



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

AGENDA

**MONDAY, JUNE 27, 2022
4:00 P.M.**

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

THIS MEETING WILL BE HELD PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1)(A), WHICH WAIVES CERTAIN BROWN ACT TELECONFERENCING REQUIREMENTS DURING A PROCLAIMED STATE OF EMERGENCY WHEN STATE OR LOCAL OFFICIALS HAVE IMPOSED OR RECOMMENDED MEASURES TO PROMOTE SOCIAL DISTANCING, AND ALLOWS SOME OR ALL OF THE MEMBERS OF THE FALLBROOK PUBLIC UTILITY DISTRICT BOARD OF DIRECTORS TO ATTEND THIS MEETING TELEPHONICALLY OR VIA VIDEO CONFERENCE. MEMBERS OF THE PUBLIC WHO DO NOT WISH TO ATTEND IN PERSON ARE ENCOURAGED TO PARTICIPATE IN THE MEETING VIA WEB CONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION. MEMBERS OF THE PUBLIC MAY ALSO PARTICIPATE IN THIS MEETING BY ATTENDING IN PERSON AT THE DISTRICT OFFICE LOCATED AT 990 E. MISSION RD., FALLBROOK, CA 92028.

Join Zoom Meeting

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MEETING ID: 820 0317 2211

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PUBLIC COMMENTS: Members of the public may submit public comments and comments on agenda items in one of the following ways:

SUBMIT COMMENTS BEFORE THE MEETING:

- By emailing to our Board Secretary at leckert@fpud.com
- By mailing to the District Offices at 990 E. Mission Rd., Fallbrook, CA 92028
- By depositing them in the District's Payment Drop Box located at 990 E. Mission Rd., Fallbrook, CA 92028

All comments submitted before the meeting by whatever means must be received at least 1 hour in advance of the meeting. All comments will be read to the Board during the appropriate portion of the meeting. Please keep any written comments to 3 minutes.

REMOTELY MAKE COMMENTS DURING THE MEETING: The Board President will inquire prior to Board discussion if there are any comments from the public on each item.

- Via Zoom Webinar go to the "Participants List," hover over your name and click on "raise hand." This will notify the moderator that you wish to speak during oral communication or during a specific item on the agenda.
- Via phone, you can raise your hand by pressing *9 to notify the moderator that you wish to speak during the current item.

MAKE IN-PERSON COMMENTS DURING THE MEETING: The Board President will inquire prior to Board discussion if there are any comments from the public on each item, at which time members of the public attending in person may make comments.

THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT'S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

- A. CONSIDER FINDINGS TO CONTINUE HOLDING REMOTE/ TELECONFERENCE MEETINGS PURSUANT TO ASSEMBLY BILL 361

Recommendation:

1. That the FPUD Board of Directors make the following findings by majority vote:
 - a. The Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and
 - b. State or local officials continue to impose or recommend measures to promote social distancing.
2. That the FPUD Board of Directors determine that, for the next thirty (30) days, the meetings of the Board and committees shall be held pursuant to the provisions of Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section.

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC COMMENT

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

- B. H.R. LABOUNTY SAFETY AWARDS RECIPIENT
1. Kyle Drake

- C. NEW EMPLOYEE ANNOUNCEMENT
1. Jorge Ibarra, Utility Worker I

II. CONSENT CALENDAR----- (ITEMS D-I)

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

- D. CONSIDER APPROVAL OF MINUTES
1. May 23, 2022 Regular Board Meeting

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

- E. CONSIDER ADOPTION OF RESOLUTION NO. 5030 PLACING FIXED CHARGE SPECIAL ASSESSMENTS TO ADD DELINQUENT AND UNPAID CHARGES ON THE TAX ROLL

Recommendation: *That the Board adopt Resolution No. 5030 placing fixed charge special assessments to add delinquent and unpaid charges on the annual tax roll for 2022-23 by the San Diego County Treasurer-Tax Collector.*

- F. CONSIDER ADOPTION OF ORDINANCE NO. 352 FIXING WATER STANDBY OR AVAILABILITY CHARGES FOR 2022-23

Recommendation: *The Board adopt Ordinance No. 352 as prepared and authorize the Secretary of the Board of Directors to send a certified copy to the Board of Supervisors of the County of San Diego and Auditor and Controller of the County of San Diego.*

- G. CONSIDER NOTICE OF COMPLETION FOR SEWER MAINLINE RELINING

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

- H. CONSIDER ADVANCED APPROVED TO ATTEND MEETINGS

Recommendation: *That the Board authorize and approve, in advance, Directors' attendance to the California Special Districts Association (CSDA) Annual Conference, scheduled for August 22-25, 2022 in Palm Desert, California.*

- I. CONSIDER APPROVAL OF THE AMENDED SALARY SCHEDULE (EFFECTIVE JULY 1, 2022) FOR ALL DISTRICT EMPLOYEES, EXCEPT THE GENERAL MANAGER, BY ADOPTION OF RESOLUTION NO. 5033

Recommendation: *That the Board adopt Resolution No. 5031 adopting the amended salary schedule (effective July 1, 2022) for all District employees, except the General Manager*

III. INFORMATION----- (ITEMS J-K)

- J. RECOGNITION FROM THE BOARD FOR STAFF PLANNING AND STAFFING THE DISTRICT'S 100TH YEAR ANNIVERSARY EVENT

- K. ADDITIONAL LEGAL DAMAGES AND INTEREST PAYMENT RECEIVED FROM THE SAN DIEGO COUNTY WATER AUTHORITY (SDCWA)

IV. PROPOSED FISCAL YEAR 2022-23 BUDGET----- (ITEM L)

- L. REVIEW OF PROPOSED BUDGET AND CONSIDER ADOPTION OF RESOLUTION NO. 5032 ADOPTING THE DISTRICT FISCAL YEAR 2022-23 RECOMMENDED ANNUAL BUDGET AND ADOPTION OF RESOLUTION NO. 5033 AMENDING ARTICLE 12 OF THE ADMINISTRATIVE CODE

Recommendation: That the Board adopt Resolution No. 5032 adopting the final budget for Fiscal Year 2022-23 and adopt Resolution No. 5033 amending the Administrative Code to reflect the new RTS charge.

V. ACTION / DISCUSSION CALENDAR----- (ITEMS M-R)

- M. CONSIDER AMENDMENT OF ADMINISTRATIVE CODE SECTION 5 – PURCHASING PROCEDURES

Recommendation: The Board adopt Resolution No. 5034, amending Article 5 of the FPUD Administrative Code with the changes noted above.

- N. CONSIDER AWARD OF ALTURAS PROPERTY SECURITY FENCE PROJECT

Recommendation: That the Board award the contract to Red Hawk Fence in the amount of \$97,780.32 to remove the existing fence and install a new security fence.

- O. CONSIDER 2022 CALIFORNIA SPECIAL DISTRICTS ASSOCIATION BOARD OF DIRECTORS ELECTION, (SEAT B), SOUTHERN NETWORK

Recommendation: That the Board select one candidate from the slate of candidates in the 2022 California Special Districts Association Board of Directors Election, (Seat B), Southern Network for the 2023-2025 term and authorize the District Secretary to cast its vote by electronic ballot.

- P. CONSIDER UPDATE OF EMERGENCY DECLARATION FOR PIPELINE REPLACEMENTS

Recommendation: That the Board authorize continued emergency action to replace failed pipelines and restore essential service to customers. Also that

the Board approve a change order in the amount of \$478,863.48 with SRK Engineering for the installation of the Ivy St and Alvarado St Pipelines.

- Q. CONSIDER DISCUSSION OF LETTER SENT BY SAN DIEGO COUNTY WATER AUTHORITY GENERAL COUNSEL TO THE BAY DELTA WATERMASTER ON MAY 31, 2022

Recommendation: *Staff supports Board direction.*

- R. CONSIDER FEDERAL ADVOCACY SERVICES

Recommendation: *That the Board consider engaging federal advocacy services for an initial one-year period to help try and secure grant funding to reduce District ratepayer funding needs for key projects.*

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

1. General Counsel
2. SDCWA Representative Report
3. General Manager
 - a. Engineering and Operations Report
4. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
5. Public Affairs Specialist
6. Notice of Approval of Per Diem for Meetings Attended
 - a. Notification of Approval for Directors' Attendance to help set up at 100th Anniversary Event on June 2, and June 3, 2022.
7. Director Comments/Reports on Meetings Attended
8. Miscellaneous

ADJOURN TO CLOSED SESSION

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

1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (d)(2)

One (1) Potential Case

2. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION INITIATION OF LITIGATION PURSUANT TO PARAGRAPH (4) OF SUBDIVISION (D) OF SECTION 54956.9:

One (1) potential case

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

Discuss Performance Evaluation of General Manager

4. CONFERENCE WITH LABOR NEGOTIATORS PER GC § 54957.6

Agency Designated Representative: Board President Baxter

Unrepresented Employee: General Manager

RECONVENE TO OPEN SESSION

REPORT FROM CLOSED SESSION (*As Necessary*)

VIII. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

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

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

June 22, 2022
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

M E M O

TO: Board of Directors
FROM: Paula de Sousa, General Counsel
DATE: June 27, 2022
SUBJECT: Findings to Continue Holding Remote/Teleconference Committee Meetings Pursuant to Assembly Bill 361

Purpose

Consider findings necessary to continue holding remote/teleconference meetings pursuant to Assembly Bill 361.

Summary

As more fully described in the Board memo for the October 25, 2021 Board of Directors meeting related to AB 361, the State of California has adopted legislation (AB 361), which allows public agencies to hold fully or partially virtual meetings under certain circumstances without being required to follow certain standard Brown Act teleconferencing requirements.

Under AB 361, a legislative body holding a fully or partially virtual meeting pursuant to AB 361 must make certain findings at least every thirty (30) days in order to continue holding such meetings. Because the Board of Directors last made the required findings on behalf of the Board and all FPU D Committees more than 30 days ago, the Board of Directors is required to make the findings to proceed with holding this meeting pursuant to AB 361. The findings would remain in effect for the Board of Directors for the next 30 days.

If the Board of Directors desires to hold the meeting in a manner allowing remote participation pursuant to AB 361, the Board must reconsider the COVID-19 State of Emergency, find that the proclaimed COVID-19 State of Emergency still exists, and find either of the following: (1) that state or local officials continue to impose or recommend measures to promote social distancing, or (2) that as a result of the COVID-19 emergency, meeting in person would present imminent risks to the health or safety of attendees. Based on the continued COVID-19 State of Emergency and required or recommended social distancing measures, as further described in the October 25, 2021 Board memo, the Board can make the required findings.

If the Board does not make the required findings, any Board members participating remotely would not be able to participate in the rest of the meeting, which may deprive the Board of a quorum and result in meeting cancellation.

Recommended Actions

1. That the FPU D Board of Directors make the following findings by majority vote:

- a. The Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and
 - b. State or local officials continue to impose or recommend measures to promote social distancing.
2. That the FPUD Board of Directors determine that, for the next thirty (30) days, the meetings of the Board and Committees shall be held pursuant to the provisions of Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section.

M E M O

TO: Board of Directors
FROM: Isabel Casteran, Safety and Risk Officer
DATE: June 27, 2022
SUBJECT: H.R. LaBounty Safety Awards

Purpose

To acknowledge ACWA JPIA H.R. LaBounty safety award recipient, Kyle Drake, and to express appreciation for his dedication to ensuring a safe workplace.

Summary

Earlier this year, the District submitted a nomination for the annual H.R. LaBounty Safety Awards Program.

Kyle Drake, Supervisor for the wastewater/collections Department, was nominated by a member of his department and was recognized by ACWA JPIA for his contributions in improving employee safety. The district has a wastewater pump station that has a dry well pit containing two large pumps. For a variety of reasons related to pump issues employees were making confined space entries into the pit. Entries into this location expose employees to potential atmospheric hazards and slips trips and falls that are inherent when climbing down into the pit. Kyle had the department install an air release valve on each pump and a pumping system that was mounted above ground. This allowed the valves to release automatically and reduced the number of confined space entries by 50%, limiting the amount of exposure to atmospheric hazards and slip/trip hazards. For his efforts, Kyle is the winner of \$50.00.

Budgetary Impact

Not applicable.

Recommended Action

This item is for information only; no Board action is required.

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M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: June 27, 2022
SUBJECT: Approval of Minutes

Recommended Action

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

1. May 23, 2022 Regular Meeting



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

MINUTES

**MONDAY, MAY 23, 2022
4:00 P.M.**

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

Vice President Wolk called the May Regular Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 4:00 p.m. Vice President Wolk deferred to General Counsel de Sousa to make the following statements on the record regarding the proceedings for this meeting:

General Counsel de Sousa announced, for the record that, this meeting was being conducted by web and teleconference pursuant to Government Code Section 54953(e)(1)(A), which waives certain teleconferencing requirements in certain circumstances, including the current state of emergency declared by Governor Newsom, in order to promote social distancing during the evolving COVID-19 pandemic. She noted the first item on the agenda pertained to Board action to make the required findings pursuant to Government Code Section 54953(e).

General Counsel de Sousa also announced the agenda provided notice that members of the public may participate in this meeting by attending in person, and that members of the public who did not wish to attend in person were encouraged to participate in the Board meeting electronically using the call-in and weblink information included on the agenda. Additionally, the agenda provided notice to members of the public on how they may submit comments in advance of the meeting to be read at the appropriate portion of the meeting (up to a limit of 3 minutes per comment). There were no written public comments submitted in advance of the meeting, for general public comment or for any agenda items submitted prior to the submission deadline.

General Counsel de Sousa announced that Vice President Wolk would ask the Board Secretary if there were any members of the public who wished to make comments on the item either in person or through Zoom webinar or Zoom teleconference. After public comments, Vice President Wolk would then call on staff to make a presentation for the item on the agenda. After the presentation was made, to avoid everyone speaking at once, Vice President Wolk would then call on each Director to see if there were questions for staff regarding their presentation. After the round of questions, Vice President Wolk would then ask for a motion and request that each Director identify themselves when making a motion or seconding a motion. Next, Vice President Wolk would call on each Director to see if there were any comments. General Counsel de Sousa announced, if there were any Directors participating remotely, which there were not, all votes would have had to be done by roll call. Because no Directors were participating remotely, there was no need to have votes done by roll call.

A quorum was established, and attendance was as follows:

Board of Directors

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

Absent: Dave Baxter, Member/President

General Counsel/District Staff

Present: Jack Bebee, General Manager
Paula de Sousa, General Counsel
Dave Shank, Assistant General Manager/CFO
Devin Casteel, Systems Operations Supervisor
Aaron Cook, Engineering Manager
Noelle Denke, Public Affairs Specialist
Jodi Brown, Management Analyst
Carl Quiram, Operations Manager
Mavis Canpinar, Customer Service Specialist
Veronica Tamzil, Senior Accountant
Annalece Bokma, Accounting Technician II
Isabel Casteran, Safety and Risk Officer
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: Ross Pike, Eric Helgeson, Alex Handlers, and Princess VanKnap

- A. CONSIDER FINDINGS TO CONTINUE HOLDING REMOTE/ TELECONFERENCE MEETINGS PURSUANT TO ASSEMBLY BILL 361

Recommendation:

1. *That the FPUD Board of Directors make the following findings by majority vote:*
 - a. *The Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and*
 - b. *State or local officials continue to impose or recommend measures to promote social distancing.*
2. *That the FPUD Board of Directors determine that, for the next thirty (30) days, the meetings of the Board and committees shall be held pursuant to the provisions of Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section.*

MOTION: Director McDougal moved to find that the Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and State or local officials continue to impose or recommend measures to promote social distancing and that meetings of the Board of Directors and Committees shall be held pursuant to provisions of the Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section; Director Endter seconded. Motion passed; VOTE:

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

PLEDGE OF ALLEGIANCE

Vice President Wolk led the Pledge of Allegiance

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

MOTION: Director McDougal moved to approve the agenda as presented; Director Endter seconded. Motion carried; VOTE:

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

PUBLIC COMMENT

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

- B. EMPLOYEE OF THE QUARTER FOR MAY 2022
1. Donald Parker

There were no public comments on agenda item B.

The Board recognized Donald Parker for being chosen as the Employee of the Quarter for May 2022.

- C. YEARS OF SERVICE
1. Jason Jared – 5 years

2. Christian Hernandez – 5 years

There were no public comments on agenda item C.

The Board recognized Jason Jared and Christian Hernandez for their five years of service to the District.

D. NEW EMPLOYEE ANNOUNCEMENT

1. Jorge Lopez, Instrumentation, Electrical & Controls Technician I

There were no public comments on agenda item D.

The Board welcomed Jorge Lopez as the new Instrumentation, Electrical & Controls Technician I.

E. INTRODUCTION OF NEW OPERATIONS MANAGER

1. Carl Quiram

There were no public comments on agenda item E.

The Board was introduced to Operations Manager Carl Quiram.

F. JPIA PROFESSIONAL DEVELOPMENT PROGRAM COMPLETION

1. Chad Wodarczyk

There were no public comments on agenda item F.

The Board recognized Chad Wodarczyk for his completion of the JPIA Professional Development Program.

II. CONSENT CALENDAR----- (ITEMS G – J)

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

There were no public comments on Consent Calendar items.

G. CONSIDER APPROVAL OF MINUTES

1. April 25, 2022 Regular Board Meeting

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

H. CONSIDER ADOPTION OF 2022-23 APPROPRIATION GROWTH RATE;
RESOLUTION NO. 5027

Recommendation: That the Board adopt attached Resolution No. 5027 setting the tax appropriation limit for 2022-23 at \$3,748,770, which includes the Fallbrook and DeLuz service areas and Improvement District "S".

I. CONSIDER ADVANCE APPROVAL (LAFCO PROTEST HEARING)

Recommendation: That the Board authorize and approve, in advance, Directors' attendance to the Protest Hearing, noticed by SDLAFCO, scheduled for May 31, 2022 at the FPUD District office.

J. CONSIDER NOTICE OF COMPLETION – SANTA MARGARITA CONJUNCTIVE USE PROJECT

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

MOTION: Director DeMeo moved to approve the Consent Calendar as presented; Director McDougal seconded. Motion carried; VOTE:

AYES: Directors DeMeo, Endter, McDougal, and Wolk

NOES: None

ABSTAIN: None

ABSENT: Director Baxter

III. **INFORMATION**-----**(ITEMS K – M)**

K. RATE STUDY UPDATE

Presented by: Dave Shank, Assistant General Manager/CFO

There were no public comments on agenda item K.

Erik Helgeson of Bartle Wells presented a slideshow to provide an update on the ongoing rate study, including the key policy issues, an overview of the rate study process, rate structure considerations, fund reserve policies, recommendations from the FP&I Committee, and the remaining project schedule.

Director McDougal confirmed we could eliminate the monthly wastewater charges and put them on the tax roll instead. General Manager Bebee stated this would become a simpler process if we moved towards a fixed charge for single family users.

Director DeMeo asked what the timeline would be if we moved towards a fixed rate and moved to the tax roll. General Manager Bebee explained this would be a timeline that the Board would come up with, and would be what the Board would be comfortable with.

Vice President Wolk reported the preliminary rate options would be a challenge because of the wide range of impact. He reported the FP&I Committee requested more information, including how many accounts were in each of the various categories.

L. REVIEW PRELIMINARY DRAFT FISCAL YEAR 2022-23 OPERATING AND CAPITAL BUDGET

Presented by: *Dave Shank, Assistant General Manager/CFO*

There were no public comments on agenda item L.

AGM/CFO Shank presented a slideshow reviewing the preliminary draft fiscal year 2022-23 operating budget, including details related to the cost of water, administrative services, water, wastewater, and recycled water service, the community benefit program, employee benefits, benefit allocation, and debt service.

Director McDougal confirmed the budget presentation was assuming there was no impact with detachment. AGM/CFO Shank confirmed this and also noted there was \$539,039 included for the Community Benefit Program.

Director McDougal asked for clarification why the employer's share for 401 and 457 increased by 75.5%. General Manager Bebee answered that this was due to the proposed District matching in the MOU. Vice President Wolk asked if there was an indication of when the District would have to stop paying the UAL. AGM/CFO Shank this was amortized, and he believed the amortization schedule was 30 years.

Engineering Manager Cook presented a slideshow reviewing the capital budget.

AGM/CFO Shank outlined the upcoming schedule for the budget adoption and the rate study process. He requested any comments related to the budget in advance of the June 15, 2022 FP&I Committee meeting.

M. EMPLOYEE SATISFACTION SURVEY RESULTS

Presented by: *Lisa Chaffin, Human Resources Manager*

There were no public comments on agenda item M.

The Board reviewed the results from the annual employee satisfaction survey. General Manager Bebee reported he will be meeting with each department to see where communication can be improved.

Director DeMeo reported the Personnel Committee did discuss ideas for how to increase participation.

Vice President Wolk thought it would be helpful to distinguish the difference between management and supervisors when it comes to communication.

IV. ACTION / DISCUSSION CALENDAR ----- (ITEMS N – T)

N. CONSIDER REAPPOINTING THE GENERAL MANAGER TO SERVE AS THE DISTRICT'S REPRESENTATIVE TO THE SAN DIEGO COUNTY WATER AUTHORITY BOARD OF DIRECTORS, AND ADOPTING RESOLUTION NO. 5028

Recommendation: *That the Board adopts Resolution No. 5028 reappointing General Manager Jack Bebee to serve as the District's representative on the SDCWA Board of Directors.*

There were no public comments on agenda item N.

MOTION: Director McDougal moved to adopt Resolution No. 5028 reappointing General Manger Jack Bebee to serve as the District's representative on the SDCWA Board of Directors; Director Endter seconded. Motion carried; VOTE:

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

O. CONSIDER SMRCUP CHANGE ORDER

Recommendation: *That the Board approve of the change order for Filanc-Alberici to complete all additional work at a cost of \$758,582, and to approve the professional services agreement amendment for Terrapin Group to complete all Construction Management services.*

There were no public comments on agenda item O.

Engineering Manager Cook reported this was the final change order to close out all construction costs on the Santa Margarita Conjunctive Use Project. He noted a portion of this is for the GAC facilities, which were added half way through the project. Engineering Manager Cook also reported the second half of this was to extend the professional services agreement to complete all construction management services, at a cost of \$95,015.

Engineering Manager Cook noted there was a change order contingency in the SRF loan of \$3.4M, and only just over \$1M would be used. He also reported

the funds received as part of a settlement between MWD and SDCWA were being used to offset the cost of the loan. The total balance of the SRF loan was just over \$64M.

MOTION: Director McDougal moved to approve the change order for Filanc-Alberici to complete all additional work at a cost of \$758,582, and to approve the professional services agreement amendment for Terrapin Group to complete all construction management services at a cost of \$95,015; Director Endter seconded. Motion carried; VOTE:

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

P. CONSIDER UPDATE ON THE EMERGENCY DECLARATION FOR PIPELINE REPLACEMENTS

Recommendation: That the Board determine there is a need to continue the emergency action to replace failed pipelines and restore essential service to customers.

There were no public comments on agenda item P.

General Manager Bebee provided an update to the emergency declaration for failed pipeline replacements. He explained this item will go to the Board each month to ratify the emergency declaration, until the work was completed. Vice President Wolk confirmed with General Manager Bebee there was sufficient authorization under the existing capital budget and in the PAYGO budget for this emergency project.

MOTION: Director McDougal moved to determine there was a need to continue the emergency action to replace failed pipelines and restore essential service to customers; Director DeMeo seconded. Motion carried; VOTE:

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

Q. CONSIDER DECLARING A "WATER SHORTAGE RESPONSE LEVEL 2 – WATER SHORTAGE WATCH"

Recommendation: That the Board declare of a "Water Shortage Response Level 2 – Water Shortage Watch". Upon declaration, public announcement would be made on all FPUD water bills, physical posting in the District lobby, on the District website and social media outlets, and by publication in the Village News. Given

the voluntary nature of the state's order to reduce water use by 20 percent, and the District's expanding educational approach to promoting water conservation, it is not recommended that drought rates would be implemented.

There were no public comments on agenda item Q.

General Manager Bebee reported the State Board planned to take action tomorrow on the new emergency regulations put in place. He provided a summary of the District's level 2 water shortage response, noting there would be outreach to customers on water conservation, but that the District was not recommending to implement drought rates. He also reported there would be additional outreach to those customers who have nonfunctional turf, which had a specific set of requirements.

MOTION: Director McDougal moved to declare a "Water Shortage Response Level 2 – Water Shortage Watch." Upon declaration, public announcement would be made on all FPU D water bills, physical posting in the District lobby, on the District website and social media outlets, and by publication in the Village News; Director DeMeo seconded. Motion carried; **VOTE:**

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

R. CONSIDER APPROVAL OF MEMORANDA OF UNDERSTANDING (MOUS) WITH FPUDEA AND FMEA (EFFECTIVE JULY 1, 2022-JUNE 30, 2027) BY ADOPTION OF RESOLUTION NO. 5029

Recommendation: That the Board adopt Resolution No. 5029 approving the Memoranda of Understanding (MOUs) with FPUDEA and FMEA for July 1, 2022-June 30, 2027.

Mavis Canpinar stepped to the podium to thank General Manager Bebee and Human Resources Manager Chaffin for making the negotiation process smooth. She also thanked the Board for their consideration for this MOU.

General Manager Bebee reported several negotiation meetings took place to come up with the MOUs that were presented to the Board. He noted these MOUs have been presented to the Personnel Committee as well before coming to the Board. General Manager Bebee also reported Human Resources Manager Chaffin updated a few of the provisions including the grievance procedures.

Director McDougal announced these negotiations were a very smooth process and thanked everyone who participated and was involved in the process.

MOTION: Director McDougal moved to adopt Resolution No. 5028 approving the Memoranda of Understanding (MOUs) with FPUDEA and FMEA for July 1, 2022–June 30, 2027; Director DeMeo seconded. Motion carried; VOTE:

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

S. CONSIDER INTERNSHIP PROGRAM

Recommendation: *That the Board approve the addition of a second intern to the program.*

There were no public comments on agenda item D.

General Manager Bebee explained the idea was to give the District the opportunity to add an additional intern, to have one high school intern and one college intern. This would also possibly give the high school intern the opportunity to transition into a college intern position. This position was expected to be a part-time position.

MOTION: Director Endter moved to approve the addition of a second intern to the program; Director DeMeo seconded. Motion carried; VOTE:

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

T. CONSIDER REQUEST FOR APPROVAL TO AWARD ONE-TIME PAVING PROJECT TO ASPHALT & CONCRETE ENTERPRISES, INC.

Recommendation: *The Board approve a one-time paving project to Asphalt & Concrete Enterprises, Inc. for \$52,800.00.*

There were no public comments on agenda item T.

General Manager Bebee explained this is a contract to complete the asphalt paving, reporting this was budgeted, and there were planned funds to pay for it.

MOTION: Director DeMeo moved to approve a one-time paving project to Asphalt & concrete Enterprises, Inc. for \$52,800; Director Endter seconded. Motion carried; VOTE:

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

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

1. General Counsel
 - General Counsel de Sousa provided an update on the legislation related to the Brown Act and the teleconferencing requirements, as well as legislation regarding unruly Board meeting attendees.
2. SDCWA Representative Report
 - General Manager Bebee provided an overview of the written report included in the packet.
3. General Manager
 - a. Engineering and Operations Report
4. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
 - AGM/CFO Shank directed attention to page 316 of the packet, which was the budget status report. He explained there was a new type of meter installed, and the software associated with that type of meter was interpreting data in an incorrect manner. He went on to report new procedures have been implemented to fix this issue and prevent it from occurring again. He also noted this only affected one recycled meter account.
 - AGM/CFO Shank announced there were changes to the Budget Status Report, which will be shown next month, to reflect the CUP at the service level to provide more detail to see where capital expenditures are budgeted, as well as what has already been spent, and the amount that was remaining.
5. Public Affairs Specialist
 - Public Affairs Specialist Denke provided an update to the 100th anniversary event. She also reported on her attendance at the Fallbrook Chamber luncheon and noted the District is the oldest member of the Chamber.
6. Notice of Approval of Per Diem for Meetings Attended
7. Director Comments/Reports on Meetings Attended
8. Miscellaneous

ADJOURN TO CLOSED SESSION

General Counsel de Sousa announced the Board would be going into Closed Session and that members of the public participating via web or teleconference were welcome to continue to stay on the line while the Board was in Closed Session, however they would only hear silence. Following Closed Session and prior to adjournment, an oral announcement of reportable action, should there be any, would be made to the public on the teleconference line.

There were no public comments on Closed Session items.

The Board of Directors adjourned to Closed Session at 5:55 p.m. following an oral announcement by General Counsel de Sousa of Closed Session Items VI.1-2.

VI. CLOSED SESSION -----(ITEMS 1-2)

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

Discuss Performance Evaluation of General Manager

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

Discuss Performance Evaluation of General Counsel

RECONVENE TO OPEN SESSION

The Board came out of Closed Session and reconvened to Open Session at 6:17 p.m.

REPORT FROM CLOSED SESSION

There was no reportable action taken during Closed Session.

VII. ADJOURNMENT OF MEETING

There being no further business to discuss, the May Regular Meeting of the Board of Directors of the Fallbrook Public Utility District was adjourned at 6:17 p.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 27, 2022
SUBJECT: Resolution No. 5030 Placing Fixed Charge Special Assessments to Add Delinquent and Unpaid Charges on the Tax Roll

Purpose

To authorize the San Diego County Treasurer-Tax Collector to add delinquent and unpaid charges as a Fixed Charge Special Assessment to the annual 2022-23 tax roll.

Summary

Article 21, Section 21.8 of the Administrative Code provides that standby accounts with a delinquent balance greater than \$500 as of April 1 of each year may be sent notification to place delinquent and unpaid charges on the annual tax roll. The notification of intent must be sent by May 1, and it provides the property owner 60 days to bring the account current. If the amount is not brought current by July 1, the portion of the delinquency due may be reported to the County of San Diego for inclusion on the annual taxes levied on the property. Notification has been sent to property owners, and the final list of delinquent and unpaid charges for the 2021-22 annual tax roll will be finalized after the July 1 deadline.

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

Recommended Action

That the Board adopt Resolution No. 5030 placing fixed charge special assessments to add delinquent and unpaid charges on the annual tax roll for 2022-23 by the San Diego County Treasurer-Tax Collector.

RESOLUTION NO. 5030

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

* * * * *

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

WHEREAS, Section 12.8 of the Administrative Code provides that delinquent and unpaid charges may be reported to the County of San Diego for inclusion on annual taxes levied on property; and

WHEREAS, the property owners of parcels on standby with a delinquent account balance greater than \$500 as of April 1, 2022, were notified by mail at least 60 days prior to July 1, 2022, that the delinquent amount may be reported to the San Diego County Treasurer-Tax Collector; and

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

WHEREAS, taxing agencies must submit a list of standby accounts with delinquencies to the San Diego County Treasurer-Tax Collector between July 1, 2022, and August 10, 2022.

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

1. On or before August 10, 2022, the Secretary of the Fallbrook Public Utility District shall provide to the San Diego County Treasurer-Tax Collector the following:
 - a. An electronic list of parcels with delinquent and unpaid charges as of July 1, 2022, that have remained unpaid as of the date of filing and whose property owners were notified at least 60 days prior to July 1, 2021, that the delinquent charges may be added to the property tax roll; and
 - b. A letter of certification signed by an official of the District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 27th day of June, 2022, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 27, 2022
SUBJECT: Ordinance No. 352 Fixing Water Standby or Availability Charges for 2022-23

Purpose

To adopt the annual water standby or availability charges and provide a certified copy of Ordinance No. 352 to the Board of Supervisors of the County of San Diego and Auditor and Controller of the County of San Diego.

Summary

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

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

Recommended Action

The Board adopt Ordinance No. 352 as prepared and authorize the Secretary of the Board of Directors to send a certified copy to the Board of Supervisors of the County of San Diego and Auditor and Controller of the County of San Diego.

ORDINANCE NO. 352

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT, SAN DIEGO COUNTY, CALIFORNIA,
FIXING WATER STANDBY OR AVAILABILITY CHARGES AND
REPEALING ORDINANCE NO. 350**

* * * * *

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

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

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

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

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

1. Fallbrook Service Area

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

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

2. DeLuz Improvement District

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

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

4. Exemptions:

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

SECTION III. On or before August 10, 2022, the Secretary of this District shall furnish in writing to the Board of Supervisors of the County of San Diego and the Auditor and Controller of the County of San Diego a description of the land within the District upon which standby or availability charges are to be levied and collected together with the amount of the charges. At the time and in the manner required by law for the levying of taxes for County purposes, the Board of Supervisors shall collect, in addition to taxes it levies, water availability charges in the amounts fixed by this Ordinance for the respective parcels of land described in Section II of this Ordinance. All County officers charged with the duty of collecting taxes will collect the charges with the regular tax payments in the same form and manner as County taxes are collected. Such availability charges are a lien on the property with respect to which they are fixed.

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

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

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

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

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 27th day of June, 2022, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: Aaron Cook
DATE: June 27, 2022
SUBJECT: Notice of Completion – Sewer Mainline Relining

Purpose

To file a Notice of Completion for Sewer Mainline Relining with the San Diego County Recorder.

Summary

The completion date for Green Canyon Force Main, Job Number 3179, is June 15, 2022. NorCal Pipeline Services completed the contract. The final total contract amount was \$117,301. The original contract award date is December 13, 2021, in the amount of \$90,628. The final cost was higher than originally contracted due to chemical grout repair to stop groundwater intrusion, addition of (2) 6" top hats, and additional 165 linear feet of relined 6-inch main.

Budgetary Impact

There is no budgetary impact to record the Notice of Completion. As noted, there were additional costs to complete the project, but said costs were approved in previous change orders and within the overall project budget.

Recommended Action

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

RECORDING REQUESTED BY:
Fallbrook Public Utility District

AND WHEN RECORDED MAIL TO:
Fallbrook Public Utility District
990 E. Mission Road
Fallbrook CA 92028

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN THAT:

1. The undersigned is the owner of the interest or estate stated below in the property hereinafter described.
2. The full name of the undersigned is Fallbrook Public Utility District.
3. The full address of the undersigned is 990 E Mission Road, Fallbrook CA 92028.
4. The nature of the title of the undersigned is public utility district in fee.
5. The full names and full addresses of all persons, if any, who hold title with the undersigned as joint tenants or as tenants in common are:

<u>NAMES</u>	<u>ADDRESSES</u>
Fallbrook Public Utility District	990 E. Mission Rd, Fallbrook CA 92028

6. The names of the predecessors in interest of the undersigned, if the property was transferred subsequent to the commencement of the work of improvement herein referred to are (OR IF NO TRANSFER WAS MADE INSERT THE WORD "None")

<u>NAMES</u>	<u>ADDRESSES</u>
None	None

7. The work of improvement on the property hereinafter described was completed on **June 15, 2022**.
8. The name of the original contractor, if any, for the work of improvement was: **NorCal Pipeline**
The kind of work done or material furnished was for the **Sewer Mainline Relining FY22**
9. The property on which the work of improvement was completed is in the unincorporated area of Fallbrook, county of San Diego, state of California, and is described as follows: **sewer mains between Dougherty St and Winterhaven Rd**
10. The street address of the said property is: **990 East Mission Rd, Fallbrook CA 92028**

DATED: June 21, 2022

Aaron Cook, Senior Engineer
Fallbrook Public Utility District

VERIFICATION

I, the undersigned, say:

I am the person who signed the foregoing notice. I have read the above notice and know its contents, and the facts stated therein are true of my own knowledge.

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

Executed on June 21, 2022, at Fallbrook, California.

Signature

M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: June 27, 2022
SUBJECT: Consider Advance Approval to Attend Meetings

Purpose

To authorize Directors' attendance, travel, and expenses to events requiring approval by the Board of Directors in advance.

Summary

Article 2 of the Administrative Code prescribes that compensation for attendance and reimbursement for expenses at occasions, events, or meetings related to District business, other than those listed in section 2.12, shall be determined by the Board of Directors, in advance, on a case-by-case basis.

The request is for advance approval to the following event:

1. California Special Districts Association (CSDA) Annual Conference, August 22-25, 2022 in Palm Desert, California.

Recommended Action

That the Board authorize and approve, in advance, Directors' attendance to the California Special Districts Association (CSDA) Annual Conference, scheduled for August 22-25, 2022 in Palm Desert, California.

M E M O

TO: Board of Directors
FROM: Lisa Chaffin, Human Resources Manager
DATE: June 27, 2022
SUBJECT: Approval of the Amended Salary Schedule (effective July 1, 2022) for all District employees, except the General Manager, by adoption of Resolution No. 5031

Purpose

To approve the amended salary table related to the Memorandums of Understanding (MOUs) previously approved at the May 23, 2022 Board meeting.

Summary

The approved MOUs revised pay ranges of District positions. Pursuant to Section 570.5 and 571.1 of Title 2 of the California Code of Regulations, the District, as a public agency participating in CalPERS is required to make publicly available a pay schedule that includes:

- Position title for every employee position;
- Pay rate for each position, which may be stated as a single or multiple amounts within a range; and
- Time base (i.e., hourly, bi-weekly, monthly) of each pay rate.

The regulations also contain criteria for ensuring the pay schedule is publicly available and does not permit a reference to another document (e.g., the budget) in lieu of the required pay schedule. Further, the regulations clarify that “compensation earnable” or “pensionable compensation” will be limited to the amount listed on a pay schedule that meets all of the established criteria. In addition, the regulations require that the pay schedule be duly approved by the Board in accordance with the requirements of applicable public meeting laws.

The amended salary schedule (effective July 1, 2022) for all District employees, except the General Manager, is attached as Exhibit “A” to Resolution No. 5031.

Budgetary Impact

None.

Recommended Action

That the Board adopt Resolution No. 5031 adopting the amended salary schedule (effective July 1, 2022) for all District employees, except the General Manager.

RESOLUTION NO. 5031

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
FALLBROOK PUBLIC UTILITY DISTRICT
ADOPTING AN AMENDED SALARY SCHEDULE (EFFECTIVE JULY 1,
2022) FOR ALL DISTRICT EMPLOYEES**

* * * * *

WHEREAS, the Memoranda of Understanding (MOUs) between the District and both FPUDEA and FMEA were adopted at the May 23, 2022 regular meeting of the Board of Directors; and

WHEREAS, the adopted MOUs included modifications to wages and benefits for a period of 5 years, beginning July 1, 2022; and

WHEREAS, the approval of the MOUs by the District Board of Directors requires that an amended salary schedule to be effective July 1, 2022, be adopted to reflect the position salary modifications as set forth in the MOUs; and

WHEREAS, CalPERS regulations require that employee salaries be included on the publicly approved salary schedule and, therefore, it is necessary for the District Board of Directors to adopt the salary schedule in conjunction with approval of the MOUs at this publically noticed meeting; and

WHEREAS, the amended salary schedule is presented to the District Board of Directors for approval and/or adoption.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Fallbrook Public Utility District does hereby adopt the amended salary schedule attached to this Resolution as Exhibit "A."

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:
NOES:
ABSENT:
ABSTAIN:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

EXHIBIT A

SALARY SCHEDULE Effective July 1, 2022

Classification	Positions	Salary Range
Accounting Technician I & II	2	12 / 16
Collection Supervisor	1	30 & 32
Customer Service Representative I & II	1	7 / 11
Customer Service Specialist	2	17
Engineering Technician I, II & III	3	16-17 / 20-21 / 26-27
Environmental Compliance Technician	1	26-28
Equipment Mechanic	1	18
Executive Assistant/ Board Secretary	1	34
Geographical Information Systems (GIS) Coordinator	1	27
Human Resources Technician	1	16
Information Systems Technician	1	26
Instrumentation, Electrical & Controls Technician I/II	2	20-21 / 25-28
Laboratory Technician I & II	1	20-21 / 24-25
Lead Plant Operator	2	27-28
Maintenance Technician I/II	1	18-20 / 21-24
Management Analyst	1	26
Meter Services/Construction Supervisor	1	32-34
Operations Specialist	1	16-17
Plant Operator (I-T), I, II	2	11-12 / 17-18 / 21-22
Public Affairs Specialist	1	25
Purchasing/Warehouse/Fleet Supervisor	1	34-35
Safety & Risk Officer	1	36-38
Senior Maintenance Technician	1	29-32
System Operations Supervisor	1	35
Systems Operator I, II, III	4	18 / 22 / 26
Crew Leader (Water and Wastewater)	7	23-25
Utility Worker I, II, III (Water and Wastewater)	17	10-11 / 14-15 / 18-19
Warehouse/Purchasing Specialist	1	15-16
<u>Management (Exempt)</u>		
General Manager	1	\$230,053
Assistant General Manager/CFO	1	60
Chief Plant Operator	1	35-36
Engineering Manager	1	54
Field Services Manager	1	49 & 51
Human Resources Manager	1	47
Operations Manager	1	53
SCADA, Electrical & Maintenance Supervisor	1	34-35
Supervising Accountant	1	35-36

Board Approved. Effective July 1, 2022

M E M O

TO: Board of Directors
FROM: Dave Baxter, President
DATE: June 27, 2022
SUBJECT: Recognition from the Board for staff planning and staffing the District's 100th year anniversary event

Purpose

To recognize District staff involved in planning and staffing the District's 100th year anniversary event on June 4, 2022.

Summary

The District held an open-to-the-public event on June 4, 2022 to celebrate the District's 100th anniversary. The Board would like to recognize and extend its appreciation to Noelle Denke, Alex Stanko, Chad Wodarczyk, Matt Lian, Kevin Stamper, Isabel Casteran, Mavis Canpinar, Tyrese Powell, Mick Cothran, Steve Stone, Mateo Morgan, Francisco Cardenas, Jeff Wolfe, Jacob Hyink, and Yareli Albino who assisted in the planning and staffing of this event.

Overall, the event was a huge success! It is estimated between 1,000 and 1,200 people attended, and it was also featured on KUSI News on June 4th.

Recommended Action

No action is required.

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 27, 2022
SUBJECT: Additional Legal Damages and Interest Payment received from the San Diego County Water Authority (SDCWA)

Purpose

Discussion on allocation of additional funds received from SDCWA related to legal damages and interest payments they received from the Metropolitan Water District (MWD).

Summary

SDCWA has number of rate cases filed against MWD. The part of the rate case from 2011 – 2014 was settled relative to Water Stewardship Rate (WSR) charges on water SDCWA received from the Imperial Irrigation District (IID) in early 2021. The delivery of the IID water from the Colorado River was established as part of the Quantification Settlement Agreement (QSA). The courts determined that the WSR should not have been charged on these deliveries. The first distribution to the District was \$909,412.67. SDCWA has reached settlement with MWD on the WSR charges on the IID water for the years 2015-2017. The settlement results in the District receiving a second distribution of \$625,250.63. The prior distributions excluded funds received for legal services. SDCWA has now refunded an additional \$214,147.54, which is the District's share or legal cost withheld previously. This brings the total refund distribution amount to \$1,748,810.84.

In April 2021, per the Board's request, the Committee met and reviewed three different potential uses of the funds. The Committee's primary goal was to maximize the short and long term benefits of the funds to District rate payers. The three options considered were:

1. Reduce CY 2023 rate and charge increase
2. Enhance District Reserves – Adding to water reserve levels
3. Reduce loan amount for the Santa Margarita Conjunctive Use Project (SMCUP).

At that time, the Committee selected Option 3 as the best choice for SDCWA distributions. Similarly, these funds will used to reduce the SMCUP loan amount.

Recommended Action

This item is for discussion only. No action is required.

M E M O

TO: Board of Directors
FROM: Fiscal Policy and Insurance (FP&I) Committee
DATE: June 27, 2022
SUBJECT: Adopt the District Fiscal Year 2022-23 Recommended Annual Budget

Purpose

Consider the District’s Fiscal Year 2022-23 Recommended Annual Budget (Budget) for approval (Attachment A). The District’s Fiscal Year 2022-23 Budget Resolution (Attachment B) includes the appropriations for operations and capital improvement projects for the upcoming fiscal year. In addition, the District’s Administrative Code will be amended, as shown in Attachment C, to reflect the Fiscal Year 2022-23 Readiness-To-Service (RTS) Charge, which is a Metropolitan Water District (MWD) charge passed through to the District by the San Diego County Water Authority (SDCWA). This charge is a fiscal year charge and is effective July 1, 2022.

Summary

The Fiscal Policy and Insurance Committee (Committee) has met and reviewed the Budget on April 25, 2022, May 18, 2022 and June 17, 2022. During these meetings, the Committee conducted a detailed line item review of the District’s budgeted expenditures and revenues and identified cost savings opportunities. On May 23, 2022, Committee presented the Draft Budget to the Board for input. The recommended Budget is summarized in the table below, it should be noted that the only budgetary change from the prior draft is the Water Supply Cost. SDCWA recently provided the District with its CY 2023 fixed charge allocations.

	FY 2020-21	FY 2021-22		FY 2022-23	Bgt to Bgt
	Actuals	Budget	Projected	Recommended	%Change
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 Expense Total	\$26,550,087	\$ 27,617,511	\$27,233,199	\$ 29,721,931	7.6%
Benefits Expenditures (Ops)	3,674,696	3,874,164	3,874,164	4,057,087	4.7%
Total	\$30,224,783	\$ 31,491,675	\$31,107,363	\$ 33,779,018	7.3%

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

As shown in the summary table above, the Recommended Fiscal Year 2022-23 Budget is 7.3% higher than the prior budget. The increase in Water Supply Costs is the primary driver of the overall Operating Budget increase. Due to the ongoing drought conditions, the amount Santa Margarita River water available to the District is below average. This drives an increase in water purchased from SDCWA and results in a higher average cost.

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

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

Board actions in June include:

- **Adopting the Budget Resolution** – This approves the Budget and authorizes the General Manager subject to the limitations provided in the resolution to execute the Budget and operate the District;
- **Administrative Code Amendment** – MWD has adopted its Fiscal Year 2022-23 RTS charge and SDCWA has published the draft monthly charge to the District. This action passes through the reduction in the RTS to customers effective for water use beginning on July 1, 2022.

Recommended Action

That the Board adopt Resolution No. 5032 adopting the final budget for Fiscal Year 2022-23 and adopt Resolution No. 5033 amending the Administrative Code to reflect the new RTS charge.

Attachment A



CELEBRATING 100 YEARS OF SERVING FALLBROOK



Water Reclamation Plant Alturas Road 1922



FPUD 100 year celebration 2022

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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Board of Directors

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Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
 Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
 Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

June 27, 2022

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

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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Executive Assistant/
Board Secretary

General Counsel

Paula de Sousa
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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.

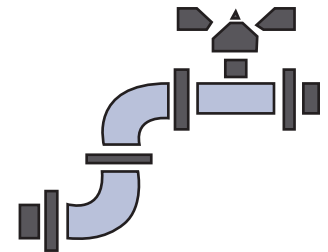
Fiscal Year 2022-23 Goals

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

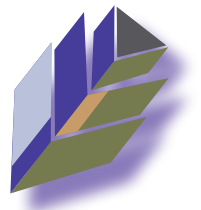
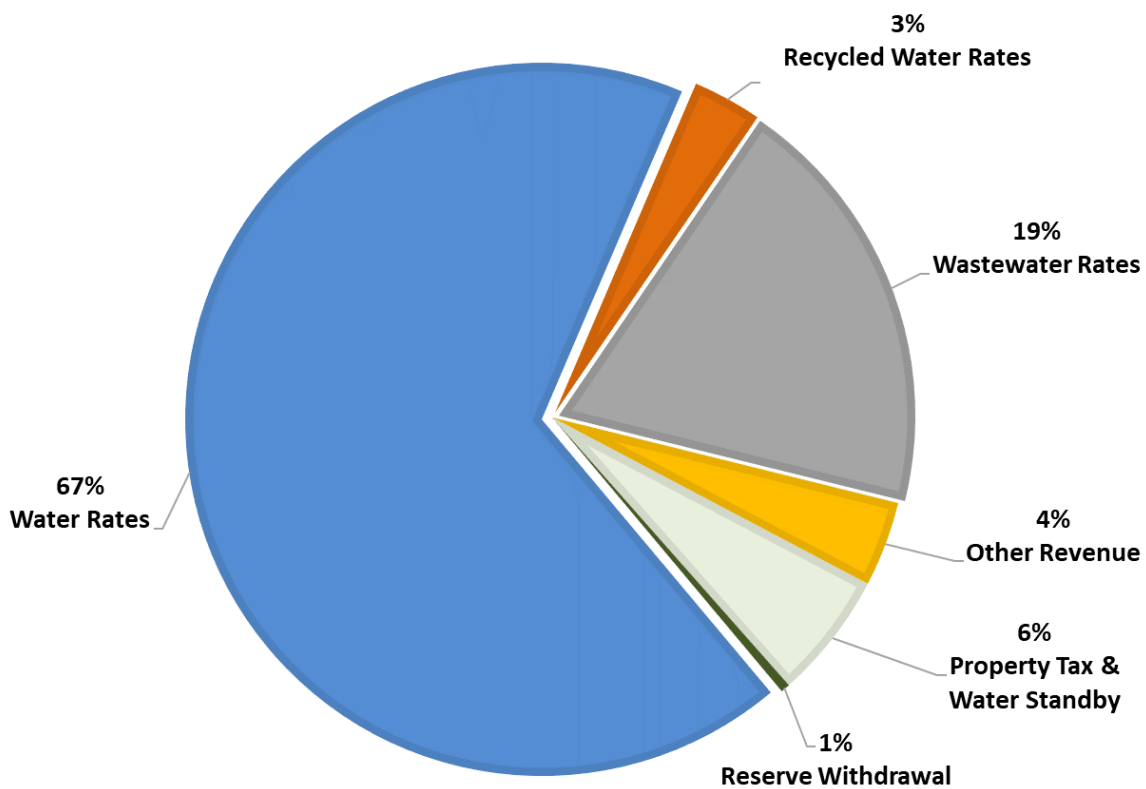
The water, recycled water and wastewater systems combined operating and non-operating revenues and net fund withdrawals are budgeted to be sufficient to fund the budgeted uses of funds. In Fiscal Year 2022-23, water sales are projected down from the previous year due to dry conditions. With current sales 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

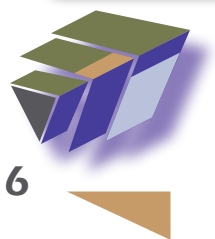
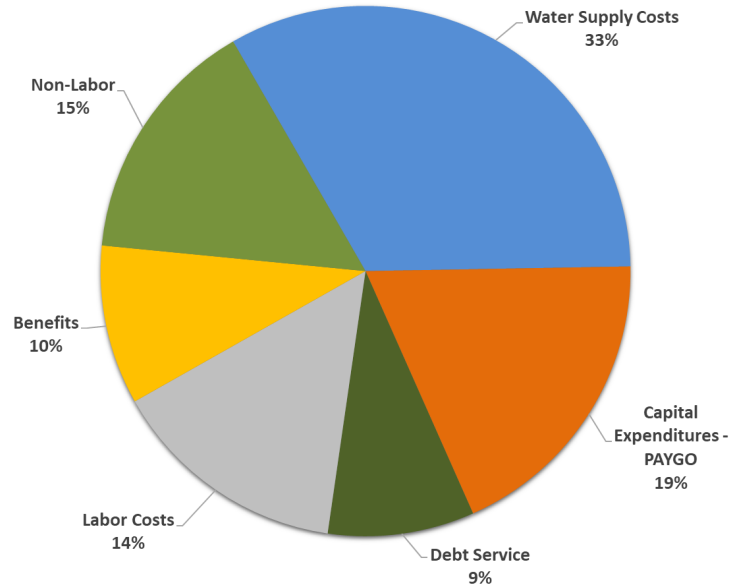


Chart 2 shows the breakdown of the District’s total use of funds. Labor related uses of funds represent 24% of the District’s budgeted uses of funds. Seventy-six percent of the District’s uses of funds are for non-labor related expenditures. Water supply costs are the District’s single largest ongoing 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.

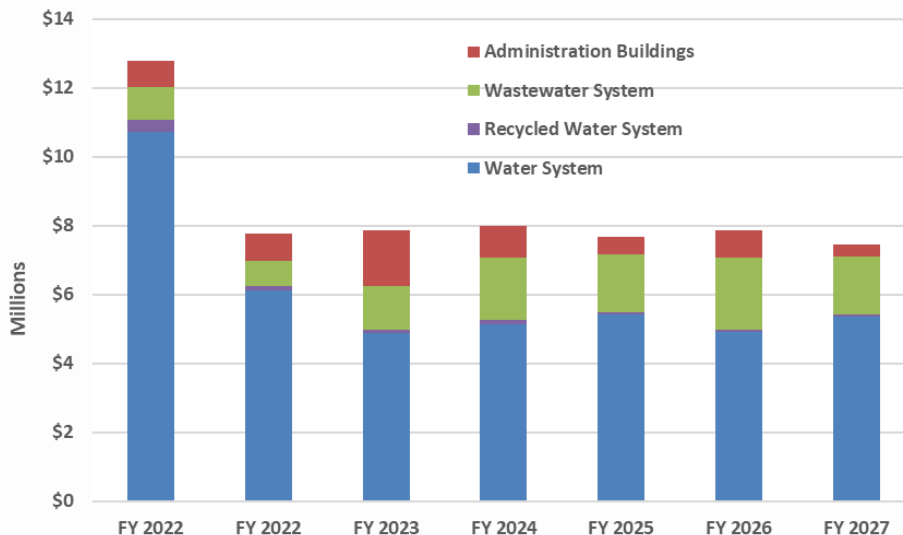
Chart #2 - Uses of Funds Fiscal Year 2022-23
Total Uses of Funds \$41,552,368



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.

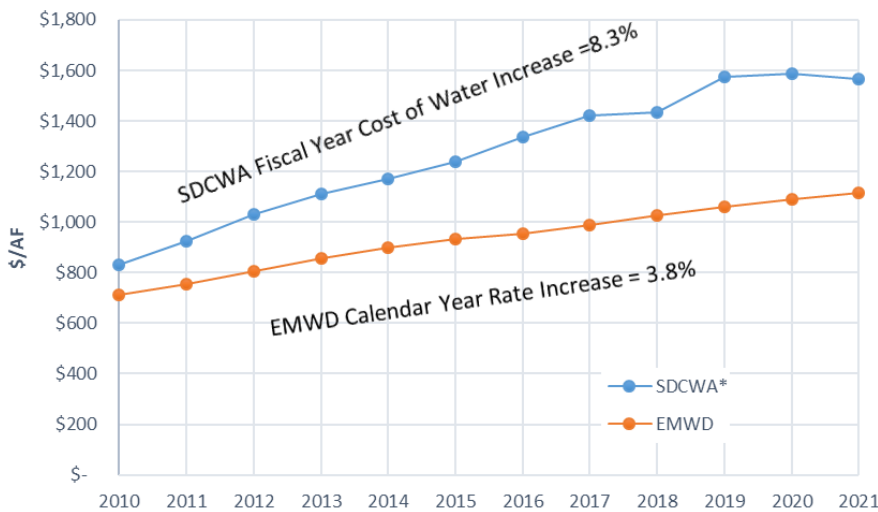
Chart #3 - Fallbrook Public Utility District’s Annual Budgeted CIP Expenditures



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

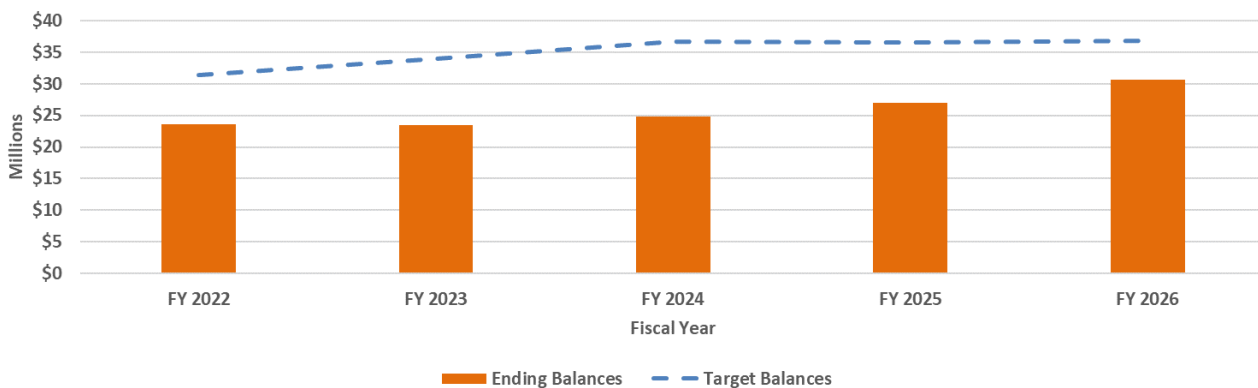


Table #2 - Fallbrook Public Utility District's Financial Summary

	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

PRESENTED TO

**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



**DISTRICT
TRANSPARENCY
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2020

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

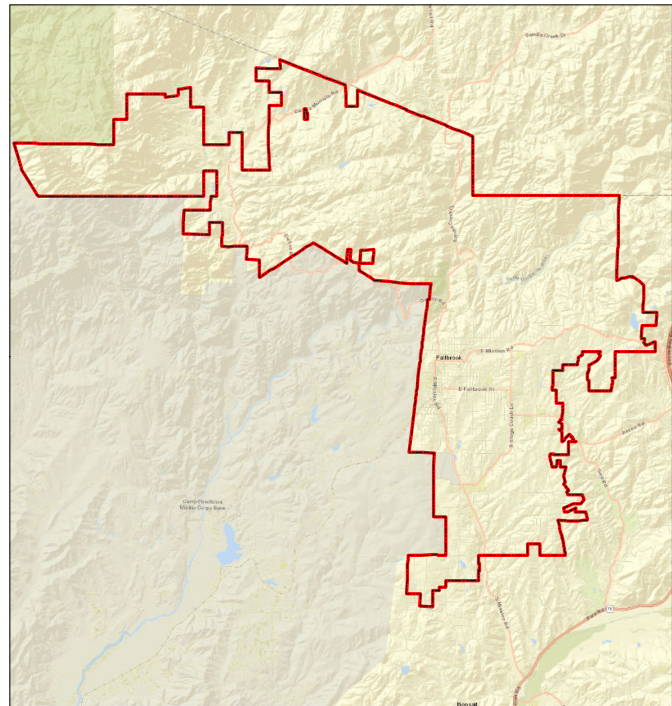
District #4 - Don McDougal

District #5 - Charley Wolk, Vice-President

Service Area and Local Economy

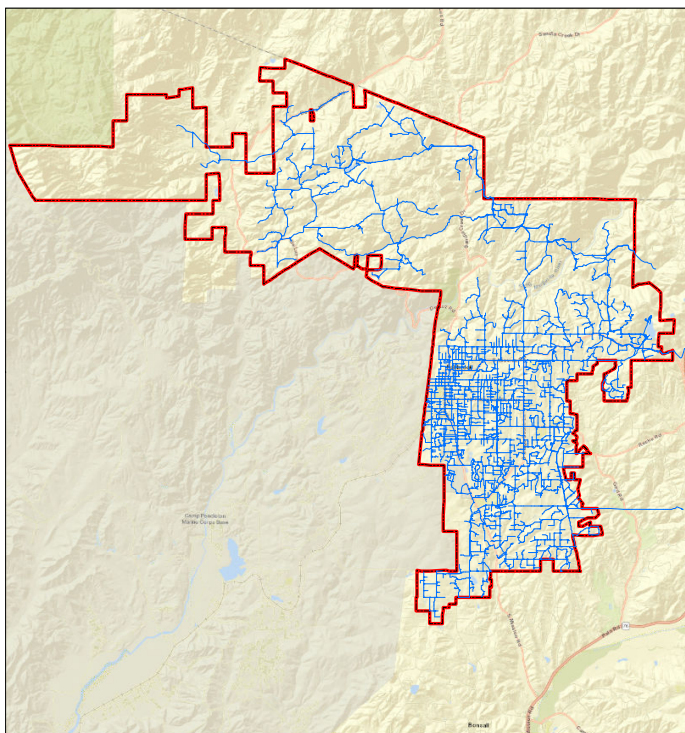
San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District's service area and pipeline is shown in the accompanying maps. The District is bordered 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 - Invest\Project Specific\District Boundary\Map1010101_BOUNDRY.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 - Invest\Project Specific\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.

