



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

AGENDA

**MONDAY, MARCH 27, 2023
4:00 P.M.**

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

THIS MEETING WILL BE HELD AT THE BELOW DATE, TIME, AND LOCATION AND MEMBERS OF THE PUBLIC MAY ATTEND IN PERSON AT THE DISTRICT OFFICE LOCATED AT 990 E. MISSION RD., FALLBROOK, CA 92028. FOR THE CONVENIENCE OF MEMBERS OF THE PUBLIC WHO DO NOT WISH TO ATTEND IN PERSON, FALLBROOK PUBLIC UTILITY DISTRICT PROVIDES A MEANS TO OBSERVE AND PROVIDE PUBLIC COMMENTS AT THE MEETING VIA WEB CONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION. PLEASE NOTE THAT IN THE EVENT OF TECHNICAL ISSUES THAT DISRUPT THE ABILITY OF MEMBERS OF THE PUBLIC TO VIEW THE MEETING OR PROVIDE PUBLIC COMMENTS THROUGH THE WEB CONFERENCE OPTION, THE MEETING WILL CONTINUE.

Join Zoom Meeting

<https://us06web.zoom.us/j/82003172211?pwd=UU10YWltMkVwWGVAUFNkQnA2bHA4Zz09>

MEETING ID: 820 0317 2211

AUDIO PASSCODE: 363170

Dial by your location

+1 346 248 7799 US (Houston); +1 720 707 2699 US (Denver); +1 253 215 8782 US (Tacoma);
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Find your local number: <https://us06web.zoom.us/j/82003172211?pwd=UU10YWltMkVwWGVAUFNkQnA2bHA4Zz09>

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

SUBMIT COMMENTS BEFORE THE MEETING:

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

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

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

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

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

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

PLEDGE OF ALLEGIANCE

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

PUBLIC COMMENT

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

A. NEW EMPLOYEE ANNOUNCEMENT

1. Peter Marshall, Crew Leader

B. YEARS OF SERVICE

1. Donald Parker – 15 years
2. Jacob Hyink – 5 years

II. CONSENT CALENDAR-----(ITEM C)****

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

C. CONSIDER APPROVAL OF MINUTES

1. February 27, 2023 Regular Board Meeting/Public Hearing

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

III. INFORMATION-----(ITEM D)****

D. EMPLOYEE SATISFACTION SURVEY RESULTS

Presented by: Lisa Chaffin, HR Manager

IV. ACTION / DISCUSSION-----(ITEMS E-K)****

E. CONSIDER ADOPTING RESOLUTION NO. 5042 CONCURRING IN NOMINATION OF OLIVER SMITH TO THE ACWA-JPIA EXECUTIVE COMMITTEE

Recommendation: That the Board adopt Resolution No. 5042 concurring in nomination of Oliver Smith for election to the ACWA-JPIA Executive Committee.

- F. CONSIDER ADOPTING RESOLUTION NO. 5043 CONCURRING IN NOMINATION OF JAMES PENNOCK TO THE ACWA-JPIA EXECUTIVE COMMITTEE

Recommendation: That the Board adopt Resolution No. 5043 concurring in nomination of James Pennock for election to the ACWA-JPIA Executive Committee.

- G. CONSIDER ELECTION TO REGULAR AND ALTERNATE SPECIAL DISTRICT MEMBER ON LAFCO COMMISSION

Recommendation: The Board consider the nominations for the Regular and the Alternate Special District Member on LAFCO Commission and authorize the President to cast its vote on the ballot provided.

- H. CONSIDER CALL FOR BALLOTS FOR THE SAN DIEGO COUNTY CONSOLIDATED REDEVELOPMENT OVERSIGHT BOARD

Recommendation: The Board consider the nominations for the San Diego County Consolidated Redevelopment Oversight Board and authorize the President to cast its vote on the ballot provided.

- I. CONSIDER ON-CALL EMERGENCY PIPELINE REPAIR SERVICES

Recommendation: The Board approve three prequalified contractors for on-call emergency pipeline repair services: J.R. Filanc Construction Company, Inc., SCW Contracting Corp., and TC Construction Company, Inc.

- J. CONSIDER MODIFICATIONS TO THE DISTRICT'S SUPPORT FOR FALLBROOK AS AN INTERNATIONAL DARK SKY COMMUNITY

Recommendation: Staff supports Board direction.

- K. CONSIDER A REQUEST BY THE BOARD PRESIDENT OF THE HELIX MUNICIPAL WATER DISTRICT REGARDING EFFORTS TO REDUCE THE PROPOSED RATE INCREASES FROM THE SAN DIEGO COUNTY WATER AUTHORITY

Recommendation: Staff supports Board direction.

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

1. General Counsel
2. SDCWA Representative Report
3. General Manager
 - a. Engineering and Operations Report

4. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
5. Public Affairs Specialist
6. Notice of Approval of Per Diem for Meetings Attended
7. Director Comments/Reports on Meetings Attended
8. Miscellaneous

ADJOURN TO CLOSED SESSION

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

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

One (1) Potential Case

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

One (1) Potential Case

RECONVENE TO OPEN SESSION

REPORT FROM CLOSED SESSION (*As Necessary*)

VII. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

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

March 22, 2023
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

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M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: March 27, 2023
SUBJECT: Approval of Minutes

Recommended Action

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

1. February 27, 2023 Regular Meeting/Public Hearing



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

MINUTES

**MONDAY, FEBRUARY 27, 2023
4:00 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) 999-2704 for assistance so the necessary arrangements can be made.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

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

General Counsel de Sousa announced, for the record that, this meeting was being conducted by web and teleconference. The agenda provided notice to members of the public on how they may participate in this meeting – either in person, or by using the call-in and weblink information included on the agenda. In addition the agenda provided notice to members of the public on how they may submit comments in advance of the meeting to be read at the appropriate portion of the meeting (up to a limit of 3 minutes per comment). She reported there were no written public comments submitted in advance of the meeting, for general public comment or for any agenda items.

General Counsel de Sousa announced that President Wolk would ask the Board Secretary if there were any members of the public who wished to make comments on the agenda item under consideration in person, or through Zoom webinar or Zoom teleconference. She announced in-person comments would be heard first, and virtual comments would be heard immediately thereafter. After public comments, President Wolk would then call on staff to make a presentation for the next item on the agenda. Thereafter, deliberations would proceed in the regular course of District Board discussion and possible action.

A quorum was established, and attendance was as follows:

Board of Directors

Present: Charley Wolk, Member/President
Jennifer DeMeo, Member/Vice President

Dave Baxter, Member
Ken Endter, Member
Don McDougal, Member

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager
Paul de Sousa, General Counsel
Dave Shank, Assistant General Manager/CFO
Matt Bench, Utility Worker I
Jodi Brown, Management Analyst
Nick Cannata, Utility Worker I
Justin Cameron, Utility Worker I
Aaron Cook, Engineering Manager
Josh Couveau, Crew Leader
Jamison Davis, Utility Worker II
Noelle Denke, Public Affairs Specialist
Kyle Drake, Collections Supervisor
Jason Jared, Customer Service Representative II
Donald Parker, Construction Supervisor
Jesse Perez, Chief Plant Operator
Carl Quiram, Operations Manager
Eddie Rodriguez, System Services Supervisor
Hugo Santillan, Utility Worker II
Colter Shannon, Utility Worker II
Kevin Stamper, Utility Worker II
Steve Stone, Field Services Manager
Bryan Wagner, Crew Leader
Austin Wendt, Crew Leader
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: Chris Palmer and Barry Willis

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

PLEDGE OF ALLEGIANCE

President Wolk led the Pledge of Allegiance.

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

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

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

PUBLIC COMMENT

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

Barry Willis of Alpine Fire Protection District addressed the Board and announced he was a candidate for the Regular LAFCO Special District Member seat up for reelection in the 2023 Special Districts Election. He reported that he was the current incumbent for this seat, summarized his experience, and requested the Board's support.

A. CSDA PRESENTATION OF DISTRICT OF DISTINCTION ACCREDITATION

There were no public comments on agenda item A.

Chris Palmer from the California Special Districts Association virtually presented the District with the District of Distinction accreditation at the Gold level.

B. EMPLOYEE OF THE QUARTER FEBRUARY 2023 1. Hugo Santillan

There were no public comments on agenda item B.

The Board recognized Hugo Santillan as the Employee of the Quarter for February 2023.

C. EMPLOYEE PROMOTION ANNOUNCEMENT 1. Donald Parker – Construction Supervisor

There were no public comments on agenda item C.

The Board congratulated Donald Parker on his promotion to Construction Supervisor.

D. MANAGER'S AWARDS

1. Donald Parker
2. Austin Wendt
3. Bryan Wagner
4. Matt Perez
5. Colter Shannon
6. Hugo Santillan
7. Matt Bench
8. Martin Serrano
9. Nick Cannata
10. Josh Couveau
11. Kevin Stamper
12. Jamison Davis
13. Justin Cameron

There were no public comments on agenda item D.

The Board commended Donald Parker, Austin Wendt, Bryan Wagner, Matt Perez, Colter Shannon, Hugo Santillan, Matt Bench, Martin Serrano, Nick Cannata, Josh Couveau, Kevin Stamper, Jamison Davis, and Justin Cameron for receiving Managers Awards.

E. NEW CERTIFICATIONS

1. Steve Wuerth – Water Treatment Grade 2

There were no public comments on agenda item E.

The Board recognized Steve Wuerth for receiving his Water Treatment, Grade 2 certification.

II. **CONSENT CALENDAR**-----**(ITEM F)**

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

F. CONSIDER APPROVAL OF MINUTES

1. January 23, 2023 Regular Board Meeting

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

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

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

III. INFORMATION----- (ITEM G)

G. ENGINEERING AND OPERATIONS KEY PERFORMANCE INDICATORS

Presented by: Aaron Cook, Engineering Manager
Carl Quiram, Operations Manager

Staff presented a slideshow summarizing the key performance indicators for engineering, wastewater operations, water operations, meter services, wastewater collections, construction/maintenance, and customer service.

President Wolk asked if there was anything needed from the Board to get the meter exchanges closer to the goal. System Services Supervisor Rodriguez reported they are back on track to achieve the goal. General Manager Bebee also reported the meters left are the more complicated ones that require a larger shutdown, etc.

President Wolk asked if there was any recollection of the longest and shortest hold times for customers calling into the District and reaching a Customer Service Representative. General Manager Bebee reported that was a number they could pull. Director Baxter asked how many calls Customer Service fields in a day. Customer Service Representative Jared answered around 30 calls per representative.

IV. ACTION / DISCUSSION CALENDAR----- (ITEMS H – K)

H. CONSIDER CALIFORNIA SPECIAL DISTRICTS ASSOCIATION BOARD OF DIRECTORS CALL FOR NOMINATIONS – SEAT C

Recommendation: Staff supports the Board's direction.

There were no public comments on agenda item H.

General Manager Bebee announced there was a call for nominations for Seat C of the CSDA Southern Network and asked the Board if they wanted to nominate anyone for this seat.

The Board took no action.

I. CONSIDER CALL FOR NOMINATIONS, APPOINTMENT TO SERVE ON THE SAN DIEGO COUNTY CONSOLIDATED REDEVELOPMENT OVERSIGHT BOARD

Recommendation: *The Board of Directors should determine if there is a desire to nominate a representative to serve on the Consolidated Redevelopment Oversight Board. If there is interest in submitting a nomination, upon a motion made and passed by the Board, staff will assist in completing the necessary paperwork for submittal to LAFCO by the deadline for nominations, which is Monday, March 6, 2023.*

There were no public comments on agenda item I.

General Manager Bebee announced there was a call for nominations for appointment to serve on the San Diego County Consolidated Redevelopment Oversight Board and asked the Board if they wanted to nominate anyone for this seat.

The Board took no action.

J. CONSIDER APPROVAL FOR ONE-TIME PAVING SERVICES AT THREE SITES

Recommendation: *That the Board approve a contract with Prestige Paving Company in the amount of \$107,970.00.*

There were no public comments on agenda item J.

General Manager Bebee provided an overview of this project and noted it was planned for and included in the capital budget.

MOTION: Director DeMeo moved to approve a contract with Prestige Paving Company in the amount of \$107,970.00 for one-time paving services at three District sites; Director Endter seconded. Motion carried;
VOTE:

AYES: Directors Baxter, DeMeo, Endter, McDougal, and Wolk

NOES: None

ABSTAIN: None

ABSENT: None

K. CONSIDER SUPPORT FOR FEDERAL FUNDING REQUEST FOR THE FALLBROOK DOWNTOWN PIPELINE REPLACEMENT PROJECT

Recommendation: That the Board approve the attached Resolution No. 5041 supporting the District's application for Fiscal Year 2024 Federal Funding for its Downtown Fallbrook Pipeline Replacement Project.

There were no public comments on agenda item K.

General Manager Bebee announced the Board was aware the District hired a federal lobbyist, Jacqueline Howell, to help look for alternatives to securing federal funding available under the inflation reduction act. He reported Ms. Howell was currently in Washington D.C. to lay groundwork for various funding. As part of this, our representatives on both the Congressional and Senate side are putting out their requests for appropriations. This item was for support from our Board. General Manager Bebee also stated we have put out requests to other local political entities to help get letters of support out, so we can put in our request through our representative to help obtain funding and offset our costs. He reported this was targeting pipeline replacement projects in the Downtown Fallbrook area to see if we can get some outside money.

MOTION: Director McDougal moved to adopt Resolution No. 5041 supporting the District's application for Fiscal Year 2024 federal funding for its Downtown Fallbrook Pipeline Replacement Project; Director Baxter seconded. Motion carried; VOTE:

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

V. PUBLIC HEARING ----- (ITEM L)

L. POTENTIAL INCREASE IN COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS (ADMINISTRATIVE CODE SECTION 2.12); ORDINANCE NO. 355

Recommendation: Hold the public hearing and consider adoption of Ordinance No. 355, to increase Board compensation from \$121.55 to \$127.63 for each day's service to the District and to update Section 2.12 of the District's Administrative Code to reflect the updated amount.

General Counsel de Sousa summarized the process for considering an increase in Board compensation. She announced that, after following the necessary public notification procedures, the District's Governing Board would be holding a public hearing to receive public comments prior to its consideration of Ordinance No. 355, related to increasing Board compensation from \$121.55 to

\$127.63 per meeting. She reported, should this ordinance be adopted, the change in compensation would take effect April 29, 2023.

At 4:58 p.m., President Wolk opened the Public Hearing to receive public comments on agenda item L.

Hearing no public comments, President Wolk closed the Public Hearing at 4:59 p.m.

MOTION: Director McDougal moved to increase Board compensation by five percent for each day's service to the District; Director Endter seconded. Motion carried; VOTE:

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

MOTION: Director McDougal moved to adopt Ordinance No. 355, increasing Board compensation from \$121.55 to \$127.63 for each day's service to the District and to update Section 2.12 of the District's Administrative Code to reflect the updated amount; Director DeMeo seconded. Motion carried; VOTE:

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

VI. ORAL/Written Reports------(ITEMS 1-8)

1. General Counsel
 - General Counsel de Sousa provided an update on AB 361 and AB 2449.
2. SDCWA Representative Report
 - General Manager Bebee provided a high-level summary of the written report included in the packet.
 - General Manager Bebee reported he received an updated schedule from LAFCO regarding the detachment process.
 - President Wolk requested the FPUD ad-hoc committee take a look at the best strategy for outreach.
3. General Manager
 - a. Engineering and Operations Report
 - General Manager Bebee reported on the Community Benefit Program.
4. Assistant General Manager/Chief Financial Officer

- Financial Summary Report
- Treasurer's Report
- Budget Status Report
- Warrant List
 - AGM/CFO Shank provided an overview of the written reports included in the packet.
 - There was a lengthy discussion regarding how the District pays Camp Pendleton for the cost of operations and water.
 - Director Baxter inquired why the District was over budget for administrative services. AGM/CFO Shank explained this was a trend and included items like the rate study. General Manager Bebee also explained there were additional costs associated with the increased length of the LAFCO schedule.
- 5. Public Information Officer
 - Public Information Officer Denke reported on the ACEC Award the District received as well as social media postings.
 - Director Wolk requested Public Information Officer Denke provide outreach on the budget award, District of Distinction award, and the ACEC award the District has received.
- 6. Notice of Approval of Per Diem for Meetings Attended
- 7. Director Comments/Reports on Meetings Attended
- 8. Miscellaneous

ADJOURN TO CLOSED SESSION

General Counsel de Sousa announced the Board would be going into Closed Session to discussion item VII.1 She announced members of the public participating via web conference were welcome to continue to stay on the line while the Board is in closed session, however, they will only hear silence. Following closed session, and prior to adjournment of the meeting, an oral announcement of reportable action by the Board in closed session would be made, if any. The oral announcement of any reportable action would be heard on the teleconference line. Thereafter this meeting would adjourn.

The Board of Directors adjourned to Closed Session at 5:35 p.m.

VII. CLOSED SESSION-----(ITEM 1)****

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

One (1) Potential Case

RECONVENE TO OPEN SESSION

The Board came out of Closed Session and reconvened to Open Session at 5:52 p.m.

REPORT FROM CLOSED SESSION (*As necessary*)

There was no reportable action taken during Closed Session.

VII. ADJOURNMENT OF MEETING

There being no further business to discuss, the February Regular Meeting of the Board of Directors of the Fallbrook Public Utility District was adjourned at 5:52 p.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: Personnel Committee
DATE: March 27, 2023
SUBJECT: Employee Satisfaction Survey Results

Purpose

To review and discuss the results of the employee satisfaction survey.

Summary

The District's annual employee satisfaction survey, which began in 2021, was sent to all employees on January 5, 2023. Thirty-six employees completed this year's survey, compared to twenty-nine employees in 2022 and twenty-eight employees in 2021.

A summary of the results were shared, via email, with all employees on February 15, 2023.

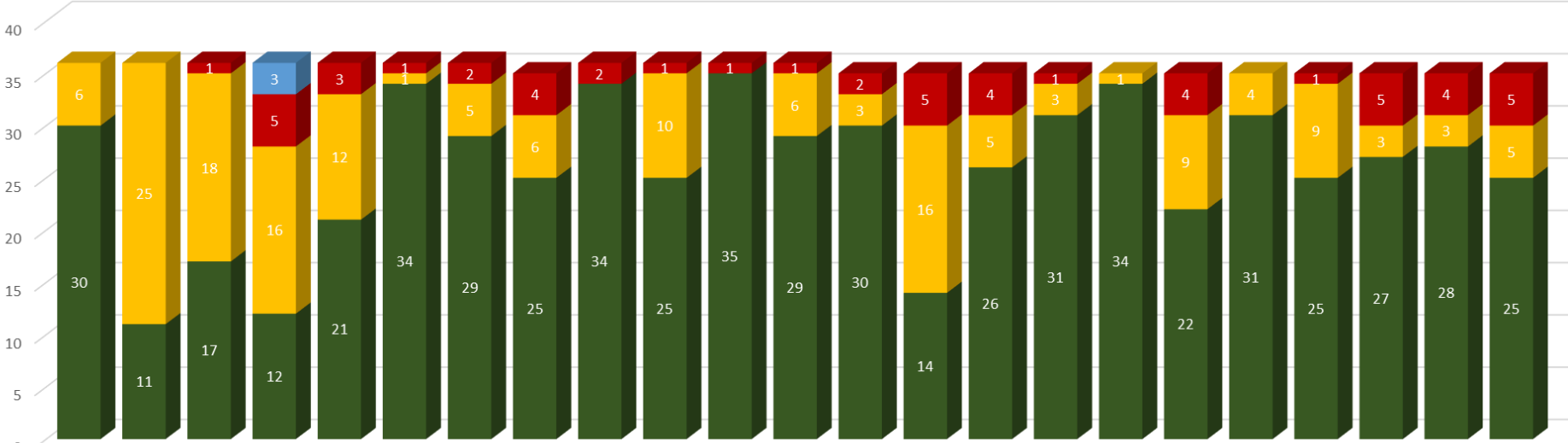
Budgetary Impact

None

Recommended Action

None

Summary Chart



	How meaningful is your work?	How challenging is your job?	How would you rate your overall morale as an employee at FPUD?	How would you rate communication from management over the last year?	How satisfied are you with career growth opportunities at FPUD?	How well do your job responsibilities match your strengths?	How well would you say the employees in your department work as a team?	How satisfied are you with your overall compensation?	Are you satisfied with your employee benefits?	How satisfied are you with your current work-life balance?	Are you supervised too much at work, supervised too little, or supervised the right amount?	How likely are you to look for another job outside of FPUD within the next 6-12 months?	My supervisor and I have a good working relationship.	How likely is it that you would recommend FPUD to a friend or colleague?	In a typical week, how often do you feel stressed at work?	I am inspired to meet my goals at work.	I am determined to give my best effort at work each day.	I am satisfied with the culture of my workplace.	My coworkers and I have a good working relationship.	Employees treat each other with respect.	I feel respected and valued by my manager at FPUD.	The information and resources I need to do my job effectively are readily available.	My job performance is evaluated fairly.
Other				3																			
Negative			1	5	3	1	2	4	2	1	1	1	2	5	4	1		4		1	5	4	5
Neutral	6	25	18	16	12	1	5	6		10	6	6	3	16	5	3	1	9	4	9	3	3	5
Positive	30	11	17	12	21	34	29	25	34	25	35	29	30	14	26	31	34	22	31	25	27	28	25

Summary of Comments

As a follow up to your answer to question #3, please share what you love, like, or hate about working for FPUD.

