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

AGENDA

TUESDAY, DECEMBER 5, 2017
2:00 P.M.

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

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

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

II. ACTION / DISCUSSION ---------- (ITEMS A—B)

A. RESPONSE TO COMMENTS AND QUESTIONS FROM THE NOVEMBER 15, 2017 PUBLIC RATE WORKSHOP

B. FINAL PROPOSED WATER, RECYCLED WATER, AND WASTEWATER RATES AND CHARGES

III. ADJOURNMENT OF MEETING

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DECLARATION OF POSTING

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

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

December 1, 2017
Dated / Fallbrook, CA

Secretary, Board of Directors

A

MEMO

TO: Fiscal Policy & Insurance Committee
FROM: David Shank, Assistant General Manager/CFO DS
DATE: December 1, 2017
SUBJECT: Response to Comments and Questions from the November 15th Public Rate Workshop

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Purpose

Provide a written response to the speakers at the November 15th workshop and identify five major themes that emerged from the workshop discussions.

Summary

The November 15th workshop had approximately 130 attendees and 20 individuals made public comments. The unedited transcript from the workshop is provided as Attachment A. In addition to the transcript of the comments, a response to each question posed during the public comment has been prepared. The transcript was posted to the District's website on December 1, 2017.

After assessing the public content in its entirety, some common themes that were present across speakers are:

- Level of rate increases – Impacting customers differently and significantly
- Employee costs – Staffing levels, pension costs and salary and benefit levels.
- Rate structure – Level of fixed charges, meter fees and tier structure
- Affordability – Share total income for low/fixed income household and ability for agricultural enterprises to stay in business
- Community character – Impact of higher water costs

These five themes will be addressed in the Public Hearing on December 11, 2017.

Recommended Action

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

ATTACHMENT A

Mary Cicernelle, Nick Stamos and others asked if the District would post answers to all the questions asked at the Nov. 15 Public Comment and Information meeting. So here they are. We transcribed all the public comments and questions and provided the answers, below.

Charles Bertolino –
"I would like to, first of all, thank the board for giving us the opportunity to hear from Jack and from the consultant and to speak before you. I guess if your intent was to stir up the hornet's nest, here's the hornets. I've lived in this town for 4 ½ years so as Jack had pointed out, if you've seen our water rates go up, it's been the last 10 years so I have borne a fairly significant amount. My concerns, I have several, is that there's a proposed, for me, 12.5% increase, that's the wastewater and the water, 12.5%, consultant just says my water bill is going to go up $5. Not true. Not true. It's just not going to happen. What you are asking for on the water side is a compounded 48% increase over the next 5 years, 8% a year compounded is nearly a 50% increase. Inflation is 2%. I want to ask you, Prop. 218 passed 16, 17 years ago. What's been happening the last 16, 17 years? What have you been doing? Giving that you want essentially a blank check, consultant says well you know what you can give it back? How many people here think they're going to give it back? It's going to be funding for some pet project or some salary or some other thing or some emergency that comes up. So 8% is what's going to happen and it may go up to 10% on the water side? The bottom line is you're asking, you guys are running a monopoly, we have no choice, you're providing an essential commodity, and to give anybody who runs a monopoly, I ran a business for 30 years, to give anybody who runs a monopoly a blank check for the next 5 years is ludacris. It's just ludacris. That's what you're asking for. The district also monitors things like... The board my understanding, and I got it from a fairly you know, do you guys hire consultants to look at the efficiency of how the district is run, things like the salary, is part of this whole process? If it's not, and my understanding it's not, is that it hasn't been done in at least 8 years. It's your job to make sure that this district runs efficiently. In conclusion, you guys control everything pertaining to this life-sustaining commodity and to give you this kind of power, it's silly, it's just plain old silly. I would ask that you consider – I know you spent a lot of money on this gentleman and I hope that you'll consider the 50-75 people that are sitting in this room as well. Thank you."

1. Question: If there is an 8% increase on water and a 4.5% increase on sewer, isn't the District actually proposing a 12.5% increase in rates?

   No. The increase in water and sewer is the average of the two, so if half your bill was water and the other half was sewer and your bill was $100, the overall 8% on water and 4.5% on sewer was applied, the increase would be (8% x 50 + 4.5% x 50) = $4 + $2.25 or $6.25 on a $100 overall bill or 6.25%. The actual increase varies based on the account and impacts of the cost of service evaluation on the account. For an average water customer and average sewer customer there is a 3% increase.

2. Question: Was Proposition 218 followed over the past 16 years?

   Yes, Prop. 218 passed in 1996 and because of it, the District has been sending out a Prop. 218 notice ever since. The District did an internal evaluation of costs and allocation of rates, but due to the results of recent litigation with San Juan Capistrano Water District, the bar was set higher for what must be done as part of the cost-of-service analysis passed by Prop. 218. It has become necessary for water agencies up and down the state to plan farther ahead and get cost-of-service studies to justify rate models. This year was the first time the District did a long-term projection to plan out the future to ensure the District has a long-term financial plan. The Prop. 218 notice establishes the

maximum potential rate increase. The actual increase for next year has now been finalized and it will be **lower** than what was in the notice due to some decreased operating and water costs. At the Dec. 11 board meeting, the board will only be asked to approve the rates for one year – next year – and to approve the notice. The District is not asking for a blank check – quite the contrary. Each year the actual increase will be evaluated based upon actual cost increases and will be presented in public meetings before being voted on by the board. On Dec. 11, the board will not be passing the next five years of rates listed in the Prop. 218 notice. Those rates will be studied each year and go before the board for a vote each time.

3. Question: Can the increase go up by 10% per the 218 notice?

   The 10% escalation is related only to the Capital Improvement Charge (for example, replacing aging water pipelines in the ground, necessary treatment plant upgrades, etc.). In January of 2019, the charge would be adjusted for inflation. This charge is dedicated to only funding capital construction projects and was established to make sure the District maintains reliable infrastructure. The Capital Improvement charge was set as a separate charge to provide transparency to customers that this money would only be used for infrastructure. Many Districts do not have a separate charge, but lump this cost in with their overall fixed charge. As construction costs go up, the charge is indexed to an inflation value to reflect this (the Engineering News Record (ENR) Construction Cost Index). Any inflationary increase is based on the actual published increase of this factor, but is also limited to the stated maximum of 10%.

4. Question: Has the District done outside efficiency reviews of its operation?

   The District continuously evaluates approaches to reduce costs through both internal evaluations and external consultants. District management recently completed an evaluation and found an opportunity to reduce overtime needs at the Water Reclamation Plant by automating some of its systems. Due to automation and increased reliability at the Plant, the District eliminated the need for having two people at the Plant on weekends, removing 832 hours of budgeted overtime pay from the upcoming budget. The District also conducts periodic process reviews with outside consultants and just recently completed an assessment of its operations and engineering divisions. This study helped establish performance metrics for each division to gauge performance and develop targets to improve efficiency.

5. Question: Does the District review salaries and make sure employees are not being overpaid?

   The District conducts periodic salary surveys. The last salary survey was conducted in 2014 prior to the last contract negotiation with employees (See "Results Summary" at the end.). On average, the District was 5% below the market on salary and 8% on total compensation. The Board is focused on reducing total salary and benefits, while at the same time retaining key staff and being able to replace key positions. District turnover has been high over the last 5 years, with new hires for 37 out of 68 positions or over 50% turnover. The Board must balance the costs of the employees with the ability to maintain a stable workforce. In addition to managing salary costs for existing employees, the District continuously evaluates opportunities to reduce staffing levels where possible. For example, in July 2017 the District made the decision not to fill the position of Equipment Technician to save costs. The removal of this position saved $100,000 a year when factoring in hourly pay and benefits.

Debbie McCain –
"I'd like to thank everyone here in this room tonight and I would like to thank the board. My first question is: I received my water bill and for this month there was no amount of water charged and there was no class on the bill. Whereas last month there was $5.21 and it was a class D. Why wasn't the amount of water charged on this bill? This is what I want to know. Number 1. Number 2 is who is paying for the pipeline that's going into Camp Pendleton. Are we the ratepayers here in Fallbrook paying for that whole pipeline or is Camp Pendleton funding any of that on their side and where is it hooking into? Is this included in that $1 million-plus that was in the paper in August or is this an additional rate that we have not been aware of? I have not seen any costs in regards to this in any of the newspapers in town. So if it's out there, I haven't seen it, I don't know the cost of it, I don't know who's paying for the military side and how much? And where is it going to connect on our side? And then I don't know if the board knows this or not but Fallbrook is made up of retired seniors on fixed incomes, families with large large families, people that have just moved here under the assumption that they're going to have a nice retirement and to be able to save. And it's not true. Businesses are going to suffer, your restaurants, your beauty shops, your car washes; everything that takes water is going to suffer in this town. There are going to be less people spending, homes are not going to be purchased, swimming pools, you might as well just pull the plug on those, its going to cost $700, $800 in the summertime to be able to fill your pool. Sixteen miles up the road in Temecula, a friend of mine saw this two years ago, she sold her house, she bought a house up there, she doesn't have a pool, there's 3 of them in the house, she pays $79 in water, and I realize it's a different water district, but 16 miles? There's only one of me in the house right now and I'm paying $97.92 and last month it was $5.21 and they want to raise it to $197.50 plus additional water rates for one person. I want everybody here to look at their bills when they get home to see if the same thing is on theirs, the amount of water and the class."

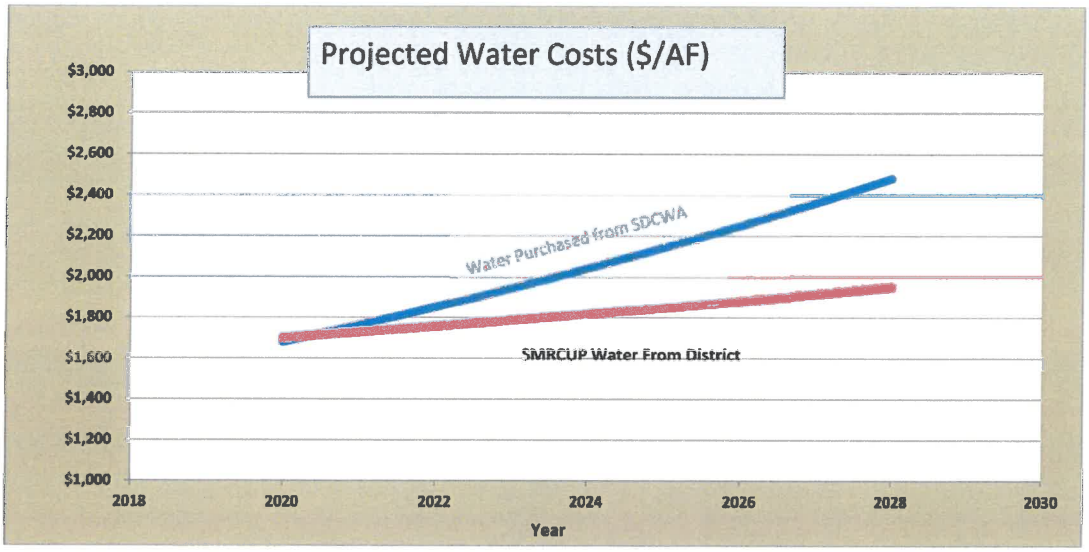
6. Question: Why was there no water charged on my bill last month?

   Volumetric charges are only charged when a unit of water is consumed. In this case, less than 1 unit was consumed therefore no volumetric charge was calculated. (Note: that is extremely low usage as 1 unit = 1,000 gallons. The numbers you mentioned about your bill going from $97.92 to $197.50 aren't clear to staff; for anyone with specific questions about a bill, please contact the District's engineering department for a detailed evaluation of your bill.) Once usage goes over the 1 unit measure, the full unit is charged to the customer. If no units are used/charged, the user class will appear blank on the bill.

7. Question: Who is paying for the pipeline that's going into Camp Pendleton for the Santa Margarita Conjunctive Use Project – is it just FPUD ratepayers or is Camp Pendleton funding any of it?

   The progress on the Santa Margarita Conjunctive Use Project has been presented at public board meetings 3-4 times per year over the past 8 years. A summary of the project will also be presented at the Dec. 11 board meeting. In addition, there have been articles in both the Village News and San Diego Union-Tribune on the project. Camp Pendleton/the Department of Defense is paying approximately $47 million dollars for its own pipeline and related infrastructure on Camp Pendleton. The District is paying approximately $45 million for the water treatment plant, a pump station and reservoir, and to connect the Plant to the distribution system. District ratepayers are only paying for the portion of the project in Fallbrook through a 20-year state revolving fund bond at a 1.85% interest rate. Camp Pendleton is funding and constructing its own infrastructure on the Naval Base. The reason the District is investing $45 million into constructing this project is that it will provide local water at a lower cost. Even with the repayment of the bond and operating costs, the water

from this project is projected to cost less than water the District purchases from the San Diego County Water Authority (See chart below).



8. Question: I realize it's a different water district in another county, but why is water cheaper in Temecula at Rancho California Water District?

   The San Diego County Water Authority (SDCWA) has engaged in an aggressive effort to diversify water supplies and reduce its dependence on Metropolitan Water District (MWD). This includes a seawater desalination plant and the Quantification Settlement Agreement, which allows the transfer of water to the region from the Imperial Irrigation District, where the Salton Sea is. These are expensive but very reliable water supplies available to this region. We purchase our water from SDCWA who purchases there water from MWD. We must pay both the MWD and SDCWA operating costs on the water we buy. Rancho California Water District in Temecula and other regional water districts do not have to pay the costs of SDCWA on the water they purchase. In addition, they have not invested as heavily in water supply reliability projects and therefore their costs are lower. In addition, Rancho Water gets about 35% of its water from local wells and groundwater; local water is typically cheaper than imported water. FPUD, however, sits on fractured rock and does not have much groundwater. That is why we currently purchase all imported water. That is also why it is so important that we move forward with the Santa Margarita Conjunctive Use Project, which will produce about 30% of our water needs through delivery of local groundwater from Camp Pendleton.

Gary Hesser –
"Good Evening. I moved to Fallbrook about 4 years ago from the San Francisco Bay area, Alameda County Water District, which we were charged completely differently: the sewer was part of our annual property taxes. It was a fixed cost so we only got charged for water that we used. But when we left there was a lot of turmoil just like this going on. But I get together with some friends, every Wednesday morning at McDonalds, have coffee and I carry around this little piece of paper, which is one of my water bills. So I'd like to understand, and I know there is not enough time to do this, but I had 6 units of water for $32. My bill was $170. My operation charge was $54. Sewer flow $40, Water Capital Improvement Charge $13, Sewer Capital Improvement Charge $22, Charges levied by others, MWD

Ready To Serve $6, CWA Access Charge $5. I can actually handle, I mean I don't use a lot of water, and I can handle the $5 more for me, say in water. It's all these other things. $170 out of a $200 bill was fixed costs. And what – how much are they going to go up? The water… you know I'm very conservative. It's just like you guys are a monopoly and so is Governor Brown. Gasoline was going to go up 12¢ a gallon, It's gone up 25¢ and it's not gonna come back. Diesel, all of our trucks, our food, I was in the industry my whole life, 23¢ a gallon diesel fuel has gone up. Who's gonna pay for that? Everything we buy goes by truck, and now, like the lady said about restaurants and car washes. You have reserves. What have your investments done for you? What type of investments do you have? How much of your pension expense has gone up over the last 10 years? What percent will pensions of your total expenses 10 years ago versus what you expect them to be 5 years from now? I bet it's more than a 5% increase. You're asking for a lot. We all know everything goes up. But it's these other things that bother me. Thank you."

9. Question: Why isn't the sewer charge a flat rate, fixed cost?

   We can only measure water use. That's why the decision was made to charge for sewer based on water usage. For a residential customer, we calculate that 75% of the water purchased during the winter flows into the sewer and the remaining is used for outdoor landscaping, based on historical system data. Therefore, we will be basing the new sewer charge on the 75% average of the December – February billing cycle water purchases. Also if we charge a flat rate, large households would be charged the same as small households. By having a variable rate, it allows customers to take efforts to reduce their sewer charge by reducing water use during the winter months.

10. Question: I don't use a lot of water – why are there so many fixed charges on my bill?

    To mitigate revenue volatility that occurs when water sales fluctuate due to drought restrictions or extremely wet weather, the District recovers approximately 80% of its fixed costs through fixed customer charges. Fixed costs for the District includes all costs related to the operation of the water and wastewater system included equipment, repairs, maintenance, personnel, chemicals and materials as well as fixed water costs from the San Diego County Water Authority (SDCWA) and MWD. Collecting fixed costs on volumetric rates, which are based upon water consumption/use, would increase rate and revenue volatility. In dry years, with higher than expected sales, revenues would be higher than expected and under-collection in wet/drought years with low sales would result in revenue shortfalls. The breakdown in charges also provides more transparency to the customer about the cost of water. (See also #3 above.)

11. Question: What have your investments done for you?

    The District must comply with the California Government Code and outlined permitted investments, which limit the rate of return that can be achieved. The District recently hired a firm to help manage and maximize its return. In addition, the District established another fund for pension funds that can achieve a higher rate of return. The District Investment Policy (Article 27 of the District's Administrative Code) is compliant with the California Government Code and outlines permitted investments. The District's monthly treasurer's report that is in each board packet provides a list of the District's current investments.

12. Question: How much of your pension expense has gone up over the last 10 years?

The District in fiscal year 2006/2007 paid 27.11% of total payroll to the pension system. By the end of fiscal year 2016/2017, the total contribution by the District to the pension system is 9.85%. This is a huge decrease in total payroll contributions for the District. This is a combined rate for Classic PERS and the new PEPRA PERS members, of total PERS-able wages. There is not a projection for 5 and 10 years into the future due to the fact that the rates are determined by CalPERS.

Michael Summers –
"I read in the Village News that somebody got a 15% raise, and he makes over $200 thousand a year. That to me doesn't seem right, personally. I mean you pay workers like a 2% or something, why does someone get 15%? I'm on a fixed income; I don't get a raise. And yet to me that is exorbitant. It doesn't make sense."