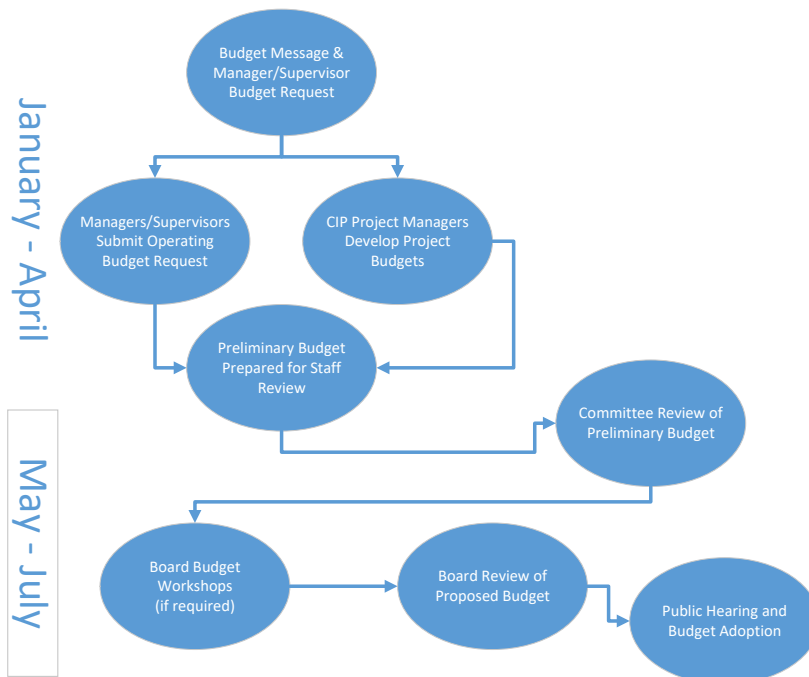
Budget Basis

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

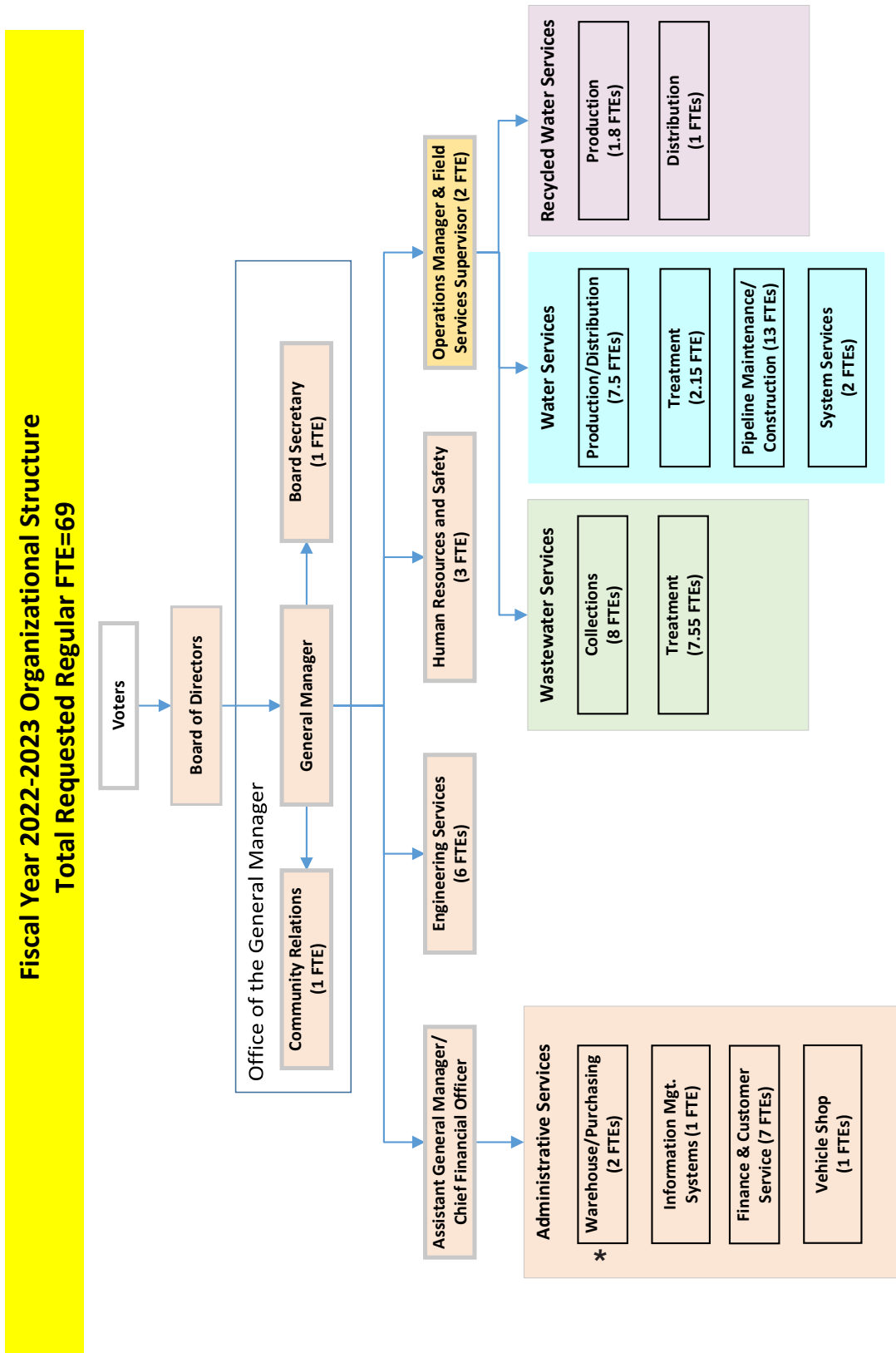
The District maintains an efficient level of staffing which requires an organizational structure that is very flat, with staff working across services and filling a variety of roles. The organizational chart provided is designed to illustrate the District’s structure and staffing levels. The Proposed 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](#)

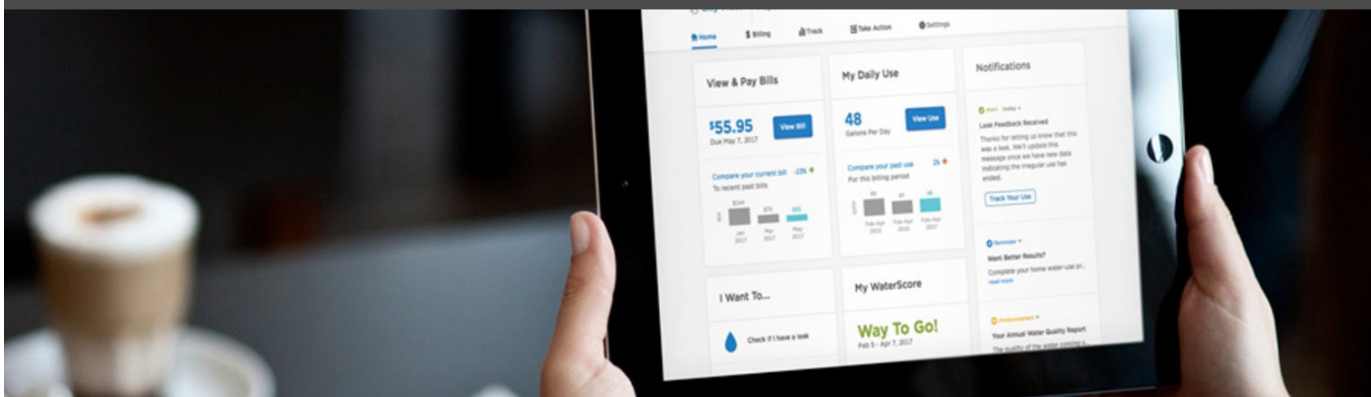
These policies can be found on the District's website as standalone documents or as part of the District's Administrative Code. Appendix C also provides a copy of the District's Capitalization Policy and other policies for ease of reference.



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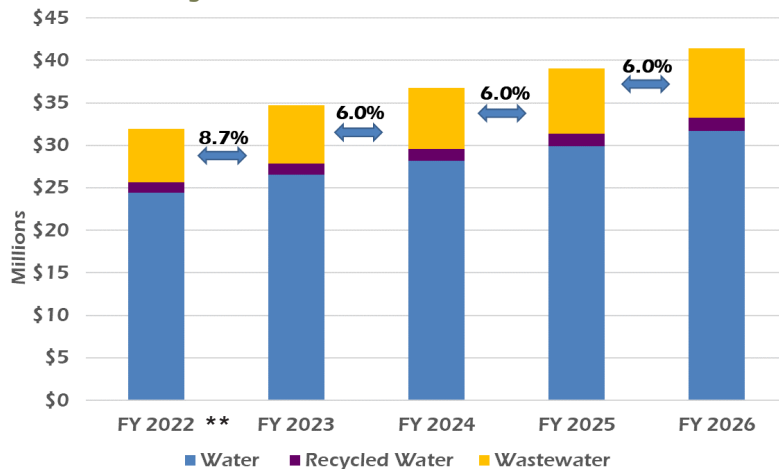
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Financial Summaries

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

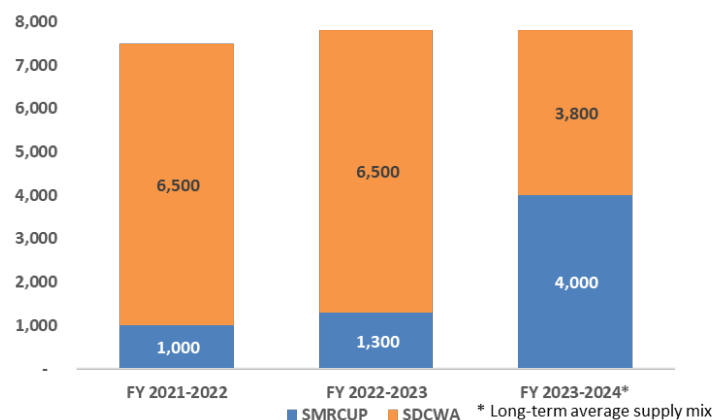
** Projected revenues based upon current District sales projections

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



* Long-term average 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

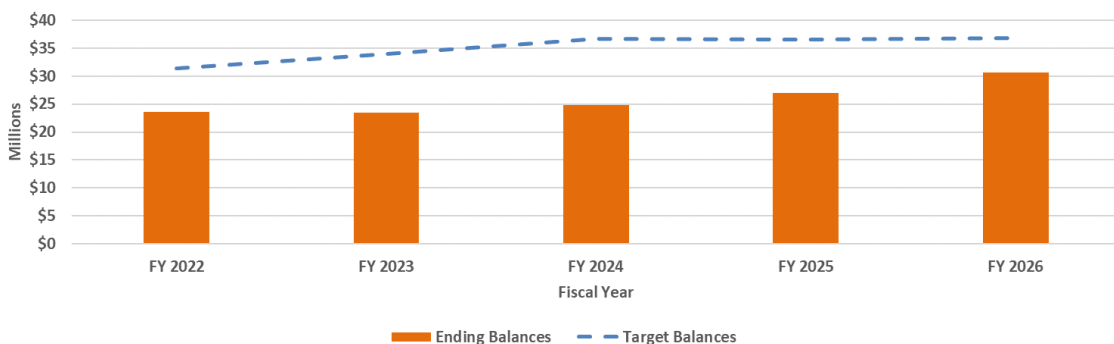
***Detail on purchased water costs provided on page 45. Purchased water costs include MWD RTS and Capacity Charges, SDCWA IAC Charge and Pumping Costs.

****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.

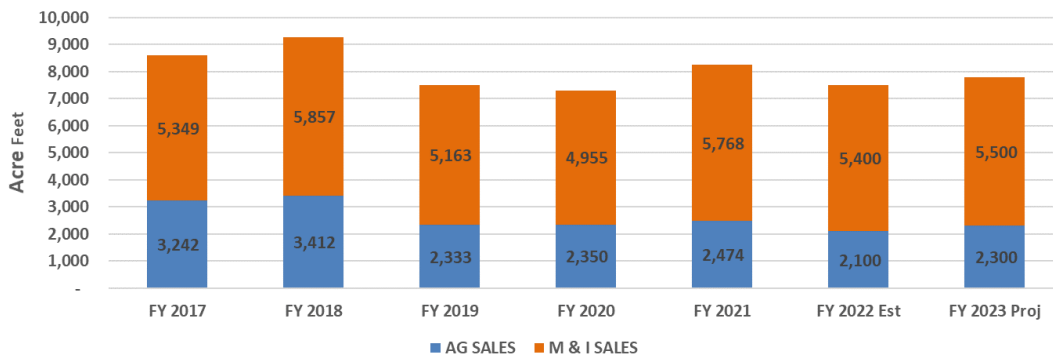
The District’s sales over the last five years including the estimate for the current fiscal year and the projected water sales for the budget period are shown in Table 1. The table shows water production and total sales; production includes system losses, and water sales are units sold to customers. 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

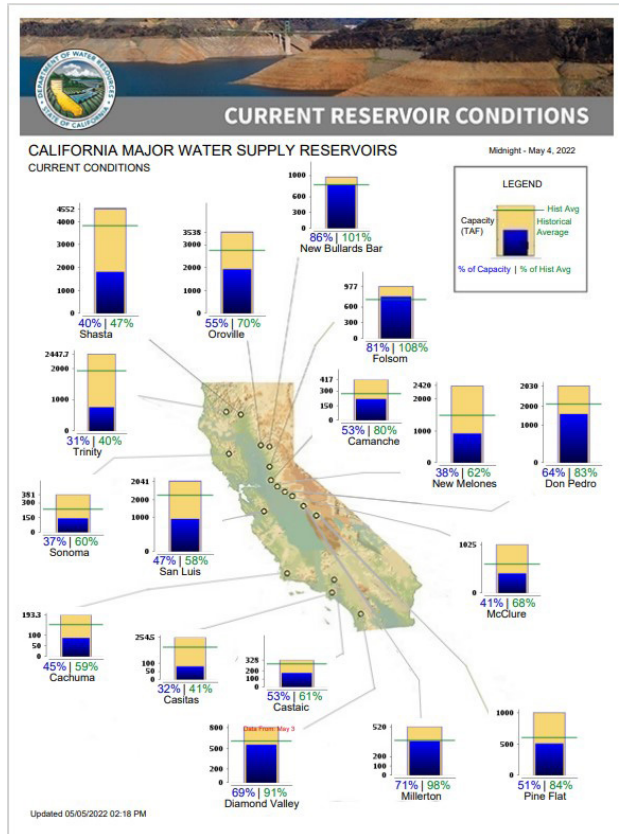


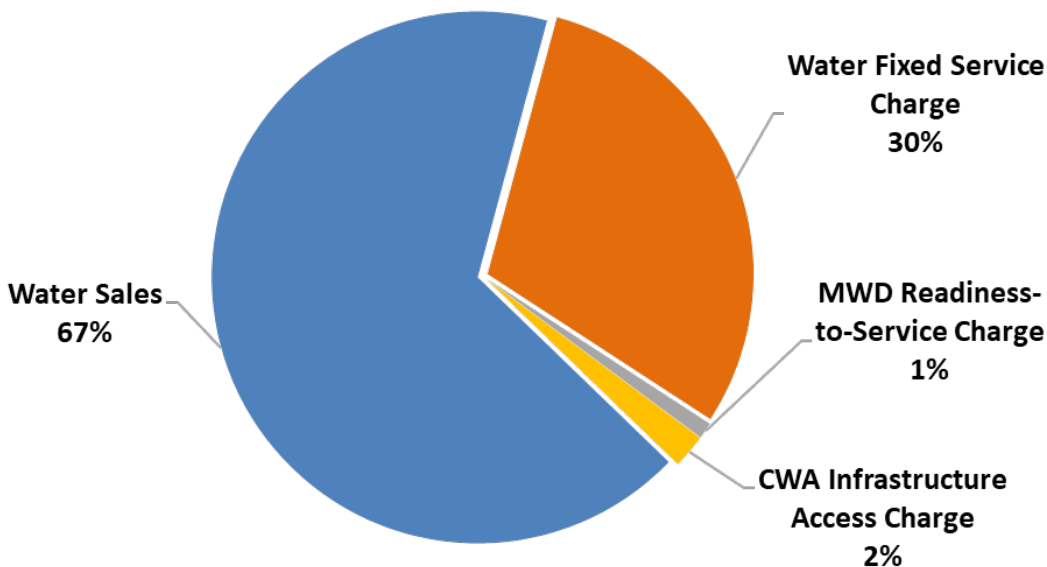
Table #2 - Water Services Sources of Revenue

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

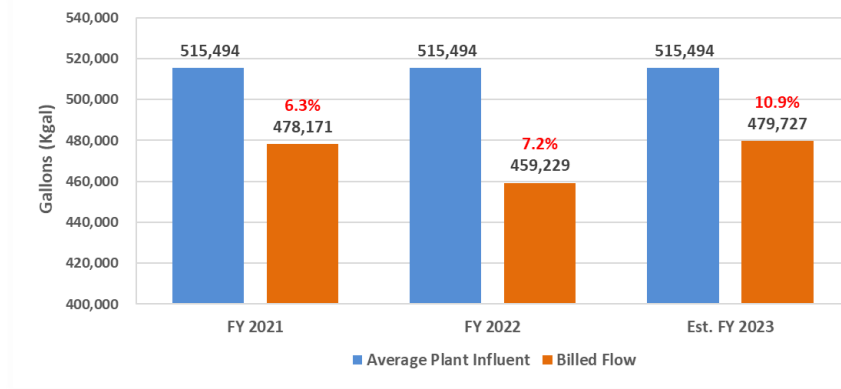


Wastewater Services Sources of Funds

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

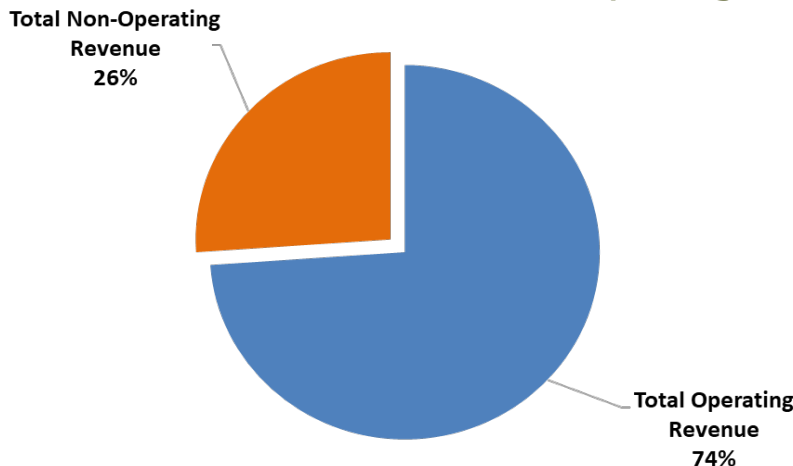


Wastewater Services operating and non-operating revenues are shown in Table 3 and Chart 4. The primary source of operating revenue for Wastewater Services is the Wastewater Service Charge. The primary non-operating revenues are the Wastewater Capital Improvement charge, which, like the Water Capital 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

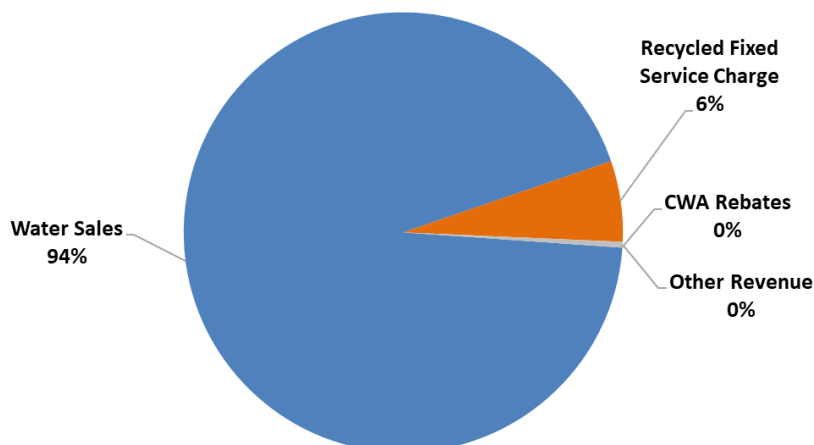
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively 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*	Actual FTE*	Proposed FTE*
	FY 2020-21	FY 2021-22	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

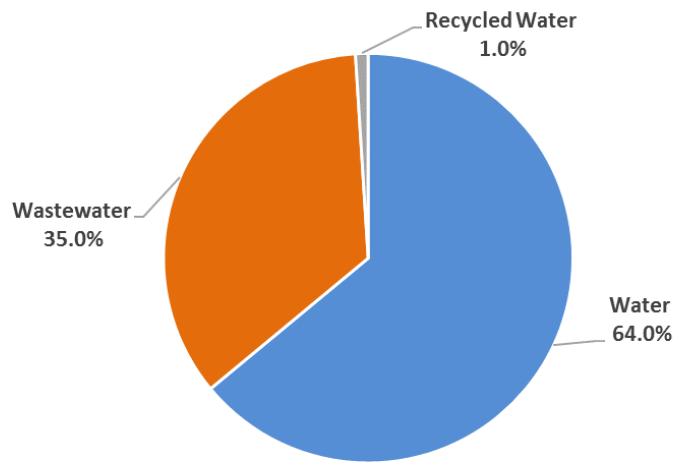
- Maintain a Workers Comp Experience Modification Rate below 1%; in FY 2022 rate was 0.89%
- Maintain an average customer service call wait time of less than 3 minutes; in FY 2022 wait time was approximately 0:40
- Maintain an inventory shrinkage rate of less than 1%; in FY 2022 shrinkage was 0.3%
- 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

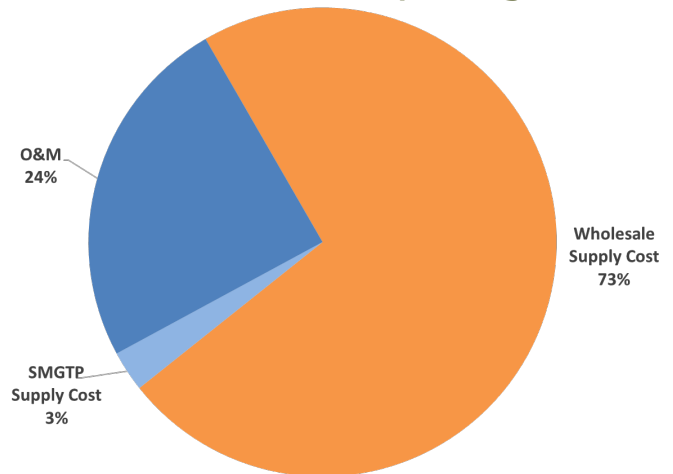
Water Services

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

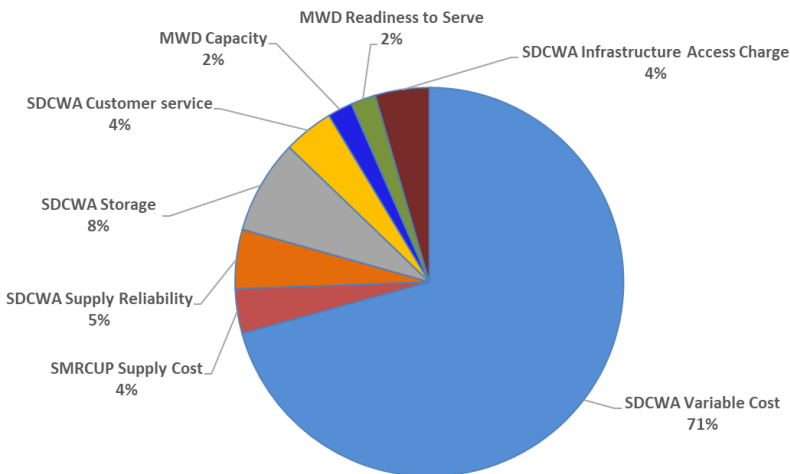
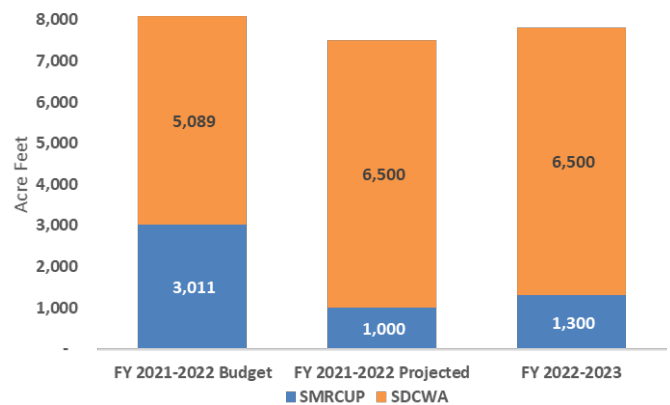


Chart #4 - Wholesale and Local Supply Mix



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

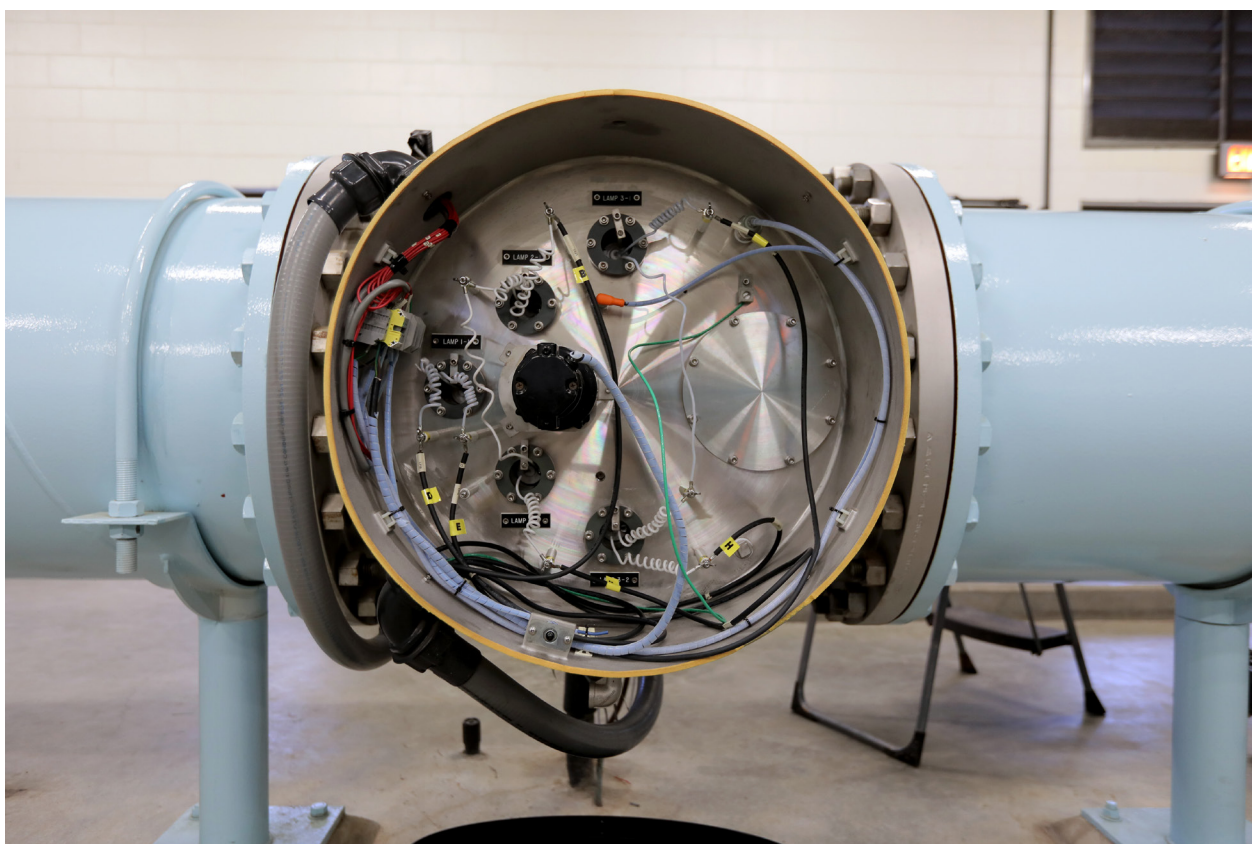
- Operated the Water Reclamation Plant tertiary treatment units while staying in compliance with applicable recycled water permits: Order No. 91-39, Title 22, State Recycled Water Permits and Policy
- Provided reliable recycled water production by maintaining the Water Reclamation Plant tertiary equipment 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

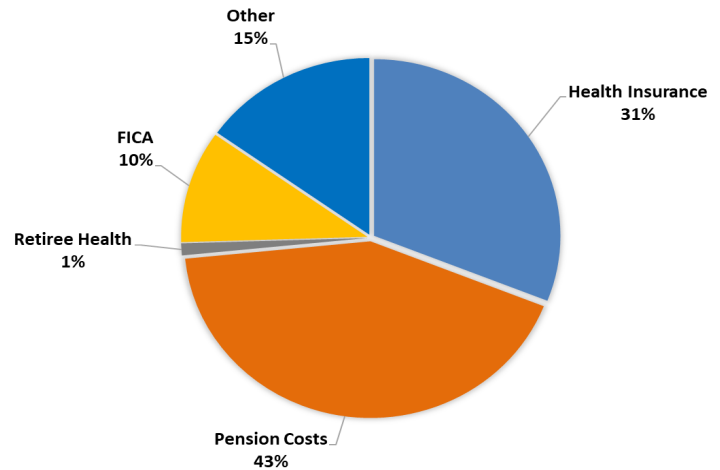
*Community Benefit Program not yet operational.



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

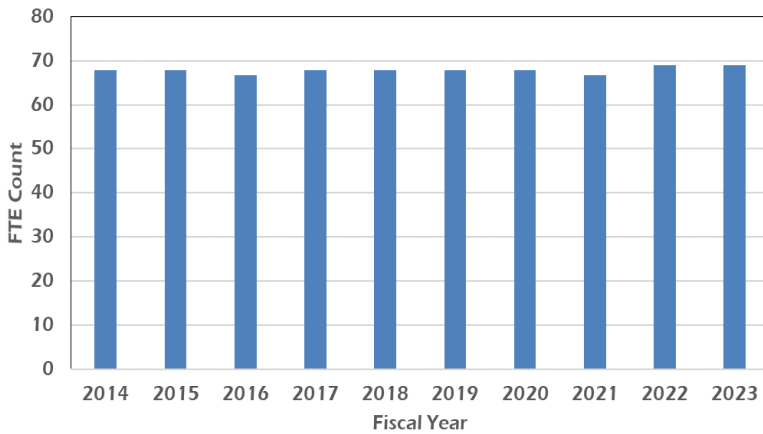
The District’s proactive management of the district’s pension obligations has resulted in approximately 84% funding of its pension obligations. This limits the potential for future rate and charge increases due to pension obligation funding needs.

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).

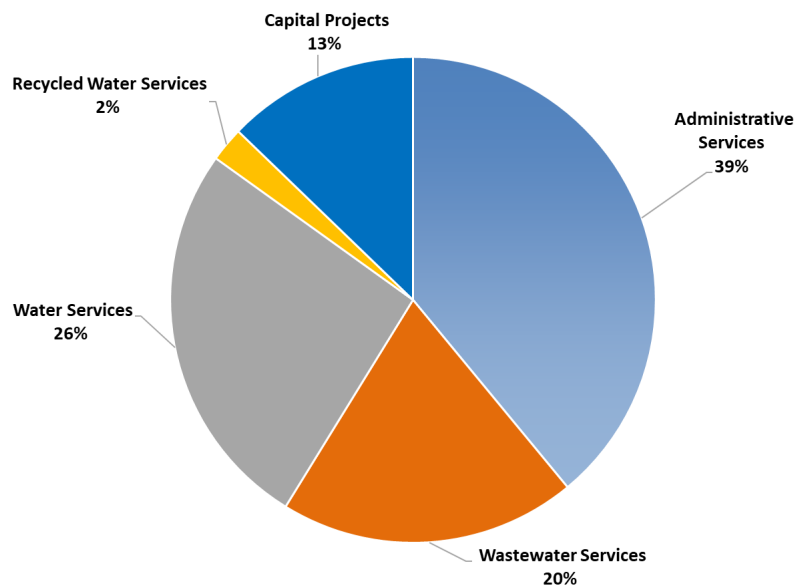
The District's healthcare insurance costs are held flat due to the unchanged FTE count. The District's 401a has increased due to the upcoming MOU contract. Changes to other benefits are shown on the table.

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.

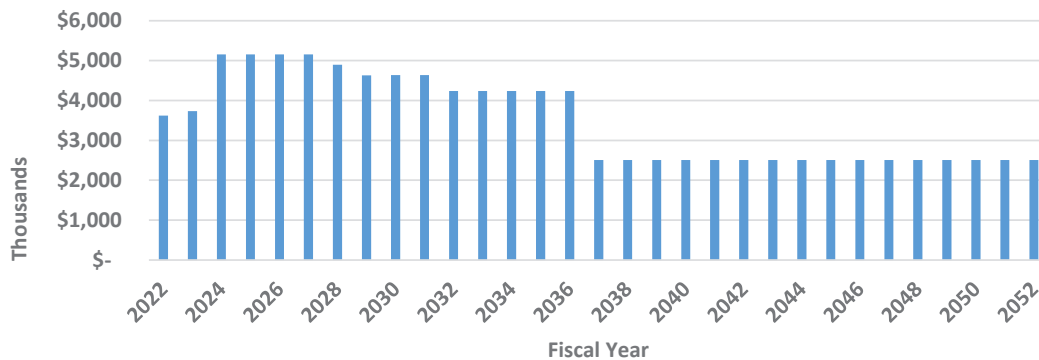
Table #18 - Debt Service Budget Summary

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

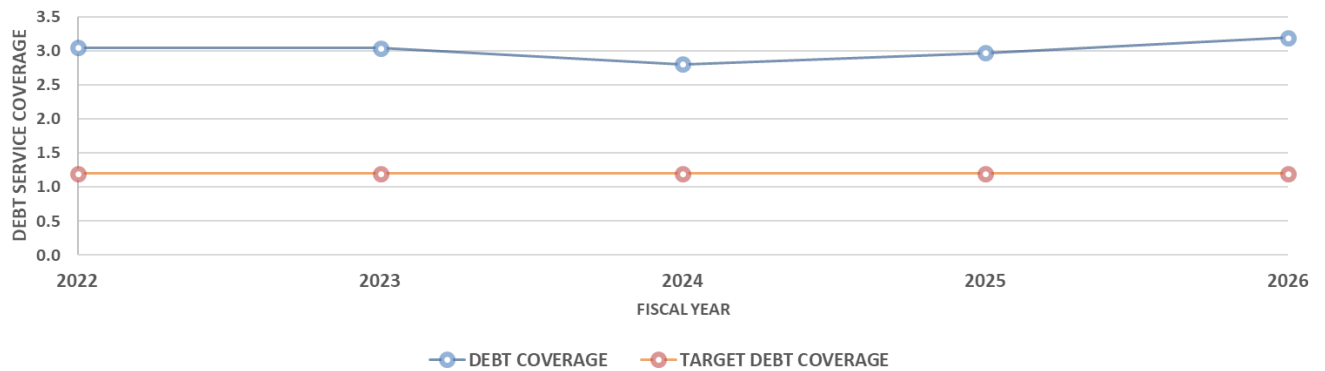
Year Ending June 30	Red Mountain State Revolving Fund Loan		Wastewater Revenue Refunding Bonds		QECB* Loan		SMRCUP State Revolving Funds**		District Annual Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	308,589	87,261	1,110,000	619,884	366,104	155,208	-	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



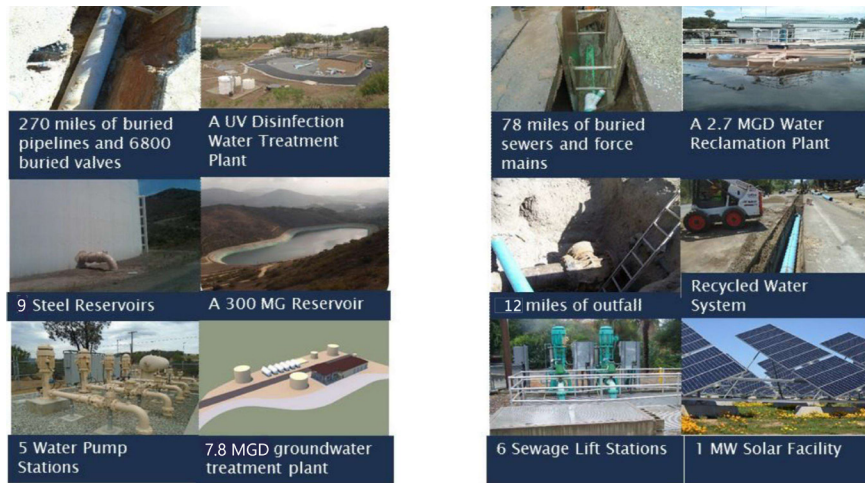
Santa Margarita Groundwater Treatment Plant Ribbon Cutting Ceremony

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

	FY 2021-22	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Budget	Projected						
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	105,101
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:

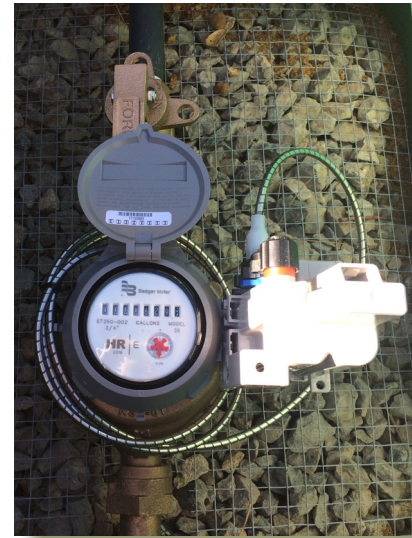
Project	Total Project Budget	FY 2022-23 Budget
Toyon Pump Station Replacement	\$ 515,000	\$ 150,000
DeLuz Pump Station	\$ 360,000	\$ 150,000
Total		\$ 300,000



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

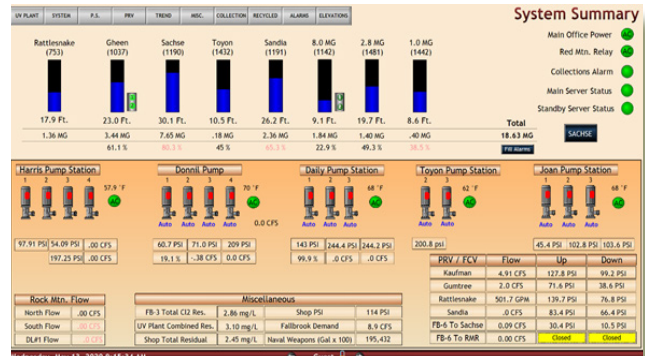


SCADA and Security

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

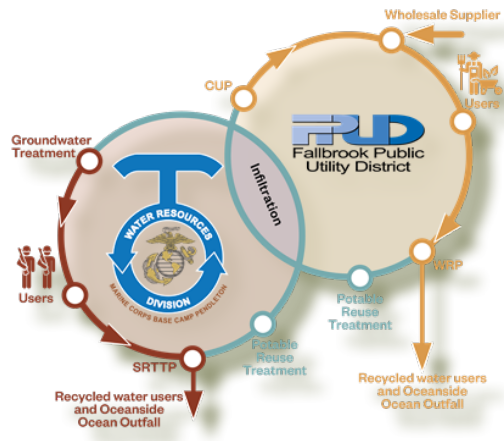


Recycled Water Improvements

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:

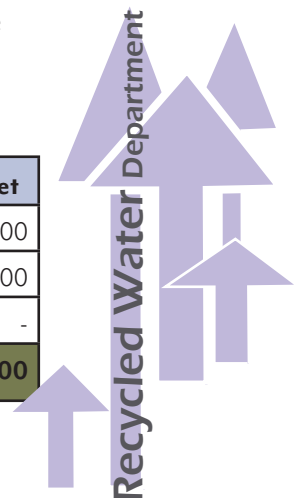
Provide a reliable, cost effective water supply through implementation of local water supply projects.

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
<i>Beginning Balances</i>	<i>\$ 19,751,780</i>	<i>\$ 21,307,883</i>	<i>\$ 20,489,324</i>	<i>\$ 21,441,461</i>	<i>\$ 23,481,367</i>
<i>Ending Balances</i>	<i>\$ 21,307,883</i>	<i>\$ 20,489,324</i>	<i>\$ 21,441,461</i>	<i>\$ 23,481,367</i>	<i>\$ 26,492,194</i>

*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

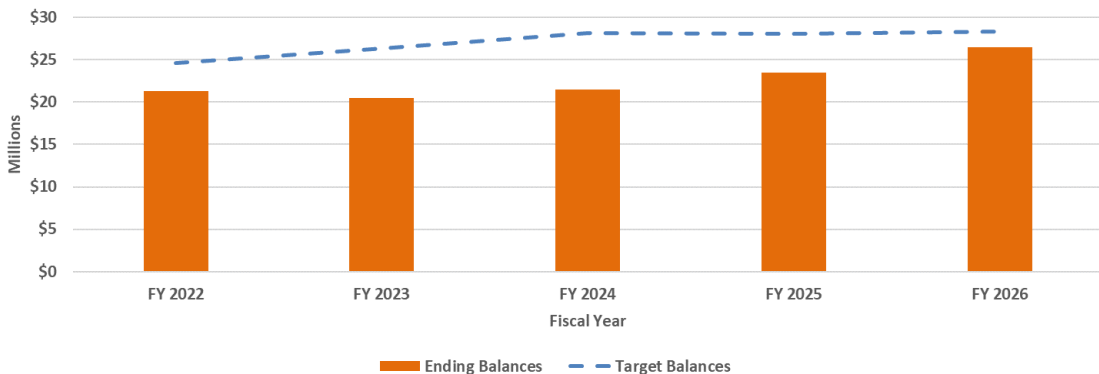


Table #3 - Fallbrook Public Utility District's Wastewater Projections

	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

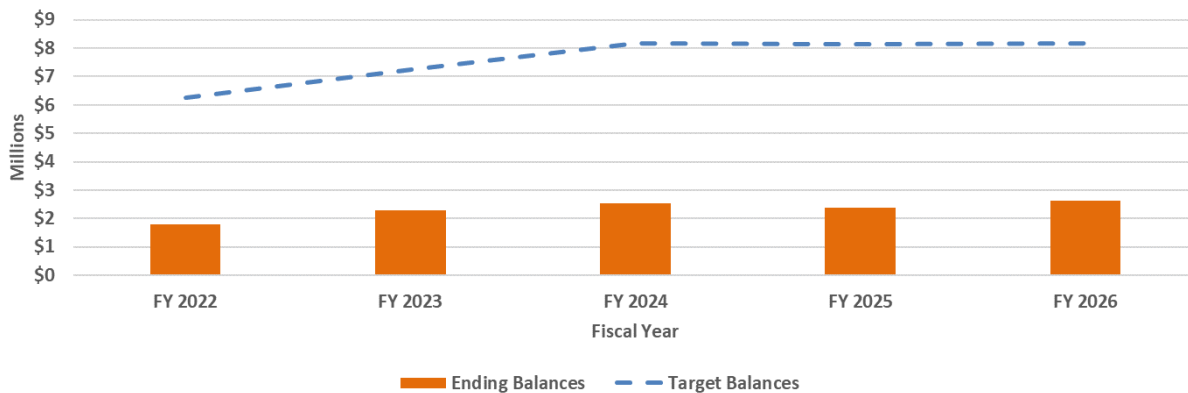


Table #4 Fallbrook Public Utility District’s Recycled Water Projections

	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

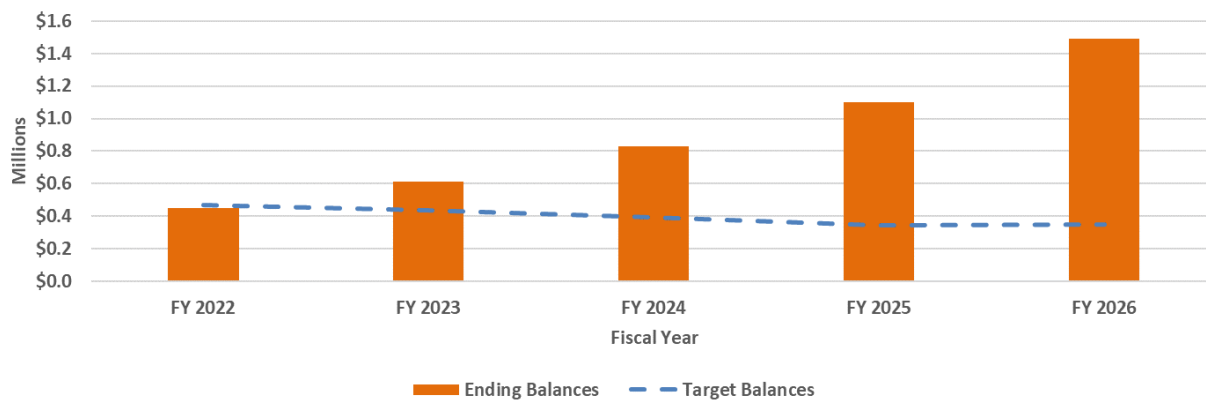


Table #5 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	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: FPUD 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

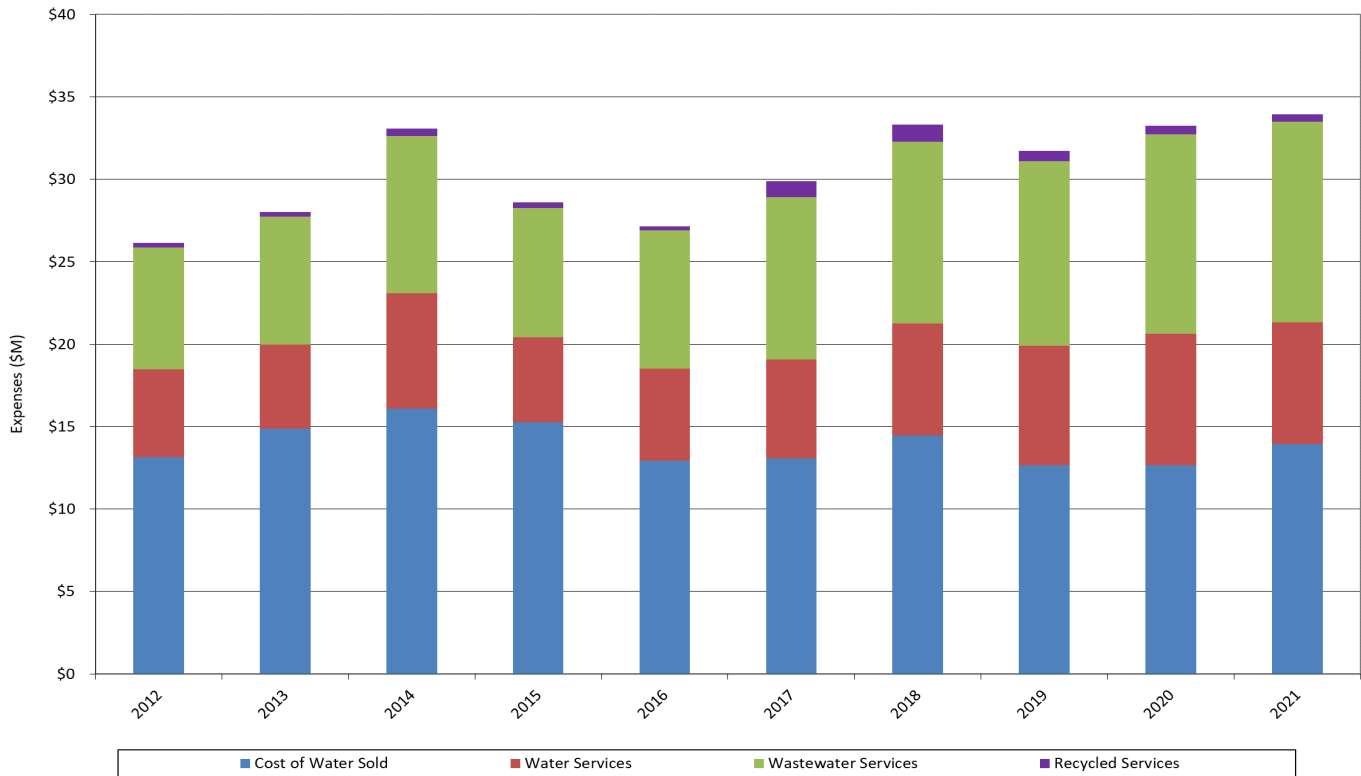
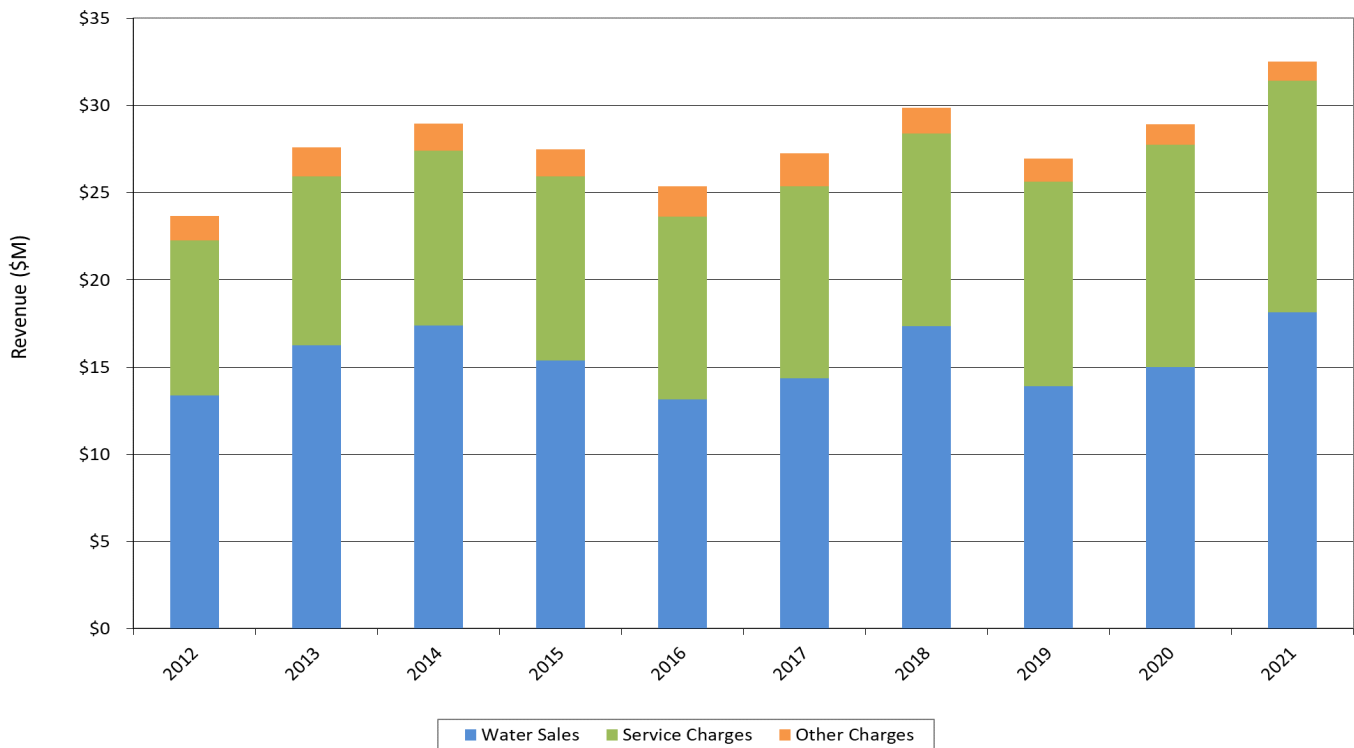


Chart #2 - Operating Revenues by Source



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
NOES: None
ABSTAIN: None
ABSENT: None

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.

Attachment B

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	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> \$41,552,368

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:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Attachment C

Article 12. Water and Sewer Rates and Service Charges.

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

Effective January 1, 2022, the following rates for water deliveries to each class of service are established:

Sec. 12.1 Volumetric Water, Recycled Water and Pumping Rates.

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

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

1-5 units per month	\$7.17 per unit
6-30 units per month	\$7.27 per unit
Over 30 units per month	\$8.86 per unit

Commercial (C).

All usage	\$7.38 per unit
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Multi-Unit (M) (Tier ranges factor residential units, per Article 10.1).

1 - 5 units per month	\$7.17 per unit
6 - 30 units per month	\$7.27 per unit
Over 30 units per month	\$8.86 per unit

Government (G).

All usage	\$7.26 per unit
-----------------	-----------------

Irrigation Only (I).

All usage	\$7.39 per unit
-----------------	-----------------

SAWR - Ag Only (AS).

All usage	\$5.31 per unit
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SAWR - Ag & Home (AT).

1-5 units per month\$7.17 per unit

6-17 units per month\$6.15 per unit

Over 17 units per month\$5.31 per unit

Commercial Ag (CA).

All usage\$6.15 per unit

Commercial Ag Domestic (CB).

1-5 units per month\$7.17 per unit

Over 5 units per month\$6.15 per unit

Drought Rates

In order to prepare and manage future periods of water shortage and mandatory conservation, the District adopted a water shortage contingency plan called the Water Shortage Response Program (the “Program”). Pursuant to the Program, the District established four Water Shortage Response Levels. Article 17 Water Shortage Response Program provides information on the program and the applicable water use rates.

Volumetric Recycled Water Rate.

Recycled water furnished within the District service area for any appropriate purpose will be billed at \$6.13 per 1,000 gallons. Recycled water sold outside the District service area will be sold by contract with specific customers. For San Diego County Water Authority and Metropolitan Water District rebate purposes, reclaimed water rates must be set at higher of 85 percent of lowest applicable potable water rate or 80 percent of the average of Tier 1 and Tier 2 rates.

Construction Meter.

Water furnished for construction purposes will be billed at \$9.14 per 1,000 gallons.

Volumetric Pumping Charges. (DSA and Toyon only)

Pumping charges for the DeLuz High Pressure Service Area and Toyon Heights shall be furnished at \$0.88 per 1,000 gallons to recover the cost of electricity.

Sec. 12.2 Monthly Fixed Charges.

Effective January 1, 2022, the following rates and charges are established and shall be collected by the District for water and recycled water service:

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

	Water Fixed Charges	Recycled Water Charges	Standby Service Charge	Private Services Charge	Fire
3/4 inch meter	\$56.20	\$25.22	\$25.22	NA	
1 inch meter	\$85.79	\$34.15	\$34.15	NA	
1-1/2 inch meter	\$159.73	\$56.46	\$56.46	NA	
2 inch meter	\$248.48	\$83.23	\$83.23	\$12.25	
3 inch meter	\$485.11	\$154.65	\$154.65	\$13.06	
4 inch meter	\$751.33	\$235.00	\$235.00	\$14.47	
6 inch meter	\$1,490.84	\$458.16	\$458.16	\$19.50	
8 inch meter	NA	NA	NA	\$28.18	

NA- Not applicable

For construction meters, a service charge of \$372.72 per month or fraction thereof will be made in addition to the cost of water consumed. This rate is calculated using a factor of 1.5 times the fixed charge for a 2” water meter.

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

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

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

For each 3/4 inch device	\$6.20
For each 1 inch device	\$7.30
For each 1-1/2 inch device	\$13.50
For each 2 inch device	\$16.19
For each 3 inch device	\$32.35
For each 4 inch device	\$50.56
For each 6 inch device	\$101.09

Sec. 12.3 MWD Readiness-to-Serve Charge (RTS) and SDCWA Infrastructure Access Charge (IAC).

Effective July, ~~2021~~2022, the following monthly charges are established and shall be collected by the District for the Metropolitan Water District of Southern California's Readiness-to-Serve (the "RTS") charge and San Diego County Water Authority's Infrastructure Access Charge (the "IAC").

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

	RTS	IAC
3/4 inch meter	\$ 1.72 <u>75</u>	\$4.00
1 inch meter	\$ 2.87 <u>92</u>	\$6.69
1-1/2 inch meter	\$ 5.73 <u>83</u>	\$13.33
2 inch meter	\$ 9.17 <u>33</u>	\$21.34
3 inch meter	\$ 18.35 <u>67</u>	\$42.75
4 inch meter	\$ 2829.67 <u>17</u>	\$66.79
6 inch meter	\$ 5758.33	\$133.53

Sec. 12.4 Water Capital Improvement Charge.

For each water account, an additional \$10.10 per month per Equivalent Meter Unit (EMU) shall be added as a Capital Improvement Charge effective January 1, 2022. This charge is solely dedicated to funding water capital improvement projects. The Water Capital Improvement Charge (the “CIC”) was implemented to provide a partial funding source for capital projects like the UV treatment facility at the Red Mountain Reservoir and to fund pipeline replacement projects.

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

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

Meter Size	FPUD EMU	Water CIC	Water CIC (Standby Service)
3/4 inch meter	1.0	\$10.10	\$4.57
1 inch meter	1.67	\$16.82	\$7.62
1-1/2 inch meter	3.33	\$33.66	\$15.25
2 inch meter	5.33	\$53.84	\$24.40
3 inch meter	10.67	\$107.68	\$48.79
4 inch meter	16.67	\$168.25	\$76.24
6 inch meter	33.33	\$336.50	\$152.48

An additional, a Water CIC Pumping charge of \$.10 per 1,000 gallons is charged and allocated to capital improvements for the DeLuz High Pressure service area and Toyon Heights zone. This Capital Improvement Charge will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10% annually.

Sec. 12.5 Billing Periods.

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

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

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

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

Sec. 12.5.1 Unclaimed Funds

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

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

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

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

Any person with a claim to such money may file a claim prior to the Effective Date with the FPUD treasurer. Pursuant to Government Code Section 50052, the claim shall include the following information: claimant's name, address, amount of claim, grounds upon which the claim is founded, and any other information that may be required by the FPUD treasurer. FPUD has the right to accept or reject a claim. If the claim is accepted, FPUD

will return the money without interest. If FPUD rejects the claim, the claimant may file a verified complaint against FPUD with the superior court within thirty (30) days of receiving notice of FPUD's rejection pursuant to Government Code Section 50052. In the event that the original customer or depositor is deceased, such person's heir, beneficiary, or duly appointed representative may file a claim before the Effective Date as provided in Government Code Section 50052.5.

Sec. 12.6 Meter Locks and Restrictors.

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

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

<u>Meter Size</u>	<u>Installation Fee</u>
3/4" and 1" Meters	\$144
1-1/2" and larger	\$611

Sec. 12.7 Meter Not Registering.

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

Sec. 12.8 Water Rates or Service Charges Lien on Property.

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

Standby accounts with a delinquent balance greater than \$500 as of April 1st of each year may be sent notification of intent to place delinquent and unpaid charges on the annual tax roll. The notification will be sent by May 1st and provides the customer 60 days to bring the account current. If the amount is not brought current by July 1st, the portion of the delinquency due as of the prior April 1st may be reported to the County Treasurer for inclusion on the annual taxes levied on the property.

If for any reason or cause the sums of money owing for such water services are not paid as required by the terms and provisions of this Administrative Code, the District shall have the right to shut off such water, and in no case shall service of water be resumed on the

same property until all such delinquencies and additional turn-on charges shall have been paid in full. Delinquent bills from former owners or tenants are the responsibility of the present owner.

Sec. 12.8.1 Theft of Water.

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

Water Stolen from Customer.

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

Water Stolen from District.

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

Sec. 12.9 Volumetric Wastewater Charges.

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

User Class	Volumetric Wastewater Charge (\$/kgal)
Ag. Domestic	\$ 11.28
Commercial Ag. Domestic	\$ 11.28
Residential (Single , Multi-family)	\$ 11.28
Government	\$ 11.20
School	\$ 11.20
Church	\$ 11.20
Commercial – Low Strength*	\$ 11.20
Commercial – Medium Strength*	\$ 13.81
Commercial – High Strength*	\$ 17.22

Appendix A to this Article provides commercial effluent classification.

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

Customer Class	Return to Sewer Factor
Residential (Multi-Family, Single Family)	75%
Non-Residential/Commercial	90%
Low / Medium / High	90%
Government	
Low / Medium / High	90%
Schools	80%
Churches	80%
Special	
Low / Medium / High	100%
Special 10% RTS (1-10%)	
Low / Medium / High	10%
Special 20% RTS (11-20%)	
Low / Medium / High	20%
Special 30% RTS (21-30%)	
Low / Medium / High	30%
Special 40% RTS (31-40%)	
Low / Medium / High	40%
Special 50% RTS (41-50%)	
Low / Medium / High	50%
Special 60% RTS (51-60%)	
Low / Medium / High	60%
Special 70% RTS (61-70%)	

Customer Class	Return to Sewer Factor
Low / Medium / High	70%
Special 80% RTS (71-80%)	
Low / Medium / High	80%

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

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

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

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

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

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

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

Public elementary and public junior high schools:

1. Monthly sewer bill based on per person, per month charge.
2. The public elementary and / or public junior high school district to provide a report each October that documents the number of students and faculty at each site.
3. CY 2022 public elementary school rate is \$1.37 per student and \$2.00 per staff, per month.
4. CY 2022 public junior high school and administrative offices rate is \$2.00 per person, per month.
5. Rates to be increased by the overall percentage increase in wastewater revenues each year.

