1		1
Laboratory Technician I	1		1
Plant Maintenance Worker I/II	1		1
Wastewater Plant Operations	9	0	9
Total District	**67.8**	**0**	**67.8**

	Budget 2017-18	Outyear 2018-19	Outyear 2019-20	Outyear 2020-21
Water Capital Improvement Projects				
Field Equipment	313,500	243,500	533,500	333,500
Reservoirs	1,264,697	8,144	703,812	531,192
Seismic Retrofit	0	0	0	0
Pipelines	1,899,586	1,215,645	1,093,042	1,251,033
Yard/SCADA/Facility	99,000	60,000	50,000	0
DLSA Improvements	50,000	100,000	100,000	100,000
Pressure Stations	70,000	10,000	20,000	20,000
Santa Margarita Conj. Use	100,000	22,440,000	25,940,000	220,000
Santa Margarita Water Rights	124,000	186,670	106,670	106,670
Pump Stations	550,000	195,000	50,000	50,000
Water Supply Facilities	105,000	40,000	80,000	40,000
Meter Service Replacement	400,000	400,000	300,000	50,000
Meter Installations	20,000	20,000	20,000	20,000
Facility Upgrades & Security	144,000	144,000	124,000	124,000
Total Water Capital Improvement	5,139,783	25,062,959	29,121,024	2,846,395
Wastewater Capital Improvement Projects				
Collection System	974,500	799,225	844,186	959,396
Treatment Works	150,000	150,000	150,000	150,000
Outfall	80,000	80,000	80,000	80,000
Developer	50,000	50,000	50,000	50,000
Total Wastewater Capital Improvement	1,254,500	1,079,225	1,124,186	1,239,396
Recycled Capital Improvement Projects				
New Services	5,000	5,000	-	4,000
Improvements/Extensions	-	-	100,000	100,000
Tertiary Treatment Rehab:	60,000	85,000	10,000	10,000
Total Recycled Capital Improvement	65,000	90,000	110,000	114,000
Admin Capital Improvement Projects				
System & Server Upgrades	20,000	25,000	25,000	20,000
CADD/GIS/GPS	115,000	55,000	30,000	30,000
Fac Improve/Upgrades/Security	80,000	60,000	50,000	25,000
Total Admin Capital Improvement	215,000	140,000	105,000	75,000
Total Capital Improvements	**6,674,283**	**26,372,184**	**30,460,210**	**4,274,791**

Debt Service Budget Summary
Total annual principal and interest payment

WATER DEPT Year Ending June 30	**Water Dept Red Mtn SRF***	**Water Dept Conjunctive Use**	**Wastewater Dept** Solar QECB**	**Wastewater Dept*** WWTP SRF**	**FPUD CalPERS UAL********	District Totals
2018	395,893	-	372,854	1,845,746	593,281	$ 3,207,774
2019	395,893	1,496,183	384,506	1,845,746	731,719	$ 4,854,047
2020	395,893	2,992,366	397,027	1,845,746	842,422	$ 6,473,454
2021	395,893	2,992,366	409,965	1,845,746	1,058,781	$ 6,702,751
2022	395,893	2,992,366	423,335	1,845,746	1,100,213	$ 6,757,553
Totals	1,979,466	10,473,281	1,987,687	9,228,729	4,326,416	27,995,579

*$4,776,244 is the balance of the Red Mountain SRF. The loan will be paid off on January 1, 2031.

**$4,330,461 is the balance of the Solar QECB loan. The loan will be paid off on November 18, 2027.

***$29,609,644 is the balance of the WWTP SRF loan. The loan will be paid off on March 31, 2036.

****CalPERS is changing the discount rate by .25% over a seven year period. UAL will increase substantially due to this change. Current balance of the UAL is $9,798,549 amortized over 30 years.

Amortization Schedules for Miscellaneous Plan of the Fallbrook Public Utility Disctrict