13. Question: Did the general manager get a 15% raise?

The Acting General Manager did not get a 15% raise, he got a temporary salary increase of 10% due to his assignment to fill the duties of the general manager. In addition to his normal duties as district engineer and assistant general manager, he was asked to assume the duties of the general manager while the District recruits for a new general manager. The board elected to temporarily fill the position by giving him a temporary increase instead of bringing in a temporary person to fill the position at a much higher cost. The additional monthly costs to have this position filled internally on a temporary basis is approximately $1700. The monthly costs of this position based on average salaries for general managers is around $20,000 so the current approach taken by the board as a temporary measures saves $17,000 per month.

Michael McGuire –
"I wanna thank the board for letting us speak. Unfortunately, blindsides are only funny on 'Survivor' and I consider this whole thing to be a bit of a blindside. I think you wasted an opportunity to have the public get involved in this. I mean I watch these PowerPoints and I think to myself, as an engineer myself, I understand this stuff and I understand your costs, and I understand that you need to keep this whole operation solvent. But I don't think you can do it but just hiring a consultant, meeting as a board, and then telling everybody ok here's the way it's going to be. I mean you say right here on this piece of paper that you handed out at the door, that we are going to see a $5 a month increase. I got a piece of paper right here I got from you on August 28th that says that my fixed 1" meter charge is going to go from $54 to $68, that's $15, that's 20%. You know I'm sorry. One of the problems that I have is that what you have put out to the public in the newspaper and on your website doesn't seem to fit the reality. I mean it's my wife and I, period, two people, we pay $77 a month before we take one drink of water. Now I understand that you need to keep this place solvent, but I don't think that you can do it at this level without getting the public involved so that we understand where you're coming from. I mean if you can justify this to me, and show me why these costs are necessary, I'd be all over it. I went and look at your PowerPoint on there, I could not find the written report on your website, I could find the PowerPoint. I looked at that and it was very interesting. 218 said this is what you can charge, so you took 1 penny off of that and said this is what we are going to charge. And I think to myself, whoa, that's using 218 exactly the opposite of what it was intended. You've said this is the most we can charge without getting in trouble, so we'll just go one penny below that and that's what we'll put down as what we want to do. I think that this is just out of whack. I've heard for years what good condition this District's been in and all of a sudden, it looks like that's all been a lie – that we are not in good

condition, that at current trends we are gonna be insolvent if we don't fix this. I have a whole sheet and I am about out of time. I think you need to put this on hold and get the public involved and justify this to all of us and hiring a consultant, no disrespect to the consultant I am sure they're very good, but hiring a consultant and then saying this is all we need to do, we're done, I don't think you can do that. I think you are going to be unhappy in December. Thank you."

14. Question: What did you do to get the public involved in this?

    We have done a number of things to get the public involved. We had a public hearing May 17 with Raftelis Financial Consultant, public workshops on proposed rates on Sept. 12 and Sept. 14, and a public comment and information meeting on Nov. 15. There will be another public hearing on Dec. 11. We sent several letters to specific customer groups, beginning in mid-August. We have also run regular ad/mini-newsletters in the Village News, and have sent regular press releases.

15. Question: My 1" meter charge is going up more than the smaller ¾" meters. Why?

    The meter charges are based upon the American Water Works Association's meter flow capacity factors. That means the meter fee is based upon the meter's potential water demand on the system. The larger the meter, the more demand that must be met by the system capacity. For customers with larger meters, due to proposition 218 we must charge a proposition amount to the meter capacity. It is important for customers to evaluate their meter size and it can be downsized at no cost to reduce monthly meter charges.

16. Question: I could not find the Raftelis cost-of-service study on the website – is it on there?

    The cost-of-service study done by Raftelis Financial Consultants is, and has been, under the "transparency" button on our website. It is also on the homepage revolving carousel. For ease of reference, here is a link to the report: https://www.fpud.com/district-transparency

17. Question: Is the Prop. 218 notice the maximum you can charge, or can you charge more or less?

    The 218 Notice sets forth the Board's financial plan to prudently manage the District's financial position. The rates presented at the Nov. 15 meeting were the exact same rates as the notice, so the $0.01 difference was just a rounding error. The final updated proposed rates to be provided at the December meeting have been updated based on updated operating costs and the final costs of purchased water. Each year the rates will be set to recover the actual cost of service, provided the maximum established in the 218 notice is not exceeded. Each year, the rates will be updated and presented to the Board in public meetings.

18. Question: What condition/financial position is FPUD really in?

    The District's financial position has been impacted by many things: the need to replace pipelines all over town, pipe breaks, necessary upgrades at the Water Reclamation Plant, investments in recycled water, to name a few. It is simply time to make repairs and invest in real upgrades to infrastructure, not just applying Band-Aids when something breaks. We were on a schedule to replace our pipes in 400 years. Looking forward, the current level of rates and charges could not sustain the District's financial position. Even with the water rate increase, the District is expected to continue to draw down water fund reserves next year by about $1.2 million. Overall, the District's reserves have

decreased from over $20 million to $18.9 million over the last 3 years. This is why the Board developed the financial plan to prevent the continued draw down of reserves and protect the financial health of the District and maintain long-term financial viability for its customers.

Alan Geraci – DOES NOT LIVE IN FALLBROOK
"Good evening lady and gentlemen of the board, ladies and gentlemen, my name is Alan Geraci and I'm a consumer attorney. I've been practicing law for 35 years, and I'm a candidate for State Assembly to represent Fallbrook and we get it that after revenue and expenses and financial policy. And we get it that there's infrastructure and capital improvements that are needed and that there's maintenance and repair that needs to be taken care of. We understand GAP. We understand the accounting principles that bring you to the point where you feel like you need to raise rates. We understand Prop. 218. We understand Prop. 26 that you have to find a logical nexus and hire consultants in order for you to determine that there is a logical nexus. But the one thing that you're ignoring in your entire analysis are your customers, your consumers. These people are avocado farmers. They run nurseries. They're working families. They're students. They're young people entering the work force. They're retirees. They're young widowed, excuse me, widowed people living alone. They're young single families and mothers that are taking care of their families. The quick analysis is that the Fallbrook community is a population of 32,000. The median age in Fallbrook is 35. The poverty rate in Fallbrook is 19%, which is higher than the national average of 15%. The median household income is just over $50,000. The median property value in Fallbrook is $395,000. You have one of the lower job growth rate in the entire county. You've ignored the consumer in your analysis. The working families that are here, the retirees on fixed income, they're all suffering from increased taxes, stagnant wages and the inability to make their daily bills. So enough is enough. Please reconsider any further rate increases. Leave these people alone."

19. Question: Why aren't you considering farmers, students, low-income and others in your rate increases?

    The District is one of the few that maintains its own agricultural water rate in addition to the regional agricultural discount program to support the agricultural community. Due to Prop. 218 that prohibits having customers pay extra fees to subsidize other customers, the District is unable to subsidize low-income customers or other customer types. We fully realize that Fallbrook is a farming community and we work hard at the regional level at the San Diego County Water Authority to maintain the Special Ag Water Rate. This rate allows farmers to receive water at a lower cost, but in exchange, they must agree to be the first ones cut in the event of a declared drought. They enter into a signed contract to receive water at this cost and under these circumstances. The only way the District could subsidize farmers/agriculture would be for there to be a voter based repeal Prop. 218 through a voter initiative. The District is not ignoring the consumer; the real driver behind these increases is the increasing cost of water purchased from the Water Authority and increasing capital replacement needs for the District.

Dan Coxe –
"Good Evening. I'm an avocado farmer. I use millions of gallons of water every year. And to dovetail onto the last speaker's comment about the consumer, what's going to happen to FPUD when the Ag

industry is gone? I believe 40% of its revenue comes from Ag. And you guys with these increases, for instance my increase on the meter, is going up 105%, how do you justify that logically? What is the logical reasoning, the mathematics behind that? The pumping charge is going up 83% between December 31st and January 1. So one thing that I think that the study does not take into account is the units… the economy is a scale that Ag uses per the infrastructure cost and the cost to maintain that infrastructure. I'm not sure if the study did take that into account or not but that should be considered. Also, it sounds like the board has decided to do a pay-as-you-go cost analysis and tonight, I'm hearing that we can't borrow any more money because we borrowed too much money through the waste water. So usually when you do major infrastructure changes, you borrow money, you get bonds, especially in such a low interest rate environment that we have now. And it's spread out over decades, not over 5 years, not over 1 year. We're paying for the next 100 years of infrastructure in 5 years. It doesn't make sense. So yeah, that's about it, that's my main points."

20. Question: How do you justify the meter increase?

    Meter charges are based upon the published American Water Works Association's meter capacity factors. These factors convert all meter sizes to a standard unit of measure and charges to be calculated. For example, a 2" meter has the same flow capacity as 5.33 ¾" inch meters. This allows each meter to be charged equitably for the capacity provided. *Also see #19 above about why the District cannot subsidize farmers.*

21. Question: Why are we paying for the next 100 years of infrastructure in 1-5 years?

    The goal of the District's financial plan is to establish a reinvest rate that maintains the assets at a target condition level. This requires providing a level of funding each year to renew existing assets and keep up with the annual wear and tear on the system as a whole. The current replacement projects are to address pipelines that are at the end of their useful life due to existing use. The replacement needs for these projects continues to grow over the next 50 years as more pipelines reach the end of their useful life. Debt funding these types of projects just passes the cost to future generations that will not only have to pay for the ongoing system repairs, but also the debt service if these on-going replacement projects were debt financed.

Ryan Promack –
"I think generally we're all very disappointed in each and every one of you. Charley, you're a farmer. I already had to discontinue your services years ago because the water kept going up and I couldn't afford you. If you keep this up, I won't be able to afford to farm. We expected better from you. Don, are you really going to look at all your friends and neighbors and say, 'We're raising your water this much?' You're comfortable with that? I find that hard to believe. We're disappointed in each and every one of you because when we elected you, we expected better than this."

22. Question: We're disappointed – why are you letting rates rise like this?

    The board is very concerned about rate increases, as all board members are also rate payers themselves. The Board members spend significantly time trying to help determine how to best meet the needs of the community and maintain reliable water and wastewater service. The rate study and proposed rates has been in progress over a year and has had careful review and consideration by the Board. The Board meets monthly as a 5-member board and in addition regularly as committees, which are public meetings. They read, study, dissect and give tremendous input on the

rate-study process, which is complex. The Board encourages public input during the process and specific ideas and solutions to both help keep the water affordable and provide reliable service and encourages concerned citizens to attend these meetings to provide input.

Mary Cicernelle –
"I just have a couple of questions. I agree with many of the people who have already spoken. I wanted to know if we actually get to see some type of an audit on every penny that comes in and every penny that goes out. You also commented about the employees costs and how they are supposedly below average of the nearby agencies. So what agencies are you comparing yourselves too, because I don't know other people, well I don't know a lot of people in the water district, but I don't know of any nearby agencies that make over $200 thousand a person. And I wanted to know if you could show us some type of proof of those agencies that you've submitted saying that you guys are below average. I also notice that the monthly discount for an early payment was ignored in any of this stuff, so I didn't see anything of that mentioned. Social Security was mentioned that you want to increase everything 8% minimum Social Security, which is what I am on, I'm lucky to get a 3% increase, so I'm toast. And I don't think you guys really care which also makes me wonder, do all of you people live in Fallbrook and are all of you guys paying the same rates that we are paying? I don't know any of that. I wanted to know if you are going to post the answers to all of our concerns some place so that we can read them and find out what they are. Thank you."

23. Question: Do we get to see a District audit on every penny that comes in and goes out?

    The District's Annual Financial Report was accepted by the Board at the Nov. 15 Special Board/public meeting. An independent accounting firm audited the District's financial information for Fiscal Year ending June 30, 2017. The Report includes detailed financial information on the District's financial position and is available on the website: https://www.fpud.com/financial-reports

24. Question: Are there nearby agencies where the general manager makes $200k?

    The General Manager is an executive position that requires significant qualification and specific experience. The average general manager's salary at nearby utilities is well over $200,000 a year. The general manager is hired by the board of directors and is responsible for the entire operation of the District. The District currently has asked the Chief Engineer/Assistant General Manager to fill the general manager role as Acting General Manager and provided a temporary 10% increase only while he serves both positions. This was clearly identified during the public board meeting in October in which this action was taken.

25. Question: Will anything happen to the discount for paying the bill early/on time?

    Due to Prop. 218 cost of service requirements, the discount was eliminated.

David Promack –
"Good evening everyone. I want to first say ditto to all the previous speakers; my sentiments are exactly the same. Couple of questions that I have: one is regarding the proposed method of calculating the sewer rates that is going to go into effect. Instead of the lowest 1 month of the year, it's now going to be the average of the lowest 3 months of the year. And that guarantees that everyone will be paying a lot more than when it was just the lowest month. And what about those people who have Ag domestic

water usage, so that if we don't get a lot of rain in December, January, and February, they have to irrigate they'll instantly go to your maximum rate calculations and it seems totally unfair. The other question that I have is why have you chosen the methodology to determine whether or not this protest is considered by the Board when they decide yes or no on these rate increases. Why in the world do you think you need 50% of all rate payers to submit a written letter of protest when virtually never does anybody even show up at the polls to vote for the president at a rate of 50% and all they have to do is check a box. But instead, you have to have 50% of us write a letter and send it to you. To me that's absurd. You know what the sentiment is. You should really reconsider and diminish these rate increases so that people, as many have already mentioned are on fixed incomes, might possibly be able to stay in Fallbrook. Thank you."

26. Question: Is the new method of calculating sewer rates going to guarantee that everyone will be paying a lot more money?

    How the new sewer flow billing methodology affects each account depends on the winter water use history for each particular account. District staff is available to review this change with any customer by calling our engineering department. The overwhelming majority of sewer accounts will be billed for 5 or less sewer units (as was the case with the old methodology). There are currently 6 accounts (total) in the District that are classified as agriculture that also have sewer service. The District will be reaching out individually to each of these 6 customers. For these 6 accounts, a review of the previous winter's water use might indicate the new methodology would significantly increase the bill for sewer flow. If this is the situation, there is an appeals process whereby a customer can request a review of the sewer flow figure and present an argument to justify its adjustment. Approved appeals will be manually adjusted for the duration of the year. Here's how the methodology for a residential customer will be calculated: for a residential sewer customer, we calculate that 75% of the water purchased during the winter flows into the sewer and the remaining is used for outdoor landscaping, based on historical system data. Therefore, we will be basing the new sewer charge on the 75% average of the December – February billing cycle water purchases. If you think you have an unusual circumstance that effects your water use from Dec. – February, such as a leak, and it is quantifiable, there is an appeal process for your sewer bill. Contact our engineering department.

27. Question: Why do you think you need 50% of all ratepayers to submit a written letter of protest when people don't even show up at the polls to vote for President?

    Prop. 218, voted into law in 1996, stipulates that 50% + 1 of ratepayers must submit letters, in writing, to challenge rate increases. If over 50% are received, the Board cannot make any changes to the rates and there would be a significant draw on reserves for the next year. *See #17 above for more on Prop. 218 requirements.*

John Merkel –
"Good evening. I have some concerns and a couple of questions that I think Jack can answer, I'd really like an answer as opposed to just a question that everyone walks away from and nobody gets an answer. My question is in regards to the sewer rate and the two months Right now if you use 1,999 gallons you get a 1 rate flow, the extra 999 gallons don't count. Is that the same way you're going to treat it when you start averaging the December and the January bill? Are you gonna take them separate and say, okay so for December, you have a 1 and January you have a 3, or you going to say well you started out in December with 6,000 gallons and you went to 18,000 gallons so it's a straight, you know.

You're not going to do that are you? *[Jack Bebee: I think we're avoiding getting into discussions, but its each month. And what I'd suggest is if you have specific questions on how things are done tonight, is that we have Mick sitting out there because if I start to answer everyone…]* but this affects everybody because if you go from December 1 to January 31st? [Jack Bebee: It's each month] OK. As the last speaker said, this whole thing is a fiction this how much water you use. I read a study that said the average family uses about between 6 and 8 thousand gallons exclusives of pools and irrigation. Now if you did 75% of 6,000 gallons and did a figure, I suppose that would be a fair way to do it. But as the last guy says, he waters a lot, so his sewer bill is going to be outrageous and it's not because he's sending water to the sewer, it's because your fictionalizing that he's sending water to the sewer when he is not sending water to the sewer. My wife and I probably use 6,000 gallons a month personally and it mostly goes in the sewer, I'll give you that. I usually use about 13,000 gallons a month the rest of it is going on plants and trees, I have 31 fruit trees. Now if you had to pay 75% of that extra 7,000 gallons and it's not true, so you're not following Prop. 218 as far as I'm concerned as far as the last guy is concerned because you fictionalized how much water we're actually using that goes back into the sewer when it doesn't. And somehow you need to take that into consideration. I understand that you need to raise the rates and I'm not here to complain about the rates. As far as I'm concerned, I suppose you know if you think they are justified they probably are. But I do think you need to look at the way you apply these separate rules to each of us because a lot of it doesn't make sense and you really need to look at that. Thank you."

28. Question: How is the new sewer rate calculation going to work? Why are you doing it this way?

    See Answer #26. Because we can't measure what's going into the sewer, water use is used to estimate wastewater flows. Utilities do not measure sewer because of the depth and the lateral and the fact that it does not flow full, which makes direct measurement infeasible. Instead, the winter average is commonly used because outdoor water use is minimized. In cases where outdoor use is significant in the winter months, there are two limiting factors. First, residential use will have a maximum of 16 billable wastewater units. Second, customers with a specific quantifiable outdoor use, higher than typical outdoor landscaping use, will be able to appeal their winter water usage sewer calculation and have their return-to-sewer factor adjusted to reflect a higher level of outdoor water use. Customers with a quantifiable winter outdoor use above typical outdoor landscape usage wishing to file an appeal or discuss their situation can call our engineering department.

Jimmy Aivaliotis –
"Good evening. We bought our house in 1998. One of the things that lured us to Fallbrook was it's grand beautiful hills and green everywhere. Fallbrook is our home. We've tried to conserve water. We got artificial turf in the back. We're getting artificial turf in the front. It's been dirt for over 4 months now. We got solar panels. We're trying to do our part. I've been in enough deserts; I don't want to see my front yard looking like it does anymore. But I'm not going to put water on it. And my concern is that with these water rates, a lot of people are going to stop watering their lawn. They're going to stop watering their trees and Fallbrook is going to look like some of the deserts I have been in lately. And I don't want to be back there. I certainly don't want my home to look like that. So I would ask that you consider what Fallbrook's appearance is gonna look like when it gets too expensive to water our green. Thank you."