Sec. 12.10 Monthly Fixed Wastewater Charge.

For each sewer account, Effective January 1, 2022, the Monthly Fixed Wastewater Charge shall be \$11.08 per month per Equivalent Dwelling Unit (EDU). EDUs will be calculated per Administrative Code Sections 11.7.2, 11.7.3, or 11.7.4.

Sec. 12.10.1 Wastewater Capital Improvement Charge.

For each account, an additional \$11.68 per month per Equivalent Dwelling Unit (EDU) shall be added as a Wastewater Capital Improvement Charge Effective January 1, 2022. This charge is dedicated to Wastewater Debt Service and Wastewater Capital Improvements. The Wastewater Capital Improvement Charge has been implemented to partially fund the debt service payments for upgrades to the Wastewater Treatment Plant. EDUs will be calculated per Administrative Code Sections 11.7.2, 11.7.3, or 11.7.4. This Capital Improvement Charge will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10%. Staff will report back to the Board of Directors every five (5) years with analysis of its necessity. The Capital Improvement Charge will only be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from the Capital Improvement Charge will not be used to fund Operating Costs.

ARTICLE 21 (Renumbered as Article 12 by Resolution 5006)

- Sec. 21.1 – Rev. 7/02
- Sec. 21.2-21.8.2 – Rev. 9/96
- Sec. 21.3 – Rev. 10/96
- Sec. 21.4 & 21.9 – Rev. 6/97
- Sec. 21.4 – Rev 7/02
- Sec. 21.9 – Rev. 10/97
- Sec. 21.9 – Rev. 6/04
- Sec. 21.9 – Rev. 1/05
- Sec. 21.1, 21.3, 21.4, 21.9 – Rev. 6/05
- Sec. 21.1, 21.2, 21.4, & 21.9 – Rev. 6/06
- Sec. 21.9, Flat Rate + Metered Flow – Rev. 7/06
- Sec. 21.9 (Flat Rate classification) – Rev. 10/06
- Sec. 21.4 (construction meters), Sec. 21.5 & Sec. 21.6 – Rev. 12/06
- Sec. 21.5 – Rev. 3/07
- Sec. Sec. 21.1, 21.2, 21.4 , 21.10, 21.10.1– Rev. 6/07
- Sec. 21.5 – Added 6/07
- Sec. 21.10.2 – Deleted 6/07
- Sec. 21.11 – Added 10/07
- Sec. 21.4.1 – Added 12/07; Sec. 21.7 renamed and addition of flow restrictors – Rev. 12/07
- Sec. 21.1, 21.2, 21.4, 21.5, 21.7, 21.10, and 21.11 – Rev. 6/08
- Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2 (added), 21.5, 21.7, 21.10 (new table), 21.10.1, - Rev. 6/09
- Sec. 21.4, 21.10 – Rev. 12/09
- Sec. 21.6, 21.9 – Rev. 5/10
- Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 – Rev. 6/10
- Sec. 21.9.1 (added) – Rev. 9/10
- Sec. 21.1, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 - Rev. 6/11
- Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/12
- Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/13
- Sec. 12.1, 21.2, 21.4, 21.5, 21.9.1, 21.10, 21.10.1 – Rev. 6/14
- Sec. 21.1, 21.2, 21.5 – Rev. 1/15
- Sec. 21.1, 21.2, 21.3, 21.4, 21.4.2, 21.5, 21.10, 21.10.1 Rev 6/15
- Sec. 21, 21.1 – Rev. 11/15
- Secs. 21, 21.2, 21.4, 21.5, 21.7, 21.10, 21.10.1 – Rev. 7/16
- Secs. 21, 21.1 - Rev. 12/16
- All Secs. – Rev. 12/17
- Sec. 21.3 – Rev. 6/18
- Secs. 21.1, 21.2, 21.3, 21.4, 21.9, 21.10, 21.10.1 – Rev. 12/18
- Sec. 21.3 – Rev. 6/19

ARTICLE 21 CONTINUED
(Renumbered as Article 12 by
Resolution 5006)

Secs. 21, 21.1, 21.2, 21.3, 21.4,
21.5, 21.9, 21.10, 21.10.1 – Rev
12/19

Secs. 21.5, 21.6, 21.5.1 (added) –
Rev. 1/20

Sec 21.3 – Rev 6/20

Secs. 21, 21.1, 21.2, 21.3, 21.4,
21.9, 21.10, 21.10.1 – Rev 12/20

Sec 12.3 – Rev 6/21

Secs. 12, 12.1, 12.2, 12.3, 12.4,
12.6, 12.8, 12.9, 12.10, 12.10.1 –
Rev 12/21

Resolution No. 5033
Making Pass-through Adjustments to the Readiness-to-Serve-Charge

RESOLUTION NO. 5033

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
FALLBROOK PUBLIC UTILITY DISTRICT MAKING PASS-
THROUGH ADJUSTMENTS TO THE READINESS-TO-
SERVE-CHARGE**

* * * * *

WHEREAS, the Fallbrook Public Utility District (“District”) is a public utility district organized and operating pursuant to the Public Utility Districts Act, commencing with section 15501 of the California Public Utilities Code; and

WHEREAS, the District is authorized to fix and collect charges for the provision of services and facilities including water, recycled water, and wastewater services; and

WHEREAS, the District purchases almost all of its water from the San Diego County Water Authority (the “CWA”), which in turn purchases water from the Metropolitan Water District of Southern California (“MWD”); and

WHEREAS, the District pays a Readiness-To-Serve charge (“RTS”) to MWD and an Infrastructure Access Charge (“IAC” and, collectively, the “Pass-throughs”) to CWA, which are passed through to customers; and

WHEREAS, the District anticipates that CWA and MWD will increase the rates of the IAC and RTS, respectively, and in order to ensure that there are sufficient revenues to provide water services to customers, the District will annually pass through to customers any increases in the IAC and RTS for a five year period to reflect any such increases by CWA and/or MWD, respectively, commencing January 1, 2018 and ending on December 31, 2022, provided however that the District shall not increase either the IAC or RTS in any year by more than 10% in such year, in no event shall the rates be increased by more than the cost of providing water service, and the District will provide customers at least 30 days written notice prior to an increase (each a “Pass-through Adjustment”); and

WHEREAS, CWA has adjusted the District’s RTS charge effective July 1, 2022, as set forth in Exhibit A hereto; and

WHEREAS, On December 11, 2017, the Board adopted Resolution 4920 authorizing the Board to make certain Pass-through Adjustments for the MWD RTS and the CWA IAC for a five-year period, to authorize inflationary adjustments for certain of the rates, such as the Water and Wastewater CICs, as described in the Resolution, and to authorize revisions to the drought rates for a five-year period, in the maximum amounts; and

WHEREAS, the Board of Directors is authorized to amend Articles 12 of the District’s Administrative Code to reflect the Pass-through Adjustment proposed;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT AS FOLLOWS:

1. Incorporation of Recitals:

The Recitals set forth above are made findings of this Board of Directors and are incorporated herein and made an operative part of this Resolution.

2. Inconsistency with other Fees:

To the extent any Charges, including the drought rates and Pass-through Adjustments, established by this Resolution are inconsistent with the Charges, drought rates, or any other fee or charge previously adopted by the Board of Directors; it is the explicit intention of the Board of Directors that the Charges, including the drought rates and Pass-through Adjustments, adopted pursuant to this Resolution shall prevail.

3. Authorization:

The General Manager is hereby authorized and directed to take all actions necessary to implement and collect the Charges, including the drought rates and any Pass-through Adjustments, as set forth herein. The General Manager, or his or her authorized designee, is hereby authorized and directed to revise Article 12 of the District's Administrative Code as set forth in Exhibit B and as approved by the Board of Directors pursuant to this Resolution.

4. CEQA Compliance:

The Board of Directors finds that the administration, operation, maintenance, and improvements of the District's water, recycled water, and wastewater systems, which are to be funded by the Charges, including the drought rates and the Pass-through Adjustments, and set forth herein, are necessary to maintain service within the District's existing water, recycled water, and wastewater service areas as described herein. The Board of Directors further finds that the administration, operation, maintenance and improvements of the District's water, recycled water, and wastewater systems, to be funded by the Charges, including the drought rates and the Pass-through Adjustments, will not expand the District's water, recycled, and wastewater systems. The Board of Directors further finds that the adoption of the rates for the Charges, including the drought rates and the Pass-through Adjustments, is necessary and reasonable to fund the administration, operation, maintenance and improvements of the District water, recycled water, and wastewater systems. Based on these findings, the Board determines that the adoption of the Charges, including the drought rates and the Pass-through Adjustments, established by this Resolution are exempt from the requirements of the California Environmental Quality Act pursuant to section 21080(b)(8) of the Public Resources Code and section 15273(a) of the State CEQA Guidelines. The documents and materials that constitute the record of proceedings on which these findings have been based are located at the District, 990 E Mission Rd, Fallbrook, CA 92028. The custodian for these records is the secretary of the District.

5. Severability:

If any section, subsection, clause or phrase in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

6. Effective Date of Resolution:

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a special meeting of the Board held on the 27th day of June, 2022, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

EXHIBIT A

MONTHLY WATER MWD RTS

Monthly MWD RTS Charge (\$/meter size)	
Effective July 1, 2022	
Meter Size	MWD RTS
3/4"	\$1.75
1"	\$2.92
1 1/2"	\$5.83
2"	\$9.33
3"	\$18.67
4"	\$29.17
6"	\$58.33

EXHIBIT B

**REVISIONS TO ARTICLES 12 OF THE
FALLBROOK PUBLIC UTILITY DISTRICT
ADMINISTRATIVE CODE
EFFECTIVE JULY 1, 2022**

Article 12. Water and Sewer Rates and Service Charges.

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

Effective January 1, 2022, the following rates for water deliveries to each class of service are established:

Sec. 12.1 Volumetric Water, Recycled Water and Pumping Rates.

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

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

1-5 units per month	\$7.17 per unit
6-30 units per month	\$7.27 per unit
Over 30 units per month	\$8.86 per unit

Commercial (C).

All usage	\$7.38 per unit
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Multi-Unit (M) (Tier ranges factor residential units, per Article 10.1).

1 - 5 units per month	\$7.17 per unit
6 - 30 units per month	\$7.27 per unit
Over 30 units per month	\$8.86 per unit

Government (G).

All usage	\$7.26 per unit
-----------------	-----------------

Irrigation Only (I).

All usage	\$7.39 per unit
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SAWR - Ag Only (AS).

All usage	\$5.31 per unit
-----------------	-----------------

SAWR - Ag & Home (AT).

1-5 units per month	\$7.17 per unit
6-17 units per month	\$6.15 per unit
Over 17 units per month	\$5.31 per unit

Commercial Ag (CA).

All usage	\$6.15 per unit
-----------------	-----------------

Commercial Ag Domestic (CB).

1-5 units per month	\$7.17 per unit
Over 5 units per month	\$6.15 per unit

Drought Rates

In order to prepare and manage future periods of water shortage and mandatory conservation, the District adopted a water shortage contingency plan called the Water Shortage Response Program (the “Program”). Pursuant to the Program, the District established four Water Shortage Response Levels. Article 17 Water Shortage Response Program provides information on the program and the applicable water use rates.

Volumetric Recycled Water Rate.

Recycled water furnished within the District service area for any appropriate purpose will be billed at \$6.13 per 1,000 gallons. Recycled water sold outside the District service area will be sold by contract with specific customers. For San Diego County Water Authority and Metropolitan Water District rebate purposes, reclaimed water rates must be set at higher of 85 percent of lowest applicable potable water rate or 80 percent of the average of Tier 1 and Tier 2 rates.

Construction Meter.

Water furnished for construction purposes will be billed at \$9.14 per 1,000 gallons.

Volumetric Pumping Charges. (DSA and Toyon only)

Pumping charges for the DeLuz High Pressure Service Area and Toyon Heights shall be furnished at \$0.88 per 1,000 gallons to recover the cost of electricity.

Sec. 12.2 Monthly Fixed Charges.

Effective January 1, 2022, the following rates and charges are established and shall be collected by the District for water and recycled water service:

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

	Water Fixed Charges	Recycled Water Charges	Standby Service Charge	Private Services Charge	Fire
3/4 inch meter	\$56.20	\$25.22	\$25.22	NA	
1 inch meter	\$85.79	\$34.15	\$34.15	NA	
1-1/2 inch meter	\$159.73	\$56.46	\$56.46	NA	
2 inch meter	\$248.48	\$83.23	\$83.23	\$12.25	
3 inch meter	\$485.11	\$154.65	\$154.65	\$13.06	
4 inch meter	\$751.33	\$235.00	\$235.00	\$14.47	
6 inch meter	\$1,490.84	\$458.16	\$458.16	\$19.50	
8 inch meter	NA	NA	NA	\$28.18	

NA- Not applicable

For construction meters, a service charge of \$372.72 per month or fraction thereof will be made in addition to the cost of water consumed. This rate is calculated using a factor of 1.5 times the fixed charge for a 2” water meter.

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

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

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

For each 3/4 inch device	\$6.20
For each 1 inch device	\$7.30
For each 1-1/2 inch device	\$13.50
For each 2 inch device	\$16.19
For each 3 inch device	\$32.35
For each 4 inch device	\$50.56
For each 6 inch device	\$101.09

Sec. 12.3 MWD Readiness-to-Serve Charge (RTS) and SDCWA Infrastructure Access Charge (IAC).

Effective July, 2022, the following monthly charges are established and shall be collected by the District for the Metropolitan Water District of Southern California's Readiness-to-Serve (the "RTS") charge and San Diego County Water Authority's Infrastructure Access Charge (the "IAC").

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

	RTS	IAC
3/4 inch meter	\$1.75	\$4.00
1 inch meter	\$2.92	\$6.69
1-1/2 inch meter	\$5.83	\$13.33
2 inch meter	\$9.33	\$21.34
3 inch meter	\$18.67	\$42.75
4 inch meter	\$29.17	\$66.79
6 inch meter	\$58.33	\$133.53

Sec. 12.4 Water Capital Improvement Charge.

For each water account, an additional \$10.10 per month per Equivalent Meter Unit (EMU) shall be added as a Capital Improvement Charge effective January 1, 2022. This charge is solely dedicated to funding water capital improvement projects. The Water Capital Improvement Charge (the “CIC”) was implemented to provide a partial funding source for capital projects like the UV treatment facility at the Red Mountain Reservoir and to fund pipeline replacement projects.

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

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

Meter Size	FPUD EMU	Water CIC	Water CIC (Standby Service)
3/4 inch meter	1.0	\$10.10	\$4.57
1 inch meter	1.67	\$16.82	\$7.62
1-1/2 inch meter	3.33	\$33.66	\$15.25
2 inch meter	5.33	\$53.84	\$24.40
3 inch meter	10.67	\$107.68	\$48.79
4 inch meter	16.67	\$168.25	\$76.24
6 inch meter	33.33	\$336.50	\$152.48

An additional, a Water CIC Pumping charge of \$.10 per 1,000 gallons is charged and allocated to capital improvements for the DeLuz High Pressure service area and Toyon Heights zone. This Capital Improvement Charge will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10% annually.

Sec. 12.5 Billing Periods.

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

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

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

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

Sec. 12.5.1 Unclaimed Funds

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

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

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

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

Any person with a claim to such money may file a claim prior to the Effective Date with the FPUD treasurer. Pursuant to Government Code Section 50052, the claim shall include the following information: claimant's name, address, amount of claim, grounds upon which the claim is founded, and any other information that may be required by the FPUD treasurer. FPUD has the right to accept or reject a claim. If the claim is accepted, FPUD

will return the money without interest. If FPUD rejects the claim, the claimant may file a verified complaint against FPUD with the superior court within thirty (30) days of receiving notice of FPUD's rejection pursuant to Government Code Section 50052. In the event that the original customer or depositor is deceased, such person's heir, beneficiary, or duly appointed representative may file a claim before the Effective Date as provided in Government Code Section 50052.5.

Sec. 12.6 Meter Locks and Restrictors.

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

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

<u>Meter Size</u>	<u>Installation Fee</u>
3/4" and 1" Meters	\$144
1-1/2" and larger	\$611

Sec. 12.7 Meter Not Registering.

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

Sec. 12.8 Water Rates or Service Charges Lien on Property.

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

Standby accounts with a delinquent balance greater than \$500 as of April 1st of each year may be sent notification of intent to place delinquent and unpaid charges on the annual tax roll. The notification will be sent by May 1st and provides the customer 60 days to bring the account current. If the amount is not brought current by July 1st, the portion of the delinquency due as of the prior April 1st may be reported to the County Treasurer for inclusion on the annual taxes levied on the property.

If for any reason or cause the sums of money owing for such water services are not paid as required by the terms and provisions of this Administrative Code, the District shall have the right to shut off such water, and in no case shall service of water be resumed on the

same property until all such delinquencies and additional turn-on charges shall have been paid in full. Delinquent bills from former owners or tenants are the responsibility of the present owner.

Sec. 12.8.1 Theft of Water.

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

Water Stolen from Customer.

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

Water Stolen from District.

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

Sec. 12.9 Volumetric Wastewater Charges.

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

User Class	Volumetric Wastewater Charge (\$/kgal)
Ag. Domestic	\$ 11.28
Commercial Ag. Domestic	\$ 11.28
Residential (Single , Multi-family)	\$ 11.28
Government	\$ 11.20
School	\$ 11.20
Church	\$ 11.20
Commercial – Low Strength*	\$ 11.20
Commercial – Medium Strength*	\$ 13.81
Commercial – High Strength*	\$ 17.22

Appendix A to this Article provides commercial effluent classification.

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

Customer Class	Return to Sewer Factor
Residential (Multi-Family, Single Family)	75%
Non-Residential/Commercial	90%
Low / Medium / High	90%
Government	
Low / Medium / High	90%
Schools	80%
Churches	80%
Special	
Low / Medium / High	100%
Special 10% RTS (1-10%)	
Low / Medium / High	10%
Special 20% RTS (11-20%)	
Low / Medium / High	20%
Special 30% RTS (21-30%)	
Low / Medium / High	30%
Special 40% RTS (31-40%)	
Low / Medium / High	40%
Special 50% RTS (41-50%)	
Low / Medium / High	50%
Special 60% RTS (51-60%)	
Low / Medium / High	60%
Special 70% RTS (61-70%)	

Customer Class	Return to Sewer Factor
Low / Medium / High	70%
Special 80% RTS (71-80%)	
Low / Medium / High	80%

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

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

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

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

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

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

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

Public elementary and public junior high schools:

1. Monthly sewer bill based on per person, per month charge.
2. The public elementary and / or public junior high school district to provide a report each October that documents the number of students and faculty at each site.
3. CY 2022 public elementary school rate is \$1.37 per student and \$2.00 per staff, per month.
4. CY 2022 public junior high school and administrative offices rate is \$2.00 per person, per month.
5. Rates to be increased by the overall percentage increase in wastewater revenues each year.

Sec. 12.10 Monthly Fixed Wastewater Charge.

For each sewer account, Effective January 1, 2022, the Monthly Fixed Wastewater Charge shall be \$11.08 per month per Equivalent Dwelling Unit (EDU). EDUs will be calculated per Administrative Code Sections 11.7.2, 11.7.3, or 11.7.4.

Sec. 12.10.1 Wastewater Capital Improvement Charge.

For each account, an additional \$11.68 per month per Equivalent Dwelling Unit (EDU) shall be added as a Wastewater Capital Improvement Charge Effective January 1, 2022. This charge is dedicated to Wastewater Debt Service and Wastewater Capital Improvements. The Wastewater Capital Improvement Charge has been implemented to partially fund the debt service payments for upgrades to the Wastewater Treatment Plant. EDUs will be calculated per Administrative Code Sections 11.7.2, 11.7.3, or 11.7.4. This Capital Improvement Charge will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10%. Staff will report back to the Board of Directors every five (5) years with analysis of its necessity. The Capital Improvement Charge will only be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from the Capital Improvement Charge will not be used to fund Operating Costs.

ARTICLE 21 (Renumbered as Article 12 by Resolution 5006)

Sec. 21.1 – Rev. 7/02
Sec. 21.2-21.8.2 – Rev. 9/96
Sec. 21.3 – Rev. 10/96
Sec. 21.4 & 21.9 – Rev. 6/97
Sec. 21.4 – Rev 7/02
Sec. 21.9 – Rev. 10/97
Sec. 21.9 – Rev. 6/04
Sec. 21.9 – Rev. 1/05
Sec. 21.1, 21.3, 21.4, 21.9 – Rev. 6/05
Sec. 21.1, 21.2, 21.4, & 21.9 – Rev. 6/06
Sec. 21.9, Flat Rate + Metered Flow – Rev. 7/06
Sec. 21.9 (Flat Rate classification) – Rev. 10/06
Sec. 21.4 (construction meters), Sec. 21.5 & Sec. 21.6 – Rev. 12/06
Sec. 21.5 – Rev. 3/07
Sec. Sec. 21.1, 21.2, 21.4, 21.10, 21.10.1 – Rev. 6/07
Sec. 21.5 – Added 6/07
Sec. 21.10.2 – Deleted 6/07
Sec. 21.11 – Added 10/07
Sec. 21.4.1 – Added 12/07; Sec. 21.7 renamed and addition of flow restrictors – Rev. 12/07
Sec. 21.1, 21.2, 21.4, 21.5, 21.7, 21.10, and 21.11 – Rev. 6/08
Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2 (added), 21.5, 21.7, 21.10 (new table), 21.10.1, - Rev. 6/09
Sec. 21.4, 21.10 – Rev. 12/09
Sec. 21.6, 21.9 – Rev. 5/10
Sec. 21.1, 21.2, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 – Rev. 6/10
Sec. 21.9.1 (added) – Rev. 9/10
Sec. 21.1, 21.4, 21.4.1, 21.4.2, 21.5, 21.10, 21.10.1 - Rev. 6/11
Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/12
Sec. 21.1, 21.2, 21.4, 21.5, 21.10, 21.10.1 – Rev. 6/13
Sec. 12.1, 21.2, 21.4, 21.5, 21.9.1, 21.10, 21.10.1 – Rev. 6/14
Sec. 21.1, 21.2, 21.5 – Rev. 1/15
Sec. 21.1, 21.2, 21.3, 21.4, 21.4.2, 21.5, 21.10, 21.10.1 Rev 6/15
Sec. 21, 21.1 – Rev. 11/15
Secs. 21, 21.2, 21.4, 21.5, 21.7, 21.10, 21.10.1 – Rev. 7/16
Secs. 21, 21.1 - Rev. 12/16
All Secs. – Rev. 12/17
Sec. 21.3 – Rev. 6/18
Secs. 21.1, 21.2, 21.3, 21.4, 21.9, 21.10, 21.10.1 – Rev. 12/18
Sec. 21.3 – Rev. 6/19

ARTICLE 21 CONTINUED
(Renumbered as Article 12 by
Resolution 5006)

Secs. 21, 21.1, 21.2, 21.3, 21.4,
21.5, 21.9, 21.10, 21.10.1 – Rev
12/19

Secs. 21.5, 21.6, 21.5.1 (added) –
Rev. 1/20

Sec 21.3 – Rev 6/20

Secs. 21, 21.1, 21.2, 21.3, 21.4,
21.9, 21.10, 21.10.1 – Rev 12/20

Sec 12.3 – Rev 6/21

Secs. 12, 12.1, 12.2, 12.3, 12.4,
12.6, 12.8, 12.9, 12.10, 12.10.1 –
Rev 12/21

M E M O

TO: Board of Directors
FROM: Fiscal Policy & Insurance Committee
DATE: June 27, 2022
SUBJECT: Amendment of Administrative Code Section 5 – purchasing procedures

Description

The Fallbrook Public Utility District is subject to the provisions of the Uniform Public Construction Cost Accounting Act (UPCCAA). This act provides procedures for the bidding and awarding of public contracts, including maintenance work and all other purchases subject to the Public Contract Code. In order to align with the UPCCAA's recent adjustments in 2021, Article 5 of the FPUD administrative code is requested to be amended.

Purpose

Section 5.5 of article 5 of the FPUD administrative code details the following purchasing procedures dollar amounts:

- Small Purchase Procedures - \$45,000 or less may be approved by General Manager.
- Informal Bid Procedures - \$45,001 to \$175,000 or less must be approved by the Board of Directors, but may be informally bid.
- Formal Bid Procedures - \$175,001 and above must be approved by the Board of Directors and must be formally bid.

These dollar amounts are no longer in-line with the UPCCAA. As of November, 2021, the UPCCAA has been amended with the following amounts:

- Small Purchase Procedures - \$60,000 or less.
- Informal Bid Procedures - \$60,001 to \$200,000.
- Formal Bid Procedures - \$200,001 and above.

Budgetary Impact

There is no budgetary impact for this amendment.

Recommended Action

The Board adopt Resolution No. 5034, amending Article 5 of the FPUD Administrative Code with the changes noted above.

Article 5. District Procurement Procedures.

Sec. 5.1 Authority.

California Public Contract Code Sections 20200-20207.7, as well as other provisions in the California Public Contract Code, certain miscellaneous statutes found in the Public Utility District Act (Public Utilities Code Section 15501 et seq.), and the California Government Code, govern procurement (purchasing and contracting) by the District of the following:

- Articles such as goods, materials, supplies, equipment, capital assets, and advertising
- Works of construction, alteration, and non-professional services (including repair and maintenance)
- Professional services

The District has elected to become subject to the provisions of the Uniform Public Construction Cost Accounting Act (the "Act"), Public Contract Code Section 22000 et seq., which provides alternative procedures for the bidding and awarding of public contracts. As provided in Public Contract Code Section 22003, these procedures may also be utilized for maintenance work and other work that does not fall within the definition of "public project." Accordingly, it is the District's intent to utilize these procedures for "public projects" and all other purchases otherwise subject to Public Contract Code Sections 20200-20207.7.

The provisions of this Article 5 shall not apply to the acquisition of land by the District.

Sec. 5.2 General.

The ongoing operation of the District requires the procurement of various items, construction and services. Since it is necessary to procure these items, construction and services on a regular basis to carry on the day-to-day operations of the District, and since the Board of Directors reviews and approves all procurements through the budgeting process, or otherwise approves procurements by separate action from time to time, the following formal procurement policies and procedures are provided for implementation by District staff. These formal procedures are intended to implement the above-listed requirements of the California Public Contract Code, California Government Code, and California Public Utilities Code, which are mandatory for Public Utility Districts located within the State of California. State law forbids any director or other officer of the District from being interested, directly or indirectly, in any contract awarded or to be awarded by the Board, or in the profits to be derived from it.

Sec. 5.3 Procurement Philosophy.

Purchases of goods, materials, supplies, equipment, and capital assets shall be made from time to time, in the most economical quantity, in order to provide the District with maximum benefit for minimum expenditures. Quality and reliability of products are also important factors which may, on a case-by-case basis, cause rejection of an inferior product that does not meet specified requirements. It is also essential that purchases of all goods, materials, supplies, equipment, and capital assets be done by the District in a fair and open manner that promotes public confidence in the District and reinforces the public perception of fairness and equal opportunity for all competing vendors offering their products or services to the District. Contracts for works of construction and all services shall be made from time to time, after complying with applicable legal requirements and these procurement policies and procedures. To the extent permitted by law, and subject to the limitations established in Section 5.10, purchases should be made from vendors located within the boundaries of the District.

Sec. 5.4 Definitions.

- a. Articles. Goods, materials, supplies, equipment, capital assets, and advertising required to carry on the day-to-day operations of the District, including without limitation, office supplies, computer hardware and software, communications equipment, equipment, materials and supplies for distribution and treatment, including meters, meter parts, and pipeline materials.
- b. Commission. The California Uniform Construction Cost Accounting Commission.
- c. Designee. The General Manager may authorize the following persons as his designee in those areas in which they exercise budgeting control:
 - (1) Assistant General Manager/Chief Financial Officer – (Articles related to office equipment and supplies, all computer hardware and software, communication equipment, and contract services).
 - (2) Operations Manager – (Articles used for distribution and treatment and SCADA).
 - (3) Field Services Manager – (Construction and field equipment and materials, contract change orders).
 - (4) Chief Plant Operator – (Articles used for treatment).
 - (5) ~~Senior Engineer~~Engineering Manager – (Contract services, contract change orders).

- (6) Senior Accountant – (Contract services, articles related to office equipment and supplies).
 - (7) Field Supervisors – (Articles such as field equipment and materials).
 - (8) ~~Warehouse Supervisor~~ Purchasing/Warehouse/Fleet Supervisor – (Warehouse, fleet, and related articles).
- d. Maintenance. As defined in Public Contract Code § 22002, Maintenance includes all of the following: (1) routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes (2) minor repainting (3) resurfacing of streets and highways at less than one inch (4) landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems (5) work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.
- e. Open Purchase Order. A purchase order for Articles which is effective for a specified period of time, not more than annually, and within the same budget year, i.e., office supplies and auto parts.
- f. Professional Services. Professional services, such as services involving provision of a report, study, plan, design, specification, document, program, advice, recommendation, analysis, review, inspection, investigation, audit, brokering or representation of the District before or in dealings with another party, or any other services which require a special skill or expertise of a professional, scientific or technical nature. Professional Services include architectural, landscape architectural, engineering, environmental, land surveying, construction project management services. Professional Services also include legal, financial, accounting, and planning services.
- g. Public Project. Defined in Cal. Public Contract Code § 22002, means any of the following: (1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility and (2) Painting or repainting of any publicly owned, leased, or operated facility.

Sec. 5.5 Procedures for the Purchase of Public Projects, Maintenance, and Articles

- a. Purchase Procedures for Public Projects, Maintenance, and Articles in the Amount of ~~\$45,000~~\$60,000 or Less (“Small Purchase Procedures”).

The General Manager or Designee may make purchases of Public Projects, Maintenance, and Articles in an amount of ~~\$45,000~~\$60,000 or less, in accordance

with the following Small Purchase Procedures, which the Board has imposed for such purchases, in the interests of sound business judgment.

- (1) ~~(1)~~ Purchases of ~~\$10,000~~ \$120,000 or more shall be made after obtaining three (3) written quotations. Purchases under ~~\$10,000~~\$120,000 shall be purchased in the most prudent and economical manner possible, but do not require multiple competitive quotations.

~~If the purchase utilizes federal funding, three (3) written quotations shall be required for all purchases over \$10,000.~~

- (2) The requirement for three (3) quotations is not required in those cases where the Board has approved the purchase as a “standardized item” such as meters, or for Open Purchase Orders as provided below.
- (3) Small Purchase Procedures specific to Articles. All purchases shall be made by purchase order after a properly authorized Purchase Order Requisition (POR) has been completed, signed and forwarded in the required manner. The only exceptions to this requirement are purchases made under a pre-existing Open Purchase Order, purchase of small routine items from suppliers with open purchase order or accounts, or purchases made during emergency. The purchase order must indicate the name of the suggested vendor and an exact description and price of each Article. Shipping charges, if any, and applicable taxes must also be included in the total price. The purchase order shall be reviewed and signed by the General Manager or Designee.

Open Purchase Orders shall generally be utilized for the purchase of repetitive need, low-valued Articles or for the purchase of Articles (such as automotive supplies) which must be available on short notice. Open Purchase Orders shall not be utilized as a substitute for the normal requisition and purchase order process described in this section. Open Purchase Orders may be written for a single class of consumable Articles i.e., office supplies, without listing specific, exact descriptions of each Article, but not to exceed the authority listed above and cannot span a period of time which includes more than one fiscal year.

- (4) Small Purchase Procedures specific to Public Projects and Maintenance. All purchases shall be made by written contract. Any such contracts shall be awarded on the basis of price and such other criteria established by the General Manager or Designee, as may be in the best interest of the District, in light of the type of work involved. Contracts for Public Projects shall require the successful bidder to execute a bond, in a form approved by the Board, for the faithful performance of the contract. Additionally if the contract exceeds \$25,000 and involves erection, construction, alteration, repair or improvement of any public structure, building, road or other public

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improvement of any kind, the successful bidder shall execute a payment bond, as required by the provisions of the California Civil Code.

- (5) Petty cash. Occasionally purchases of minor items may be required. Payments for such items may be authorized from petty cash funds by the General Manager or Designee. In no case will approval exceed \$50.00.
- (6) Quote information shall be retained until completion of the annual audit for the fiscal year in which purchased, or as otherwise established in the District's Records Retention Schedule.
- (7) Nothing in these Small Purchase Procedures shall prevent the General Manager, or Designee, from obtaining multiple quotations or from implementing the Informal Bid Procedures or Formal Bid Procedures if it is in the best economic interests of the District to do so. This judgment shall be made in the sole discretion of the General Manager or Designee.
- (8) Nothing in these Small Purchase Procedures shall prohibit the District from doing or causing to be done directly by the District, and without any contract, any or all work necessary or proper in or about the making of all current and ordinary repairs or in or about current and ordinary upkeep or maintenance.
- (8) Under no circumstances shall purchases be split or separated into multiple purchases in order to avoid the Small Purchase Procedures, Informal Bid Procedures and/or Formal Bid Procedures set forth herein

b. Purchase Procedures for Public Projects, Maintenance, and Articles in Excess of ~~\$45,000~~ \$60,000 and ~~\$175,000~~ \$200,000 or Less ("Informal Bid Procedures").

In accordance with Public Contract Code Section 22034, the District adopts the following Informal Bid Procedures, applicable to purchases of Public Projects, Maintenance, and Articles in excess of ~~\$45,000~~ \$60,000 and ~~\$175,000~~ \$200,000 or less. Contract award shall be made by the Board.

- (1) The District shall maintain a list of qualified contractors, identified according to categories of work. Minimum criteria for development and maintenance of the contractors list shall be as required by the Commission.
- (2) All contractors on the list for the category of work being bid or all construction trade journals pursuant to in Public Contract Code Section 22036, or both all contractors on the list for the category of work being bid and all construction trade journals pursuant to in Public Contract Code Section 22036, shall be mailed, faxed or emailed, a notice inviting informal bids unless the product or service is proprietary.

- (3) All delivery of notices inviting informal bids to contractors and construction trade journals shall be completed not less than 10 calendar days before bids are due. The notice inviting informal bids may also be published in in a newspaper of general circulation.
- (4) The notice inviting informal bids shall describe the project in general terms and how to obtain more detailed information about the project, and state the time and place for the submission of bids.
- (5) If all bids received are in excess of ~~\$175,000~~ \$200,000, the Board may, by adoption of a resolution by a four-fifths (4/5) vote, award the contract, at one ~~\$187,500~~ \$212,500 or less, to the lowest responsible bidder, if it determines the cost estimate of the District is reasonable.
- (6) If awarded, a contract will be awarded to the lowest responsible bidder, consistent with the quality and delivery requirements.
- (7) All contracts for Public Projects shall require the successful bidder to execute a bond, in a form approved by the Board, for the faithful performance of the contract. Additionally if the contract involves erection, construction, alteration, repair or improvement of any public structure, building, road or other public improvement of any kind, the successful bidder shall execute a payment bond, as required by the provisions of the California Civil Code.
- (8) The Board shall have the right to reject all or any of the bids received.

c. Purchase Procedures for Public Projects, Maintenance, and Articles in Excess of ~~\$175,000~~ \$200,000 (“Formal Bid Procedures”).

Purchases of Public Projects, Maintenance, and Articles in an amount exceeding ~~\$175,000~~ \$200,000 shall be procured pursuant to the following Formal Bid Procedures. Contract award shall be made by the Board. Additionally, all plans and specifications for Public Projects shall be adopted by the Board or General Manager/ Designee.

- (1) In accordance with Public Contract Code Section 22037, a notice inviting formal bids shall be published in a newspaper of general circulation, printed and published, at least 14 calendar days before the date of opening the bids, in the jurisdiction of the District and any such other newspaper publications deemed appropriate by the General Manager or Designee. Notice inviting formal bids shall state the time and place for the receiving and opening of sealed bids and distinctly describe the project.

If applicable, the notice inviting formal bids shall also be sent electronically, if available, by either facsimile or electronic mail and mailed to all

construction trade journals. The notice shall be sent at least 15 calendar days before the date of opening the bids.

- (2) All bids for shall be presented under sealed cover. If awarded, a contract will be awarded to the responsible bidder who submits the lowest responsive bid.
- (3) All bids for Public Projects shall be accompanied by one of the following forms of bidder's security:
 - i. Cash
 - ii. A cashier's check made payable to the District
 - iii. A certified check made payable to the District
 - iv. A bidder's bond executed by an admitted surety insurer made payable to the District in the form provided by the District

Upon an award to the lowest bidder, the security of an unsuccessful bidder shall be returned in a reasonable period of time, but in no event shall that security be held by the District beyond 60 days from the time the award is made.

- (4) All contracts for Public Projects shall require the successful bidder to execute a bond, in a form approved by the Board, for the faithful performance of the contract. Additionally if the contract involves erection, construction, alteration, repair or improvement of any public structure, building, road or other public improvement of any kind, the successful bidder shall execute a payment bond, as required by the provisions of the California Civil Code.
 - (5) The Board shall have the right to reject all or any of the bids received.
- d. Nothing in this Section shall preclude the District from utilizing the design-build project delivery method where authorized by and in accordance with the provisions and requirements set forth in California Public Contract Code Section 22160 et seq., as it may be amended from time to time.
 - e. Any federally funded project shall comply with Uniform Guidance for Procurement.

Sec. 5.6 Procedures for Procurement of Professional Services.

- a. Pursuant to California Government Code Section 4526 et seq., the District shall secure professional services on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required. When specific technical expertise or experience is required, the

District may negotiate the scope and fee for these services with an individual firm with this specific expertise.

- b. The District may, for procurement of architectural, landscape architectural, engineering, environmental, land surveying, and construction management services, utilize the Qualification-Based Selection procedures adopted by the Architects and Engineers Conference Committee of California, as deemed appropriate by the General Manager or Designee.
- c. If the value of the services are estimated to be ~~\$45,000-\$60,000~~ or more, the District shall issue a formal Request for Proposals for the services. Additionally, if deemed in the best interests of the District as determined by the General Manager or Designee, the District may first issue a Request for Qualifications to solicit firms with the necessary qualifications for the services.
- d. If the value of the services are estimated to be less than ~~\$45,000-\$60,000~~, where practical, three proposals shall be obtained unless the General Manager or Designee deems otherwise appropriate.
- e. Award of Professional Services Contracts may be made by the General Manager for contracts in the amount of ~~\$45,000-\$60,000~~ or less. Contracts in excess of ~~\$45,000-\$60,000~~ shall be awarded by the Board.
- f. The contract amendment procedures outlined in this Article apply to Professional Services Contracts.

Sec. 5.7 Prequalification.

The District may prequalify contractors, pursuant to the provisions and requirements of California Public Contract Code Section 20101, as determined appropriate in the reasonable discretion of the General Manager or District Engineer. Prequalification shall be through a uniform system of rating bidders on the basis of completed questionnaires and financial statements in a form specified by the Board. The District may accordingly limit bids or proposals it receives to those contractors who are prequalified.

Sec. 5.8 Emergencies.

California Public Contract Code Section 22050 authorizes special contracting procedures in cases of “emergency.” An “emergency” for purposes of Section 22050 is defined as a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services.

In the case of an emergency, as defined herein, the General Manager or Designee, may repair or replace a public facility, take any directly related and immediate action required by the emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts. The General

Manager, or Designee, must report to the Board at its next meeting required pursuant to this Section 5.8, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency.

If the General Manager or Designee, orders any action specified herein, the Board shall initially review the emergency action not later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not later than 14 days after the action, and at least at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action, unless the General Manager or Designee, has terminated that action prior to the Board reviewing the emergency action and making a determination. When the Board reviews the emergency action, it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

Sec. 5.9 Exceptions to Procurement Requirements.

a. Sole Source Exception.

Notwithstanding any provision in this Article 5, the procurement requirements set out in this Article 5 shall not apply to the procurement of Articles, Professional Services, Public Projects, or Maintenance that can only be obtained from one supplier or contractor and for which obtaining quotes or bids is therefore impossible or not in the public interest, such that no competitive advantage can be gained by soliciting quotes or bids. Sole source contracts or agreements up to ~~\$45,000~~ \$60,000 may be procured by the General Manager or Designee. The Board must approve any source contracts or agreements of ~~\$45,000-\$60,000~~ or more.

b. Purchases when Price Controlled by an Official Rate-Making Body.

Whether approved by the General Manager or Designee, or the Board, the District is authorized to procure services or Articles without quotation or bid if the price is controlled by an official rate-making body such as is the case with wholesale water from SDCWA, electricity, gas and telephone, and the services are provided for in the operating budget.

Sec. 5.10 Local Procurements.

- a. It is the District's policy to encourage local businesses to provide goods and services to the District in order to maintain a healthy local economy, to increase local competition, and to lower core costs of goods and services. Local preference for the procurement of eligible contracts may be allowed, so long as it is not otherwise prohibited by funding sources, by providing a 5% local preference where the purchase or contracts with a respective local vendor or business during any fiscal year do not exceed ~~\$45,000-\$60,000~~. In order to qualify for this local

preference, a vendor or business must either (a) be a District rate payer in good standing for the past six months, or (b) receive District utility services at its business location for the past six months, paid by a third party.

- b. Eligible procurements include those contracts which are not otherwise subject to competitive bidding, including contracts for the following:
 - (1) Purchases of Public Projects, Maintenance, and Articles in the amount of ~~\$45,000~~ \$60,000 or less, pursuant to Section 5.5(a).

Sec. 5.11 Sale of Surplus Property/Equipment and Scrap Metal.

- a. Surplus Property/Equipment. When it has been determined by the General Manager that equipment is no longer appropriate because of capability, size, age, etc., to fulfill the District's mission or if a particular piece of equipment is more costly to maintain than to replace, the item will be disposed of through the next scheduled San Diego County auction. Should property become surplus through obsolescence or through a change in operating methodology, the excess property will be disposed of, as determined by District staff, as follows:
 - (1) To other public agencies on a bid basis;
 - (2) San Diego County Auction, or
 - (3) Internet-based inline auction services.
- b. Scrap Metal. The scrap metal which accumulates through the replacing of damaged and/or unserviceable items in the course of District operations, shall be sold as scrap to local scrap dealers at prevailing rates. Sales receipts shall be miscellaneous revenues of the District.

Sec. 5.12 Use of District Credit Card.

- a. There are certain transactions that are more efficient using a credit card transaction. Examples include small purchases that are lower cost on-line, travel arrangements, registration for training and other similar services.
- b. The credit card shall never be used to circumvent established competitive purchasing procedures. The credit card is prohibited from being used to purchase items for personal use under all circumstances. Personal use of the credit card will result in disciplinary action.
- c. Authorized cardholders and credit card use shall be per the District Credit Card Users Guide as approved by the General Manager.

Sec. 5.13 Contract Amendment Procedures.

As delegated by the Board of Directors of the District pursuant to the provisions of the Public Utility District Act, the General Manager is authorized to issue amendments to contracts as follows:

- a. A purchase order or contract may be amended by the issuance of a change order or amendment, provided the change which is the subject of the change order or amendment is reasonably related to the scope of the original contract. The General Manager may issue a change order or amendment which results in a total contract price of ~~\$45,000.00-\$60,000~~ or less. The General Manager may request approval authority from the Board to issue contract amendments for up to 10% of the total contract value for specific projects with an initial contract value of greater than ~~\$45,000-\$60,000~~.
- b. When the cumulative sum of amendments to a contract would exceed the limits in (a) above, a report of such amendments will be presented to the Board at its next meeting. Upon acceptance of the amendments by the Board, the General Manager shall have additional authorization to issue amendments as if the original contract amount were the total of the original amount and all accepted amendments.

ARTICLE 14 (Renumbered as Article 5 by Resolution 5006)
Sec. 14.7 - Rev. 4/95
Sec. 14.10 - Rev. 3/96
Sec. 14.5(a), 14.6(a) & (d), 14.7(d) - Rev. 6/99
Sec. 14.11 - Added 10/05
Sec. 14.4e(2), 14.10(c) & 14.12(g) - Rev. 6/06
Sec. 14.5(g) - Rev. 8/08
Sec. 14.4(e), Rev 01/09
Secs. 14.4(e)1,3,4,5,(f); 14.5(a)(d); 14.6(c)(d); 14.7(d); 14.9(b); 14.11(c) - Rev. 2/10
Add Sec. 14.12 - Rev. 2/11
Secs. 14.4; 14.9 - Rev. 1/13
Secs. 14.4; 14.13 - Rev. 7/13
Sec. 14.4 - Rev. 5/15
Sec. 14.4(f), 14.9(c) - Rev. 1/16
All Secs. Repealed and Replaced - Rev. 6/17
Sec. 14.4 - Rev. 5/19
Sec. 5.5 - Rev. 3/21

RESOLUTION NO. 5034

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT AMENDING ADMINISTRATIVE CODE
ARTICLE 5, DISTRICT PROCUREMENT PROCEDURES**

* * * * *

WHEREAS, the Fallbrook Public Utility District is subject to the provisions of the Uniform Public Construction Cost Accounting Act (UPCCAA); and

WHEREAS, this act provides procedures for the bidding and awarding of public contracts, including maintenance work and all other purchases subject to the Public Contract Code; and

WHEREAS, in order to align with the UPCCAA's recent adjustments in 2021, Article 5 of the FPUD administrative code is requested to be amended.

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

1. That the Board approves the proposed revisions to Sections 5.4, 5.5, 5.6, 5.9, 5.10, and 5.13 of Article 5 of the Administrative Code as set forth in Exhibit A and incorporated herein.
2. The remaining provisions of Article 5 are unaffected and reconfirmed hereby.

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:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

EXHIBIT A

Article 5. District Procurement Procedures.

Sec. 5.1 Authority.

California Public Contract Code Sections 20200-20207.7, as well as other provisions in the California Public Contract Code, certain miscellaneous statutes found in the Public Utility District Act (Public Utilities Code Section 15501 et seq.), and the California Government Code, govern procurement (purchasing and contracting) by the District of the following:

- Articles such as goods, materials, supplies, equipment, capital assets, and advertising
- Works of construction, alteration, and non-professional services (including repair and maintenance)
- Professional services

The District has elected to become subject to the provisions of the Uniform Public Construction Cost Accounting Act (the "Act"), Public Contract Code Section 22000 et seq., which provides alternative procedures for the bidding and awarding of public contracts. As provided in Public Contract Code Section 22003, these procedures may also be utilized for maintenance work and other work that does not fall within the definition of "public project." Accordingly, it is the District's intent to utilize these procedures for "public projects" and all other purchases otherwise subject to Public Contract Code Sections 20200-20207.7.

The provisions of this Article 5 shall not apply to the acquisition of land by the District.

Sec. 5.2 General.

The ongoing operation of the District requires the procurement of various items, construction and services. Since it is necessary to procure these items, construction and services on a regular basis to carry on the day-to-day operations of the District, and since the Board of Directors reviews and approves all procurements through the budgeting process, or otherwise approves procurements by separate action from time to time, the following formal procurement policies and procedures are provided for implementation by District staff. These formal procedures are intended to implement the above-listed requirements of the California Public Contract Code, California Government Code, and California Public Utilities Code, which are mandatory for Public Utility Districts located within the State of California. State law forbids any director or other officer of the District from being interested, directly or indirectly, in any contract awarded or to be awarded by the Board, or in the profits to be derived from it.

Sec. 5.3 Procurement Philosophy.

Purchases of goods, materials, supplies, equipment, and capital assets shall be made from time to time, in the most economical quantity, in order to provide the District with maximum benefit for minimum expenditures. Quality and reliability of products are also important factors which may, on a case-by-case basis, cause rejection of an inferior product that does not meet specified requirements. It is also essential that purchases of all goods, materials, supplies, equipment, and capital assets be done by the District in a fair and open manner that promotes public confidence in the District and reinforces the public perception of fairness and equal opportunity for all competing vendors offering their products or services to the District. Contracts for works of construction and all services shall be made from time to time, after complying with applicable legal requirements and these procurement policies and procedures. To the extent permitted by law, and subject to the limitations established in Section 5.10, purchases should be made from vendors located within the boundaries of the District.

Sec. 5.4 Definitions.

- a. Articles. Goods, materials, supplies, equipment, capital assets, and advertising required to carry on the day-to-day operations of the District, including without limitation, office supplies, computer hardware and software, communications equipment, equipment, materials and supplies for distribution and treatment, including meters, meter parts, and pipeline materials.
- b. Commission. The California Uniform Construction Cost Accounting Commission.
- c. Designee. The General Manager may authorize the following persons as his designee in those areas in which they exercise budgeting control:
 - (1) Assistant General Manager/Chief Financial Officer – (Articles related to office equipment and supplies, all computer hardware and software, communication equipment, and contract services).
 - (2) Operations Manager – (Articles used for distribution and treatment and SCADA).
 - (3) Field Services Manager – (Construction and field equipment and materials, contract change orders).
 - (4) Chief Plant Operator – (Articles used for treatment).
 - (5) Engineering Manager – (Contract services, contract change orders).
 - (6) Senior Accountant – (Contract services, articles related to office equipment and supplies).

- (7) Field Supervisors – (Articles such as field equipment and materials).
- (8) Purchasing/Warehouse/Fleet Supervisor – (Warehouse, fleet, and related articles).
- d. Maintenance. As defined in Public Contract Code § 22002, Maintenance includes all of the following: (1) routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes (2) minor repainting (3) resurfacing of streets and highways at less than one inch (4) landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems (5) work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of 230,000 volts and higher.
- e. Open Purchase Order. A purchase order for Articles which is effective for a specified period of time, not more than annually, and within the same budget year, i.e., office supplies and auto parts.
- f. Professional Services. Professional services, such as services involving provision of a report, study, plan, design, specification, document, program, advice, recommendation, analysis, review, inspection, investigation, audit, brokering or representation of the District before or in dealings with another party, or any other services which require a special skill or expertise of a professional, scientific or technical nature. Professional Services include architectural, landscape architectural, engineering, environmental, land surveying, construction project management services. Professional Services also include legal, financial, accounting, and planning services.
- g. Public Project. Defined in Cal. Public Contract Code § 22002, means any of the following: (1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility and (2) Painting or repainting of any publicly owned, leased, or operated facility.

Sec. 5.5 Procedures for the Purchase of Public Projects, Maintenance, and Articles

- a. Purchase Procedures for Public Projects, Maintenance, and Articles in the Amount of \$60,000 or Less (“Small Purchase Procedures”).

The General Manager or Designee may make purchases of Public Projects, Maintenance, and Articles in an amount of \$60,000 or less, in accordance with the following Small Purchase Procedures, which the Board has imposed for such purchases, in the interests of sound business judgment.

- (1) Purchases of \$10,000 or more shall be made after obtaining three (3) written quotations. Purchases under \$10,000 shall be purchased in the most prudent and economical manner possible, but do not require multiple competitive quotations.
- (2) The requirement for three (3) quotations is not required in those cases where the Board has approved the purchase as a “standardized item” such as meters, or for Open Purchase Orders as provided below.
- (3) Small Purchase Procedures specific to Articles. All purchases shall be made by purchase order after a properly authorized Purchase Order Requisition (POR) has been completed, signed and forwarded in the required manner. The only exceptions to this requirement are purchases made under a pre-existing Open Purchase Order, purchase of small routine items from suppliers with open purchase order or accounts, or purchases made during emergency. The purchase order must indicate the name of the suggested vendor and an exact description and price of each Article. Shipping charges, if any, and applicable taxes must also be included in the total price. The purchase order shall be reviewed and signed by the General Manager or Designee.

Open Purchase Orders shall generally be utilized for the purchase of repetitive need, low-valued Articles or for the purchase of Articles (such as automotive supplies) which must be available on short notice. Open Purchase Orders shall not be utilized as a substitute for the normal requisition and purchase order process described in this section. Open Purchase Orders may be written for a single class of consumable Articles i.e., office supplies, without listing specific, exact descriptions of each Article, but not to exceed the authority listed above and cannot span a period of time which includes more than one fiscal year.

- (4) Small Purchase Procedures specific to Public Projects and Maintenance. All purchases shall be made by written contract. Any such contracts shall be awarded on the basis of price and such other criteria established by the General Manager or Designee, as may be in the best interest of the District, in light of the type of work involved. Contracts for Public Projects shall require the successful bidder to execute a bond, in a form approved by the Board, for the faithful performance of the contract. Additionally if the contract exceeds \$25,000 and involves erection, construction, alteration, repair or improvement of any public structure, building, road or other public improvement of any kind, the successful bidder shall execute a payment bond, as required by the provisions of the California Civil Code.
- (5) Petty cash. Occasionally purchases of minor items may be required. Payments for such items may be authorized from petty cash funds by the General Manager or Designee. In no case will approval exceed \$50.00.

- (6) Quote information shall be retained until completion of the annual audit for the fiscal year in which purchased, or as otherwise established in the District's Records Retention Schedule.
 - (7) Nothing in these Small Purchase Procedures shall prevent the General Manager, or Designee, from obtaining multiple quotations or from implementing the Informal Bid Procedures or Formal Bid Procedures if it is in the best economic interests of the District to do so. This judgment shall be made in the sole discretion of the General Manager or Designee.
 - (8) Nothing in these Small Purchase Procedures shall prohibit the District from doing or causing to be done directly by the District, and without any contract, any or all work necessary or proper in or about the making of all current and ordinary repairs or in or about current and ordinary upkeep or maintenance.
 - (8) Under no circumstances shall purchases be split or separated into multiple purchases in order to avoid the Small Purchase Procedures, Informal Bid Procedures and/or Formal Bid Procedures set forth herein
- b. Purchase Procedures for Public Projects, Maintenance, and Articles in Excess of \$60,000 and \$200,000 or Less ("Informal Bid Procedures").

In accordance with Public Contract Code Section 22034, the District adopts the following Informal Bid Procedures, applicable to purchases of Public Projects, Maintenance, and Articles in excess of \$60,000 and \$200,000 or less. Contract award shall be made by the Board.

- (1) The District shall maintain a list of qualified contractors, identified according to categories of work. Minimum criteria for development and maintenance of the contractors list shall be as required by the Commission.
- (2) All contractors on the list for the category of work being bid or all construction trade journals pursuant to in Public Contract Code Section 22036, or both all contractors on the list for the category of work being bid and all construction trade journals pursuant to in Public Contract Code Section 22036, shall be mailed, faxed or emailed, a notice inviting informal bids unless the product or service is proprietary.
- (3) All delivery of notices inviting informal bids to contractors and construction trade journals shall be completed not less than 10 calendar days before bids are due. The notice inviting informal bids may also be published in in a newspaper of general circulation.

- (4) The notice inviting informal bids shall describe the project in general terms and how to obtain more detailed information about the project, and state the time and place for the submission of bids.
- (5) If all bids received are in excess of \$200,000, the Board may, by adoption of a resolution by a four-fifths (4/5) vote, award the contract, at one \$212,500 or less, to the lowest responsible bidder, if it determines the cost estimate of the District is reasonable.
- (6) If awarded, a contract will be awarded to the lowest responsible bidder, consistent with the quality and delivery requirements.
- (7) All contracts for Public Projects shall require the successful bidder to execute a bond, in a form approved by the Board, for the faithful performance of the contract. Additionally if the contract involves erection, construction, alteration, repair or improvement of any public structure, building, road or other public improvement of any kind, the successful bidder shall execute a payment bond, as required by the provisions of the California Civil Code.
- (8) The Board shall have the right to reject all or any of the bids received.

c. Purchase Procedures for Public Projects, Maintenance, and Articles in Excess of \$200,000 (“Formal Bid Procedures”).

Purchases of Public Projects, Maintenance, and Articles in an amount exceeding \$200,000 shall be procured pursuant to the following Formal Bid Procedures. Contract award shall be made by the Board. Additionally, all plans and specifications for Public Projects shall be adopted by the Board or General Manager/ Designee.

- (1) In accordance with Public Contract Code Section 22037, a notice inviting formal bids shall be published in a newspaper of general circulation, printed and published, at least 14 calendar days before the date of opening the bids, in the jurisdiction of the District and any such other newspaper publications deemed appropriate by the General Manager or Designee. Notice inviting formal bids shall state the time and place for the receiving and opening of sealed bids and distinctly describe the project.

If applicable, the notice inviting formal bids shall also be sent electronically, if available, by either facsimile or electronic mail and mailed to all construction trade journals. The notice shall be sent at least 15 calendar days before the date of opening the bids.

- (2) All bids for shall be presented under sealed cover. If awarded, a contract will be awarded to the responsible bidder who submits the lowest responsive bid.
- (3) All bids for Public Projects shall be accompanied by one of the following forms of bidder's security:
 - i. Cash
 - ii. A cashier's check made payable to the District
 - iii. A certified check made payable to the District
 - iv. A bidder's bond executed by an admitted surety insurer made payable to the District in the form provided by the District

Upon an award to the lowest bidder, the security of an unsuccessful bidder shall be returned in a reasonable period of time, but in no event shall that security be held by the District beyond 60 days from the time the award is made.

- (4) All contracts for Public Projects shall require the successful bidder to execute a bond, in a form approved by the Board, for the faithful performance of the contract. Additionally if the contract involves erection, construction, alteration, repair or improvement of any public structure, building, road or other public improvement of any kind, the successful bidder shall execute a payment bond, as required by the provisions of the California Civil Code.
 - (5) The Board shall have the right to reject all or any of the bids received.
- d. Nothing in this Section shall preclude the District from utilizing the design-build project delivery method where authorized by and in accordance with the provisions and requirements set forth in California Public Contract Code Section 22160 et seq., as it may be amended from time to time.
 - e. Any federally funded project shall comply with Uniform Guidance for Procurement.

Sec. 5.6 Procedures for Procurement of Professional Services.

- a. Pursuant to California Government Code Section 4526 et seq., the District shall secure professional services on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required. When specific technical expertise or experience is required, the District may negotiate the scope and fee for these services with an individual firm with this specific expertise.

- b. The District may, for procurement of architectural, landscape architectural, engineering, environmental, land surveying, and construction management services, utilize the Qualification-Based Selection procedures adopted by the Architects and Engineers Conference Committee of California, as deemed appropriate by the General Manager or Designee.
- c. If the value of the services are estimated to be \$60,000 or more, the District shall issue a formal Request for Proposals for the services. Additionally, if deemed in the best interests of the District as determined by the General Manager or Designee, the District may first issue a Request for Qualifications to solicit firms with the necessary qualifications for the services.
- d. If the value of the services are estimated to be less than \$60,000, where practical, three proposals shall be obtained unless the General Manager or Designee deems otherwise appropriate.
- e. Award of Professional Services Contracts may be made by the General Manager for contracts in the amount of \$60,000 or less. Contracts in excess of \$60,000 shall be awarded by the Board.
- f. The contract amendment procedures outlined in this Article apply to Professional Services Contracts.

Sec. 5.7 Prequalification.

The District may prequalify contractors, pursuant to the provisions and requirements of California Public Contract Code Section 20101, as determined appropriate in the reasonable discretion of the General Manager or District Engineer. Prequalification shall be through a uniform system of rating bidders on the basis of completed questionnaires and financial statements in a form specified by the Board. The District may accordingly limit bids or proposals it receives to those contractors who are prequalified.

Sec. 5.8 Emergencies.

California Public Contract Code Section 22050 authorizes special contracting procedures in cases of “emergency.” An “emergency” for purposes of Section 22050 is defined as a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services.

In the case of an emergency, as defined herein, the General Manager or Designee, may repair or replace a public facility, take any directly related and immediate action required by the emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts. The General Manager, or Designee, must report to the Board at its next meeting required pursuant to this Section 5.8, the reasons justifying why the emergency will not permit a delay resulting

from a competitive solicitation for bids and why the action is necessary to respond to the emergency.

If the General Manager or Designee, orders any action specified herein, the Board shall initially review the emergency action not later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not later than 14 days after the action, and at least at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action, unless the General Manager or Designee, has terminated that action prior to the Board reviewing the emergency action and making a determination. When the Board reviews the emergency action, it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

Sec. 5.9 Exceptions to Procurement Requirements.

a. Sole Source Exception.