as of 6/30/15 actuarial valuation date

	Side Fund				Pre-2013 Pool UAL			2013 Gain/Loss		5	2013 Gain/Loss		5
Yr	Balance	Pmt	Yr	ER Rate	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr
								3,879,713	54,568	30	(39,532)	(556)	30
	-	-	4	0.000%				4,114,114	112,411	29	(41,920)	(1,145)	29
17-18	-	-	3	0.000%	4,737,510	369,654	19	4,306,123	173,675	28	(43,877)	(1,770)	28
18-19	-	-	2	0.000%	4,709,558	380,743	18	4,449,012	238,513	27	(45,333)	(2,430)	27
19-20	-	-	1	0.000%	4,668,012	392,165	17	4,535,392	307,086	26	(46,213)	(3,129)	26
20-21	-	-	0	0.000%	4,611,507	403,930	16	4,557,154	316,298	25	(46,435)	(3,223)	25
21-22	-	-	0	0.000%	4,538,567	416,048	15	4,570,996	325,787	24	(46,576)	(3,320)	24
22-23	-	-	0	0.000%	4,447,591	428,530	14	4,576,037	335,561	23	(46,627)	(3,419)	23
23-24	-	-	0	0.000%	4,336,851	441,386	13	4,571,323	345,627	22	(46,579)	(3,522)	22
24-25	-	-	0	0.000%	4,204,477	454,627	12	4,555,818	355,996	21	(46,421)	(3,627)	21
25-26	-	-	0	0.000%	4,048,445	468,266	11	4,528,400	366,676	20	(46,142)	(3,736)	20
26-27	-	-	0	0.000%	3,866,570	482,314	10	4,487,852	377,676	19	(45,729)	(3,848)	19
27-28	-	-	0	0.000%	3,656,489	496,783	9	4,432,858	389,007	18	(45,168)	(3,964)	18
28-29	-	-	0	0.000%	3,415,649	511,687	8	4,361,991	400,677	17	(44,446)	(4,083)	17
29-30	-	-	0	0.000%	3,141,295	527,038	7	4,273,710	412,697	16	(43,547)	(4,205)	16
30-31	-	-	0	0.000%	2,830,448	542,849	6	4,166,344	425,078	15	(42,453)	(4,331)	15
31-32	-	-	0	0.000%	2,479,894	559,134	5	4,038,090	437,831	14	(41,146)	(4,461)	14
32-33	-	-	0	0.000%	2,086,163	575,908	4	3,886,994	450,965	13	(39,606)	(4,595)	13
33-34	-	-	0	0.000%	1,645,511	593,185	3	3,710,948	464,494	12	(37,812)	(4,733)	12
34-35	-	-	0	0.000%	1,153,897	610,981	2	3,507,671	478,429	11	(35,741)	(4,875)	11
35-36	-	-	0	0.000%	606,961	629,310	1	3,274,700	492,782	10	(33,367)	(5,021)	10
36-37	-	-	0	0.000%	-	-	0	3,009,376	507,566	9	(30,664)	(5,172)	9
37-38	-	-	0	0.000%	-	-	0	2,708,824	522,793	8	(27,601)	(5,327)	8
38-39	-	-	0	0.000%	-	-	0	2,369,942	538,476	7	(24,148)	(5,487)	7
39-40	-	-	0	0.000%	-	-	0	1,989,384	554,631	6	(20,271)	(5,651)	6
40-41	-	-	0	0.000%	-	-	0	1,563,535	571,269	5	(15,932)	(5,821)	5
41-42	-	-	0	0.000%	-	-	0	1,088,495	470,726	4	(11,091)	(4,796)	4
42-43	-	-	0	0.000%	-	-	0	682,073	363,636	3	(6,950)	(3,705)	3
43-44	-	-	0	0.000%	-	-	0	356,203	249,697	2	(3,629)	(2,544)	2
44-45	-	-	0	0.000%	-	-	0	124,027	128,594	1	(1,264)	(1,310)	1
45-46	-	-	0	0.000%	-	-	0	0			(0)		
46-47					-	-	0						
	-	-			-	-							

	2014 Gain/Loss		5	2014 Gain/Loss		5	Assump Change		5	2015 Gain/Loss		5
Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr
	(3,329,481)	(46,829)	30	3,688	52	30	2,125,861	40,493	20			
17-18	(3,530,638)	(96,468)	29	3,911	107	29	2,243,317	83,415	19	2,099,534	29,530	30
18-19	(3,695,416)	(149,044)	28	4,093	165	28	2,325,079	128,876	18	2,226,382	60,832	29
19-20	(3,818,040)	(204,686)	27	4,229	227	27	2,365,838	176,990	17	2,330,289	93,985	28
20-21	(3,892,170)	(263,534)	26	4,311	292	26	2,359,769	227,875	16	2,407,614	129,073	27
21-22	(3,910,845)	(271,440)	25	4,332	301	25	2,300,486	234,711	15	2,454,360	166,181	26
22-23	(3,922,724)	(279,583)	24	4,345	310	24	2,229,669	241,752	14	2,466,136	171,167	25
23-24	(3,927,050)	(287,970)	23	4,350	319	23	2,146,240	249,005	13	2,473,626	176,302	24
24-25	(3,923,005)	(296,610)	22	4,345	329	22	2,049,035	256,475	12	2,476,355	181,591	23
25-26	(3,909,699)	(305,508)	21	4,331	338	21	1,936,793	264,169	11	2,473,804	187,039	22
26-27	(3,886,169)	(314,673)	20	4,305	349	20	1,808,157	272,094	10	2,465,413	192,650	21
27-28	(3,851,372)	(324,113)	19	4,266	359	19	1,661,655	280,257	9	2,450,575	198,429	20
28-29	(3,804,177)	(333,837)	18	4,214	370	18	1,495,702	288,665	8	2,428,633	204,382	19
29-30	(3,743,361)	(343,852)	17	4,146	381	17	1,308,586	297,325	7	2,398,872	210,514	18
30-31	(3,667,600)	(354,167)	16	4,063	392	16	1,098,457	306,244	6	2,360,522	216,829	17
31-32	(3,575,462)	(364,792)	15	3,960	404	15	863,320	315,432	5	2,312,748	223,334	16
32-33	(3,465,396)	(375,736)	14	3,839	416	14	601,023	259,916	4	2,254,647	230,034	15
33-34	(3,335,730)	(387,008)	13	3,695	429	13	376,613	200,785	3	2,185,241	236,935	14
34-35	(3,184,651)	(398,618)	12	3,528	442	12	196,681	137,872	2	2,103,474	244,043	13
35-36	(3,010,203)	(410,577)	11	3,334	455	11	68,483	71,004	1	2,008,206	251,364	12
36-37	(2,810,273)	(422,894)	10	3,113	468	10	0	-	0	1,898,201	258,905	11
37-38	(2,582,577)	(435,581)	9	2,861	482	9	0	-	0	1,772,127	266,672	10
38-39	(2,324,650)	(448,649)	8	2,575	497	8	0	-	0	1,628,545	274,673	9
39-40	(2,033,830)	(462,108)	7	2,253	512	7	0	-	0	1,465,899	282,913	8
40-41	(1,707,244)	(475,971)	6	1,891	527	6	0	-	0	1,282,511	291,400	7
41-42	(1,341,790)	(490,250)	5	1,486	543	5	0	-	0	1,076,569	300,142	6
42-43	(934,121)	(403,966)	4	1,035	447	4	0	-	0	846,118	309,147	5
43-44	(585,339)	(312,064)	3	648	346	3	0	-	0	589,047	254,737	4
44-45	(305,685)	(214,284)	2	339	237	2	0	-	0	369,109	196,784	3
45-46	(106,437)	(110,356)	1	118	122	1	0	-	0	192,762	135,125	2
46-47	(0)			0			0			67,118	69,589	1
										0		