29. Concern: With rates going up, people will stop watering and Fallbrook won't be green anymore.

Outdoor water use is an important issue for our region. The move to drought tolerant landscaping is increasing and there are many options that maintain the curb appeal of properties and for our region drought-tolerant green landscaping is a long-term sustainable alternative to turf or xeriscape. The drought took a toll on many of the non-drought tolerant vegetation when outdoor water was severely limited. Many will replace dead vegetation with drought tolerant plants to avoid the expense of replacing plants after the next drought. There are a variety of resources available to help navigate the selection of plants and trees to make your space drought tolerant. www.watersmartsd.org/

Larry Sinagub –
"Thank you. Everybody that I've heard so far has made some really good points and what I've heard missed is that we just went through a drought, a multi-year drought. You asked us to conserve, which we did in spades. So all of a sudden, we have to increase rates because of your overhead – that you're not covering your costs. And I understand that too. I understand the business aspect. But the drought is over. I haven't seen that rate go down yet and now you want to raise them again. Are you gonna reverse that one and then raise them or paying double for them? That's what I want to know. I haven't heard a word about rolling back the rates. Is water usage back up? Or are we still not using? Are we doing what you asked us to do? None of this information is coming out. I think we need you to put something in the paper, something, anything, I want to see the rate that we agreed to for the drought. We didn't expect you to lay off people but if you go ahead with this, people are going to cut back and you are going to have to lay people off. Because they're not going to use the water. There gonna go to zeroscape and then what are you gonna do? What are you gonna use for an excuse then? You're gonna lose the income, you're gonna have to lay people off. And that's all I got."

30. Question: The drought is over; why are rates going up after we conserved?

This is exactly why we charge a fixed cost – our "Operations Charge" – see #3 above. The rates did go down after the drought ended, returning to the pre-drought rate structure. The drought rates were rescinded; the third tier for residential was removed, which reduced the top water rate. The current proposed rate increase has nothing to do with the drought. The increases are being driven by increasing imported water costs and the need to fix pipes in the ground and other infrastructure.

Connor DeCuir –
"Well good evening folks. I'm probably the youngest person in this room that I can tell. I'm not gonna bug you all with more numbers or anything like that. I've got a couple of very simple things. Where I live off South Stagecoach, we have water regulators just like everyone else, I assume. But our water pressure is so high that it blows them every year. FPUD has denied it every time that oh no it's not on our end it must be on your end. I don't know how we can jack up our water pressure cuz we don't have any lift stations that would do so at my own home. The second thing is with the rate increases, will this bring about when you do road repairs, better roads. I drive a 4-wheel drive truck but it doesn't mean I can afford new trucks every year. That being said on reche just east of potter jr. high where there was a culvert put in that road repair went without being ground down and resurfaced for nearly a month. And I would have to go into oncoming traffic to avoid going over it to not shake my truck apart. Not saying I drive a piece of crap, I have a 2007 chevy but I don't like to beat the hell out of it even though its 4-wheel drive. Anyway that's all I've got. Thank you"

31. Question: Can something be done about the high water pressure at my home?

The pressure in the District's pipelines are a function of the need to serve customers at the varied elevations in Fallbrook. As a result, there is a wide range of water pressure throughout the District's system. Based on your location, the street pressure should be around 175 psi, which is expected to vary by +/- 10 psi depending on system demands. While not all pressure regulators are rated for the same maximum pressure, the typical range for the maximum pressure is from 200 to 400 psi. Meter quality also plays a role in the meter performance and longevity. Repeated issues with the regulator may be due to the meter quality. Customers can always call the District's customer service or engineering department and ask to have District crews check the pressure at their meter if they suspect water pressure is an issue.

32. Question: With the rate increases, will this bring better roads?

Fallbrook residents pay property tax to the County to maintain public roads. The County is responsible for the overall condition of public roads in the District. The District repairs the roads when we do water and sewer work under the road. The final repair work is bid out to a paving contractor. We are committed to returning the roads to the condition they were in prior to our doing work on them. The County inspects and permits all our final repairs on county roadways and we work with residents on private roadways to return the road to the previous condition. In order to be economical, we might sometimes have areas that are temporarily paved with an interim finish. Then when we have several areas to pave in a particular area, we call the paving contractor to complete the work to make the overall paving cost efficient for our ratepayers. The repairs for culverts and storm drains are all performed by the County of San Diego and they are also responsible for the paving repairs in these areas.

Jeanne Meadow –
"Thank you and I do have sloppy writing so I guess you couldn't read my name. [President Wolk: I'm sorry....] It's ok. My name is Jeanne Meadow or Meadowe or whatever you would like to call me. I have a lot of different things, I know they can't answer but it's more for education for everyone else and for myself. One – I wanted to start with your PowerPoint you handed out does not match the PowerPoint you gave. And it would be really great, just for transparency and everything else what we're all talking about here today if it could be fixed. I went through it page by page as you did it and it does not match. So that would be one thing and I know you can't answer but that would be a good thing to put up and I know another lady asked about that. The second thing would be the final audit. You guys talked about your financial audit that it's out now. Is it on the website? I didn't see it I review it every year. I didn't see it and I believe it's late. And you didn't mention that. But I believe it's late but I hope it's up there because I will look at it and if anyone wants to know about it, they can call me or text me. What else do I want to talk about? Something really important is what I heard not one word about is water quality. As you hear a lot about everything else, and now you hear about Flint Michigan and anybody else. Well, nobody here talked about our quality. And if you ever come to the monthly meetings, nobody talks about that. I'm personally very concerned about that. But I think that's something important and we should spend a lot more time talking about that than some of this other stuff. Okay. I've got a minute left. Let's see what else. I think when we compare ourselves to Rancho Santa Fe and Encinitas, I think it's ridiculous so when I hear that happening, I get quite upset because I think the salaries, it's very inexpensive to live here and I think it's a beautiful place to live and you cannot compare yourselves, it's not apples to apples. And you always need to weigh things, I know that people here work hard and I thank the board for all their work, they work for free basically but when it comes to employees, I think we can be a little bit tougher on the pay. When comes it comes to the wastewater, we talked about that

earlier, and Jack had said, I think it was not quite 100% Jack cuz you gave me a report of the water you paid for, and I'm not in the FPUD district but most of you are. Only less than 50% of the water you pay to recycle gets redistributed in the purple pipes the rest gets flushed back down to the ocean. So I get disturbed when I ask for that report and it's not closer. Now I understand that sometimes you can't control that we don't have enough pink pipe but they don't talk about that. They talk about how great it is and everything. So I just think, that if you really care about what is happening in your community, pay more attention. Pay closer attention and find one issue. Maybe you don't have to know every issue but find an issue that you're into and come and ask questions because they will give you the answers eventually but you might really learn stuff about how it all works and it is very, very complicated. And earlier when they were talking about we're gonna get water from the Conjunctive Use Project, oh yeah good luck. That's gonna be years away. Metropolitan was here at the meeting last month and said that by the way their proposing 40% more cuts so drought? No, the drought is not over. So that's all."

33. Question: Why is the presentation I printed out different from the one distributed tonight?
    The presentation on the website was not for the Nov. 15 meeting. It was from a prior public meeting when the board first reviewed the proposed rates in May 2017 and was posted with the rate study so that all previous information was made available to the public. At the Nov. 15 meeting the handout provided was for the presentation given. The file name on the website has been modified to make that clear and both presentations, along with the rate study and the Prop. 218 notice, are on the website.

34. Question: Was the annual report filed late?

    See Answer #23. No. The Annual Financial Report was not filed late. It is available on the website.

35. Question: What about water quality – is it a concern for FPUD? Why don't we use all our recycled water we produce?

    Water quality is very important and the District closely monitors it. Each year the District completes a Consumer Confidence Report, which shows the results of our monitoring from the prior calendar year and identifies the components and elements in our water. Every year, the District meets or exceeds the state's stringent water quality standards. The report can be viewed here: https://www.fpud.com/consumer-confidence-report. We're also actively pursuing ways to increase recycled water distribution and sales, and we recently completed a $1.8 million dollar pipeline extension of our recycled system of which $800,000 was covered by grants to add 5 large nurseries and increase or recycled water usage. We have a developed a Recycled Water Master Plan to evaluate alternatives to further increase our usage and we would be happy to provide and incorporate any input you have on further expanding recycled use in the District..

36. Question: Why is FPUD paying the same wages as other more expensive areas in San Diego County?

    The comparison to other regional utilities salaries and benefits is very relevant since the workforce is regional with many people commuting to and from all of these areas. While some of our employees live in Fallbrook, because many of the District's jobs are require very specific operator certifications, engineering degrees and other professional credentials, the workforce is comprised of individuals living all over San Diego and Riverside Counties. The Board has worked hard to control the cost of labor and benefits, which has decreased over the past few years but if salary and benefits are not kept competitive with other districts recruitment and retention will be a challenge. The District has

recently seen an increase in employees finding better opportunities at other agencies and the total employee turnover over the last 5 years has been over 50%.

Roger Milner –
"Just a few statistics: I had the first water meter in De Luz Water District when the District was formed. My 2" meter at that time cost me $460 installed, the last 2" meter I had put out in De Luz, I don't remember exactly what it was, but it was over $25,000. And I have two 2" meters and one 1.5" meter, I use a reasonable amount of water. That's not an answer, just a statistic. I'm a little concerned about what's gonna happen to Ag with these rates? We all know what's gonna happen. We all know. We're just gonna see more groves shut off. one fellow said he didn't want to see the landscape brown. Well that's gonna happen and I don't know what you guys can do about it but that's what your job is to keep that from happening. Fallbrook is an agricultural community; at least it was. It's become a bedroom community. And I don't know what can be done about it. I know water costs go up. It's just a fact of life. Everything does and I don't mind that so much. Except last week in the paper, I think it was last week or the week before, there was an article about the agricultural income for San Diego County. It went up like I think 2.5% from 2015 to 2016. 2.5% the income went up, that's the gross. Our net went down probably 10% because our costs went up that much. For me, water's a big part of that. I don't know what's gonna happen to Ag but it's something you guys gotta think about. Water going up at this rate that you're proposing you have no choice especially if you have avocadoes, you can't do it. You need 5 acre-feet a year on an avocado tree if you want to be successful raising avocadoes. Another item it's a little bit away from the rate increase, this last cut that we just had, big users cut back 30% and we did at least 30%, but I wonder why the Red Mountain Reservoir is empty. If it wasn't empty we wouldn't have to cut back. That reservoir is empty. It's been empty since last June. Right now it's probably got and I can't judge, I fly over it probably twice a week, that reservoir has probably got 15% of capacity in it, maybe 20 I don't know. But for months up until about 6 weeks ago, it was empty. It was empty all summer. Rainbow Water District is empty also. All of them that I know of. They're all bone dry. Why do we have these filter stations and everything that we're paying for? They're not being used. So I think that it's something that has to be considered by the board. That reservoir was built, from what I can recall, simply incase water lines were interrupted by an earthquake. Well if they're interrupted, we're out of water.

37. Question: Why was our reservoir empty this summer?

At no point was Red Mountain Reservoir empty this summer. During the summer, its maximum storage was at 214 million gallons. While the level is brought up in the summer to make sure we can meet demands during peak periods and have emergency storage, there are a number of factors that require us to bring the level down in the winter:

a. From a water-quality perspective, we need to cycle the reserve, which means making sure water does not sit stagnant for too long. To do this we bring the water level down and then back up again through the winter to prevent algae blooms, nitrification and other water-quality problems.
b. In addition, it also serves as storage for water the District has water rights to in Lake Skinner, a Temecula reservoir owned by Metropolitan Water District of Southern California. The District relocated a water right that was for a dam in Fallbrook to Lake Skinner. This allows the District to get water that runs off into the lake at a steep discount. This water is only available in very wet years, but to prepare for this water, there must be space in Red Mountain. The water is piped to FPUD when available, following large rain events. There

must be space in Red Mountain to accept the water or else we miss out on the discounted water.

Dale Kaye –
"Okay. Several times in the letter you sent out and several times tonight, we've heard about droughts. Now one thing I don't think anybody can argue with that causes droughts is a lack of rain, right? Now you all seem to know we're going to have a lack of rain in the future. Now what causes a lack of rain? Well, we've all heard of climate change, right? Okay. Now what causes climate change? We have climate engineering, we have geo-engineering, we have aircrafts flying over spraying aluminum, barium and strontium and this is nothing new. I know a lot of people out here are well aware of this. They've been doing this for over 20 years. This is changing our weather. And I would sure love to know what you guys have done or what you're going to do. You are in much more of an authoritative position than we are out here to do something about this. But we all should be yelling and screaming about this crazy stuff. It's all on the internet; anybody can verify it. The other thing that using up all the water, all the new building, the new buildings going on all up and down California. We've got new housing and shopping centers, anybody that travels, they're all over the place, new buildings. Well everything uses water. What's that gonna do for our water situation? We need to oppose this stuff. So thank you."

38. Question: What about climate change – is FPUD doing its part?

FPUD is making great efforts to reduce its environmental footprint. The District generates 50% of its power from solar panels. The District also recycles water and recently completed two key projects that will increase recycled water use. The District also recycles its sewage sludge using state-of-the-art machinery which dries the sludge at extremely high temperatures then transforms it into a Class A soil amendment. Doing this keeps the sewage sludge out of landfills.

Bruce Helbert –
"I was young once too. Anyways, ladies and gentlemen, members of the board, I moved here probably close to 40 years ago and everything was green, a lot of groves, a lot of groves, in fact I have a grove, which I can't afford any more really, barely break even with the way the water is, if I can do that. The main thing, and everybody has covered all that here, everybody knows that we're in a bad situation as far as the cost of the water. One thing that bugs me is I went to go for a hike up the Santa Margarita Creek and the water department has closed it. Why? Why can't you go hike those trails anymore? And another thing it's me, of course it's a different fiefdom it's over there at vail lake, as soon as the water department took it over, what did they do? You can't put a powered boat on there, I guess you can put your innertube on there and paddle across it, but no you can't it's a fiefdom, they take over and then push the public out that are supposedly servants of the public. But my main thing, I realize it's a different water district, same as lake Matthews, that has the cabin cruiser on it and once a year, the water department boys, all get to bring their boats over and go fishing on it, but me as a paying taxpayer can't. But the one that boiled me was the creek. Oh and another thing that was amazing to me, I acquired some other property, or should I say my wife did, and it has a water meter on it that we don't intend to use but we don't want to have it taken out because it's a very expensive, it's an inch and a half, I get a bill for $275 a month for keeping it. If I have it taken out, it's in the thousands of dollars if I ever want to use it again. What is it doing there for $275 a month? As the gophers run down in there with it. But my main deal was everybody covered it, I just hate to see the groves disappear I hate to see mine turn into firewood with the price of the water going up. But what can you do? Anyways, thank you for your time and for listening to me and, everybody have a wonderful evening."

39. Question: Why were the Santa Margarita River Trails closed to hiking?

    The Santa Margarita River hiking trails were closed for a period due to unsafe trail conditions, specifically quicksand, which is a significant risk to horses. The trails system is managed and maintained by the Fallbrook Trails Council.

40. Question: Why is the standyby fixed charge going up so much and what can I do about it?

    The standby fixed service charge for a 1½" meter will be going from $24.78 to a proposed $44.93. The standby fee was originally $24.78 regardless of meter size, but based on the cost of service study it was necessary to increase the standby fee proportional to meter size. Any size meter can go on standby which does offer some reduction compared to the non-standby fixed service charge. Please contact customer service if you want to put your meter on standby.

Nick Stamos –
"Thank you for this opportunity and welcome to all of you. The people that have come up before me have been very, very eloquent. And they've presented some tremendous facts and recommendations. They've covered the few that I had listed. But the thing I needed to add now is this: I've been a resident in Fallbrook for 21 years. I've been to meetings like this, and then I came to another meeting like this, and then another and very little was done in some cases. And in most cases, no one ever knew what follow-up there was. So I would say to the board, you have a challenge. You have an opportunity to change that and some way communicate effectively with the people here and Fallbrook on what's going to happen regarding the recommendations or the problems that they've expressed. It's going to be a challenge, but it's something that's really important. I hope you'll follow through."

41. Question: Will you post the answers to the questions asked at tonight's meeting?

    Yes. Hopefully reading this transcriptions of questions and our answers addresses some of your questions. If you have other questions, please call the District office.

Jill Pettigrew –
"Hello everybody, thank you for allowing me to speak. And I too, the people in front of me have made many of the points that I was going to make, but I do have a few things that I'd like to emphasize. For starters, I would like to point out that this is a very limited growth district. There will not be housing tracts put in Fallbrook because we don't have the infrastructure with the sewer and things like that so thus any cost increases will be basically borne by the people who currently have lots in this community. So, in other words, the burden is on us. If the prices go up, we are the ones who are going to be paying it. Secondarily, I think that it does need to be pointed out that the character of the town will change with the increased water rates. As more places get more water gets turned off and more large acreage gets dried up. You know when you drive into Fallbrook, you're not gonna see this beautiful landscape. You're gonna see these dry mustard weeds that we currently have and that's going to be, I think, the way of the future. And the other thing to point out is that I do think that Fallbrook Public Utility needs to be held to task as far as the roads go. You guys are tearing up the roads. There aren't a lot of roads in this town and I think that there has to be some sort of oversight when you dig a bunch of holes in our roads; you need to put them back the way you found them."

42. Concern: This is a limited growth district and the cost of water infrastructure and water increases will be borne by the people who live here.

    When major infrastructure additions are required to establish new water and wastewater service (main lines, hydrants, manholes, etc.), the property owner or developer that is establishing new water and sewer service pays for the installation of this new infrastructure. As many Fallbrook residents are aware, the character of the community has significantly changed over the years. While much of the area was covered in avocado groves and other agricultural operations, water costs are creating real challenges for farmers and homeowners alike. Many farmers are investing in water conservation measures and increased monitoring of irrigation, soil conservation or exploring new crops such as specialty fruit and grapes. Homeowners all over the region that seek to reduce their property's water use are investing in drought tolerant landscaping or turf reduction. Maintaining municipal water and sewer service systems will always lead to a need for trenching in roadways and repair work, sometimes in the middle of the night under adverse conditions. When road construction is required, the District makes road repairs to county standards.