Notwithstanding any provision in this Article 5, the procurement requirements set out in this Article 5 shall not apply to the procurement of Articles, Professional Services, Public Projects, or Maintenance that can only be obtained from one supplier or contractor and for which obtaining quotes or bids is therefore impossible or not in the public interest, such that no competitive advantage can be gained by soliciting quotes or bids. Sole source contracts or agreements up to \$60,000 may be procured by the General Manager or Designee. The Board must approve any source contracts or agreements of \$60,000 or more.

b. Purchases when Price Controlled by an Official Rate-Making Body.

Whether approved by the General Manager or Designee, or the Board, the District is authorized to procure services or Articles without quotation or bid if the price is controlled by an official rate-making body such as is the case with wholesale water from SDCWA, electricity, gas and telephone, and the services are provided for in the operating budget.

Sec. 5.10 Local Procurements.

- a. It is the District's policy to encourage local businesses to provide goods and services to the District in order to maintain a healthy local economy, to increase local competition, and to lower core costs of goods and services. Local preference for the procurement of eligible contracts may be allowed, so long as it is not otherwise prohibited by funding sources, by providing a 5% local preference where the purchase or contracts with a respective local vendor or business during any fiscal year do not exceed \$60,000. In order to qualify for this local preference, a vendor or business must either (a) be a District rate payer in good standing for the

past six months, or (b) receive District utility services at its business location for the past six months, paid by a third party.

- b. Eligible procurements include those contracts which are not otherwise subject to competitive bidding, including contracts for the following:
 - (1) Purchases of Public Projects, Maintenance, and Articles in the amount of \$60,000 or less, pursuant to Section 5.5(a).

Sec. 5.11 Sale of Surplus Property/Equipment and Scrap Metal.

- a. Surplus Property/Equipment. When it has been determined by the General Manager that equipment is no longer appropriate because of capability, size, age, etc., to fulfill the District's mission or if a particular piece of equipment is more costly to maintain than to replace, the item will be disposed of through the next scheduled San Diego County auction. Should property become surplus through obsolescence or through a change in operating methodology, the excess property will be disposed of, as determined by District staff, as follows:
 - (1) To other public agencies on a bid basis;
 - (2) San Diego County Auction, or
 - (3) Internet-based inline auction services.
- b. Scrap Metal. The scrap metal which accumulates through the replacing of damaged and/or unserviceable items in the course of District operations, shall be sold as scrap to local scrap dealers at prevailing rates. Sales receipts shall be miscellaneous revenues of the District.

Sec. 5.12 Use of District Credit Card.

- a. There are certain transactions that are more efficient using a credit card transaction. Examples include small purchases that are lower cost on-line, travel arrangements, registration for training and other similar services.
- b. The credit card shall never be used to circumvent established competitive purchasing procedures. The credit card is prohibited from being used to purchase items for personal use under all circumstances. Personal use of the credit card will result in disciplinary action.
- c. Authorized cardholders and credit card use shall be per the District Credit Card Users Guide as approved by the General Manager.

Sec. 5.13 Contract Amendment Procedures.

As delegated by the Board of Directors of the District pursuant to the provisions of the Public Utility District Act, the General Manager is authorized to issue amendments to contracts as follows:

- a. A purchase order or contract may be amended by the issuance of a change order or amendment, provided the change which is the subject of the change order or amendment is reasonably related to the scope of the original contract. The General Manager may issue a change order or amendment which results in a total contract price of \$60,000 or less. The General Manager may request approval authority from the Board to issue contract amendments for up to 10% of the total contract value for specific projects with an initial contract value of greater than \$60,000.
- b. When the cumulative sum of amendments to a contract would exceed the limits in (a) above, a report of such amendments will be presented to the Board at its next meeting. Upon acceptance of the amendments by the Board, the General Manager shall have additional authorization to issue amendments as if the original contract amount were the total of the original amount and all accepted amendments.

**ARTICLE 14 (Renumbered as
Article 5 by Resolution 5006)**

Sec. 14.7 - Rev. 4/95
Sec. 14.10 – Rev. 3/96
Sec. 14.5(a), 14.6(a) & (d),
14.7(d) – Rev. 6/99
Sec. 14.11 – Added 10/05
Sec. 14.4e(2), 14.10(c) &
14.12(g) – Rev. 6/06
Sec. 14.5(g) – Rev. 8/08
Sec. 14.4(e), Rev 01/09
Secs. 14.4(e)1,3,4,5,(f);
14.5(a)(d); 14.6(c)(d); 14.7(d);
14.9(b); 14.11(c) – Rev. 2/10
Add Sec. 14.12 – Rev. 2/11
Secs. 14.4; 14.9 – Rev. 1/13
Secs. 14.4; 14.13 – Rev. 7/13
Sec. 14.4 – Rev. 5/15
Sec. 14.4(f), 14.9(c) – Rev. 1/16
All Secs. Repealed and Replaced
- Rev. 6/17
Sec. 14.4 – Rev. 5/19
Sec. 5.5 – Rev. 3/21

M E M O

TO: Board of Directors
FROM: Engineering & Operations Committee
DATE: June 27, 2022
SUBJECT: Perimeter fence replacement at the Santa Margarita Groundwater Treatment Plant on Alturas Rd

Description

Contract award for replacement of the perimeter fence on the District property along Alturas Road.

Purpose

The existing fence on the District property line along Alturas Road from the Mobile Home Park to Good Earth Nursery was constructed many years ago and has suffered damage from fallen tree limbs, overgrown plant material and erosion that has raised and lowered the grade. This is one part in a comprehensive project to improve security and aesthetics along the frontage of Alturas Road. In May of 2022, staff distributed an RFP to collect proposals to remove the existing fence and install a new fence in its place that will incorporate recommendations from a Department of Homeland Security review of District facilities. Red Hawk Fence as the low bidder in the amount of \$97,780.32.

Budgetary Impact

There is no budgetary impact. The cost of the project is included in the FY2022/23 capital budget.

Recommended Action

That the Board recommend award the contract to Red Hawk Fence in the amount of \$97,780.32 to remove the existing fence and install a new security fence.

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: June 27, 2022
SUBJECT: 2022 California Special Districts Association Board of Directors Election, (Seat B), Southern Network

Purpose

Fallbrook Public Utility District is a member of the California Special Districts Association (CSDA), and as such, is entitled to vote for candidates in the 2022 CSDA Board of Directors Election, (Seat B) Southern Network.

Summary

There are three (3) candidates seeking election to Seat B for the 2023-2025 term in the Southern Network, which includes the counties of Los Angeles, San Bernardino, Orange, Riverside, San Diego, and Imperial. Don Bartz of Phelan Pinon Community Services District currently represents the Southern Network on the CSDA Board of Directors for Seat B.

The slate of candidates is as follows: Don Bartz of Phelan Pinon Community Services District, Ken Endter of Fallbrook Public Utility District, and Beverli Marshall of Valley Sanitary District (Attachment A).

The District Secretary has been designated by CSDA to cast the District's vote by electronic ballot (Attachment B) subject to Board direction. The due date for ballots is July 8, 2022.

Budgetary Impact

There is no budgetary impact of this action.

Recommended Action

That the Board select one candidate from the slate of candidates in the 2022 California Special Districts Association Board of Directors Election, (Seat B), Southern Network for the 2023-2025 term and authorize the District Secretary to cast its vote by electronic ballot.

Attachment A



- Home
- How It Works
- Logout **Lauren Eckert**

CSDA Board of Directors Election Ballot - Term 2023-2025; Seat B - Southern Network

Please vote for your choice

Choose **one** of the following candidates:

- Don Bartz, Phelan Pinon Hills Community Services District*
- Ken Endter, Fallbrook Public Utility District
- Beverli Marshall, Valley Sanitary District

*Incumbent

Don Bartz* [\[view details\]](#)

Ken Endter [\[view details\]](#)

Beverli Marshall [\[view details\]](#)

Continue

Cancel

Attachment B

Lauren Eckert

From: vote@simplyvoting.com on behalf of CSDA <vote@simplyvoting.com>
Sent: Thursday, June 2, 2022 7:06 AM
To: Lauren Eckert
Subject: CSDA 2022 Board of Directors

Follow Up Flag: Follow up
Flag Status: Flagged

Dear CSDA Member:

A link to an electronic CSDA Board of Directors election ballot is below for your district's use in voting to elect a representative to the CSDA Board of Directors in your Network for Seat B.

To vote, please visit: <https://CSDA.simplyvoting.com/>

Then enter:

Elector ID - [REDACTED]

Password - [REDACTED]

Or follow this link to access the ballot directly:

<https://CSDA.simplyvoting.com/> [REDACTED]

Each of CSDA's six (6) networks has three seats on the Board and the candidates are either a board member or management-level employee of a member district located in your Network. Each Regular Member (district) in good standing shall be entitled to vote for one (1) person to represent its Network in Seat B.

Once logged in, you will see the candidates for CSDA Board Seat B in your Network as well as candidate information for each person who submitted the optional background information. Please vote for **only one** candidate to represent your Network in Seat B and be sure to fully complete all required fields and submit your vote. Unfortunately, if any part of the ballot is not complete, the ballot will not be valid and will not be counted.

The deadline to complete your voting through the system is July 8, 2022 at 5:00 pm.

If you have any questions please contact Amber Phelen at 916.442.7887 or amberp@csda.net

Thank you!

[Unsubscribe](#)

M E M O

TO: Board of Directors
FROM: Aaron Cook, Engineering Manager
DATE: June 27, 2022
SUBJECT: Update of Emergency Declaration for Pipeline Replacements

Description

California Public Contract Code Section 22050 authorizes special contracting procedures in case of an emergency; the General Manager may take immediate action required by the emergency to procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids. However, the GM must report to the Board of Directors with an update at each regularly scheduled meeting to determine that there is a need to continue the action. When the Board reviews the emergency action, it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

Purpose

Due to numerous leaks in damaged pipeline disrupting essential service to customers on sections of Ivy St, Minnesota Ave, Alvarado St, Via Arroyo and Alta Vista, an agreement was made with SRK Engineering, the pipeline contractor already under contract for the Gum Tree Pipeline Replacement, to additionally replace these sections of pipeline. Catastrophic pipe failure at these locations has required temporary measures to maintain service, including abandonment of looped sections of pipe and high lined services. These temporary remedies need to be permanently replaced to maintain reliable water service. The typical design, bid, build process would take 10 to 15 months. By working with SRK Engineering, who is already mobilized for pipeline replacements in the District, this work can be completed in 2 to 4 months, minimizing the time the District is dependent on less reliable temporary remedies. The District has agreed to provide materials for the emergency replacements while the contractor charges for labor under the District's standard time and materials agreement. The total length of pipe to be replaced will be as much as 2,000 linear feet, with pipe sizes ranging from 6-inch to 12-inch diameter.

As of June 3, the Ivy St and Alvarado St replacements are complete. The contractor will begin work on the Minnesota Ave pipeline on June 15th.

Budgetary Impact

The revised estimated installation cost of these repairs is \$600,000 in total. The final Ivy St costs were \$158,212.69, and the final Alvarado St costs were \$320,650.79. The costs will be covered by the capital budget pipeline replacement funds. Because of

procurement delays on planned pipeline replacement projects, unused capital funds are available to prioritize these emergency replacements within the approved budget. Year end projections below include estimated emergency replacement costs.

	FY 2021/22 Budget	Projected Year End
Total PAYGO	\$7,388,000	\$5,615,000
Pipeline Replacement	\$3,488,000	\$2,900,000

Recommended Action

That the Board authorize continued emergency action to replace failed pipelines and restore essential service to customers. Also that the Board approve a change order in the amount of \$478,863.48 with SRK Engineering for the installation of the Ivy St and Alvarado St Pipelines.

CHANGE ORDER NUMBER 005

NAME OF PROJECT: Gum Tree Pipeline Replacement

CONTRACTOR: SRK Engineering
2615 Auto Park Way
Escondido CA 92029

Original CONTRACT AMOUNT	\$428,500.00
Previous CHANGE ORDERS	\$57,360.05
Current CONTRACT PRICE	\$485,860.05
Amount of this CHANGE ORDER	\$478,863.48
New CONTRACT PRICE	\$964,723.53
Original COMPLETION Date	January 21, 2022
Time ADDED due to Previous CHANGE ORDERS.....	99 CALENDAR DAYS
Time ADDED due to this CHANGE ORDER	46 CALENDAR DAYS
New FINAL COMPLETION Date	June 15, 2022

This Change Order constitutes full and final payment for all direct, indirect, and consequential costs, including but not limited to, all labor, design, equipment, material, mark-ups, and time associated with performing the work described herein. This document will become a supplement to the Contract and all Contract provisions will apply hereto. The Change Order will become effective when approved by the Fallbrook Public Utility District. By accepting this Change Order, the Contractor waives the right to make any additional claim for any item related to these changes.

The following changes are hereby made to the CONTRACT DOCUMENTS:

Item 1 – Emergency Replacement on Ivy Street

CHANGE TO CONTRACT AMOUNT	\$158,212.69
TIME EXTENSION	0 calendar days

Item 2 – Emergency Replacement on Alvarado Street

CHANGE TO CONTRACT AMOUNT	\$320,650.79
TIME EXTENSION	46 calendar days

Perform all work in accordance with the Contract Documents.

CONTRACTOR: SRK Engineering

By: _____

Date: _____

Name:

Title:

RECOMMENDATION AND CONCURRENCE

FALLBROOK PUBLIC UTILITY DISTRICT:

By: _____

Date: _____

Name: Jack Bebee

Title: General Manager

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: June 27, 2022
SUBJECT: Discuss Letter sent by San Diego County Water Authority General Counsel to the Bay Delta Watermaster on May 31, 2022

Purpose

For the Board to discuss any potential response to the May 31, 2022 letter to Michael George (the State Water Resources Control Board appointed Bay Delta Watermaster) (Watermaster) from Mark Hattam (General Counsel of the San Diego County Water Authority (SDCWA)) on which the Fallbrook Public Utility District (FPUD) Board was copied.

Summary and Background

On May 31, 2022 Mark Hattam, on behalf of SDCWA, sent a letter to the Watermaster (Attachment 1). The letter was in response to a letter sent by myself and Rainbow Municipal Water District (RMWD) General Manager, Tom Kennedy on May 18, 2022 (Attachment 2). The main points of the FPUD/ RMWD letter were:

1. FPUD and RMWD comply with all states laws relative to the Bay Delta and will even if the two Districts detach from SDCWA.
2. The Watermaster's office should not be engaged formally or informally in the detachment effort given that the Districts comply with State laws.
3. FPUD and RMWD do not feel that the long-term solution to water supply challenges in our region is to rely more on the Colorado River.

Mr. Hattam's May 31, 2022 letter did not focus on the three main items above, but rather focused on clarifying the "serious factual errors in the Letter." Specifically, Mr. Hattam's letter focused on the Districts' characterization of the Quantification Settlement Agreement (QSA) as temporary despite the fact that the QSA's 2035 price reset trigger provision — and despite the fact that the term of the QSA is indeed time bound, as it ends in 2047. Mr. Hattam seemingly believes that because the QSA can be extended if agreed to by both parties, the QSA is not temporary, despite its 2047 end date. SDCWA also continues to allege that while the Districts would not violate state Bay-Delta Plan's requirements regarding "Reduced Reliance," our detachment proposals, if approved by LAFCO, would increase our actual Bay-Delta water usage.

The Watermaster also responded to the District's May 18, 2022 letter with an email dated May 19, 2022 (Attachment 3). In this email, the Watermaster clarifies that he does not

believe that the Districts' detachment proposals, if approved by LAFCO, will violate state requirements relative to the Bay-Delta:

I have not and do not allege that de-annexation would constitute a violation of WR P1 or of Water Code section 85021; nor have I alleged that de-annexation is a covered action under the Delta Plan. Rather, my argument has consistently been that de-annexation will marginally increase FUD's [sic] reliance on the Delta. While that outcome may be lawful, it is a volitional shift to marginally increased reliance on the strained and volatile Delta water supply.

Of note, the Watermaster's May 19, 2022 email follows previous correspondence by the Watermaster to LAFCO, which the Watermaster submitted at the request of SDCWA. This previous correspondence including all records provided from a records request to the Watermaster is included in Attachment 4.

The Metropolitan Water District of Southern California (MWD) has also previously provided correspondence to LAFCO on the Bay Delta demand topic and identified that there is no change in the amount of Bay-Delta water supplied to MWD under the Districts' detachment proposals, if approved by LAFCO (Attachment 5).

The Watermaster's May 19, 2022 email clearly indicates the detachment proposals do not violate state requirements relative to the Bay-Delta. The Watermaster does not contend that FPUD would violate any state requirements or increase demands on the Delta, but he does note that FPUD would increase its exposure to the variability of the Bay Delta supplies if detachment occurs. While the actual water FPUD receives from MWD will be the same if detachment occurs as clearly identified by MWD, SDCWA continues to allege there will be an impact that must be analyzed under CEQA by LAFCO. However, argument, unsubstantiated opinion and speculation are not evidence for purposes of CEQA. (Pub. Resources Code § 21080, subd. (e)(2).)

It is unclear if any further correspondence on these topics with LAFCO, SDCWA and/or the Delta Watermaster is necessary, but because Mr. Hattam copied the FPUD Board on his correspondence, I wanted to provide the Board an opportunity to discuss this topic and, if desired, provide direction on a potential response, and/or any other future actions on this topic.

Recommended Action

Staff supports Board direction.

Attachment 1

May 31, 2022

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER
REPRESENTATIVE

County of San Diego

VIA EMAIL

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
(Michael.george@waterboards.ca.gov)

RE: Fallbrook PUD and Rainbow MWD May 18, 2022 Letter on Reduced Reliance on the Delta (the "Letter")

Dear Mr. George:

We are in receipt of the above Letter from the General Managers of Fallbrook PUD and Rainbow MWD. The Letter significantly misstates facts, and unfortunately makes personal attacks on you and your office. I am the General Counsel for the San Diego County Water Authority, and as such address herein the serious factual errors in the Letter.

First, Fallbrook and Rainbow make material misrepresentations to you and to the state and local officials copied on their letter. They call the QSA water transfer between IID and the Water Authority a "temporary agreement" and assert that, "the SDCWA/IID agreement has a price reset provision in 2035 where should both parties not reach agreement on a price for the water, the agreement for the additional transfer water would end." These statements are in error.

In regards to the alleged "temporary" water transfer between IID and the Water Authority, the agreement runs to 2047, and may be mutually extended past that date by the parties. Indeed, in a vote at our agency in 2017, the Authority extended the corollary Exchange Agreement with MWD so as to match the 2047 date in the IID transfer agreement. It is inaccurate and misleading for the Letter to call a water transfer that still has 25 years remaining, and can be extended beyond that, a "temporary agreement." It is particularly egregious in that the Water Code, as you well know, specifies that temporary water transfers are those of *one year or less*. See Water Code section 1728 ("a temporary change means any change of point of diversion, place of use, or purpose of use involving a transfer or exchange of water or water rights for a period of one year or less").

More important, the Letter directly misleads you -- and the many public officials the Fallbrook and Rainbow General Managers sent the Letter to -- by claiming that when the

Mr. George
May 31, 2022
Page 2 of 3

pricing methodology of our agreement changes in 2035, “should both parties not reach agreement on a price for the water, the agreement for the additional transfer water would end.” The Letter clearly intends for the reader to believe that the IID/SDCWA transfer would end in 2035 if the parties cannot agree on a price at that time. Not so. The actual facts are that in the Fifth Amendment, IID and the Water Authority agreed to replace the base contract price of the underlying 1998 agreement with a new price schedule through the year 2034. In 2035, when the new pricing ends, there is an automatic reversion to the original contract price terms for the remaining term of the agreement to 2047. See Article 5.2(k). Contrary to the statements made in the Fallbrook/Rainbow Letter, no further agreement is needed. There is no ability in the contract for either party to simply terminate the agreement in 2035 if it does not like the pricing which was already contractually agreed.

The General Managers of Fallbrook and Rainbow who signed the letter are also both members of the Board of Directors of the Water Authority. As such, they have been fully briefed and well-informed of these facts and agreements by the Water Authority. To send the Letter to numerous important State of California officials with facially false statements about the IID/Water Authority transfer agreement -- without any initial opportunity for review by my office and our agency to confirm or comment on the purported legal conclusions about the transfer agreement -- is irresponsible at best. I trust that the information provided in this letter will correct the record regarding these facts and the agreements, but we would be happy to provide any further information you may find necessary or useful.

The Letter then goes on to recite the past acts of Fallbrook and Rainbow and how they have historically complied with Bay-Delta requirements. We wanted you to be aware that no one has challenged any such past actions of Fallbrook and Rainbow, and they are immaterial to analysis of the Bay-Delta impacts of the current reorganization requests.

The Letter ignores the “elephant in the room”: that detachment from the Water Authority, and sole reliance on MWD for imported water, will increase reliance on the Bay-Delta. This is the issue we have raised scores of times at LAFCO, including the need for CEQA review, and is the issue raised by your earlier correspondence with LAFCO. Fallbrook and Rainbow cannot controvert this core issue because it has already been dispositively shown that Bay-Delta usage would increase under their proposed reorganization. Past compliance activities by these agencies are not the issue at LAFCO, or in your correspondence.

If you require any further information, please feel free to contact my office. Thank you.

Sincerely,



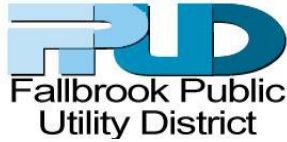
Mark J. Hattam
General Counsel

Mr. George
May 31, 2022
Page 3 of 3

cc via email:

Wade Crowfoot, Secretary Natural Resources
E. Joaquin Esquivel, Chair State Water Resources Control Board
Jessica Pearson, Executive Officer, Delta Stewardship Council
Keene Simonds, Executive Officer, San Diego LAFCO
Water Authority Board of Directors
Sandra L. Kerl, General Manager, SDCWA
Claire Collins, Special Counsel Water Authority
Fallbrook PUD Board of Directors
Rainbow MWD Board of Directors
Jack Bebee, General Manager Fallbrook PUD
Tom Kennedy, General Manager Rainbow MWD
Paula de Sousa, Counsel Fallbrook PUD
Alfred Smith, Counsel Rainbow MWD

Attachment 2



May 18, 2022

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Email: michael.george@waterboards.ca.gov

Re: Email on May 6, 2022 on Reduced Reliance on the Delta

Mr. George,

This letter pertains to your May 6, 2022 email to Keene Simmonds at LAFCO in which you shared your opinion relative to the detachment of two local water districts (Fallbrook Public Utility District (Fallbrook) and Rainbow Municipal Water District (Rainbow) from the San Diego County Water Authority (SDCWA). Your May 6, 2022 email also included your previous email to Sandy Kerl, dated September 17, 2020, on the same topic. Based on our review of records we previously received from your office in late September 2020—we understand your involvement in this matter was not due to any of your duties as the Delta Watermaster, but rather it was due to a request of Chris Frahm, an attorney at Brownstein, Hyatt, Farber, Schrek, LLP. As you may be aware, Ms. Frahm is retained by SDCWA to support on-going Metropolitan Water District (MWD) litigation.

Our understanding—that your September 17, 2020 email correspondence and your May 6, 2022 correspondence was not sent as part of your responsibilities as the Delta Watermaster—is confirmed by your statement in your May 6, 2022 email that “enforcement of the Delta Plan is not within my authority or responsibility as the Delta Watermaster.” We appreciate you making this clarification, which further expands on your statement in your September 17, 2020 email, that your “jurisdiction as Delta Watermaster is limited to the Delta” and that the “proposed de-annexation is not a covered action occurring inside the Delta.” While we find it a bit unusual for a state official to formally weigh in on a topic over which they have no authority, we want to make sure that if you plan to make any assessment that you do so only after having reviewed all the pertinent documents.

In your opinions on this topic you state that:

approving the pending proposals would be an unfortunate instance of backsliding from supply diversity/security and at the margin, would increase, rather than reduce, reliance on the Delta in Fallbrook and Rainbow's de annexed supply mix.

It appears you may have missed Fallbrook's December 17, 2020 submission ("Submission") to the Delta Stewardship Council, as the entity with jurisdiction on this topic, on which you were copied, which demonstrates our compliance with Water Code 85021 and The Delta Plan's regulatory policy WR P1 ("WR P1" or "Reduced Reliance Goal"). Based on your May 6, 2022 email correspondence it is unclear whether you reviewed and considered the information in our Submission prior to issuing your May 6, 2022 opinion. For your reference, the Submission is available at:

<https://www.sdlafco.org/home/showpublisheddocument/5438/637439007560570000>

The Submission included an analysis of compliance with the WR P1 was completed by Ken Weinberg, who was appointed in 2016 by Governor Brown to serve as a member of the Delta Stewardship Council and is very familiar with the specific requirements of the Delta Plan and WR P1. The conclusion reached in this analysis was:

Using the DWR methodology it is clearly demonstrated that under approval of the Reorganization both MWD and FPUD will achieve substantially reduced reliance on the Delta consistent with WR P1.

It is also clear from this analysis that FPUD, with its reduced water use and implementation of its SMR CUP local supply project, will reduce its dependence on the Delta in 2025 by at least 45% from its 2010 baseline as expressed as a percent reliant and by at a minimum of 50% in the amount of acre feet used.

The Reduce Reliance Goal allow agencies to choose the best approach for achieving compliance with WR P1, including not only by relying, for example, on temporary water supply agreements for Colorado River water supplies (referred to as "E water" in your letter), but also by relying, for example, on local supplies and conservation. The approach laid out in your opinions seems to indicate a different interpretation of how The Delta Plan and in particular WR P1, is supposed to be implemented—an interpretation which clearly diverges from the DWR methodology. Your position, as applied to various scenarios, would lead to much more prescriptive results in so much as your opinion is that:

- A violation of WR P1 would result if an agency, that is part of a temporary supply project outside the Delta, didn't continue that project in perpetuity.
- A violation of WR P1 would result if an agency, as part of a long term plan, had a short term need for increased Delta supplies.

- A violation of WR P1 would result if any agency would need to rely on Delta supplies to augment local supplies in order to serve a new development.

If, for example, one was to apply your interpretation to the QSA water supply agreement between SDCWA and the Imperial Irrigation District (IID), it would have the State prescribe some very specific agreement requirements for allocation of part of the State's Colorado River supply rights. For your information, the SDCWA/IID agreement has a price reset provision in 2035 where should both parties not reach agreement on a price for the water, the agreement for the additional transfer water would end. Based on both your 2020 and 2022 email correspondence it would seem SDCWA would be required to agree to any price term in order to prevent violating your interpretation of the State's policy. Under this interpretation, SDCWA could also not agree to transfer any of this water to any other party in the State – even MWD or another MWD member agency - as it would impact its (SDCWA's) individual Bay Delta demand. Moreover, under your interpretation, SDCWA would also apparently be required to find 200,000 AFY of new supply by the time the agreement for the transfer water terminated in 2047.

In addition, both SDCWA and Eastern MWD are member agencies of MWD and the requirements of the Delta Plan apply to MWD as a whole, as well as its member agencies and their subagencies. MWD is in full compliance with The Delta Plan as it has diversified its portfolio, engaged in massive conservation efforts, and is now preparing to construct the largest water recycling and reuse project in the state. Whether Fallbrook and Rainbow get invoices for their wholesale water purchases from SDCWA or EMWD will not make any difference in the compliance of Southern California as a whole. The change in our wholesale supplier will also not increase the availability of Delta supplies to MWD, they will receive the exact same allocation and the exact same water deliveries from the Delta.

Your opinion that both Fallbrook and Rainbow are “backsliding from supply diversity/security” also does not take into account local supply development and conservation efforts. Fallbrook recently completed a \$60+ million dollar project to develop new local groundwater supplies. We have invested in recycled water since the 1980s and continue to expand our recycled system to replace potable water demands. We are currently conducting an Indirect Potable Reuse project with Camp Pendleton to look at further expanding our local supplies. We have also cut our water demand from over 20,000 AFY to around 8,000 AFY.

Rainbow also has ongoing efforts both to recycled wastewater and develop groundwater supplies in their service area, with those efforts projected to begin production later in this decade. Rainbow's demands on the Delta have dropped by roughly 60% since 2004. Ken Weinberg produced an analysis of Rainbow's individual compliance with WR P1 (similar to Fallbrook's Submission), which analysis demonstrated full compliance with The Delta Plan. A copy of this analysis can be found at:

<https://www.sdlafco.org/home/showpublisheddocument/6004/637723011625670000>

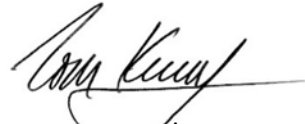
In conclusion, we support the Governor's priorities for a diversified water portfolio including new

supplies, conservation, Colorado River supplies and investments to build a robust Bay-Delta water system. We do not believe that the future for water supply security in Southern California and for Fallbrook and Rainbow should be focused on a solution that replaces Bay Delta water demands with a temporary agreement for Colorado River water. This is a short-sighted strategy that will ultimately lead to more pressure being put on the Delta as demands on the Colorado River continue to outstrip supplies--and this situation is projected to only get worse. Our governing Boards have separately determined that we will be better suited to continue forward with a long-term water supply strategy that includes new local supplies, recycled water expansion and conservation with EMWD as our wholesale supplier. We believe the State Bay Delta policy requirements allow Fallbrook and Rainbow to make these decisions at a local level and that they are not decisions in the purview of the Bay Delta Watermaster. Fallbrook and Rainbow have been pursuing a strategy using both conservation and water local supply development to reduce demands on imported water including both the Colorado River and State Water Project, which is clearly aligned with the Bay Delta Policy objectives. We want to highlight that we have copied a number of State officials that do have jurisdiction over the Bay Delta Policy principles on this letter so they can advise if they do not agree with our compliance reports, which demonstrate the Districts are clearly in compliance with both Water Code Section 85021 and the Delta Plan's regulatory policy WR P1.

Sincerely,



Jack Bebee
General Manager
Fallbrook Public Utility District



Tom Kennedy
General Manager
Rainbow Municipal Water District

Cc: Wade Crowfoot, Secretary Natural Resources
Joaquin Esquivel, Chair State Water Resources Control Board
Jessica Pearson, Executive Officer, Delta Stewardship Council
Keene Simonds, Executive Officer, San Diego LAFCO

Attachment 3

Lauren Eckert

From: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Sent: Thursday, May 19, 2022 5:26 PM
To: Lauren Eckert
Cc: Jack Bebee; Tom Kennedy; Crowfoot, Wade@CNRA; Esquivel, Joaquin@Waterboards; Pearson, Jessica@DeltaCouncil; Simonds,Keene; SKerl@sdcwa.org; Kammeier, Lindsay@Waterboards; Crowley, Lisa@Waterboards; Matal, Kristi@Waterboards; Coupe, David@Waterboards; ahagekhalil@mwdh2o.com
Subject: RE: Bay Delta Watermaster Letter (Sent on Behalf of FPUD and RMWD)
Attachments: Bay Delta Watermaster Letter.pdf

Lauren,

Received. Thank you.

I took the time overnight to re-read FUD's 2020 response. It focuses on (1) commendable efforts throughout the MWD service area to reduce reliance on the Delta and (2) compliance with The Delta Plan's WR P1. It ignores my argument that, at the margin, FUD will shift its external supplies from a leaner to a richer mix of water from the Delta.

As I understand it, FUD's proposed contract with EMWD excludes access to EMWD's local supplies; thus, EMWD's investments aimed at reduced reliance are both commendable and immaterial to the issue of whether the proposed de-annexation will marginally increase FUD's reliance on the Delta.

MWD has done an admirable job of investing and operating to reduce the region's overall reliance on the Delta. MWD has also been a responsible and value-added steward of its four islands in the Delta. I also take at face value FUD's proposed investments to develop local supplies to meet a greater portion of its overall demands. Neither set of commendable investments changes the fact that switching from reliance on SDCWA's portfolio to exclusive reliance on MWD's portfolio will increase FUD's relative mix of Delta-origin water.

I have not and do not allege that de-annexation would constitute a violation of WR P1 or of Water Code section 85021; nor have I alleged that de-annexation is a covered action under the Delta Plan. Rather, my argument has consistently been that de-annexation will marginally increase FUD's reliance on the Delta. While that outcome may be lawful, it is a volitional shift to marginally increased reliance on the strained and volatile Delta water supply. Moreover, the inherent risk of that shift is masked by FUD's illustrations based on "average years." The on-going drought in the Delta watershed better illustrates that reliance on the Delta's constrained supplies can become acute in times of shortage, including this year's 5% allocation by the State Water Project.

Thus, upon the further review suggested by your attached letter, my opinion is unchanged.

Michael

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Direct: (916) 445-5962
Mobile: (916) 539-1889
Email: michael.george@waterboards.ca.gov

From: Lauren Eckert <leckert@fpud.com>
Sent: Wednesday, May 18, 2022 2:19 PM
To: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Cc: Jack Bebee <jackb@fpud.com>; Tom Kennedy <tkennedy@rainbowmwd.com>; Crowfoot, Wade@CNRA <Wade.Crowfoot@resources.ca.gov>; Esquivel, Joaquin@Waterboards <Joaquin.Esquivel@Waterboards.ca.gov>; Pearson, Jessica@DeltaCouncil <Jessica.Pearson@deltacouncil.ca.gov>; Simonds,Keene <Keene.Simonds@sdcounty.ca.gov>
Subject: Bay Delta Watermaster Letter (Sent on Behalf of FPUD and RMWD)

EXTERNAL:

Good afternoon Mr. George,

Please find the attached correspondence, sent on behalf of Jack Bebee, General Manager of Fallbrook Public Utility District and Tom Kennedy, General Manager of Rainbow Municipal Water District.

Thank you,
Lauren

Lauren Eckert
Executive Assistant/Board Secretary

Fallbrook Public Utility District
990 East Mission Road
Fallbrook, CA 92028
(760) 999-2704



Attachment 4

Lauren Eckert

From: Jack Bebee
Sent: Tuesday, June 21, 2022 8:56 AM
To: Lauren Eckert
Subject: FW: FPUD LAFCO application
Attachments: Email from Chris Frahm 200901.pdf; LAFCO statement by Sandra Kerl -- June 1,2020.pdf; Rainbow responds to Water Authority objections - July 15,2020.pdf; Rainbow responds to Water Authority objections - July 15,2020.pdf; detachment resolution 052820.pdf; Water Authority Board memo and resolution -- May 20, 2020.pdf; Rainbow detachment applications --March 18, 2020.pdf; 2020-08-25 NRDC ltr to MWD re IRP scenario planning comments.pdf; Email from Chris Frahm 200902.pdf; Demand on Delta.pdf; Email to Jessica Pearson 200902.pdf; Email to Jessica Pearson 200903.pdf; Email to Jessica Pearson 200910.pdf; Frahm Draft Response 200910.pdf; 18-11-15 DSC Staff-Workshop Presentation (1).pdf; 18-11-8 DSC Workshop Staff Report- Agenda Item 1- Appeals of the Certification of Consistency for WaterFix C20185.pdf; 18-11-8 DSC Staff Draft Determination re California WaterFix (C20185).pdf; Calendar of Teams Meeting with Michelle Banonis 200915.pdf; Email exchange with Jeff Kighlinger 200918 and 19 Redacted_Redacted.pdf; Cover letter to Keene Simonds and Robert Barry dated 09172020.pdf; 2020.09.17 MWD comments to SD LAFCO re proposed reorganization.pdf; Email to Jeff Kightlinger 200921.pdf; email from Chris Frahm 200917.pdf; Email from Sandy Kerl 200917.pdf; Email from Rod Smith 200921.pdf; Stratecon Report.pdf

[This is attachment 4 – the email below and all attachments](#)

From: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Sent: Thursday, October 1, 2020 6:49 AM
To: Jack Bebee <jackb@fpud.com>
Cc: Kerl, Sandy <SKerl@sdcwa.org>
Subject: RE: FPUD LAFCO application

Jack,

Thank you for your call on September 21 and for your below follow-up email. I will be happy to review Fallbrook's forthcoming Urban Water Management Plan with respect to your agency's efforts to reduce reliance on water supplies from the Delta. From my Delta-centric point of view, I applaud all such efforts to reduce reliance on Delta water supplies, in accordance with State policy. (Wat. Code, § 85021.) In light of our conversation, however, I suggest you review the Delta Stewardship Council's materials (included among the attached documents) relating to the appeal of the WaterFix consistency certification; that should help orient you to this on-going Delta discussion.

I have also construed your email as a request for responsive and non-privileged records pursuant to the California Public Records Act. You have asked for records pertaining to the following categories:

1. Any and all documents related to the proposed detachment from San Diego County Water Authority and/or potential annexation into Eastern Municipal Water District by either Fallbrook Public Utility District or Rainbow Municipal Water District.
2. Any and all documents related to or reflecting communications or correspondence with any other public agency, including the San Diego County Water Authority or San Diego County Water Authority's member agencies or their officers and/or board members regarding the Proposed Reorganizations.
3. Any and all documents related to or reflecting communications or correspondence regarding the Proposed Reorganizations with persons including employees, contract personnel or owners (e.g., partners or shareholders) or entities representing the San Diego County Water Authority, including, but not limited to, Hanson Bridgett LLP or Brownstein Hyatt Farber Schreck.

Attached to this email are non-privileged records responsive to your Public Records Act request. Some of the attached documents came to me from Ms. Chris Frahm of Brownstein Hyatt Farber Schreck, who represents the San Diego County Water Authority. Although no records were withheld by the Office of the Delta Watermaster on the basis of any applicable privilege, please note that one file does redact my personal information (see file name "Email exchange with Jeff Kighlinger 200918 and 19 Redacted_Redacted.pdf.")

This email and the attached records conclude the Office of the Delta Watermaster's response to your Public Records Act request.

Finally, as I pointed out during our call on September 21, I am an independent, appointed officer of the State. My position was created by the Delta Reform Act of 2009. (Wat. Code, § 85230.) Although I report jointly to the State Water Resources Control Board and the Delta Stewardship Council, I do not speak for either of those bodies. The facts recited and opinions expressed in my September 17 email to Ms. Kerl should not be attributed to anyone but me.

Thank you for your interest in my views regarding application of the State's policy of reduced reliance on the Delta, which are more fully described in my email to Ms. Kerl.

Michael

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Direct: (916) 445-5962
Mobile: (916) 539-1889
Email: michael.george@waterboards.ca.gov

Administrative Assistant and Scheduling Coordinator
Beba Maletic
(916) 341-5615
beba.maletic@waterboards.ca.gov

From: Jack Bebee <jackb@fpud.com>
Sent: Monday, September 21, 2020 3:36 PM
To: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Subject: FPUD LAFCO application

EXTERNAL:

Michael,

It was good talking to you. Appreciate your time and the discussion. As noted as we complete our UWMP, which includes a discussion on how we are reducing our reliance on the Delta either with or without detaching from SDCWA. After we complete our draft I will send you a copy to get your input as I think it will address the concerns you raised in your email. Also as discussed if possible can you provide the following:

1. Any and all documents related to the proposed detachment from San Diego County Water Authority and/or potential annexation into Eastern Municipal Water District by either Fallbrook Public Utility District or Rainbow Municipal Water District.

2. Any and all documents related to or reflecting communications or correspondence with any other public agency, including CWA or CWA's member agencies or their officers and/or board members regarding the Proposed Reorganizations.
3. Any and all documents related to or reflecting communications or correspondence regarding the Proposed Reorganizations with persons (including employees, contract personnel or owners (e.g., partners or shareholders) or entities representing CWA, including, but not limited to, Hanson Bridgett LLP or Brownstein Hyatt Farber Schreck.

Thanks for talking with me and sorry to bother you with the document request.

Jack Bebee
General Manager
Fallbrook Public Utility District

George, Michael@Waterboards

From: Frahm, Chris <CFrahm@bhfs.com>
Sent: Tuesday, September 1, 2020 10:33 AM
To: George, Michael@Waterboards
Subject: Fallbrook and Rainbow proposed detachment from San Diego County Water Authority - REQUEST FOR COMMENTS DUE TO LAFCO ON OR BEFORE SEPTEMBER 18
Attachments: Water Authority Board memo and resolution -- May 20, 2020.pdf; detachment resolution 052820.pdf; LAFCO statement by Sandra Kerl -- June 1,2020.pdf; Rainbow responds to Water Authority objections - July 15,2020.pdf; Rainbow detachment applications --March 18, 2020.pdf; 2020-08-25 NRDC ltr to MWD re IRP scenario planning comments.pdf
Follow Up Flag: Follow up
Flag Status: Flagged

EXTERNAL:

Good morning, Michael. Per our call, attached are copies of key documents explaining the proposed detachment and focusing on impacts on the Bay Delta:

- 1) Water Authority board memo and resolution
- 2) Water Authority presentation on detachment
- 3) Statement by General Manager Sandy Kerl re detachment

I have also pulled a couple of documents where the applicants and Riverside MWD member agency Eastern Municipal Water District “explain” their position(s) as related to the Bay Delta:

- 4) Rainbow response letter dated July 15, 2020 at page 6 (excerpt below, claiming no environmental issues requiring CEQA review)
- 5) Rainbow detachment application, “technical memo” at page 1 of 27 (excerpt below)
- 6) I am also attaching the recent NRDC letter I mentioned regarding MWD’s current Integrated Resources Plan process as related to Bay Delta requirements.

A complete record of the LAFCO proceedings may be found here: <https://www.sdcwa.org/lafco-detachment>

There are many factual inaccuracies in the Fallbrook and Rainbow applications and materials, which the Water Authority will be addressing in detail in its response which is due on or before September 18, 2020. One of the inaccuracies is the statement highlighted below that, *“the water supply will be from the exact same blend of imported water sources whether RMWD is a member of SDCWA or Eastern MWD and thus the change in wholesale suppliers, by definition, cannot have any impact on the environment. Claims related to impacts on the Sacramento-San Joaquin Bay Delta lack any factual validity.”*

Slide 11 in the Water Authority’s presentation (second attachment) shows the historical reduction of Water Authority water purchases from MWD (from 550,000 AF in 1991 to 59,000 AF in 2020), as well as the diverse portfolio of supplies it has developed, including conserved IID water and conserved water from lining the All-American and Coachella Canals. The Water Authority is projected to buy zero to 10,000 AF of water from

MWD by 2035. Even now Fallbrook and Rainbow are receiving QSA water in some months, and this will grow over time as the Water Authority reduces reliance on MWD water, and thus the State Water Project. They are therefore NOT the “exact same blend of imported water sources” that MWD would provide if the detachment were to be approved. MWD's water is about 60% SWP and 40% Colorado River. By 2035 the Water Authority expects to be almost 0% SWP water, as noted above. The Water Authority will address its water supply portfolio as contrasted with MWD’s continued reliance on the Bay Delta in detail in its filing on or before September 18.

The sales pitch of course is that MWD’s imported water is “cheap” compared to local supply investment. Leaving aside the inaccurate argument that the Water Authority and MWD would provide the “exact same blend of imported water sources,” or same reliability, the “no net increase” argument is also not true over time, as the Water Authority continues to reduce its reliance on MWD imported water. Finally, allowing agencies to “opt out” of local supply investments that have been planned, made to meet their needs, and are meeting their needs, ex post facto – thus shifting the related infrastructure cost share to the remaining member agencies – would chill any regional agency’s willingness to make such investments in the future.

Final note: The Water Authority is aware of the sensitivity of agricultural customers to the cost of water. It has a discounted agricultural water rate based on cost of service principles (e.g., no reliance on storage, etc.), the full details of which are beyond the scope of this email but which can be provided should you find that relevant or useful to your comments.

Please don’t hesitate to let me know if you have any questions or need any further information.

Thanks, and with very best regards.

Chris

C. The Project Will Not Increase Reliance on the Sacramento-San Joaquin Bay-Delta.

RMWD’s application documents that the Project will not result in any impact on the Delta. This documentation includes, but is not limited to, a technical memorandum prepared by Eastern Municipal Water District, which concludes: “The de-annexation of FPUD and RMWD from the SDCWA would not result in Metropolitan, as a State Water Contractor, increasing its reliance on the Sacramento-San Joaquin Delta (Delta) since FPUD and RMWD would continue to be supplied from Metropolitan’s Robert A. Skinner Water Treatment Plant **There would be no net increase in imported water to the region.**” (Emphasis in original.) **The water supply will be from the exact same blend of imported water sources whether RMWD is a member of SDCWA or Eastern Municipal Water District and thus the change in wholesale suppliers, by definition, cannot have any impact on the environment. Claims related to impacts on the Sacramento-San Joaquin Bay Delta lack any factual validity.**

EXECUTIVE SUMMARY

The Fallbrook Public Utility District (FPUD) and the Rainbow Municipal Water District are retail water suppliers located in the northern-most portion of San Diego County the City of Temecula, serving primarily agricultural and residential customers. FPUD and RMWD are currently member agencies of the San Diego County Water Authority (SDCWA) and are considering a de-annexation from the SDCWA and an annexation into the East County Water District (EMWD).

FPUD and RMWD are currently being supplied with imported water from the Metropolitan District of Southern California's (Metropolitan) Robert A. Skinner Water Treatment Plant via the Metropolitan/San Diego Aqueduct, and would continue to be supplied with the same water if they were part of EMWD. The potential de-annexation of FPUD and RMWD from SDCWA is not anticipated to have any significant impacts to regional and local water supply or system reliability. No new water supplies would need to be developed or imported. The de-annexation of FPUD and RMWD from the SDCWA would not result in Metropolitan, as a State Water Contractor, increasing its reliance on the Sacramento-San Joaquin Delta (Delta) since FPUD and RMWD would continue to be supplied from Metropolitan's Robert A. Skinner Water Treatment Plant.

The de-annexation of FPUD and RMWD would allow for SDCWA to reduce the amount of imported water it purchases from Metropolitan and EMWD would increase its imported water purchases from Metropolitan the amount equivalent to SDCWA's reduction. **There is a net increase in imported water to the region.** Under all conditions presented in the respective 2015 Urban Water Management Plans, both SDCWA and EMWD include water supplied by Metropolitan as part of their long-term water supply portfolios, and they remain reliant on imported water supplied by Metropolitan to meet their service area needs. Whether FPUD and RMWD are part of SDCWA or EMWD would not change SDCWA's or EMWD's combined demand for imported water from Metropolitan.

FPUD and RMWD would remain dependent on the reliability and availability of Metropolitan's Robert A. Skinner Water Treatment Plant.

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Chair Jacobs and members of the Commission. Good morning.

My name is Sandy Kerl and I am the General Manager of the San Diego County Water Authority. With 24 member agencies and a 36-member board of directors, the Water Authority is the regional planning agency and wholesale water supplier for San Diego County. We serve approximately 3.3 million people through our member retail agencies, who in turn, serve residential, commercial, and agricultural customers. The County of San Diego has an ex-officio seat on our board, currently filled by Supervisor Desmond.

I would like to start by sharing the Resolution adopted by the Water Authority Board at last Thursday's meeting, as well as the supporting documents and power point presented at that time. The purpose of the Resolution is to provide our Board and the public with a very brief overview of the relevant issues and express the Water Authority's support for LAFCO's independent and transparent review of these applications.

The Resolution identifies the principal issues we believe the Commission must address. It begins with the obligation to determine that the customers and property owners in Fallbrook and Rainbow will in fact gain the benefits asserted in the applications, and includes the obligation to ensure that the regional interests of ratepayers and property owners are not compromised.

The Water Authority is charged with responsibilities under state law, including provisions relating to various water supply sources such as the State Water Project and Colorado River. We work closely with many other regional bodies to meet these mandates. We rely on SANDAG for much of the countywide data necessary to do this work. This relationship is also critical to the process the development community relies upon when processing development plans in San Diego County.

Finally, the Water Authority is also San Diego County's only representative—through four board member appointed delegates—on the Board of Directors of the Metropolitan Water District, or "MWD." The remaining 34 members of the MWD Board are from Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties.

It is important to note at the outset of these proceedings that MWD operates the conveyance system through which conserved water paid for and owned by San Diego ratepayers must travel. MWD charges for this and other services through a series of somewhat complex rate mechanisms which are passed through to San Diego ratepayers. Your proceedings will require a full understanding of both the physical and political relationships between MWD, Imperial Irrigation District, the Bay Delta and State Water Project, the Colorado River, state and federal water policy and San Diego County's present and projected water supply.

As you know, these are unprecedented applications involving complex regional and statewide issues. However, it is also important that I note that, at the same time, each district has distinct local issues. We have attempted in our Board Resolution to identify the broadly applicable regional consequences of each of the proposed detachments as well as the importance of protecting the customers of Fallbrook and Rainbow.

At our Board presentation on Thursday, I was asked an important question. "If a member agency manager is making this recommendation, and his board agrees with it, why should the Water Authority care or have anything to say about it?"

The answer is simple. The Water Authority is the mechanism by which each of our member agencies meets its obligation to comply with state water law and environmental policy, while at the same time ensuring a safe and reliable water supply to each and every resident and property owner in San Diego County. This is particularly critical in semi-arid San Diego County.

Driven by both economic necessity and state policy, San Diego has emerged from a past in which we were 95% dependent on water purchased from a monopoly supplier to a future of less than 10% dependency. This evolution has and will provide dividends to local and regional business and agriculture, brings our region into compliance with state environmental and conservation policies, and frees San Diego ratepayers from price increases dictated by interests located outside San Diego that are otherwise, inevitable.

LAFCO is undoubtedly familiar with this perspective because it too has a similar regional mission which is:

“Among the purposes of the commission are ... efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions. One of the objects of the commission is to make studies and furnish information to contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

LAFCO is charged with the responsibility to weigh the evidence in these proceedings in the context of impacts at both the local and regional level. Like the Water Authority, your very purpose is to protect the public from the possibility of being presented with false choices. Like the Water Authority, your mission is at once, both local and regional. If the answer to my board member’s question on Thursday were any different, there would be no need for LAFCO and there would be no need for the Water Authority.

We are here to objectively deal with the facts. All of the facts, in all of their complexity. Where it is simple, we will say so. Where it is not, we will seek to make it understandable. I believe that our Board Resolution, which was opposed only by the two applicants, is a good start on that process.

I have been grateful for the opportunity to collaborate with your Executive Officer in the preparation of his proposed options for a working group. My board leadership has agreed to support Option 1d. Option 1d would provide for a 12-member committee drawing from regional representatives as well as from agencies and cities that stand to be directly impacted by the two applications. This choice is consistent with LAFCO precedent and is best suited to represent the interests of ratepayers, property owners, and agency stakeholders across San Diego County.

I pledge my Board’s full cooperation and my personal commitment to this process. I very much look forward to working with Mr. Simonds, your staff and with all of you as we go forward.

I am happy to answer any questions. Thank you.



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Refer To File # 501668-0005

VIA EMAIL AND U.S. MAIL

July 15, 2020

Mark Hattam
General Counsel
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123-1233

Re: Response to San Diego County Water Authority's ("SDCWA") July 2, 2020
Objection to the Proposed Eastern Municipal Water District Wholesale Water
Reorganization and Annexation to Eastern Municipal Water District for Wholesale
Water Service with Concurrent Detachment from SDCWA

Dear Mr. Hattam:

Nossaman LLP is general counsel to the Rainbow Municipal Water District ("RMWD"). This letter responds to SDCWA's meritless objection to the above-referenced reorganization, detachment and annexation.

To the degree that SDCWA's objection is based on the San Diego County Local Agency Formation Commission ("SD LAFCO") staff's preliminary determination that the Proposed Eastern Municipal Water District Wholesale Water Reorganization and Annexation to Eastern Municipal Water District for Wholesale Water Service with Concurrent Detachment from San Diego County Water Authority (collectively, "Project") is exempt from the California Environmental Quality Act ("CEQA"), SDCWA fails to identify any evidentiary, legal, or policy grounds for SD LAFCO staff to revisit the preliminary determination. SDCWA's objection also attempts to rehash CEQA claims that have already been resolved through a settlement that validated RMWD's decision to exempt the Project from CEQA review under CEQA Guidelines section 15320 (changes in the organization of local agencies).

SDCWA's assertion that RMWD failed to engage with SDCWA badly misstates the facts. Included for your reference as **Attachment 1** to this letter, is a listing of RMWD's repeated efforts to engage specifically with SDCWA and its member agencies in connection with RMWD's proposed detachment from SDCWA.

I. The Settlements That Resolved Otay Water District's CEQA Challenges Expressly Affirmed the Validity of RMWD's Decision to Exempt the Project From CEQA Review.

On December 3, 2019, the RMWD Board of Directors determined that the Project was exempt from CEQA review and authorized RMWD's General Manager to submit an application to SD LAFCO to detach from SDCWA and annex to Eastern Municipal Water District. In finding the

application exempt from CEQA review, RMWD's Board of Directors was legally required to consider the environmental consequences of the whole of the detachment and annexation, and not the specific governmental approval before it (i.e., the application). (See CEQA Guidelines, §§ 15060-15061.) This is because CEQA and the CEQA Guidelines define the term "project" broadly as the underlying "activity which is being approved and which may be subject to several discretionary approvals by governmental agencies." (CEQA Guidelines, § 15378, subd. (c); see also Pub. Resources Code, § 21065.) As such, RMWD considered as part of its CEQA screening process the reorganization, detachment, and annexation that are pending SD LAFCO's review.

SDCWA did not challenge RMWD's CEQA determination, or RMWD's decision to pursue the detachment and annexation to which SDCWA now objects. RMWD's actions were, however, challenged under CEQA by Otay Water District ("Otay") on the grounds that categorical exemption 15320 does not apply to the Project and that RMWD was required, but failed to consider the Project's potentially significant infrastructure, Sacramento-San Joaquin Bay Delta, and cumulative impacts when taken together with Fallbrook's proposed detachments from SDCWA.

Otay and RMWD executed a settlement agreement mere months after Otay filed its action – and before RMWD filed any responsive pleading or dispositive motion -- whereby the parties stipulated as follows:

On December 3, 2019 Respondent approved the "Resolution of Application Authorizing the GM to Prepare and Submit an Application to San Diego LAFCO to Detach from SDCWA and Annex to EMWD" and Respondent's related Notice of Exemption ("NOE"), which was posted and filed with the County Clerk on December 5, 2019. ***Prior to the approval, Respondent examined the aforementioned Resolution and Application to determine whether they were subject to the California Environmental Quality Act, Public Resources Code section 21000 et seq. ("CEQA") and determined that they were exempt. The NOE is valid***

Because SD LAFCO was not a party to Otay's suit, and had not yet rendered any decision regarding RMWD's application, the settlement expressly reserved SD LAFCO's discretion, consistent with state law, "to independently determine the appropriate level of CEQA review required for any potential detachment . . . or any potential annexation . . ." The stipulation does not preclude SD LAFCO from reaching the exact same determination that was reached by RMWD.

The stipulation also recites what is already expressly provided for under state law; that SD LAFCO would be required to file its own notice of exemption, if it determined to exempt the Project from CEQA review and, subsequently, elect to shorten the period for CEQA litigants to challenge SD LAFCO's own future CEQA determination.

CEQA does not require public agencies to file notices of exemption when deciding to exempt activities from CEQA review. (See Pub. Resources Code, § 21152, subd. (b); CEQA Guidelines, § 15062, subd. (a).) The chief purpose of a notice of exemption is to start the

running of a shorter statute of limitations than would otherwise apply. “A notice of exemption ordinarily has no significance other than to start the statute of limitations running.” (Kostka & Zischke, Practice Under the California Environmental Quality Act, § 5.116, citing *San Lorenzo Valley Community Advocates for Responsible Educ. v. San Lorenzo Valley Unified School District* (2006) 139 Cal.App.4th 1356, 1385.)

The settlement agreement, in relevant part, provides:

The NOE [Notice of Exemption] may not be utilized or relied upon by the San Diego LAFCO or any other agency for the purpose of that agency’s CEQA compliance in connection with any potential detachment by Respondent from the San Diego County Water Authority, or for any potential annexation by Respondent into Eastern Municipal Water District.

It is quite clear that SD LAFCO would file its own notice of exemption, with or without the settlement agreement, if SD LAFCO were to determine its action on the reorganization exempt from CEQA review.

SDCWA was not a party to the settlement agreement. Yet, SDCWA purports to be best-positioned to interpret the settlement’s meaning. SDCWA’s interpretation fails on the plain language of the settlement. Rather than operating as an admission of insufficiency of RMWD’s CEQA review, as SDCWA claims, the settlement clearly and expressly states that RMWD’s exemption determination in the “NOE is **valid**.” (See CEQA Guidelines, § 15062, subd. (a)(4) [a notice of exemption is required to include “a brief statement of reasons to support the finding” of exemption].)

SDCWA makes much of the settlement’s reservation of SD LAFCO’s CEQA discretion which, as discussed above, could not bind SD LAFCO in any event. It is understood that SD LAFCO will exercise its discretion, consistent with the law and the evidence, when it acts on the proposed reorganization, detachment and annexation.

II. The Proposed Reorganization, Detachment and Annexation are not Subject to CEQA.

CEQA applies only to discretionary “activities which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.” (See Pub. Resources Code, §§ 21080, subd. (a) and 21065 [defining project].) As is documented in RMWD’s March 18, 2020 Reorganization Application to SD LAFCO, the water lines that convey water to RMWD do not coincide with the delineation of County lines. RMWD currently has connections directly to Metropolitan Water District’s distribution system, which will remain in place and will continue to remain the source of RMWD’s water supply under Project implementation. The Project neither includes nor contemplates any new water service connections or divestitures from service. Accordingly, RMWD’s annexation to Eastern Municipal Water District and concurrent detachment from SDCWA involves a paper change of boundaries that results in no direct or reasonably foreseeable indirect changes to the environment, and is therefore not subject to CEQA.

Changes in the organization or reorganizations of local governmental agencies are also recognized by the California Natural Resources Agency as a category of activities that are presumptively exempt from CEQA review. (See Pub. Resources Code, § 21084, subd. (a); CEQA Guidelines, § 15320.) If a project is found to be subject to a categorical exemption, no formal environmental review is required. (*City of Pasadena v. State* (1993) 14 Cal.App.4th 810, 820.) A project that is categorically exempt “may be implemented without any CEQA compliance whatsoever.” (*Association for Protection of Environmental Values v. City of Ukiah* (1991) 2 Cal.App.4th 720, 726.)

CEQA Guidelines section 15320 applies where there is no change in the geographical area in which previously existing powers were exercised, and is facially applicable to the reorganization, detachment and annexation. RMWD currently receives Metropolitan Water District water through SDCWA and, if the reorganization, detachment and annexation are accomplished, would continue to receive Metropolitan Water District water from Eastern Municipal Water District using existing connections and distribution system. As discussed above, RMWD’s service area will not change as a result of the proposed detachment and annexation. As such, the proposed reorganization affects no physical changes to previously rendered governmental services.

Citing *Azusa Land Reclamation Co. v. Main San Gabriel Basin Watermaster* (1997) 52 Cal.App.4th 1165, 1193, SDCWA argues that categorical exemptions are to be applied narrowly in order to maximize the protection of the environment provided by CEQA. *Azusa Land Reclamation Co. v. Main San Gabriel Basin Watermaster* concerned a decision to exempt from CEQA review a proposal to dump 3.2 million tons of garbage into an 80-acre unlined municipal solid waste landfill overlying a groundwater basin that supplied the water needs of approximately 1,000,000 people. (See *id.* at p. 1175-1176.) This decision is factually distinguishable from RMWD’s proposed change of wholesale water suppliers. However, because the reorganization, detachment, and annexation result in no “direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment” CEQA’s environmental protections do not apply in the first instance. (See Pub. Resources Code, §§ 21080, 21065.)

SDCWA next argues that none of the illustrative examples listed in CEQA Guidelines section 15320 describe the specific circumstances of RMWD’s application, because “[b]y seeking detachment from the Authority and annexation by the Riverside County-based Eastern . . . [RMWD] will *change the geographical areas* in which the Authority, by subtraction, and Eastern, by addition *exercise their powers*.” (Emphasis in original.) SDCWA is wrong. Indeed, each of the examples listed in CEQA Guidelines section 15320 contemplate the “subtraction” and “addition” of a geographic service area in various circumstances. (See CEQA Guidelines, § 15320, subds. (a)-(c).)