Love the working environment, coworkers, salary, community of Fallbrook, and challenge of the work.

FPUD is making a better work place for current employees.

Morale needs to increase - lacks enthusiasm, pride of working at FPUD has decreased. Management does not care about employees.

Employee engagement needs to improve.

There's no structure as far as chain of command. Employees do what they want.

Flexibility in things like remote working.

Hard work and dedication is recognized.

There has been a culture shift with the new evaluation process, leaving some employees bitter. New evaluation process punishes exceeds employees. Employees getting paid the same as others who have different skills (e.g. those who can weld are getting paid the same as those who cannot).

GM has an open door policy, but is dismissive of what people say.

What recommendations, if any, do you have for how management could improve communication over the next year?

Communication has improved.

To hear from more than just the GM - management is more than one person.

Find or create opportunities to listen to staff.

Get to know employees, greet with a good morning, pay attention when speaking with staff, ask about their lives, show appreciation.

Communicate what is communicated at the manager's meetings.

Value employees that go above and beyond.

Implement cross departmental team building exercises.

If you plan on looking for another job outside of FPUD, please provide your reason/s for doing so

Commute / Appreciation / Favoritism / Tired of rules only applying to some people / Increase in compensation

What actions can FPUD take to build a better workplace?

Allow employees to be able to choose standby dates.

Apply rules equally to all.

FPUD has changed for the better and moving in the right direction.

Rework recognition program to recognize more employees and rework evaluation process and make retaining employees a priority.

Ensure departmental coverage every day at the main office.

Recruit HR to join the recognition/party planning committee to receive input on how to best gain employee engagement.

Work on appreciating employees, continue to look at salaries and pay employees for responsibilities they perform. Provide high-performing employees a clear path to advancement.

Consider an interdisciplinary approach to meetings and problem solving. Include more staff in meetings.

Let employees who work together be on the same crew, bolster staffing, and set clear expectations of duties.

Please feel free to elaborate on any of your answers above and/or share any other comments you have:

Morale and communication has improved over the past few years.

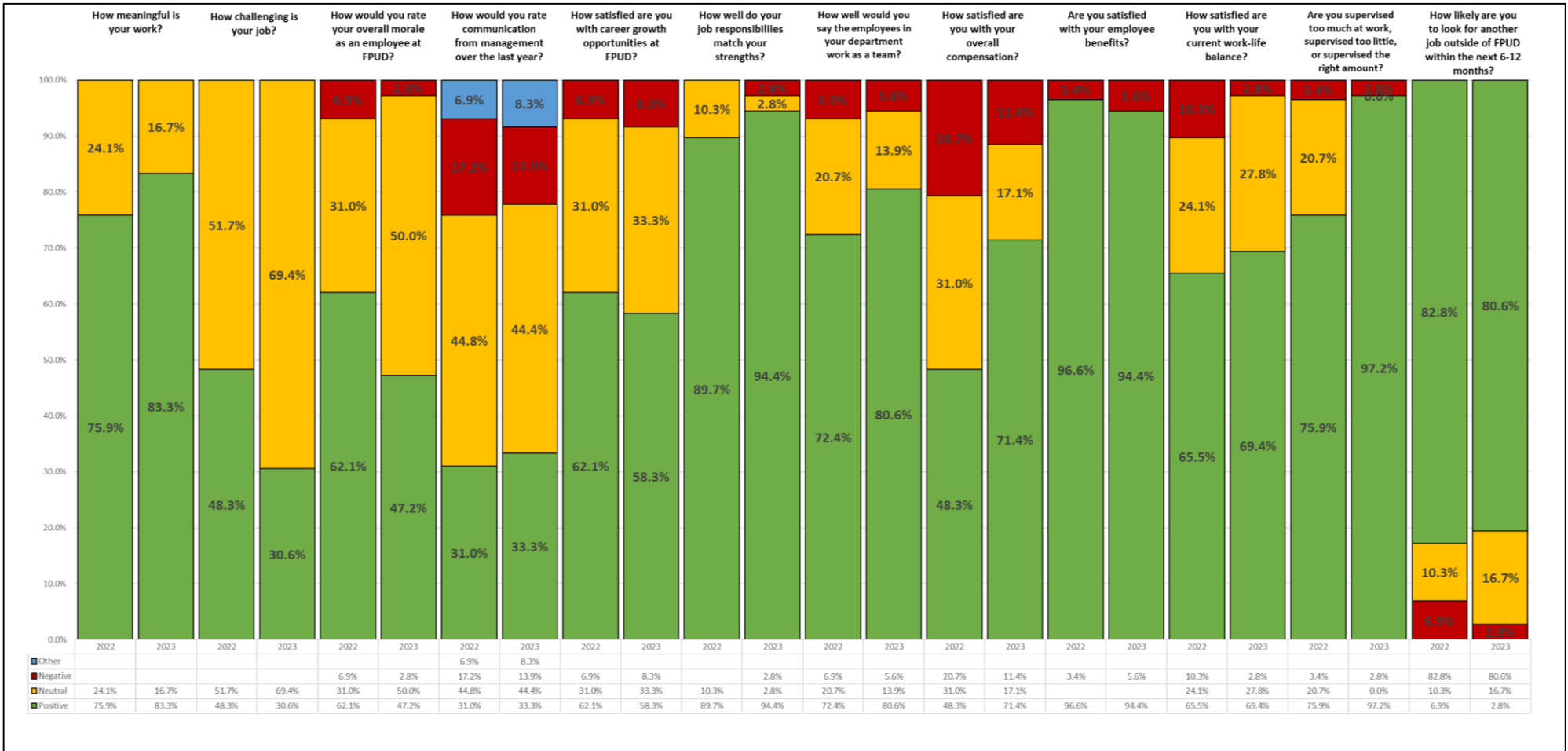
Need more management engagement and presence.

Could be valuable to offer office staff an ergonomic assessment of their work space and fund improvements.

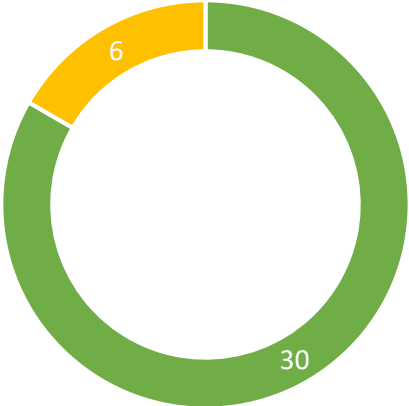
Peer reviews could be more helpful and provide more insight than having reviews done by people who are not working the long hours.

Listen to employees and try to retain them instead of encouraging them to be trained and then go elsewhere.

2023 Results vs. 2022

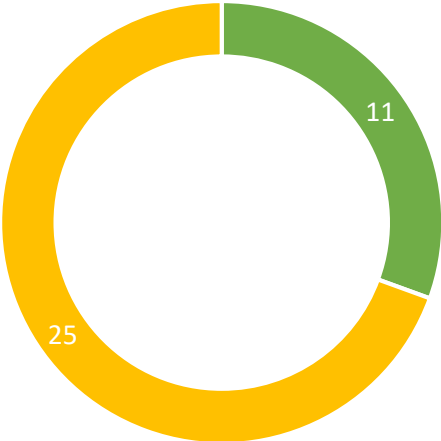


How meaningful is your work?



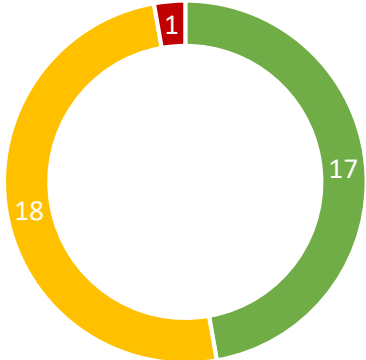
■ Very to extremely ■ Slightly to moderately ■ Not at all meaningful

How challenging is your job?



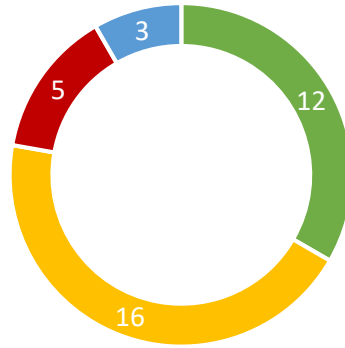
■ Very to extremely ■ Slight to moderately ■ Not at all challenging

How would you rate your overall morale as an employee at FPUD?



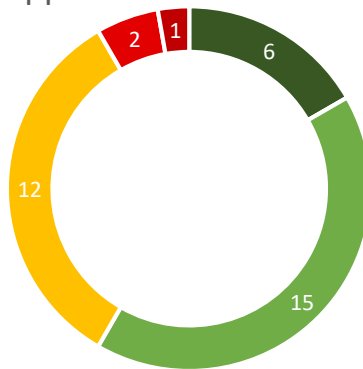
■ High - I love working at FPUD ■ Neither high nor low ■ Low - I hate working at FPUD

How would you rate communication from management over the last year?



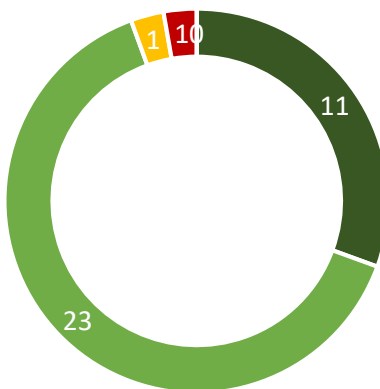
- Communication has improved
- Communication has remained the same
- Communication has worsened
- Other

How satisfied are you with career growth opportunities at FPUD?



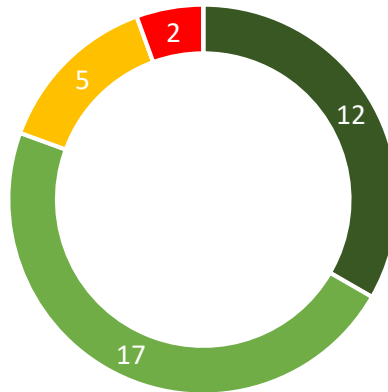
- Extremely satisfied
- Very satisfied
- Somewhat satisfied
- Not so satisfied
- Not at all satisfied

How well do your job responsibilities match your strengths?



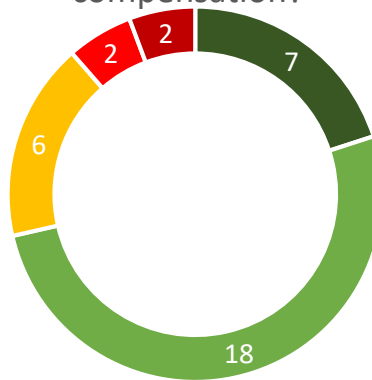
- Extremely well
- Very well
- Somewhat well
- Not so well
- Not at all well

How well would you say the employees in your department work as a team?



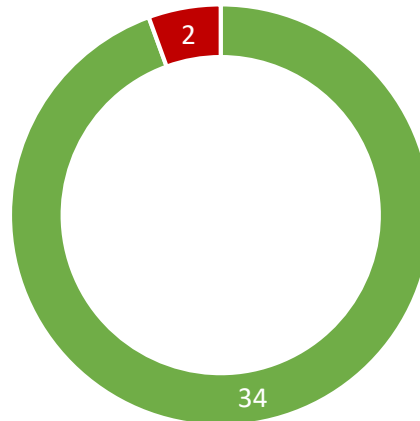
■ Extremely well ■ Very well ■ Somewhat well ■ Not so well ■ Not at all well

How satisfied are you with your overall compensation?



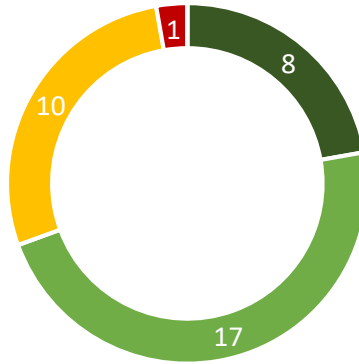
■ Extremely satisfied ■ Very satisfied ■ Somewhat satisfied
■ Not so satisfied ■ Not at all satisfied

Are you satisfied with your employee benefits?



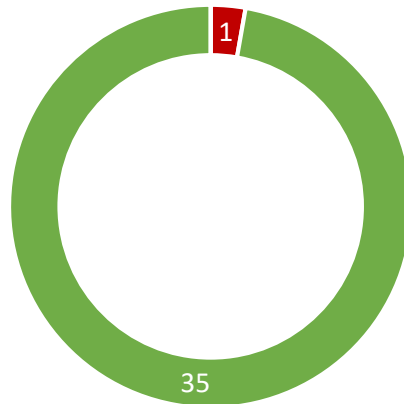
■ Yes ■ No

How satisfied are you with your current work-life balance?



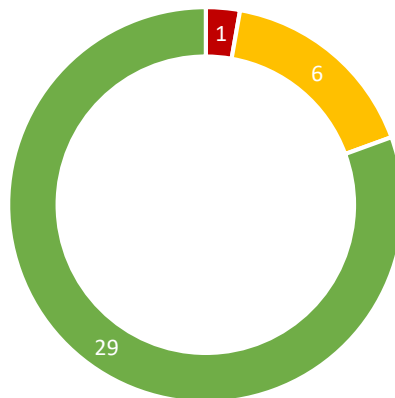
■ Extremely satisfied ■ Very satisfied ■ Somewhat satisfied ■ Not so satisfied ■ Not at all satisfied

Are you supervised too much at work, supervised too little, or supervised about the right amount?



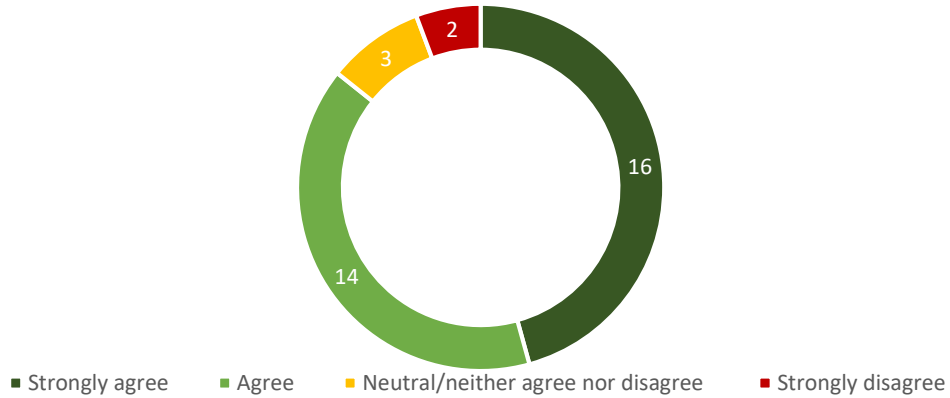
■ Too much ■ About the right amount ■ Too little

How likely are you to look for another job outside of FPUD within the next 6-12 months?

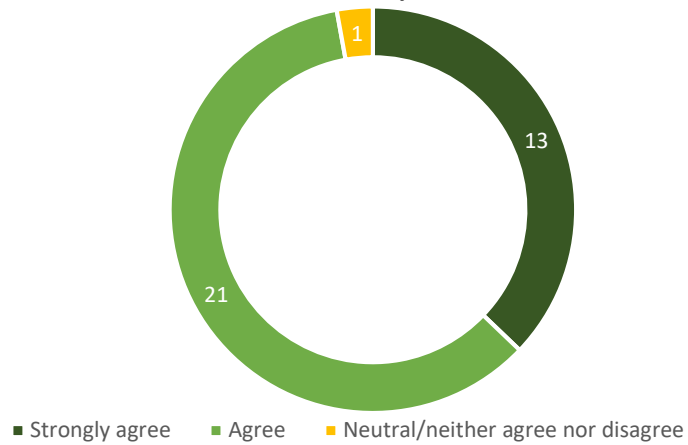


■ Very likely ■ Likely ■ Not likely

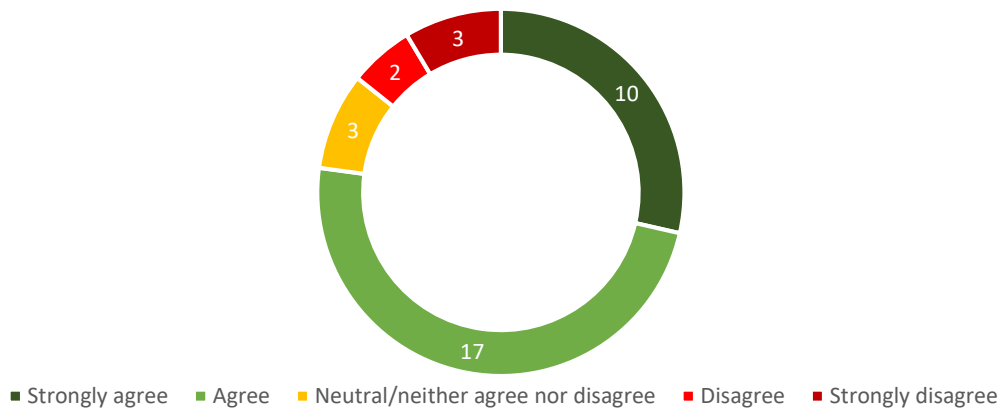
My supervisor and I have a good working relationship



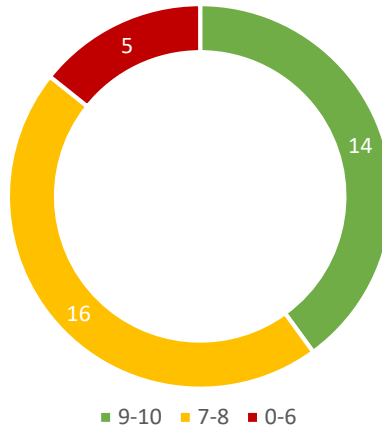
I am determined to give my best effort at work each day



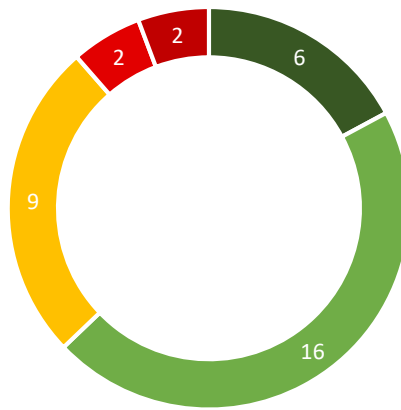
I feel respected and valued by my manager at FPUD



How likely is it that you would recommend FPUD to a friend or colleague?