Robert Landes –
"Good evening, thank you for the opportunity. There are a lot of Fallbrook residents that are on fixed income and we're angry, we're frustrated and we're scared. The inflation rate in 2016 was 2.1%, 2017 is projected to be 1.6% and the letter that I got on August 28th had a fixed charge increase that went up 21% and a pumping charge increase that went up 102% from 33 cents to 69 cents. These increases represent not only an undue burden for the citizens, but they represent what we feel is a failure on the fiscal management part of the Water Board. So there are a lot of miscellaneous service charges that we frankly don't understand. Readiness to Serve charge, infrastructure access charge, fixed recycle water charge, volumetric recycled water charge, fixed wastewater charge, volumetric wastewater charge. We don't understand what these charges are but they're expensive and they make us angry and frustrated. With all due respect, Sanjay, there were a couple of confusing points I had on your presentation, you said on page 3 of your slides that the biggest impact of the expense was the variable water supply at 10% per year. And yet on page 5 of the letter you sent out, you said a substantial part of the district's cost to operate and maintain the water system are fixed, meaning the costs remain the same regardless of how much is used by the consumer. So I don't quite understand how variable is the biggest expense impact and yet it says here fixed costs, costs remain the same notwithstanding the volume. Lastly, I believe you mentioned, and I could be wrong, wastewater was projected a 4.5% increase and in this same letter it says if adopted July 1 thereafter, until July 2022 the district will be authorized to increase wastewater in according with ENRCCI not to exceed 10%. So I'm thinking if you're authorized at 10%, 4.5% is probably unrealistic. So we're just simply asking for you to sharpen your pencils a little bit, be cognizant of the fact that we're on a fixed income and we're counting on you to do better."

43. Comment: We are frustrated and confused and don't understand all the charges on our bills.

    One of the challenges of the Proposition 218 notice is the requirement to provide an extensive list of charges that apply to all ratepayers in the District. Recently, we have received many inquiries from customers who have perceived that all the charges in the Prop. 218 notice will affect them. If a customer has a question about the specific charges on their invoice, please contact the District to speak with us regarding your account. We can go through the charges line by line to help clarify the charges. As mentioned in several presentations, the largest driver of cost increases for District customers is the wholesale cost of water. The projected increase in the wastewater budget is 4.5%

for 2018. The District is a public utility, which is a not-for-profit organization. District rates are structured to cover the costs to provide service.

Jason Burgess –
"Good Evening. First, I want to say thank you to the board for hearing my comments and my opposition. I can only speak for myself, not others. I've lived in Fallbrook here for 3 years now. During that time, I've continuously been frustrated with the rates of the utilities in this town. My family uses very little water. On average, we use about 4 units of water at a Tier 1 level. That equates to about $20 in water charges. After fees, we pay about $120 to $140 in charges. Yeah, it's true, the District charges roughly $100 in charges just for fees, not even water use. Maybe that's because the utilities district budgets an employee salary of $7.3 million. Maybe I pay these fees because the utility district fails to maintain their assets according to county code, and the maintenance of these sewer lines and water lines has to happen twice. The point that I'm trying to make is there's no moral purpose for the necessities to pay these increases. There's an overwhelming lack of fiscal responsibility among the board that's disheartening. Fallbrook pays its employees similar to that of districts three times its size, as Vista. The District took money from the State Revolving Fund in the amount of $29 million to restore a treatment plant. It's less than coincidental that the rate increase proposed covers that interest rate on the loan and the loan repayments are supposed to start in March of 2018. The board continues to make customers cover its fiscal negligence. What the board fails to see is that the money you are using for this repayment is not primarily your own. As elected officials, I feel that it's your duty to put your customers first. Tonight, I ask the board to understand that the rate increase puts more than just an increase burden on customers. It could also be devastating to the economic and agricultural production of Fallbrook, like most have said. In competitive market, it's not hard to see why it sounds like Temecula and Murrieta whose such lower water and sewer costs are rapidly growing. I feel that the increase is the first step in forcing residents to relocate and I have spoken to some of you about that very thing. I'm not implying that the utility cost is the only reason residents relocate. I am saying that it is a factor. I strongly encourage the board instead of raising the costs of services, create a plan that rewards conservation and penalizes negligence. There's no reason for us to pay more if we're actively conserving. Create a plan that relieves the burden of your negligence and create a plan that would re-budget the 28 million in assets that you own and decrease the charges to your customers. In conclusion, this board has failed. You've failed to adequately represent the members of this community you serve. Do not continue to ask the great people of this community to forfeit more of our hard-earned money and support of the District and never see a return for that. Lastly, show us how you can benefit us, the customers. In the end, we're the ones that have entrusted you to do the right thing for us. Once again, I'd like to thank the board for letting me come up and speak."

44. Comment: I urge you to create a rate plan that relieves the burden.

For an account in town, an invoice will include line items for water and sewer service, and it appears that the assertion of $120-$140 in charges may be including sewer charges. The rehabilitation of the treatment plant was an important and necessary project to maintain wastewater treatment demands, and create high quality reclaimed water that functions as a developing source of revenue. Retail water costs in the Temecula Valley area are lower in large part because these water agencies have their own sources of water. The District is working to tap our own source of water in the Santa Margarita River Conjunctive Use Project, with planned construction beginning in 2018. This project is expected to save $1 million annually in water costs. *Also see #7.*

Belinda Maxwell -
"Good Evening everyone. And it's a pleasure to see all of these great people from Fallbrook standing up for themselves. I am a 66 year old widow, I work full-time. I provide in-home companion care for seniors in my community and I love this community. This community has taken care of me, when my husband was sick, and raised over $60,000 for his medical bills. So this is a community that sticks together and takes care of each other. I am barely making it. I'm 66 for goodness sake and I won't retire ever. I saved my home from foreclosure for 3 years and I'm gonna lose it because everything keeps going up. Now here's one thing that I want to know. My bill was between $120 and $130 for many years and I have always been very conservative with water. If it's yellow, it's mellow; if it's brown, flush it down. And I fill up buckets while waiting for my water to get hot before I take a shower every single day and two of the rooms that I rent out to my roommates, they do the same thing. We are very conservative, now I'm not even watering my yard once a week, I had to let my lawn die and I have a drought resistance landscaping for goodness sake. My bill after you put in the new smart meter, I guess is what they are, went up $10 a month every month since those meters were put in. So it went from $150 to $165 to $170 something to $180 something and then all of a sudden month before last, it was $265. Now I ran my late husband's landscaping business for 7 years so I know irrigation. I had everything checked out by a plumber. I know how to repair and install my irrigation and keep it running so there are no leaks. I know what I'm doing. I don't have any problems on my end but your meter doesn't seem to be working properly. When I called up and complained about this, I was told that I had to pay $100 for you to check your meter on your end of it. I also had the pipes coming in from my property to the meter fixed so that there was no leak there. I have no leaks. I know how to look at the meter and read it, check it no leaks. The little asterisk is not spinning, yet my bill is $265, it's never been like that in 14 years, and you want me to pay $100 to fix your problem. I don't think so. That's not okay with me."

45. Question: I'm experiencing a big spike in my bill – is there any relief?

    A big spike in a utility bill is an unfortunate occurrence, and it usually indicates that there may be an unseen issue on a property. The District works with a local non-profit to offer a checkup of a home's water system. Please visit www.watersmartcheckup.org or contact the District for more information.

46. Question: Why do I have to pay $100 to have my meter checked?

    The water meters used by the District are used throughout the U.S. and are subject to strict standards. The meters do wear out and when they do, they typically under-register usage. There is a cost to the District to test meters and if we test it and it is not working properly, we refund the charge. The reason for this charge is it is very unlikely for a meter to over-register usage and we do not have the resources to test every meter when a customer has a concern on their bill. We are in the process of installing newer meters that will allow hourly tracking of use and will help customers see a potential leak before it shows up in a significant way on their bill.

Pat Bennie –
"Well I just wanted to say that that lady's a widow; so am I. I live alone. I don't even have an animal any more. My bill this month was over $500. Over half of that, I live on an acre, but my acre isn't brown. It's got crops and trees and I've maintained it for 12 years. I've lived there and I've maintained the other property I lived at for, well I've been here 18 years. My mother before me moved here in 1969. And what's happened to this community as a result of the cost of water. And when I spoke with you last September, the point I tried to make and clearly didn't was the tiering process is very, very slanted

toward people who have city-size lots and if you want an acre, my water bill – half of it is in that third tier and if I remember correctly, I asked if you would consider, this a year ago, to look at more than 1 tier level. 1,2,3,4,5 whatever it would take, to even some of these costs out, but I noticed again 3 tiers, no discussion on that issue and that is the one thing I really didn't hear a lot about. And for somebody like me, I'm getting nailed every month and my bills last 4 or 5 months have been anywhere from $400 to $500 a month."

47. Question: Why aren't there more tiers in rates to cover costs?

The proposed rates have three tiers that apply uniformly to all domestic, large domestic and multi-family District customers. If additional tiers were established to lessen the cost of outdoor water use for customers with higher water use (home fruit, pools, landscaping), domestic water users (the majority) in the District would be subsidizing the water use of large domestic District customers. This would be illegal, and to many, unfair. Public utilities are tasked with developing rates that cover the costs to provide service.

As for $400-$500 monthly bills, approximately 80% of the cost on these types of invoices for a non-sewer large domestic account comes from the water they are using that we must purchase, the "water charge." As discussed by Acting General Manager Jack Bebee in the Nov. 15 presentation, rising wholesale water costs are the lynchpin of escalating District water costs. For the Metropolitan Water District (MWD) and the San Diego County Water Authority (SDCWA), maintaining and upgrading the infrastructure to bring water to Southern California from the Colorado River and the Sacramento River Delta are substantial components of wholesale costs, along with intensive energy requirements to lift this water over mountain ranges and across deserts. MWD and SDCWA projects to expand infrastructure and strengthen our region's drought resilience also contribute to rising wholesale water costs. Most of the cost on the water charge goes to pay SDCWA and MWD. With their rates going up, the cost of water will also continue to go up.

For water users with extensive landscaping or agriculture, careful monitoring of water use and conservation measures can help counteract rising costs. Some customers are utilizing automated metering (AMI) through our WaterSmart portal to track water usage and set alerts. Catching leaks or unintended water use before it goes to invoice is a powerful tool. For District customers that want to take a closer look at their irrigation systems, the District partners with a local non-profit, Mission Resource Conservation District, to offer irrigation checkups for domestic customers, and agriculture audits for agriculture customers free of charge. Please contact the District for more information on these programs.

Fallbrook Public Utility District
Results Summary
November 2014

Classification	Number of Matches	Top Monthly Salary Data					Total Monthly Compensation Data				
		Fallbrook PUD Top Monthly Salary	Average	% above or below	Median	% above or below	Fallbrook PUD Total Monthly Compensation	Average	% above or below	Median	% above or below
Accountant	11	$7,131	$7,178	-0.7%	$7,069	0.9%	$10,425	$10,862	-4.2%	$10,732	-2.9%
Accounting Supervisor	13	$7,131	$8,500	-19.2%	$8,450	-18.5%	$10,425	$12,659	-21.4%	$12,706	-21.9%
Accounting/Customer Service Assistant II	12	$5,172	$5,293	-2.3%	$5,337	-3.2%	$8,005	$8,514	-6.4%	$8,793	-9.8%
Administrative Office Specialist	12	$5,047	$5,099	-1.0%	$5,176	-2.6%	$7,851	$8,230	-4.8%	$8,320	-6.0%
Administrative Services Manager/Treasurer	14	$13,558	$12,981	4.3%	$13,548	0.1%	$18,986	$18,584	2.1%	$19,598	-3.2%
Assistant General Manager	11	$13,558	$14,948	-10.3%	$15,376	-13.4%	$18,986	$21,064	-10.9%	$21,505	-13.3%
Backflow/Cross Connection Technician	10	$5,571	$6,002	-7.7%	$6,319	-13.4%	$8,498	$9,301	-9.4%	$9,531	-12.2%
Chief Systems Operator	12	$8,579	$8,714	-1.6%	$8,664	-1.0%	$12,378	$12,953	-4.6%	$12,896	-4.2%
Customer Service Representative II	13	$4,351	$4,887	-12.3%	$5,053	-16.1%	$6,991	$8,007	-14.5%	$8,188	-17.1%
Engineering Technician III	7	$6,460	$6,943	-7.5%	$6,914	-7.0%	$9,596	$10,649	-11.0%	$10,856	-13.1%
Environmental Compliance Technician	4	$7,131	$8,704	6.0%	$6,779	4.9%	$10,425	$10,176	2.4%	$10,509	-0.8%
Equipment Technician	8	$5,710	$6,628	-16.1%	$6,764	-18.5%	$8,670	$10,116	-16.7%	$10,003	-15.4%
Foreman	12	$7,680	$8,170	-6.4%	$8,318	-8.3%	$11,103	$12,147	-9.4%	$12,391	-11.6%
Geographical Information System (GIS) Specialist	9	$6,460	$6,689	-3.5%	$6,765	-4.7%	$9,596	$10,172	-6.0%	$9,889	-3.1%
Human Resources Administrator	10	$10,182	$10,973	-7.8%	$10,960	-7.6%	$14,361	$15,716	-9.4%	$15,407	-7.3%
Information Systems Technician	7	$6,460	$6,567	-1.7%	$6,803	-5.3%	$9,596	$10,175	-6.0%	$10,631	-10.8%
Laboratory Technician II	6	$6,621	$5,960	10.0%	$5,790	12.5%	$9,795	$9,266	5.4%	$9,471	3.3%
Lead Plant Operator	11	$6,460	$6,959	-7.7%	$6,843	-5.9%	$9,596	$10,514	-9.6%	$10,856	-13.1%
Maintenance Electrician (Electrical/Instrumentation)	14	$6,150	$6,748	-9.7%	$6,767	-10.0%	$9,213	$10,319	-12.0%	$10,509	-14.1%
Operations Manager	13	$11,748	$12,880	-9.6%	$13,302	-13.2%	$16,229	$18,434	-13.6%	$18,953	-16.8%
Operations Technician	3	$6,460	Insufficient Data to do Analysis				$9,596	Insufficient Data to do Analysis			
Safety and Risk Administrator	12	$7,131	$9,169	-28.6%	$9,155	-28.4%	$10,425	$13,466	-29.2%	$13,072	-25.4%
Secretary	11	$6,956	$7,693	-10.6%	$7,684	-10.5%	$10,208	$11,530	-12.9%	$11,488	-12.5%
Senior Accountant [a]	6	$10,259	$7,411	27.8%	$7,485	27.0%	$14,256	$10,938	23.3%	$11,259	21.0%
Superintendent [a]	11	$10,259	$9,603	6.4%	$9,298	9.4%	$14,256	$14,089	1.2%	$13,257	7.0%
Systems Operator II	11	$5,852	$6,335	-8.3%	$6,434	-9.9%	$8,645	$9,966	-12.7%	$9,900	-11.9%
Utility Worker II	13	$4,924	$5,183	-5.3%	$5,156	-4.7%	$7,699	$8,382	-8.9%	$8,451	-9.8%
Warehouse/Purchasing Specialist	13	$5,172	$5,244	-1.4%	$5,167	0.1%	$8,005	$8,404	-5.0%	$8,590	-7.3%
		ALL	AVG:	-4.6%	AVG:	-5.5%		AVG:	-7.6%	AVG:	-8.6%

B

MEMO

TO: Fiscal Policy & Insurance Committee
FROM: David Shank, Assistant General Manager/CFO
Noelle Denke, Public Affairs
DATE: December 1, 2017
SUBJECT: Final Proposed Water, Recycled Water and Wastewater Rates and Charges

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Purpose

Provide the Committee with the final recommended rates and charges for water, recycled water and wastewater services.

Summary

December's vote on the Proposition 218 noticed proposed rate and charge increases is the culmination of long and thorough financial planning process that began in April of 2017. The process involved extensive community outreach and communications as well as multiple public hearings. Attachment A shows all of the Public Relations actions taken to notify and solicit input from the District's ratepayers.

In preparation for the adoption of rates and charges for calendar year 2018, the water cost data was updated to reflect the adopted water rates from the District's wholesale provider, the San Diego County Water Authority (the "SDCWA"). Prior to this update, estimated SDCWA rate increases were used to determine the District's rate and charge levels.

In addition to updating the water costs, staff also identified some additional cost savings measures. The cost savings measures identified include:

- Consolidation of responsibilities and elimination of a full-time position, which results in approximately $100k/year in savings.
- Automation and improved plant performance, eliminated the need for having two operators at the Water Reclamation Plant on weekends, removing 832 hours or saving $46k a year in budgeted overtime pay.
- Consolidated the Acting GM/District Engineer/Assistant GM roles through March saving the District approximately $40k this budget period.

These actions combined with lower water costs reduced the overall recommended water rate increase in calendar year 2018 from 8% to 6.5%. It is important to note that process occur each year and only the rate and charge increases necessary to meet the financial objectives laid out in the Board's 5-year plan will be passed. The draft resolution, which includes the updated water rates and charges, for the Board is provided as Attachment B.

Recommended Action

Recommend the FP&I Committee support the Proposition 218 water, recycled water and wastewater rate and charge increases, the calendar year 2018 rates and charges as provided in Article 21 and 26 and recommend Board approval.