The courts have liberally construed categorical exemptions to effectuate their obvious purpose. (Kostka & Zischke, Practice Under the California Environmental Quality Act, § 5.126, citing *Save the Plastic Bag Coalition v. County of Marin* (2013) 218 Cal.App.4th 209, 219.) The proposed annexation and detachment are functionally identical to the examples listed in CEQA Guidelines section 15320, and are likewise exempt from CEQA review, because they involve no physical changes in service. (See CEQA Guidelines, § 15320, subd. (a)-(c); see also *Walters v.*

City of Redondo Beach (2016) 1 Cal.App.5th 809, 818 [holding that car washes are functionally similar to the commercial enterprises expressly listed in categorical exemption and, therefore, exempt].)

Finally, CEQA Guidelines section 15320 expressly provides that the examples listed therein are nonexclusive. Accordingly, the mere fact that the specific circumstances of RMWD's application are not described in the regulation is not dispositive.

For all of the above reasons, the reorganization, detachment, and annexation are not subject to CEQA and are facially exempt from CEQA review under CEQA Guidelines section 15320.

III. SDCWA Has Failed to Present Any Legally Relevant Argument or Evidence That Warrants SD LAFCO Staff Revisiting the Preliminary CEQA Determination.

SDCWA asserts that the Project may result in potentially significant environmental impacts and that, therefore, SD LAFCO must conduct a full environmental review, including the preparation of an Initial Study and an Environmental Impact Report. SDCWA's objection then states that "**to the extent that substantial evidence exists**" that the Project may have a significant effect, SD LAFCO will be required to prepare an EIR. (Emphasis added.) SDCWA's objection identifies no such evidence.¹ (See CEQA Guidelines, § 15384, subd. (a) ["Argument, speculation, unsubstantiated opinion, or narrative" do not constitute substantial evidence."]) Indeed, SDCWA's objection is based on the very same allegations that Otay abandoned shortly after filing its CEQA suit against RMWD.

A. RMWD's Proposed Detachment and Annexation Do Not Involve Unusual Circumstances.

Categorical exemptions do not apply where there is a reasonable possibility that an activity will have a significant effect on the environment due to "unusual circumstances." (See CEQA Guidelines, 15300.2, subd. (c).) This exception applies in the limited situation where the activity itself is unusual, or atypical, as compared to the classes of activities normally covered by the categorical exemption. (*Berkeley Hillside Preservation v. City of Berkeley* (2015) 241 Cal.App.4th 943.)

The possibility that an activity may result in potentially significant environmental effects does not make a project unusual for purposes of the unusual circumstances exception. (See *id.* at pp. 1104-1105.) RMWD's request to change wholesale water suppliers is a routine matter. SDCWA's vague and unsupported allegations of environmental impacts are legally irrelevant to

¹ Notably, an Initial Study is required only where a project is found to be subject to CEQA in the first instance. (CEQA Guidelines, § 15063, subd. (a).) As discussed above, the Project is not subject to CEQA review. An Environmental Impact Report is required only where there is a fair argument, based on substantial evidence, that the project may result in a potentially significant impact. (CEQA Guidelines, § 15063, subd. (b).) SDCWA has failed to provide a fair argument of a potentially significant impact.

the question of whether RMWD's application presents unusual circumstances. SDCWA fails to identify any aspect of RMWD's application that renders it atypical, as compared to annexation and detachment actions that are normally considered by SD LAFCO.

B. The Infrastructure Improvements Referenced in RMWD's Application Are Not New Information, Were Specifically Considered by RMWD When it Determined the Project was Exempt from CEQA Review, and Would Be Undertaken With or Without the Project.

SDCWA asserts that RMWD's application to SD LAFCO reveals not previously considered infrastructure improvements and a development project with unexamined growth inducing effects. As stated in RMWD's application, all of the improvements identified in RMWD's application were included in previous Water Master Plans and other Capital Improvement Project forecasts, and are needed to maintain RMWD's aging infrastructure with or without the proposed reorganization, detachment and annexation. The identified improvements are also not new information. The RMWD Board of Directors considered these improvements when it found the Project exempt from CEQA review. The Rice Canyon Tank pipeline that is referenced in RMWD's application is proposed to interconnect to a development project that was environmentally cleared and approved by the County of San Diego nearly a decade ago and will, therefore, not result in any new or unanalyzed growth-inducing effects.

C. The Project Will Not Increase Reliance on the Sacramento-San Joaquin Bay-Delta.

RMWD's application documents that the Project will not result in any impact on the Delta. This documentation includes, but is not limited to, a technical memorandum prepared by Eastern Municipal Water District, which concludes: "The de-annexation of FPUD and RMWD from the SDCWA would not result in Metropolitan, as a State Water Contractor, increasing its reliance on the Sacramento-San Joaquin Delta (Delta) since FPUD and RMWD would continue to be supplied from Metropolitan's Robert A. Skinner Water Treatment Plant **There would be no net increase in imported water to the region.**" (Emphasis in original.) The water supply will be from the exact same blend of imported water sources whether RMWD is a member of SDCWA or Eastern Municipal Water District and thus the change in wholesale suppliers, by definition, cannot have any impact on the environment. Claims related to impacts on the Sacramento-San Joaquin Bay Delta lack any factual validity.

D. RMWD's Application Does not Result in Cumulative Impacts That Preclude Reliance on CEQA Guidelines Section 15320.

An action that results in no environmental impacts cannot result in cumulative environmental impacts. (See *North Coast Rivers Alliance v. Westlands Water Dist.* (2014) 227 Cal.App.4th 832.) As discussed above, the proposed reorganization, detachment and annexation will result in no changes in the physical environment.

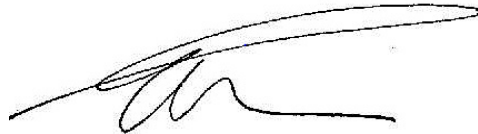
IV. SDCWA's Claim That RMWD Did Not Engage With SDCWA and Other Stakeholders in Connection with its Proposal to Detach from SDCWA is False.

SDCWA asserts that RMWD provided "very limited information to the public," "ignored comments" and refused to engage with stakeholders. These accusations are patently false. RMWD offered multiple opportunities for interested parties to provide comments and obtain information for months leading up to the RMWD Board of Directors' decision to authorize RMWD's General Manager to file an application for detachment from SDCWA and annexation to Eastern Municipal Water District. (See, e.g., Attachment 1.) Further, as detailed in RMWD's application, RMWD had been attempting to engage specifically with SDCWA since May 2019.

V. Conclusion.

For the above reasons, SD LAFCO staff's preliminary determination to exempt RMWD's proposed reorganization, detachment and annexation is fully consistent with the law and supported by the record evidence. SDCWA's latent CEQA objection, which meanders through issues that have already either been resolved in RMWD's favor or fully addressed by technical documentation, is testament of SDCWA's deliberate obstruction of RMWD's application.

Sincerely,



Elizabeth Klebaner
Nossaman LLP

LK:

Cc: Keene Simonds; Jack Bebee

Attach.

ATTACHMENT 1

The following discussion is excerpted from the Rainbow Municipal Water District's Supplemental Information Package for Reorganization Application, included as part of the District's March 18, 2020 Reorganization Application. The complete Reorganization Application is available at <https://www.sdlafco.org/home/showdocument?id=4830>

The District, in accordance with SDLAFCO Policy L-107, began its outreach with the primary affected agency, SDCWA, on May 21, 2019. On that day, RMWD General Manager Tom Kennedy met with Sandra Kerl, Acting General Manager of SDCWA and later in the day with SDCWA Board Chairman Jim Madaffer and Vice Chairman Gary Croucher. In these meetings, the District indicated that it was exploring this process and requested that we meet formally to discuss the County Water Authority Act's provisions related to detachment. At the conclusion of the meeting with SDCWA Chair and Vice Chair, we agreed to meet in a few weeks to discuss the matter.

Prior to that meeting, SDCWA served RMWD with a Public Records Act request for information, communications or other documents related to our exploration of the detachment. The meeting that was discussed in May was never set as SDCWA wanted to review the PRA information prior to holding a meeting. Those documents were produced to SDCWA in June 2019. The following is a chronology of the District's efforts to comply with SDLAFCO Policy L-107:

- June 27, 2019 – at the Regular SDCWA Board meeting, both Jack Bebee (GM at FPUD) and Rainbow GM Tom Kennedy notified all SDCWA Board Members in open session about our desire to meet with any of them to discuss this matter.
- July/August 2019 – both Jack Bebee and RMWD GM Tom Kennedy met with several SDCWA member agencies to discuss the matter. There were also discussions at the SDCWA Member Agency Manager meeting that is attended by nearly every agency.
- July 30, 2019 – Representatives from staff and legal counsel from SDCWA, FPUD, and RMWD met at the SDCWA offices to discuss the potential detachment. While FPUD and RMWD came prepared to discuss the provisions of the County Water Authority Act, SDCWA staff and counsel deferred from any such discussion, indicating that they were not up to speed on the Act.
- August 22, 2019 – SDCWA held a closed session meeting on the detachment discussion and excludes both RMWD and FPUD from the discussion on the grounds of “risk of litigation”. To be clear, neither FPUD nor RMWD has any basis for litigating anything with SDCWA, so our exclusion was questionable. RMWD and FPUD were allowed to make a statement, but each was only afforded three minutes to address the Board from the lectern where public comments are received. In his comments, RMWD GM Kennedy reiterated his willingness to discuss the detachment with any interested party. At this closed session, the SDCWA Board authorized a contract for \$1 Million for legal services related to the detachment.
- September 16, 2019 – RMWD GM Kennedy and FPUD GM Bebee met at FPUD's offices with Sandra Kerl, SDCWA Acting GM and consultant Juanita Hayes to discuss detachment issues without their respective legal counsels present. This was a productive meeting at which we all agreed to meet again with our finance staff present to talk about specific details as to how the detachment would impact financial issues with the goal of finding a common ground.
- September 26, 2019 – At the SDCWA regular Board meeting, FPUD's Bebee again informed the entire SDCWA Board in open session that both FPUD and RMWD would like to meet with any interested party to discuss the matter.
- October 9, 2019 – FPUD GM Bebee and RMWD Gm Kennedy, along with FPUD CFO Shank, met with Sandra Kerl and Juanita Hayes at the SDCWA offices. This meeting was the follow up from

the September 16, 2019 meeting and was intended to dig into the details of financial matters. At this meeting, when no SDCWA finance staff was present, SDCWA's Kerl indicated that we would not be having the discussion we had all agreed to a few weeks before. Ms. Kerl indicated that instead of discussions with SDCWA directly, their position was that we needed to meet with the other 22 member agencies. This outcome was memorialized in an email from Ms. Kerl to GM's Kennedy and Bebee on October 10, 2019.

- October 16, 2019 – in an email communication to SDCWA and all member agencies, RMWD GM Kennedy again invited any interested party to meet with the District to discuss the detachment matter. As of the beginning of February 2020, RMWD and FPUD have met with at least 12 member agencies directly with more meetings still scheduled.
- November 6, 2019 – RMWD sent out formal letters to SDCWA and all member agencies notifying them of the District's intent to consider a Resolution of Application at RMWD's December 3, 2019 Board meeting. This letter fulfilled the requirement to provide at least 21 day's written notice in advance of the meeting.

There were a great deal more informal communications regarding the detachment between the District and affected agencies at various meetings over the months, but this summary demonstrates that the District has greatly exceeded the minimum requirements of SDLAFCO Policy L-107.

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August 25, 2020

Gloria Gray
Chair, Board of Directors
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012-2944

RE: Planning for Reduced State Water Project Supply in Metropolitan's 2020 Integrated Resources Plan

Dear Chairwoman Gray and Members of the Board:

On behalf of the Natural Resources Defense Council, which has more than 3 million members and activists, more than 400,000 of whom are Californians, I am writing to provide input on the development of Metropolitan's Integrated Resources Plan ("IRP"). In particular, we strongly urge Metropolitan to ensure that the IRP anticipates and plans for a future with significantly less water imported from the Bay-Delta than today, and that the IRP uses this baseline to help the Board of Directors and Metropolitan's Member Agencies prioritize and plan for continued improvements in water use efficiency and significant additional investments in local and regional water supply projects, including through the Local Resources Program (LRP).

The IRP must plan for reductions in State Water Project deliveries from the Delta compared to today's levels, as a result of climate change and more protective environmental regulations. As the most recent drought demonstrated, climate change is already having a significant impact on water supply from the Bay-Delta and is likely to further reduce water supply from the Bay-Delta in the future, including as a result of changes in the amount, type and timing of precipitation; increased temperatures that increase evapotranspiration and decrease snowpack; and more frequent and more severe droughts. In addition, given the environmental crisis in the Bay-Delta estuary, various state and federal regulatory requirements are likely to result in State Water Project diversions from the Bay-Delta being significantly reduced from current levels in the near future, including the State Water Resources Control Board's adoption of the Bay-Delta Water Quality Control Plan, and increased protections for salmon, smelt and other endangered species (which are currently the subject of extensive litigation, including by NRDC). Taken together, reduced diversions from the Bay-Delta are necessary to prevent the extinction of native fish and wildlife, to protect thousands of fishing jobs, to reduce the frequency and severity of harmful algal blooms in the Delta, to maintain water quality for farms and cities, to respond to and mitigate the effects of climate change, and to comply with the Public Trust.

For instance, in July 2018 the State Water Resources Control Board issued its Framework for the Sacramento/Delta Update to the Bay-Delta Plan (“Framework”).¹ The Framework states that the State Water Resources Control Board’s staff report for the update of the Bay-Delta Water Quality Control Plan will propose a starting point of 55% of unimpaired flow for both Delta inflow and Delta outflow standards (within a range of 45-65%),² and the Framework estimates that this would reduce total diversions from the Bay-Delta watershed by 2 million acre feet per year.³ While the Framework does not specifically identify the potential reduction in water diversions by the State Water Project or any other diverter, reduced diversions by the State Water Project are the foreseeable result of this proceeding.⁴

It is worth noting that MWD’s 2015 Urban Water Management Plan (“UWMP”) assumed that State Water Project supply in 2020 would be reduced compared to both historic and current levels of water diversions. The UWMP assumed that beginning in 2020, SWP total exports would average 976,000 acre feet per year, equivalent to a 51% State Water Project Allocation.⁵ This was significantly lower than the State’s estimate of average State Water Project allocations in 2015, and it would be significantly lower than the State’s current estimate of the average State Water Project allocation. In 2015, Metropolitan refused to alter these planning assumptions despite NRDC’s public comments that the analysis used in the 2015 UWMP was a misleading attempt to justify the California WaterFix project.

There is simply no rational basis for the IRP to assume current or increased levels of water diversions and supply from the State Water Project, in either the near term or the longer term. In light of the range of possible outcomes in terms of how much Metropolitan’s water supply from the Delta is likely to be reduced, we encourage Metropolitan to evaluate a range of reductions in water supply from the State Water Project in the scenarios that are used to develop a final IRP.

Metropolitan can play a significant role in helping its Member Agencies sustain a growing economy in Southern California despite reductions in water imports from the Bay-Delta. Thanks in part to the leadership of Metropolitan’s Board of Directors and the actions of its Member Agencies over the past three decades, Southern California has significantly reduced per capita water use, reduced demand for imported water, reduced retail demand from Metropolitan, and diversified its sources of supply. As a result, in recent years Metropolitan has met retail demand for water with only a 35% allocation from the

¹ Available online at:

https://www.waterboards.ca.gov/waterrights/water_issues/programs/bay_delta/docs/sed/sac_delta_framework_070618%20.pdf.

² *See id.* at 2.

³ *See id.* at 13.

⁴ This is also true for any Voluntary Agreements, which proponents claim would increase Delta outflow and reduce diversions from the Bay-Delta, including by the State Water Project and its contractors. Voluntary Agreement would be subject to review and consideration by the State Water Resources Control Board as part of the update of the Bay-Delta Water Quality Control Plan, after compliance with CEQA and other legal obligations.

⁵ Metropolitan Water District of Southern California, 2015 Urban Water Management Plan, at A.3-28.

State Water Project.⁶ While a 35% State Water Project allocation is currently necessary in most years to meet retail demands within the Metropolitan service area, the current average State Water Project allocation is 62% according to the California Department of Water Resources.⁷

Yet even in light of the region's prior investments, Southern California's water agencies have demonstrated that there are huge opportunities to increase water use efficiency and increase water supply from sustainable local and regional projects, which can help offset the reduction in imported water from the Delta, as the Los Angeles Times editorial page recently opined ("For cities like Los Angeles, there's an emphasis on recycling as a backup to and a partial replacement for water currently imported from the north. That's as it should be.")⁸ For instance, NRDC's 2017 *Mismatched* report compared the UWMPs of Metropolitan and its Member Agencies, and found that Metropolitan significantly overestimated per capita demand, underestimated local supply, and overestimated purchases of imported water.⁹ Moreover, that analysis did not account for hundreds of thousands of acre feet of new water supply from potential local water supply projects that were still in development and were not included in the body of Metropolitan's UWMP. Many of those projects are now coming to fruition.

We also appreciate that Metropolitan has begun a process of comparing the UWMP's assumptions with actual supply and demand. Staff's initial reviews demonstrate that Metropolitan's 2015 IRP significantly overestimated total demand for water, per capita water use, local water supply, and retail M&I demand. Several recent academic studies have concluded that water agencies routinely overestimate urban demand for water, including a study coauthored by David Sunding¹⁰ and another

⁶ See, e.g., Metropolitan Water District of Southern California, Water Surplus and Drought Management Update, February 11, 2020, available online at: <http://www.mwdh2o.com/WhoWeAre/Board/Board-Meeting/Board%20Archives/2020/02%20-%20Feb/Reports/02102020%20WPS%206b%20Report.pdf>; Metropolitan Water District of Southern California, Water Surplus and Drought Management Update, March 11, 2019, available online at: <http://www.mwdh2o.com/WhoWeAre/Board/Board-Meeting/Board%20Archives/2019/03-March/Reports/064881267.pdf>; Metropolitan Water District of Southern California, Water Surplus and Drought Management Update, April 9, 2018, available online at: <http://www.mwdh2o.com/WhoWeAre/Board/Board-Meeting/Board%20Archives/2018/04-April/Reports/064865909.pdf>.

⁷ See California Department of Water Resources, The State Water Project Final Delivery Capability Report 2017, March 2018. We understand that the 2018 Addendum to the Coordinated Operations Agreement that DWR negotiated with the Trump Administration (which Metropolitan supported) caused the average State Water Project allocation to decline from 62% to 59% in the forthcoming State Water Project Final Delivery Capability Report 2019.

⁸ Los Angeles Times, Editorial: *Gavin Newsom's plan for California water is a good one. Stay the course.* July 31, 2020. Available online at: <https://www.latimes.com/opinion/story/2020-07-31/newsom-water-portfolio>.

⁹ This report is available online at: <https://www.nrdc.org/resources/comparison-2015-urban-water-management-plans-metropolitan-water-district-southern>

¹⁰ Buck, Steven, Maximillian Auffhammer, Hilary Soldati, and David Sunding 2020. *Forecasting Residential Water Consumption in California: Rethinking Model Selection*. Water Resources Research,

study by the Pacific Institute.¹¹ We encourage Metropolitan to apply the lessons learned from the 2015 UWMP, particularly by strengthening its partnerships and processes with its Member Agencies to develop local water supply projects to fruition, and to reduce its forecasts of demand for retail water to more accurately budget for and assess demand.

Finally, after years of claiming that Metropolitan endorsed an “all of the above” approach¹² and would pay for local water supply projects, water conservation, the California WaterFix project, and other water projects, at last year’s Board retreat staff indicated that water supplies may exceed demand and Metropolitan may seek to reduce incentives for local and regional water supply projects and/or increase fixed charges, which threaten efforts by Member Agencies to reduce their retail demand on Metropolitan.¹³ We are alarmed that Metropolitan would consider reducing funding for local water supply projects through the LRP, reduce funding for water use efficiency projects, and/or increase fixed charges to force Member Agencies to subsidize the costs of imported water that they do not use – particularly at the same time that Metropolitan is considering spending billions of dollars on unsustainable water projects outside of the region, like the Sites Reservoir project and Delta conveyance project, which do not create local jobs in Southern California and which threaten the environment.

Given the anticipated decline in State Water Project deliveries, we strongly urge Metropolitan not to reduce funding for LRP or create additional barriers to local water supply projects, such as increasing fixed charges. Rather, the IRP process should lead the Board of Directors to consider increasing the LRP target to account for reductions in State Water Project supplies and consider improved ways to facilitate the development of local water supply and water use efficiency projects.

NRDC strongly supports Southern California’s efforts to reduce reliance on the Delta by investing in sustainable local and regional water supply projects. Investments in local water efficiency, water recycling, stormwater capture, and other projects create good paying middle class jobs in Southern California, provide a more drought resistant water supply, improve the reliability of Southern California’s water supply (including providing far greater resilience to earthquakes and other natural

56, e2018WR023965. <https://doi.org/10.1029/2018WR023965>.

¹¹ Available online at: <https://pacinst.org/wp-content/uploads/2020/08/Pacific-Institute-Assessment-Urban-Water-Demand-Forecasts-in-CA-Aug-2020.pdf>

¹² See, e.g., Metropolitan Water District of Southern California, California WaterFix Fact Sheet, “Why a California Water ‘Fix’?”, available online at:

http://www.mwdh2o.com/DocSvcsPubs/DeltaConveyance/assets/cwf_fact_scb_6_25.pdf; Jeffrey Kightlinger, “California WaterFix: How a Big Project Looks Smaller,” September 18, 2017, available online at: <http://mwdh2o.com/newsroom/H2outlook?t=1029>;

¹³ See Metropolitan Water District of Southern California, Charting Metropolitan’s Second Century (Board Retreat 2019), October 2019, available online at:

<http://www.mwdh2o.com/WhoWeAre/Board/Board-Meeting/Board%20Archives/2019/10-Oct/Reports/10212019%20Board%20Retreat%20White%20Paper.pdf>; Metropolitan Water District of Southern California, Board Retreat: Charting Metropolitan’s Second Century, October 21, 2019, available online at: <http://www.mwdh2o.com/WhoWeAre/Board/Board-Meeting/Board%20Archives/2019/10-Oct/Presentations/October%202019%20MWD%20Retreat.pdf>.

*NRDC letter to Metropolitan regarding Integrated Resources Plan
August 25, 2020*

disasters than projects in the Delta), and are consistent with the demonstrated scientific need to reduce diversions from the Bay-Delta watershed. Planning for reduced State Water Project deliveries from the Bay-Delta in the IRP will help Metropolitan's Board of Directors chart a new course to sustain Southern California's economy for the next several decades.

Thank you for consideration of our views. We would be happy to answer any questions or discuss these issues with the Board of Directors at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Doug Obegi".

Doug Obegi

George, Michael@Waterboards

From: Frahm, Chris <CFrahm@bhfs.com>
Sent: Wednesday, September 2, 2020 10:06 AM
To: George, Michael@Waterboards
Subject: Demand on Delta.docx
Attachments: Demand on Delta.pdf

EXTERNAL:

Good morning, Michael. We were working on this part of the submittal yesterday, laying out some of the numbers and analysis how the shift from Water Authority as a supplier to MWD as a supplier increases demand on the Delta. I thought you might find it useful.

There is another section that discusses the fact that MWD's Colorado River water is lower priority than Water Authority so that it is also more vulnerable to having to find supplies elsewhere in the result of shortage on the Colorado River.

Have a great day!

Best regards,
Chris

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George, Michael@Waterboards

From: George, Michael@Waterboards
Sent: Wednesday, September 2, 2020 9:58 AM
To: Pearson, Jessica@DeltaCouncil
Subject: FW: Fallbrook and Rainbow proposed detachment from San Diego County Water Authority - REQUEST FOR COMMENTS DUE TO LAFCO ON OR BEFORE SEPTEMBER 18
Attachments: Water Authority Board memo and resolution -- May 20, 2020.pdf; detachment resolution 052820.pdf; LAFCO statement by Sandra Kerl -- June 1,2020.pdf; Rainbow responds to Water Authority objections - July 15,2020.pdf; Rainbow detachment applications --March 18, 2020.pdf; 2020-08-25 NRDC ltr to MWD re IRP scenario planning comments.pdf

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Jessica,

On Monday (8/31) I got a call from Chris Frahm, an attorney representing the San Diego County Water Authority (SDCWA). She followed up with this email.

Ms. Frahm asked me to consider weighing in with San Diego County LAFCO where two agencies (Fallbrook and Rainbow) have applied to leave the SDCWA and to annex into neighboring Riverside County's Eastern Municipal Water District. The SDCWA believes that LAFCO should consider that the proposed realignment would increase the two departing agencies' reliance on the Delta.

I told Ms. Frahm that I would consider the request but would do so only in consultation with you and, perhaps, others at the Council. Some of the attached materials are voluminous and technical; if you only review one of the attachments, I suggest you look at the SDCWA's PowerPoint ("detachment resolution 052820").

I will call you later today or tomorrow to discuss the issues.

BTW, I was deeply disappointed with the headline in Maven indicating that your Chair has recused herself on Delta conveyance.

Michael

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Direct: (916) 445-5962
Mobile: (916) 539-1889
Email: michael.george@waterboards.ca.gov

Administrative Assistant and Scheduling Coordinator
Beba Maletic
(916) 341-5615
beba.maletic@waterboards.ca.gov

From: Frahm, Chris <CFrahm@bhfs.com>
Sent: Tuesday, September 1, 2020 10:33 AM
To: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>

EXTERNAL:

Good morning, Michael. Per our call, attached are copies of key documents explaining the proposed detachment and focusing on impacts on the Bay Delta:

- 1) Water Authority board memo and resolution
- 2) Water Authority presentation on detachment
- 3) Statement by General Manager Sandy Kerl re detachment

I have also pulled a couple of documents where the applicants and Riverside MWD member agency Eastern Municipal Water District “explain” their position(s) as related to the Bay Delta:

- 4) Rainbow response letter dated July 15, 2020 at page 6 (excerpt below, claiming no environmental issues requiring CEQA review)
- 5) Rainbow detachment application, “technical memo” at page 1 of 27 (excerpt below)
- 6) I am also attaching the recent NRDC letter I mentioned regarding MWD’s current Integrated Resources Plan process as related to Bay Delta requirements.

A complete record of the LAFCO proceedings may be found here: <https://www.sdcwa.org/lafco-detachment>

There are many factual inaccuracies in the Fallbrook and Rainbow applications and materials, which the Water Authority will be addressing in detail in its response which is due on or before September 18, 2020. One of the inaccuracies is the statement highlighted below that, *“the water supply will be from the exact same blend of imported water sources whether RMWD is a member of SDCWA or Eastern MWD and thus the change in wholesale suppliers, by definition, cannot have any impact on the environment. Claims related to impacts on the Sacramento-San Joaquin Bay Delta lack any factual validity.”*

Slide 11 in the Water Authority’s presentation (second attachment) shows the historical reduction of Water Authority water purchases from MWD (from 550,000 AF in 1991 to 59,000 AF in 2020), as well as the diverse portfolio of supplies it has developed, including conserved IID water and conserved water from lining the All-American and Coachella Canals. The Water Authority is projected to buy zero to 10,000 AF of water from MWD by 2035. Even now Fallbrook and Rainbow are receiving QSA water in some months, and this will grow over time as the Water Authority reduces reliance on MWD water, and thus the State Water Project. They are therefore NOT the “exact same blend of imported water sources” that MWD would provide if the detachment were to be approved. MWD’s water is about 60% SWP and 40% Colorado River. By 2035 the Water Authority expects to be almost 0% SWP water, as noted above. The Water Authority will address its water supply portfolio as contrasted with MWD’s continued reliance on the Bay Delta in detail in its filing on or before September 18.

The sales pitch of course is that MWD’s imported water is “cheap” compared to local supply investment. Leaving aside the inaccurate argument that the Water Authority and MWD would provide the “exact same blend of imported water sources,” or same reliability, the “no net increase” argument is also not true over time, as the Water Authority continues to reduce its reliance on MWD imported water. Finally, allowing agencies to “opt out” of local supply investments that have been planned, made to meet their needs,

and are meeting their needs, ex post facto – thus shifting the related infrastructure cost share to the remaining member agencies – would chill any regional agency’s willingness to make such investments in the future.

Final note: The Water Authority is aware of the sensitivity of agricultural customers to the cost of water. It has a discounted agricultural water rate based on cost of service principles (e.g., no reliance on storage, etc.), the full details of which are beyond the scope of this email but which can be provided should you find that relevant or useful to your comments.

Please don’t hesitate to let me know if you have any questions or need any further information.

Thanks, and with very best regards.

Chris

C. The Project Will Not Increase Reliance on the Sacramento-San Joaquin Bay-Delta.

RMWD’s application documents that the Project will not result in any impact on the Delta. This documentation includes, but is not limited to, a technical memorandum prepared by Eastern Municipal Water District, which concludes: “The de-annexation of FPUD and RMWD from the SDCWA would not result in Metropolitan, as a State Water Contractor, increasing its reliance on the Sacramento-San Joaquin Delta (Delta) since FPUD and RMWD would continue to be supplied from Metropolitan’s Robert A. Skinner Water Treatment Plant **There would be no net increase in imported water to the region.**” (Emphasis in original.) **The water supply will be from the exact same blend of imported water sources whether RMWD is a member of SDCWA or Eastern Municipal Water District and thus the change in wholesale suppliers, by definition, cannot have any impact on the environment. Claims related to impacts on the Sacramento-San Joaquin Bay Delta lack any factual validity.**

EXECUTIVE SUMMARY

The Fallbrook Public Utility District (FPUD) and the Rainbow Municipal Water District are retail water suppliers located in the northern-most portion of San Diego County the City of Temecula, serving primarily agricultural and residential customers. FPUD and RMWD are currently member agencies of the San Diego County Water Authority (SDCWA) and are considering a de-annexation from the SDCWA and an annexation into the East County Water District (EMWD).

FPUD and RMWD are currently being supplied with imported water from the Metropolitan District of Southern California's (Metropolitan) Robert A. Skinner Water Treatment Plant and Metropolitan/San Diego Aqueduct, and would continue to be supplied with the same water if they were part of EMWD. The potential de-annexation of FPUD and RMWD from SDCWA is not anticipated to have any significant impacts to regional and local water supply or system reliability. No new water supplies would need to be developed or imported. The de-annexation of FPUD and RMWD from the SDCWA would not result in Metropolitan, as a State Water Contractor, increasing its reliance on the Sacramento-San Joaquin Delta (Delta) since FPUD and RMWD would continue to be supplied from Metropolitan's Robert A. Skinner Water Treatment Plant.

The de-annexation of FPUD and RMWD would allow for SDCWA to reduce the amount of imported water it purchases from Metropolitan and EMWD would increase its imported water purchases from Metropolitan the amount equivalent to SDCWA's reduction. **There is a net increase in imported water to the region.** Under all conditions presented in the respective 2015 Urban Water Management Plans, both SDCWA and EMWD include water supplied by Metropolitan as part of their long-term water supply portfolios, they remain reliant on imported water supplied by Metropolitan to meet their service area needs. Whether FPUD and RMWD are part of SDCWA or EMWD would not change SDCWA's or EMWD's combined demand for imported water from Metropolitan.

FPUD and RMWD would remain dependent on the reliability and availability of Metropolitan's

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George, Michael@Waterboards

From: George, Michael@Waterboards
Sent: Thursday, September 3, 2020 7:53 AM
To: Pearson, Jessica@DeltaCouncil
Subject: RE: Demand on Delta.docx

Jessica,

I was out in the southern Delta all yesterday afternoon. Any time for a call today? I'm available except for 9:00 to 10:00 and 2:00 to 3:00. Let me know what works for you.

Michael

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Direct: (916) 445-5962
Mobile: (916) 539-1889
Email: michael.george@waterboards.ca.gov

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From: Pearson, Jessica@DeltaCouncil <Jessica.Pearson@deltacouncil.ca.gov>
Sent: Wednesday, September 2, 2020 1:47 PM
To: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Subject: RE: Demand on Delta.docx

EXTERNAL:

I'm available to chat between now and 3pm if that works for you.

From: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Sent: Wednesday, September 2, 2020 10:55 AM
To: Pearson, Jessica@DeltaCouncil <Jessica.Pearson@deltacouncil.ca.gov>
Subject: FW: Demand on Delta.docx

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Jessica,

This attachment (a page and a half) seem to put a finer point on the "reduced reliance" issue raised by SDCWA in the LAFCO de-annexation process.

I'll call later.

Michael

Michael Patrick George
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Email: michael.george@waterboards.ca.gov

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From: Frahm, Chris <CFrahm@bhfs.com>
Sent: Wednesday, September 2, 2020 10:06 AM
To: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Subject: Demand on Delta.docx

EXTERNAL:

Good morning, Michael. We were working on this part of the submittal yesterday, laying out some of the numbers and analysis how the shift from Water Authority as a supplier to MWD as a supplier increases demand on the Delta. I thought you might find it useful.

There is another section that discusses the fact that MWD's Colorado River water is lower priority than Water Authority so that it is also more vulnerable to having to find supplies elsewhere in the result of shortage on the Colorado River.

Have a great day!

Best regards,
Chris

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George, Michael@Waterboards

From: George, Michael@Waterboards
Sent: Thursday, September 10, 2020 3:00 PM
To: Pearson, Jessica@DeltaCouncil (Jessica.Pearson@deltacouncil.ca.gov)
Cc: Coupe, David@Waterboards
Subject: Possible Response to SDCWA's Attorney
Attachments: Frahm Draft Response 200910.docx

Attorney Work Product, Deliberative Process and Agency Consultation Privileges

Jessica,

I have drafted the attached as a possible response to Chris Frahm, the attorney for San Diego County Water Authority in the LAFCO de-annexation process.

Give me a call to discuss. I am copying David Coupe, the attorney from our Office of Chief Counsel assigned to keep me on the right side of the law. He may also have some wisdom to share.

Michael

Michael Patrick George
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Draft Response to SDCWA Request from Chris Frahm 200910

To: Chris Frahm

cc: Jessica Pearson
Lindsay Kammeier
David Coupe

Subject: Consistency with the “Reduced Reliance” Requirement

Chris,

Thank you for bringing to my attention the proposal currently pending before the San Diego County Local Agency Formation Commission (LAFCO) for de-annexation of two member agencies of the San Diego County Water Authority (SDCWA), namely the Fallbrook Public Utility District (Fallbrook) and Rainbow Municipal Water District (Rainbow), and for subsequent annexation of those two agencies into Eastern Municipal Water District (Eastern MWD) to receive service solely under a water supply contract.

Although I have not read the docket of the LAFCO proceedings, I understand the “reduced reliance” issue arises because Fallbrook and Rainbow seek to withdraw from SDCWA so as to shed the incremental cost associated SDCWA’s independent regional water supply portfolio. The two agencies propose to substitute a water supply contract with Eastern MWD under which they would solely receive imported water from the Metropolitan Water District of Southern California (Met), without any access to Eastern MWD’s independent supplies. Upon these facts and taking into account the apparent paucity of Fallbrook’s and Rainbow’s own local supplies, the proposed substitute water supply arrangement appears to increase reliance on the Delta by concentrating their future water supply dependence on Met which imports a variable but significant portion of its supply from the Delta through the State Water Project (SWP).

In considering the Fallbrook and Rainbow proposal, it is appropriate for all parties to take notice of California’s policy of reducing reliance on the Delta as a water supply source:

The policy of the State of California is to reduce reliance on the Delta in meeting California’s future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency. Each region that depends on water from the Delta watershed shall improve its regional self-reliance for water through investment in water use efficiency, water recycling, advanced water technologies, local and regional water supply projects, and improved regional coordination of local and regional water supply efforts.

Water Code §85021.

Since long before this section of the Water Code was added by the Delta Reform Act of 2009, SDCWA has been pursuing “regional self-reliance for water,” making significant investments to support that

policy. Expanded regional storage, stringent consumer water conservation, a large desalination plant, system conservation projects (including canal lining and other upgrades) and ambitious recycling and storm water capture projects have all been supported by the SDCWA and its member agencies. Although this conscientious, decades-long drive toward regional self-reliance has been expensive, it has dramatically improved regional supply reliability and reduced reliance on unstable and inconsistent supplies withdrawn from the Delta.

The policy of reduced reliance on the Delta is not self-executing. Therefore, in that same Delta Reform Act, the legislature created the Delta Stewardship Council (Council) and charged the Council with developing a comprehensive plan (the Delta Plan) to accomplish the State's co-equal goals of improving water supply reliability and restoring the Delta's ecosystem, while protecting the Delta as an evolving place. [WC §85300 et seq.] The Act also created the Delta Watermaster as an independent officer of the State reporting jointly to the State Water Resources Control Board (Water Board) and the Council. Serving in that position, I exercise the Water Board's administrative authority over all water diversions in the Delta, including diversions by the SWP at the Banks Pumping Plant in the southern Delta, near Tracy. [WC §85230.]

In pursuit of the State's effort to reduce reliance on the Delta as a water supply source, the Council included in the Delta Plan a regulatory policy [WR P1: Reduce Reliance on the Delta through Improved Regional Water Self-Reliance]. In explaining the scope and purpose of the policy, the Council noted:

It is important to recognize that reliance on water from the Delta...varies throughout California, from region to region and water supplier to water supplier. Some water suppliers have greater access to alternative water supplies or have a greater ability to implement a diverse range of water efficiency and water supply projects. Others...may have a narrower range of options.... The key is that every supplier must do its part and take appropriate action to improve regional self-reliance and contribute to reduced reliance on water from the Delta watershed.

The Delta Plan, 2013, Appendix G at G-5. If my high-level understanding of Fallbrook's and Rainbow's proposals is accurate, then those proposals run directly counter to this policy, because they would inevitably reduce the diversification of supply available through membership in SDCWA and increase demand on the SWP.

The Delta Plan is the legally enforceable regulatory framework for government activity in the Delta.¹ However, the regulatory policy of reduced reliance on the Delta as a water supply source is enforced in the Delta by requiring that projects within the Delta ("covered actions" in the legislative argot) must certify consistency with the Delta Plan. Such certifications by project proponents may be challenged before the Council. In hearing an appeal, the Council either (i) upholds the consistency determination, if it is supported by substantial evidence in the record before the project proponent or (ii) upholds the challenge, in which case the project is remanded for amendment sufficient to support consistency.

¹ See *Delta Stewardship Council Cases*, C082944 & C086199, the Third District Court of Appeal's April 10, 2020 decision upholding the Delta Plan. On August 12, 2020, the Supreme Court denied a petition for further review, letting the Court of Appeal's affirmation of the Delta Plan stand as the final judicial order.

I recite the foregoing as the context in which I view the de-annexation proposal brought before LAFCO by Fallbrook and Rainbow. De-annexation, if approved by LAFCO and carried out by those local water suppliers, would not be a “covered action,” because it does not involve any physical activity within the Delta. Therefore, the required consistency with WR P1 would not be triggered directly.

However, there is a recent example of how local actions outside the Delta that are inconsistent with the State’s policy of reduced reliance on the Delta as a water supply source triggers the Council’s WR P1 analysis. In 2018, the Department of Water Resources (DWR) certified that the SWP’s WaterFix project (also known as the twin tunnels conveyance project) was consistent with the Delta Plan. Numerous parties appealed to the Council, claiming, among other things, that WaterFix was inconsistent with WR P1. Because DWR was unable to demonstrate that all of the suppliers who received water from the SWP had taken appropriate steps to reduce their reliance on the Delta supply source, the Council’s staff recommended that the appeal be upheld. Faced with a likely rejection of its consistency certification, DWR withdrew.

The SWP is currently pursuing a single tunnel alternative conveyance project within the Delta to support SWP exports. Assuming that project stays on track, DWR will again have to certify that it is consistent with the Delta Plan, including WR P1. In that context, the proposed de-annexation could be viewed as reversing Fallbrook’s and Rainbow’s reduced reliance as members of the diversifying SDCWA and increasing their agencies’ reliance on the Delta through proposed contractual arrangements for water from SWP-dependent supplies.

Because the proposed de-annexation is not a covered action occurring inside the Delta and because my jurisdiction as Delta Watermaster is limited to the Delta, I will not weigh in directly with LAFCO to offer an opinion on the de-annexation proposals. Nonetheless, the pending proposals would be an unfortunate instance of backsliding from supply diversity/security, apparently in exchange for short-term relief from the costs associated with SDCWA’s more resilient supply mix.

Thanks again for bringing this issue to my attention. I am encouraged that the State policy of reduced reliance on the Delta is being actively considered in the LAFCO process.

Sincerely,

George, Michael@Waterboards

Subject: Reduced Reliance for San Diego
Location: Microsoft Teams Meeting

Start: Tue 9/15/2020 9:00 AM
End: Tue 9/15/2020 9:30 AM

Recurrence: (none)

Meeting Status: Meeting organizer

Organizer: George, Michael@Waterboards

Required AttendeesBanonis, Michelle@DWR

OnlineMeetingConfconf:sip:michael.george@waterboards.ca.gov;gruu;opaque=app:conf:focus:id:teams:2:0!
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2e33fc26c54c40d8970c2609576f5cde!fe186a257d4941e6994105d2281d36c1

SchedulingServiceMeetingOptionsUrl:

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SchedulingServiceUpdateUrl:

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SkypeTeamsMeetinghttps://teams.microsoft.com/l/meetup-join/19%3ameeting_Yjc2YzEwYmYtMTg2My00Mjc4LWE1NGYtMmlwOGVIMml0OTc3%40thread.v2?context=%7b%22id%22%3a%22fe186a25-7d49-41e6-9941-05d2281d36c1%22%2c%22oid%22%3a%222e33fc26-c54c-40d8-970c-2609576f5cde%22%7d

SkypeTeamsProperty{"cid":"19:meeting_Yjc2YzEwYmYtMTg2My00Mjc4LWE1NGYtMmlwOGVIMml0OTc3@thread.v2","private":true,"type":0,"mid":0,"rid":0,"uid":null}

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George, Michael@Waterboards

From: Michael George [REDACTED]
Sent: Thursday, September 24, 2020 1:19 PM
To: George, Michael@Waterboards
Subject: Fwd: FW: Metropolitan comments on Fallbrook & Rainbow proposals, reference nos. RO20-04 and RO20-05

EXTERNAL:

----- Forwarded message -----

From: Michael George [REDACTED]
Date: Saturday, September 19, 2020
Subject: FW: Metropolitan comments on Fallbrook & Rainbow proposals, reference nos. RO20-04 and RO20-05
To: "Kightlinger,Jeffrey" <jkightlinger@mwdh2o.com>

Jeff,

Thanks for the copy of Met's filing with LAFCO. Aside from the immediate proceedings, your comments are a wonderful primer on Met's impressive support of regional self-reliance and adroitly managing a diverse array of water supplies.

I will forward you a copy of my email response to SDCWA. I declined to weigh in directly on the LAFCO proceeding, but I did offer my view that--regardless of the water molecules delivered to the two agencies--the marginal effect of the proposed realignment would be to change the supplies available from SDCWA's less-Delta-intense mix to Eastern MWD's relatively more-Delta-intense mix.

It will be interesting to see how this plays out at LAFCO. While I don't pretend to understand all the political/financial/cultural issues at play, I presume that "reduced reliance" is a modest part of the whole drama. From the Delta's perspective, I'm just glad that the State's policy is being entered into the discussion.

All the best,

Michael

Michael Patrick George
[REDACTED]

On Fri, Sep 18, 2020 at 8:29 AM Kightlinger,Jeffrey <jkightlinger@mwdh2o.com> wrote:

Michael:

FYI

Jeff

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--

Michael Patrick George





THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

September 17, 2020

Via Electronic Mail Only

Mr. Keene Simonds, Executive Officer
Mr. Robert Barry, Project Manager
San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, CA 92123
keene.simonds@sdcounty.ca.gov
robert.barry@sdcounty.ca.gov

Comments on Proposals by Rainbow Municipal Water District and Fallbrook Public Utility District, Reference Nos. RO20-04 and RO20-05

Dear Mr. Simonds and Mr. Barry:

The Metropolitan Water District of Southern California (Metropolitan) submits the attached comments on the proposal by Rainbow Municipal Water District (Rainbow) and Fallbrook Public Utility District (Fallbrook) to detach from the San Diego County Water Authority (SDCWA) and attach to Eastern Municipal Water District (Eastern). Both SDCWA and Eastern are member agencies of Metropolitan making Metropolitan an interested party in this proceeding.

As the Rainbow and Fallbrook service areas already are part of Metropolitan's service area, there is no need to annex into Metropolitan and there would be no fees charged by Metropolitan to either Rainbow or Fallbrook. As explained in the attached comments, Metropolitan foresees no financial impacts to Metropolitan and no physical changes in how Metropolitan already delivers water to the Rainbow and Fallbrook service areas from this proposed reorganization. There are certain administrative actions that Metropolitan would need to take to effectuate the reorganization if approved, but these are ministerial in nature and do not require action by Metropolitan's Board of Directors.

Mr. Keene Simonds
Mr. Robert Barry
September 17, 2020
Page 2

We would be happy to provide any additional information desired. Please feel free to contact me if you have any questions or would like anything further.

Sincerely,



Jeffrey Kightlinger
General Manager

Attachment

cc via electronic mail only w/attachment:

Sandra Kerl, General Manager, SDCWA, skerl@sdcwa.org

Paul Jones, General Manager, Eastern, jonesp@emwd.org

Tom Kennedy, General Manager, Rainbow, tkennedy@rainbowmwd.com

Jack Bebee, General Manager, Fallbrook, jackb@fpud.com

George, Michael@Waterboards

From: George, Michael@Waterboards
Sent: Monday, September 21, 2020 6:27 AM
To: Jeff Kightlinger (jkightlinger@mwdh2o.com)
Subject: FW: Reduced Reliance on the Delta

Jeff,

As promised, here is the email I sent to SDCWA last week on the “reduced reliance” issue embedded in the de-annexation petition currently before LAFCO.

Michael

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Direct: (916) 445-5962
Mobile: (916) 539-1889
Email: michael.george@waterboards.ca.gov

Administrative Assistant and Scheduling Coordinator
Beba Maletic
(916) 341-5615
beba.maletic@waterboards.ca.gov

From: George, Michael@Waterboards
Sent: Thursday, September 17, 2020 12:26 PM
To: Kerl, Sandy <SKerl@sdcwa.org>
Cc: Pearson, Jessica@DeltaCouncil (Jessica.Pearson@deltacouncil.ca.gov) <Jessica.Pearson@deltacouncil.ca.gov>; Lindsay Kammeier (Lindsay.kammeier@waterboards.ca.gov) <Lindsay.kammeier@waterboards.ca.gov>; Coupe, David@Waterboards <david.coupe@waterboards.ca.gov>
Subject: Reduced Reliance on the Delta

Sandy,

I appreciate the San Diego County Water Authority (SDCWA) bringing to my attention the proposal currently pending before the San Diego County Local Agency Formation Commission (LAFCO) for de-annexation of two member agencies of SDCWA, namely the Fallbrook Public Utility District (Fallbrook) and Rainbow Municipal Water District (Rainbow), and for subsequent annexation of those two agencies into Eastern Municipal Water District (Eastern MWD) to receive service solely under a water supply contract.

Although I have not read the docket of the LAFCO proceedings, I understand the “reduced reliance” issue arises because Fallbrook and Rainbow seek to withdraw from SDCWA so as to shed the incremental cost associated SDCWA’s independent regional water supply portfolio. The two agencies propose to substitute a water supply contract with Eastern MWD under which they would solely receive imported water from the Metropolitan Water District of Southern California (Met), without any access to Eastern MWD’s independent supplies. Upon these facts and taking into account

the apparent paucity of Fallbrook's and Rainbow's own local supplies, the proposed substitute water supply arrangement appears to increase reliance on the Delta by concentrating their future water supply dependence on Met which imports a variable but significant portion of its supply from the Delta through the State Water Project (SWP).

In considering the Fallbrook and Rainbow proposal, it is appropriate for all parties to take notice of California's policy of reducing reliance on the Delta as a water supply source:

The policy of the State of California is to reduce reliance on the Delta in meeting California's future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency. Each region that depends on water from the Delta watershed shall improve its regional self-reliance for water through investment in water use efficiency, water recycling, advanced water technologies, local and regional water supply projects, and improved regional coordination of local and regional water supply efforts.

Water Code §85021.

Since long before this section of the Water Code was added by the Delta Reform Act of 2009, SDCWA has been pursuing "regional self-reliance for water," making significant investments to support that policy. Expanded regional storage, stringent consumer water conservation, a large desalination plant, system conservation projects (including canal lining and other upgrades) and ambitious recycling and storm water capture projects have all been supported by the SDCWA and its member agencies. Although this conscientious, decades-long drive toward regional self-reliance has been expensive, it has dramatically improved regional supply reliability and reduced reliance on unstable and inconsistent supplies withdrawn from the Delta.

The policy of reduced reliance on the Delta is not self-executing. Therefore, in that same Delta Reform Act, the legislature created the Delta Stewardship Council (Council) and charged the Council with developing a comprehensive plan (the Delta Plan) to accomplish the State's co-equal goals of improving water supply reliability and restoring the Delta's ecosystem, while protecting the Delta as an evolving place. [WC §85300 et seq.] The Act also created the Delta Watermaster as an independent officer of the State reporting jointly to the State Water Resources Control Board (Water Board) and the Council. Serving in that position, I exercise the Water Board's administrative authority over all water diversions in the Delta, including diversions by the SWP at the Banks Pumping Plant in the southern Delta, near Tracy. [WC §85230.]

In pursuit of the State's effort to reduce reliance on the Delta as a water supply source, the Council included in the Delta Plan a regulatory policy [WR P1: Reduce Reliance on the Delta through Improved Regional Water Self-Reliance]. In explaining the scope and purpose of the policy, the Council noted:

It is important to recognize that reliance on water from the Delta...varies throughout California, from region to region and water supplier to water supplier. Some water suppliers have greater access to alternative water supplies or have a greater ability to implement a diverse range of water efficiency and water supply projects. Others...may have a narrower range of options.... The key is that every supplier must do its part and take appropriate action to improve regional self-reliance and contribute to reduced reliance on water from the Delta watershed.

The Delta Plan, 2013, Appendix G at G-5. If my high-level understanding of Fallbrook's and Rainbow's proposals is accurate, then those proposals run directly counter to this policy, because they would inevitably reduce the diversification of supply available through membership in SDCWA and increase demand on the SWP.

The Delta Plan is the legally enforceable regulatory framework for government activity in the Delta.^[1] However, the regulatory policy of reduced reliance on the Delta as a water supply source is enforced in the Delta by requiring that projects within the Delta ("covered actions" in the legislative argot) must certify consistency with the Delta Plan. Such certifications by project proponents may be challenged before the Council. In hearing an appeal, the Council either (i) upholds the consistency determination, if it is supported by substantial evidence in the record before the project proponent or (ii) upholds the challenge, in which case the project is remanded for amendment sufficient to support consistency.

I recite the foregoing as the context in which I view the de-annexation proposal brought before LAFCO by Fallbrook and Rainbow. De-annexation, if approved by LAFCO and carried out by those local water suppliers, would not be a “covered action,” because it does not involve any physical activity within the Delta. Therefore, the required consistency with WR P1 would not be triggered directly.

However, there is a recent example of how local actions outside the Delta that are inconsistent with the State’s policy of reduced reliance on the Delta as a water supply source triggers the Council’s WR P1 analysis. In 2018, the Department of Water Resources (DWR) certified that the SWP’s WaterFix project (also known as the twin tunnels conveyance project) was consistent with the Delta Plan. Numerous parties appealed to the Council, claiming, among other things, that WaterFix was inconsistent with WR P1. Because DWR was unable to demonstrate that all of the suppliers who received water from the SWP had taken appropriate steps to reduce their reliance on the Delta supply source, the Council’s staff recommended that the appeal be upheld. Faced with a likely rejection of its consistency certification, DWR withdrew.

The SWP is currently pursuing a single tunnel alternative conveyance project within the Delta to support SWP exports. Assuming that project stays on track, DWR will again have to certify that it is consistent with the Delta Plan, including WR P1. In that context, the proposed de-annexation could be viewed as reversing Fallbrook’s and Rainbow’s reduced reliance as members of the diversifying SDCWA and increasing their agencies’ reliance on the Delta through proposed contractual arrangements for water from SWP-dependent supplies.

From my Delta-centric point of view, it does not matter that the molecules of water delivered to Fallbrook and Rainbow under the contract with Eastern MWD might be the same molecules delivered through the same physical infrastructure as before. What does matter is that the two agencies would be increasing reliance on the Delta because they would abandon a less Delta-dependent supply mix (available through their SDWA membership) in favor of a more Delta-reliant supply mix (available under the contract with Eastern MWD).

Because the proposed de-annexation is not a covered action occurring inside the Delta and because my jurisdiction as Delta Watermaster is limited to the Delta, I will not weigh in directly with LAFCO to offer an opinion on the de-annexation proposals. Nonetheless, it appears to me that approving the pending proposals would be an unfortunate instance of backsliding from supply diversity/security, apparently in exchange for short-term relief from the costs associated with SDCWA’s more resilient supply mix.

Thanks again for bringing this issue to my attention. I am encouraged that the State policy of reduced reliance on the Delta is being actively considered in the LAFCO process.

Michael

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Direct: (916) 445-5962
Mobile: (916) 539-1889
Email: michael.george@waterboards.ca.gov

Administrative Assistant and Scheduling Coordinator
Beba Maletic
(916) 341-5615
beba.maletic@waterboards.ca.gov

^[1] See *Delta Stewardship Council Cases*, C082944 & C086199, the Third District Court of Appeal’s April 10, 2020 decision upholding the Delta Plan. On August 12, 2020, the Supreme Court denied a petition for further review, letting the Court of Appeal’s affirmation of the Delta Plan stand as the final judicial order.

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George, Michael@Waterboards

From: Frahm, Chris <CFrahm@bhfs.com>
Sent: Thursday, September 17, 2020 12:15 PM
To: George, Michael@Waterboards
Subject: RE: Demand on Delta.docx

EXTERNAL:

Sandy Kerl
General Manager, San Diego County Water Authority
4677 Overland Ave
San Diego, CA 92123
858-522-6783
SKerl@sdewa.org

From: George, Michael@Waterboards [mailto:Michael.George@Waterboards.ca.gov]
Sent: Wednesday, September 16, 2020 4:25 PM
To: Frahm, Chris
Cc: Pearson, Jessica@DeltaCouncil; Kammeier, Lindsay@Waterboards; Coupe, David@Waterboards
Subject: RE: Demand on Delta.docx

Chris,

Thank you for bringing to my attention the proposal currently pending before the San Diego County Local Agency Formation Commission (LAFCO) for de-annexation of two member agencies of the San Diego County Water Authority (SDCWA), namely the Fallbrook Public Utility District (Fallbrook) and Rainbow Municipal Water District (Rainbow), and for subsequent annexation of those two agencies into Eastern Municipal Water District (Eastern MWD) to receive service solely under a water supply contract.

Although I have not read the docket of the LAFCO proceedings, I understand the “reduced reliance” issue arises because Fallbrook and Rainbow seek to withdraw from SDCWA so as to shed the incremental cost associated SDCWA’s independent regional water supply portfolio. The two agencies propose to substitute a water supply contract with Eastern MWD under which they would solely receive imported water from the Metropolitan Water District of Southern California (Met), without any access to Eastern MWD’s independent supplies. Upon these facts and taking into account the apparent paucity of Fallbrook’s and Rainbow’s own local supplies, the proposed substitute water supply arrangement appears to increase reliance on the Delta by concentrating their future water supply dependence on Met which imports a variable but significant portion of its supply from the Delta through the State Water Project (SWP).

In considering the Fallbrook and Rainbow proposal, it is appropriate for all parties to take notice of California’s policy of reducing reliance on the Delta as a water supply source:

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Water Code §85021.

Since long before this section of the Water Code was added by the Delta Reform Act of 2009, SDCWA has been pursuing “regional self-reliance for water,” making significant investments to support that policy. Expanded regional storage, stringent consumer water conservation, a large desalination plant, system conservation projects (including canal lining and other upgrades) and ambitious recycling and storm water capture projects have all been supported by the SDCWA and its member agencies. Although this conscientious, decades-long drive toward regional self-reliance has been expensive, it has dramatically improved regional supply reliability and reduced reliance on unstable and inconsistent supplies withdrawn from the Delta.

The policy of reduced reliance on the Delta is not self-executing. Therefore, in that same Delta Reform Act, the legislature created the Delta Stewardship Council (Council) and charged the Council with developing a comprehensive plan (the Delta Plan) to accomplish the State’s co-equal goals of improving water supply reliability and restoring the Delta’s ecosystem, while protecting the Delta as an evolving place. [WC §85300 et seq.] The Act also created the Delta Watermaster as an independent officer of the State reporting jointly to the State Water Resources Control Board (Water Board) and the Council. Serving in that position, I exercise the Water Board’s administrative authority over all water diversions in the Delta, including diversions by the SWP at the Banks Pumping Plant in the southern Delta, near Tracy. [WC §85230.]

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Thanks again for bringing this issue to my attention. I am encouraged that the State policy of reduced reliance on the Delta is being actively considered in the LAFCO process.

Michael

Michael Patrick George
Delta Watermaster
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
Direct: (916) 445-5962
Mobile: (916) 539-1889
Email: michael.george@waterboards.ca.gov

Administrative Assistant and Scheduling Coordinator
Beba Maletic
(916) 341-5615
beba.maletic@waterboards.ca.gov

From: Frahm, Chris <CFrahm@bhfs.com>
Sent: Wednesday, September 2, 2020 10:06 AM
To: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Subject: Demand on Delta.docx

EXTERNAL:

Good morning, Michael. We were working on this part of the submittal yesterday, laying out some of the numbers and analysis how the shift from Water Authority as a supplier to MWD as a supplier increases demand on the Delta. I thought you might find it useful.

There is another section that discusses the fact that MWD's Colorado River water is lower priority than Water Authority so that it is also more vulnerable to having to find supplies elsewhere in the result of shortage on the Colorado River.

Have a great day!

Best regards,
Chris

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George, Michael@Waterboards

From: Kerl, Sandy <SKerl@sdcwa.org>
Sent: Thursday, September 17, 2020 5:30 PM
To: George, Michael@Waterboards
Subject: RE: Reduced Reliance on the Delta

EXTERNAL:

Michael,

Thank you so much for your email. I appreciate you sharing your perspective on the Delta as it relates to the LAFCO applications for detachment from San Diego County Water Authority by two of our member agencies.

Please let me know if you have any additional questions.

Best regards,

Sandy

Sandra L. Kerl
General Manager
San Diego County Water Authority
(858) 522-6781

From: George, Michael@Waterboards <Michael.George@Waterboards.ca.gov>
Sent: Thursday, September 17, 2020 12:26 PM
To: Kerl, Sandy <SKerl@sdcwa.org>
Cc: Pearson, Jessica@DeltaCouncil <Jessica.Pearson@deltacouncil.ca.gov>; Kammeier, Lindsay@Waterboards <Lindsay.Kammeier@Waterboards.ca.gov>; Coupe, David@Waterboards <David.Coupe@waterboards.ca.gov>
Subject: Reduced Reliance on the Delta

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Water Code §85021.

Since long before this section of the Water Code was added by the Delta Reform Act of 2009, SDCWA has been pursuing "regional self-reliance for water," making significant investments to support that policy. Expanded regional storage, stringent consumer water conservation, a large desalination plant, system conservation projects (including canal lining and other upgrades) and ambitious recycling and storm water capture projects have all been supported by the SDCWA and its member agencies. Although this conscientious, decades-long drive toward regional self-reliance has been expensive, it has dramatically improved regional supply reliability and reduced reliance on unstable and inconsistent supplies withdrawn from the Delta.

The policy of reduced reliance on the Delta is not self-executing. Therefore, in that same Delta Reform Act, the legislature created the Delta Stewardship Council (Council) and charged the Council with developing a comprehensive plan (the Delta Plan) to accomplish the State's co-equal goals of improving water supply reliability and restoring the Delta's ecosystem, while protecting the Delta as an evolving place. [WC §85300 et seq.] The Act also created the Delta Watermaster as an independent officer of the State reporting jointly to the State Water Resources Control Board (Water Board) and the Council. Serving in that position, I exercise the Water Board's administrative authority over all water diversions in the Delta, including diversions by the SWP at the Banks Pumping Plant in the southern Delta, near Tracy. [WC §85230.]