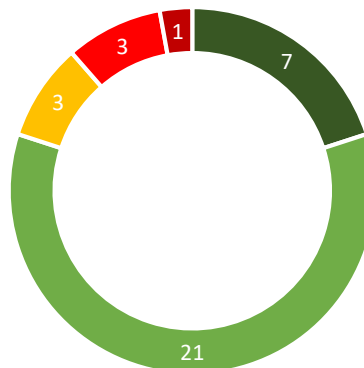


I am satisfied with the culture of my workplace



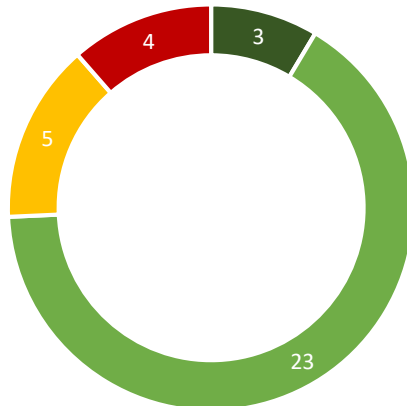
Strongly agree Agree Neutral/neither agree nor disagree Disagree Strongly disagree

The information and resources I need to do my job effectively are readily available



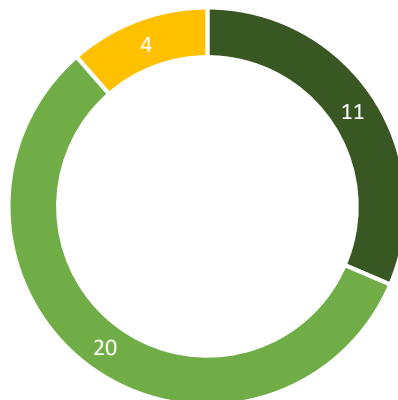
Strongly agree Agree Neutral/neither agree nor disagree Disagree Strongly disagree

In a typical week, how often do you feel stressed at work?



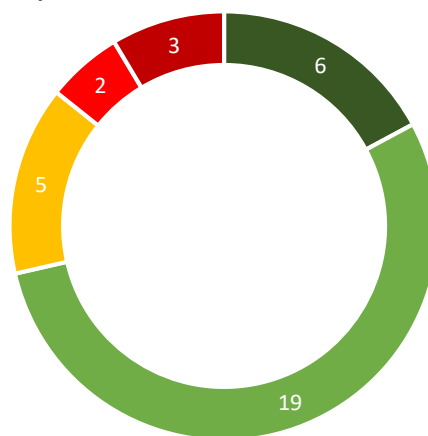
■ Never ■ Once in a while ■ About half of the time ■ Most of the time

My coworkers and I have a good working relationship



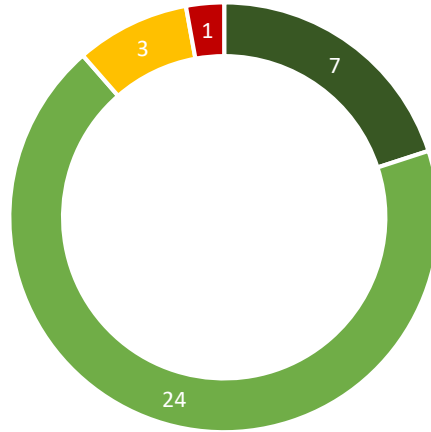
■ Strongly agree ■ Agree ■ Neutral/neither agree nor disagree

My job performance is evaluated fairly



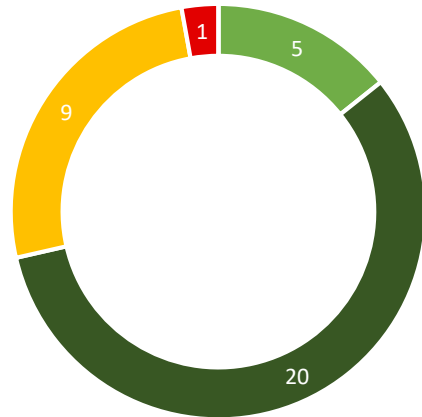
■ Strongly agree ■ Agree ■ Neutral/neither agree nor disagree ■ Disagree ■ Strongly disagree

I am inspired to meet my goals at work



■ Strongly agree ■ Agree ■ Neutral/neither agree nor disagree ■ Disagree

Employees treat each other with respect



■ Strongly agree ■ Agree ■ Neutral/neither agree nor disagree ■ Disagree ■ Strongly disagree

M E M O

TO: Board of Directors
FROM: Jennifer DeMeo, ACWA/JPIA Representative
DATE: March 27, 2023
SUBJECT: Concurrence in Nomination to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority; Resolution No. 5042

Purpose

To concur in nomination to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority ("JPIA") of Oliver Smith of Valley Center Municipal Water District.

Summary

The JPIA is soliciting nominations for four Executive Committee member positions, each for a four-year term. The election will take place during the JPIA Board of Directors' meeting during the Association of California Water Agencies Spring Conference in Monterey on May 9, 2023. The JPIA Executive Committee consists of nine members. Candidates must be an elected or an appointed director of their district and appointed by their district to the JPIA's Board of Directors. Districts making nominations must do so by resolution. In addition, each candidate is required to obtain resolutions concurring in nomination from three other JPIA members. Nominations must reach the JPIA by 4:30 p.m. on Friday, March 24, 2023.

The candidate's request with supporting materials for a concurring resolution in nomination to the Executive Committee of the JPIA Board of Directors on behalf Oliver Smith, Valley Center Municipal Water District is attached for the Board's information.

Recommended Action

The Board adopt Resolution No. 5042 concurring in the nomination of Oliver Smith of Valley Center Municipal Water District to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority.

RESOLUTION NO. 5042

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT CONCURRING IN NOMINATION TO THE
EXECUTIVE COMMITTEE OF THE ASSOCIATION OF CALIFORNIA
WATER AGENCIES JOINT POWERS INSURANCE AUTHORITY
("JPIA")**

* * * * *

WHEREAS, this District is a member district of the JPIA; and

WHEREAS, the Bylaws of the JPIA provide that in order for a nomination to be made to JPIA's Executive Committee, three member districts must concur with the nominating district; and

WHEREAS, another JPIA member district, the Valley Center Municipal Water District has requested that this District concur in its nomination of its member of the JPIA Board of Directors to the Executive Committee of the JPIA.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Fallbrook Public Utility District that this District concur with the nomination of Oliver J. Smith of the Valley Center Municipal Water District to the Executive Committee of the JPIA.

BE IT FURTHER RESOLVED that the District Secretary is hereby directed to transmit a certified copy of this resolution to the JPIA at P.O. Box 619082, Roseville, California, 95661-9082, forthwith.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a special meeting of the Board held on the 27th day of March, 2023, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors



VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

Board of Directors
Robert A. Polito
President
Enrico P. Ferro
Vice President
Daniel E. Holtz
Director
Oliver J. Smith
Director
Cooper T. Ness
Director

February 24, 2023

Subject: **Support for Oliver Smith, Valley Center Municipal Water District,
Candidate for the ACWA-JPIA Executive Committee**

Dear Fellow ACWA-JPIA Member Agency,

My agency, Valley Center Municipal Water District (VCMWD), has been a member of the ACWA-JPIA since its inception in 1978. We know the amazing and continuous success of the JPIA has been because of its outstanding leadership over the decades. That's why my agency can nominate and wholeheartedly endorse our Director Oliver Smith for election to the ACWA-JPIA Executive Committee.

Though relatively new to the greater ACWA water community, Oliver brings a deep background in public and community service as a former member and long-term Chair of our local planning group, as well as a 12-year member of the Valley Center Fire Protection District. From his local government experience, he understands the critical importance of proactive governance which includes prudent financial management, active loss control, and effective risk transfer.

We ask you to join VCMWD in supporting Oliver Smith's candidacy by adopting the attached resolution concurring with his nomination for the ACWA-JPIA Executive Committee, 2023-27 term.

If you should have any questions about or need additional information about Oliver and his qualifications, please refer to his resume, attached, or contact Gary Arant, our General Manager at 760-737-4515, or garant@vcmwd.org.

Thank you in advance for your support,

Robert A. Polito
Board President



Oliver J. Smith

Director, Valley Center Municipal Water District

Candidate for the JPIA Executive Committee

Background

Oliver Smith was elected to the Board of Directors of the Valley Center Municipal Water District in 2018 and again in 2022. His combined governance and policy experience has given him an in-depth understanding of how to provide cost effective critical services and fiduciary oversight for Valley Center's water independent special district.

In addition, he is a water district representative on Special District Advisory Committee to the San Diego LAFCO (Local Agency Formation Commission). In this role he collaborates with other special district representatives on areas of common interest.

Oliver Smith's diverse public background includes serving on and chairing the Valley Center Community Planning Group, a public advisory group to the County of San Diego for land planning issues in the Valley Center area. He was first appointed, then elected 3 times from 2005 to 2020, serving as its Chair for the last 12 years of his tenure.

Finally, Oliver Smith was elected 3 times to the Board of Directors of the Valley Center Fire Protection District, serving from 2006 to 2018 where he served as Board Secretary. He oversaw the transformation of the VCFPD from being a Cal Fire Contract staff to a locally staffed and operated agency.

JPIA Related Experience

As part of Oliver's Valley Center Municipal Water District activities, he is an ACWA JPIA Property Program Committee Member, with a particular interest in Cyber security. He has in-person attended the last 3 ACWA conferences and actively participates in ACWA and ACWA JPIA meetings. Within ACWA, he is a member of the Energy Committee.

Professional and Educational Qualifications

Oliver Smith is an Electrical Engineer who continues to design highly sophisticated medical products in a career spanning 40+ years. He has a BSEE from Worcester Polytechnic Institute (MA) and an MSBME (Biomedical Engineering) from Case Western Reserve University (OH).

M E M O

TO: Board of Directors
FROM: Jennifer DeMeo, ACWA/JPIA Representative
DATE: March 27, 2023
SUBJECT: Concurrence in Nomination to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority; Resolution No. 5043

Purpose

To concur in nomination to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority ("JPIA") of James Pennock of Vallecitos Water District.

Summary

The JPIA is soliciting nominations for four Executive Committee member positions, each for a four-year term. The election will take place during the JPIA Board of Directors' meeting during the Association of California Water Agencies Spring Conference in Monterey on May 9, 2023. The JPIA Executive Committee consists of nine members. Candidates must be an elected or an appointed director of their district and appointed by their district to the JPIA's Board of Directors. Districts making nominations must do so by resolution. In addition, each candidate is required to obtain resolutions concurring in nomination from three other JPIA members. Nominations must reach the JPIA by 4:30 p.m. on Friday, March 24, 2023.

The candidate's request with supporting materials for a concurring resolution in nomination to the Executive Committee of the JPIA Board of Directors on behalf James Pennock, Vallecitos Water District is attached for the Board's information.

Recommended Action

The Board adopt Resolution No. 5043 concurring in the nomination of James Pennock of Vallecitos Municipal Water District to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority.

RESOLUTION NO. 5043

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT CONCURRING IN NOMINATION TO THE
EXECUTIVE COMMITTEE OF THE ASSOCIATION OF CALIFORNIA
WATER AGENCIES JOINT POWERS INSURANCE AUTHORITY
("JPIA")**

* * * * *

WHEREAS, this District is a member district of the JPIA; and

WHEREAS, the Bylaws of the JPIA provide that in order for a nomination to be made to JPIA's Executive Committee, three member districts must concur with the nominating district; and

WHEREAS, another JPIA member district, the Vallecitos Water District has requested that this District concur in its nomination of its member of the JPIA Board of Directors to the Executive Committee of the JPIA.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Fallbrook Public Utility District that this District concur with the nomination of James Pennock of the Vallecitos Water District to the Executive Committee of the JPIA.

BE IT FURTHER RESOLVED that the District Secretary is hereby directed to transmit a certified copy of this resolution to the JPIA at P.O. Box 619082, Roseville, California, 95661-9082, forthwith.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a special meeting of the Board held on the 27th day of March, 2023, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Jim Pennock
jpennock@sbcglobal.net
760-815-4402

I look to utilize the interpersonal relationship skills and knowledge obtained through running my own business for the past 30 years to help propel public agencies to be more effective and efficient. I hope to increase moral and attitude within human resources and increase financial responsibility through effective planning and budgeting. Found to be Hardworking, honest and innovative in my approaches to helping others succeed.

EXPERIENCE

Pennock Insurance Agency

01-Aug-2016 - Present

Sales and service of Insurance contracts

Farmers Insurance Group

01-Aug-1991 - 11-Aug-2016 – Insurance Agency Owner

I enjoyed a long career as an Insurance agent with Farmers Insurance.

Operated my own agency for 25 years - growing from 0 to 2900 policies and generating millions of dollars in annual premium.

Director of Sales – Recruited, trained and mentored producers: helped them meet their income goals

Focused on all lines of business - Home / Auto / Life / Health and Commercial.

Managed day to day sales, service, claims, underwriting of personal and commercial lines policies.

Managed accounting, finance, human resource.

Oversaw all Financial Management of agency, including auditing and reporting

EDUCATION

Brigham Young University / United States International University -

Graduated in 1991 with BS in International Business Administration

Other Skills and Experience

*** Fluent in English and Spanish**

*** Teacher in San Marcos Unified School District**

*** Provided consulting for Public Administration policies**

*** Served on Student and Neighborhood relations committee for City of San Marcos**

*** Served on the Budget Review committee for City of San Marcos 2009-2011**

*** Served on the Planning Commission for City of San Marcos 2013-2015**

*** Served as Chairman of Kit Carson District for Boy Scouts of America**

*** Coached multiple youth sports teams for last 30 years**

*** Served on multiple boards with non-profits over last 30 years**

*** Board Member for Hope Legacy 2017 to Present: assist youth to become self-reliant in area of education and finances.**

***Petco Park Customer service agent for San Diego Padres games**

***Board Member for Vallecitos Water District in San Marcos 2020 – Present**

***Board Member for Encina Waste Water 2023**

*** Delegate on board for ACWA JPIA 2021- Current**

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: March 27, 2023
SUBJECT: Election to Regular and Alternate Special District Member on LAFCO Commission

Purpose

To consider nominations to fill one (1) vacant and unexpired term as a regular special district member and one (1) vacant and unexpired term as an alternate special district member on the San Diego Local Agency Formation Commission (LAFCO). The terms are four years and commence on May 1, 2023.

Summary

By letter dated March 8, 2023, LAFCO has provided a Ballot and Vote Certification for consideration by the Board to cast an Election Ballot and Vote Certification for three (3) eligible nominees for the regular special district member and two (2) eligible nominees for the alternate special district member. Nominations have been received for the following candidates. Write-ins are also permitted:

Regular LAFCO Special District Member Nominees:

- James Pennock (Vallecitos Water District)
- Ross Pike (North County Fire Protection District)
- Barry Willis (Alpine Fire Protection District) *incumbent

Alternate LAFCO Special District Member Nominees:

- David Drake (Rincon del Diablo Municipal Water District) *incumbent
- Jeff Griffith (Palomar Healthcare District)

Details of the process, the Ballot and Vote Certification Form, and Nominee resumes are attached for the Board's review. State Law specifies the District's vote be cast by the presiding officer, or an alternate member designated by the Board, and a valid signature is required on the ballot. The deadline for receipt of ballots by LAFCO is Friday, April 14, 2023.

Recommendation

The Board consider the nominations for the Regular and the Alternate Special District Member on LAFCO Commission and authorize the President to cast its vote on the ballot provided.



CORRECTED
BALLOT AND VOTE CERTIFICATION FORM

March 8, 2023

TO: Independent Special Districts in San Diego County

FROM: Tamaron Lockett, Commission Clerk

SUBJECT: **Ballot and Vote Certification Form | Election to Regular and Alternate Special District on LAFCO Commission**

On December 19, 2022, the San Diego Local Agency Formation Commission (LAFCO) solicited nominations for (a) one regular and (b) one alternate special district member to serve on the LAFCO Commission. A total of five nominations were received following a 60-day filing period: (a) three regular members; and (b) two alternate members. The term is four years and commences on May 1, 2023. Note there was a correction to the alternate nominee Jeff Griffith he is with Palomar Healthcare District.

San Diego LAFCO is now issuing ballots to all 57 independent special districts in San Diego County and inviting each district to cast a ballot. Write-in candidates are permitted, and spaces have been provided for that purpose. **Only cast one vote for each nominee on the ballot and vote certification form; a ballot that is cast for more than indicated number of positions the vote will be disregarded.** The ballot and vote certification form along with nominee resumes provided by the candidates are attached.

State Law specifies a district’s vote is to be cast by its presiding officer, or an alternate member designated by the board and a valid signature is required on the ballot. **A ballot received without a signature will be voided.** A minimum of **29** ballots must be received to certify that a legal election was conducted. A candidate for a special district LAFCO Commission member must receive at least a majority of the votes cast to be elected. The ballots will be kept on file in this office and will be made available upon request.

Ballots may be submitted by mail, courier, hand delivered, FAX or via email to tamaron.lockett@sdcounty.ca.gov, include **“Special District LAFCO Ballot”** and your **“District Name”** in the subject title, if necessary to meet the submission deadline, but the original for must be submitted. The deadline for receipts of the ballots by LAFCO is **Friday, April 14, 2023**, any ballots received after the deadline will be voided. All election materials will be available on the website: www.sdlafco.org. Should you have any questions, please contact me at 619-321-3380.

Tamaron Lockett, Commission Clerk

Administration:
 Keene Simonds, Executive Officer
 2550 Fifth Avenue, Suite 725
 San Diego, California 92103
 T 619.321.3380
 E lafco@sdcounty.ca.gov
 www.sdlafco.org

Chair Jim Desmond
 County of San Diego

Joel Anderson
 County of San Diego

Nora Vargas, Alt.
 County of San Diego

Kristi Becker
 City of Solana Beach

Dane White
 City of Escondido

John McCann, Alt.
 City of Chula Vista

Vice Chair Stephen Whitburn
 City of San Diego

Alami von Wilpert, Alt.
 City of San Diego

Jo MacKenzie
 Vista Irrigation

Barry Willis
 Alpine Fire Protection

David A. Drake, Alt.
 Rincon del Diablo

Andy Vanderlaan
 General Public

Harry Mathis, Alt.
 General Public

CORRECTED
2023 SPECIAL DISTRICTS ELECTION
BALLOT and VOTE CERTIFICATION
FOR REGULAR LAFCO SPECIAL DISTRICT MEMBER

VOTE FOR ONLY ONE

James Pennock []
(Vallecitos Water District)

Ross Pike []
(North County Fire Protection District)

Barry Willis¹ []
(Alpine Fire Protection District)

Write-Ins

_____ []

_____ []

As presiding officer or his/her delegated alternate as provided by the governing board, I hereby certify that I cast the votes of the _____
(Name of Independent Special District)
at the 2023 Special Districts Selection Committee Election.

(Signature)

(Print Name)

(Date)

(Print Title)

Please note: The order in which the candidates' names are listed was determined by random selection.

The Ballot and Vote Certification form can be submitted electronically to: tamaron.luckett@sdcounty.ca.gov.

¹ Incumbent member

CORRECTED
2023 SPECIAL DISTRICTS ELECTION
BALLOT and VOTE CERTIFICATION
FOR ALTERNATE LAFCO SPECIAL DISTRICT MEMBER

VOTE FOR ONLY ONE

David Drake¹ []
(Rincon del Diablo Municipal Water District)

Jeff Griffith []
(Palomar Healthcare District)

Write-Ins

_____ []

_____ []

As presiding officer or his/her delegated alternate as provided by the governing board, I hereby certify that I cast the votes of the _____
(Name of Independent Special District)
at the 2023 Special Districts Selection Committee Election.

(Signature)

(Print Name)

(Date)

(Print Title)

Please note: The order in which the candidates' names are listed was determined by random selection.

The Ballot and Vote Certification form can be submitted electronically to: tamaron.luckett@sdcounty.ca.gov.

¹ Incumbent member

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: March 27, 2023
SUBJECT: Call for Ballots for the San Diego County Consolidated Redevelopment Oversight Board

Purpose

To consider nominations to elect one special district representative among the two nominated candidates to serve on the San Diego Consolidated Redevelopment Oversight Board.

Summary

By letter dated March 20, 2023, LAFCO has provided a Ballot and Vote Certification for consideration by the Board to cast an Election Ballot and Vote Certification for two (2) eligible nominees for the San Diego County Consolidated Redevelopment Oversight Board. Nominations have been received for the following candidates:

- Timothy Robles (Lakeside Fire Protection District)
- Patrick Sanchez (Vista Irrigation District)

Details of the process, the Ballot and Vote Certification Form, and Nominee resumes are attached for the Board's review. All independent special districts in San Diego County are eligible to cast one vote through their presiding officers or their alternates as designed by the governing bodies. The deadline for receipt of ballots by LAFCO is Monday, May 1, 2023.