Attachment A:

Public Relations Outreach Activities

Letters:

- Sewer increase, approximately 5,000 letters, mailed Aug. 18
- TSAWR increase, 360 letters, mailed Aug. 24
- 1" meter customers increase, approximately 1,600 letters, mailed Aug. 28
- Commercial Ag, Gov meter service charge, approximately 365 letters, mailed Aug. 30
- Domestic, Multi-family meter service charge, approximately 79 letters, mailed Aug. 30
- Stand-by increase, approximately 102 letters, mailed Aug. 30
- Pumping cost increase, 36 letters, mailed Aug. 30
- Prop. 218 letters, mailed Sept. 30
- Second round of Prop. 218 letters, mailed Oct. 24

Workshop/meetings

- Mon., May 17, 4 p.m. public hearing with Raftelis Financial Consultants
- Tues., Sept 12, 6 pm for TSAWR customers
- Thurs., Sept. 14, 6 pm for other customers who received letters
- Wed., Nov. 15, 6 pm public workshop

Press release

- Written Sept. 8, appeared in Sept. 14 Village News – front page, top of the fold

Ad/mini newsletters in Village News

- Oct. 5, half-page ad
- Nov. 2, half-page ad
- Nov. 9, half-page ad
- Nov. 23, half-page ad
- Dec. 7, half-page ad

Printed material

- Full-page color handout created for Nov. 15 Public Comment meeting

Web site

- Posted complete cost-of-service study by Raftelis – under "Transparency" and on the home page revolving carousel
- Posted PowerPoint presentation prepared for May board meeting
- Posted PowerPoint presentation prepared for Nov. 15 board meeting
- Posted Prop. 218 letter mailed in October
- Posted (12/1) the Nov. 15 public workshop transcript and District response to speaker questions

RESOLUTION NO. ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT, ADOPTING INCREASES IN WATER, RECYCLED WATER, AND WASTEWATER SERVICE CHARGES, ADOPTING PASS-THROUGH ADJUSTMENTS AND INFLATIONARY INCREASES FOR CERTAIN CHARGES, REVISING THE DISTRICT'S ADMINISTRATIVE CODE, AND TAKING OTHER ACTIONS RELATING THERETO

* * * * *

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 has determined that it is necessary to increase the rates for its water, recycled water, and wastewater services charges (collectively herein, the "Charges") to: (1) maintain the operational and financial stability of the District, including keeping pace with inflation and other cost increases such as water supply costs; (2) comply with State and Federal regulations governing drinking water and the treatment, disposal, and reuse of wastewater; (3) fund capital infrastructure improvements needed to repair and update the District's aging water, recycled water, and wastewater systems; and (4) avoid operational deficits and depletion of reserves; and

WHEREAS, the District retained Raftelis Financial Consultants, Inc., an independent financial consultant, to conduct a cost of service analysis and rate study (the "Rate Study") and assist the District in preparing the proposed rate structure to provides a cost-effective way for meeting the District's increased revenue requirements for providing water service, recycled water service, and wastewater service. The rate structure is set forth in Exhibit A hereto and by this reference incorporated herein, and the Rate Study has been made available on the District's website and at the offices of the District for public inspection; and

WHEREAS, the water service charges are comprised of two components: (1) fixed service charges ("Fixed Water Charges"), which include charges for capital improvement projects (the "Water CIC"), and (2) variable volumetric water consumption charges ("Volumetric Water Charges" and, collectively, the "Water Charges"); and

WHEREAS, the Fixed Water Charges are designed to recover a portion of the District's fixed costs for providing water service, including billing and customer service and meter service costs; and

WHEREAS, the District imposes the Water CIC to fund various water capital improvement projects necessary to provide water service to customers of the District, which is charged based on the size of the meter serving the property; and

WHEREAS, the District's Fixed and Variable Water Charges include charges for certain of the District's water customers for specific services received, including: (1) fixed standby charges ("Standby Service Charge"); (2) fixed charges for private fire systems ("Private Fire Services Charge"); (3) variable pumping charges ("Pumping Charge"); and (4) variable capital improvements charges associated with areas that require pumping (the "Water CIC Pumping"). Customers not receiving such services do not pay such additional charges; and

WHEREAS, the District imposes the Private Fire Service Charge as a fixed charge on certain properties that are additionally served by a private fire service meter as a condition of extending or initiating water service by the installation of a private fire suppression system, and upon the request of the customer or property owner for delivery of water to the property for the purpose of fire protection services, with the Private Fire Service charge determined based on the size of the private fire service meter serving the property. The Private Fire Service Charge is calculated to recover the costs of providing water to such properties for private fire service protection; and

WHEREAS, the District imposes the Standby Service Charge on certain customers who choose to remain connected to the water system, but have opted to not receive water for a period of time including during peaking periods, in order to compensate the District for fixed costs associated with maintaining a connection to the water system, with the Standby Service Charge determined by the size of the meter serving the property; and

WHEREAS, the Volumetric Water Charge is the variable component of the Water Charge, and is imposed per unit of delivered water during a billing period, with one unit equal to one kilogallon of water; and

WHEREAS, the Volumetric Water Charge is designed to recover water supply, reliability, delivery, and conservation costs, as well as a portion of the District's fixed costs, and contains one to three tiers (depending on customer class) imposing higher rates as levels of consumptions increase depending on customer class, all as set forth in Exhibit A hereto; and

WHEREAS, the District has eight customer classes pursuant to which the Volumetric Water Charge is determined: special agriculture water rate ("Ag SAWR"), special agriculture water rate domestic ("Ag Domestic"), domestic and multi-unit residential (collectively "Residential"), commercial agricultural ("Commercial Ag"), commercial domestic agricultural ("Commercial Domestic Ag"), commercial, government, and irrigation; and

WHEREAS, certain customers in the DeLuz High Pressure Service Area ("DSA") and Toyon Heights ("Toyon") will also be charged Pumping Surcharges to compensate the District for the additional cost of electricity necessary to pump water to those areas (the "Pumping Surcharges"), and a Water CIC Pumping charge to pay for capital improvements necessary to serve DSA and Toyon service areas alone, which are both imposed per unit of delivered water, with each unit equaling one kilogallon of water; and

WHEREAS, pursuant to section 375 *et seq.* of the California Water Code, the District previously adopted a Water Shortage Response Program (the "Program"), in order to provide policies, procedures, rules and regulations in the event drought or water shortage conditions exist; and

WHEREAS, the Program establishes four water shortage levels (each a "Level"), which upon declaration will result in a mandatory reduction in water use, during which the District may experience significant losses in revenues due reductions in the amount of purchased water; and

WHEREAS, to offset the impact on its revenues during specified drought Levels, the District further proposes to revise the drought rates applicable upon declaration of one of the Levels set forth in Article 26 of the District's Administrative Code, in accordance with the procedures set forth therein, in order to ensure sufficient revenue to recover its costs of providing service, all as set forth in Exhibit A hereto; and

WHEREAS, the District is not currently charging drought rates, and the drought rates would be implemented only upon declaration of a 1, 2, 3 or 4 drought Level; and

WHEREAS, the District purchases all of its water from the San Diego County Water Authority (the "CWA"), which in turn purchase 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, the RTS and IAC, effective January 1, 2018, are set forth in Exhibit A hereto; and

WHEREAS, recycled water service charges are comprised of two components: (1) fixed service charges ("Fixed Recycled Water Charges"), which are determined on the basis of the size of the meter serving a property (in inches), and (2) variable volumetric recycled water charges ("Volumetric Recycled Water Charges" and, collectively, the "Recycled Water Charges"); and

WHEREAS, the Fixed Recycled Water Charges are designed to recover a portion of the District's fixed costs of providing recycled water service, and the Volumetric Recycled Water Charges recover a portion of the fixed costs, as well as the variable costs of providing recycled water service; and

WHEREAS, the Volumetric Recycled Water Charge is a uniform rate for all recycled water customers regardless of customer class, based on the cost of providing recycled water service; and

WHEREAS, wastewater service charges are comprised of two components: (1) fixed service charges ("Fixed Wastewater Charges"), including a wastewater capital improvements charge (the "Wastewater CIC") to fund improvements and related debt service for the benefit of

the wastewater system, and (2) flow-based wastewater service charges to pay for a portion of the fixed and the variable costs of the wastewater system ("Volumetric Wastewater Charges" and, collectively, "Wastewater Charges"); and

WHEREAS, Fixed Wastewater Charges and Wastewater CIC are charged based on equivalent dwelling units ("EDUs") assigned to a property, which are used to estimate the amount of wastewater returned to the sewer and certain assumptions regarding concentration of wastewater discharged, with single family residential customers assigned one EDU and all other customers assigned a fraction of one EDU or one or more EDUs depending on customer classification, all as set forth in the District's Administrative Code; and

WHEREAS, the Volumetric Wastewater Charges are determined based on total flow, measured in dollars per kilogallon of flow, and customer class, including Ag Domestic, Commercial Domestic Ag, Residential, Government, School, Church and Commercial, with flow for residential customers determined at 75% of average water use (capped at 22 kilogallons per month of water i.e. 16.5 kilogallons for sewer) from December to February, and flow for non-residential customers determined at the return-to-sewer levels set forth in Article 21 and Exhibit B hereto; and

WHEREAS, the Commercial customers are further divided into Low Strength (0-300 average biological oxygen demand ("BOD") and total suspended solids ("TSS"), Medium Strength (300-550 average BOD and TSS) and High Strength (above 550 average BOD and TSS); and

WHEREAS, the revenues derived from the proposed Charges will not exceed the funds required to provide the services and shall be used exclusively for the operation and maintenance of the water, recycled water, and wastewater systems; and

WHEREAS, the Charges are equitable to all customer classes;

WHEREAS, the amount of the proposed Charges will not exceed the proportional cost of the services attributable to each parcel upon which they are proposed for imposition; and

WHEREAS, the proposed Charges will not be imposed on a parcel unless the services are actually used by, or immediately available to, the owner of the parcel; and

WHEREAS, article XIII D, section 6 of the California Constitution ("Article XIII D") requires that prior to imposing any new property-related fee such as the Charges, or increase to existing Charges, the District shall provide written notice (the "Notice") by mail of the proposed increases to the Charges to the record owner of each parcel upon which the Charges are proposed for imposition and any tenant directly liable for payment of the Charges, the amount of the Charges proposed to be imposed on each parcel, the basis upon which the Charges were calculated, the reason for the Charges, and the date time and location of a public hearing (the "Hearing") on the proposed Charges; and

WHEREAS, pursuant to Article XIII D such Notice is required to be provided to the affected property owners and tenants directly liable for the payment of the Charges not less than forty-five days prior to the Hearing on the proposed Charges; and

WHEREAS, the District did provide such Notice to the affected property owners and tenants in compliance with Article XIII D; and

WHEREAS, a public workshop was held on the Charges on November 15, 2017, and a public Hearing was held on December 11, 2017, noticed in the manner and for the time required by law; and

WHEREAS, at the Hearing, the Board of Directors of the District ("Board") considered all written materials and written protests to the proposed new or increased Charges received prior to the close of the Hearing, and heard oral testimony concerning the establishment and imposition of the proposed Charges, and at the close of the Hearing the District determined that it did not receive written protests against the establishment and imposition of the proposed Charges from a majority of the affected property owners or tenants directly liable for the payment of such Charges; and

WHEREAS, the Board of Directors now desires to establish and adopt the proposed Charges for a five-year period, effective January 1, 2018, to authorize the 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 as described in this Resolution, and to authorize revisions to the drought rates for a five-year period, in the maximum amounts set forth in Exhibit A; and

WHEREAS, the Board of Directors has further determined that it is appropriate to amend Articles 21 and 26 of the District's Administrative Code to reflect the new and increased Charges, revised drought rates, and Pass-through Adjustments established herein;

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. Water Charges:

The Board of Directors hereby establishes, adopts and imposes the Water Charges, including the drought rates, Pass-throughs and Pass-through Adjustments, in the maximum amounts, on the dates, and at the maximum rates (including associated tier widths) set forth in Exhibit A, attached hereto and incorporated herein by this reference. The maximum rates for monthly Water Charges shall be applied to water services provided on and after the effective date of each year as set as forth in Exhibit A. The Board shall determine each year the rate at which the Water Charges shall be imposed, provided, however, that the Board may not impose rates for the Water Charges at a level higher than those set forth in Exhibit A hereto. The actual rates to be imposed commencing January 1, 2018, are set forth in Article 21 of the Administrative Code, as amended as set forth in Exhibit B hereto; and

4. Recycled Water Service Fees:

The Board hereby establishes, adopts and imposes the Recycled Water Charges in the maximum amounts, on the dates, and at the maximum rates set forth in Exhibit A. The maximum rates for the monthly Recycled Water Charges shall be effective and applied to recycled water services provided on and after the effective of each year as set forth in Exhibit A. The Board shall determine each year the rate at which the Recycled Water Charges shall be imposed, provided, however, that the Board may not impose rates for the Recycled Water Charges at a level higher than those set forth in Exhibit A hereto. The actual rates to be imposed commencing January 1, 2018, are set forth in Article 21 of the Administrative Code, as amended as set forth in Exhibit B hereto; and

5. Wastewater Service Fees:

The Board hereby establishes, adopts and imposes the monthly Wastewater Charges in the maximum amounts, on the dates, and at the maximum rates set forth in Exhibit A. The maximum rates for the monthly Wastewater Charges set forth in Exhibit A shall be effective and applied to wastewater services provided on and after the effective date of each year as set forth in Exhibit A. The Board shall determine each year the rate at which the Wastewater Charges shall be imposed, provided, however, that the Board may not impose rates for the Wastewater Charges at a level higher than those set forth in Exhibit A hereto. The actual rates to be imposed commencing January 1, 2018, are set forth in Article 21 of the Administrative Code, as amended as set forth in Exhibit B hereto; and

6. Pass Through Adjustments:

(a) The District is hereby authorized to implement any MWD RTS Pass-through Adjustment commencing January 1, 2018, through and including, the calendar year commencing January 1, 2022. Provided, however, that: (1) any increase in the rates for water service fees as a result of any MWD RTS Pass-through Adjustment shall not exceed a 10% increase for the MWD RTS for such year; and (2) in no event shall such rates be increased as a result of a MWD RTS Pass-through Adjustment by more than the cost of providing water service.

(b) The District is hereby authorized to implement any CWA IAC Pass-through Adjustment commencing January 1, 2018, through and including, the calendar year commencing January 1, 2022. Provided, however, that: (1) any increase in the rates for water service fees as a result of any CWA IAC Pass-through Adjustment shall not exceed a 10% increase for the CWA IAC for such year; and (2) in no event shall such rates be increased as a result of a CWA IAC Pass-through Adjustment by more than the cost of providing water service.

(c) Prior to implementing any future increases to the MWD RTS or CWA IAC as a result of a Pass-Through Adjustment, the District General Manager, or his or her designee, is hereby directed and shall provide written notice of any such rate increases to District customers not less than 30 days prior to the effective date of the rate increases. Any such notice may be provided in the regular billing statements of such District water customers. In the event that a Pass-through is implemented in accordance with this Resolution, the District General Manager, or his or her designee, is hereby directed and shall revise the schedule of rates and charges as set forth in Article 21 of the District's Administrative Code.

7. Inflationary Adjustments:

(a) Each July 1, commencing July 1, 2018, through and including July 1, 2022, the District will be authorized to increase the Water CIC in accordance with the Engineering News Record Construction Cost Index of February for Los Angeles of the preceding year ("ENR CCI") plus 3%, not to exceed 10% annually. The Water CIC may not be increased by more than the cost of providing water service, and the District shall provide all customers at least 30 days' written notice prior to implementing any such increase. While the Board is authorized to make such increase on July 1 of each year, no such increase shall go into effect until the following January, commencing with January 1, 2019.

(b) Each July 1, commencing July 1, 2018, through and including July 1, 2022, the District will be authorized to increase the Water CIC Pumping in accordance with the ENR CCI, not to exceed 10% annually. Such rates may not be increased by more than the cost of providing water service, and the District shall provide all customers at least 30 days' written notice prior to implementing any inflationary adjustment. While the Board is authorized to make such increase on July 1 of each year, no such increase shall go into effect until the following January, commencing with January 1, 2019.

(c) Each July 1, commencing July 1, 2018, through and including July 1, 2022, the District will be authorized to increase the Wastewater CIC in accordance with the ENR CCI, for Los Angeles, in an amount not to exceed 10% annually. Such rates may not be increased by more than the cost of providing service, and the District shall provide all customers at least 30 days' written notice prior to implementing any inflationary adjustment. While the Board is authorized to make such increase on July 1 of each year, no such increase shall go into effect until the following January, commencing with January 1, 2019.

8. Drought Rates:

The Board hereby adopts the drought rates in the amounts, on the dates, and at the rates set forth in Exhibit A. The drought rates may be implemented only upon the declaration of a drought Level 1, 2, 3 or 4, as provided in Article 26 of the District's Administrative Code. Any drought rates implemented by the Board shall be in place of the Volumetric Water Charge for those customers subject to drought rates.

9. 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 Articles 21 and 26 of the District's Administrative Code, in substantially the form set forth in Exhibit B hereto, to reflect the new or increased rates for the charges, including the drought rates and Pass-through Adjustments, as set forth in Exhibit A and as approved by the Board of Directors pursuant to this Resolution.

10. 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.

11. 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.