In pursuit of the State's effort to reduce reliance on the Delta as a water supply source, the Council included in the Delta Plan a regulatory policy [WR P1: Reduce Reliance on the Delta through Improved Regional Water Self-Reliance]. In explaining the scope and purpose of the policy, the Council noted:

It is important to recognize that reliance on water from the Delta...varies throughout California, from region to region and water supplier to water supplier. Some water suppliers have greater access to alternative water supplies or have a greater ability to implement a diverse range of water efficiency and water supply projects. Others...may have a narrower range of options.... The key is that every supplier must do its part and take appropriate action to improve regional self-reliance and contribute to reduced reliance on water from the Delta watershed.

The Delta Plan, 2013, Appendix G at G-5. If my high-level understanding of Fallbrook's and Rainbow's proposals is accurate, then those proposals run directly counter to this policy, because they would inevitably reduce the diversification of supply available through membership in SDCWA and increase demand on the SWP.

The Delta Plan is the legally enforceable regulatory framework for government activity in the Delta.^[1] However, the regulatory policy of reduced reliance on the Delta as a water supply source is enforced in the Delta by requiring that projects within the Delta ("covered actions" in the legislative argot) must certify consistency with the Delta Plan. Such certifications by project proponents may be challenged before the Council. In hearing an appeal, the Council either (i) upholds the consistency determination, if it is supported by substantial evidence in the record before the project proponent or (ii) upholds the challenge, in which case the project is remanded for amendment sufficient to support consistency.

I recite the foregoing as the context in which I view the de-annexation proposal brought before LAFCO by Fallbrook and Rainbow. De-annexation, if approved by LAFCO and carried out by those local water suppliers, would not be a "covered action," because it does not involve any physical activity within the Delta. Therefore, the required consistency with WR P1 would not be triggered directly.

However, there is a recent example of how local actions outside the Delta that are inconsistent with the State's policy of reduced reliance on the Delta as a water supply source triggers the Council's WR P1 analysis. In 2018, the Department of Water Resources (DWR) certified that the SWP's WaterFix project (also known as the twin tunnels conveyance project) was consistent with the Delta Plan. Numerous parties appealed to the Council, claiming, among other things, that WaterFix was inconsistent with WR P1. Because DWR was unable to demonstrate that all of the suppliers who received water from the SWP had taken appropriate steps to reduce their reliance on the Delta supply source, the Council's staff recommended that the appeal be upheld. Faced with a likely rejection of its consistency certification, DWR withdrew.

The SWP is currently pursuing a single tunnel alternative conveyance project within the Delta to support SWP exports. Assuming that project stays on track, DWR will again have to certify that it is consistent with the Delta Plan, including WR P1. In that context, the proposed de-annexation could be viewed as reversing Fallbrook's and Rainbow's reduced reliance as members of the diversifying SDCWA and increasing their agencies' reliance on the Delta through proposed contractual arrangements for water from SWP-dependent supplies.

From my Delta-centric point of view, it does not matter that the molecules of water delivered to Fallbrook and Rainbow under the contract with Eastern MWD might be the same molecules delivered through the same physical infrastructure as before. What does matter is that the two agencies would be increasing reliance on the Delta because they would abandon a less Delta-dependent supply mix (available through their SDWA membership) in favor of a more Delta-reliant supply mix (available under the contract with Eastern MWD).

Because the proposed de-annexation is not a covered action occurring inside the Delta and because my jurisdiction as Delta Watermaster is limited to the Delta, I will not weigh in directly with LAFCO to offer an opinion on the de-annexation proposals. Nonetheless, it appears to me that approving the pending proposals would be an unfortunate instance of backsliding from supply diversity/security, apparently in exchange for short-term relief from the costs associated with SDCWA's more resilient supply mix.

Thanks again for bringing this issue to my attention. I am encouraged that the State policy of reduced reliance on the Delta is being actively considered in the LAFCO process.

Michael

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State Water Resources Control Board
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^[1] See *Delta Stewardship Council Cases*, C082944 & C086199, the Third District Court of Appeal's April 10, 2020 decision upholding the Delta Plan. On August 12, 2020, the Supreme Court denied a petition for further review, letting the Court of Appeal's affirmation of the Delta Plan stand as the final judicial order.

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^[1] See *Delta Stewardship Council Cases*, C082944 & C086199, the Third District Court of Appeal's April 10, 2020 decision upholding the Delta Plan. On August 12, 2020, the Supreme Court denied a petition for further review, letting the Court of Appeal's affirmation of the Delta Plan stand as the final judicial order.

George, Michael@Waterboards

From: Rodney T. Smith <rsmith@stratwater.com>
Sent: Monday, September 21, 2020 8:21 AM
To: George, Michael@Waterboards
Subject: Stratecon Letter: Impact of Rainbow/Fallbrook Detachment Proposal on the Bay Delta
Attachments: Stratecon Report.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

EXTERNAL:

Michael:

Please find attached a publicly available letter I prepared at the request of the San Diego County Water Authority. Be interested in your take on the issue and my analysis.

Best

Rod

Rodney T. Smith, Ph.D.
President
Stratecon, Inc.
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Ontario, CA 91764
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(951) 201-5603 (cell)
www.stratwater.com



September 1, 2020

VIA Email

Mark J. Hattam
General Counsel
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Dear Mr. Hattam:

RE: Impact of Fallbrook and Rainbow Detachment on Southern California’s Reliance on the Bay Delta

The San Diego County Water Authority (“Water Authority”) asked *Stratecon Inc*¹ to address the following question:

If the Fallbrook Public Utility District (“Fallbrook”) and the Rainbow Municipal Water District (“Rainbow”) detach from the San Diego County Water Authority (“Water Authority”) and annex into the Eastern Municipal Water District (“Eastern”) as they propose, is Eastern’s Technical Memorandum correct that there will be no increase in Southern California’s overall reliance on the Bay-Delta when looked at long term?²

Based on the information and analysis provided below, in my professional opinion, I conclude that Eastern’s Technical Memorandum is incorrect. By detaching from the Water Authority, Fallbrook and Rainbow would walk away from the Water Authority’s water portfolio that is significantly less reliant on the Bay Delta than the water portfolio of the Metropolitan Water District of Southern California (“Metropolitan”). The detachment will increase Southern California’s reliance on Northern California and the environmentally sensitive Bay Delta for water supplies, particularly in the years to come when the Water Authority’s purchases from Metropolitan are scheduled to be significantly reduced.

¹ See Attachment A for professional qualifications of Dr. Rodney Smith of Stratecon Inc.

² Technical Memorandum, Water Resources and Facilities Planning Department, *Analysis of Eastern Municipal Water District’s Water Supply and System Reliability with the Potential Annexation of Fallbrook Public Utility District and Rainbow Municipal Water District*, February 12, 2020 (hereinafter cited “Eastern Technical Memo”).

The discussion addresses the following:

- Eastern’s analysis
- Factual Setting of Fallbrook and Rainbow
- Stratecon’s analysis

Eastern’s Analysis

Eastern’s analysis of the issue is the following:³

“FPUD and RMWD are currently being supplied with imported water from the Metropolitan Water District of Southern California (Metropolitan) Robert A. Skinner Water Treatment Plant via the Metropolitan/San Diego Aqueduct, and would continue to be supplied *with the same water* by EMWD. The potential de-annexation of FPUD and RMWD from SDCWA is not anticipated to have any significant impacts to regional and local water supply or system reliability and no new supplies would need to be developed or imported. The de-annexation of FPUD and RMWD from the SDCWA would not result in Metropolitan, as a State Water Contractor, increasing its reliance on the Sacramento-San Joaquin Delta (Delta) since FPUD and RMWD would continue to be supplied from Metropolitan’s Robert A. Skinner Water Treatment Plant.

The de-annexation of FPUD and RMWD would allow for SDCWA to reduce the amount of imported water it purchases from Metropolitan and EMWD would increase its imported water purchases from Metropolitan the amount equivalent to SDCWA’s reduction. **There would be no net increase in imported water to the region.** Under all conditions presented in their respective 2015 Urban Water Management Plans, both SDCWA and EMWD include imported water supplied by Metropolitan as part of their long-term water supply portfolios, thus both remain reliant on imported water supplied by Metropolitan to meet their service area demands. Whether FUPD and RMWD are part of SDCWA or EMWD would not change SDCWA and EMWD’s combined demand for imported water from Metropolitan.”⁴

I characterize the first paragraph as an argument based on “the same water” and the second paragraph as an argument based on “unchanged total demand for Metropolitan water.”

Eastern’s Technical Memorandum restates its argument in the section “Impact of Southern California Reliance on Delta Supplies.”⁵

³ *Ibid*, p.1, emphasis in italics added, emphasis in bold and underlined in original.

⁴ The statement in bold and underlined does not address the specific question of reliance on water supplies from the Bay Delta.

⁵ *Ibid*, p. 26.

“As EMWD and SDCWA are both member agencies of Metropolitan, this move would have a net zero impact on the California Delta when considered from a regional perspective. Since FPUD and RMWD’s imported water needs are currently being met with water from Metropolitan’s Robert A. Skinner Water Treatment Plant, the existing condition would essentially be maintained under EMWD management and no new supplies would need to be developed or imported.”

The Eastern narrative does not offer any further information or analysis on the question.

Factual Setting of Fallbrook and Rainbow

Treated water deliveries are made through four active turnout structures to Fallbrook and eight active turnout structures to Rainbow (see Table 1).⁶ For Fallbrook, sixty-five percent of water deliveries are through Flow Control Facilities owned by Metropolitan and thirty-five percent of water deliveries are through Flow Control Facilities owned by the Water Authority.⁷ For Rainbow, twenty-four percent of water deliveries are through Flow Control Facilities owned by Metropolitan and seventy-six percent of water deliveries are through Flow Control Facilities owned by the Water Authority.⁸

**Table 1
Annual Treated Water Delivery to Fallbrook and Rainbow (acre feet)**

<i>Flow Control Facility</i>	<i>Pipeline to Turnout Structure Owner</i>	<i>Flow Control Facility Owner</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
DeLuz 1	Metropolitan	Metropolitan	2,492	2,364	2,107	2,080	1,258
Fallbrook 3	Metropolitan	Water Authority	2,759	2,410	1,631	1,344	2,297
Fallbrook 4	Water Authority	Water Authority	890	1,811	1,405	1,416	746
Fallbrook 6	Metropolitan	Metropolitan	4,035	3,957	4,232	4,612	3,457
Sub-Total			10,176	10,542	9,375	9,452	7,758
Rainbow 1	Metropolitan	Water Authority	2,714	2,435	2,454	3,305	2,578
Rainbow 3	Water Authority	Water Authority	3,686	4,079	3,443	4,487	2,456
Rainbow 6	Water Authority	Water Authority	2,301	2,530	2,646	1,991	1,978
Rainbow 7	Water Authority	Water Authority	1,721	2,686	2,995	3,744	1,428
Rainbow 8	Metropolitan	Metropolitan	3,544	2,473	2,878	1,012	2,959

⁶ Preliminary Report, *Potential Detachment Impact on the Water Authority’s Infrastructure System*, San Diego County Water Authority, August 2020.

⁷ Percentages based on cumulative water deliveries from 2015 through 2019.

⁸ *Ibid.*

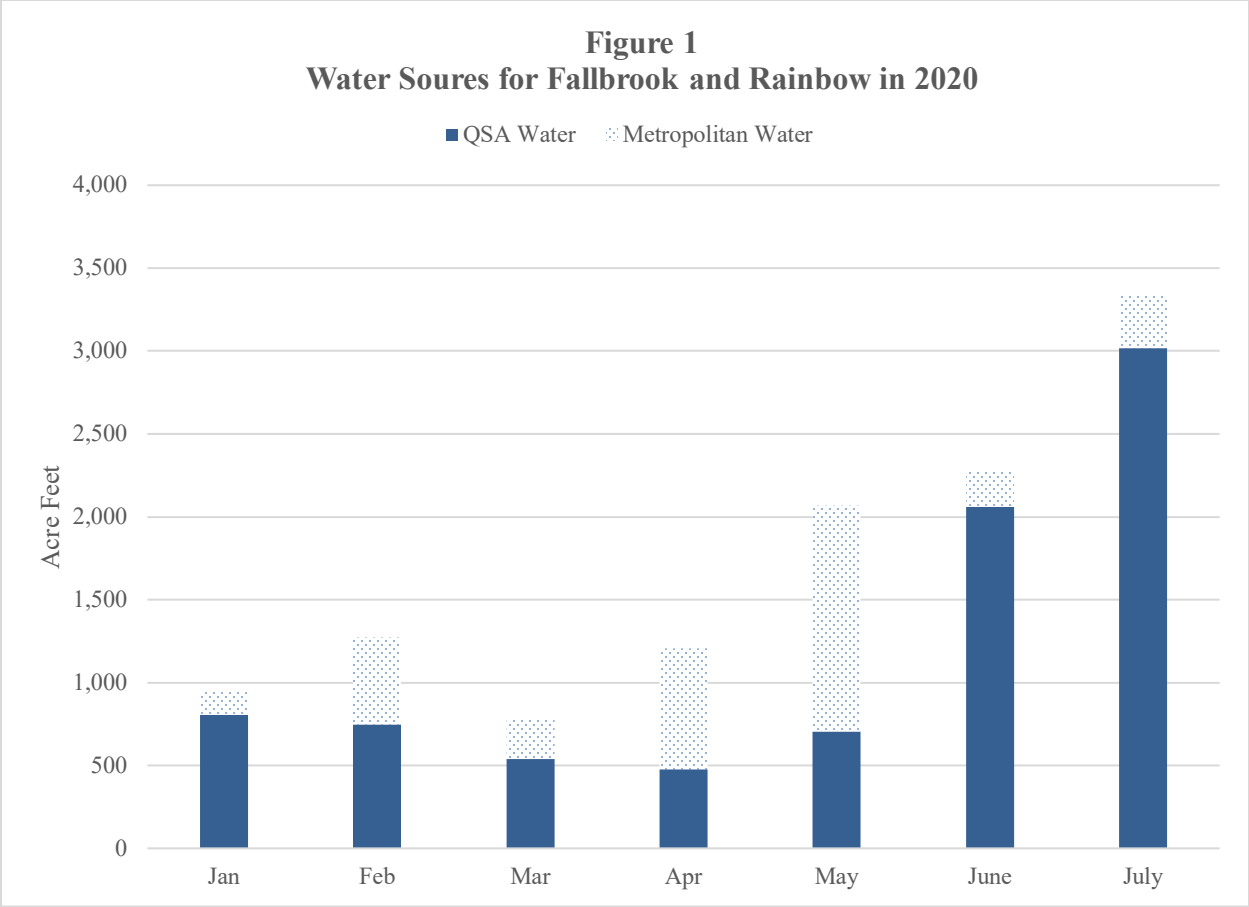
<i>Flow Control Facility</i>	<i>Pipeline to Turnout Structure Owner</i>	<i>Flow Control Facility Owner</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Rainbow 9	Metropolitan	Metropolitan	1,589	1,682	1,612	1,739	1,369
Rainbow 10	Metropolitan	Water Authority	981	1,089	979	914	318
Rainbow 11	Water Authority	Water Authority	1,332	1,177	1,099	718	635
Sub-Total			17,868	18,151	18,106	17,910	13,721
Grand Total			28,044	28,693	27,481	27,362	21,479

Understanding the sources of water delivered to Fallbrook and Rainbow requires consideration of the sources and operations of Water Authority’s water supplies. Under its Exchange Agreement with Metropolitan, the Water Authority exchanges water available from its long-term water conservation and transfer agreement with the Imperial Irrigation District (“IID”) and the lining of the All American Canal and Coachella Canal at Imperial Dam (collectively “QSA water”) for a like amount of water Metropolitan makes available to San Diego. The Water Authority receives its purchases of water from Metropolitan commingled with the exchange water from the IID transfer and canal lining.

The Water Authority operates its system using QSA water as a base supply and purchases of Metropolitan water as a supplemental supply. Table 2 shows the 2020 monthly volume of treated water purchased from Metropolitan and the volume of QSA water treated at Lake Skinner. Treatment of purchased Metropolitan water equals only about 11 percent of the QSA water treated at Lake Skinner through July. Even if all purchases of treated Metropolitan water were for only Fallbrook and Rainbow through July 2020, QSA water provides the backbone of current water service to Fallbrook and Rainbow (see Figure 1).

Table 2
Monthly Water Authority Purchases of Treated Metropolitan Water and QSA Water Treated at Lake Skinner in 2020 (Acre-Feet)

<i>Month</i>	<i>Purchases of Treated Metropolitan Water</i>	<i>QSA Water Treated at Lake Skinner</i>
January	150	3,593
February	526	3,532
March	244	2,624
April	731	4,341
May	1,360	6,491
June	214	4,241
July	322	7,739
Cumulative	3,547	32,561



Stratecon’s Analysis

As discussed above, Eastern asserts that Fallbrook and Rainbow will receive the “same water” before and after detachment and the regional demand for Metropolitan water will be unchanged by detachment. I disagree.

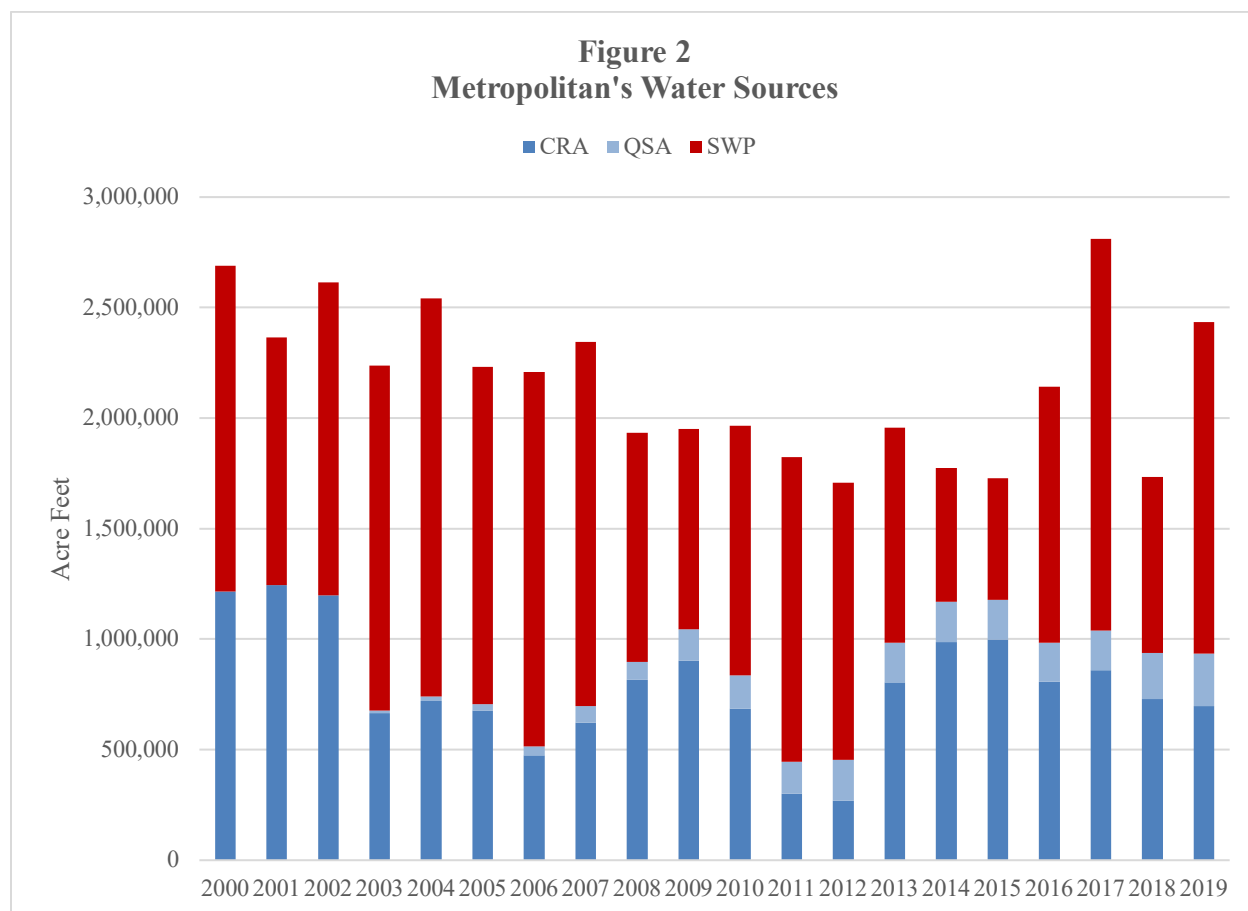
Fallbrook and Rainbow Water Sources before and after Detachment

Before detachment, Fallbrook’s and Rainbow’s water deliveries are backed by QSA water. For water deliveries through July of this year, QSA water made up 70% of Fallbrook’s and Rainbow’s water supplies.

After detachment, Fallbrook and Rainbow would purchase all their water directly from Metropolitan. Deliveries to Fallbrook and Rainbow would no longer be backed by the Water Authority’s QSA water. Instead, Fallbrook and Rainbow would rely on Metropolitan’s own Colorado River water supplies and imported water from the State Water Project (“SWP”).

Detachment increases Fallbrook and Rainbow reliance on Metropolitan water supplies by 70% of their water deliveries.⁹

Metropolitan is substantially more reliant on Northern California water than the Water Authority. Figure 2 shows Metropolitan’s imported water sources since 2000: (1) Metropolitan’s water supplies from its Priority 4 entitlement and Colorado River programs, (2) Colorado River water exchanged by the Water Authority, and (3) water from the State Water Project.¹⁰ The annual variability in water supplies from the State Water Project reflects variability in the annual SWP allocation.¹¹



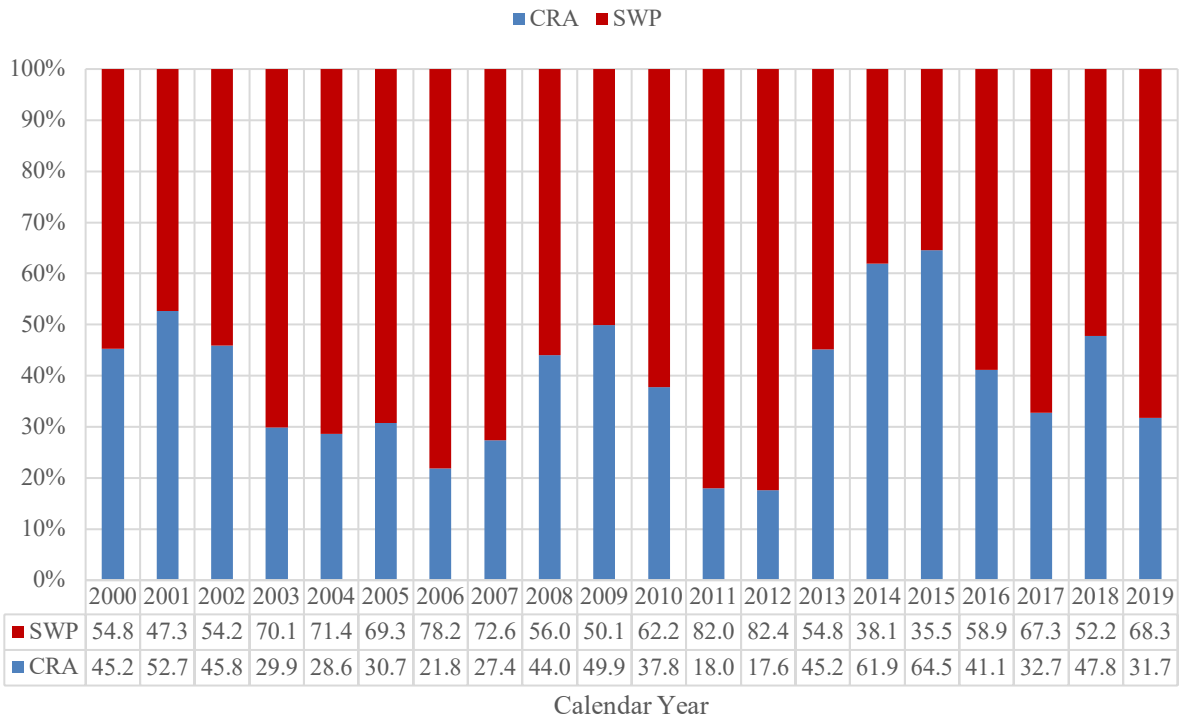
SWP water represents the major source of Metropolitan’s own water supplies (see Figure 3). Since 2000, SWP water supplies have averaged 61.3% of Metropolitan’s total imported water.

⁹ 70% in text equals cumulative treated QSA water relative to cumulative total deliveries in Figure 1.

¹⁰ Data compiled from Metropolitan’s 2015 Urban Water Management Plan and Metropolitan staff “Water Supply and Drought Management” memoranda for data after 2015.

¹¹ Correlation between SWP Allocation and Metropolitan’s SWP supplies is 0.88. Correlation measures the degree to which variation of one variable (Metropolitan’s SWP supplies) is related to variation of another variable (SWP Allocation).

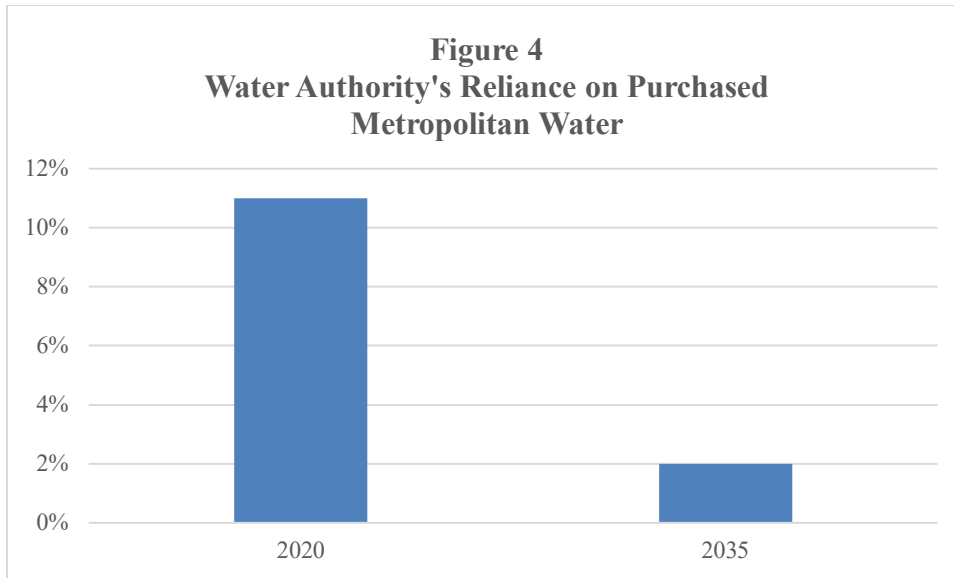
Figure 3
Composition of Metropolitan's Imported Water Supplies
(Exclusive of San Diego CWA Colorado River Supplies)



In contrast, the Water Authority is substantially less reliant on imported water from Northern California (see Figure 4).¹² With Metropolitan purchases 61.3% reliant on water from Northern California, the Water Authority’s reliance on water from Northern California is 6.7% in 2020 and projected at 1.2% in 2035.¹³

¹² Water Authority staff “Increasing San Diego Water Supply Reliability Through Supply Diversification”

¹³ Numbers in text equals the Water Authority’s reliance on Metropolitan multiplied by 61.3%



Regional Demand for Metropolitan water before and after Detachment

Eastern assumes that the Water Authority would reduce its purchases from Metropolitan by the amount of water delivered to Fallbrook and Rainbow (see above). As explained above, only 30% of the water delivered to Fallbrook and Rainbow in 2020 is being purchased from Metropolitan. The bulk of the water delivered (70%) is backed by QSA water. After detachment, QSA water would no longer back water deliveries to Fallbrook and Rainbow.

However, there are additional dynamics about the future demand by the Water Authority for Metropolitan water ignored by Eastern. In 2018, the Water Authority adjusted downward its projections of future water demands in San Diego.¹⁴ This reduced the projected demand for Metropolitan water by 2035 to 10,225 acre-feet.¹⁵ Yet, Fallbrook and Rainbow project much higher amounts needed than 10,225 acre-feet.¹⁶ That additional water would be QSA water, and therefore not from the Bay-Delta.

Second, the COVID-19 pandemic will face the water industry with declining sales.¹⁷ Therefore, it is reasonable to anticipate that the Water Authority will have minor reliance on purchases of Metropolitan water. In this instance, the detachment proposal will simply shift water demands from the Water Authority (with little reliance on northern California Bay-Delta water) to Metropolitan, which will have a high reliance on northern California water from the Bay-Delta.

¹⁴ See Water Authority staff memorandum to Water Planning Committee, *Interim Long-Range Water Demand Forecast "Reset"*, February 14, 2018.

¹⁵ *Ibid*, Table 2, p. 4.

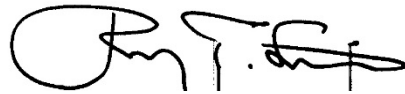
¹⁶ Fallbrook projects purchasing 13,001 acre-feet of imported water by 2035 (Fallbrook 2015 Urban Water Management Plan, p. 37) and Rainbow projects purchasing 20,262 acre-feet by 2035 (Rainbow 2015 Urban Water Management Plan, p. 26).

¹⁷ "Financial Impact of the COVID-19 Crisis on Drinking Water Utilities," American Water Works Association and Association of Metropolitan Water Agencies, April 14, 2020.

Conclusion

The detachment will increase Southern California's reliance on Northern California for water supplies. Eastern's Technical Memorandum asserts the contrary by assumption. It fails to mention, let alone analyze, the role of the Water Authority's historic agreements with IID and the Coachella Valley Water District in the Water Authority's water sources and how the Water Authority uses QSA water. Eastern further relies only on information available from 2015 Urban Water Management Plans, despite the availability of a 2018 update from the Water Authority that suggests that the Water Authority's future may be one of minor, if any, reliance on Metropolitan water with no detachment.

Our state has struggled with the south's reliance on the north for decades. Southern California's water demands stress the local economies and ecosystems in the north. The Fallbrook and Rainbow detachment proposal would intensify the conflict by moving from reliance on the Water Authority's Colorado River water from the QSA onto reliance on MWD, which in turn relies heavily on Bay-Delta water.

A handwritten signature in black ink, appearing to read "Rodney T. Smith". The signature is stylized with a large initial "R" and a long horizontal stroke at the end.

Rodney T. Smith
President

Attachment A
Rodney T. Smith, Ph.D.

Rodney Smith is President of *Stratecon Inc* (www.stratwater.com), an economics and strategic planning and consulting firm specializing in the economics, finance, and policy of water resources, President of *Baja Norte Water Resources, LLC*, a project developer of bi-national water projects.

Dr. Smith is involved as an advisor in the acquisition of water rights throughout the western United States and in the sale and leasing of water rights and water supplies to public and private sector water users. This first-hand experience in the decades long development of water markets provides industry expertise to identify the best candidate locations for electronic water markets, proper market design and navigate related public policy issues.

He has consulted extensively for public and private sector clients, including high net worth investors, on business and public policy issues concerning water resources, including California's Drought Water Bank, the government of New South Wales, Australia's effort to privatize irrigation organizations, and the economic, financial, legal, and political dimensions of water transactions in many western states. Rod worked on the IID/San Diego County Water Authority Agreement, the settlement of Colorado River disputes on behalf of the Imperial Irrigation District, and the acquisition of 42,000 acres from the United States Filter Corporation, an unit of Veolia Environment. He is routinely involved in economic valuation of water rights, water investments, and negotiation of water acquisition and transportation agreements. He also performed studies on the economic risk of water shortages and valuation of surface water and groundwater storage. He has also served as an expert witness in the economic valuation of groundwater resources, disputes over the economic interpretation of water contracts, economics of water conservation and water use practices, and the socio-economic impacts of land fallowing. He served as an outside advisor and author of *Water Transfers in the West: Projects, Trends and Leading Practices in Voluntary Water Trading*, by the Western Governors Association and the Western States Water Council (2012).

Dr. Smith has written extensively on the law, economics, and finance of water resources and water policy. In 1987, he created and became co-editor of Stratecon's paid-circulation publication *Water Strategist: A Quarterly Analysis of Water Marketing, Finance, Legislation, and Litigation*. In January 1999, the publication became a monthly web-based publication (www.waterstrategist.com) and information service, *Water Strategist*, which extended its coverage to include developments in the emerging private corporate participation in western water matters. In addition, Stratecon, Inc. introduced *The Water Strategist Community*, (www.waterchat.com), a web based news portal providing free access to the direct press releases and important reports from over 300 public agencies, water firms and bond rating agencies. In 2011, Stratecon stopped publishing *Water Strategist* and replaced it with a contract research service based on its proprietary database. Earlier in 2013, Stratecon introduced prediction markets to the water industry (www.waterpolicymarkets.com), and in 2014, Stratecon introduced Journal of Water (www.journalofwater.com).

Rod is also known for his books *Troubled Waters: Financing Water in the West* and *Trading Water: A Legal Framework for Water Marketing*, sponsored by the Ford Foundation through grants to the Council of Governors' Policy Advisors. Former Secretary of the Interior Bruce Babbitt wrote the forwards for both books.

Dr. Smith received his Ph.D. in Economics from the University of Chicago and a Bachelor of Arts in Economics from the University of California at Los Angeles. Prior to making a full time commitment to the private sector, he was a professor of economics at Claremont McKenna College for fifteen years, Director of the *Lowe Institute of Political Economy*, and a member of the editorial board of *Economic Inquiry*, the professional economics research journal of the *Western Economics Association*. In 1989, he was the John M. Olin Visiting Professor of Law and Economics at Columbia Law School. In the late 1970s and early 1980s, he was also a visiting assistant professor of economics at the Graduate School of Business, University of Chicago, where he also served as the Associate Director of the *Center for the Study of the Economy and the State*, founded by the late Nobel Prize winner in economics, George Stigler. Rod started his career after graduate school as an economist at the RAND Corporation, where he participated in a study commissioned by the California Legislature on the role of markets to address California's water problems.

The claim that the “same water” would be delivered, and that there could thus be no effect at all on the Bay-Delta by detachment, is incorrect. An example of such a misstatement is this comment made by Eastern in the Technical Memorandum it drafted to support Fallbrook and Rainbow’s applications to buy MWD water through Riverside County: “The de-annexation of Fallbrook and RMWD from the SDCWA would not result in Metropolitan, as a State Water Contractor, increasing its reliance on the Sacramento-San Joaquin Delta (Delta) since Fallbrook and RMWD would continue to be supplied from Metropolitan’s Robert A. Skinner Water Treatment Plant.” This statement is misleading and incorrect, because the Skinner Plant treats water from both the State Water Project (i.e., the Bay-Delta) and the Colorado River; the statement ignores the real issue, which is the differences between the water supply sources of MWD and SDCWA.

In their applications, Fallbrook and Rainbow are proposing to change wholesale water suppliers from SDCWA to MWD—Eastern is a mere “middle-man” that will be paid an \$11 per acre-foot administrative charge, as well as receive incidental value in the form of MWD voting rights—see discussion at [insert]. Eastern’s locally developed water supplies are irrelevant to the equation because those water supplies will not be available to Fallbrook and Rainbow.

MWD has a current breakdown of about 60%/40% water from the State Water Project and Colorado River. This means that for every 1,000 AF MWD sells, about 600 AF comes from the Bay-Delta, while about 400 AF comes from the Colorado River. In contrast, for every 1,000 AF the Water Authority sells, about 175 AF currently comes from the Bay-Delta. Because the Water Authority has planned and expects by 2035 to be at about 3% or less MWD water, this number would drop to close to zero.

By looking at overall system demand, one can clearly see the increased reliance on the Bay-Delta that detachment would promote. The Water Authority generally sells around 30,000 AF to Rainbow and Fallbrook. When the Water Authority is at near zero demand on MWD, as expected in coming years, it will also be at near zero use of Bay-Delta water. Thus, if Fallbrook and Rainbow were still Water Authority member agencies, they too would be receiving near zero Bay-Delta water. However, if that 30,000 AF of demand from Fallbrook/Rainbow is shifted to MWD via detachment as proposed, MWD must service that increased demand – and MWD’s water comes and is planned to continue to come in significant part from the Bay-Delta.

The real question is not about following molecules of water through the Skinner Plant, but rather, the source of the water and what happens when overall demand is increased on MWD. It is true that water for Fallbrook and Rainbow would still be delivered through MWD pipes whether they remain member agencies of the Water Authority or not. But the same is true for most of the Water Authority’s water, which is also delivered through MWD’s pipes. The difference is that a majority of the Water Authority’s water in those pipes is conserved Colorado River water from its QSA investments. This conserved QSA water is currently being used to meet Fallbrook and Rainbow demands even now, before the Water Authority’s reliance on MWD supplies drops even further. Going forward, Fallbrook and Rainbow would continue to reduce demand on the Bay-Delta if they remain Water Authority member agencies.

Why does this matter? Because the Legislature has declared it the policy of this State to reduce reliance on the Bay-Delta, not increase it as Fallbrook and Rainbow propose to do. Water Code section 85021 clearly commands:

“The policy of the State of California is to reduce reliance on the Delta in meeting California’s future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency. Each region that depends on water from the Delta watershed shall improve its regional self-reliance for water through investment in water use efficiency, water recycling, advanced water technologies, local and regional water supply projects, and improved regional coordination of local and regional water supply efforts.”
(emphasis added)

The proposed detachment of Fallbrook and Rainbow directly contravenes California’s Bay-Delta policy because it increases risk of demand on the Bay-Delta.

Attachment 5



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

September 17, 2020

Via Electronic Mail Only

Mr. Keene Simonds, Executive Officer
Mr. Robert Barry, Project Manager
San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, CA 92123
keene.simonds@sdcounty.ca.gov
robert.barry@sdcounty.ca.gov

Comments on Proposals by Rainbow Municipal Water District and Fallbrook Public Utility District, Reference Nos. RO20-04 and RO20-05

Dear Mr. Simonds and Mr. Barry:


The Metropolitan Water District of Southern California (Metropolitan) submits the attached comments on the proposal by Rainbow Municipal Water District (Rainbow) and Fallbrook Public Utility District (Fallbrook) to detach from the San Diego County Water Authority (SDCWA) and attach to Eastern Municipal Water District (Eastern). Both SDCWA and Eastern are member agencies of Metropolitan making Metropolitan an interested party in this proceeding.

As the Rainbow and Fallbrook service areas already are part of Metropolitan's service area, there is no need to annex into Metropolitan and there would be no fees charged by Metropolitan to either Rainbow or Fallbrook. As explained in the attached comments, Metropolitan foresees no financial impacts to Metropolitan and no physical changes in how Metropolitan already delivers water to the Rainbow and Fallbrook service areas from this proposed reorganization. There are certain administrative actions that Metropolitan would need to take to effectuate the reorganization if approved, but these are ministerial in nature and do not require action by Metropolitan's Board of Directors.

Mr. Keene Simonds
Mr. Robert Barry
September 17, 2020
Page 2

We would be happy to provide any additional information desired. Please feel free to contact me if you have any questions or would like anything further.

Sincerely,



Jeffrey Kightlinger
General Manager

Attachment

cc via electronic mail only w/attachment:

Sandra Kerl, General Manager, SDCWA, skerl@sdcwa.org

Paul Jones, General Manager, Eastern, jonesp@emwd.org

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**Comments on the Detachment and Annexation of
Rainbow Municipal Water District and Fallbrook Public Utility District
from San Diego County Water Authority into
Eastern Municipal Water District for Wholesale Water Service from
The Metropolitan Water District of Southern California
Reference Nos. RO20-04 and RO20-05
September 17, 2020**

The Metropolitan Water District of Southern California (Metropolitan) provides wholesale water service to 26 member agencies, including San Diego County Water Authority (SDCWA) and Eastern Municipal Water District (Eastern). Accordingly, Metropolitan is an “interested party” in this proceeding and provides the following informational briefing memo on the proposal by Rainbow Municipal Water District (Rainbow) and Fallbrook Public Utility District (Fallbrook) (collectively, Rainbow and Fallbrook are referred to as the “Applicants”) to detach from SDCWA and annex into Eastern for wholesale water service (referred to as the “reorganization”).

I. OVERVIEW OF METROPOLITAN’S WHOLESALE WATER SERVICE TO THE APPLICANTS’ SERVICE AREA

A. Metropolitan’s Structure

Metropolitan is a public agency and regional water wholesaler providing imported water supplies supplementing otherwise insufficient local water resources in the region. Metropolitan is comprised of 26 member public agencies; these agencies or their own member agencies serve approximately 19 million people in six counties in Southern California, including Los Angeles, Ventura, Orange, Riverside, San Bernardino, and San Diego counties.

Metropolitan was created pursuant to an act of the California Legislature, specifically The Metropolitan Water District Act of 1927 (MWD Act). The MWD Act provided legislative authority for the creation of “metropolitan water districts” subject to the approval of the electorate of its constituent municipalities. Metropolitan was approved via public election and incorporated in 1928. The MWD Act provides legislative authority for Metropolitan’s actions, and direction on its governance and operations.

The MWD Act is codified in the California Water Code. Statutes 1969, ch.209, as amended; West’s California Water Code – Appendix Section 109; Deering’s California Water Code – Uncodified Act 570. Additionally, under its authority from the MWD Act, Metropolitan’s Board of Directors has promulgated an administrative code to provide further direction to its member agencies and staff, referred to as the Metropolitan Administrative Code. Copies of this Code and the MWD Act are available on Metropolitan’s website at <http://mwdh2o.com/WhoWeAre/MWDAct/Pages/default.aspx>.

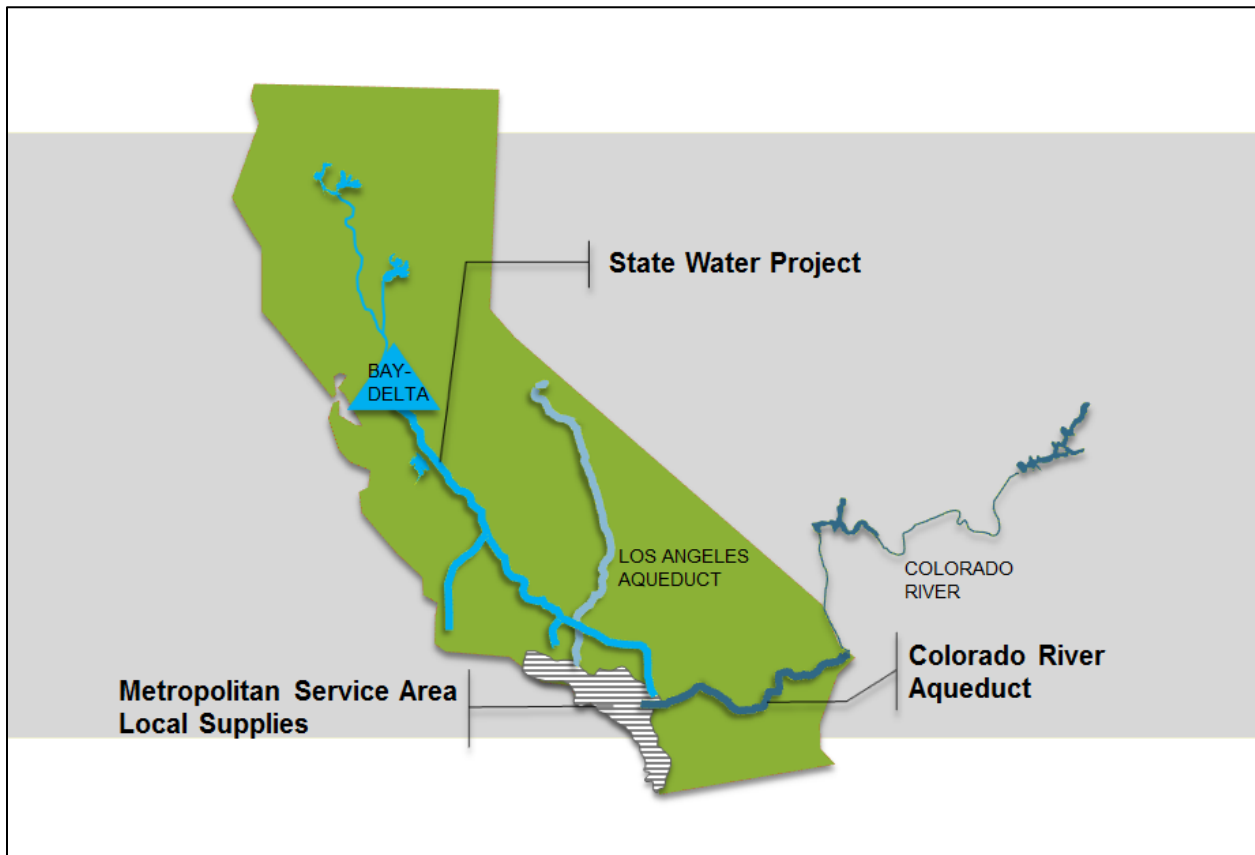
Pursuant to the MWD Act, Metropolitan is a voluntary cooperative governed by a 38-member Board of Directors, comprised of representatives of its 26 member agencies, including SDCWA

and Eastern. Sections 51, 52, and 55 of the MWD Act set forth the number of representatives and voting block to which each member agency is entitled. Other than authority delegated to its General Manager and other direct-report positions by the MWD Act and the Metropolitan Administrative Code, all decisions are made by Metropolitan’s Board of Directors.

B. Metropolitan’s Sources of Water

Metropolitan’s mission is to provide its 26 member agencies in its 5,200 square-mile service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way. Metropolitan’s primary sources of imported water come from the Northern Sierra Mountains via the California State Water Project (SWP) and from the Colorado River via the Colorado River Aqueduct (CRA) as illustrated in Figure 1. Other sources available to the region to balance its demands are Local Supplies, which include water from the Los Angeles Aqueduct, conservation, groundwater, recycling, and desalination. On average, water supply to Metropolitan’s service area is made up of approximately 30% SWP, 20% Colorado River, and 50% Local Supplies.

Figure 1 – Water Supply to Metropolitan’s Service Area

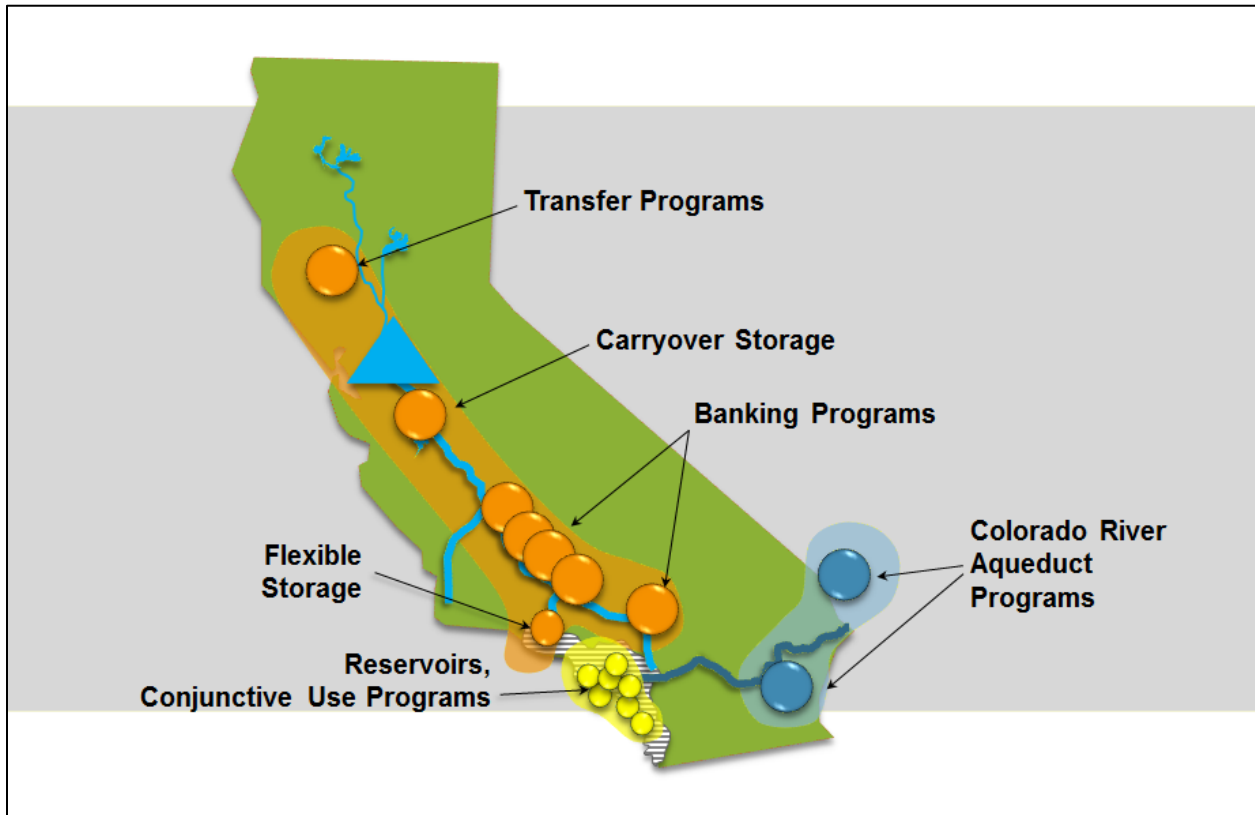


Over time, Metropolitan has made investments in other water supply resources and storage mechanisms to supplement the two major imported water resources, which helps bring drought reliability to the region. These resources are illustrated in Figure 2. Transfer programs allow Metropolitan to purchase water from other agencies in Northern or Central California and deliver this water to the region. Carryover Supplies refers to water Metropolitan stores in San Luis Reservoir, part of the SWP. Banking Programs allow Metropolitan to store water in groundwater aquifers of agricultural districts in the San Joaquin Valley. When needed, this water can be extracted and directly delivered or delivered via exchange with partnering agencies' surface supplies. Flexible Storage refers to water Metropolitan stores in the southern SWP reservoirs, Castaic Lake and Lake Perris, similar to Carryover Storage in San Luis Reservoir.

Colorado River Aqueduct Programs refer to a suite of programs aimed at maximizing Metropolitan's CRA supplies. These programs include Lake Mead storage, an exchange program with Desert Water Agency and Coachella Valley Water Districts, a water conservation agreement with IID, fallowing programs, and canal lining programs where canals and other on-farm laterals are lined or re-lined to become more water efficient and the conserved water is supplied to Metropolitan.

Metropolitan also has several of its own surface reservoirs that are used to manage its supplies. The largest Metropolitan-owned surface reservoir is Diamond Valley Lake with a capacity of 810,000 acre-feet, located near Hemet, CA. Finally, Metropolitan has entered into conjunctive use programs with its member agencies to develop dry-year yield for the region. Under these programs, Metropolitan invested in infrastructure to enhance groundwater storage in exchange for the right to store wet-year imported supplies that may be called on for use by Metropolitan during dry, drought, or emergency conditions.

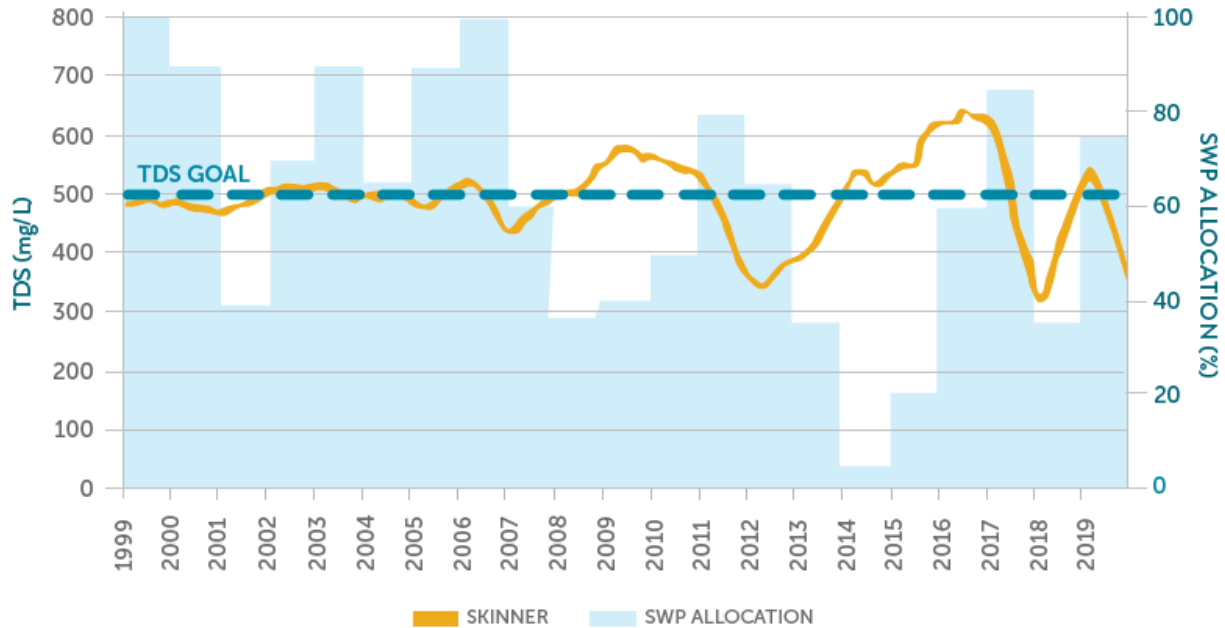
Figure 2 – Metropolitan’s Additional Resources



The main benefit of this diverse portfolio of water stored and delivered through multiple pathways on Metropolitan’s conveyance and distribution system is strong reliability and redundancy for the region. This diverse supply blend also provides a significant water quality benefit. For example, all of the supplies delivered on the SWP system are significantly lower in salinity than the supplies delivered on the CRA. When SWP supplies are high, more of this water can be brought into the region, lowering overall salinity levels through blending. This blend of water supplies produces less scale build up in water facilities and commercial and home appliances, improves performance of water recycling plants, aids local agriculture, lowers salinity levels in groundwater basins, as well as other benefits.

The MWD Act provides that where Metropolitan delivers a blend of supplies, it should be at least 50 percent SWP water if reasonable and practical. Metropolitan has a goal of maintaining a running annual average of Total Dissolved Solids (TDS) of 500 mg/L whenever water supplies allow. CRA supplies currently have TDS levels around 600 mg/L whereas SWP supplies currently have TDS levels of around 250 mg/L. Blending these two supplies helps Metropolitan meet its salinity goal throughout its service area providing significant water quality benefits to Southern California. Figure 3 illustrates TDS levels over time to the area south of Metropolitan’s San Diego Canal (the Metropolitan canal that Metropolitan uses to deliver water to SDCWA and the Applicant’s service area).

Figure 3 – TDS Levels to SDCWA and Eastern



* Flows based on running annual average

Figure 3 shows the water quality benefits from blending Metropolitan’s supplies. The shaded bars showing the SWP Allocation percentage or the amount of Metropolitan’s share of SWP it receives in a given year. The yellow line indicates the levels of TDS in Metropolitan’s blended supplies at its Skinner Plant. Thus, the graph show that when SWP supplies are high, Metropolitan’s supplies at its Skinner Plant are blended with the CRA supplies to lower overall TDS levels.

C. Metropolitan Water Sales Deliveries to SDCWA and Eastern

SDCWA and Eastern are both Metropolitan member agencies and as such, they purchase water from Metropolitan. They both receive a blend of water from the SWP, Colorado River, and the additional Metropolitan water resources described in Figure 2. These supplies are conveyed through Metropolitan’s interconnected conveyance and distribution system. Some of the water delivered is processed through Metropolitan’s regional water treatment plants for delivery as potable drinking water while other water is delivered untreated to the member agencies for their own storage or treatment. Figure 4 illustrates the ways these supplies travel through Metropolitan’s distribution system to Metropolitan’s San Diego Canal.

Figure 4 – Metropolitan’s Integrated System



D. Metropolitan Exchange Deliveries to SDCWA

Member agencies, and third parties, may also secure other supplies, which they may convey through or exchange using Metropolitan’s integrated system by agreement with Metropolitan. SDCWA has acquired Colorado River water and SDCWA has an agreement with Metropolitan to exchange that water with Metropolitan for deliveries of Metropolitan water. The exchange water that Metropolitan delivers is no different than the water SDCWA purchases from Metropolitan.

On April 29, 1998, SDCWA and Imperial Irrigation District (IID) executed an agreement (the “IID-SDCWA Transfer Agreement”) for SDCWA’s purchase of Colorado River water that is conserved within IID. On October 10, 2003, an amendment to the IID-SDCWA Transfer Agreement, executed as one of the set of agreements related to the Colorado River Quantification Settlement Agreement (QSA), set the maximum transfer amount at 205,000 acre-feet in calendar year 2021, with the transfer gradually ramping up to that amount over a 19-year period, then stabilizing at 200,000 acre-feet per year beginning in 2023.

SDCWA has no independent facility to convey its purchased Colorado River water to its service area. Accordingly, in 1998, after SDCWA and Metropolitan determined not to enter into a

wheeling agreement, the parties entered into an exchange agreement, pursuant to which SDCWA would make available the conserved IID Colorado River water to Metropolitan at the Colorado River Aqueduct intake on Lake Havasu as it became available, and Metropolitan would exchange it for 12 equal monthly Metropolitan water deliveries at the Metropolitan-SDCWA connections. The exchange deliveries consist of water from Metropolitan's own sources of supply through its delivery system to SDCWA, which are no different than Metropolitan's full-service water sales deliveries to SDCWA (see Figure 4 above). SDCWA agreed to pay Metropolitan a fixed unit price, not tied to Metropolitan's rates, with an annual escalator for the exchange under the 1998 Agreement.

Under the 1998 SDCWA-Metropolitan Exchange Agreement, SDCWA agreed to pay Metropolitan a discounted unit price, and Metropolitan was to receive an appropriation of \$235 million from the California Legislature to fund lining the All-American and Coachella Valley Canals to conserve water being lost to seepage and other projects. This funding was intended to compensate Metropolitan for the discounted exchange price. Metropolitan had acquired rights to the estimated 77,700 acre-feet per year of the resulting conserved water (Canal Lining Water) upon completion of the canal lining pursuant to Federal legislation.

In 2003, at SDCWA's request, SDCWA and Metropolitan amended their 1998 Exchange Agreement, changing the fixed unit price term to a higher price equal to Metropolitan's transportation rates and assigning to SDCWA the Canal Lining Water for 110 years and the \$235 million in state funding. Metropolitan assigned these assets to SDCWA in an Allocation Agreement that was also part of the QSA. The amended Exchange Agreement provided that both the Canal Lining Water and IID water would be exchanged for delivery of Metropolitan water. Metropolitan has delivered exchange water to SDCWA under the 2003 Exchange Agreement, which water is the same as blended water Metropolitan delivers to SDCWA pursuant to SDCWA's purchases. The only difference between the two deliveries is the billing distinction in the monthly invoices.

The term of the 2003 Exchange Agreement, as it relates to conserved water transferred by IID to SDCWA, extends through 2047 (because SDCWA elected to extend the agreement by 10 years), and as it relates to Canal Lining Water, extends through 2112. These terms are each subject to the right of SDCWA, upon a minimum of five years' advance written notice to Metropolitan, to permanently reduce the aggregate quantity of conserved water made available to Metropolitan under the Exchange Agreement to the extent SDCWA decides to transport the water through alternative facilities (which do not presently exist).

E. Metropolitan's Emergency Storage

A portion of Metropolitan's storage is reserved for emergencies bolstering Metropolitan's and its member agencies' reliability. Metropolitan's need for emergency storage is based on the potential for major earthquake damage to the Colorado River Aqueduct, State Water Project, and Los Angeles Aqueduct rendering the aqueducts out of service, isolating the region from its imported water supplies. Metropolitan's objective is to provide regional emergency storage that could allow Metropolitan to deliver supplies to all its member agencies during this period of outage. Diamond Valley Lake is one of Metropolitan's emergency storage reservoirs. As shown

in Figure 2, Diamond Valley Lake is located along the San Diego Canal, just upstream of Rainbow and Fallbrook.

If by chance, an earthquake or other emergency damages the canals or pipelines between Diamond Valley Lake and Rainbow and Fallbrook, Metropolitan also maintains heavy construction equipment, structural supplies, and manufacturing shop capacity to respond and make repairs quickly. Construction crews can repair canals, and new pipe can be fabricated and installed as quickly as possible depending on the severity of the damage.

Additionally, in 2019, Metropolitan adopted new policy, set forth in section 4519 of Metropolitan's Administrative Code, to clarify the terms and conditions under which member agencies may convey water to themselves or each other using Metropolitan's distribution system during an emergency if Metropolitan supplies are not available. Under this policy and during an emergency, Metropolitan would charge the member agencies only certain identified costs. For example, if treated water supplies are not available from the Skinner Water Treatment Plant after an earthquake, Eastern, or their sub-agency, Rancho California Water District, could use Metropolitan's pipelines to deliver water to Rainbow and Fallbrook.