Recommendation

The Board consider the nominations for the San Diego County Consolidated Redevelopment Oversight Board and authorize the President to cast its vote on the ballot provided.



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

CALL FOR BALLOTS

March 20, 2023

TO: Independent Special Districts in San Diego County

FROM: Tamaron Lockett, Commission Clerk
 San Diego Local Agency Formation Commission

SUBJECT: **Call for Ballots |**
San Diego County Consolidated Redevelopment Oversight Board

This notice serves as a call for ballots pursuant to California Government Code 56332(f) with respect to electing one special district representative among the two nominated candidates (attached resumes) to serve on the San Diego Consolidated Redevelopment Oversight Board. **All independent special districts** in San Diego County are eligible to cast one vote through their presiding officers or their alternates as designed by the governing bodies.

The official ballot is attached (Attachment A). Ballots must be signed by the presiding officers or their designees and returned to San Diego LAFCO no later than **Monday, May 1, 2023**. A ballot received without a signature will not be counted. Should LAFCO review a quorum of 29 ballots by the May 1st deadline the nominee with the most votes will be appointed. Ballots received after this date will be invalid. Should LAFCO not receive a quorum of ballots by the deadline an automatic 60-day extension to July 1st is required.

Ballots can be mailed to San Diego LAFCO Office at 2550 Fifth Avenue, Suite 725, San Diego CA 92103-6624 or via email to tamaron.lockett@sdcounty.ca.gov, include **“District Name”** and **“Redevelopment Oversight Board Ballot”** in the subject title, if necessary to meet the deadline, but the original form must be submitted.

Should you have any questions, please contact me at 619-321-3380.

Attachments

- 1) Candidates Resumes
- 2) Attachment A: Election Ballot and Vote Certification form

Administration:
 Keene Simonds, Executive Officer
 2550 Fifth Avenue, Suite 725
 San Diego, California 92103
 T 619.321.3380
 E lafco@sdcounty.ca.gov
 www.sdlafo.org

Chair Jim Desmond
 County of San Diego

Joel Anderson
 County of San Diego

Nora Vargas, Alt.
 County of San Diego

Kristi Becker
 City of Solana Beach

Dane White
 City of Escondido

John McCann, Alt.
 City of Chula Vista

Vice Chair Stephen Whitburn
 City of San Diego

Marii von Wilpert, Alt.
 City of San Diego

Jo MacKenzie
 Vista Irrigation

Barry Willis
 Alpine Fire Protection

David A. Drake, Alt.
 Rincon del Diablo

Andy Vanderlaan
 General Public

Harry Mathis, Alt.
 General Public

ATTACHMENT A

**SAN DIEGO COUNTY CONSOLIDATED REDEVELOPMENT OVERSIGHT BOARD ELECTION
BALLOT and VOTE CERTIFICATION**

VOTE FOR ONLY ONE

Timothy Robles []
(Lakeside Fire Protection District)

Patrick Sanchez []
(Vista Irrigation District)

As presiding officer or his/her delegated alternate as provided by the governing board, I hereby certify that I cast the votes of the _____
(Name of Independent Special District)

for the San Diego County Consolidated Redevelopment Oversight Board Election as:

- [] the presiding officer, or
- [] the duly-appointed alternate board member.

(Signature)

(Print Name)

(Print Title)

(Date)

Return Ballot and Vote Certification Form to:
San Diego LAFCO
Tameron Lockett
2550 Fifth Avenue, Suite 725
San Diego, CA 92103-6624
Email: tameron.lockett@sdcounty.ca.gov

CANDIDATE STATEMENT
COUNTY OF SAN DIEGO
COUNTYWIDE REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD

TIMOTHY ROBLES

I believe that government should be serving its citizens to create a better standard of living. My career experience consists of being a Fire Captain/Paramedic with the City of San Diego Fire and Rescue Department (1998-present) and additionally having been elected twice (2018-present) as a Board Director for the Lakeside Fire Protection District.

I am honored that my fellow Lakeside Fire Protection District Board members have decided to nominate me for this opportunity. This nomination comes strongly from a fellow Lakeside Board member, Mark Baker, who recently vacated his seat on the San Diego Countywide Redevelopment Successor Agency Board. Having this Former Board Member at the same agency as me creates a unique opportunity for legacy information to be shared creating a seamless transition of a new member to the Redevelopment Successor Agency Board. I look forward to continuing looking out for the interest of Special Districts here in San Diego County that are affected by the continuing disillusionment of the Redevelopment Agencies throughout the County.

During my career I have been involved in many processes requiring diligent financial oversight and have been involved in other professional Boards and Commissions as you will see listed below.

San Diego Fire and Rescue:

- Development of a Fire Management Assistance Grant,
- FEMA Grant Reimbursements,
- San Diego Fire-Rescue Foundation (Secretary, 2006-present),
- Local 145 Union Board Member (2009 – 2015)

Lakeside Fire District:

- District's Budget Development Committee (2019-present),
- Employment contract and agreement District Representative Negotiator (2019-present),
- Heartland Communications Facility Authority Commissioner (2019-present),
- Santee-Lakeside EMS Authority JPA Commissioner, 2022

As an Oversight Board Member of the San Diego County Countywide Redevelopment Successor Agency, I will work diligently to assist and ensure that each Successor Agency remains on track for their timely disillusionment and that property tax revenues are appropriately redistributed to the originating agencies including Special Districts.

Timothy E. Robles

EMPLOYMENT HISTORY:

- Fire Captain/Paramedic, San Diego Fire-Rescue Department (1998-Present)
600 B Street, Suite 1300, San Diego, CA 92101

OPERATIONAL EXPERIENCE:

- Special Operations Captain (2018-Present)
 - TRT, HIRT, USAR, Operational Support, Peer Support
- Special Assignments
 - Logistics Section Chief (COVID-19 Response IMT)
 - COVID-19 Testing Group Manager
 - Logistics (Telestaff Outage)
 - Dignitary Protection for President Trump
 - EMS CE Paramedic Instructor
 - IST Instructor
 - Academy Instructor (82nd,83rd,84th)
- Specialty Station Assignments:
 - Station 8 - Aircraft Rescue and Fire Fighting
 - Station 45 – HAZMAT, full-time and relief
 - Station 2/41 – TRT, relief
- CA-TF8 USAR (Urban Search and Rescue)
 - Logistics Team Manager
 - Medical Specialist
 - HazMat Technician
 - Rescue Specialist

EDUCATION:

- Associate Degree, Miramar College

OTHER RELEVANT ACHIEVEMENTS AND QUALIFICATIONS:

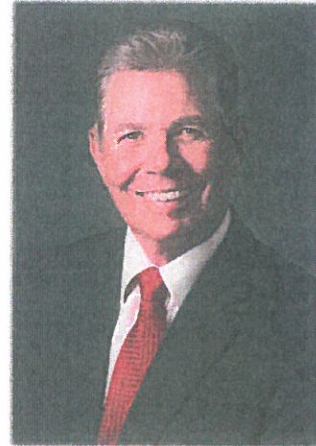
- Elected Lakeside Fire Protection District Board Member (President),
- Santee-Lakeside EMS Authority Commissioner
- San Diego Fireman's Relief Association, Member (1998-Present)
- Local 145 Union Board Member (2009-2015)

Patrick Sanchez

*Vista Irrigation District
Board of Directors*

NOMINEE:

**Special District Representative
to the San Diego County
Consolidated Redevelopment Oversight Board**



Interests and Qualifications:

- I have worked closely with Regional Planning Agencies, including the San Diego Association of Governments, the Southern California Association of Governments, and the Orange County Council of Governments on various projects.
- I have worked diligently with all outside service extensions to consolidate service levels for cities and counties.
- I possess a clear understanding of my special district's interaction with other agencies to meet current and future community needs.
- I provided leadership with regard to improving agency oversight and transparency.
- With respect to Redevelopment Funding Consolidation, I have experience helping streamline government services.
- I serve as member of the Board of Directors of the Vista Irrigation District; our Board strives to develop partnerships and consortiums with other agencies to efficiently deliver services to our customers.
- My professional experience has provided me with in-depth knowledge of capital projects, recycled water systems, aging infrastructure and water and park bond act projects.
- I have worked closely with other governmental agencies to insure coordination of joint projects; I acted as agency liaison for the Orange County National Pollution Discharge Elimination System program, and prepared and administered extensive landscape and water conservation programs for parks, medians, and street tree projects.
- I have worked collegially with staff and other members of boards on developing community outreach, public policy, and public information programs.
- I have 34½ years of experience working for municipal and county agencies as a Director of Community and Public Services and Director of Parks and Recreation for various public agencies, including the cities of Santa Fe Springs, Oceanside, Tustin, Glendora and Yucaipa and the County of San Mateo.

M E M O

TO: Board of Directors
FROM: Engineering & Operations Committee
DATE: March 27, 2023
SUBJECT: On-Call Emergency Pipeline Repair Services

Description

To establish a list of qualified contractors that can be utilized to augment the District's capacity to restore water service in the event of pipeline failures.

Purpose

In the recent past, there have been significant pipeline failures requiring extensive emergency repair to maintain service. The District's maintenance and repair crews keep the water systems functional, and respond to emergencies when they occur. However, in order to be better prepared for emergency repairs that require more resources and time, the District may need to engage qualified contractors to assist on short notice.

On February 7, 2023, District staff issued an RFP soliciting proposals to establish a list of qualified contractors with demonstrated experience to augment the District's capacity to restore water service in the event of emergency pipeline breaks, 24 hours per day/7 days per week. The intent is to enter a one-year time and materials agreement, with the option to renew up to four additional one-year terms. The repairs will be performed on an emergency as-needed basis, with the schedule of fees proposed by each qualified contractor as the price for labor and equipment to perform an emergency service.

Proposals were due on March 8, 2023. Three proposals were received and evaluated by staff, and all three proposals met the qualifications standards. The qualified contractors include:

- J.R. Filanc Construction Company, Inc.
- SCW Contracting Corp.
- TC Construction Company, Inc.

Per the District Administrative Code, an emergency is an unexpected occurrence requiring immediate action to prevent or mitigate the loss of essential public services. In the case of an emergency, the General Manager or Designee, may repair or replace a public facility, take any directly related and immediate action required by the emergency, and procure the necessary equipment, services and supplies for those purposes, without giving notice for bids to let contracts. The General Manager must report to the Board at its next meeting the reasons justifying the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency.

In such cases, the District will utilize the pre-qualified on-call contractors to procure services for each emergency repair based on a rotating schedule with the contractor that is first in line, offered the first right of refusal for acceptance of the work. Should the contractor who is first in line not accept the work or is unavailable to perform the job, the next contractor in line will be offered the work, and so on. After a job has been accepted and completed by the contractor, that contractor will be placed last in line and rotated up the list as work is accepted by other contractors. The District will maintain an after-project completion report reviewing the reasonableness of cost and quality of performance to ensure that each contractor continues to provide the District with high quality work.

Budgetary Impact

There is no budgetary impact at this time. The budget includes funds for emergency pipeline repairs and replacements. The cost of individual contracted emergency services will be brought to the Board as they occur.

Recommended Action

The Board approve three prequalified contractors for on-call emergency pipeline repair services: J.R. Filanc Construction Company, Inc., SCW Contracting Corp., and TC Construction Company, Inc.

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: March 27, 2023
SUBJECT: Consider Modifications to the District's Support for Fallbrook as an International Dark Sky Community

Purpose

The Fallbrook Community Planning Group (FCPG) has initiated a project to add Fallbrook to the list of International Dark Skies Communities through the San Diego County by becoming part of the County's Zone C Dark Sky Area. At their August 15th meeting, the FCPG voted 13-0 to support the initiative. The FCPG asked the FPUD Board of Directors to consider supporting their initiative and the Board approved a letter of support in the September 2022 meeting (Attachment A). Since this approval, there have been some concerns raised about mandatory activities being required by the county, which would require costly retrofits or limit some existing operations. The Board may be interested in clarifying their support does not include obligations for existing businesses and facilities to retrofit facilities at their cost.

Budgetary Impact

There is no budgetary impact.

Recommended Action

Staff supports Board direction.

Attachment A



990 East Mission Road
Fallbrook, California
92028-2232
www.fpud.com
(760) 728-1125

October 5, 2022

Rouya Rasoulzadeh
Long Range Planning, PDS
County of San Diego
PDS.LongRangePlanning@sdcounty.ca.gov

Dear Ms. Rasoulzadeh:

Board of Directors

Dave Baxter
Division 1

Ken Endter
Division 2

Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

The Fallbrook Public Utility District Board is pleased to support the Fallbrook Beautification Alliance's efforts to establish Fallbrook as an International Dark Sky Community. At the September 26, 2022 regular Board meeting, we voted 5-0 in favor.

By means of this vote, we also request that the County of San Diego concurrently begin the process for Fallbrook to become part of the County's Zone C Dark Sky Area.

Fallbrook residents enjoy a rural lifestyle. At night, we are fortunate to be able to enjoy the serenity of our country living without all the light pollution found in cities. We want to preserve this and continue to have the ability to look up into the beautiful night sky and see the wondrous stars of our universe.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dave Baxter', written over a horizontal line.

Dave Baxter, President
Fallbrook Public Utility District

cc: Luisa Cano, Fallbrook Beautification Alliance

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: March 27, 2023
SUBJECT: Consider a request by the Board President of the Helix Municipal Water District regarding efforts to reduce the proposed rate increases from the San Diego County Water Authority

Purpose

The San Diego County Water Authority (SDCWA) has released a draft \$1.8 billion two year budget for Fiscal Year 2024/25. SDCWA has indicated that the budget if adopted would result in an estimated rate increase for the “all-in” treated water rate of 14%. The board chair of the Helix Municipal Water District prepared a draft letter regarding the proposed rate increase and she has requested that the President of the District sign on to the letter (attached). President Wolk requested that the letter be placed on the agenda for Board consideration.

Budgetary Impact

If the budget and resulting rates are adopted as proposed it could require the District to utilize additional reserves or defer proposed capital projects given the District’s overall rate increase is limited to 6% per the adopted Proposition 218 rates.

Recommended Action

Staff supports Board direction.



Setting Standards of
Excellence in Public Service

Administration Office
7811 University Avenue
La Mesa, California 91942-0427

619-466-0585
helix@helixwater.org
hwd.com

March 23, 2023

General Manager Sandra Kerl
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Regarding: 2024 and 2025 Budget and Rate Setting

Dear General Manager Kerl:

We appreciate the San Diego County Water Authority's commitment to transparency and inclusiveness in the fiscal year 2024 and 2025 budget and rate setting process. It is clear the Water Authority takes its responsibility seriously in supporting a \$268 billion regional economy and serving 3.3 million residents. This is reflected in the leadership the Water Authority demonstrates locally, throughout the state and federally on a vast array of water, environmental and sustainability issues.

While early in the budget and rate setting process for fiscal years 2024 and 2025, the Water Authority has communicated to member agencies that it will potentially recommend a 14% water rate increase.

This significant level of increase would have onerous and far-reaching impacts at a time that both member agencies and their customers continue to struggle with a shaky and questionable fiscal future, as local and nationwide issues including inflation, supply chain disruptions, income loss and sustained market instability continue to hamper economic conditions.

Member agencies and their boards have been faced with making difficult decisions in order to balance fulfilling their responsibilities to keep their agencies safely running while also managing cost impacts to their customers. Programs have been cut back, staffing levels have been adjusted or reduced, and projects have been deferred or scaled back in order to reduce costs.

A Water Authority rate increase of 14% would make it even more challenging for member agency customers to pay their water bills, while effectively eliminating the many cost saving measures individual member agencies have made. It is very important to note that many of these agencies are currently operating under an existing approved Proposition 218 Notice that caps the Water Authority pass-through at a level less than the potential 14% increase.

This leaves member agencies with two equally unacceptable options: 1) absorb the additional costs into an already tight budget or 2) scrap their existing approved rates and immediately begin a new Proposition 218 Notice process. Neither option is welcomed, with both requiring additional resources and unplanned costs for member agencies.

Board of Directors
Kathleen Coates Hedberg, President
Daniel H. McMillan, Vice President
Andrea Beth Damsky, Division 2
Mark Gracyk, Division 3
Joel A. Scalzitti, Division 5

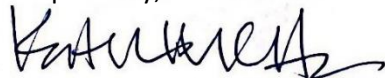
053

The initial communications regarding the Water Authority budget include items that will continue to allow it to maintain its reliable level of service to the region. This is expected and in alignment with the Water Authority's adherence to its mission. Member agencies do not want the Water Authority to operate in a manner that is reckless or takes unnecessary risks.

However, in the current climate, the anticipated budget and associated rate increase are not in alignment with the reality and risks faced at the member agency level. Also notably, for those member agencies currently in or about to enter the Proposition 218 noticing period, an increase in the pass-through rate of this magnitude will literally place them in the crossfire of concerned residents. It exposes them to public backlash, seriously jeopardizing these member agencies' ability to adjust the revenue levels required to operate and support the Water Authority.

We look forward to working with the Water Authority over the next few months to make adjustments to the budget and resulting rates, so as to find a balance that will meet the needs of the Authority, its member agencies and -- most importantly -- the customers that fund it in its entirety.

Respectfully,



Kathleen Coates Hedberg, PE, MPH
Board President

Attachment 1: Signatories

1. **MWD Issues/Water Supply Conditions**

The water supply conditions for California have improved substantially and MWD is now predicting surplus conditions. There are no allocations anticipated from MWD or SDCWA in the upcoming year.

2. **Budget and rates**

SDCWA released a draft \$1.8 billion Fiscal Year 24/25 budget (attached). Some highlights from the proposed budget:

- Proposes a 14% increase in the “all-in” water rate to \$2,144/AF next calendar year.
- Proposed increase in the supply rate of 13% next calendar year. This is the variable rate of the water we purchase.
- Proposed increase in the Special Agricultural Water Rate (SAWR) of 9% next calendar year for a total of \$1313/AF. MWD’s Tier 1 treated rate increase is 3.8% next calendar year for a total of \$1256/AF.
- Decrease in Municipal and Industrial (M&I) water sales from previous FY by 10%. Projected total water sales for FY 24 of 383,788 AFY (361,268 AFY of Municipal and Industrial and 22,520 AFY of Special Agricultural Water (SAWR)). This number doesn’t include the reduction of 46,482 AFY from new local production from the East County Project at 12,882 AFY and Phase I Pure water at 33,600 AFY, which are under construction and will be coming on-line over the next several years.
- Due to some of these local projects coming on-line projected total water sales for FY 25 decline another 12% to 361,311 AFY (338,820 AFY of M&I and 22,491 of SAWR). The minimum take or pay commitments for SDCWA which are used to provide M&I supplies are 328,000 AFY so in FY 25 the take or pay supplies are expected to provide 96% of M&I demands in FY 25.
- Addition of 7 new FTEs (8 new FTE’s minus elimination of one position).
- Proposed 5% increase in labor and benefits for FY 22/23 budget and a 19% increase from estimated actual. This means that the proposed budget for labor and benefits is 19% higher than what is expected to be spent over the last two Fiscal Years.
- 18% increase in debt services payments from \$260 million to \$306 million over the two year budget.
- The amount of internal staff costs allocated to CIP increased and makes up 16% of the total CIP Budget. (Direct Increased by 12% Indirect (Capitalized Overhead) increased by 16%). This means more of the operating costs are shifted into the CIP instead of being reflected in the operating budget. This helps reduce the % increase in operating labor and benefits, but it is not a real cost reduction.
- A \$186 Million two year CIP budget that includes:

- \$1.5 million of additional spending on top of \$2.3 million already spent for the regional conveyance study (Evaluation of a second redundant aqueduct pipeline from the Colorado River to Southern California)
- \$12 million in spending out of a \$60 million budget for a new Operations and Maintenance Building.
- \$13.8 million in spending for the San Vicente Energy Storage Facility. It is unclear if this is offset by grants as the budget assumes \$36 million in expenditures is offset by grants.