12. 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 11th day of December, 2017, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

_____
President, Board of Directors

ATTEST:

_____
Secretary, Board of Directors

EXHIBIT A

SCHEDULE OF MAXIMUM RATES FOR THE CHARGES EFFECTIVE JANUARY 1, 2018

[see next page]

MAXIMUM RATES FOR WATER CHARGES

MONTHLY WATER FIXED CHARGES

Monthly Water Fixed Charges *($/meter size)*					
	Rates and Effective Date				
Meter Size	**Jan. 1, 2018**	**Jan. 1, 2019**	**Jan. 1, 2020**	**Jan. 1, 2021**	**Jan. 1, 2022**
3/4"	$44.72	$48.30	$52.17	$56.35	$60.86
1"	$68.27	$73.74	$79.64	$86.02	$92.91
1 1/2"	$127.12	$137.29	$148.28	$160.15	$172.97
2"	$197.75	$213.57	$230.66	$249.12	$269.05
3"	$386.09	$416.98	$450.34	$486.37	$525.28
4"	$597.97	$645.81	$697.48	$753.28	$813.55
6"	$1,186.53	$1,281.46	$1,383.98	$1,494.70	$1,614.28
	Monthly Standby Service Charge				
3/4"	$20.06	$21.67	$23.41	$25.29	$27.32
1"	$27.17	$29.35	$31.70	$34.24	$36.98
1 1/2"	$44.93	$48.53	$52.42	$56.62	$61.15
2"	$66.24	$71.54	$77.27	$83.46	$90.14
3"	$123.08	$132.93	$143.57	$155.06	$167.47
4"	$187.02	$201.99	$218.15	$235.61	$254.46
6"	$364.64	$393.82	$425.33	$459.36	$496.11
	Monthly Private Fire Services Charge				
2"	$9.74	$10.52	$11.37	$12.28	$13.27
3"	$10.39	$11.23	$12.13	$13.11	$14.16
4"	$11.51	$12.44	$13.44	$14.52	$15.69
6"	$15.51	$16.76	$18.11	$19.56	$21.13
8"	$22.42	$24.22	$26.16	$28.26	$30.53

Water CIC *($/meter size)*		
Effective January 1, 2018		
Meter Size	**Water CIC (Regular Service)***	**Water CIC (Standby Service)**
3/4"	$8.58	$3.89
1"	$14.30	$6.48
1 1/2"	$28.60	$12.96
2"	$45.76	$20.74
3"	$91.52	$41.47
4"	$143.00	$64.80
6"	$286.00	$129.59

VOLUMETRIC WATER CHARGES

Monthly Water Volumetric Charges and Pumping Charges *($/kgal)*						
		Rates and Effective Dates				
Customer Class		**Jan. 1, 2018**	**Jan. 1, 2019**	**Jan. 1, 2020**	**Jan. 1, 2021**	**Jan. 1, 2022**
Ag SAWR		$4.22	$4.56	$4.93	$5.33*	$5.76*
Commercial Ag		$4.89	$5.29	$5.72	$6.18	$6.68
Ag Domestic						
Tier 1	0 – 5 kgal	$5.69	$6.15	$6.65	$7.19	$7.77
Tier 2	6 – 20 kgal	$4.89	$5.29	$5.72	$6.18	$6.68
Tier 3	Above 20 kgal	$4.22	$4.56	$4.93	$5.33*	$5.76*
Commercial Domestic Ag						
Tier 1	0 – 5 kgal	$5.69	$6.15	$6.65	$7.19	$7.77
Tier 2	Above 5 kgal	$4.89	$5.29	$5.72	$6.18	$6.68
Residential						
Tier 1	0 – 5 kgal	$5.69	$6.15	$6.65	$7.19	$7.77
Tier 2	6 – 30 kgal	$5.79	$6.26	$6.77	$7.32	$7.91
Tier 3	Above 30 kgal	$7.04	$7.61	$8.22	$8.88	$9.60
Commercial		$5.87	$6.34	$6.85	$7.40	$8.00
Government		$5.78	$6.25	$6.75	$7.29	$7.88
Irrigation Only		$5.88	$6.36	$6.87	$7.42	$8.02
Pumping Surcharges *(DSA, Toyon service areas)*		$0.69	$0.75	$0.81	$0.88	$0.96
The SAWR program expires on December 31, 2020. If the SAWR program is not extended, Ag SAWR and Ag Domestic customers (Tier 2 only) will be charged the rates for Commercial Ag customers (i.e. $6.18/kgal effective January 1, 2021, and $6.68/kgal effective January 1, 2022.)						

Water CIC Pumping *($/kgal)*	
Effective January 1, 2018	
Water CIC Pumping	$0.10

MONTHLY WATER MWD RTS AND CWA IAC PASS-THROUGHS

Monthly MWD RTS Charge and CWA IAC *($/meter size)*		
Effective January 1, 2018		
Meter Size	**MWD RTS**	**CWA IAC**
3/4"	$2.34	$2.93
1"	$3.91	$4.88
1 1/2"	$7.79	$9.76
2"	$12.47	$15.62
3"	$24.97	$31.24
4"	$39.01	$48.80
6"	$77.99	$97.60

DROUGHT RATES

2018 Monthly Drought Rates by Drought Levels *($/kgal)*			
Customer Class	**Level 1**	**Level 2**	**Level 3 and 4**
Residential			
Tier 1	$5.98	$6.24	$7.01
Tier 2	$6.08	$6.35	$7.13
Tier 3	$7.40	$7.72	$8.67
Ag Domestic			
Tier 1 only	$5.98	$6.24	$7.01
Commercial Dom Ag			
Tier 1	$5.98	$6.24	$7.01
Tier 2	$5.14	$5.36	$6.02
Uniform			
Commercial Ag	$5.14	$5.36	$6.02
Commercial	$6.17	$6.44	$7.23
Irrigation Only	$6.07	$6.34	$7.12
Government	$6.18	$6.45	$7.24

2019 Monthly Drought Rates by Drought Levels *($/kgal)*			
Customer Class	**Level 1**	**Level 2**	**Level 3 and 4**
Residential			
Tier 1	$6.46	$6.75	$7.57
Tier 2	$6.58	$6.87	$7.71
Tier 3	$7.99	$8.35	$9.37
Ag Domestic			
Tier 1 only	$6.46	$6.75	$7.57
Commercial Dom Ag			
Tier 1	$6.46	$6.75	$7.57
Tier 2	$5.56	$5.80	$6.51
Uniform			
Commercial Ag	$5.56	$5.80	$6.51
Commercial	$6.66	$6.95	$7.81
Irrigation Only	$6.57	$6.86	$7.69
Government	$6.68	$6.98	$7.83

2020 Monthly Drought Rates by Drought Levels *($/kgal)*			
Customer Class	**Level 1**	**Level 2**	**Level 3 and 4**
Residential			
Tier 1	$6.99	$7.29	$8.19
Tier 2	$7.11	$7.43	$8.33
Tier 3	$8.63	$9.01	$10.12
Ag Domestic			
Tier 1 only	$6.99	$7.29	$8.19
Commercial Dom Ag			
Tier 1	$6.99	$7.29	$8.19
Tier 2	$6.01	$6.27	$7.04
Uniform			
Commercial Ag	$6.01	$6.27	$7.04
Commercial	$7.20	$7.51	$8.43
Irrigation Only	$7.09	$7.40	$8.31
Government	$7.22	$7.53	$8.46

2021 Monthly Drought Rates by Drought Levels *($/kgal)*			
Customer Class	**Level 1**	**Level 2**	**Level 3 and 4**
Residential			
Tier 1	$7.55	$7.89	$8.85
Tier 2	$7.69	$8.03	$9.01
Tier 3	$9.33	$9.74	$10.93
Ag Domestic			
Tier 1 only	$7.55	$7.89	$8.85
Commercial Dom Ag			
Tier 1	$7.55	$7.89	$8.85
Tier 2	$6.49	$6.78	$7.61
Uniform			
Commercial Ag	$6.49	$6.78	$7.61
Commercial	$7.77	$8.12	$9.11
Irrigation Only	$7.66	$8.00	$8.97
Government	$7.79	$8.14	$9.13

2022 Monthly Drought Rates by Drought Levels *($/kgal)*			
Customer Class	**Level 1**	**Level 2**	**Level 3 and 4**
Residential			
Tier 1	$8.16	$8.52	$9.56
Tier 2	$8.31	$8.67	$9.74
Tier 3	$10.08	$10.53	$11.82
Ag Domestic			
Tier 1 only	$7.55	$7.89	$8.85
Commercial Dom Ag			
Tier 1	$8.16	$8.52	$9.56
Tier 2	$7.02	$7.33	$8.22
Uniform			
Commercial Ag	$7.02	$7.33	$8.22
Commercial	$8.40	$8.77	$9.85
Irrigation Only	$8.28	$8.64	$9.70
Government	$8.42	$8.80	$9.87

MAXIMUM RATES FOR RECYCLED WATER CHARGES

MONTHLY FIXED RECYCLED WATER CHARGES

Monthly Fixed Recycled Water Charges *($/meter size)*					
	Rates and Effective Dates				
Meter Size	**Jan. 1, 2018**	**Jan. 1, 2019**	**Jan. 1, 2020**	**Jan. 1, 2021**	**Jan. 1, 2022**
3/4"	$20.06	$21.67	$23.41	$25.29	$27.32
1"	$27.17	$29.35	$31.70	$34.24	$36.98
1 1/2"	$44.93	$48.53	$52.42	$56.62	$61.15
2"	$66.24	$71.54	$77.27	$83.46	$90.14
3"	$123.08	$132.93	$143.57	$155.06	$167.47
4"	$187.02	$201.99	$218.15	$235.61	$254.46
6"	$364.64	$393.82	$425.33	$459.36	$496.11

VOLUMETRIC RECYCLED WATER CHARGES

Monthly Volumetric Recycled Water Charges *($/kgal)*					
	Rates and Effective Date				
	Jan 1, 2018	**Jan 1, 2019**	**Jan 1, 2020**	**Jan 1, 2021**	**Jan 1, 2022**
Recycled Water	$4.92	$5.32	$5.73	$6.19	$6.69

MAXIMUM RATES FOR WASTEWATER CHARGES

MONTHLY FIXED WASTEWATER CHARGES

Monthly Fixed Wastewater Charges *($/EDU*/month)*					
	Effective Date				
	Jan 1, 2018	**Jan 1, 2019**	**Jan 1, 2020**	**Jan 1, 2021**	**Jan 1, 2022**
Wastewater ($/EDU)	$9.28	$9.70	$10.14	$10.60	$11.08

*EDUs are defined and set forth in Section 20.7.2 of the District's Administrative Code.

Wastewater CIC ($/EDU/month)	
Effective January 1, 2018	
Wastewater CIC	$11.16

VOLUMETRIC WASTEWATER CHARGES

Monthly Volumetric Wastewater Charges *($/kgal)*					
	Rates and Effective Dates				
Customer Classes	**Jan. 1, 2018**	**Jan. 1, 2019**	**Jan. 1, 2020**	**Jan. 1, 2021**	**Jan. 1, 2022**
Ag Domestic	$9.44	$9.87	$10.32	$10.79	$11.28
Commercial Ag	$9.44	$9.87	$10.32	$10.79	$11.28
Residential (Single, Multi-Family)	$9.44	$9.87	$10.32	$10.79	$11.28
Government	$9.37	$9.80	$10.25	$10.72	$11.21
School	$9.37	$9.80	$10.25	$10.72	$11.21
Church	$9.37	$9.80	$10.25	$10.72	$11.21
Commercial - Low Strength	$9.37	$9.80	$10.25	$10.72	$11.21
Commercial-Med Strength	$11.57	$12.10	$12.65	$13.22	$13.82
Commercial - High Strength	$14.44	$15.09	$15.77	$16.48	$17.23

EXHIBIT B

REVISIONS TO ARTICLES 21 AND 26 OF THE FALLBROOK PUBLIC UTILITY DISTRICT ADMINISTRATIVE CODE EFFECTIVE JANUARY 1, 2018

[commencing on next page]

Article 21. **Water and Sewer Rates and Service Charges.**

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

Effective~~Operations Charges are set at 80% of the fixed costs to run the District's Water Operations. The remaining 20% of fixed costs are collected on the water rates.~~

~~From and after~~ January 1, 2018~~2017, through December 31, 2017~~, the following rates for water deliveries to each class of service are established:

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

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

~~Base Rate. .....$5.74 per unit~~

Domestic (D), Large Lot Domestic (LD~~L/D~~).

1-5 units per month .....$5.62~~21~~ per unit

6-30 units per month .....$5.71~~74~~ per unit

Over 30 units per month .....$6.95~~32~~ per unit

Commercial (C).

All usage~~1-30 units per month~~.....$5.79~~21~~ per unit

~~Over 30 units per month .....$5.74 per unit~~

Multi-Unit (M) (Tier ranges factor residential units, per Article 19.1).

1 - 5 units per month .....$5.62 per unit

6 - 30 units per month .....$5.71~~21~~ per unit

~~6 - 18 units per month .....$5.74 per unit~~

Over 30~~18~~ units per month .....$6.95~~32~~ per unit

Government (G).

All usage~~Usage~~ .....$5.70~~74~~ per unit

Irrigation Only (I).

All usage .....$5.8074 per unit

SAWR - Ag Only (AS).

All usage ..... $4.173.65 per unit

SAWR - Ag & Home (AT).

1-5 units per month .....$5.6221 per unit

6-20 units per month ..... $4.835.74 per unit

Over 20 units per month ..... $4.173.65 per unit

Commercial Ag (CA).

All usage .....$4.8397 per unit

Commercial Ag Domestic (CB).

1-5 units per month .....$5.6221 per unit

~~6-20 units per month .....$5.74 per unit~~

Over 520 units per month .....$4.8397 per unit

Drought Rates

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

Volumetric Recycled Water Rate.

Recycled water furnished within the District service area for any appropriate purpose will be billed at $4.9243 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 $7.17 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 $0.6933 per 1,000 gallons to recover the cost of electricity. An additional $.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.

Sec. 21.2 Monthly FixedOperation Charges.

Effective JanuaryOperations Charges are set at 80% of the fixed costs to run the District's Water Operations. The remaining 20% of fixed costs are collected on the water rates.

From and after July 1, 20182016, 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):

	Classes AS, AT, CA, CB, G			Classes D, L/D, C, M, R
	Water Fixed Charges	Recycled Water Charges	Standby Service Charge	Private Fire Services Charge
3/4 inch meter	$44.1049.01	$20.0641.59	$19.79	NA
1 inch meter	$67.3364.72	$27.17 54.12	$26.80	NA
1-1/2 inch meter	$125.36	$44.93.56	$44.31 $77.23	NA
2 inch meter	$195.01	$66.24	$65.32	$9.61
32 inch meter	$380.73	$123.08	$121.38	$10 $138.25 $113.03
43 inch meter	$589.67 227.48	$187.02	$184.43 39	$11.36
64 inch meter	$1,170.06353.45	$364.64293.17	$359.58	$15.30
86 inch meter	NA$636.95	NA$523.95	NA	$22.11
Standby service, all sizes	$24.78			$24.78

For NA- Not applicable

each additional unit or fraction thereof served through any meter, defined as each additional living unit or separate business, a monthly service charge of $6.55 will be made.

Recycled water service charges are the same as those for potable meters under the Domestic (D), Large Domestic (L/D), Commercial (C) and Multi-unit (M) schedule.

For construction meters, a service charge of $292.52169.55 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 chargecommercial rate for a 2" water meter.

The foregoing fixed~~minimum~~ 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):~~:~~

~~Reduced Pressure Principle Devices~~

For each 3/4 inch device	$4.87~~6.88~~
For each 1 inch device	$5.73~~6.88~~
For each 1-1/2 inch device	$10.59~~9.94~~
For each 2 inch device	$12.71~~9.94~~
For each 3 inch device	$25.40~~11.27~~
For each 4 inch device	$39.68~~15.92~~
For each 6 inch device	$79.34~~19.06~~
~~Recycled Water~~	~~No charge~~

~~Double Check Valves~~

~~For each 3/4 or 1 inch meter~~	~~$5.55~~
~~For each 1-1/2 or 2 inch meter~~	~~$7.29~~
~~For each 3 inch meter~~	~~$7.64~~
~~For each 4 inch meter~~	~~$10.85~~
~~For each 6 inch meter~~	~~$14.34~~

~~The monthly service charge for annual inspection, maintenance, repair and replacement of fire service detector check valve systems will be made as follows:~~

~~For each 2 inch service~~	~~$68.26~~
~~For each 3 inch service~~	~~$78.74~~
~~For each 4 inch service~~	~~$89.22~~
~~For each 6 inch service~~	~~$122.49~~
~~For each 8 inch service~~	~~$155.76~~

Sec. 21.3~~Discount.~~

~~Monthly Discount for bills paid prior to becoming delinquent:~~

~~3/4 inch meter~~	~~$5.00~~
~~1 inch meter~~	~~$5.00~~
~~1-1/2 inch meter~~	~~$5.00~~
~~2 inch meter~~	~~$5.00~~
~~3 inch meter~~	~~$5.00~~
~~4 inch meter~~	~~$5.00~~
~~6 inch meter~~	~~$5.00~~

~~Standby service, all sizes~~	~~$5.00~~

Sec. ~~21.4~~ MWD Readiness-to-Serve Charge (RTS) and SDCWA Infrastructure Access Charge (IAC).

Effective January~~From and after July~~ 1, 2018~~1997~~, 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~~ ~~AS, AT, CA, CB, D, LD, C, M, G~~ ~~¾"~~	~~CWA/IAC~~ RTS*~~$4.00~~	IAC~~$2.82~~
3/4 inch meter~~1"~~	$2.34~~5.50~~	$2.93~~4.51~~
1 inch meter~~-1/2"~~	$3.91~~8.00~~	$4.88~~8.46~~
1-1/2 inch meter~~2"~~	$7.79 ~~12.50~~	$9.76~~14.66~~
2 inch meter~~3"~~	$12.47~~21.00~~	$15.62 ~~27.07~~
3 inch meter~~4"~~	$24.97~~33.00~~	$31.24~~46.25~~
4 inch meter~~6"~~	$39.01~~60.00~~	$48.80~~84.60~~
6 inch meter~~SS~~	$77.99~~2.00~~	$97.60

*A credit to the RTS charge of $0.49/EMU through July will be applied due to an overcollection in the first 6-months. The RTS will be adjusted July 1, 2018 and each subsequent July to match the wholesaler charges.

~~Sec. 21.4.1 MWD IAWP Overuse Penalty~~

~~*MWD lifted all allocations and penalties as of April 2011.*~~

~~Sec. 21.4.2 SAWR/LD/Commercial Ag/Commercial Ag Domestic Penalties.~~

~~Allocations are 85% of the water use for FY 2013-14 usage by month. Penalties for water usage over allocation are evaluated and levied every 6 months.~~

~~Sec. 21.5~~

~~Sec.~~ 21.4 Water Capital Improvement Charge.

For each water account~~ as calculated by this Section~~, an additional $8.58~~9.45~~ per month per Equivalent Meter Unit (EMU) shall be added as a Capital Improvement Charge effective January 1, 2018.~~beginning FY 2014-15.~~ This charge is solely dedicated to funding water capital improvement ~~Water Capital Improvement~~ projects. The Water Capital Improvement Charge (the "CIC") was~~has been~~ implemented to provide a partial funding source for capital projects like~~partially fund the design and build out of~~ 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, not ~~plus 3 percent~~ to exceed 10%.~~at least 2033.~~ Staff will report back to the Board of Directors no less than every five (5) years with analysis of its necessity. The ~~Water~~ Capital Improvement Charge will be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from~~was last analyzed and approved by~~ the Capital Improvement Charge will not be used to fund Operating Costs~~Board of Directors effective July 1, 2013; therefore, the first analysis is required by 2018~~.

