

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 $(8\% \times 50 + 4.5\% \times 50) = \$4 + \$2.25$ 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.”

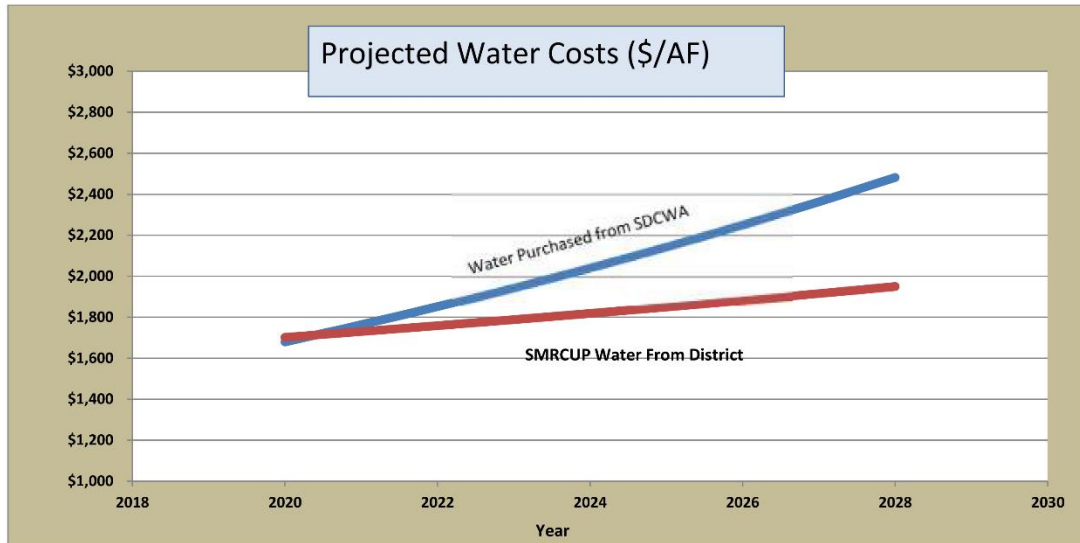
6. Question: Why was there no water charged on my bill last month?

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).



- 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 measure 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 Coxé –

“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. FPUUD 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 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 avocados, you can’t do it. You need 5 acre-feet a year on an avocado tree if you want to be successful raising avocados. 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 standby 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. Secondly, 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	\$6,704	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%	\$8,845	\$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%