3. **Detachment**

LAFCO has produced a draft report that was released on March 14 (attached). The report identifies three options for the commission to consider:

1. Allow detachment with a combined exit fee of \$41.9 million over 5 years
2. Defer further consideration until an Municipal Sphere Review of SDCWA is completed
3. Deny the request

The Special District Advisory Committee and Cities Advisory Committee met on March 17th to discuss the reports.

4. **Key Upcoming Issues**

Some key issues for the upcoming year include:

- Refinement of the SDCWA budget and rates for FY 24 and 25 with a goal to reduce the projected rate impacts.
- Review of alternatives for potential partnerships with other agencies for SDCWA IID transfer and Desalination supplies to help offset impacts of local supply development and conservation.
- Fully understanding the use of consultants and lobbyist within San Diego County.
- Evaluation of development of an independent ethics mechanism within SDCWA.
- Continuing the evaluation of potential changes to the existing rate structure
- Formal action on the regional conveyance study that was approved by the Board and developing a plan to fund millions in additional project work if the project continues to be pursued.

**San Diego County Water Authority
Fiscal Years 2024 and 2025
Draft Recommended Budget**

March 2023

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Message from the General Manager

To: Board of Directors
From: Sandra L. Kerl, General Manager
Date: March 9, 2023
Re: Fiscal Years 2024 and 2025 budget-setting process

The Fiscal Years 2024 and 2025 budget-setting process is unlike any other in the Water Authority's history, balancing the complex demands of maintaining reliability in 310-miles of pipelines with inflationary pressures that we haven't seen in decades and numerous other factors. In response to Board direction, this budget process is starting two months earlier than normal, adding uncertainty to the initial projections.

That said, the draft recommended budget aligns with Board policies and best practices, with the goal of providing safe and reliable water at an affordable cost across the San Diego region. This is no insignificant feat in the era of climate change that is stressing water resources across the arid West and pushing up costs. The value of our long-term strategy was on full display last year, when millions of Southern Californians barely had enough water to get by, and our supplies remained intact.

Staff across the Water Authority have contributed to the budget development process over the past several months, resulting in an initial budget for 2024-2025 that is 5% larger than the previous two-year budget at \$1.8 billion. Approximately 90% of the budget is for purchasing, treating, and delivering water, combined with debt service and the Capital Improvement Program to ensure water is available when and where it's needed. As in years past, the Operating Departments account for about 7% of the budget.

As the Board starts to review the budget information, a few key points of context are critical. For starters, the Water Authority has taken aggressive budget- and rate-control measures for the past several years, leaving fewer options this year. These actions have included front-loading savings on debt-refinancings to reduce budget impacts in prior years, which means the impact of that debt will grow in the next two-year cycle. Our mitigation efforts also have included draws from the Rate Stabilization Fund, so that reserve is near the bottom of the Board's range and not as available as it used to be. In addition, the Water Authority has secured tens of millions of dollars for residents to pay their water bills, and we have distributed \$90 million to member agencies from the rate case litigation – money that otherwise could have defrayed Water Authority costs.

It's also important to realize that costs to execute our water reliability mission are rising due to factors beyond the Water Authority's control, like they are for retail member agencies and almost everyone else across the economy. Inflation has pushed up the cost of energy, steel, chemicals, and other inputs to levels not seen in a generation – and that has significant impacts on our budget. So do increases on the cost of water from the Metropolitan Water District of Southern California, which is charging us about 7% more next year than this year. We expect these factors to continue for the foreseeable future; indeed, the cost of unfunded mandates at the Carlsbad Desalination Plant will significantly increase costs in following budget cycles.

Today, inflation is most notably hitting the Capital Improvement Program (CIP), which is up by 5% in the draft recommended budget due to higher costs for existing projects and a reprioritization of projects to minimize risk.

The draft recommendation on the CIP incorporates a 10% reduction in appropriation for spending in Fiscal Years 2024 and 2025. CIP cost increases highlight what I see as the single most important issue for the Board of Directors this budget cycle: Balancing the cost of maintenance and capital projects today with the risk of health and safety problems later. Put differently, what is the right level of investment in 2024 and 2025 to reduce the risk of emergency breakdowns in the water treatment and delivery system that are far more costly than proactive upgrades? Part of that equation is related to personnel; this budget includes eight new positions – four to manage CIP projects and four to sustain Operations and Maintenance crews who are stretched too thin on the front lines. For the CIP program to advance, it will take additional staff resources to manage and coordinate increased work. Likewise, for the Water Authority to maintain its level of service to member agencies, the O&M team needs reinforcements.

A final note: Like all of you, Water Authority staff is aware that the rising cost of water creates downstream impacts, particularly on our most vulnerable populations, and we are leaving no stone unturned in the quest to minimize the cost burden on member agencies and the public. Those efforts include advocating for state and federal funds, assessing potential new revenue streams, and rethinking how rates are set. But we are also aware of that water reliability is among the foundational elements of life in the arid Southwest and not something we can function without. We look to provide that fundamental resource not just for the next two years but for generations. Because San Diego County's economy and quality of life depend on safe and reliable water supplies, along with the infrastructure and employees to ensure the water continues to flow.

Purpose of Draft Recommended Budget

In February 2022, the Board of Directors adopted a Budget Policy outlining the timeline and engagement for budget development. In accordance with the Budget Policy, the draft budget is presented to the Board in March during budget development years. The Water Authority's Fiscal Years 2024 and 2025 Draft Recommended Budget represents the initial budget and incorporates draft rates and charges information in addition to a conservative water sales forecast. The draft recommendation is used to solicit feedback and input from the Board and the public prior to developing the preliminary recommendations for the April public budget workshops.

The Water Authority's 2023 Five-Year Financial Forecast (Forecast) was used as a base for developing the draft recommended budget for Fiscal Years 2024 and 2025. Revenues and expenditures have been updated from the Forecast to ensure they align with the Water Authority's priorities and commitments and incorporate current themes and impacts. The draft recommended budget incorporates goals and objectives of the 2023-2027 Business Plan. The draft recommended budget is considered an additional planning tool during budget development to assist in decisions that will impact future fiscal years.

The Water Authority will prepare a preliminary recommended budget for Fiscal Years 2024 and 2025 to be presented and discussed at the public budget workshops on April 11 and 13, 2023. Projected revenues and expenditures in this draft recommendation may not correspond exactly to those in future recommended budgets or financial reports.

Budget Drivers and Unknown Variables

Throughout the process of developing the draft recommended budget each category was evaluated for unknown variables that could significantly impact the projections. Delivering budget information in March comes with the risk of future uncertainty. Below are the major categories of budget drivers that have unknown variables that could impact the future recommended budget as the Water Authority continues the development and presentation of the Fiscal Years 2024 and 2025 budget.

The vast majority, over 90%, of the Water Authority's budget is a product of water purchases and treatment or continued and historical investment in infrastructure. Only 7% of the Water Authority's budget is discretionary and under the immediate influence of the Board. The draft recommended budget reflects inputs and assumptions derived over two months earlier than normally produced. The result of earlier forecasting is a greater degree of uncertainty and need for pragmatic financial conservatism – be those assumptions of water purchases, water sales, member agency system utilization (treated/untreated/local storage), energy costs, inflation, or eventual Capital Improvement Program (CIP) needs.

Water Sales and Rates

While this draft recommended budget presents rates that are significantly higher, much like the overall budget, the majority of the forecasted rate needs are non-discretionary. Based on current estimates, the cost of water (purchases from the Metropolitan Water District (MWD), the Quantification Settlement Agreement (QSA), and Desalination) results in an "all-in" rate adjustment of 5%-6%. The Water Authority expects to see this level of increases required through 2028. As these costs are 100% outside the control of the Water Authority, these costs are considered pass-through in nature. Changing conditions to the Water Authority's system also impact current forecasts, for example, as demands are expected to decrease in 2024, following a wet 2023, resulting in a 4% rate

impact. Another example is the Division of Safety of Dams (DSOD) water level restrictions on the City of San Diego's Hodges Reservoir resulting in the loss of all hydroelectric revenues from that facility. While these impacts are not a "pass through" they are outside the Board's ability to negate.

Capital Improvement Program

The Capital Improvement Program (CIP) is expected to increase in Fiscal Years 2024 and 2025. The draft CIP budget has been developed based on three primary scenarios. Each scenario has been evaluated for cost and level of risk to the water delivery system. Conducting a thorough review allows the Water Authority to be responsive to changing conditions, particularly with respect to changes in demand, projects, and the needs of member agencies. Water Authority staff has been working with the Finance Planning Work Group (FPWG) to assess and recommend the best course of action for the CIP in the upcoming fiscal years. The draft CIP recommendations included in this document reflect the lowest risk scenario, however, the lowest risk scenario also reflects the highest cost to the Water Authority, as a result, the projections for the CIP for Fiscal Years 2024 and 2025 are \$206.2 million.

The Water Authority recognizes the need to appropriately fund and execute the CIP. There are potential impacts to the CIP appropriation execution efforts. Some factors that could impact the overall spending on the CIP are the bidding climate and economic influences; shifting of planned work to unexpected emergency repairs; schedule adjustments to projects including permitting delays, supply chain issues, scope changes, or weather-related delays. As we continue to develop and refine the CIP and gather input from the Board and the FPWG, we have reduced the CIP draft two-year appropriation by 10% to reflect a 90% execution rate on the CIP, for a total appropriation of \$185.6 million.

Capacity Charges

The County Water Authority Act permits the Water Authority to fix and impose capacity charges on each of its member agencies or upon ultimate users of water delivered by the Water Authority to member agencies. Capacity Charges are a one-time payment for new or upsized meters to fund the cost to construct capacity to serve that meter. Because the charge is a one-time payment for new or upsized meters the income is tied to construction and development in the region, in times of increased new construction activity, the income from capacity charges could also see an increase.

Debt Service

The Water Authority's Statement of Debt Management and Disclosure Policy sets forth comprehensive guidelines for the issuance and management of the Water Authority's debt. Debt service is increasing by \$45.8 million, or 18%, in Fiscal Years 2024 and 2025. During the COVID-19 pandemic, the Water Authority took advantage of favorable market conditions to refund and restructure outstanding debt. At the direction of the Board, the savings realized from the refundings were primarily applied to calendar years 2022 and 2023 therefore eliminating the application of any debt service savings during this budget cycle. Debt service is expected to remain at elevated levels through Fiscal Year 2034 before dropping by \$30 million in 2035 and another \$40 million in Fiscal Year 2039. The Water Authority has limited new money needs in the near term and does not expect any significant increase in debt service in the next several years.

Investment Income

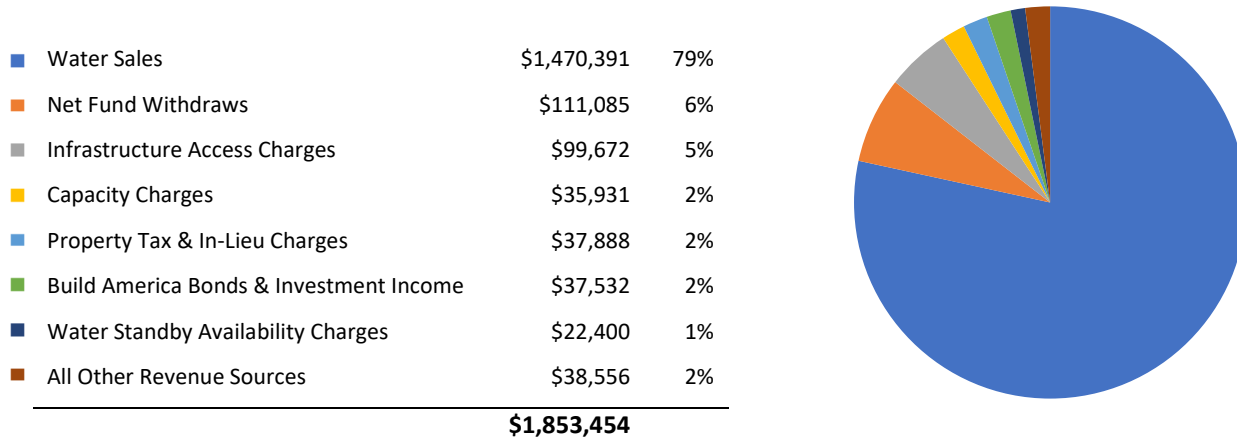
The Water Authority's investment income is revenue received by the Water Authority from investing its cash balances. Investment income on the cash balances in the Operating Fund, Rate Stabilization Fund, and Debt Service Reserve Fund is available for general Water Authority operating expenditures. The PAYGO Fund investment income is restricted to pay for capital expenditures or debt service. Similarly, the Construction Fund investment income is used for construction expenditures. Investment income is tied directly to the Water Authority's current investments and future investments. Currently, the projections assume an increase in investment income due to the rising interest rate environment. Investment income is subject to changes in market conditions in addition to the amount of cash available for investing or reinvesting as funds mature. The Federal Reserve raised its benchmark fund rate eight times in the past year, the Federal Reserve continues to evaluate the benchmark fund rate with their next meeting on March 21 and 22, 2023. If interest rates continue to rise, the projected investment income could continue to increase. On the opposite side, if interest rates fall, the projected investment income could decrease.

Financial Summaries

The Water Authority’s Fiscal Years 2024 and 2025 Draft Recommended Budget is \$1.8 billion. This section provides a summary of the total Sources and Uses of Funds for the draft recommended budget.

The draft recommended sources of funds (revenues) for Fiscal Years 2024 and 2025 are shown in Figure 1. Water Sales is the largest source of revenue at \$1.5 billion, reflecting 79% of total revenue to the Water Authority.

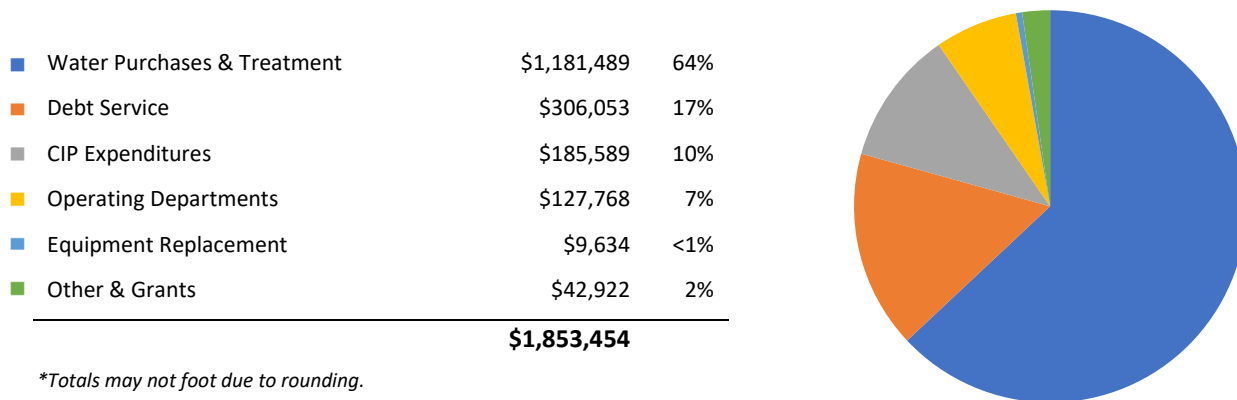
Figure 1: Draft Recommended Sources of Funds (\$ Thousands)*



*Totals may not foot due to rounding.

The draft recommended uses of funds (expenditures) for Fiscal Years 2024 and 2025 are shown in Figure 2. Three expenditure categories, Water Purchases and Treatment, Debt Service, and the Capital Improvement Program (CIP) combined equate to 90% of the total budget.

Figure 2: Draft Recommended Uses of Funds (\$ Thousands)*



*Totals may not foot due to rounding.

Table 1 provides the breakdown of draft recommended sources (revenue) and uses (expenditures) of funds for the two-year budget period and previous budget periods, for comparative purposes. The biggest drivers of the draft recommended budget are water demands, the cost to purchase and treat water, and the increases to the Capital Improvement Program and Debt Service. The Water Authority’s Debt Service is scheduled to increase based on the payment schedules and a result of front-loading Debt Service savings in the prior budget period. Additional details on the individual revenue and expenditure line items are provided throughout this document.

Table 1: Draft Fiscal Years 2024 and 2025 Budgeted Sources & Uses of Funds (\$ Thousands)

	FYs 20&21 Actual	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Draft Recommended	Variance Draft Recommended to Budget		Variance Draft Recommended to Estimate		
Revenues & Other Income									
Water Sales	1,182,217	1,351,010	1,360,901	1,470,391	119,382	9%	109,490	8%	
Infrastructure Access Charges	80,864	94,685	94,685	99,672	4,986	5%	4,986	5%	
Property Taxes & In-Lieu Charges	31,759	32,361	34,695	37,888	5,527	17%	3,193	9%	
Investment Income	11,746	12,698	9,907	16,214	3,517	28%	6,308	64%	
BABs Interest Rate Subsidy	21,276	21,317	21,317	21,317	0	0%	0	0%	
Hydroelectric Revenue	6,432	5,772	6,176	306	(5,466)	-95%	(5,870)	-95%	
Grant Revenue	16,482	28,481	28,246	37,156	8,674	30%	8,909	32%	
Other Income	50,797	55,129	58,981	998	(54,131)	-98%	(57,983)	-98%	
Capital Contributions:									
Capacity Charges	36,698	34,186	39,360	35,931	1,745	5%	(3,429)	-9%	
Water Standby Avail. Charges	22,333	22,400	22,342	22,400	0	0%	58	0%	
Contributions in Aid of CIP	4,150	19,612	18,814	95	(19,517)	-100%	(18,718)	-99%	
Total Revenues & Other Income	\$1,464,753	\$1,677,652	\$1,695,424	\$1,742,369	\$64,717	4%	\$46,945	3%	
Net Fund Withdraws	61,925	91,250	72,660	111,085	\$19,835	22%	\$38,426	53%	
TOTAL SOURCES OF FUNDS	\$1,526,678	\$1,768,902	\$1,768,084	\$1,853,454	\$84,552	5%	\$85,370	5%	
Expenditures									
Water Purchases & Treatment	964,147	1,117,120	1,132,211	1,181,489	64,369	6%	49,278	4%	
CIP Expenditures	108,603	177,555	167,197	185,589	8,034	5%	18,392	11%	
Debt Service ¹	266,846	260,244	261,191	306,053	45,809	18%	44,861	17%	
QSA Mitigation ²	4,711	5,891	5,893	4,490	(1,401)	-24%	(1,403)	-24%	
Operating Departments	111,956	124,760	120,365	127,768	3,008	2%	7,403	6%	
Equipment Replacement	3,089	4,733	3,175	9,634	4,901	104%	6,459	203%	
Grant Expenditures	16,556	27,846	27,206	36,234	8,388	30%	9,027	33%	
Other Expenditures	50,769	50,754	50,846	2,198	(48,556)	-96%	(48,648)	-96%	
TOTAL USES OF FUNDS	\$1,526,678	\$1,768,902	\$1,768,084	\$1,853,454	\$84,552	5%	\$85,370	5%	

1. Debt Service for Fiscal Years 2020 and 2021 includes \$19,990,110 in defeased Water Revenue Refunding Bonds Series 2005A COP, Series 2011A and 2011B.

2. QSA Mitigation includes QSA JPA contributions, environmental mitigation, Lower Colorado River Multi-species Conservation Program, and payments for Socioeconomic Mitigation Settlement.

Totals may not foot due to rounding.

Rates and Charges

Tables 2 and 3 communicate the draft rates and charges for Calendar Year 2024 by category and compares these to the current adopted and previous years' rates. Overall, draft rates and charges are proposed to increase by 14% on Municipal and Industrial (M&I) treated water effective January 1, 2024. In addition, for budgetary purposes, the Water Authority develops water sales projections based on estimates for Calendar Year 2024 that incorporate current known factors and are consistent with the updated demand forecast and 2020 Urban Water Management Plan.