	2015 Gain/Loss		5	Golden Handshake 2014			Golden Handshake 205			TOTALS		With Discount	% Increase
Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Payment	Rate changes	
17-18	(173,523)	(2,441)	30	46,709	12,895	4	109,484	24,685	5	9,798,549	593,281		
18-19	(184,007)	(5,028)	29	36,843	13,281	3	92,101	25,426	4	9,918,313	691,335	731,719	3%
19-20	(192,594)	(7,768)	28	25,836	13,680	2	72,647	26,188	3	9,945,396	794,738	842,422	6%
20-21	(198,985)	(10,668)	27	13,590	14,090	1	50,943	26,974	2	9,867,298	841,108	967,274	15%
21-22	(202,849)	(13,735)	26	-	-	0	26,797	27,783	1	9,735,267	882,318	1,058,781	20%
22-23	(203,822)	(14,147)	25	-	-	0	-	-	0	9,550,605	880,170	1,100,213	25%
23-24	(204,441)	(14,571)	24	-	-	0	-	-	0	9,354,321	906,576	1,178,548	30%
24-25	(204,667)	(15,008)	23	-	-	0	-	-	0	9,115,937	933,773	1,307,282	40%
25-26	(204,456)	(15,458)	22	-	-	0	-	-	0	8,831,476	961,786		
26-27	(203,762)	(15,922)	21	-	-	0	-	-	0	8,496,636	990,640		
27-28	(202,536)	(16,400)	20	-	-	0	-	-	0	8,106,767	1,020,359		
28-29	(200,722)	(16,892)	19	-	-	0	-	-	0	7,656,844	1,050,969		
29-30	(198,263)	(17,399)	18	-	-	0	-	-	0	7,141,439	1,082,499		
30-31	(195,093)	(17,921)	17	-	-	0	-	-	0	6,554,688	1,114,974		
31-32	(191,145)	(18,458)	16	-	-	0	-	-	0	5,890,261	1,148,423		
32-33	(186,343)	(19,012)	15	-	-	0	-	-	0	5,141,320	1,117,896		
33-34	(180,607)	(19,582)	14	-	-	0	-	-	0	4,367,859	1,084,505		
34-35	(173,849)	(20,170)	13	-	-	0	-	-	0	3,571,010	1,048,104		
35-36	(165,975)	(20,775)	12	-	-	0	-	-	0	2,752,139	1,008,543		
36-37	(156,883)	(21,398)	11	-	-	0	-	-	0	1,912,869	317,475		
37-38	(146,463)	(22,040)	10	-	-	0	-	-	0	1,727,169	326,999		
38-39	(134,597)	(22,701)	9	-	-	0	-	-	0	1,517,667	336,809		
39-40	(121,154)	(23,382)	8	-	-	0	-	-	0	1,282,281	346,914		
40-41	(105,997)	(24,084)	7	-	-	0	-	-	0	1,018,764	357,321		
41-42	(88,977)	(24,806)	6	-	-	0	-	-	0	724,693	251,558		
42-43	(69,930)	(25,550)	5	-	-	0	-	-	0	518,224	240,008		
43-44	(48,684)	(21,054)	4	-	-	0	-	-	0	308,245	169,117		
44-45	(30,506)	(16,264)	3	-	-	0	-	-	0	156,019	93,757		
45-46	(15,931)	(11,168)	2	-	-	0	-	-	0	70,511	13,723		
46-47	(5,547)	(5,751)	1							61,571	63,838		
	(0)									0	-		