Together, Metropolitan's diverse portfolio of supplies, flexible, interconnected regionwide infrastructure, and emergency storage provide its member agencies with water supply reliability. In fact, Metropolitan's overall water storage is at historic levels, currently in excess of approximately 3.8 million acre-feet.

II. OVERVIEW OF THE WATER SUPPLY RELIABILITY ISSUES RELATED TO THE PROPOSED REORGANIZATION

A. No Impacts on Water Supply Originating from Metropolitan

The proposed reorganization will have no impact on the reliability of water originating from Metropolitan and delivered to service connections in the Applicants' service area, as water from Metropolitan is already being delivered to its member agency SDCWA by deliveries directly to the Applicants from Metropolitan's distribution system. Currently, SDCWA requests that Metropolitan deliver water for SDCWA directly to Rainbow and Fallbrook. Under the proposed reorganization, Metropolitan's member agency Eastern would now make the same request to Metropolitan. Metropolitan's water service to Eastern by delivering directly to the Applicant's service area will continue to consist of the same blends of source water already provided to that area. There will not be any differences in Metropolitan water supply quality or reliability to the Applicants' service area as a result of the proposal.

A question has been raised whether SDCWA's supplies to the Applicants are more reliable than Metropolitan's supplies to the Applicants. Metropolitan provides water only to its member agencies, but as explained, at SDCWA's request it makes deliveries directly to the Applicants. The same will occur if the Applicants join Eastern. All the delivered water to the Applicants will continue to come from Metropolitan from the exact same sources. Metropolitan delivers its water to SDCWA at its service_connections in the Applicants' service areas, which is the same manner in which Metropolitan would continue to deliver water to Eastern for that area. The

transfer of those service connections to Eastern would not change Metropolitan’s reliability. This proposed reorganization will not result in any physical change in the water supplied to the Applicants.

B. No Bay Delta Impacts by Metropolitan

Because identical water will continue to be delivered from Metropolitan’s service connections to Rainbow and Fallbrook’s service areas regardless of which Metropolitan member agency serves them, there is no increased reliance on the Delta and no implications on state policy for Delta issues. It is simply not true that the proposed reorganization would result in any increased reliance on Bay Delta supplies or violate state law.

First, there would not be any additional imported supplies delivered by Metropolitan as a result of the reorganization. A reorganization of retail or end users among Metropolitan’s member agencies does not affect Metropolitan’s impact on the Bay Delta. As previously stated, the reorganization does not affect Metropolitan’s outside boundaries, nor does it change Metropolitan’s distribution system. Metropolitan’s delivery to the Applicants’ service area is unaffected. As discussed earlier, Metropolitan has an integrated conveyance and distribution system that manages different imported water sources by blending, treating, storing, and delivering those sources, based on their availability and system conditions that vary in any given year. As SDCWA has pointed out, it does have the water Exchange Agreement with Metropolitan. However, as explained above, SDCWA makes Colorado River water available to Metropolitan at Lake Havasu and SDCWA receives by exchange an equal volume of water from Metropolitan’s blended sources that are delivered to Metropolitan’s-SDCWA service connections. Exchanged Colorado River water is not separated for conveyance through Metropolitan’s system nor for delivery to SDCWA or the Applicants. Therefore, delivery of Metropolitan’s blended source waters would continue through Eastern after reorganization, and would not translate into any additional imported water by Metropolitan from the Bay Delta.

Second, California Water Code section 85021, cited by SDCWA, is a statement of policy, applicable to “future water supply needs”—not the existing needs already served by the agencies involved in this proposed reorganization. In its entirety, the Section reads:

The policy of the State of California is to reduce reliance on the Delta in meeting California’s future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency. Each region that depends on water from the Delta watershed shall improve its regional self-reliance for water through investment in water use efficiency, water recycling, advanced water technologies, local and regional water supply projects, and improved regional coordination of local and regional water supply efforts.

The plain language of section 85021 speaks in terms of “regions” improving their regional self-reliance, not each and every water agency in the state reducing its reliance on imported supplies from the Delta. As a region, Southern California has dramatically improved its self-reliance by

investing significantly in conservation, recycling, and other demand management programs, and the proposed reorganization within Metropolitan's service area does not affect those improvements. In fact, currently, Metropolitan has the most water stored in its reserves in its history, ensuring continued regional reliability in the face of climate change, drought, earthquake or other emergency.

C. Impacts to Metropolitan's Water Infrastructure

Because the water delivered by Metropolitan through its system to the Applicants' service area would continue to be identical, there are no significant facility or physical operational issues necessary for Metropolitan to continue to deliver water to the Applicants. Metropolitan would not alter the manner in which it delivers its supplies and deliveries to Rainbow's and Fallbrook's service areas would continue via existing pipelines already in place.

There would, however, be a few administrative issues to address. The active service connection agreements for connections that serve Rainbow and Fallbrook would need to be reassigned and updated from SDCWA to Eastern. Metropolitan can work out any service connection issues with its two member agencies with the goal of ensuring water supply reliability for the entire service area.

III. OVERVIEW OF THE IMPACTS ON METROPOLITAN'S MEMBER AGENCY COOPERATIVE RELATED TO THE POTENTIAL REORGANIZATION

A. Financial Issues Related to SDCWA and Eastern as Metropolitan Member Agencies

Metropolitan provides wholesale water services to its 26 member agencies through an integrated conveyance and distribution system. The services are provided to all member agencies pursuant to a postage stamp rate, meaning that all agencies pay the same rates and charges for the same water services regardless of the location of the final delivery. Thus, there are no financial impacts for Metropolitan, positive or negative, whether the Applicants belong to Eastern or SDCWA because Metropolitan's rates are the same for both Eastern and SDCWA. While there may be financial implications for Eastern, SDCWA, Rainbow and Fallbrook, they do not impact Metropolitan.

However, there are a number of Metropolitan-related financial issues that will need to be addressed for the member agencies involved in the proposal, including:

1. Tier 1 supply allocation;
2. Purchase Order obligations;
3. Readiness-to-Serve Charge;
4. Adjustment of the basis for the Capacity Charge; and
5. Application of the appropriate Standby Charge to the real properties within the Applicants' service areas.

Each of these issues, except item 5, involves a determination of past transactions by each member agency at Metropolitan. The right to purchase water at the Tier 1 rate, for instance, is set by a past average or by purchase order agreement for each member agency. In SDCWA's case, it is set by past average purchases, because SDCWA did not enter into a purchase order agreement. Similarly, the Readiness to Serve Charge and Capacity Charge is calculated by past average transactions of each agency. Metropolitan provides its services, and therefore, calculates past transactions, by member agency; we do not assign transactions to the customers within each member agency. For example, when SDCWA purchases water from Metropolitan, it purchases a total amount and Metropolitan does not assign that purchase to any particular member agency of SDCWA. Past average transactions of SDCWA for calculation of any of the Tier 1 supply allocation, purchase order obligation, Readiness-to-Serve Charge, or Capacity Charge, is calculated based on the total amount SDCWA purchased from Metropolitan—not by SDCWA's deliveries to any of its own customers. Changes to these allocations and charges which are based on rolling averages of past transactions would require adjustment going forward.

There are some related issues that have been raised in this proceeding relating to Metropolitan that are actually not affected by the proposed reorganization. These include Metropolitan's ad valorem property taxes and preferential rights.

B. Ad Valorem Property Tax

Metropolitan collects an ad valorem property tax from properties throughout its service area. The property tax rate has been set at 0.0035% since fiscal year 2012/13, which is \$10.50 per year for a property assessed at \$300,000. Unlike the Standby Charge, Metropolitan's ad valorem property tax is collected uniformly throughout Metropolitan's service area and goes to pay Metropolitan's general bond and State Water Contract obligations. The tax is collected for the benefit of the entire Metropolitan service area. Thus, upon transfer, the affected area would transfer on to the new tax service areas under Eastern, with Metropolitan ad valorem taxes remaining unchanged. The ad valorem property taxes are collected by the County Assessors and sent to Metropolitan. No changes to Metropolitan's property taxes would be made from this reorganization. SDCWA collects its own separate ad valorem property taxes. However, SDCWA's separate tax does not affect Metropolitan's separate property taxes.

C. Preferential Rights

Another potential administrative issue that has been raised in this proceeding is the calculation of preferential rights for the involved member agencies. Preferential rights are rights of Metropolitan's member agencies to purchase a portion of available water pursuant to the MWD Act. Under Metropolitan Act section 135, each member agency's preferential rights are calculated based on certain of the member agency's historical payments to Metropolitan and historical amounts paid by the member agency to Metropolitan on tax assessments. Preferential rights are not based on the amount of transactions between a member agency and its customers and they are not transferable from one Metropolitan member agency to another. Should the proposed reorganization be approved, Metropolitan would continue to follow the statutory preferential rights calculation for its member agencies going forward and the reorganization would not affect the methodology. Eastern and SDCWA would each receive an annual update to

their preferential rights calculation as they do today. As a practical matter, it should be noted that while Southern California has endured numerous droughts over the past 90 years, no member agency has invoked Metropolitan's use of the preferential rights formula for allocating water in Metropolitan's history. Instead, based on Board action, Metropolitan has used pricing mechanisms to allot water among its member agencies during shortages.

In summary, Metropolitan has never limited member agencies' ability to purchase water according to their preferential rights. The rights themselves have no intrinsic monetary value and are not transferable. The methodology for calculating preferential rights is prescribed by statute in the MWD Act. Should the reorganization be approved, Metropolitan will continue to calculate the preferential rights for Eastern and SDCWA as prescribed by law, which is based on the member agencies' historical relevant payments to Metropolitan and Metropolitan ad valorem tax payments—not by the member agencies' sales to its own customers. There would be no financial or physical impacts to water service for the applicants related to this issue caused by reorganization.

D. Governance Issues at Metropolitan

There are a number of governance issues that relate to Eastern and SDCWA's membership in Metropolitan's cooperative that will need to be adjusted if the proposed reorganization is completed, including Metropolitan Board representation and voting entitlement. The MWD Act sets forth the voting weight of each member agency based on the assessed valuation of the member agency's service area. Under Section 55 of the MWD Act, each member agency gets one vote for every \$10 million of assessed valuation of property taxable for Metropolitan's purposes. As of August 2020, Eastern's service area assessed valuation constituted 2.75% of the total Metropolitan service area and entitled Eastern to 8,936 votes at Metropolitan. SDCWA's service area assessed valuation constituted 17.34% of the total Metropolitan service area and entitled SDCWA to 56,310 votes at Metropolitan.

If the Rainbow and Fallbrook service area are detached from SDCWA, the weight of SDCWA's vote will be slightly reduced and the weight of Eastern's vote will be correspondingly increased. The Applicants' interests at Metropolitan will continue to be represented through the additional weight given to Eastern. Given the relative size of the Applicants, this would be a relatively de minimis impact in a vote shift of about 0.3% and would not cause either Eastern or SDCWA to gain or lose a board seat at Metropolitan.

Under Section 52 of the Metropolitan Water District Act, assessed valuation is also used to determine how many representatives an agency has on the Metropolitan Board. Each member agency is entitled to one board member and may appoint an additional representative for each full 5 percent of Metropolitan's assessed valuation of taxable property that is within such member agency's service area. As of last year, Assembly Bill 1220 (Garcia) added subsection (b) to Section 52 of the MWD Act, which provides, "A member public agency shall not have fewer than the number of representatives the member public agency had as of January 1, 2019. This subdivision does not affect Section 55." Eastern has 1 representative and SDCWA has 4 representatives on the Metropolitan Board. The proposed reorganization will not change the number of Metropolitan Board representations for either agency.

In sum, Metropolitan's governance is prescribed by state law pursuant to the MWD Act, and Metropolitan would apply the statutory formula for calculation of voting entitlement in the event this reorganization is approved.

IV. CONCLUSION

In conclusion, the proposed reorganization would not impact Metropolitan's ability to provide reliable water supplies to its 26 member agencies. Nor would it increase the demands on the Bay Delta. It would have only a de minimis impact on voting entitlements and representation by SDCWA and Eastern at Metropolitan. And it would not affect the County Assessor's ability to collect taxes to be distributed throughout Metropolitan's service area.

Metropolitan appreciates the opportunity to provide information and looks forward to working cooperatively with the stakeholders throughout the process.

M E M O

TO: Board of Directors
FROM: Engineering and Operations Committee
DATE: June 27, 2022
SUBJECT: Federal Advocacy Services

Purpose

For the Board to consider engaging external federal advocacy services to support seeking federal funding for projects.

Summary and Background

There has been a recent increase in the amount of federal funding available for water/wastewater projects. The District has not pursued many federal funding opportunities or utilized an external federal advocacy support resources since the funding was secured for the Santa Margarita Conjunctive Use Project (SMRCUP). There are several potential opportunities to seek funding under the current programs. Two of the most likely funding candidates would be to expand the District's recycled water system and support construction of the Camp Pendleton Indirect Potable Reuse Project, which will increase the yield of the SMRCUP and water available to the District. Staff reached out to Jaqueline Howells with Howells Government Relations who has been providing similar services to Valley Center MWD for many years since they have an understanding of the needs for rural/agricultural agencies in North San Diego County. A copy of the proposal is attached.

Budget Impact

The attached proposal would result in an annual cost of \$90,000, which would be included in the office of the General Manager operating budget.

Recommended Action

That the Board consider engaging federal advocacy services for an initial one-year period to help try and secure grant funding to reduce District ratepayer funding needs for key projects.

HOWELLS GOVERNMENT RELATIONS

PROPOSED AGREEMENT FOR HOWELLS GOVERNMENT RELATIONS FEDERAL ADVOCACY SERVICES TO BE PROVIDED TO FALLBROOK PUBLIC UTILITY DISTRICT

1. General Purpose of Federal Advocacy Agreement

With the passage of the Infrastructure Investment and Jobs Act—termed by the Biden Administration as the “Bipartisan Infrastructure Law” (“BIL”)—and the additional over \$1 Trillion in federal funds available for the nation’s infrastructure, Fallbrook Public Utility District (“District” or “FPUD”) has determined it wants to pursue federal funding for its infrastructure projects. According to the White House, the BIL “will invest \$55 Billion to expand access to clean drinking water for households, businesses, schools, and childcare centers all across the country”. The White House has promised “. . . from rural towns to struggling cities, the legislation will invest in water infrastructure and eliminate lead service pipes, including in Tribal Nations and disadvantaged communities that need it most”.

The Biden Administration has indicated the additional funds will be disseminated over the next 5 years. With the prospect of so many more dollars for water infrastructure, FPUD wants to again be an active participant in the federal arena—with the ultimate goal of securing federal funding to offset District costs for its water reclamation and other critical infrastructure needs. To reach that goal, FPUD plans to engage Howells Government Relations (“HGR”) to begin the path toward establishing a strong “presence” for the District in Washington, D.C.

HGR will monitor and track federal activity and funding opportunities relating to the District’s projects. HGR’s President, Jacqueline Howells, has the expertise, qualifications, experience and history of accomplishments in the federal arena to assist FPUD to achieve its objective of securing federal funding to alleviate the pressure on the District’s ratepayers—especially its agricultural customers who have suffered greatly due to the ongoing drought, and other competitive issues. HGR will assist the District to accomplish its short- and long-range federal funding, legislative, and regulatory goals by building relationships on behalf of FPUD and crafting a well-defined political, legislative and financial strategy. The District wishes to enter into a formal agreement with HGR to accomplish these goals.

2. Objectives of the Agreement

The objectives to be accomplished via this agreement are as follows:

Advocacy Strategy

HGR will work with the District to explore issues of interest, identify opportunities and potential threats, define goals and objectives—as outlined in this agreement—and then will create a feasible political and legislative strategy to achieve these goals and objectives. HGR then will assist FPUD in executing that strategy employing day-to-day tactics as needed and trading on HGR’s relationships to carry out the provisions of this agreement.

District Profile

HGR will raise the profile of FPUD on Capitol Hill and with the various federal Departments and Agencies with jurisdiction over water issues and funding and will establish a political footprint for the District with key elected and appointed officials and their staff. HGR will assist to position FPUD as a leading provider of high-quality water, sewer and reclamation services; a leader in water conservation efforts and the myriad of services the District provides. Commencing with the next two years and well beyond, HGR looks forward to assisting FPUD in achieving its goals and objectives at the federal, regional and local levels.

HGR Relationships

Only by building a solid foundation of key relationships can FPUD succeed with its federal funding, legislative, and regulatory agenda. In this regard, HGR possesses strong relationships with the California Congressional delegation, key Members of Congress, other important elected officials and staff; and key staff on the committees of jurisdiction over appropriations and other water issues. These contacts include but are not limited to the Senate and House Appropriations Committees, the Senate Environment and Public Works Committee, the House Transportation and Infrastructure Committee, the House and Senate Budget Committees, the Senate and House Agriculture Committees, the Senate Energy and Natural Resources Committee, the House Natural Resources Committee, the House Energy and Commerce Committee; the U.S. Department of the Interior; the Bureau of Reclamation, which manages water in the West; the U.S. Department of Agriculture; the U.S. Environmental Protection Agency; the Office of Management and Budget, and the Federal Energy Regulatory Commission—to name a few. These and other HGR relationships will be crucial in assisting the District to meet its short- and long-term goals. As soon as FPUD retains HGR, we will begin meeting with Congressional and Executive Branch officials and staff on the District's behalf. And under the direction of and in conjunction with the General Manager and senior management/department heads, HGR will map out a short- and long-range strategy for obtaining federal funding for FPUD projects and to meet the District's other legislative and regulatory goals.

3. Specific Tasks and Services to be Provided by HGR

The specific tasks HGR will undertake on behalf of the District under the terms of this agreement are as follows:

1. Develop and execute a comprehensive, coordinated strategy involving congressional relations/lobbying, government, and public relations at the federal, regional and local levels in support of the achievement of the District's objectives.
2. Monitor and track all federal legislation and regulations introduced with potential economic and operations impacts on the District. Keep FPUD General Manager, Board of Directors and senior management/department heads up-to-date on federal issues of interest and concern to the District.
3. Assess potential for passage of relevant legislation/regulations and provide a political assessment of pertinent federal legislation/regulations to District General Manager and Board of Directors.
4. Meet with District General Manager and senior management/department heads to ascertain issues of interest and concern to various divisions of FPUD and assist in prioritizing those issues.

5. Address more specific needs of the District in the monitoring and tracking process.
6. Ascertain and communicate to the FPUD potential for change in legislation/regulations under consideration, which may meet the District's needs and concerns or alternatively which could have a potentially negative financial impact on District priorities.
7. Communicate to Congressional staff, the Executive Branch and federal Departments and Agencies FPUD's positions on legislative and regulatory issues.
8. Monitor and track general opportunities for potential present and future funding opportunities/sources for FPUD projects.
9. Develop recognition and heighten awareness of the District within the Congress, the Executive Branch and at key regulatory Departments and Agencies, creating a "presence" for FPUD in Washington, D.C., thus making the District more competitive at the federal level.
10. Actively seek out opportunities to educate public policy officials in Congress, the Executive Branch and various federal Departments and Agencies about District priorities and the "federal nexus"/justification for federal tax dollars to be used to facilitate building FPUD projects. Plan and carry out informational and relationship-building meetings on behalf of the District.
11. Continue to nurture existing relationships with the U.S. Congress, the Executive Branch and federal Departments and Agencies on behalf of FPUD.
12. Direct the District's efforts to pursue authorization legislation—as appropriate—and federal appropriations and other federal funding opportunities.
13. To accomplish the task described in numeral 12, HGR will assist the District in drafting and getting authorization legislation introduced—as needed—securing Committee hearings, attaining passage of that legislation at the Sub- and Full-Committee levels, with the ultimate goal of obtaining final passage of said authorization legislation in both chambers of Congress and ultimately having the bill signed into law by the President of the United States.
14. To accomplish the federal appropriations task described in numeral 12, HGR will stay abreast of and aggressively pursue federal funding opportunities for FPUD. We will help the District position itself to effectively compete for federal appropriations as well as other sources of federal funding.
15. Leverage HGR relationships with Members of Congress, key Committee Members, and other key federal policy makers on behalf of the District. This will be accomplished by making introductions of the General Manager, the Board President and/or any interested Board Members, and other key staff member(s) as designated by the General Manager and Board President to key policy makers and staff during planned lobbying and "educational" visits to Washington, D.C. Additionally, HGR will continue to meet with the above-mentioned federal contacts separately on behalf of the District.
16. Forge a strategic public relations campaign designed to educate key Members of Congress and their staff, key committee staff, and key policy makers in federal Departments and Agencies regarding FPUD's mission and objectives and its prominent role in the communities it serves. Raise the profile, awareness, and visibility of the District at the federal, regional and local levels.

17. Work with District staff to develop and draft effective lobbying documents. As past experience demonstrates, this process continues and evolves with each visit with our federal contacts, as we work to keep “educational” documents about FPUD up-to-date regarding progress on projects for which the District is or will be pursuing federal support and funding. This process will enable HGR to present FPUD in the best possible light.
18. Work with local and regional communities, leaders (e.g., city councils and relevant community groups and business organizations), and legislators (county supervisors) to garner support for the District’s projects and communicate that support to federal legislators and the Administration.
19. Be available to advise the District on the political, legislative, and regulatory process and answer other questions as they arise.
20. Brief Board, General Manager, and key District staff—as requested—on federal issues of interest and HGR’s efforts and progress on behalf of FPUD.
21. As an additional service, HGR can—as warranted by federal activities—provide periodic written reports to the Board, General Manager, and senior management/department heads to update them on federal issues of interest as well as HGR’s efforts and progress on behalf of FPUD.
22. Ultimately achieve the ability to influence the federal decision-making process—especially as it relates specifically to the District—through relationships built on behalf of FPUD.

4. Terms of the Agreement

HGR agrees to perform the services outlined in this agreement for the District for a monthly retainer of \$7,500 plus reasonable, agreed-upon incidental expenses incurred in representing FPUD, such as travel, lodging, taxis, meals, parcel delivery, mass-production of lobbying and other documents, etc.—effective July 1, 2022, and continuing for a period of 2 years through June 30, 2024. By 60 days prior to the end of the second year, the District and HGR will jointly evaluate the benefits and desirability of extending the existing contract for the following 2 years.

The monthly retainer covers *all* expenses, including travel to the District offices, ordinary mailing expenses, faxes, and copies with the exception of those items listed in the previous paragraph. Those and special projects which may require the participation of vendors, special graphic design projects, printing, and other substantial expenses will be subject to General Manager approval. Invoices are mailed at the beginning of the month preceding the month for which services will be rendered, and payment is due in full by the 10th of the month for which services are provided.

5. Termination of Agreement

With 60 days notice, either party to this agreement may—upon written notification—terminate this agreement for services.

6. HGR Comments

On behalf of HGR, we look forward to engaging with Fallbrook Public Utility District and entering into an agreement to provide strategic counsel, as well as congressional-, government- and public relations assistance to the District. We are delighted to be

considered to be a part of FPUD’s team and anxiously anticipate the opportunity to develop and execute a highly effective strategy to meet your federal funding, government relations, and public outreach objectives in an efficient and cost-effective manner. We look forward to leveraging our relationships in the Congress and within various federal Departments and Agencies on the District’s behalf toward meeting your long-range objective of obtaining federal funding and achieving your federal funding, legislative and regulatory goals.

7. Agreement

Should the District desire to enter into the previously-described agreement, said agreement will be put into effect with the signatures below.

We look forward to a mutually-rewarding long-term relationship.

Jack Bebee, General Manager
Fallbrook Public Utilities District

Date: _____

Jacqueline A. Howells, President
Howells Government Relations

Date: _____

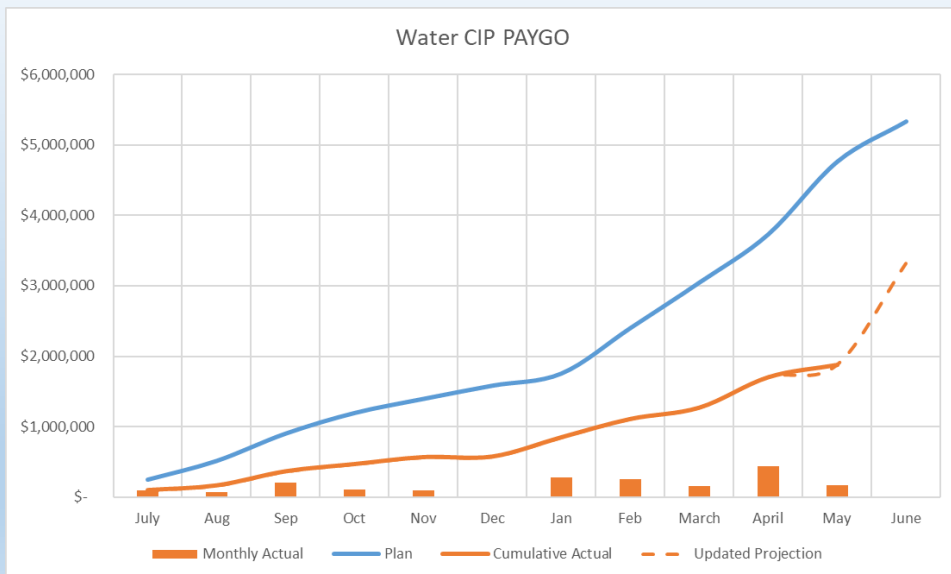


Fallbrook Public Utility District

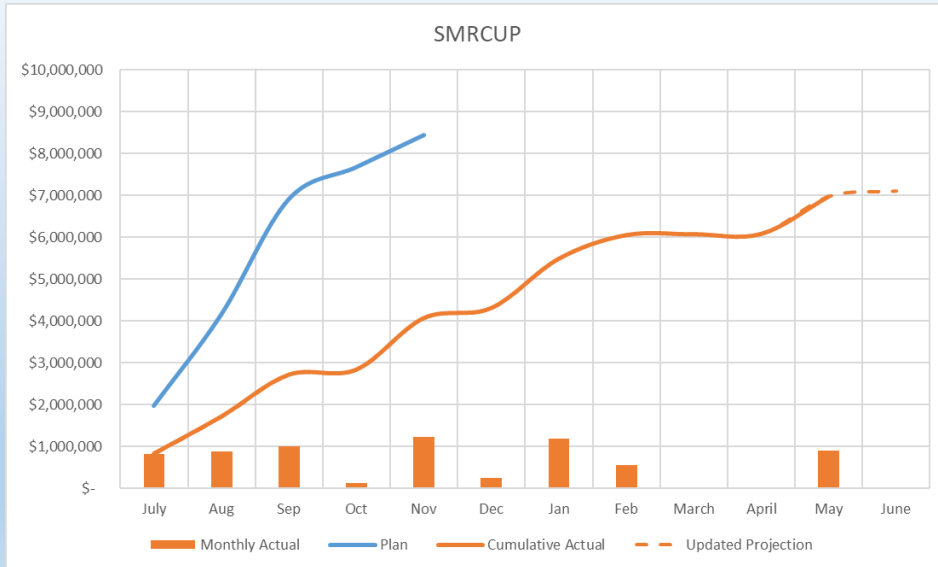
Engineering and Operations FY22

Board Meeting June 2022

Water PAYGO CIP FY22

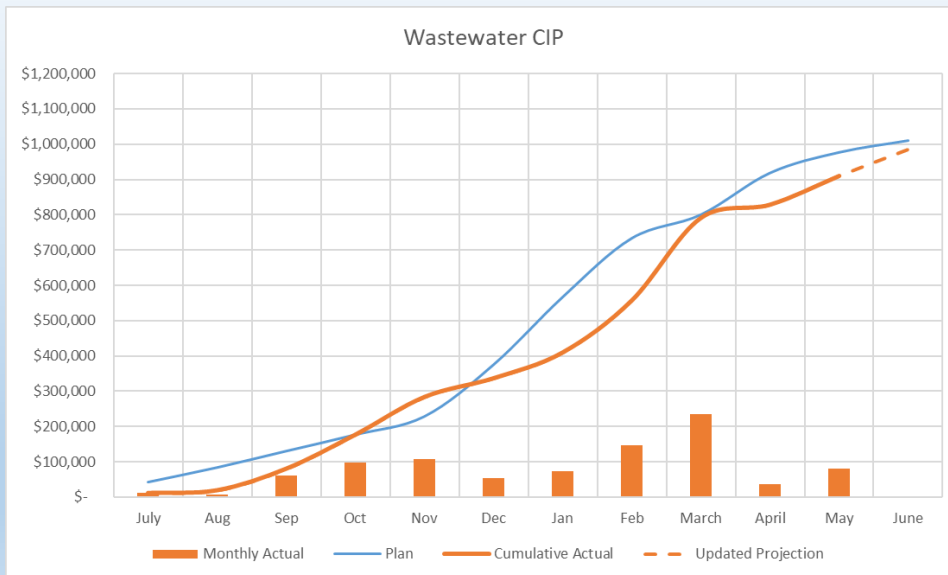


Water SMRCUP CIP FY22



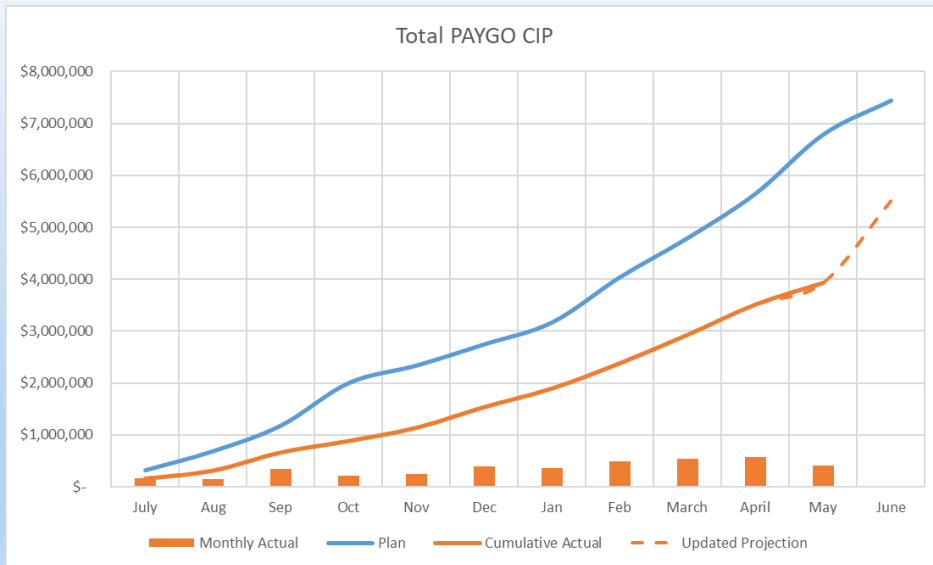
3

Wastewater System CIP FY22



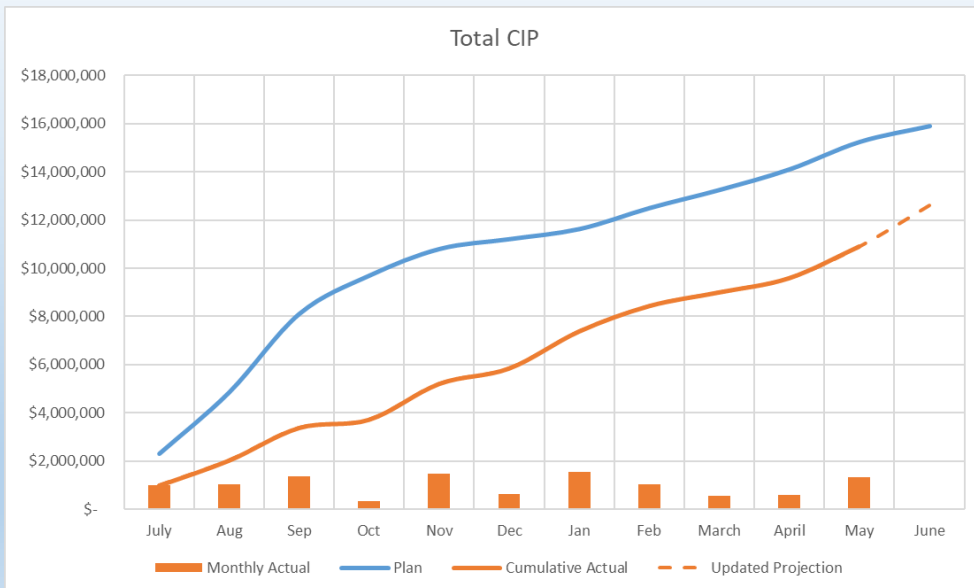
4

Total PAYGO CIP FY22



5

Total CIP FY22



6

Wastewater Treatment

Reclamation Plant

Recycled Water

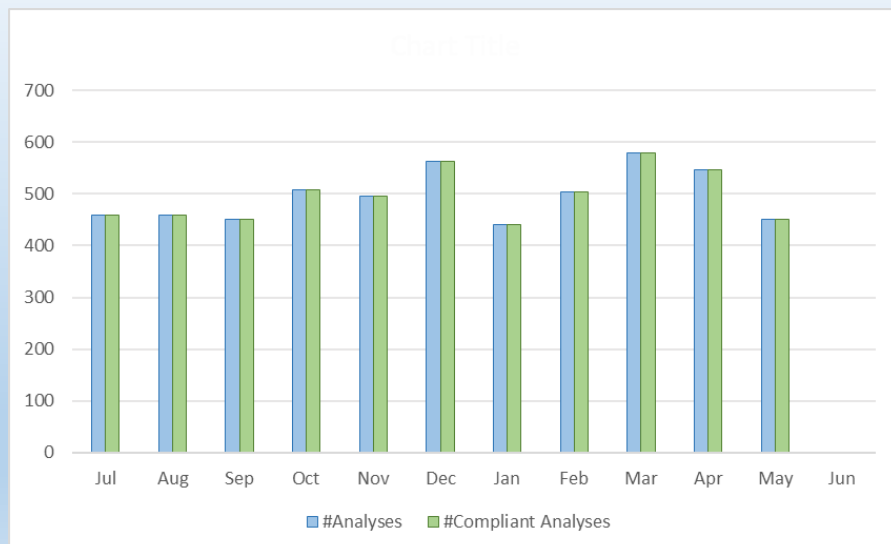
- Wastewater System Violations
- Reclamation Plant PMs Completed
- Energy Cost per MG
- Recycled Water – Time Out of Service

7

Wastewater Treatment System Regulatory Compliance

**SRWQCB
Compliance:**
NPDES
WDR

**Analyses
performed:**
Daily
Monthly
Quarterly
Semi-annually
Annually

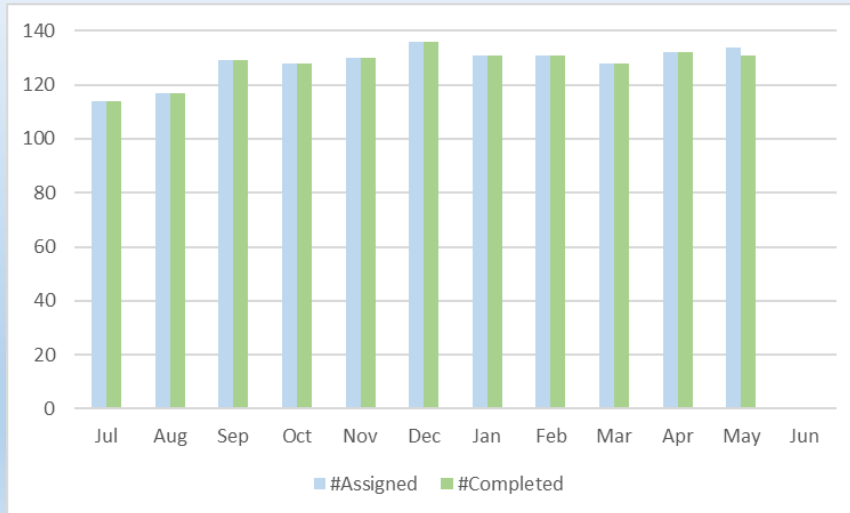


8

Reclamation Plant – Preventative Maintenance Work Orders

Equipment Service/Inspection

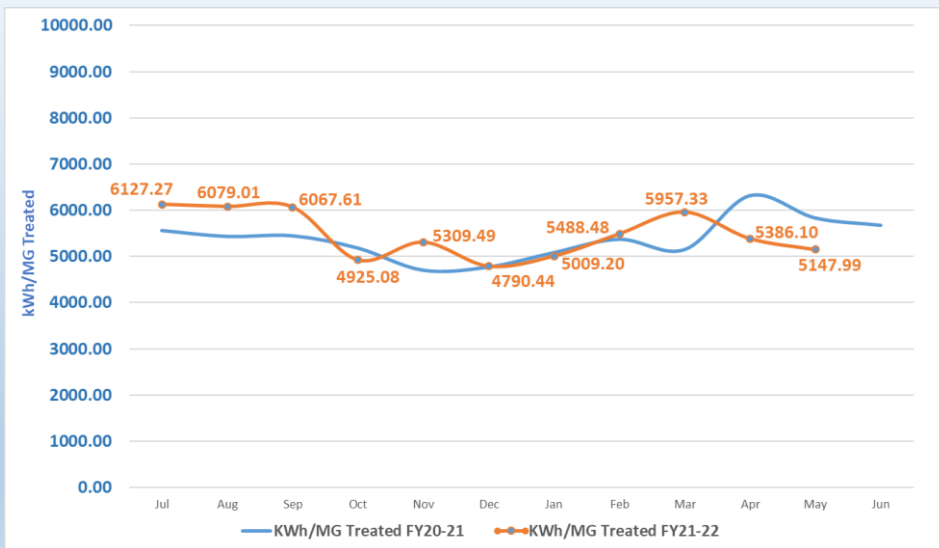
Site Maintenance



9

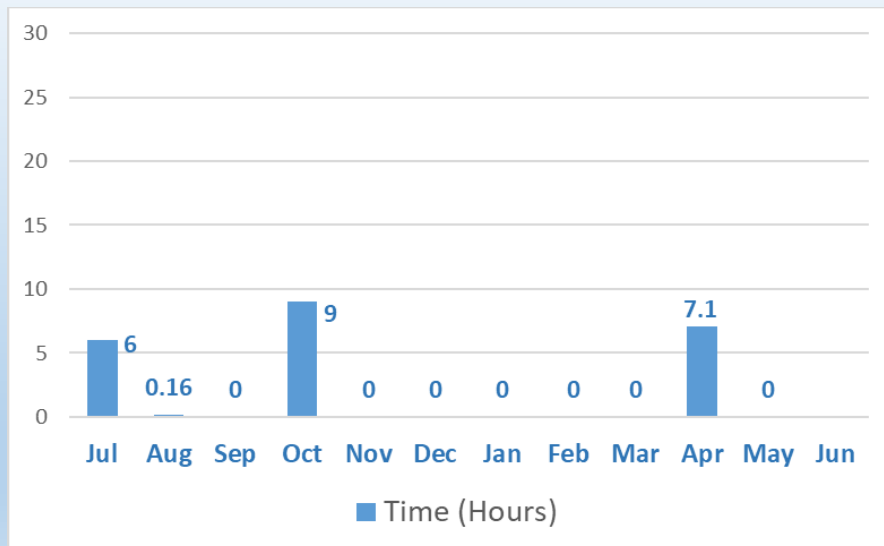
Formula =
 $\frac{\text{Total Plant Energy Demand}}{\text{MG Treated Flow}}$

Reclamation Plant – Energy Usage (KWh/MG Treated)



10

Recycled Water – Time out of Service (Hours)



11

Water Operations

Regulatory Compliance

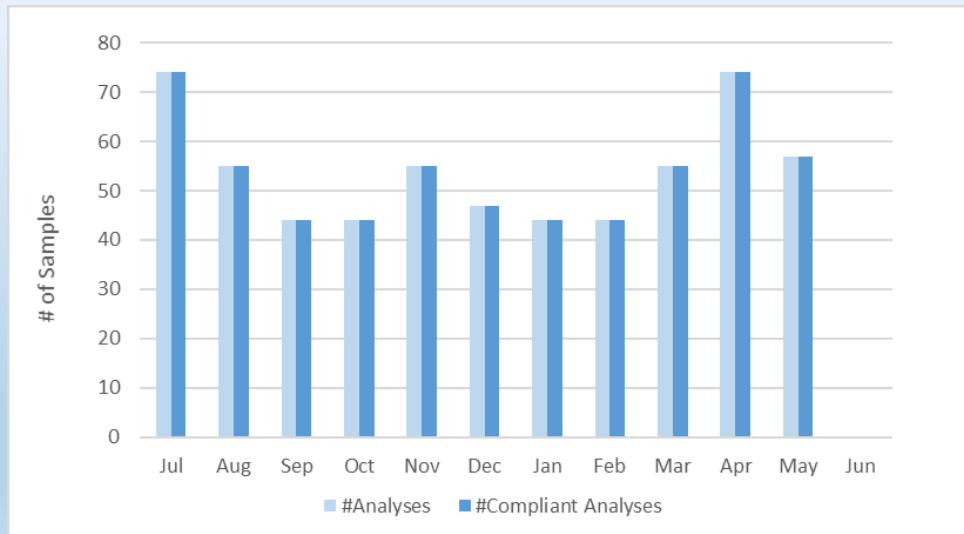
Preventative Maintenance Work Orders

CUP Deliveries

12

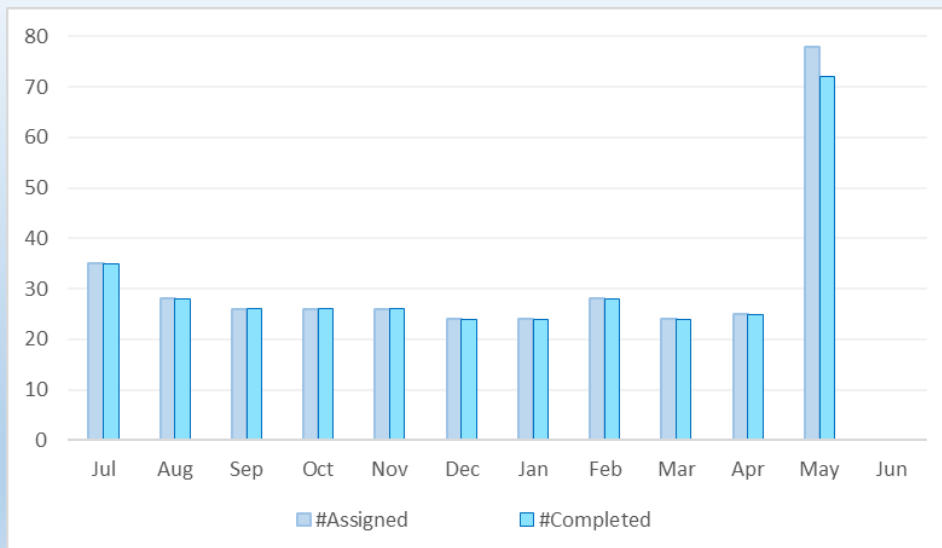
Water System Regulatory Compliance

- UV Plant Operation
- Routine Sampling



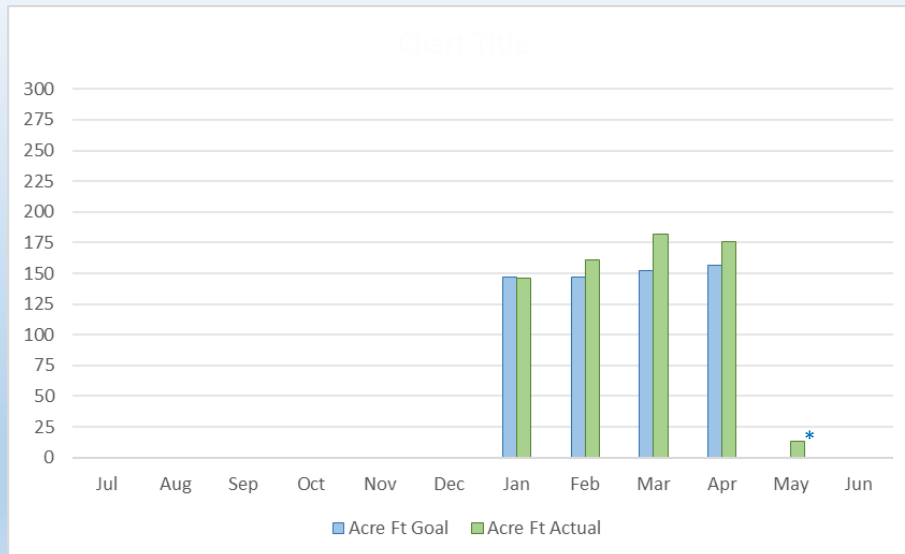
13

Water Preventative Maintenance Work Orders



14

CUP Deliveries



*RO facility operated for 2 days before going offline

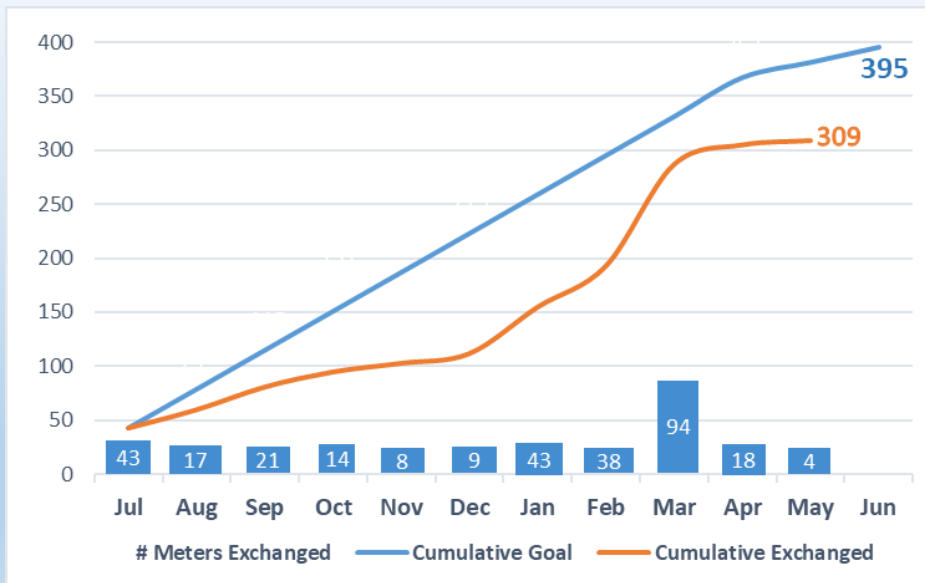
15

Meter Services

Meter Exchange Program

16

Meter Exchange



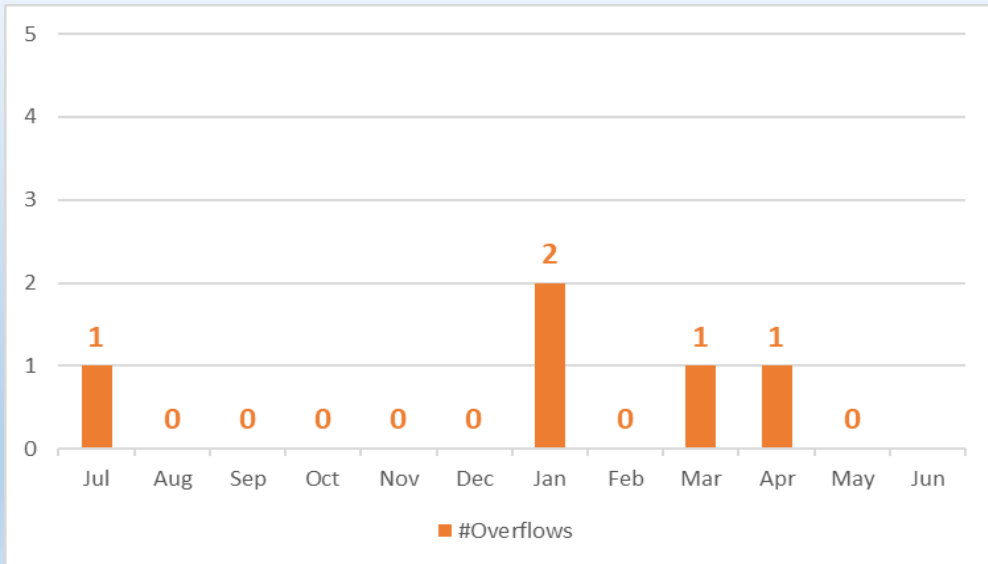
17

Wastewater Collections

Total Wastewater Spilled
Non-Recovered Wastewater Spilled
Odor Complaints

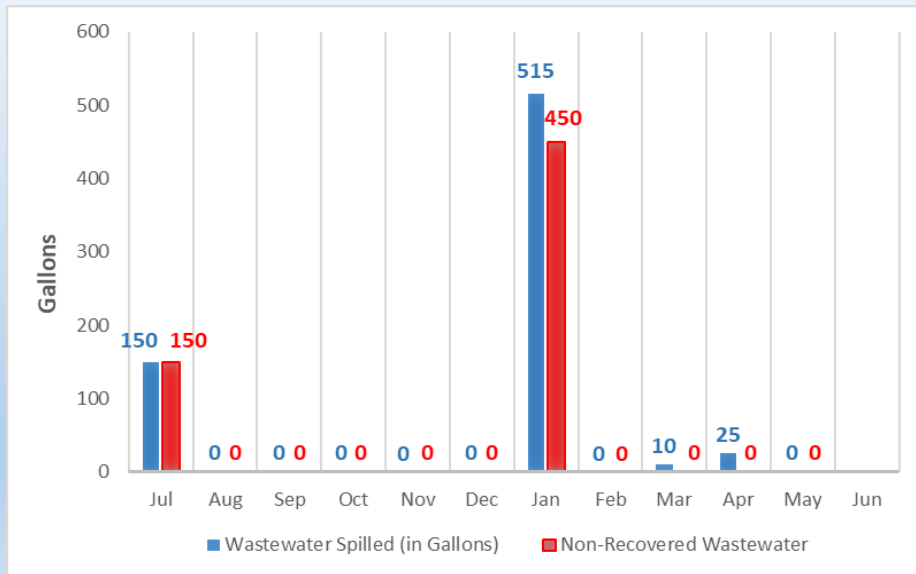
18

Wastewater Collections Sewer Overflows



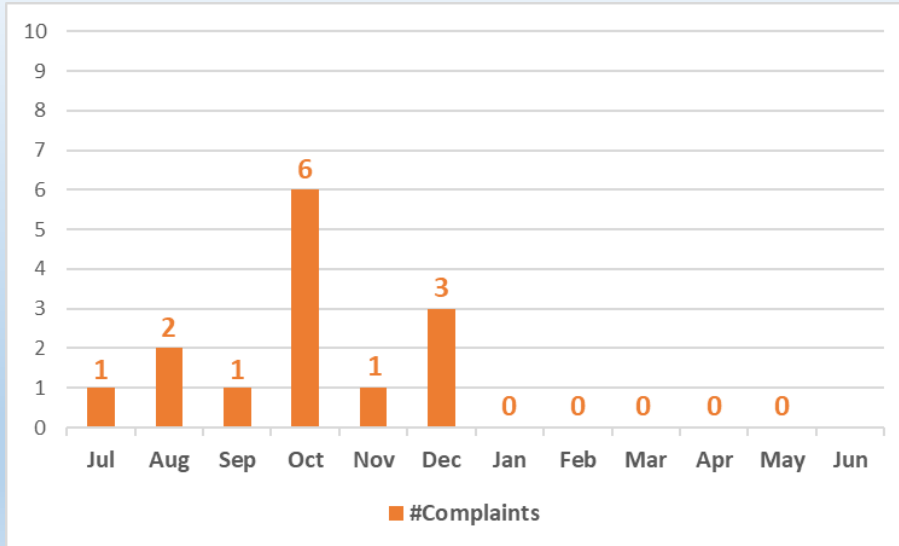
19

Wastewater Collections Wastewater Spilled



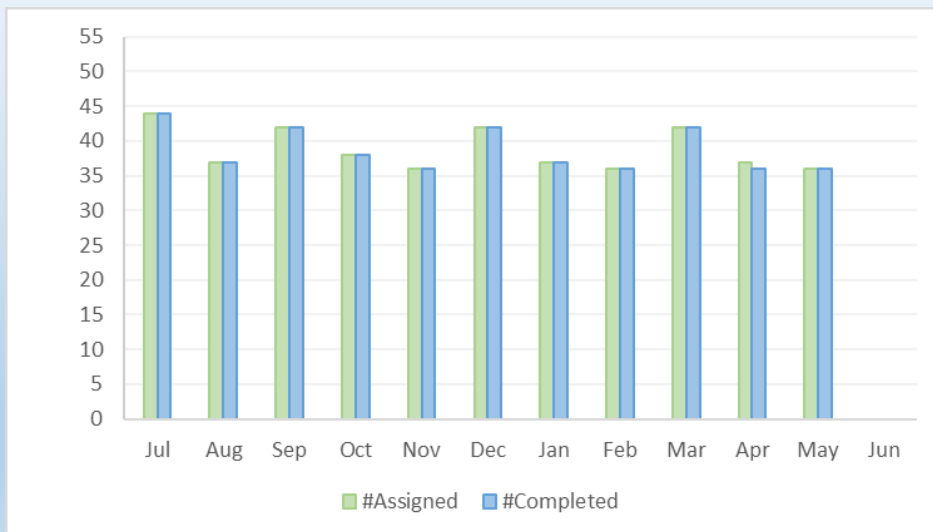
20

Reclamation Plant & Wastewater Collections Odor Complaints



21

Wastewater Collections – Preventative Maintenance Work Orders



22

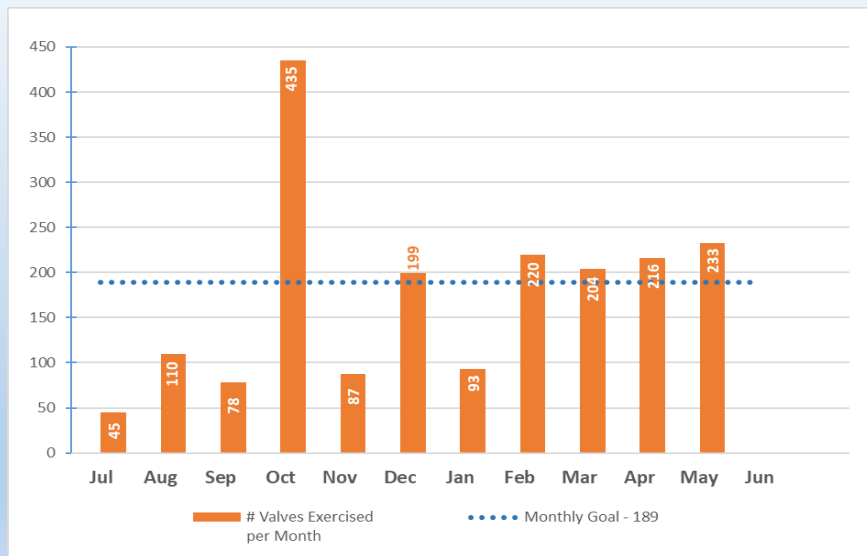
Construction/Maintenance

- Efforts continue in replacing valves with the greatest impact on water loss and customer outages during large main breaks.
- With new valves, crews will be capable of shutting down smaller controlled areas faster, impacting fewer customers while losing less water and completing repairs sooner.
- Our goal is to replace 100 valves per year. FY22, 32 valves have been replaced through March 2022. We currently have 6821 valves in the system with 165 known to be broken.

23

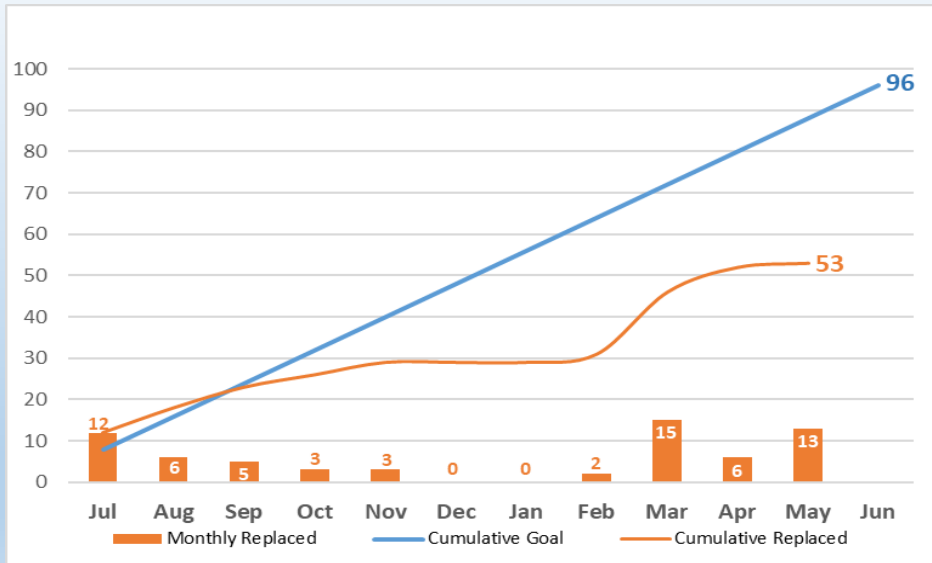
Main Line Valve Exercise Program

- Improve reliability
- Reduce impact of planned and emergency shutdowns



24

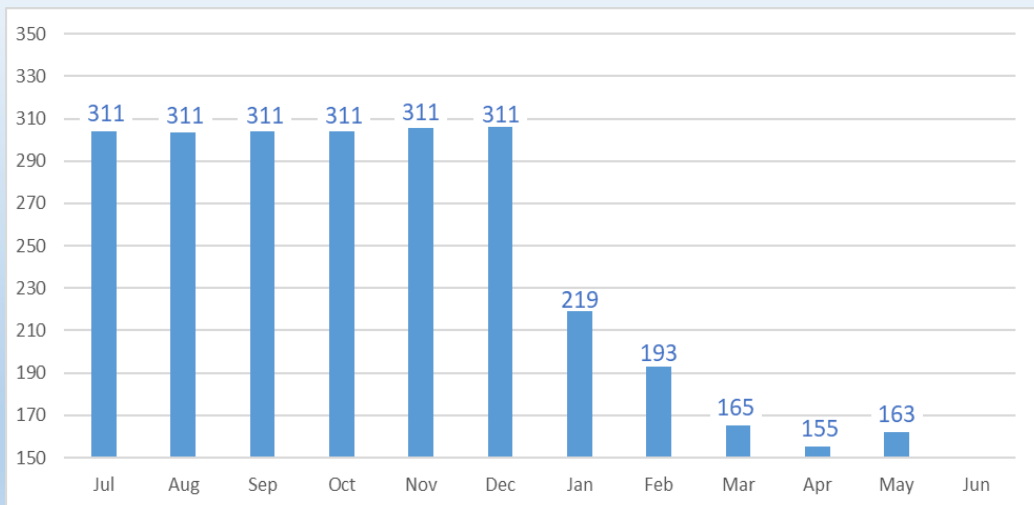
Main Line Valves Replaced



NOTE: Valve count is by number of tees on each valve

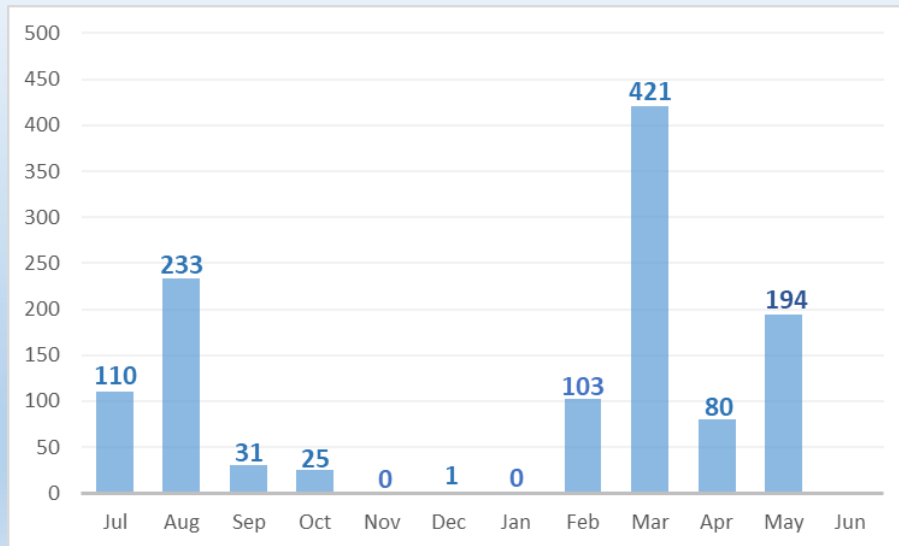
25

Rolling Total Broken Valves (4" and above)



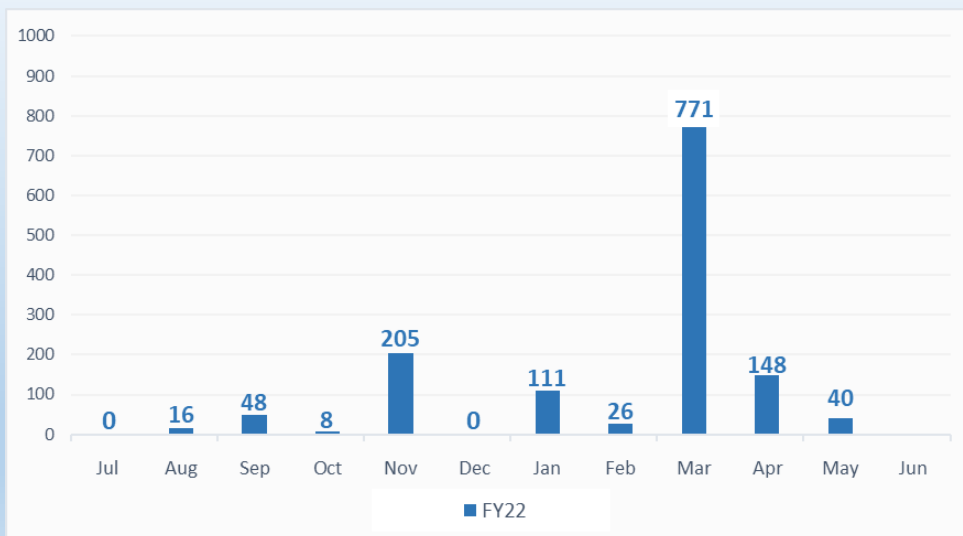
26

Planned Water Outages > 4 Hours # of Customers Affected



27

Unplanned Water Outages > 4 Hours # of Customers Affected



28

M E M O

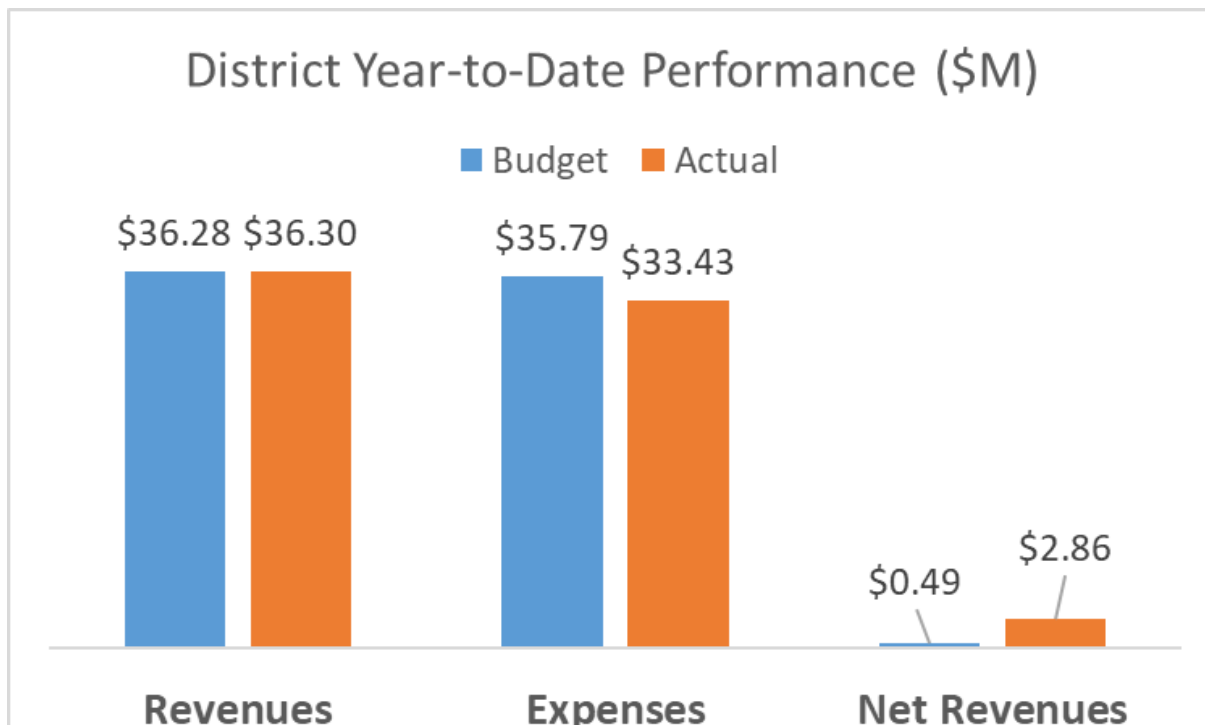
TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 27, 2022
SUBJECT: Financial Summary Report – May

Purpose

Provide an overview of changes in the District's financial position.