Table 2: Water Authority Water Rate on a Per Acre-Foot Basis

	CY 20 Rates	CY 21 Rates	CY 22 Rates	CY 23 Rates	CY 24 Draft Rates	Variance (CY24 to CY23) \$	Variance (CY24 to CY23) %
Melded Supply Rate	\$ 925	\$ 940	\$ 1,009	\$ 1,085	\$ 1,225	\$ 140	13%
Melded Treatment Rate	280	295	310	350	410	60	17%
Transportation	132	150	173	173	197	24	14%
Storage ¹	181	189	167	154	170	16	10%
Customer Service ¹	64	73	65	63	72	9	14%
Supply Reliability ¹	104	122	109	105	121	16	15%
Total Cost of Treated Water	\$ 1,686	\$ 1,769	\$ 1,833	\$ 1,929	\$ 2,194	\$ 265	14%
Total Cost of Untreated Water	\$ 1,406	\$ 1,474	\$ 1,523	\$ 1,579	\$ 1,784	\$ 205	13%

1. Fixed charges converted to per acre-foot basis.

Table 3: Water Authority Rates

	CY 20 Rates	CY 21 Rates	CY 22 Rates	CY 23 Rates	CY 24 Draft Rates
Variable Rates (\$/Acre-Foot)					
Melded M&I Supply Rate	\$ 925	\$ 940	\$ 1,009	\$ 1,085	\$ 1,225
Melded M&I Treatment Rate	280	295	310	350	410
Transportation	132	150	173	173	197
Fixed Charges (\$ Millions)					
Storage	\$ 65	\$ 60	\$ 60	\$ 60	\$ 60
Customer Service Charge	25.6	25.6	25.6	26.0	27.0
Supply Reliability	37.4	38.9	39.3	40.4	42.7
Other Rates & Charges					
Untreated Special Agricultural Rate	\$ 755	\$ 777	\$ 799	\$ 855	\$ 903
Treated Special Agricultural Rate	1,035	1,072	1,109	1,205	1,313
Infrastructure Access Charge (IAC) ¹	3.66/ME	4.24/ME	4.24/ME	4.24/ME	4.32/ME
Water Standby Availability Charge	10	10	10	10	10

1. Meter Equivalent (ME).

Water Sales and Purchases

Tables 4a and 4b depict the various sources of revenue generated from water sales and the categories of expenses that comprise the cost to purchase or treat water. Water Sales revenues are generated through rates and charges from the Water Authority (both fixed and commodity based), pass-through of Metropolitan Water District's (MWD) rates and charges, and other adjustments. The Water Authority's rate periods differ from the budget. Rates are set on a calendar year basis; whereas the budget is set on a fiscal year basis, commencing July 1.

Table 4a: Draft Recommended Water Sales and Purchases

	Volume (AF)			Dollars		
	FY 2024	FY2025	Total	FY 2024	FY 2025	Total
Commodity						
Melded Supply	361,268	338,820	700,088	411,517,604	428,932,224	840,449,828
Melded Treatment	143,711	143,507	287,219	53,599,060	59,997,364	113,596,424
Transportation	364,308	341,315	705,623	66,323,930	67,784,370	134,108,301
Permanent Special Agricultural Water Rate (PSAWR)	22,520	22,491	45,011	19,625,307	20,840,678	40,465,985
Subtotal Commodity				\$ 551,065,901	\$ 577,554,636	\$ 1,128,620,537
Fixed						
Supply Reliability Charge	361,268	338,820	700,088	41,755,000	44,020,000	85,775,000
Customer Service Charge	383,788	361,311	745,099	26,500,000	27,250,000	53,750,000
Storage Charge	361,268	338,820	700,088	60,000,000	60,000,000	120,000,000
Subtotal Fixed				\$ 128,255,000	\$ 131,270,000	\$ 259,525,000
Subtotal Water Authority				\$ 679,320,901	\$ 708,824,636	\$ 1,388,145,537
Pass-throughs						
<i>MWD</i>						
Readiness-to-Serve (RTS) Charge				11,204,515	10,632,710	21,837,224
Capacity Charge				7,885,060	8,753,140	16,638,200
<i>CWA</i>						
Carlsbad and Vallecitos Water Districts Desalinated Water Purchases	6,000	6,000	12,000	19,880,037	20,807,406	40,687,443
Subtotal MWD Pass-throughs				\$ 38,969,612	\$ 40,193,256	\$ 79,162,867
Adjustments						
Reclamation Credits MWD	5,036	2,764	7,800	(1,032,814)	(594,260)	(1,627,074)
SDG&E Pumping Costs	0	0	0	250,000	260,000	510,000
Other				2,100,000	2,100,000	4,200,000
Subtotal Adjustments				\$ 1,317,187	\$ 1,765,740	\$ 3,082,927
TOTAL WATER SALES				\$ 719,607,699	\$ 750,783,631	\$ 1,470,391,330

Totals may not foot due to rounding.

Water Purchases and Treatment (cost of sales) includes water purchases from MWD, Imperial Irrigation District, and the Claude “Bud” Lewis Carlsbad Desalination Plant; the cost to treat water, whether through the Water Authority’s treatment facilities or one of the member agency’s facilities, and other adjustments. There are no planned purchases for dry-year transfers or groundwater storage.

Table 4b: Draft Recommended Water Sales and Purchases

	Volume (AF)			Dollars		
	FY 2024	FY2025	Total	FY 2024	FY 2025	Total
Metropolitan Water District (MWD)						
Full Service Untreated Water	41,807	21,173	62,980	35,744,985	19,119,378	54,864,363
Untreated Permanent (PSAWR)	22,520	22,491	45,011	19,625,307	20,840,678	40,465,985
RTS				11,204,515	10,632,710	21,837,224
Capacity Charge				7,885,060	8,753,140	16,638,200
Subtotal MWD	64,327	43,664	107,991	\$74,459,866	\$59,345,906	\$133,805,772
Quantification Settlement Agreement (QSA)						
Imperial Irrigation District (IID)	200,000	200,000	400,000	153,992,577	159,501,625	313,494,202
All-American and Coachella Canals	77,700	77,700	155,400	1,548,561	1,765,733	3,314,294
MWD Wheeling Costs for QSA Transfers	277,700	277,700	555,400	152,725,325	163,000,225	315,725,550
Subtotal QSA	277,700	277,700	555,400	\$308,266,463	\$324,267,582	\$632,534,045
Carlsbad Desalination						
Supply Costs	43,000	42,000	85,000	117,831,061	125,090,361	242,921,422
Direct Purchase for Carlsbad and Vallecitos Water Districts	6,000	6,000	12,000	19,880,037	20,807,406	40,687,443
Subtotal Desalination Supply	49,000	48,000	97,000	\$137,711,098	\$145,897,767	\$283,608,865
Treatment						
Metropolitan Water District (MWD)	59,614	60,469	120,083	21,089,205	21,772,937	42,862,142
San Diego County Water Authority	24,861	25,953	50,814	9,922,122	10,472,655	20,394,777
Helix	16,236	15,085	31,321	2,510,515	2,585,830	5,096,345
Carlsbad Desalination	43,000	42,000	85,000	16,310,000	15,855,000	32,165,000
Subtotal Treatment	143,711	143,507	287,219	\$49,831,842	\$50,686,422	\$100,518,265
Adjustments						
Annual Storage Charge				560,505	585,852	1,146,357
Reclamation Credits SDCWA	9,199	9,199	18,398	1,320,584	1,183,331	2,503,915
Reclamation Credits MWD	5,036	2,764	7,800	(1,032,814)	(594,260)	(1,627,074)
Evaporation & Seepage	12,600	12,600	25,200	11,075,400	11,812,500	22,887,900
SDG&E Pumping Costs				250,000	260,000	510,000
Below 10% MWD charges	145	145	290	178,713	189,080	367,793
Other				2,016,164	3,217,069	5,233,233
Subtotal Adjustments				\$14,368,552	\$16,653,572	\$31,022,123
TOTAL WATER PURCHASES & TREATMENT				\$584,637,821	\$596,851,249	\$1,181,489,070
Net Water Sales				\$134,969,878	\$153,932,383	\$288,902,260

Totals may not foot due to rounding.

Sources of Funds

Water Sales Revenue

Water Sales revenue is the largest source of revenue for the Water Authority, accounting for 79% of total revenues for the draft recommended budget for Fiscal Years 2024 and 2025. Water Sales include: the Customer Service Charge, Storage Charge, Metropolitan Water District (MWD) Readiness-To-Serve Charge, MWD Capacity Charge, the Supply Reliability Charge, and revenues generated by Melded Municipal and Industrial (M&I) Supply, Melded M&I Treatment, Transportation, Permanent Special Agricultural Water Rate (PSAWR), and water delivery rates. The draft recommended budget for Water Sales is \$1.5 billion, reflecting a \$119 million, or 9%, increase from the prior two-year budget period.

The primary drivers of Water Sales are the volumes of water the Water Authority expects to sell (projected water demands) and the pass-through of MWD's rates and charges, Quantification Settlement Agreement (QSA), and desalinated water purchases. The projected water demands for this multi-year draft recommended budget period are based upon the updated demand forecast, available local supplies, current economic conditions, and planned operational changed-condition events.

Infrastructure Access Charges

The Infrastructure Access Charge (IAC) is a fixed charge to help stabilize the Water Authority's revenues by mitigating water sales revenue volatility from sudden changes in water demand/availability and/or economic cycles. The IAC is allocated based on all retail water meters within the Water Authority's service area. The IAC shall be set at an amount which, when added to the Water Standby Availability, Property Tax and In-Lieu revenues, will provide funding for at least 25% of the Water Authority's estimated fixed annual costs. Fixed costs include, but are not limited to, annual debt service payments, Pay-As-You-GO (PAYGO) capital, and 80% of annual Operations and Maintenance (O&M) expenditures. The IAC's fixed revenues are not prone to volatility in water sales and provide baseline revenue. The IAC revenues have the added benefit of enabling greater flexibility in using reserves as potential revenue shortfalls are limited.

The IAC revenue draft recommended budget for Fiscal Years 2024 and 2025 is \$99.7 million, an increase of \$5.0 million, or 5%. This change in revenue reflects the change in the monthly per meter equivalent (ME) charge from \$4.24 for Calendar Year 2023 and \$4.32 in Calendar Year 2024 and includes a slight increase in the total number of MEs to which the charge is applied.

Property Taxes and In-Lieu Charges

The Water Authority is authorized under the County Water Authority Act (Act) to levy taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the Revenue and Taxation Code, and the California Constitution.

Property Taxes are collected by the County of San Diego and then remitted to the Water Authority throughout the year. The tax rate is based upon the San Diego County Assessor's valuation of taxable property within the Water Authority's service area. In addition, the Water Authority collects an In-Lieu Charge from the City of San Diego. Revenue from Property Tax and In-Lieu Charges is estimated to be \$37.9 million reflecting a 9% growth rate over estimated receipts in Fiscal Years 2022 and 2023.

Investment Income

The Water Authority receives revenue from investing its cash balances. Investment Income received on the cash balances in the Operating Fund, Rate Stabilization Fund, and Debt Service Reserve Fund is available for general Water Authority operating expenditures. Investment Income received in the PAYGO Fund is restricted to pay for capital expenditures or debt service. Similarly, investment income received for the Construction Fund is used for construction expenditures.

The Investment Income is estimated to be \$16.2 million, an increase of \$3.5 million, or 28%, from the previous two-year budget. Primarily, the increase is due to the rising interest rate environment. The Federal Reserve hiked interest rates throughout 2022 and continues into 2023 to combat inflation and promote economic growth. As a result of Fed tightening, interest rates have risen sharply to the highest yield levels in over a decade. At this point, the increases in investment income are offsetting the increases to debt service.

Hydroelectric Revenue

The Water Authority owns and operates the 4.5-megawatt (MW) Rancho Peñasquitos Hydro-generation and Pressure Control Facility (Rancho Hydro), and the 40 MW Lake Hodges Pumped Storage Facility (Hodges Hydro). The Water Authority's Hydroelectric Revenue for Fiscal Years 2024 and 2025 is expected to decrease significantly. The Water Authority has an agreement to operate the Hodges Hydro in coordination with San Diego Gas and Electric (SDG&E) and receives revenue based on facility availability. Currently the Hodges Hydro facility is non-operational due to water level restrictions by the Division of Safety of Dams, which are insufficient to operate the facility, resulting in the loss of all hydroelectric revenues from the facility.

The Rancho Hydro facility is a source of clean energy for San Diego and offsets energy costs at the Claude "Bud" Lewis Desalination Plant through SDG&E's Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) Program tariff. The generation credit is shown on the Desalination Plant's SDG&E monthly bills. As alternative revenue options become apparent, the Rancho Hydro revenue reporting structure may be revised in the future.

Grant Reimbursements

The Water Authority has actively pursued and been successful at obtaining grant funding to leverage ratepayer investments in its programs and services. Grant Reimbursements include funds from various sources including State grant programs, local project sponsors, and may contain pass-through funding for other government agencies and/or non-profit organizations. The draft recommended 2024 and 2025 budget is \$37.2 million, an increase of \$8.7 million, or 30%, from the previous two-year budget. More reimbursements are expected this fiscal year as project implementation is forecasted to ramp-up in the next two years and several grant programs are expected to be completed. This budget also includes funding for the second implementation round of the Proposition 1 Grant Program.

Build America Bonds Subsidy

The Build America Bonds Subsidy represents the subsidy from the U.S. Treasury for the Build America Bonds, which is projected to be \$21.3 million for the upcoming two-year budget, unchanged from the estimated receipts in Fiscal Years 2022 and 2023. The sequestration by the Federal Government was reduced to 5.7% on October 1, 2020, and is scheduled to remain at this level through September 2030.

Other Income

The Other Income draft recommended budget for Fiscal Years 2024 and 2025 is \$1.0 million. The Water Authority may receive income from annexations, easements, gains/losses on the sale of assets, delinquency fees, and plan-check reimbursements. The Fiscal Years 2022 and 2023 estimates for Other Income includes the receipt of the \$50.9 million from successful rate case litigation against Metropolitan Water District in addition to \$44.3 million received in Fiscal Years 2020 and 2021. In total, \$90.0 million was distributed to member agencies at the direction of the Board over the past few years.

Capital Contributions

Capital Contributions are independent of water use and intended to fund costs associated with new system capacity/reliability or maintain existing system capacity/reliability. The use of Capital Contributions revenue is restricted to paying for Capital Improvement Program (CIP) projects and is deposited into the PAYGO Fund. Capital Contributions are made up of Capacity Charges (System and Treatment), Water Standby Availability Charges, and Contributions in Aid of CIP (CIAC).

Capacity Charges

Capacity Charges include System Capacity Charges and Treatment Capacity Charges. For the draft recommended budget for Fiscal Years 2024 and 2025, the System and Treatment Capacity Charges revenues is \$35.9 million, which reflects an increase of 5%, over the previous two-year budget. Between comprehensive reviews, last performed in 2018, the Water Authority Board approved a recommendation to adjust the System and Treatment Capacity Charges annually to reflect the Engineering News Record Construction Cost Index.

- System Capacity Charges recover a proportionate share of the capital costs associated with providing services to new connections in the Water Authority's service area and is applied to all new or larger retail water meters installed, if certain criteria are met.
- Treatment Capacity Charges recover a portion of the capital costs from future users of the Water Authority's regional water treatment facility. Because meter size dictates the maximum water demand of a new customer, the Capacity Charges are based upon meter size.

Water Standby Availability Charges

The Water Standby Availability Charge is limited by statute and funds some of the capital costs associated with maintaining the system. This charge is \$10 per acre per year, or \$10 per year for a parcel less than one acre. The Water Standby Availability Charges revenue for the draft recommended budget for Fiscal Years 2024 and 2025 is \$22.4 million. This revenue source remains steady due to the nature of the charge.

Contributions in Aid of CIP (CIAC)

This revenue source consists of grants or contributions from member agencies for capital projects. In some instances, a member agency may reimburse the Water Authority for improvements to their system as part of a Water Authority project. Typically, these revenues are restricted to specific projects/uses and because they are tied to capital projects will fluctuate each year. For the draft recommended budget for Fiscal Years 2024 and 2025, the CIAC revenues are \$95,410.

Net Fund Withdraws

Net Fund Withdraws provides another source of funds for the Water Authority. The primary source of fund withdraws is bond proceeds to provide funding for CIP projects, other capital restricted monies from the PAYGO Fund, and purchases of water to be stored in the San Vicente Reservoir. For the draft recommended Fiscal Years 2024 and 2025 budget, fund withdraws are projected to be \$111.1 million, an increase of 22% primarily due to the overall increase in expenditures.

Uses of Funds

Water Purchases and Treatment

Water Purchases and Treatment include all expenditures made by the Water Authority for purchasing, transporting, and treating water from various sources. In addition, credits received via MWD's Local Water Supply Development (LWSD), and Local Resources Program (LRP) are applied against the cost of water purchased. The primary components of the Water Purchases and Treatment budget are broken down as follows: MWD supplies and Quantification Settlement Agreement (QSA) supplies, Carlsbad Desalination, and Treatment.

The Water Authority purchases supplies from MWD and includes the variable costs for full-service untreated water and MWD's fixed costs for Readiness-to-Serve (RTS) and Capacity Charges. The Water Authority is budgeting significantly less for supplies from MWD as a result of water supplies from the Claude "Bud" Lewis Carlsbad Desalination Plant and increased water transfer deliveries from the Imperial Irrigation District (IID).

The 2003 QSA provides for the large-scale water transfer between IID and the Water Authority, and enabled the lining of portions of the All-American and Coachella Canals. Based on the terms of the take-or-pay water transfer contract, if water is conserved, the Water Authority was required to purchase 202,500 acre-feet from IID in Calendar Year 2022 and is required to purchase 200,000 acre-feet in Calendar Year 2023. The Water Authority is also entitled to approximately 80,000 acre-feet annually as a result of the canal lining projects. These volumes are an increase from Calendar Years 2020 and 2021; the annual transfer volume will remain at 200,000 acre-feet per year for the remainder of the agreement.

The Claude "Bud" Lewis Carlsbad Desalination Plant began commercial operations in December 2015. Approved by the Board in November 2012, the Water Purchase Agreement (WPA) sets forth the price of water dependent on how much is purchased annually:

- The first 48,000 acre-feet of water purchased each year will pay the fixed costs of the project and the variable costs of water production.
- The Water Authority has the option to purchase an additional 8,000 acre-feet per year at a lower rate that reflects only the variable costs of incremental water production.

Carlsbad Municipal Water District and Vallecitos Water District have contracted with the Water Authority to purchase 6,000 acre-feet of the Water Authority's minimum annual demand commitment to Poseidon Water of 48,000 acre-feet at full cost recovery to the Water Authority. If the Water Authority purchases the additional 8,000 acre-feet, Carlsbad Municipal Water District and Vallecitos Water District will be eligible to purchase up to 1,000 acre-feet per year between the two agencies at the lower rate reflecting the variable costs of incremental water.

The Water Authority incurs costs to purchase treated water directly from MWD and costs for treating water at Twin Oaks Valley Water Treatment Plant (Water Authority owned facility) or the Levy Plant (Helix Water District owned facility). In addition, as approved by the Board, the incidental treatment benefit is assigned as a treatment cost at the existing Water Authority melded treatment rate. This results from the fact that the desalinated water produced at the Claude "Bud" Lewis Carlsbad Desalination Plant meets all state and federal drinking water regulations.

Water Purchases and Treatment draft recommended budget for Fiscal Years 2024 and 2025 is \$1.2 billion, representing \$133.8 million for supplies from MWD, \$632.5 million for QSA water, \$283.6 million for Carlsbad Desalination Plant water, \$100.5 million for treatment, and \$31.0 million for other adjustments. The increase of \$64.4 million, or 6%, reflects the increased costs of transporting QSA water, purchasing desalinated water, and treatment.

Debt Service

The Water Authority uses debt to fund improvements to existing facilities and new CIP projects, or to refund previous debt (long-term debt only). The draft recommended budget for Fiscal Years 2024 and 2025 is \$306.1 million, an increase of 18%. During the COVID-19 pandemic, the Water Authority took advantage of favorable market conditions to refund and restructure outstanding debt. At the direction of the Board, the savings realized from the refundings were primarily applied to calendar years 2022 and 2023 therefore eliminating the application of any debt service savings during this budget cycle. Debt service is expected to remain at elevated levels through Fiscal Year 2034 before dropping by \$30 million in 2035 and another \$40 million in Fiscal Year 2039. Table 5 identifies the principal and interest payments for short-term and long-term debt, in addition to the fees associated with debt service.