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

~~Meter Size FPUD EMU Charge~~

Meter Size	FPUD EMU	Water CIC	Water CIC (Standby Service)
3/4 inch meter~~¾"~~	1.0	$8.58~~9.45~~	$3.89
1 inch meter~~"~~	1.67~~375~~	$14.30~~12.99~~	$6.48
1-1/2 inch meter~~1 ½"~~	3.33~~2.0~~	$28.60~~18.90~~	$12.96
2 inch meter~~"~~	5.33~~3.125~~	$45.76~~29.53~~	$20.74
3 inch meter~~"~~	10.67~~5.25~~	$91.52~~49.61~~	$41.47
4 inch meter~~"~~	16.67~~8.25~~	$143.00~~77.96~~	$64.80
6 inch meter~~"~~	33.33~~15.0~~	$286.00~~141.75~~	$129.59

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

Sec. 21.5~~6~~ Billing Periods.

Billing periods end on the 10th, 20th, and 30th of the month depending on meter location in the District. All charges for water and sewer service and water usage during any billing period are due and payable when rendered and become delinquent on either the 10th, 20th, or 30th of the month, as noted on the bills. Bills paid prior to becoming delinquent will be credited with a discount. Accounts not paid by the delinquent date are sent special delinquent notices and the meters are subject to lock-up for non-payment. Delinquent accounts are subject to a pre lock-up notice implemented by a door hanger on the property, which is delivered a minimum of 48 hours before the meter is locked. Such accounts accrue a $30 lock-up notice fee upon the District's preparation of the final pre lock-up notice report, regardless of when the actual door hanger is placed on the property. Accounts not paid within 30 days after lock-up and accounts that have tampered with the meter to obtain water illegally are subject to removal of meters and permanent disconnection of water service. Standby charges will continue to accrue after the meter has been removed.

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

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

Sec. 21.67 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 a turn-on charge of Fifty Dollars ($50) shall have been paid to the District. There shall be a fee of $30 to process and deliver Pre-Lock Notices and a fee of $100 for broken or damaged locks. Damage to corporation~~corp~~ 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:

Meter Size	Installation Fee
¾" and 1" Meters	$137
1-1/2" and larger	$582

Sec. 21.78 Meter Not Registering.

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

Sec. 21.89 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~~250~~ as of April 1st of each year may be sent notification of intent to place delinquent and unpaid charges on the annual tax roll. The notification will be sent by May 1st and provides the customer 60 days to bring the account current. If the amount is not brought current by July 1st, the portion of the delinquency due as of the prior April 1st may be reported to the County Treasurer for inclusion on the annual taxes levied on the property.

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

Sec. 21.~~89~~.1 Theft of Water.

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

Water Stolen from Customer.

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

Water Stolen from District.

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

Sec. 21.9 Volumetric Wastewater Charges~~21.10 Sewer Rates~~.

Wastewater~~Sewer~~ 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	COMMODITY RATE 1,000 GAL OF SEWAGE
Single Family Residence, Ag Domestic, Multi-Family, Schools, Churches, and Low-Strength Commercial (Average BOD & SS = 0-200)	$8.77
Medium Strength Commercial (Average BOD & SS = 201-600)	$13.27
High Strength Commercial (Average BOD & SS ≥ 601)	$22.28

User Class METER SIZE	Volumetric Wastewater Charge ($/kgal) FIXED CHARGE
Ag. ¾" and All Domestic	$ 9.4416.12
Commercial Ag. Domestic 1"	$ 9.4424.01
Residential (Single , Multi-family) 1 ½"	$ 9.4443.75
Government 2"	$ 9.3767.42
School 3"	$ 9.37122.67
Church 4"	$ 9.37201.60
Commercial – Low Strength* 6"	$ 9.37398.91
Commercial – Medium Strength*	$ 11.57
Commercial – High Strength*	$ 14.44

Appendix A to this Article provides commercial effluent classification.

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

Cusomer Class USER CODE	Return to Sewer Factor RTS
Residential (Multi-Family, Single Family) & SFR	7590%
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%)	
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), volumetric~~, AD, AT, CB),~~ charges are calculated as follows:

1. The 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.

~~1. 75Determined by lowest one-month winter water use from prior fiscal year for period November through March. If all five months are zero, usage will be set to 1. If any one month is equal to zero, next lowest month's usage is used.~~

~~2. 90~~% of this water is assumed to be returned to sewer/billable~~Returned to Sewer (RTS).~~

~~3. FY 2016-17 fixed component based on meter size (see chart).~~

~~4.~~2. ~~FY 2016-17~~ flow. ~~component $8.77/unit.~~

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 4.

~~5.~~1. ~~Use must be > 0 unless customer is on standby.~~

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

6. The 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 per Equivalent Dwelling Unit (EDU). EDUs will be calculated per Administrative Code Sections 20.7.2, 20.7.3, or 20.7.4.
7. 75% of this water is assumed to be returned to sewer/billable flow.
8. The Volumetric Wastewater Charge ($/kgal) is applied to this flow.

~~6. Rate is fixed and remains in effect throughout FY 2016-17.~~

~~7.~~9. Consumption analysis is performed annually. Appeal for consumption is available.

~~8. Cap of 18 units.~~
~~9.~~10. No prior history customer (new customer) will be placed at that customer class median of~~currently~~ 4 times the number of EDUs~~for FY 2016-17~~.
11. Use must be > 0 unless customer is on standby.
12. Use must be > 0 unless customer is on standby.

~~10. Billing cycles are as follows:~~

~~WINTER WATER USE~~	~~CYCLE 1~~	~~CYCLE 2~~	~~CYCLE 3~~
~~November~~	~~October 1st to Nov 1st~~	~~Oct. 10th to Nov 10th~~	~~Oct. 30th to Nov. 30th~~
~~December~~	~~Nov 1st to Dec 1st~~	~~Nov. 10th to Dec 10th~~	~~Nov. 30th to Dec 30th~~
~~January~~	~~Dec 1st to Jan 1st~~	~~Dec 10th to Jan 10th~~	~~Dec 30th to Jan 30th~~
~~February~~	~~Jan 1st to Feb 1st~~	~~Jan 10th to Feb 10th~~	~~Jan 30th to Feb 28th~~
~~March~~	~~Feb 1st to March 1st~~	~~Feb 10th to Mar 10th~~	~~Feb 28th to Mar 30th~~

All other water customer classes (~~M,~~ G, C, A, AT, AS, CA, CB), 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~~RTS~~ factor applied to determine the billable flow~~as determined by customer class~~. 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.

~~4. FY 2016-17 monthly fixed component based on meter size (see chart).~~
~~5. FY 2016-17 flow component for low strength sewage = $8.77/unit~~
~~6. FY 2016-17 flow component for medium strength sewage = $13.27/unit~~
~~7. FY 2016-17 flow component for high strength sewage = $22.28/unit~~

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 2018~~FY 2016-17~~ public elementary school rate is $1.11~~06~~ per person, per month.
4. CY 2018~~FY 2016-17~~ public junior high school and administrative offices rate is $1.62~~55~~ per person, per month.
5. Rates to be increased by the percentage change in the wastewater budget each year.

Sec. 21.10 Monthly Fixed Wastewater Charge.

For each sewer account, Effective January 1, 2018, the Monthly Fixed Wastewater Charge shall be $9.28 per month per Equivalent Dwelling Unit (EDU). EDUs will be calculated per Administrative Code Sections 20.7.2, 20.7.3, or 20.7.4.

Sec. 21.10.1 Wastewater Capital Improvement Charge.

For each ~~sewer~~ account, an additional $11.16~~10.84~~ per month per Equivalent Dwelling Unit (EDU) shall be added as a Wastewater Capital Improvement Charge Effective January 1, 2018.~~beginning FY 2016-17.~~ This charge is dedicated to

Wastewater Debt Service and Wastewater Capital Improvements. The Wastewater Capital Improvement Charge has been implemented to partially fund the debt service payments for upgrades to the Wastewater Treatment Plant. EDUs will be calculated per Administrative Code Sections 20.7.2, 20.7.3, or 20.7.4. This Capital Improvement Charge will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, not to exceed 10%. Staff will report back to the Board of Directors every five (5) years with analysis of its necessity. The Capital Improvement Charge will only be used to fund capital improvement projects or debt service for capital improvement projects. Revenue from the Capital Improvement Charge will not be used to fund Operating Costs.

~~Sec. 21.11 Allocations and Special Water Conservation Rates.~~

~~When it is considered critical for the well being of the citizens within the District that all existing water supplies be husbanded and future available imported supplies be fairly and uniformly allocated among the District's customers so that water essential for domestic use, sanitation, and fire protection will remain available through the duration of the drought, the Board of Directors may implement special water pricing.~~

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

Article 26. Water Shortage Response Program.

Sec. 26.1 Declaration of Policy.

California Water Code Sections 375 et seq. permit public entities which supply water at retail to adopt and enforce a water conservation program to reduce the quantity of water used by the people therein for the purpose of conserving the water supplies of such public entity. The Board of Directors hereby establishes a comprehensive water conservation program pursuant to California Water Code Sections 375 et seq., based upon the need to conserve water supplies and to avoid or minimize the effects of any future shortage.

Sec. 26.1.1 TSAWR Reduction Program.

The San Diego County Water Authority Transitional Special Agricultural Water Program (TSAWR) provides discounted wholesale supply and treatment pricing for qualified agricultural users within its service area on the basis that participants receive non-firm, interruptible supply up to the maximum allowed under Article 162 of the SDCWA Administrative Code. During periods of water shortages imposed by the Metropolitan Water District (MWD), those customers who are participating in the TSAWR shall abide by the conditions set forth by SDCWA for implementation of the TSAWR Reduction Program. TSAWR customers shall be notified of impending drought restrictions within (14) days of the Board's declaration of a water shortage. Administration of the TSAWR Reduction Plan is incorporated by reference in Article 19 of this Administrative Code.

Sec. 26.1.2 TSAWR Reduction Compliance.

When SDCWA imposes a mandatory use reduction, TSAWR customers must be prepared to reduce consumption by complying with a water allocation, or water use target. Water consumed during each billing period will be compared to the assigned target. Any use below the target will be accumulated and carried forward. The customer's cumulative use will be compared with the cumulative target, and any total usage above the target will be billed at the "above average" rates. This cumulative comparison will continue for the duration of the fiscal year. Below target usage "credits" will be carried forward until the cumulative target is exceeded, at which time, all cumulative "over target" use will be billed at the "above target" rates. The cumulative comparison process will start over in the next fiscal year.

Upon written request, customers shall reserve the right to "group" accounts and adjust, or "smooth", alloctations to facilitate compliance.

In accordance with the MWD Water Supply Allocation Plan (WSAP), any person that uses water in excess of the allocation shall be subject to a penalty, structured as an "Allocation Surcharge". Currently, the "Allocation Surcharge" for each unit of usage greater than the allocation but less than 115% of the allocation is $1,480 per acre-foot, and the penalty for each unit of water in excess of 115% of the allocation is $2,960 per acre-foot. The Penalty Rate is charged over and above the water rates for the use of water.

Sec. 26.2 Findings.

The Board of Directors finds and determines that a water shortage could exist as a result of a general regional water supply shortage due to increased demand or limited supplies.

The Board of Directors also finds and determines that the conditions prevailing in the coastal San Diego County area require that the water resources available be put to maximum beneficial use to the extent to which they are capable, and that the waste or unreasonable use, or unreasonable method of use, of water be prevented and that the conservation of such water encouraged with a view to the maximum reasonable and beneficial use thereof in the interests of the people of the Fallbrook Public Utility District and for the public welfare.

NORMAL CONDITIONS. The District's service area is in a semi-arid climate. Good water management practices dictate that water be used wisely and not wasted at any time. Customers are requested to follow the guidelines presented in Sec. 26.8.1. Under Normal Conditions, the District will provide public education and outreach efforts to emphasize public awareness of the need to always voluntarily use water wisely and practice water conservation measures.

Sec. 26.3 Application.

The provisions of this Administrative Code shall apply to all water served to persons, customers, and property by the Fallbrook Public Utility District.

Sec. 26.4 Determination and Declaration by General Manager of Water Supply Conditions.

Based on information provided by the District's wholesale water agency of water availability supplies, the Fallbrook Public Utility District General Manager (or in the General Manager's absence his designee) is hereby authorized and directed to implement the provisions of this Administrative Code. Additionally, the General Manager (or in the General Manager's absence, his designee) is hereby authorized to make minor and limited exceptions to prevent undue hardship or unreasonable restrictions, provided that water shall not be wasted or used unreasonably and the purpose of this Administrative Code can be accomplished. Any such exceptions shall be reported to the Board of Directors at the next meeting.

The General Manager (or in the General Manager's absence his designee) shall from time to time based upon all available data determine and declare whether the District's water supply is in the following condition and post a notice thereof in the District's lobby and publish said notice in the local newspaper:

WATER SHORTAGE RESPONSE LEVEL 1 – WATER SHORTAGE WATCH CONDITION. This level applies when the San Diego County Water Authority notifies its member agencies that due to water shortage or other supply reductions, there is a reasonable probability there will be supply shortages and that a consumer demand reduction of up to 10 percent is required in order to ensure that sufficient supplies will be available to meet anticipated demands. The General Manager shall declare the existence of a Water Shortage Response Level 1 condition and take action to implement the Level 1 conservation practices identified in Sec. 26.8.2. The District will suspend consideration of annexations to its service area.

The Board of Directors shall from time to time based upon all available data determine and declare whether the District's water supply is in one of the following conditions and post a notice thereof in the District's lobby and publish said notice in the local newspaper:

WATER SHORTAGE RESPONSE LEVEL 2 – WATER SHORTAGE ALERT CONDITION. This level applies when the San Diego County Water Authority notifies its member agencies that due to cutbacks caused by water shortages or other reduction in supplies, a consumer demand reduction of up to 20 percent is required in order to have sufficient supplies available to meet anticipated demands. The Board of Directors shall declare the existence of a Water Shortage Response Level 2 condition and implement the mandatory Level 2 conservation measures identified in Sec. 26.8.3. The District will suspend consideration of annexations to its service.

WATER SHORTAGE RESPONSE LEVEL 3 – WATER SHORTAGE CRITICAL CONDITION. This level applies when the San Diego County Water Authority notifies its member agencies that due to increasing cutbacks caused by water shortages or other reduction of supplies, a consumer demand reduction of up to 40 percent is required in order to have sufficient supplies available to meet anticipated demands. The Board of Directors shall declare the existence of a Water Shortage Response Level 3 condition and implement the Level 3 conservation measures identified in Sec. 26.8.4. The District will suspend consideration of annexations to its service area and no new potable water service shall be provided and no statements of immediate ability to serve or provide potable water service shall be issued.

WATER SHORTAGE RESPONSE LEVEL 4 – DROUGHT EMERGENCY CONDITION. This level applies when the San Diego County Water Authority Board of Directors declares a water shortage emergency pursuant to California Water Code Section 350 and notifies its member agencies that Level 4 requires a demand reduction of more than 40% in order for the District to have maximum supplies available to meet anticipated demands. The District shall declare a Water Shortage Emergency in the manner and on the grounds provided in California Water Code Section 350.

The General Manager is authorized to require submission of water use curtailment plans from those users having the largest effect on overall District consumption in order to protect the minimum supplies necessary to provide for public health, sanitation, and fire protection. Failure to provide curtailment plans in a timely manner or plans that do not meet the required cutbacks shall authorize the District to install flow restrictors at the meter or termination of service.

Sec. 26.5 Implementation of Emergency Water Management Program.

California Water Code Sections 375 et seq. permit public entities which supply water at retail to adopt and enforce a water conservation program to reduce the quantity of water used by the people therein for the purpose of conserving the water supplies of such public entity.

At such time when the Board of Directors of the District finds and determines that by reason of an anticipated general water supply shortage, inadequate San Diego County Water Authority distribution facilities, or the prospect of a major failure of the supply and distribution facilities of the Metropolitan Water District of Southern California exists, the Board may adopt and enforce a water conservation program to reduce the quantity of water used by the people therein for the purpose of conserving the water supplies of such public entity. Upon adoption of a water conservation program, the district shall provide

notice to customers within (14) days of the Board's declaration of a water shortage. In addition, the Board may also find and determine that the conditions prevailing in the coastal San Diego county area require that the water resources available be put to maximum beneficial use to the extent to which they are capable, and that the waste or unreasonable use, or unreasonable method of use, of water be prevented and that the conservation of such water encouraged with a view to the maximum reasonable and beneficial use thereof in the interests of the people within the Fallbrook Public Utility District service area and for the public welfare.

The General Manager shall determine the extent of the emergency conservation required in order for the District to prudently plan for and supply water to its customers. Thereafter, the General Manager may order that the Emergency Water Management Program be implemented or terminated in accordance with the applicable provisions of this Article of the Administrative Code. The declaration of a water emergency shall be made by public announcement and notice shall be published a minimum of three (3) consecutive times in a newspaper of general circulation and shall become effective immediately upon announcement.

The declaration shall be reported to the Board of Directors at its next regular meeting. The Board of Directors shall thereupon ratify the declaration or rescind the declaration, and may adopt such additional rules and regulations to limit water use during the emergency as it deems appropriate.

Sec. 26.6 Duration of Declaration.

As soon as a particular condition is declared to exist, the water conservation measures provided for herein for that condition shall apply to all District water service until a different condition is declared.

Sec. 26.7 Mandatory and Discretionary Use of Recycled Water.

Nothing in this Administrative Code shall prohibit or limit the use of recycled water for any purposes listed herein. No customer of the District shall make, cause, use or permit the use of potable water supplied by the District for construction grading on major subdivisions, paved surface cleaning, or greenbelt uses, including, but not limited to, cemeteries, playing fields, parks, and highway landscaped areas, when, following notice and a hearing, the District finds that recycled water is available under the following conditions:

1. The recycled water is of adequate quality and is available for use.

2. The recycled water may be furnished to such areas at a reasonable cost, equal to or less than the cost of supplying potable domestic water.

3. The State Department of Health Services has determined that such use would not be detrimental to public health.

4. The use of recycled water will not adversely affect downstream water rights, and will not degrade water quality.

Sec. 26.8 Water Conservation Stages.

Sec. 26.8.1 NORMAL CONDITIONS.

During Normal Conditions, customers are asked to use water wisely and to practice water conservation measures so that water is not wasted.