Summary

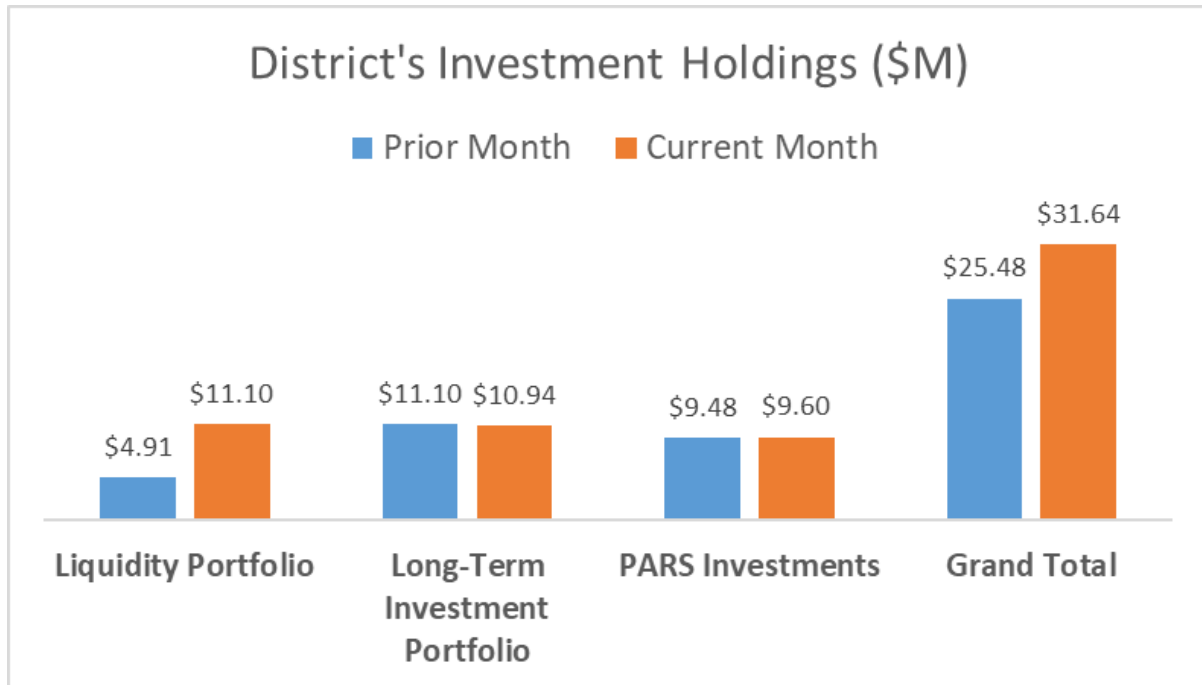
The graph below shows the District's year-to-date Revenues, Expenditures and Net revenues.



Revenues are on budget while expenditures continue to diverge from the Budget levels. These trends are driving net revenues to be slightly better than budgeted. Non-operating revenues are higher than budget driven by the receipt of the second refund check issued by the San Diego County Water Authority (SDCWA) and grant funds from the State Arrearages Program. With PayGo CIP expected to ramp up this spring, net revenues are expected to trend towards budget levels. Water sales are expected to continue to trend slightly under budgeted levels. Staff are carefully tracking the District's financial position. After adjusting for expected State

reimbursement, Net Revenue is trending better than Budget largely due to CIP underspending.

The graph below shows the District's bank holdings reported in the Treasurer's Report at the end of the current and prior month.



Overall the District's financial holdings increased this month. The District received \$5.9 million in state reimbursement for the SMCUP, this leaves approximately \$0.9 million in project reimbursement. Because the reimbursement check was received at the end of the month, the funds are shown here in the Liquidity Portfolio and were transferred to the Long-Term Investment Portfolio at the beginning of June. The District's PARS investments reflect recent market volatility and a deposit of \$100,000. Overall these investments continue to perform in line with the capital markets.

Recommended Action

This item is for discussion only. No action is required.

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 27, 2022
SUBJECT: Treasurer's Report

Purpose

Provide the May 2022 Treasurer's Report. Confirm that the District's investment portfolio is in compliance with the Investment Policy and that the District is able to meet the expenditure requirements for the next 6-months.

Notes

Overall the District's financial holdings increased this month. The District received \$5.9 million in state reimbursement for the SMCUP, this leaves approximately \$0.9 million in project reimbursement. Because the reimbursement check was received at the end of the month, the funds are shown here in the Liquidity Portfolio and were transferred to the Long-Term Investment Portfolio at the beginning of June. The District's PARS investments reflect recent market volatility and a deposit of \$100,000. Overall these investments continue to perform in line with the capital markets. The District continues to carefully manage its working capital to ensure its ability to meet its financial commitments.

Summary

Treasurer's Report May 31, 2022

Account	Beginning Balance	Ending Balance
Operating Fund	\$ 5,000	\$ 5,000
Money Market	\$ 3,089,192	\$ 9,279,889
CAMP Account	\$ 1,817,131	\$ 1,818,396
<i>District's Liquidity Portfolio</i>	\$ 4,911,323	\$ 11,103,285
PFM Managed Long-term Investment Portfolio*	\$ 10,796,271	\$ 10,846,810
LAIF (Long-term Reserves)	\$ 298,769	\$ 88,769
PARS (OPEB & Pension Trust)**	\$ 9,475,551	\$ 9,597,665
<i>District Accounts Total</i>	\$ 25,481,915	\$ 31,636,529

*\$6.21M of funds are from the sale of the Santa Margarita properties.

**\$3.78M of funds are from the sale of the Santa Margarita Properties.



Dave Shank
June 27, 2022

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
 P.O. Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001

June 09, 2022

[LAIF Home](#)
[PMIA Average Monthly Yields](#)

FALLBROOK PUBLIC UTILITY DISTRICT

TREASURER
 P.O. BOX 2290
 FALLBROOK, CA 92088

[Tran Type Definitions](#)

Account Number: 85-37-001

May 2022 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
5/5/2022	5/4/2022	RW	1704042	N/A	DAVID SHANK	-210,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	298,768.99
Total Withdrawal:	-210,000.00	Ending Balance:	88,768.99



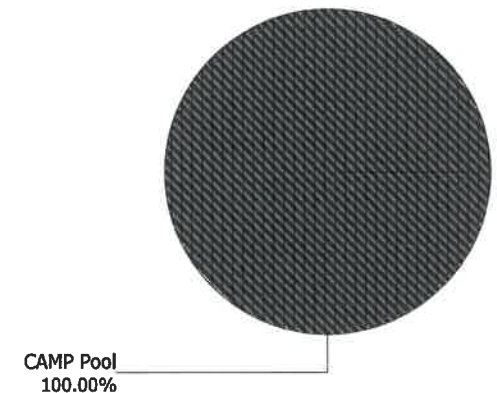
Account Statement - Transaction Summary

For the Month Ending **May 31, 2022**

Fallbrook Public Utility District - Liquidity - 6050-004

CAMP Pool	
Opening Market Value	1,817,131.17
Purchases	1,265.23
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$1,818,396.40
Cash Dividends and Income	1,265.23

Asset Summary		
	May 31, 2022	April 30, 2022
CAMP Pool	1,818,396.40	1,817,131.17
Total	\$1,818,396.40	\$1,817,131.17
Asset Allocation		





Account Statement

For the Month Ending **May 31, 2022**

Fallbrook Public Utility District - Liquidity - 6050-004

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					1,817,131.17
05/31/22	06/01/22	Accrual Income Div Reinvestment - Distributions	1.00	1,265.23	1,818,396.40
Closing Balance					1,818,396.40

	Month of May	Fiscal YTD July-May
Opening Balance	1,817,131.17	1,815,365.76
Purchases	1,265.23	3,030.64
Redemptions (Excl. Checks)	0.00	0.00
Check Disbursements	0.00	0.00
Closing Balance	1,818,396.40	1,818,396.40
Cash Dividends and Income	1,265.23	3,030.64

Closing Balance	1,818,396.40
Average Monthly Balance	1,817,171.98
Monthly Distribution Yield	0.82%

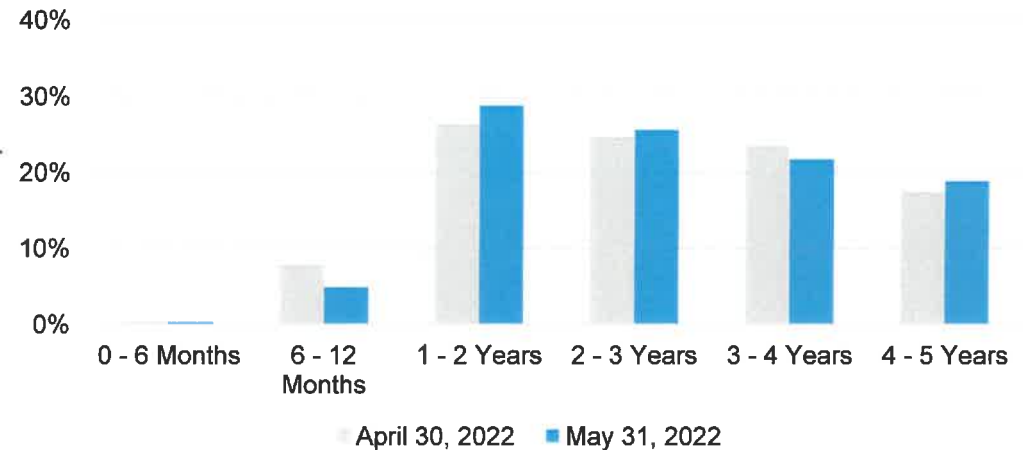
Fallbrook Public Utilities District - Holdings Summary

Security Type	April 30, 2022	May 31, 2022	Change (\$)	Change (%)
U.S. Treasury	\$7,837,878.10	\$7,725,164.12	(\$112,713.98)	-1.4%
Municipal	\$105,881.65	\$105,363.00	(\$518.65)	-0.5%
Federal Agency CMO	\$51,085.06	\$141,894.44	\$90,809.38	177.8%
Corporate Note	\$2,280,896.41	\$2,355,877.66	\$74,981.25	3.3%
Asset-Backed Security	\$463,854.58	\$486,946.16	\$23,091.58	5.0%
Securities Total	\$10,739,595.80	\$10,815,245.38	\$75,649.58	0.7%
Money Market Fund	\$56,675.58	\$31,565.02	(\$25,110.56)	-44.3%
Total Investments	\$10,796,271.38	\$10,846,810.40	\$50,539.02	0.5%

Summary

FY 21-22 Accrual Earnings	\$177,081.93
Yield to Maturity at Cost	1.34%
Weighted Average Maturity (Years)	2.62

Maturity Distribution



Security market values, excluding accrued interest, as on last day of month.

Managed Account Security Transactions & Interest

For the Month Ending **May 31, 2022**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
BUY											
	04/27/22	05/04/22	NATIONAL RURAL UTIL COOP CORPORATE NOTES DTD 05/04/2022 3.450% 06/15/2025	63743HFE7	20,000.00	(19,994.60)	0.00	(19,994.60)			
	05/02/22	05/04/22	US TREASURY NOTES DTD 08/15/2016 1.500% 08/15/2026	9128282A7	140,000.00	(131,517.97)	(452.49)	(131,970.46)			
	05/10/22	05/12/22	NORTHERN TRUST CORP NOTE (CALLABLE) DTD 05/10/2022 4.000% 05/10/2027	665859AW4	60,000.00	(60,579.60)	(13.33)	(60,592.93)			
	05/10/22	05/18/22	BMWOT 2022-A A3 DTD 05/18/2022 3.210% 08/25/2026	05602RAD3	30,000.00	(29,998.44)	0.00	(29,998.44)			
	05/17/22	05/20/22	UNITEDHEALTH GROUP INC CORPORATE NOTES DTD 05/20/2022 3.700% 05/15/2027	91324PEG3	20,000.00	(19,989.20)	0.00	(19,989.20)			
	05/25/22	05/31/22	FHLMC MULTIFAMILY STRUCTURED POOL DTD 11/01/2017 3.064% 08/01/2024	3137FBTA4	98,366.54	(98,497.18)	(251.16)	(98,748.34)			

Transaction Type Sub-Total					368,366.54	(360,576.99)	(716.98)	(361,293.97)			
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INTEREST											
	05/01/22	05/01/22	PNC BANK NA CORP NOTES (CALLABLE) DTD 11/01/2019 2.200% 11/01/2024	693475AY1	100,000.00	0.00	1,100.00	1,100.00			
	05/01/22	05/25/22	FHLMC SERIES K721 A2 DTD 12/01/2015 3.090% 08/01/2022	3137BM6P6	51,092.36	0.00	131.56	131.56			
	05/02/22	05/02/22	MONEY MARKET FUND	MONEY0002	0.00	0.00	2.44	2.44			
	05/15/22	05/15/22	COPAR 2019-1 A3 DTD 05/30/2019 2.510% 11/15/2023	14042WAC4	6,220.94	0.00	13.01	13.01			
	05/15/22	05/15/22	WOART 2021-D A3 DTD 11/03/2021 0.810% 10/15/2026	98163KAC6	35,000.00	0.00	23.63	23.63			
	05/15/22	05/15/22	FORDO 2022-A A3 DTD 01/24/2022 1.290% 06/15/2026	345286AC2	40,000.00	0.00	43.00	43.00			
	05/15/22	05/15/22	DCENT 2021-A1 A1 DTD 09/27/2021 0.580% 09/15/2026	254683CP8	70,000.00	0.00	33.83	33.83			
	05/15/22	05/15/22	HART 2022-A A3 DTD 03/16/2022 2.220% 10/15/2026	448977AD0	55,000.00	0.00	101.75	101.75			

Managed Account Security Transactions & Interest

For the Month Ending **May 31, 2022**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
05/15/22	05/15/22	JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	6,218.88	0.00	11.45	11.45			
05/15/22	05/15/22	CARMX 2021-3 A3 DTD 07/28/2021 0.550% 06/15/2026	14317DAC4	65,000.00	0.00	29.79	29.79			
05/15/22	05/15/22	COMET 2021-A3 A3 DTD 11/30/2021 1.040% 11/16/2026	14041NFY2	70,000.00	0.00	60.67	60.67			
05/16/22	05/16/22	GMCAR 2021-4 A3 DTD 10/21/2021 0.680% 09/16/2026	362554AC1	30,000.00	0.00	17.00	17.00			
05/16/22	05/16/22	GM FINANCIAL SECURITIZED TERM DTD 07/24/2019 2.180% 04/16/2024	36257PAD0	12,179.50	0.00	22.13	22.13			
05/16/22	05/16/22	GMCAR 2022-1 A3 DTD 01/19/2022 1.260% 11/16/2026	380146AC4	20,000.00	0.00	21.00	21.00			
05/17/22	05/17/22	CATERPILLAR FINL SERVICE CORP NOTES DTD 05/17/2019 2.850% 05/17/2024	14913Q2V0	95,000.00	0.00	1,353.75	1,353.75			
05/20/22	05/20/22	GMALT 2021-3 A4 DTD 08/18/2021 0.500% 07/21/2025	36262XAD6	25,000.00	0.00	10.42	10.42			
05/21/22	05/21/22	HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	13,158.16	0.00	27.63	27.63			
05/21/22	05/21/22	HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	35,000.00	0.00	25.67	25.67			
05/28/22	05/28/22	ASTRAZENECA FINANCE LLC (CALLABLE) CORP DTD 05/28/2021 1.200% 05/28/2026	04636NAA1	100,000.00	0.00	600.00	600.00			
05/30/22	05/30/22	ABBOTT LABORATORIES CORP NOTES DTD 11/22/2016 3.400% 11/30/2023	002824BE9	135,000.00	0.00	2,295.00	2,295.00			
05/31/22	05/31/22	US TREASURY NOTES DTD 11/30/2019 1.500% 11/30/2024	912828YV6	250,000.00	0.00	1,875.00	1,875.00			
05/31/22	05/31/22	US TREASURY N/B NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	365,000.00	0.00	1,368.75	1,368.75			
05/31/22	05/31/22	US TREASURY N/B NOTES DTD 11/30/2021 1.250% 11/30/2026	91282CDK4	300,000.00	0.00	1,875.00	1,875.00			
Transaction Type Sub-Total				1,878,869.84	0.00	11,042.48	11,042.48			



Managed Account Security Transactions & Interest

For the Month Ending **May 31, 2022**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
PAYDOWNS										
05/01/22	05/25/22	FHLMC SERIES K721 A2 DTD 12/01/2015 3.090% 08/01/2022	3137BM6P6	7,331.95	7,331.95	0.00	7,331.95	(62.44)	0.00	
05/15/22	05/15/22	JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	1,597.66	1,597.66	0.00	1,597.66	0.34	0.00	
05/15/22	05/15/22	COPAR 2019-1 A3 DTD 05/30/2019 2.510% 11/15/2023	14042WAC4	1,541.44	1,541.44	0.00	1,541.44	0.31	0.00	
05/16/22	05/16/22	GM FINANCIAL SECURITIZED TERM DTD 07/24/2019 2.180% 04/16/2024	36257PAD0	1,988.85	1,988.85	0.00	1,988.85	0.24	0.00	
05/21/22	05/21/22	HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	3,149.83	3,149.83	0.00	3,149.83	0.12	0.00	
Transaction Type Sub-Total				15,609.73	15,609.73	0.00	15,609.73	(61.43)	0.00	
SELL										
05/02/22	05/04/22	US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828Q29	100,000.00	99,511.72	139.34	99,651.06	2,359.38	171.79	FIFO
05/10/22	05/12/22	US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828Q29	60,000.00	59,751.56	103.28	59,854.84	1,460.15	138.03	FIFO
05/16/22	05/18/22	US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828Q29	30,000.00	29,869.92	59.02	29,928.94	724.22	59.57	FIFO
05/17/22	05/20/22	UNITEDHEALTH GROUP INC CORP NOTES DTD 02/28/2013 2.875% 03/15/2023	91324PCC4	20,000.00	20,090.20	103.82	20,194.02	(421.00)	(36.23)	FIFO
05/25/22	05/31/22	US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828Q29	100,000.00	99,652.34	250.00	99,902.34	2,500.00	258.56	FIFO
Transaction Type Sub-Total				310,000.00	308,875.74	655.46	309,531.20	6,622.75	591.72	
Managed Account Sub-Total						(36,091.52)	10,980.96	(25,110.56)	6,561.32	591.72
Total Security Transactions						(\$36,091.52)	\$10,980.96	(\$25,110.56)	\$6,561.32	\$591.72

**FALLBROOK PUBLIC UTILITY DISTRICT
PARS Post-Employment Benefits Trust**

**Account Report for the Period
5/1/2022 to 5/31/2022**

David Shank
Assistant General Manager/CFO
Fallbrook Public Utility District
990 East Mission Road
Fallbrook, CA 92028

Account Summary

Source	Balance as of 5/1/2022	Contributions	Earnings	Expenses	Distributions	Transfers	Balance as of 5/31/2022
OPEB	\$1,154,501.39	\$0.00	\$3,226.60	\$534.23	\$0.00	\$0.00	\$1,157,193.76
PENSION	\$8,321,049.80	\$100,000.00	\$23,246.39	\$3,825.04	\$0.00	\$0.00	\$8,440,471.15
Totals	\$9,475,551.19	\$100,000.00	\$26,472.99	\$4,359.27	\$0.00	\$0.00	\$9,597,664.91

Investment Selection

Source

OPEB **Moderate HighMark PLUS**
PENSION **Moderate HighMark PLUS**

Investment Objective

Source

OPEB The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

PENSION The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Investment Return

Source	1-Month	3-Months	1-Year	Annualized Return			Plan's Inception Date
				3-Years	5-Years	10-Years	
OPEB	0.28%	-5.47%	-7.09%	6.62%	5.66%	-	2/16/2017
PENSION	0.28%	-5.47%	-7.09%	6.61%	5.57%	-	2/16/2017

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value

Past performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.
Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.
Account balances are inclusive of Trust Administration, Trustee and Investment Management fees

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: June 27, 2022
SUBJECT: Budget Status Report for Fiscal Year 2021-2022

Purpose

Provide a Budget Status Report (BSR) to the Board.

Summary

The BSR shows the District's financial performance compared to the budget for the month of April, Year-to-Date and the annual budgeted amount.

Total revenues year-to-date are under budget by less than 0.1%. Water sales remain below budget due to lower than budgeted water demands. This month water sales were at budgeted levels. Despite this month, the year to date water sales are 6.3% below budget. With only a month remaining in the fiscal year sales are not expected to recover keeping sales slightly under budgeted levels. Recycled water sales are expected to be just under budgeted levels.

Non-operating revenues are over budget driven by the receipt of the second refund check issued by the San Diego County Water Authority (SDCWA) and the grant funds from the State Arrearages Programs. These one-time funds are pushing the District's non-operating revenues higher than budget levels, while the recurring revenues are in line with the Budget. Year-end total non-operating revenues are expected to be higher than budget levels.

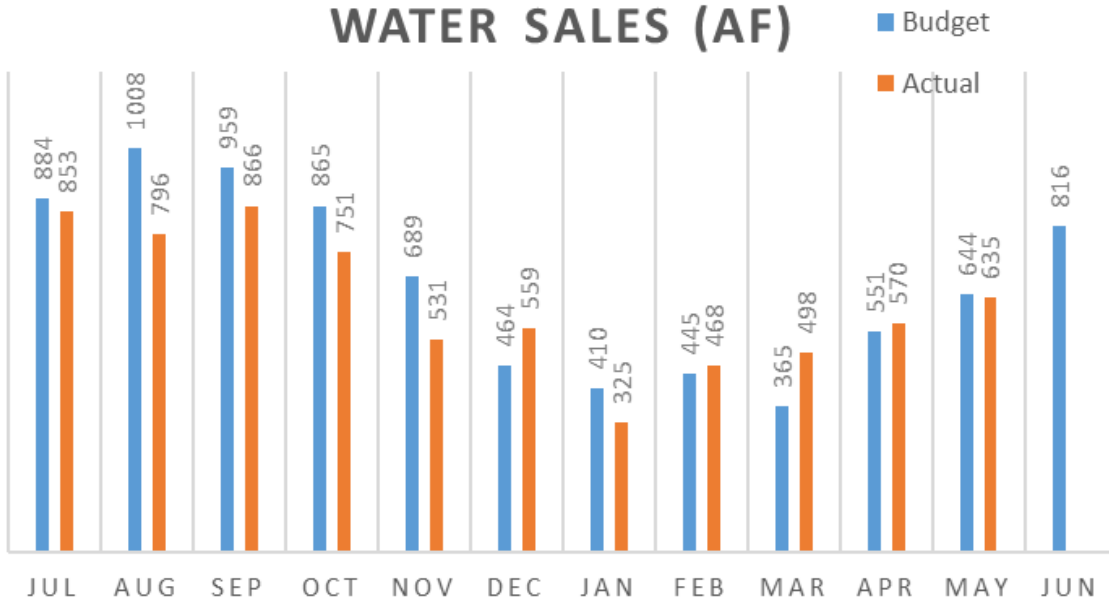
The District's year-to-date total expenditures are over budget due to the higher than budgeted water purchases expenses. Water operating expenses are under budget due to the lower than budgeted production at the Santa Margarita Groundwater Treatment Plant. These two factors work to offset each other to some extent. Wastewater and administrative services are expected to trend towards budget as the year progresses.

Total revenue is \$33,295,502 or less than 0.1% over budget and total expenditures are \$29,445,755 or 1.0% over budget. PAYGO CIP expenditures are 40% under budget but are expected to remain at that level. Adjusting for expected State Loan proceeds, the District's financial results are above Budget levels.

Recommended Action

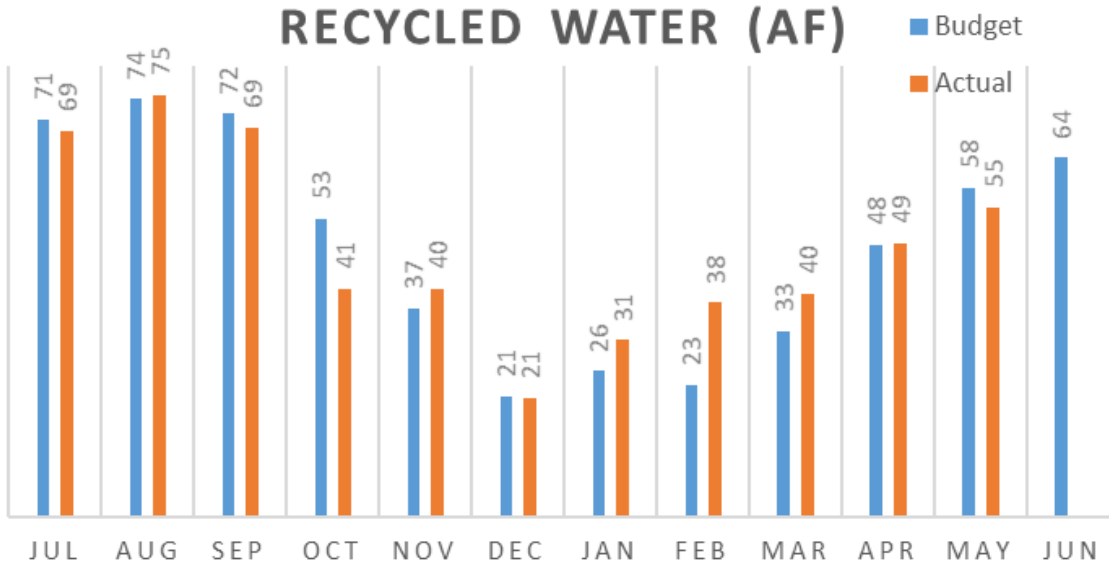
This item is for discussion only. No action is required.

WATER SALES (AF)



Year-to-Date Actual 6,217 AF Year-to-Date Budget 6,640 AF

RECYCLED WATER (AF)



Year-to-Date Actual 472 AF Year-to-Date Budget 458 AF
*Includes Adjusted Figures for July through March

Monthly Budget Report for May

Favorable Variance Shown as a positive number

	Current Month		Year-To-Date				Annual Budget		
	Actual	Budget	Actual	Budget	Variance	%	Budget	Remaining Balance	%
Operating Revenues:								Year remaining	8.3%
Water Sales	1,508,213	1,572,073	15,747,316	16,722,080	(974,764)	-5.8%	18,695,785	2,948,469	15.8%
Water Meter Service Charges	674,612	692,367	7,216,221	7,308,320	(92,099)	-1.3%	8,000,687	784,466	9.8%
Wastewater Service Charges	549,756	508,783	5,728,224	5,960,401	(232,177)	-3.9%	6,469,183	740,960	11.5%
Recycled Water Revenues	109,962	123,048	1,040,409	1,041,672	(1,263)	-0.1%	1,175,173	134,764	11.5%
Other Operating Revenue	-	917	-	10,083	(10,083)	-100.0%	11,000	11,000	100.0%
Total Operating Revenue	2,842,542	2,897,187	29,732,170	31,042,556	(1,310,387)	-4.2%	34,351,829	4,619,659	13.4%
Non Operating Revenues:									
Water Capital Improvement Charge	124,221	120,280	1,331,431	1,323,079	8,352	0.6%	1,443,359	111,928	7.8%
Wastewater Capital Improvement Charge	98,863	98,390	1,079,917	1,082,288	(2,371)	-0.2%	1,180,678	100,761	8.5%
Property Taxes	120,229	18,790	2,326,163	2,085,110	241,053	11.6%	2,122,467	(203,696)	-9.6%
Water Standby/Availability Charge	12,873	4,046	190,676	193,828	(3,152)	-1.6%	204,000	13,324	6.5%
Water/Wastewater Capacity Charges	25,103	7,183	176,239	79,017	97,222	123.0%	86,200	(90,039)	-104.5%
Portfolio Interest	25,513	10,304	216,140	113,346	102,793	90.7%	123,651	(92,489)	-74.8%
Pumping Capital Improvement Charge	1,133	2,730	12,216	30,026	(17,811)	-59.3%	32,756	20,541	62.7%
Federal Interest Rate Subsidy	-	48,009	51,292	97,977	(46,685)	-47.6%	97,977	46,685	47.6%
SDCWA Refund/Covid Relief Grant*	-	-	815,405	-	815,405	NA	-	(815,405)	NA
Facility Rents	18,571	18,750	239,954	206,250	33,704	16.3%	225,000	(14,954)	-6.6%
Fire Hydrant Service Fees	-	-	18,313	-	18,313	NA	-	(18,313)	NA
Other Non-Operating Revenues	4,458	2,500	105,588	27,500	78,088	284.0%	30,000	(75,588)	-252.0%
Total Non Operating Revenues	430,966	330,982	6,563,332	5,238,421	1,324,911	25.3%	5,546,087	(1,017,245)	-18.3%
Total Revenues	3,273,508	3,228,168	36,295,502	36,280,977	14,524	0.0%	39,897,916	3,602,414	9.0%
Expenditures									
Purchased Water Expense	1,424,191	822,051	12,064,351	10,515,721	(1,548,629)	-14.7%	11,547,729	(516,622)	-4.5%
Water Services**	404,755	473,550	4,008,824	4,882,389	873,565	17.9%	5,355,939	1,347,115	25.2%
Wastewater Services**	286,989	267,037	3,194,882	3,204,438	9,557	0.3%	3,471,475	276,593	8.0%
Recycled Water Services**	45,753	40,554	389,200	486,648	97,448	20.0%	527,202	138,002	26.2%
Administrative Services**	589,082	531,066	6,167,382	6,372,793	205,411	3.2%	6,903,859	736,477	10.7%
Total Operating Expenses	2,750,769	2,134,257	25,824,638	25,461,990	(362,648)	-1.4%	27,806,204	1,981,566	7.1%
Debt Service Expenses									
SMCUP SRF	-	-	974,071	1,038,424	64,353	6.2%	1,038,424	64,353	6.2%
Red Mountain SRF	-	-	395,851	395,851	-	0.0%	395,851	-	0.0%
WW Rev Refunding Bonds	-	-	1,729,884	1,729,884	-	0.0%	1,729,884	-	0.0%
QECB Solar Debt	-	-	521,312	521,312	-	0.0%	521,312	-	0.0%
Total Debt Service	-	-	3,621,118	3,685,471	64,353	1.7%	3,685,471	64,353	1.7%
Total Expenses	2,750,769	2,134,257	29,445,755	29,147,460	(298,295)	-1.0%	31,491,674	2,045,919	6.5%
Net Revenue/(loss) From Operations and Debt Service	522,739	1,093,911	6,849,746	7,133,517	(283,771)	-4.0%	8,406,242	1,556,495	18.5%
Capital Investment									
Capital Investment									
Construction Expenditures-Admin	12,815	30,576	732,579	794,924	62,345	7.8%	825,500	92,921	11.3%
Construction Expenditures-Water	178,709	1,022,583	1,888,619	4,670,417	2,781,798	59.6%	5,232,500	3,343,881	63.9%
Construction Expenditures-Recycled	132,323	18,333	455,088	251,667	(203,421)	-80.8%	270,000	(185,088)	-68.6%
Construction Expenditures-Wastewater	86,073	58,417	910,847	926,583	15,737	1.7%	960,000	49,153	5.1%
Construction Expenditures-PAYGO TOTAL	409,920	1,129,909	3,987,132	6,643,591	2,656,459	40.0%	7,288,000	3,300,868	45.3%
SMCUP Expenditures***	894,221	-	6,982,483	8,450,000	1,467,517	17.4%	8,450,000	1,467,517	17.4%
SRF Loan Proceeds Draw (Capital Project Funds)****	(871,061)	-	(5,638,934)	(8,450,000)	(2,811,066)	33.3%	(8,450,000)	(2,811,066)	33.3%
Net Revenue/(Loss)	89,659	(35,998)	1,519,066	489,926	1,029,139	210.1%	1,118,242	(400,824)	-35.8%

*Includes SDCWA Refund of \$625,250.63, California Water Arrearage Payment Program grant of \$151,343.14 and California Wastewater Arrearage Payment Program grant of \$38,811.01

**Includes share of \$400,000 PARS transfer.

***CIP expenditures related to the SMRCUP have been updated based upon contractor draw scheduled and are funded by SRF Loan proceeds.

****YTD Actual amount adjusted to reflect expected State Reimbursement for reporting purposes.

05/31/2022

Treasurer's Warrant No. May

TO: Treasurer of the Fallbrook Public Utility District

The bills and claims listed below are approved as authorized by resolution no. 3538 of the Board of Directors dated July 8, 1985. You are hereby authorized and directed to pay said prospective claims for the amounts stated (less discounts in instances where discounts are allowed).

Payroll - 05/2022

Computer Check Register

Payroll #1	\$160,501.47
Payroll #2	<u>\$165,025.67</u>
	<u>\$325,527.14</u>

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
 Printed: 6/14/2022 1:01 PM



Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	00152	FPUD EMPL ASSOCIATION	05/05/2022	466.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	05/05/2022	2,962.06
ACH	06758	US TREASURY - PAYROLL TAXES	05/05/2022	62,780.23
ACH	06759	STATE OF CA - PR TAXES	05/05/2022	9,472.29
ACH	06760	STATE OF CA - SDI	05/05/2022	2,718.36
ACH	06761	LINCOLN FINANCIAL GROUP	05/05/2022	8,621.44
ACH	06763	PERS - PAYROLL	05/05/2022	41,895.57
88466	91499	FILANC ALBERICIA JOINT VENTURE	05/05/2022	196,607.03
88467	91574	TRUSSELL TECHNOLOGIES, INC.	05/05/2022	3,090.00
88468	91500	US BANK NATIONAL ASSOCIATION	05/05/2022	10,347.74
88469	91286	AMAZON CAPITAL SERVICES, INC.	05/05/2022	1,256.03
88470	91721	MARTIN AQUINO	05/05/2022	160.69
88471	05088	AT&T	05/05/2022	485.24
88472	06020	BABCOCK LABORATORIES, INC	05/05/2022	14,867.95
88473	91487	BADGER METER, INC.	05/05/2022	14,367.61
88474	91429	BSK ASSOCIATES	05/05/2022	130.00
88475	03978	CAMERON WELDING SUPPLY	05/05/2022	632.90
88476	91593	D LOWEN ELECTRIC	05/05/2022	10,307.50
88477	02925	DATA NET SOLUTIONS	05/05/2022	1,296.25
88478	03391	ELECTRICAL SALES INC	05/05/2022	2,406.26
88479	05417	EMERGENCY SERVICE RESTORATION	05/05/2022	1,027.43
88480	91611	FALLBROOK ACE HARDWARE	05/05/2022	828.76
88481	01099	FALLBROOK IRRIGATION INC	05/05/2022	118.62
88482	05560	FRANCHISE TAX BOARD	05/05/2022	50.00
88483	02170	GRAINGER, INC.	05/05/2022	1,407.53
88484	05380	HACH CO	05/05/2022	5,696.04
88485	00190	JCI JONES CHEMICALS INC.	05/05/2022	6,305.15
88486	06479	KNOCKOUT PEST CONTROL & TERMI	05/05/2022	75.00
88487	91672	LIDDELL ENGINEERING, LLC	05/05/2022	2,640.00
88488	06024	MATTHEW MORGAN	05/05/2022	178.56
88489	06159	MULTI W SYSTEMS, INC.	05/05/2022	4,687.52
88490	91719	NATIONAL TIRE WHOLESALE	05/05/2022	538.10
88491	91538	PUDGIL & COMPANY	05/05/2022	10,000.00
88492	91697	R&B AUTOMATION, INC.	05/05/2022	2,788.05
88493	UB*00443	MARK REDDING	05/05/2022	334.16
88494	06703	S & C ELECTRIC COMPANY	05/05/2022	11,827.00
88495	00232	SAN DIEGO GAS & ELECTRIC	05/05/2022	33,064.41
88496	00236	SCRAPPYS	05/05/2022	1,676.49
88497	06064	SOLENIS LLC	05/05/2022	14,110.19
88498	02206	STATE WATER RESOURCES CONTROL	05/05/2022	2,000.00
88499	91385	VERONICA TAMZIL	05/05/2022	60.00
88500	06735	TCN, INC.	05/05/2022	55.57
88501	06541	TIFCO INDUSTRIES, INC	05/05/2022	767.30
88502	91638	UGSI CHEMICAL FEED, INC.	05/05/2022	5,883.67
88503	00724	UNDERGROUND SERVICE ALERT	05/05/2022	358.85
88504	91703	UNIVAR SOLUTIONS	05/05/2022	1,134.45
88505	91055	VM3 ENVIRONMENTAL, INC.	05/05/2022	1,530.00

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88506	91310	VOLT WORKFORCE SOLUTIONS	05/05/2022	447.72
Total for 5/5/2022:				494,462.22
88507	00231	SAN DIEGO COUNTY WATER AUTH	05/12/2022	820,132.06
88508	91184	4IMPRINT INC	05/12/2022	559.60
88509	90911	ACE PARTY PRODUCTIONS	05/12/2022	692.78
88510	91286	AMAZON CAPITAL SERVICES, INC.	05/12/2022	130.63
88511	91490	AMAZON WEB SERVICES, INC.	05/12/2022	1,080.67
88512	91720	AY SMOG BRO	05/12/2022	836.00
88513	91503	BACKGROUNDS ONLINE	05/12/2022	145.24
88514	91431	BENNETT-BOWEN & LIGHTHOUSE, IN	05/12/2022	187.00
88515	02176	CORELOGIC SOLUTIONS, LLC	05/12/2022	225.00
88516	05953	CORODATA RECORDS MANAGEMENT	05/12/2022	781.50
88517	91008	MICHAEL COTHRAN	05/12/2022	540.00
88518	04122	EVOQUA WATER TECHNOLOGIES LLC	05/12/2022	377.13
88519	00169	FALLBROOK OIL COMPANY	05/12/2022	20,153.57
88520	00170	FALLBROOK WASTE & RECYCLING	05/12/2022	942.42
88521	03174	HAAKER EQUIPMENT COMPANY	05/12/2022	647.85
88522	05380	HACH CO	05/12/2022	6,008.80
88523	03276	HOME DEPOT CREDIT SERVICES	05/12/2022	3,954.43
88524	06577	INFOSEND INC	05/12/2022	1,044.26
88525	91637	INTERNATIONAL ACCREDITATION SE	05/12/2022	7,300.00
88526	03179	LAWSON PRODUCTS INC	05/12/2022	9.42
88527	91304	LEARNSOFT CONSULTING INC	05/12/2022	1,025.00
88528	91192	MISSION LINEN SUPPLY	05/12/2022	1,137.21
88529	03201	NATIONAL SAFETY COMPLIANCE INC	05/12/2022	47.50
88530	00370	NUTRIEN AG SOLUTIONS, INC.	05/12/2022	25.57
88531	91674	O'REILLY AUTO ENTERPRISES, LLC	05/12/2022	587.46
88532	91658	PK MECHANICAL SYSTEMS, INC	05/12/2022	302,157.00
88533	91546	QUADIENT FINANCE USA, INC.	05/12/2022	800.00
88534	91599	RUSH TRUCK CENTERS OF CALIFORN	05/12/2022	678.83
88535	00232	SAN DIEGO GAS & ELECTRIC	05/12/2022	59,390.73
88536	91094	SCADA INTEGRATIONS	05/12/2022	5,373.00
88537	91269	SRK ENGINEERING INC.	05/12/2022	16,509.11
88538	00159	SUPERIOR READY MIX	05/12/2022	2,452.46
88539	05319	T.S. INDUSTRIAL SUPPLY	05/12/2022	1,576.25
88540	91082	TELETRAC, INC	05/12/2022	19.95
88541	06512	ULINE SHIPPING SUPPLIES	05/12/2022	638.11
88542	03358	US BANK TRUST NA	05/12/2022	1,628.00
88543	91668	V & A CONSULTING ENGINEERS, INC.	05/12/2022	15,000.00
88544	04290	VILLAGE NEWS, INC.	05/12/2022	850.00
88545	91310	VOLT WORKFORCE SOLUTIONS	05/12/2022	447.72
88546	90979	ABABA BOLT	05/12/2022	1,854.08
88547	90911	ACE PARTY PRODUCTIONS	05/12/2022	379.59
88548	91286	AMAZON CAPITAL SERVICES, INC.	05/12/2022	3,264.50
88549	04995	AMERICAN MESSAGING	05/12/2022	84.96
88550	91440	BP BATTERY INC	05/12/2022	462.61
88551	91705	CALIFORNIA SURVEYING AND DRAF	05/12/2022	967.19
88552	03134	CALIFORNIA WATER ENVIRONMENT	05/12/2022	298.00
88553	01719	MICKEY M. CASE	05/12/2022	60.00
88554	05192	DIAMOND ENVIRONMENTAL SERVIC	05/12/2022	261.03
88555	02582	EMPLOYMENT DEVELOPMENT DEPT	05/12/2022	2,642.00
88556	06303	EXECUTIVE LANDSCAPE INC.	05/12/2022	1,020.00
88557	01432	FERGUSON WATERWORKS #1083	05/12/2022	6,171.28
88558	02972	FISHER SCIENTIFIC COMPANY LLC	05/12/2022	539.93
88559	05814	GEORGE PLUMBING COMPANY INC	05/12/2022	99.00

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88560	00182	GLENNIE'S OFFICE PRODUCTS, INC	05/12/2022	456.82
88561	05995	GOVERNMENT FINANCE OFFICERS A	05/12/2022	160.00
88562	02170	GRAINGER, INC.	05/12/2022	1,013.58
88563	06062	HARRINGTON INDUSTRIAL PLASTICS	05/12/2022	299.05
88564	06380	JANI-KING OF CALIFORNIA, INC - SA	05/12/2022	3,419.69
88565	91304	LEARNSOFT CONSULTING INC	05/12/2022	255.00
88566	91130	LINCOLN NATIONAL LIFE INSURANC	05/12/2022	3,399.82
88567	91424	MANPOWER	05/12/2022	656.29
88568	91427	MITEL CLOUD SERVICES, INC	05/12/2022	1,549.44
88569	06338	MYTHOS TECHNOLOGY INC	05/12/2022	1,809.63
88570	01267	PACIFIC PIPELINE	05/12/2022	3,233.76
88571	04900	PARADISE CHEVROLET CADILLAC	05/12/2022	90.31
88572	03708	PAULEY EQUIPMENT CO INC	05/12/2022	25.30
88573	04075	RAYNE WATER SYSTEMS	05/12/2022	170.00
88574	91486	SATELLITE PHONE STORE	05/12/2022	67.08
88575	91094	SCADA INTEGRATIONS	05/12/2022	3,930.50
88576	91107	SPECTRUM BUSINESS	05/12/2022	143.10
88577	91123	STREAMLINE	05/12/2022	550.00
88578	90912	TRUPIANO'S ITALIAN BISTRO	05/12/2022	1,387.80
88579	04313	USA BLUE BOOK	05/12/2022	132.22
88580	00233	WAXIE SANITARY SUPPLY	05/12/2022	66.63
Total for 5/12/2022:				1,317,012.45
ACH	00152	FPUD EMPL ASSOCIATION	05/19/2022	466.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	05/19/2022	2,962.06
ACH	06758	US TREASURY - PAYROLL TAXES	05/19/2022	60,745.46
ACH	06759	STATE OF CA - PR TAXES	05/19/2022	9,196.59
ACH	06760	STATE OF CA - SDI	05/19/2022	2,673.56
ACH	06761	LINCOLN FINANCIAL GROUP	05/19/2022	8,621.44
ACH	06763	PERS - PAYROLL	05/19/2022	41,546.11
ACH	06758	US TREASURY - PAYROLL TAXES	05/19/2022	4,142.61
ACH	06759	STATE OF CA - PR TAXES	05/19/2022	909.24
ACH	06760	STATE OF CA - SDI	05/19/2022	130.37
88583	00101	ACWA JPIA	05/19/2022	110,584.83
88584	91513	ALCHEMY CONSULTING GROUP	05/19/2022	7,500.00
88585	91286	AMAZON CAPITAL SERVICES, INC.	05/19/2022	1,320.89
88586	02805	ASBURY ENVIRONMENTAL SERVICES	05/19/2022	15,400.18
88587	91708	B2B SECURITY	05/19/2022	2,600.00
88588	06235	JACK BEBEE	05/19/2022	639.92
88589	06713	BISHOP'S TREE SERVICE, INC.	05/19/2022	8,800.00
88590	91440	BP BATTERY INC	05/19/2022	497.63
88591	91429	BSK ASSOCIATES	05/19/2022	8,046.00
88592	04408	DEVIN CASTEEL	05/19/2022	102.01
88593	91722	CB&I STORAGE TANK SOLUTIONS, LI	05/19/2022	560.00
88594	UB*00406	ANTHONY CLEMONS JR	05/19/2022	4.58
88595	91272	KEVIN COLLINS	05/19/2022	60.00
88596	UB*00444	SAN DIEGO COUNTY AUDITOR & CO	05/19/2022	55.81
88597	06675	CORODATA SHREDDING, INC	05/19/2022	67.32
88598	09705	CSDA SAN DIEGO CHAPTER	05/19/2022	90.00
88599	06299	D & H WATER SYSTEMS, INC	05/19/2022	1,558.50
88600	02925	DATA NET SOLUTIONS	05/19/2022	3,373.25
88601	91063	ENGINEERING NEWS RECORD	05/19/2022	108.00
88602	09523	FALLBROOK EQUIP RENTALS	05/19/2022	1,744.50
88603	01099	FALLBROOK IRRIGATION INC	05/19/2022	14.49
88604	02411	FALLBROOK PRINTING CORP	05/19/2022	258.60
88605	01432	FERGUSON WATERWORKS #1083	05/19/2022	3,310.08

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88606	02972	FISHER SCIENTIFIC COMPANY LLC	05/19/2022	128.01
88607	05560	FRANCHISE TAX BOARD	05/19/2022	50.00
88608	05814	GEORGE PLUMBING COMPANY INC	05/19/2022	325.00
88609	05380	HACH CO	05/19/2022	4,088.67
88610	91336	JACOB HYINK	05/19/2022	2,568.00
88611	06577	INFOSEND INC	05/19/2022	2,343.27
88612	00190	JCI JONES CHEMICALS INC.	05/19/2022	7,321.52
88613	05505	TODD JESTER	05/19/2022	180.00
88614	91648	KING LEE CHEMICAL COMPANY	05/19/2022	525.73
88615	91304	LEARNSOFT CONSULTING INC	05/19/2022	255.00
88616	91424	MANPOWER	05/19/2022	875.06
88617	02618	MC MASTER-CARR	05/19/2022	138.74
88618	91688	NOR-CAL PIPELINE SERVICES	05/19/2022	34,722.50
88619	05442	QUEXION, LLC	05/19/2022	33.00
88620	91077	RED WING BUSINESS ADVANTAGE AC	05/19/2022	249.57
88621	02927	TIM STERGER	05/19/2022	60.00
88622	05319	T.S. INDUSTRIAL SUPPLY	05/19/2022	535.69
88623	91385	VERONICA TAMZIL	05/19/2022	911.35
88624	06512	ULINE SHIPPING SUPPLIES	05/19/2022	1,761.94
88625	91489	VEGA AMERICAS, INC.	05/19/2022	5,098.86
88626	91310	VOLT WORKFORCE SOLUTIONS	05/19/2022	447.72
88627	05528	WATER ENVIRONMENT FEDERATION	05/19/2022	332.00
88628	91214	YOUNGREN CONSTRUCTION, INC.	05/19/2022	9,230.00
Total for 5/19/2022:				370,272.16
88629	01460	AFLAC	05/31/2022	482.24
88630	91712	ALLIANCE ENVIRONMENTAL GROUP	05/31/2022	34,016.59
88631	91286	AMAZON CAPITAL SERVICES, INC.	05/31/2022	1,168.05
88632	06536	ARCADIS U.S., INC	05/31/2022	6,619.30
88633	06578	AZTEC TECHNOLOGY CORPORATION	05/31/2022	7,246.19
88634	06020	BABCOCK LABORATORIES, INC	05/31/2022	4,195.24
88635	02743	BEST BEST & KRIEGER	05/31/2022	39,601.32
88636	03134	CALIFORNIA WATER ENVIRONMENT.	05/31/2022	288.00
88637	91008	MICHAEL COTHRAN	05/31/2022	495.45
88638	91239	CUMMINS PACIFIC, LLC	05/31/2022	1,675.94
88639	91690	ALEX DAGONDON	05/31/2022	138.00
88640	02925	DATA NET SOLUTIONS	05/31/2022	23,500.28
88641	91689	DE NORA WATER TECHNOLOGIES, LL	05/31/2022	350.19
88642	91694	DOWNSTREAM SERVICES, INC.	05/31/2022	38,654.55
88643	91699	EATON CORPORATION	05/31/2022	5,251.00
88644	04122	EVOQUA WATER TECHNOLOGIES LLC	05/31/2022	7,062.17
88645	00169	FALLBROOK OIL COMPANY	05/31/2022	1,763.83
88646	04494	FEDERAL EXPRESS CORPORATION	05/31/2022	372.43
88647	91200	FIRST BANKCARD	05/31/2022	631.09
88648	91202	FIRST BANKCARD	05/31/2022	130.00
88649	91225	FIRST BANKCARD	05/31/2022	99.00
88650	91313	FIRST BANKCARD	05/31/2022	634.60
88651	91323	FIRST BANKCARD	05/31/2022	51.41
88652	91540	FIRST BANKCARD	05/31/2022	1,867.95
88653	91620	FIRST BANKCARD	05/31/2022	2,968.90
88654	91635	FIRST BANKCARD	05/31/2022	51.99
88655	91678	FIRST BANKCARD	05/31/2022	153.97
88656	02972	FISHER SCIENTIFIC COMPANY LLC	05/31/2022	123.97
88657	02170	GRAINGER, INC.	05/31/2022	1,189.26
88658	05380	HACH CO	05/31/2022	35,000.08
88659	05255	INLAND WATER WORKS SUPPLY CO.	05/31/2022	11,540.03

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88660	06479	KNOCKOUT PEST CONTROL & TERMI	05/31/2022	75.00
88661	04926	KONICA MINOLTA PREMIER FINANCE	05/31/2022	2,428.48
88662	91304	LEARNSOFT CONSULTING INC	05/31/2022	765.00
88663	05194	LESLIE'S SWIMMING POOL SUPPLIES	05/31/2022	3,956.45
88664	90887	LLOYD PEST CONTROL	05/31/2022	322.00
88665	06156	LOMACK SERVICE CORPORATION	05/31/2022	920.10
88666	91029	MALLORY SAFETY AND SUPPLY CO	05/31/2022	6,748.32
88667	91424	MANPOWER	05/31/2022	834.04
88668	UB*00414	TO THE ESTATE OF LENITA MICHAEL	05/31/2022	324.96
88669	91718	MYRON L COMPANY	05/31/2022	43.98
88670	91719	NATIONAL TIRE WHOLESALE	05/31/2022	881.91
88671	01267	PACIFIC PIPELINE	05/31/2022	395.09
88672	91007	PFM ASSET MANGEMENT LLC	05/31/2022	925.69
88673	06688	ANDO PILVE	05/31/2022	4,125.00
88674	91155	QUALITY GATE COMPANY, INC	05/31/2022	870.00
88675	UB*00445	MIGUEL SAINZ	05/31/2022	100.70
88676	00236	SCRAPPYS	05/31/2022	145.75
88677	04434	SNAP ON TOOLS	05/31/2022	724.80
88678	90929	SOUTHWEST ANSWERING SERVICE, I	05/31/2022	691.48
88679	00159	SUPERIOR READY MIX	05/31/2022	975.49
88680	91091	ORNEEN TOMA	05/31/2022	300.00
88681	06512	ULINE SHIPPING SUPPLIES	05/31/2022	2,020.66
88682	06211	UNITED IMAGING	05/31/2022	383.30
88683	91055	VM3 ENVIRONMENTAL, INC.	05/31/2022	614.00
88684	91310	VOLT WORKFORCE SOLUTIONS	05/31/2022	501.02
88685	91700	STEPHEN WUERTH	05/31/2022	293.00
Total for 5/31/2022:				257,689.24
Report Total (235 checks):				2,439,436.07



Jack Bebee

General Manager

Lauren Eckert

From: Dave Baxter 1
Sent: Wednesday, June 22, 2022 12:21 PM
To: Lauren Eckert
Subject: Per Diem Approval - Don McDougal

Thank you Lauren!

Don has been approved to support the FPUD 100th Anniversary celebration set up on June 2nd and June 3rd.

Please let me know if you should need anything or have any questions.

Dave

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Don B. McDougal, District 4

Name & Location of Function: 100 th anniversary set-up, planning and event

Date(s) of Attendance: 6/2, 6/3, 6/4. 2022

Purpose of Function: To present an event for the community to celebrate the 100th ann.

Sponsoring Organization: FPUD

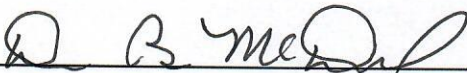
Summary of Conference or Meeting:

FPUD hosted an event for the community celebrating FPUD's 100th Anniversary.

6/2/2022 Set-up for event (marking space for vendors)

6/3/2022 Set-up for event (placing equipment and decorations)

6/4/2022 Day of event - set-up and attendance.

Director Signature: 

Date: 6/10/2022

The Administrative Code requires reports of conferences or meetings for which a director requests per diem or expense reimbursement. Reports must be submitted to the secretary no later than one (1) week prior to the board meeting.

Reports must be submitted before the District will pay per diem or reimbursement for the conference or meeting. Reports are not required for board or committee meetings or meetings with board or committee officers, the general manager, or the general counsel.

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Don B. McDougal, District 4

Name & Location of Function: LAFCO Hearing on expanding latent powers

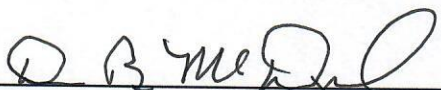
Date(s) of Attendance: 5/31/2022

Purpose of Function: LAFCO Hearing on expanding latent powers

Sponsoring Organization: LAFCO

Summary of Conference or Meeting:

LAFCO coordinated a public hearing to open the process for expanding FPUD latent powers that will result in forming a Community Benefit Program. The meeting had speakers both for and against and the final process will close on June 14th.

Director Signature: 

Date: 6/10/2022

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FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Charley Wolk

Name & Location of Function: Town Hall Meeting @ FPUD

Date(s) of Attendance: May 2, 22

Purpose of Function: Rate payer Info

Sponsoring Organization: FPUD

Summary of Conference or Meeting:

Good attendance. Citizen criticism of the process
and fees is becoming more intense.

Director Signature: C Wolk

Date: 5/20/22

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FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Jennifer DeMeo, Div 3

Name & Location of Function: FPUD 100th Anniversary Event
FPUD District Office, Fallbrook CA

Date(s) of Attendance: 6/4/2022

Purpose of Function: Community Educator, celebrate 100th

Sponsoring Organization: FPUD

Summary of Conference or Meeting:

Attended 100th Anniversary Event
to support district.

Rode hayride w/ staff!

Excellent setup & turnout.

Director Signature: Jennifer DeMeo Date: 6/10/22

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FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Kenneth Endter

Name & Location of Function: COWU Quarterly meeting was held at the AleHouse located at 9990 AleSmith Ct., San Diego, CA

Date(s) of Attendance: 5-19-22

Purpose of Function: Quarterly Meeting of COWU

Sponsoring Organization: COWU

Summary of Conference or Meeting:

Meeting was opened by COWU Southern Area Al Lau. An informal get together "happy hour" was followed by dinner and a Discussion by Joseph Oregon of CISA (formerly an agency within Homeland Security). His talk was centered on the availability of Cybersecurity evaluations provided by the U.S. Government to private non-profits. They will come and evaluate our cyber risks

Director Signature: 

Date: 5-19-22

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