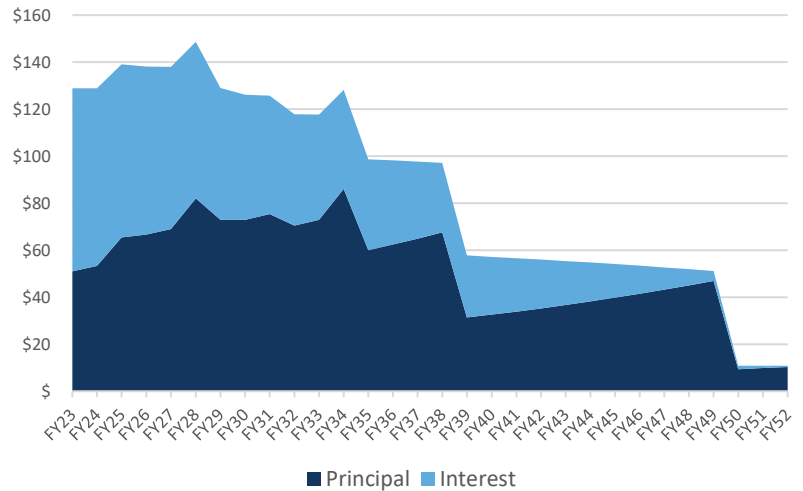
Table 5: Water Authority Debt Service (\$ Thousands)

	FYs 22&23 Amended	FYs 24&25 Draft Recommended	Variance Budget to Budget	
Long-term Debt Service				
Water Revenue Certificates of Participation				
Series 1998A	\$ 1,110	\$ 1,110	\$ -	-
Series 2005	7,446	-	(7,446)	-100%
Water Revenue Bonds				
Series 2010B	64,588	66,323	1,735	3%
Series 2013A	18,732	-	(18,732)	-100%
Series 2015A	54,100	59,093	4,994	9%
Series 2016B	1,786	1,787	1	0%
Series 2020A	8,010	50,964	42,954	536%
Series 2021A	26,135	29,301	3,166	12%
Series 2021B	23,162	23,098	(64)	0%
Series 2022A	12,361	21,667	9,306	75%
Subtotal	\$ 217,429	\$ 253,342	\$ 35,913	17%
Water Furnishing Revenue Bonds				
Series 2019 ¹	\$ 20,146	\$ 21,132	\$ 986	5%
Subtotal	\$ 20,146	\$ 21,132	\$ 986	5%
Short-term Debt Service				
Commercial Paper (Series 9 and 10)	\$ 5,828	\$ 15,313	\$ 9,485	163%
Subordinate Lien Bond, Series 2021S-1	15,158	14,649	(509)	-3%
Fees on Debt	1,683	1,617	(66)	-4%
Subtotal	\$ 22,669	\$ 31,579	\$ 8,910	39%
TOTAL	\$ 260,244	\$ 306,053	\$ 45,809	18%

1. The Water Furnishing Revenue Desalination Pipeline Bonds Series 2019 are subordinate to the pledge of Net Water Revenues for payment of Water Revenue Bonds and Certificates of Participation, Contracts, Reimbursement Obligations and Subordinate Obligations.

The Water Authority’s draft recommendation for Fiscal Years 2024 and 2025 includes the obligation for senior lien debt service of \$268 million. Current debt service expenditures include outstanding payments on Certificates of Participation (COPs) issuances, Water Revenue Refunding Bonds issuances, Build America Bonds (BABs) issuance, Subordinate Lien Water Revenue Refunding Bonds issuance, and Subordinate Water Furnishing Revenue Desalination Pipeline Bonds. Figure 3 depicts the existing short-term and long-term debt payments for the Water Authority, which are projected to decrease starting in Fiscal Year 2029.

Figure 3: Debt Service Payment Schedule



Long-term debt service expenditures include outstanding payments on Water Revenue COPs issuance, Series 1998A, Water Revenue Refunding Bonds issuances, Series 2015A, Series 2016B, Series 2020A, Series 2021A, Series 2021B, Water Revenue Bond, Series 2022A, and Build America Bonds (BABs) issuance, Series 2010B. Table 6, on the next page, provides a breakdown of principal and interest payments on the long-term debt service payments by fiscal year.

Quantification Settlement Agreement Mitigation

This category reflects scheduled payments to the QSA Joint Powers Agreement (JPA) for environmental mitigation pursuant to the QSA JPA Creation and Funding Agreement and expenses for the Lower Colorado River Multi-Species Conservation Program. The draft recommended budget for Fiscal Years 2024 and 2025 is \$4.5 million, which reflects a 24% decrease from Fiscal Years 2022 and 2023, largely due to the planned ending of mitigation payments per the agreement. The Water Authority plans to pre-pay the final payments in Fiscal Year 2024.

Table 6: Debt Service on Existing Long-Term Debt¹

Fiscal Year	Total Principal	Total Interest	Total Debt Service
2023	50,945,000	77,918,366	128,865,389
2024	53,340,000	75,521,566	128,861,566
2025	65,425,000	73,704,521	139,129,521
2026	66,695,000	71,483,524	138,178,524
2027	68,950,000	69,098,076	138,048,076
2028 ²	82,085,000	66,555,774	148,640,774
2029	72,920,000	56,028,396	128,948,396
2030	72,855,000	53,238,349	126,093,349
2031	75,375,000	50,434,986	125,809,986
2032	70,405,000	47,470,655	117,875,655
2033	72,945,000	44,701,700	117,646,700
2034	86,070,000	42,079,715	128,149,715
2035	59,945,000	38,724,086	98,669,086
2036	62,385,000	35,809,688	98,194,688
2037	64,935,000	32,776,582	97,711,582
2038	67,570,000	29,619,464	97,189,464
2039	31,355,000	26,388,899	57,743,899
2040	32,605,000	24,585,874	57,190,874
2041	33,915,000	22,710,935	56,625,935
2042	35,265,000	20,760,720	56,025,720
2043	36,670,000	18,732,879	55,402,879
2044	38,205,000	16,557,751	54,762,751
2045	39,795,000	14,292,218	54,087,218
2046	41,460,000	11,933,016	53,393,016
2047	43,195,000	9,475,827	52,670,827
2048	45,000,000	6,916,526	51,916,526
2049	46,880,000	4,251,042	51,131,042
2050	9,360,000	1,475,000	10,835,000
2051	9,825,000	1,007,000	10,832,000
2052	10,315,000	515,750	10,830,750
	\$ 1,546,690,000	\$ 1,044,768,886	\$ 2,591,460,909

1. Excludes the Series 2019 Desalination Pipeline Bonds, which are held by Poseidon Water.

2. Assumes \$146,490,000 in principal related to the Series 2021S-1 in Fiscal Year 2028 will be refunded with short-term debt.

Operating Departments

The Operating Departments budget funds the day-to-day operations of the Water Authority and makes up 7% of the Water Authority’s total expenditures. The draft recommended budget for Fiscal Years 2024 and 2025 of \$127.8 million reflects an increase of \$3.0 million or 2%. The draft recommended budget includes the addition of 8.0 full-time equivalent (FTE) positions and the elimination of 1.0 FTE. Non-personnel costs in the Operating Departments have increased by \$1.1 million, or 2%. Table 7 communicates the breakdown of the draft recommended budget by expenditure type and compares it to the previous two-year budget period. Figure 4 depicts this information graphically.

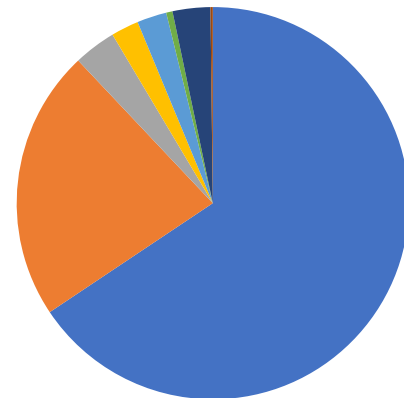
Table 7: Draft Recommended Operating Budget by Expenditure Type

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Draft Recommended	Variance Draft to Budget	Variance Draft to Estimate
Labor	\$67,725,964	\$61,298,673	70,084,704	2,358,740	3%
Benefits	37,614,621	32,241,858	40,794,406	3,179,785	8%
Labor & Benefits Total	105,340,585	\$93,540,531	\$110,879,110	5,538,525	5%
Direct Charges to CIP/Grants	(18,231,960)	(12,593,666)	(20,496,929)	(2,264,969)	12%
Operating Labor & Benefits	\$87,108,625	\$80,946,865	\$90,382,181	3,273,556	4%
Services	32,849,980	29,368,946	30,764,792	(2,085,188)	-6%
Supplies	3,727,699	3,883,453	4,815,063	1,087,364	29%
Utilities	3,071,403	2,872,373	3,140,990	69,587	2%
Insurance	2,380,656	2,576,642	3,364,931	984,275	41%
Lease/Rents	763,875	561,117	714,594	(49,281)	-6%
Other	3,158,321	3,056,422	4,283,324	1,125,003	36%
Fixed Assets	322,722	321,898	262,000	(60,722)	-19%
Non Personnel Total	\$46,274,656	\$42,640,851	\$47,345,694	1,071,038	2%
Total	133,383,281	123,587,716	137,727,875	4,344,594	3%
Capitalized Overhead	(8,623,145)	(8,542,564)	(9,960,205)	(1,337,060)	16%
GRAND TOTAL	\$124,760,136	\$115,045,152	\$127,767,670	\$3,007,534	2%

Totals may not foot due to rounding.

Figure 4: Operating Departments Budget by Expenditure Type (excluding capitalized overhead) (\$ Thousands)

Operating Labor & Benefits	\$90,382	66%
Services	\$30,765	22%
Supplies	\$4,815	3%
Utilities	\$3,141	2%
Insurance	\$3,365	2%
Leases & Rent	\$715	1%
Other	\$4,283	3%
Fixed Asset	\$262	<1%
\$ 137,728		



Labor and Benefits

The draft recommend two-year budget for Labor and Benefits will increase by approximately 5% overall in comparison with the previous budget period. This includes the proposed addition of 8.0 full-time equivalent (FTE) positions and the elimination of an existing FTE beginning in Fiscal Year 2024.

In total, Labor and Benefits are projected to be \$110.9 million, an increase of \$5.5 million in comparison with the prior two-year budget. Labor and Benefits are calculated for the entire Water Authority and then allocated between the Operating Departments and other reimbursable funds, like CIP or grants. Of the total draft recommended budget for Labor and Benefits for Operating Departments is \$90.4 million, or 82%, of the overall labor and benefits and \$20.5 million, or 18%, will be directly charged to CIP or grants.

In accordance with the memoranda of understanding, the draft recommended budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The cost impact of estimated increases for Fiscal Years 2024 and 2025 salaries is included in the overall Water Authority draft recommended budget. Department budgets may be amended at mid-term based on actual CPI-U (less medical).

Table 8: Draft Distribution of Labor and Benefits by Fund							
	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Draft Recommended	Variance Draft to Budget		Variance Draft to Estimate	
Operating	\$87,108,626	\$80,946,865	\$90,382,181	\$3,273,555	4%	\$9,435,316	12%
Direct Charges to CIP/Grants	18,231,960	12,593,666	20,496,929	2,264,969	12%	7,903,263	63%
Total	\$105,340,586	\$93,540,351	\$110,879,110	\$5,538,524	5%	\$17,338,759	19%

Table 9 below shows the average distribution of full-time equivalent positions by fund.

Table 9: Average Distribution of Full-Time Equivalents by Fund			
	FYs 22&23 Amended	FYs 24&25 Draft Recommended	Variance
Operating	203.0	210.9	7.9
Direct Charges to CIP/Grants	47.5	49.6	2.1
Total	250.5	260.5	10.0

Addition of 8.00 Full-Time Equivalentents:

The draft recommended budget includes the recommendation to add 8.00 FTE positions and eliminate an existing FTE effective Fiscal Year 2024. These positions are outlined below.

- Asset Management Specialist I (1.00 FTE): Reinstatement of this position will reduce the existing workflow shortfall of approximately 2,196 hours per year and support effective delivery of core team functions.
- Engineer I/II, Project Scheduler I/II, and Senior Manager (3.00 FTEs): To better align with organizational goals/priorities and effectively execute the CIP. These positions will be primarily funded by the CIP.
- SCADA Technician (1.00 FTE): The growing number of new and re-engineered facilities continues to increase the complexity of the SCADA system.

- Maintenance Worker I/II (2.00 FTEs): Reinstatement of these positions will provide for increased unscheduled maintenance due to aging infrastructure and reduce the existing workflow shortfall of approximately 6,306 hours per year and support the ability to effectively perform core department functions.
- Water Resources Specialist (Environmental) (1.00 FTE): To better align with organizational goals and priorities, eliminate one Senior Office Assistant position and add one Limited Duration Employee (LDE) Water Resources Specialist position to support the environmental group with CIP projects. The term of the new LDE position will be for three years and primarily funded by CIP.

FTEs are based on the percentage of a fiscal year (represented by 2,080 working hours) the position will be funded.

Table 10 below shows the budgeted FTEs from Fiscal Year 2016 to 2023 along with the draft recommendations for Fiscal Years 2024 and 2025. In Fiscal Year 2023, the Board of Directors authorized the reinstatement of one position and the addition of 2.00 regular FTEs and 1.00 limited duration FTE, for a total of 4.00 FTEs. Three positions were for implementation and ongoing maintenance of financial third-party reviews, one LDE was added for the implementation and administration of the approved Project Labor Agreement.

Table 10: Draft Budgeted Full-Time Equivalents

	FY 16	FY 17	FY 18*	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Regular Employees	247.40	247.40	254.50	254.50	255.50	255.50	248.50	251.50	257.50	257.50
Limited Duration Employees (LDE)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	3.00	3.00
Total	248.40	248.40	255.50	255.50	256.50	256.50	249.50	253.50	260.50	260.50

Difference from Prior Fiscal Year

Cumulative Change from FY 16

*In Fiscal Year 2018 one Management Analyst LDE was reclassified to a regular Management Analyst and one Management Analyst LDE was added. In addition, 6.00 FTEs were added to Operations and Maintenance for system security and operations.

Services

Services expenditures include professional, technical, legal, and financial services. The Services line-item draft recommended budget is \$30.8 million, or 22%, of the Operating Departments excluding capitalized overhead. Expenditures for Services are expected to decrease by \$2.1 million, or 6%, primarily due to a decrease in legal services. Services includes new contracts to support updating the State mandate planning documents including the Urban Water Management Plan (UWMP), the Water Shortage Contingency Plan, as well as outreach with Mexico on Colorado River issues.

Supplies

Supplies expenditures include necessary supplies, fuel, and minor equipment for operating and maintaining our facilities. The Supplies category is \$4.8 million, or 3%, of the Operating Departments excluding capitalized overhead. This \$1.1 million increase is due to increased costs related to supply chain issues, inflationary pressures, and increased fuel costs.

Utilities

Utilities expenditures include costs for gas, electricity, water, sewer, and telephone charges. The Utilities category is \$3.1 million, or 2%, of the Operating Departments budget excluding capitalized overhead. It is anticipated that Utilities will increase slightly by \$69,587, or 2%, in the upcoming period. Gas and electricity costs are expected to increase; however, these projected increases are offset by decreases in other areas of the Utilities expenditures.

Insurance

Insurance expenditures include premium costs associated with property and workers' compensation insurance, as well as costs incurred for unemployment claims. The Insurance category is \$3.4 million, or 2%, of the Operating Departments excluding capitalized overhead. In comparison with the previous two-year budget period, Insurance is projecting an increase of \$1.0 million or 41%. This increase reflects predicted increases in premiums for the Water Authority's package of property, liability, and workers' compensation coverage due to extreme volatility currently being seen across California, in addition to inflationary pressures.

Leases and Rent

Leases and Rent expenditures include office, facility, and equipment rentals. The Leases and Rent category is \$714,594, or less than 1%, of the Operating Departments excluding capitalized overhead. Expenditures for Leases and Rent are expected to decrease by \$49,281, or 6%, primarily associated with reductions in facility leases and equipment rentals.

Other

Other expenditures include costs for travel, training, memberships, sponsorships, permits, and licenses. This expenditure category is \$4.3 million, or 3%, of the Operating Departments excluding capitalized overhead. Overall, there is \$1.1 million, or 36%, increase from the prior two-year budget which is primarily due to increased costs for travel, training, and membership expenses. The main driver for this increase is related to increased training and travel after a two-year hiatus of typical spending due to the COVID-19 pandemic.

Fixed Asset

Fixed Asset expenditures include the purchase of assets, not associated with the CIP. These expenses are one-time in nature. The Water Authority is projecting a decrease of \$60,722, or 19%, compared to the prior two-year period. Fixed Asset purchases in Fiscal Years 2022 and 2023 included large expenses for telemeter/aqueduct control equipment and building improvements.

Equipment Replacement

In conjunction with the Water Authority's budget development process, departments evaluate and recommend equipment replacement purchases based on a thorough process in which equipment and vehicles are reviewed to evaluate the necessity to the overall operations; suitability with the function being performed; past repair history; anticipated costs to continue maintaining; and options to cost effectively replace (i.e. lease, rental, and/or used purchases). The Equipment Replacement Fund (ERF) program focuses on long-range planning for equipment replacement, helps moderate the fund balance, and smooths the impact of replacing expensive equipment such as vehicles or software. The draft recommended two-year budget for ERF of \$9.6 million is a \$4.9 million increase from the previous budget period and includes updates to the Supervisory Control and Data Acquisition (SCADA) system, computers and servers, and critical vehicle and equipment replacements. The increase in expenditures for

Fiscal Years 2024 and 2025 includes \$1.5 million that was budgeted in Fiscal Year 2023 and is being carried forward for the purchase of two valve service trucks and two welding trucks that have been backordered due to supply chain issues. Additionally, 13 vehicles, totaling \$995,000 are being recommended for early replacement in Fiscal Year 2025 to ensure proper replacements are available. Other increased costs are related to planned software for the Water Authority's Document Management (OnBase) and Asset Management (Maximo) programs, and asset replacement costs including the replacement for a 22-year-old hydraulic excavator.

Grant Expenditures

Grant Expenditures include expenses from the Integrated Regional Water Management (IRWM) Program, United States Bureau of Reclamation (USBR), MWD Member Agency Administered Program (MAAP), and the County of San Diego. The recommended draft budget encompasses expenses for regional programs for over 30 multi-benefit projects sponsored by the Water Authority, its member agencies, non-profit organizations, and tribal partners funded under various state grants through the IRWM Program. This includes projects supported by funds from Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act (2006), Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act (2014) and the State of California Budget Act of 2021 Urban and Multi Benefit Drought Relief. The draft recommended budget also includes expenses for Water Authority regional water-use efficiency programs that will be reimbursed by USBR, MWD, and the County of San Diego.

Other Expenditures

Other Expenditures include all miscellaneous expenditures that are not reflected in the above expenditure categories. The draft recommended budget for Fiscal Years 2024 and 2025 is \$2.2 million, or a 96% decrease from Fiscal Years 2022 and 2023. The draft budget is significantly lower than Fiscal Years 2022 and 2023 due to funds distributed to the member agencies in Fiscal Years 2022 and 2023 as the result of successful rate case litigation against Metropolitan Water District.

Capital Improvement Program

The Water Authority has a long history of planning and executing large and complex capital projects. The CIP is reviewed and reprioritized every two years during the budget development process for the next biennium. The biennial review of the CIP allows the program to be responsive to the results of continuous system analyses (including acoustic fiber optic information, code changes (safety), seismic analyses, hydraulics (flow changes/damaging conditions), age, service life, and physical inspections) and responding to requests from member agencies. This close monitoring of the CIP and assets enables the Water Authority to base its Five-Year Forecast and its LRFP on timely and accurate data. The principal drivers of the current CIP program are the Regional Water Facilities Master Plan, Asset Management, and Energy Initiatives. The Water Authority's draft recommended CIP appropriation for Fiscal Years 2024 and 2025 is \$185.6 million.