No water furnished by the District will be wasted. All water withdrawn from District facilities shall be put to reasonable beneficial use. District water users shall comply with the following water use prohibitions and conservation measures at all times:

1. Do not wash down paved surfaces, including but not limited to sidewalks, driveways, parking lots, tennis courts, or patios, except when it is necessary to alleviate safety or sanitation hazards.

2. Eliminate water waste resulting from inefficient landscape irrigation, such as runoff, low head drainage, or overspray, etc. Similarly, stop water flows onto non-targeted areas, such as adjacent property, non-irrigated areas, hardscapes, roadways, or structures.

3. Irrigate residential and commercial landscape before 10 a.m. and after 6 p.m. only.

4. Use a hand-held hose equipped with a positive shut-off nozzle or bucket to water landscaped areas, including trees and shrubs located on residential and commercial properties that are not irrigated by a landscape irrigation system.

5. Irrigate nursery and commercial grower's products before 10 a.m. and after 6 p.m. only. Watering is permitted at any time with a hand-held hose equipped with a positive shut-off nozzle, a bucket, or when a drip/micro-irrigation system/ equipment is used. Irrigation of nursery propagation beds is permitted at any time. Watering of livestock is permitted at any time.

6. Use re-circulated water to operate ornamental fountains.

7. Wash vehicles using a bucket and a hand-held hose with positive shut-off nozzle, mobile high pressure/low volume wash system, or at a commercial site that re-circulates (reclaims) water on-site. Avoid washing during hot conditions when additional water is required due to evaporation.

8. The irrigation with potable water of ornamental turf on public street medians is prohibited.

9. The application of potable water to outdoor landscapes during or within 48 hours of measurable rainfall is prohibited

10. The irrigation with potable water of landscapes outside of newly constructed homes and buildings in a manner inconsistent with regulations or other requirements established by the County of San Diego's Landscape Ordinance.

11. Serve and refill water in restaurants and other food service establishments only upon request.

12. Offer guests in hotels, motels, and other commercial lodging establishments the option of not laundering towels and linens daily.

13. Repair all water leaks within five (5) days of notification by the Fallbrook Public Utility District unless other arrangements are made with the General Manager.

14. Use recycled or non-potable water for construction purposes when available.

Sec. 26.8.2 WATER SHORTAGE RESPONSE LEVEL 1 – WATER SHORTAGE WATCH CONDITION.

During a Level 1 Water Shortage Watch condition, the District will increase its public education and outreach efforts to emphasize increased public awareness of the need to implement water conservation practices.

All persons using District water shall comply with Normal Conditions water conservation practices during a Level 1 Water Shortage Watch, as identified in Sec. 26.8.1~~2~~.

Upon declaration of a Level 1 Water Shortage Watch condition, the District will suspend consideration of annexations to its service area except under the following circumstances:

1. The applicant provides substantial evidence of an enforceable commitment that water demands for the project will be offset prior to the provision of a new water meter(s) to the satisfaction of Fallbrook Public Utility District.

Sec. 26.8.3 WATER SHORTAGE RESPONSE LEVEL 2 – WATER SHORTAGE ALERT CONDITION.

During a Level 2 Water Shortage Alert condition, all persons using District water shall comply with Normal and Level 1 Water Shortage Watch water conservation practices during a Level 2 Water Shortage Alert, as identified in Sec. 26.8.1~~2~~ and 26.8.2~~3~~, and shall also comply with the following additional conservation measures:

1. During the months of June through October, limit residential and commercial landscape irrigation to no more than two (2) days per week on a schedule established by the General Manager and posted by the Fallbrook Public Utility District. During the months of November through May, landscape irrigation is limited to no more than once per week on a schedule established by the General Manager and posted by the Fallbrook Public Utility District. During extreme Santa Ana conditions (temperature > 80 and easterly winds > 20 mph), one additional day per week of watering is allowed. This section shall not apply to commercial growers or nurseries. This provision does not apply to landscape irrigation systems using water efficient devices, including but not limited

to: weather based controllers, drip/micro-irrigation systems and stream rotor sprinklers.

2. Limit lawn watering and landscape irrigation using sprinklers to no more than ten (10) minutes per watering station per assigned day. This provision does not apply to landscape irrigation systems using water efficient devices, including but not limited to: weather based controllers, drip/micro-irrigation systems and stream rotor sprinklers.

3. Water landscaped areas, including trees and shrubs located on residential and commercial properties, and not irrigated by a landscape irrigation system governed by section 5 (b) (1), on the same schedule set forth in section 5 (b) (1) by using a bucket, hand-held hose with a positive shut-off nozzle, or low-volume non-spray irrigation.

4. Repair all leaks within seventy-two (72) hours of notification by the Fallbrook Public Utility District unless other arrangements are made with the General Manager.

For Levels 2 and above, the District may establish a water allocation for property served by the Fallbrook Public Utility District using a method that does not penalize persons for the implementation of conservation methods or the installation of water saving devices and allows for the banking and subsequent use of unused allocations. ~~For domestic and multi-unit classes, the district may instead of allocations establish a tiered pricing structure which promotes conservation. These rates shall be calculated as follows:~~

~~**Normal/Shortage Level 1**~~

~~Domestic & Large Lot Domestic~~	~~Multi-Unit~~
~~Units 1-5 @ .90 x Base Rate~~	~~Units 1-5 @ .90 x Base Rate~~
~~Units 6-30 @ Base Rate~~	~~Units 6-18 @ Base Rate~~
~~Units 31+ @ 1.1 x Base Rate~~	~~Units 19+ @ 1.1 x Base Rate~~

~~**Shortage Level 2**~~

~~Domestic & Large Lot Domestic~~	~~Multi-Unit~~
~~Units 1-5 @ .90 x Base Rate*~~	~~Units 1-5 @ .90 x Base Rate~~
~~Units 6-27 @ Base Rate~~	~~Units 6-17 @ Base Rate~~
~~Units 28-54 @ 1.5 x Base Rate~~	~~Units 18-34 @ 1.5 x Base Rate~~
~~Units 55-81 @ 1.75 x Base Rate~~	~~Units 35-50 @ 1.75 xBase Rate~~
~~Units 82+ @ 2 x Base Rate~~	~~Units 51+ @ 2 x Base Rate~~

~~**Shortage Level 3**~~

~~Domestic & Large Lot Domestic~~	~~Multi-Unit~~
~~Units 1-5@ .90 x Base Rate*~~	~~Units 1-5 @ .90 xBase Rate~~
~~Units 6-22 @ Base Rate~~	~~Units 6-14 @ Base Rate~~

~~Units 23-45 @ 1.75 x Base Rate~~	~~Units 15-22 @ 1.75 x Base Rate~~
~~Units 46-67 @ 2 x Base Rate~~	~~Units 23-31 @ 2 x Base Rate~~
~~Units 68+ @ 2.5 x Base Rate~~	~~Units 32+ @ 2.5 x Base Rate~~

~~**Shortage Level 4**~~

~~Domestic & Large Lot Domestic~~	~~Multi-Unit~~
~~Units 1-5 @ .90 x Base Rate~~	~~Units 1-5 @ .90 x Base Rate~~
~~Units 6-15 @ Base Rate~~	~~Units 6-9 @ Base Rate~~
~~Units 16-30 @ 2 x Base Rate~~	~~Units 10-18 @ 2 x Base Rate~~
~~Units 31-45 @ 2.5 x Base Rate~~	~~Units 19-27 @ 2.5 x Base Rate~~
~~Units 46+ @ 3 x Base Rate~~	~~Units 28+ @ 3 x Base Rate~~

~~**(See attached "Domestic Class Block Ranges at Different Shortage Levels" bar graph for conservation rates effective July 2014.)**~~

If the District establishes a water allocation it shall provide notice of the allocation within (14) days of its establishment by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for ongoing water service. The following customer classes are subject to allocations: Commercial Agriculture (CA), Commercial Agriculture Domestic (CB), Commercial (C), Government (G), and Irrigation (I). Following the effective date of the water allocation as established by the District, any person that uses water in excess of the allocation shall be subject to a penalty in the amount of 1.5 times the Base Rate, for each unit of usage greater than the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation of this ordinance.

This provision shall not be construed to preclude the resetting or turn-on of meters to provide continuation of water service or to restore service that has been interrupted for a period of one year or less.

Sec. 26.8.4 WATER SHORTAGE RESPONSE LEVEL 3 – WATER SHORTAGE CRITICAL CONDITION.

During a Level 3 Water Shortage Critical condition, all persons using District water shall comply with Normal, Level 1 Water Shortage Watch and Level 2 Water Shortage Alert water conservation practices during a Level 3 Water Shortage Critical condition and shall also comply with the following additional mandatory conservation measures:

1. During the months of June through October, limit residential and commercial landscape irrigation to no more than two (2) assigned days per week on a schedule established by the General Manager and posted by the Fallbrook Public Utility District. This section shall not apply to commercial growers or nurseries.

2. Water landscaped areas, including trees and shrubs located on residential and commercial properties, and not irrigated by a landscape irrigation system

governed by section 6 (b) (1), on the same schedule set forth in section 6 (b) (1) by using a bucket, hand-held hose with a positive shut-off nozzle, or low-volume non-spray irrigation.

3. Stop filling or re-filling ornamental lakes or ponds, except to the extend needed to sustain aquatic life, provided that such animals are of significant value and have been actively managed within the water feature prior to declaration of a drought response level under this ordinance.

4. Stop washing vehicles except at commercial carwashes that recirculate water, or by high pressure/low volume wash systems.

5. Repair all leaks within forty-eight (48) hours of notification by the Fallbrook Public Utility District unless other arrangements are made with the General Manager.

Sec. 26.8.5 WATER SHORTAGE RESPONSE LEVEL 4 – WATER SHORTAGE EMERGENCY CONDITION.

During a Level 4 Water Shortage Emergency condition, all persons using District water shall comply with Normal, Level 1 Water Shortage Watch, Level 2 Water Shortage Alert, and Level 3 Water Shortage Critical water conservation practices during a Level 4 Water Shortage Emergency and shall also comply with the following additional mandatory conservation measures:

1. Stop all landscape irrigation, except crops and landscape products of commercial growers and nurseries. This restriction shall not apply to the following categories of use unless the Fallbrook Public Utility District has determined that recycled water is available and may be lawfully applied to the use.

   A. Maintenance of trees and shrubs that are watered on the same schedule set forth in section 6 (b) (1) by using a bucket, hand-held hose with a positive shut-off nozzle, or low-volume non-spray irrigation;

   B. Maintenance of existing landscaping necessary for fire protection as specified by the Fire Marshal of the local fire protection Fallbrook Public Utility District having jurisdiction over the property to be irrigated;

   C. Maintenance of existing landscaping for erosion control;

   D. Maintenance of plant materials identified to be rare or essential to the well being of rare animals;

   E. Maintenance of landscaping within active public parks and playing fields, day care centers, school grounds, cemeteries, and golf course greens, provided that such irrigation does not exceed two (2) days per week according to the schedule established under section 6 (b) (1);

F. Watering of livestock; and

G. Public works projects and actively irrigated environmental mitigation projects.

2. Repair all water leaks within twenty-four (24) hours of notification by the Fallbrook Public Utility District unless other arrangements are made with the General Manager.

The District may establish a water allocation for property served by the District. If the District establishes a water allocation it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for ongoing water service. Following the effective date of the water allocation as established by the District, any person that uses water in excess of the allocation shall be subject to a penalty in the amount 1.5 times the Base Rate, for each unit of usage greater than the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation of this ordinance.

3. (TSAWR) customers as defined in the San Diego County Water Authority (SDCWA) Administrative Code must abide by any TSAWR restrictions that may be in place.

Water consumed during each billing period will be compared to the assigned target. Any use below the target will be accumulated and carried forward. The customer's cumulative use will be compared with the cumulative target, and any total usage above the target will be billed at the "above target" rates. This cumulative comparison will continue for the duration of the fiscal year. Below target usage "credits" will be carried forward until the cumulative target is exceeded, at which time, all cumulative "over target" use will be billed at the "above target" rates and the cumulative comparison process will start over in the next fiscal year.

Sec. 26.8.6 Drought Rates

Drought Rates would be implemented during declaration of Levels 1, 2, 3 and 4 described above. Drought Rates would only be in effect during declared drought Levels 1-4. The effective January 1, 2018 the Drought Rates during drought Levels 1-4 are set forth in the tables below:

2018 Monthly Drought Rates by Drought Levels *($/kgal)*			
Customer Class (See Article 21 for class definitions)	**Level 1**	**Level 2**	**Level 3 and 4**
Residential (D, LD,M)			
Tier 1	$5.91	$6.16	$6.92
Tier 2	$6.00	$6.26	$7.03
Tier 3	$7.30	$7.62	$8.56
Ag. Domestic (AT)			

Tier 1	$5.91	$6.16	$6.92
Tier 2*	$4.83	$4.83	$4.83
Tier 3*	$4.17	$4.17	$4.17
Commercial Domestic Ag. (CB)			
Tier 1	$5.91	$6.16	$6.92
Tier 2	$5.08	$5.30	$5.95
Agriculture TSAWR (AS)*	$4.17	$4.17	$4.17
Commercial Ag (CB)	$5.08	$5.30	$5.95
Commercial (C)	$6.08	$6.35	$7.13
Irrigation Only (I)	$6.07	$6.34	$7.12
Government (G)	$5.99	$6.25	$7.02

*TSAWR customers must implement cuts to water use during drought restrictions or face penalties. Program compliance is discussed above in Section 26.1.2.

Sec. 26.9 Implementation of Conservation Levels.

The General Manager shall monitor the projected supply and demand for water by its customers on a daily basis. The General Manager shall determine the extent of the conservation required through the implementation and/or termination of particular conservation stages in order for the District to prudently plan for and supply water to its customers. Thereafter, the General Manager may order or recommend to the Board of Directors that the appropriate level of water conservation be implemented or terminated in accordance with the applicable provision of this Administrative Code. The declaration of any level beyond Water Shortage Response Level 1shall be made by public announce-ment and notice shall be published a minimum of three (3) consecutive times in a newspaper of general circulation. The level designated shall become effective immediately upon announcement. The declaration of any level beyond Water Shortage Response Level 1 shall be by action of the Board of Directors.

Sec. 26.10 Variances.

If, due to unique circumstances, a specific requirement of this Article of the Administrative Code would result in undue hardship to a person using District water or to property upon which the District water is used, that is disproportionate to the impacts to the District water users generally or to similar property or classes of water uses, then the person may apply for a variance to the requirements as provided in this section.

The variance may be granted or conditionally granted, only upon a written finding of the existence of facts demonstrating an undue hardship to a person using District water or to property upon with the District water is used, that is disproportionate to the impacts to the District water users generally or to similar property or classes of water use due to specific and unique circumstances of the user or the user's property.

A completed appeal shall describe the specific reason(s) the allocation is causing undue hardship, including the following:

1. Commercial buildings that were empty or partially occupied during base period but are now occupied to a greater degree and require more water.

2. A grove with new trees planted a year before the base period began that, in the third year of growth, would need additional water.

3. Agricultural land used for annual crops that had abnormally low irrigation application during the base year.

4. An unexpected emergency line break, or equipment malfunction that has since been fixed.

5. Loss or reduction of an alternative water source, such as a well or pond.

6. Other, with a detailed description.

Sec. 26.10.1 Application.

Application for a variance shall be a form prescribed by Fallbrook Public Utility District.

Sec. 26.10.2 Supporting Documentation.

The application shall be accompanied by photographs, maps, drawings, and other information, including a written statement of the applicant.

Sec. 26.10.3 Required Findings for Variance.

An application for a variance shall be denied unless the approving authority finds, based on the information provided in the application, supporting documents, or such additional information as may be requested, and on water use information for the property as shown by the records of the Fallbrook Public Utility District, all of the following:

A. That the variance does not constitute a grant of special privilege inconsistent with the limitations upon other Fallbrook Public Utility District customers.

B. That because of special circumstances applicable to the property or its use, the strict application of this ordinance would have a disproportionate impact on the property or use that exceeds the impacts to customers generally.

C. That the authorizing of such variance will not be of substantial detriment to adjacent properties, and will not materially affect the ability of the Fallbrook Public Utility District to effectuate the purpose of this chapter and will not be detrimental to the public interest.

D. That the condition or situation of the subject property or the intended use of the property for which the variance is sought is not common, recurrent or general in nature.

Sec. 26.10.4. Approval Authority.

The General Manager or his/her designee shall exercise approval authority and act upon any completed application no later than 20 days after submittal and may approve, conditionally approve, or deny the variance. The applicant requesting the variance shall be promptly notified in writing of any action taken. Unless specified otherwise at the time a variance is approved, the variance applies to the subject property during the term of the mandatory drought response.

Sec. 26.10.5 Appeals to Fallbrook Public Utility District Board of Directors.

An applicant may appeal a decision or condition of the General Manager on a variance application to the Fallbrook Public Utility District Board of Directors within 10 days of the written decision upon written request for a hearing. The request shall state the grounds for the appeal. Any determination not appealed within ten (10) days is final. At a public meeting, the Fallbrook Public Utility District Board of Directors shall act as the approval authority and review the appeal de novo by following the regular variance procedure. The decision of the Fallbrook Public Utility District Board of Directors is final.

ARTICLE 26
Sec. 26.6 – Rev. 7/97 Sec. 26.4, Sec. 26.5, Sec. 26.8.2 – Rev. 10/07 Article 26 revised in its entirety – 6/08 Sec. 26.8.3, 26.9, 26.10 , 26.10.1, 26.10.2, 26.10.3, 26.10.4, 26.10.5, and addition of Domestic Class and Multi-Unit Class rates– Rev. 6/09 Sec. 26.8.3 – Rev. 10/09 Sec. 26.8.3 – Rev. 5/11 Sec. 26.8.3 – Rev. 8/14 Sec. 26.11 – Rev 6/15 Secs. 26.1.1, 26.1.2, 26.4, 26.5, 26.8.3, 26.8.5, 26.10, 26.10.1, 26.10.4, 26.10.5, 26.11 – Rev. 3/16 Secs. 26.8.1, 26.8.3 – Rev. 6/16 Secs. 26.8.2, 26.8.3, 26.8.6 – Rev. 12/17