Regional Water Facilities Master Plan

In June 1997, the Board approved a Regional Water Facilities Master Plan (Master Plan) project. The purpose of this project was to assess future water demands and supplies through the year 2030 and recommend the best facilities' solution to meet the region's needs. The Master Plan is reviewed and updated on a regular basis. As part of the 2013 Master Plan Update, the Water Authority conducted a comprehensive evaluation of future infrastructure needs based on a plausible range of projected supplies and demands through 2035. Over the next few years, staff will continue working to complete construction of projects identified in the 2013 Master Plan update.

A new 2023 Facilities Master Plan is being prepared and will identify system optimization opportunities, review seismic preparedness and resilience, and account for changing conditions such as climate change, lower aqueduct flows, and water quality challenges. The 2023 Facilities Master Plan is anticipated to be presented to the Board in 2024 and will likely impact the current five-year forecast for the CIP.

Asset Management

Replacing and/or rehabilitating the Water Authority's existing aging assets will drive the majority of CIP spending for the foreseeable future. The Asset Management Program is comprised of several projects, the largest of which are Infrastructure Rehabilitation and the Relining and Pipe Replacement Program. Not only is risk considered, but asset repair, replacement, and rehabilitation projects are also defined and prioritized considering available resources, economic factors, customer rate and delivery impacts, timing, and other issues.

Over the next several years, the CIP will focus on completing the highest priority asset management projects. These projects are rehabilitations or replacements of existing aging infrastructure (pipelines and facilities) that are near the end of their service life or require work on them due to changes in the operation of our system or are at risk of failure due to seismic or some other issue. As part of the Asset Management Program, detailed seismic and hydraulic/cavitation analyses of several flow control facilities will be performed in addition to routine condition inspections, with a view to maximizing the lifespan of facilities while optimizing resources. In addition, comprehensive pipeline condition assessments will be conducted to ensure work is being performed on the most critical assets in support of the Water Authority's mission to provide a safe and reliable water supply for the region.

Table 11: Draft CIP Project Summary Table (\$ Thousands)

Project Name	FYs 22&23 Amended Multiyear Plan	FYs 24&25 Draft Multiyear Plan	Variance Draft-Amended	Multiyear Expenditures through 6/30/22	FY 23 Estimated	FY 24 Draft Projections	FY25 Draft Projections	FY 26 Draft Projections	FY 27 Draft Projections	FY 28 Draft Projections	Beyond FY 29 Draft Projections
Asset Management											
Abandonment of the La Mesa Sweetwater Extension to Sweetwater	4,180	4,180	0	133	0	0	0	0	0	0	4,047
Aqueduct Communication System	4,337	4,337	0	144	0	0	0	0	0	1,305	2,888
Additional Aqueduct Right of Way Width	5,787	5,787	0	5,129	0	0	0	0	0	0	658
Facilities Improvement and Equipment Replacement	15,852	35,852	20,000	286	1,001	2,659	4,038	2,658	3,982	740	20,489
Infrastructure Rehabilitation	455,295	455,295	0	36,382	39,615	28,229	38,167	46,493	44,731	39,654	182,023
Lake Hodges Dam Rehabilitation/Replacement	138,220	138,220	0	136	407	1,843	1,405	3,025	2,778	2,786	125,840
Lake Hodges Hydroelectric Facility's Downstream Piping System	2,000	2,000	0	0	500	1,500	0	0	0	0	0
Line Road Improvements	888	888	0	183	65	149	145	0	0	0	347
Operations and Maintenance Department Facility	35,000	60,000	25,000	78	143	12,000	0	1,500	1,500	22,443	22,336
Relining and Pipe Replacement Program	455,319	455,319	0	7,126	23,756	4,750	78,271	30,737	60,818	28,340	221,521
Second Aqueduct Diversion Complex Improvements	12,324	21,324	9,000	0	0	915	1,362	11,424	5,776	414	1,432
Total Asset Management	1,129,203	1,183,203	54,000	49,598	65,487	52,046	123,388	95,838	119,585	95,681	581,580
Emergency Storage Program											
ESP - North County Pump Station	45,464	45,464	0	2,750	12,859	128	52	2,344	22,241	1,375	3,715
ESP - Owner Controlled Insurance Program Closeout	76	76	0	12	4	8	5	0	0	0	47
ESP - Post Construction Activities	9,153	9,153	0	573	57	659	1,956	430	5	13	5,460
Total Emergency Storage Program	54,694	54,694	0	3,335	12,921	795	2,013	2,774	22,246	1,387	9,222
Environmental Mitigation											
Colorado River Canal Linings - Post Construction Mitigation Monitoring	28,125	28,125	0	16,786	220	505	504	3,809	4,045	1,600	656
Mitigation Program	21,555	21,555	0	7,699	289	396	4,371	2,431	940	2,147	3,281
Post-Construction Mitigation Management	5,478	5,978	500	2,086	1,325	792	290	267	188	26	1,004
Total Environmental Mitigation	55,158	55,658	500	26,570	1,834	1,692	5,166	6,507	5,174	3,773	4,941
Master Planning and Studies											
2023 Facilities Master Plan	6,392	6,392	0	587	2,150	2,722	211	0	0	0	722
Energy Resiliency Project	700	9,700	9,000	237	35	509	1,154	3,023	3,405	211	1,126
ESP - San Vicente 3rd Pump Drive & Power	8,044	8,044	0	258	0	0	0	0	0	0	7,786
Inline Hydroelectric Energy Generation Facilities	521	521	0	213	0	0	0	0	0	0	307
Pipeline 3/Pipeline 4 Conversion	1,014	1,014	0	0	0	0	0	0	0	0	1,014
Regional Conveyance System Study	3,900	3,900	0	2,346	0	1,554	0	0	0	0	0
San Vicente Energy Storage Facility	20,806	31,206	10,400	1,884	11,101	7,700	6,152	3,893	0	0	476
System Isolation Valves	522	522	0	228	0	0	0	0	0	0	294
Total Master Planning and Studies	41,899	61,299	19,400	5,753	13,286	12,485	7,518	6,916	3,405	211	11,726
Member Agency Requested Projects											
Carlsbad 5 Flow Control Facility and Pressure Reducing Valve	1,014	1,014	0	338	8	0	0	0	0	0	668
Poway 5 Flow Control Facility	820	820	0	9	132	8	87	116	250	10	207
Total Member Agency Requested Projects	1,834	1,834	0	347	140	8	87	116	250	10	875
Other											
Carlsbad Desalination Project	5,590	5,890	300	4,042	1,029	271	125	0	0	0	423
Hauck Mesa Storage Reservoir	22,916	22,916	0	15,919	3,749	0	278	0	0	0	2,969
Mission Trails Flow Regulatory Structure (FRS) II/Lake Murray Control Valve	48,702	48,702	0	42,069	4,844	338	0	0	0	0	1,450
Total Other	77,208	77,508	300	62,031	9,623	610	403	0	0	0	4,842
Grand Total for Active Projects	\$1,359,995	\$1,434,195	\$74,200	\$147,633	\$103,292	\$67,636	\$138,575	\$112,151	\$150,660	\$101,063	\$613,186
Total Completed and Removed Projects	16,418										
Total Completed Projects with Active Rollups	149,276										
Total Multiyear Plan	\$1,525,690	\$1,434,195	-\$91,495								
						FY 24&25 Total appropriation	\$206,210				
						FY 24&25 Total appropriation with 10% reduction	\$185,589				

Table 12: Draft CIP Completed and Removed Projects (\$ Thousands)

Project Name	FYs 22&23 Amended Multiyear Plan	FYs 24&25 Draft Multiyear Plan	Variance Draft-Amended	Multiyear Expenditures through 6/30/22	FY 23 Estimated	FY 24 Draft Projections	FY25 Draft Projections	FY 26 Draft Projections	FY 27 Draft Projections	FY 28 Draft Projections	Beyond FY 29 Draft Projections
Alvarado Hydroelectric Facility Rehabilitation	8,425	4,891	-3,534	4,888	3	0	0	0	0	0	0
Board Room Modifications	1,654	42	-1,612	42	0	0	0	0	0	0	0
Coachella Mid-Canal Storage Project	5,000	0	-5,000	0	0	0	0	0	0	0	0
System Vulnerability Assessment	1,339	1,198	-141	1,149	49	0	0	0	0	0	0
Total - Recommended Completed/Removed Projects	\$16,418	\$6,132	-\$10,287	\$6,080	\$52	\$0	\$0	\$0	\$0	\$0	\$0

Table 13: Draft CIP Completed Projects with Active Rollups (\$ Thousands)

Project Name	FYs 22&23 Amended Multiyear Plan	FYs 24&25 Draft Multiyear Plan	Variance Draft-Amended	Multiyear Expenditures through 6/30/22	FY 23 Estimated	FY 24 Draft Projections	FY25 Draft Projections	FY 26 Draft Projections	FY 27 Draft Projections	FY 28 Draft Projections	Beyond FY 29 Draft Projections
ESP - Post Construction Activities	2,753	2,753	0	2,751	1	0	0	0	0	0	0
Facilities Improvement and Equipment Replacement	248	248	0	0	248	0	0	0	0	0	0
Infrastructure Rehabilitation	67,448	67,448	0	66,293	1,156	0	0	0	0	0	0
Mitigation Program	628	628	0	628	0	0	0	0	0	0	0
Post-Construction Mitigation Management	1,061	1,061	0	1,061	0	0	0	0	0	0	0
Relining and Pipe Replacement Program	68,791	68,791	0	68,765	26	0	0	0	0	0	0
San Vicente Pumped Storage Study	7,887	7,887	0	7,887	0	0	0	0	0	0	0
Second Aqueduct Diversion Complex Improvements	460	460	0	460	0	0	0	0	0	0	0
Total - Completed Projects with Active Rollups	\$149,276	\$149,276	\$0	\$147,846	\$1,431	\$0	\$0	\$0	\$0	\$0	\$0

Conclusion

The development and presentation of the draft recommended budget is two months earlier than the previous year's budget process. An early budget timeline means less certainty and information that will require further refinement and additional changes throughout the process.

There are several drivers and unknown variables that can impact the future recommendations throughout this process. Over 90% of the Water Authority's draft recommended budget is due to the purchase and treatment of water, debt service, and the Capital Improvement Program (CIP). Water sales, purchases and treatment, member agency needs, energy costs, and inflation can all impact the projections. The Water Authority will continue to refine the projections while working with the Board, the Finance Planning Work Group, and the public during Public Budget Workshops.

The Board of Directors will consider and discuss the drivers and policy priorities of the upcoming budget over the next few months. This input will be incorporated into the development of the Preliminary Recommended Budget document that will be presented to the Board in early April for the Public Budget Workshops, which are scheduled for April 11 and 13, 2023. Input provided during the Public Budget Workshops will be incorporated into an updated Recommended Budget that will be presented to the Board in early May for consideration and discussion at the May Public Budget Workshops, which are scheduled for May 9 and 11, 2023.

The draft recommended budget is intended to provide the Board with draft budget information for Fiscal Years 2024 and 2025. The April Preliminary Recommended Budget and May Recommended Budget documents will include updated and more comprehensive information on the Fiscal Years 2024 and 2025 budget. The documents will include the General Manager's Budget Message, Financial Summaries, Sources and Uses, details on all Operating Departments and the Capital Improvement Program and each project. Appendices including positions by department, capitalized overhead, and information on the energy program will also be provided.



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

6a

AGENDA REPORT
 Public Hearing

XXXXXXX

TO: XXXXXXXXX

FROM: Priscilla Mumpower, Analyst II
 Carolanne Ieromnimon, Analyst I
 Chris Cate, Commission Consultant
 Adam Wilson, Commission Consultant

SUBJECT: COMBINED PUBLIC HEARING
Proposed “Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services” | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04)

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider two separate reorganization proposals filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) that have been administratively combined for hearing purposes by the Executive Officer. The proposals seek LAFCO approvals to transfer wholesale water service responsibilities within the applicants’ jurisdictional boundaries from the San Diego County Water Authority to Eastern MWD. The purpose of the proposals is to achieve cost-savings to the applicants and their retail ratepayers based on the difference in charges between the two wholesalers. LAFCO staff independently estimates the average monthly cost-savings for the applicants’ ratepayers is \$23.50 per household. LAFCO staff separately estimates the average monthly cost-increases to the remaining County Water Authority member agencies’ ratepayers at \$2.20 per household.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103-6624 T 619.321.3380 www.sdlafco.org lafco@sdcountry.ca.gov</p>	<p>Chair Jim Desmond County of San Diego</p> <p>Joel Anderson County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann City of Chula Vista</p>	<p>Vice Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Jo MacKenzie Vista Irrigation</p> <p>Barry Willis Alpine Fire Protection</p> <p>David A. Drake, Alt. Rincon del Diablo</p>	<p>Andy Vanderlaan General Public</p> <p>Harry Mathis, Alt. General Public</p>
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As detailed, staff believes three merited alternative actions are readily available to the Commission. The first alternative involves approving both proposals with conditions – including requiring exit fees to be paid by the applicants to the County Water Authority. The second alternative involves deferring consideration of the proposals until the completion of a scheduled municipal service review on the County Water Authority. The third alternative involves disapproving the proposals without prejudice

BACKGROUND

Application Filings & Requested Applicants’ Terms

San Diego LAFCO has received separate resolution of applications submitted in March 2020 from Fallbrook PUD and Rainbow MWD each requesting Commission approval to transfer wholesale water supply responsibilities within their jurisdictional boundaries from the County Water Authority to Eastern MWD. The resolution of applications were both approved by unanimous votes. The proposals have been administratively combined for processing and hearing purposes by the Executive Officer with the applicants’ consent. The proposals individually seek two concurrent jurisdictional changes as follows:

- Fallbrook PUD is requesting the detachment of the 28,193 acres comprising its jurisdictional boundary from the County Water Authority and concurrent annexation to Eastern MWD.
- Rainbow MWD is requesting the detachment of the 50,857 acres comprising its jurisdictional boundary from the County Water Authority and concurrent annexation to Eastern MWD.

Matching approval terms are included in both resolution of applications. Requested terms include limiting any voter confirmations to electors in the Fallbrook PUD and Rainbow MWD jurisdictional boundaries. The applicants also request the County Water Authority be allowed to continue to collect any unpaid bonded indebtedness on properties within the Fallbrook PUD and Rainbow MWD jurisdictional boundaries to the extent allowed under the law.

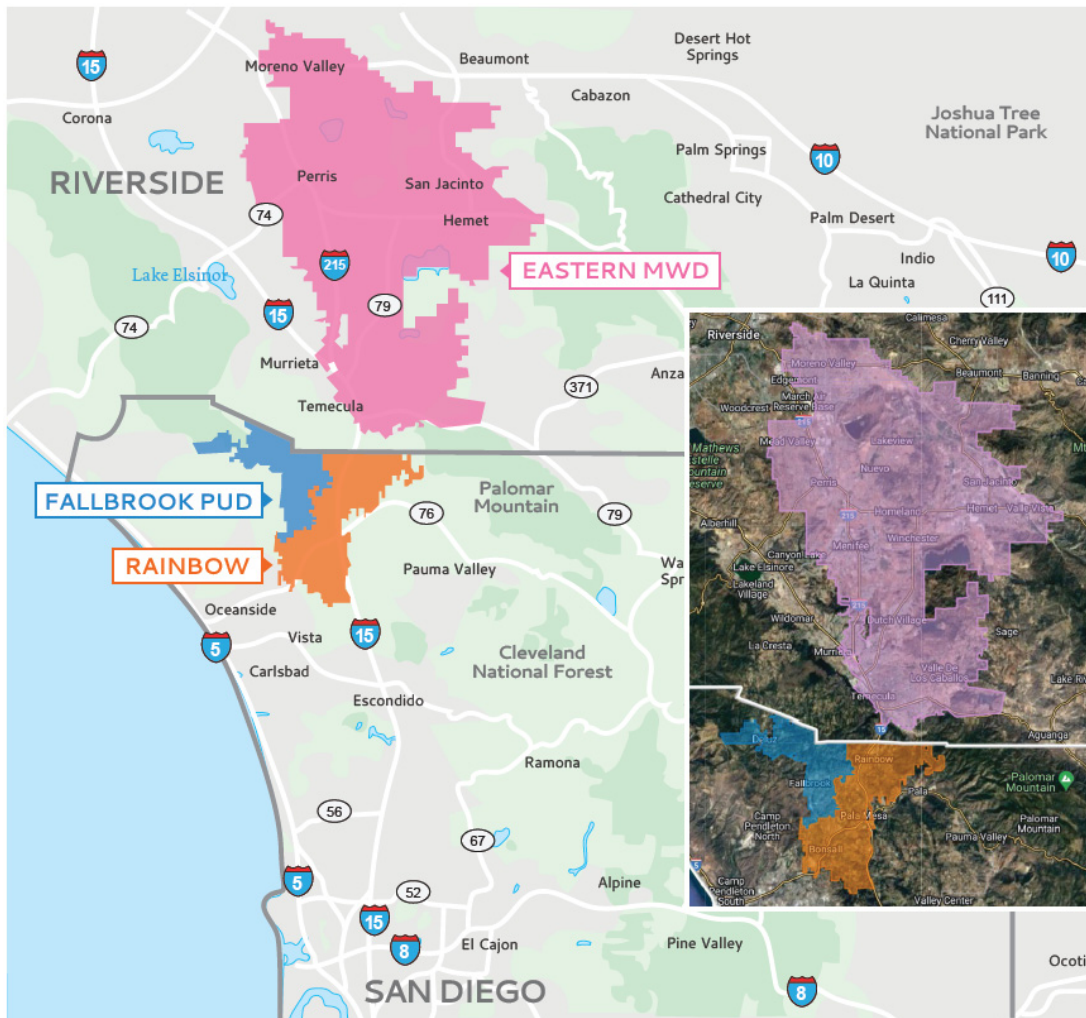
The underlying effects of the proposals if approved under LAFCO statute is two-fold. First, the County Water Authority’s legal authority, rights, and duties to exercise a wholesale water supply function within the affected territory would cease. The County Water Authority would no longer receive any revenues collected on the property tax rolls within Fallbrook PUD and Rainbow MWD’s jurisdictional boundaries with additional details footnoted.¹ Second, Eastern MWD would receive legal authority to exercise a wholesale water supply

¹ The portion of AB8 revenue (i.e., the portion of the 1% in property tax currently allocated to the County Water Authority) would be redirected in full to Eastern MWD consistent with an existing master property tax agreement adopted by the County of San Diego. The amount of AB8 revenue collected by the County Water Authority in 2021-2022 totals \$0.173 million within Fallbrook PUD and \$0.209 million within Rainbow MWD. County Water Authority also collects \$0.266 million and \$0.458 million annually in unitary and availability charges within these respective jurisdictional boundaries. These latter revenue sources would be eliminated if the proposals are approved. Additional discussion on the property tax exchange is provided in proceeding sections.

function within the affected territory with the corresponding ability to seek future voter approval to establish new fees, charges, and/or parcel assessments.²

Affected Territory

The affected territory as submitted purposefully aligns with the existing jurisdictional boundaries of Fallbrook PUD and Rainbow MWD and totals 79,050 acres – or 123.5 square miles – with 99% involving unincorporated lands.³ This acreage total represents 3.4% of all San Diego County. The estimated population in the affected territory is 56,116 with 32,781 registered voters. The total assessed value of the affected territory is 8.99 billion and divided between Fallbrook PUD and Rainbow MWD at \$4.078 and \$4.912 billion, respectively.⁴ An aerial map of the affected territory and its regional setting follows.



² Eastern MWD does not presently collect any fees, charges, or assessments on the tax roll.
³ The affected territory is entirely unincorporated with the exception of an approximate 859.0-acre area within Rainbow MWD that overlaps with the City of Oceanside’s Morro Hills neighborhood.
⁴ The Fallbrook community anchors the affected territory and serves as the economic and social center for the other subject communities that include Bonsall, De Luz, Gopher Canyon, Live Oaks, Rainbow Valley, and Winterhaven. The affected territory’s exterior boundary is framed by Camp Pendleton to the west, Pala to the east, Valley Center to the south, and Riverside County to the north. The population density ratio is 0.7 residents for every one acre and reflects the semi-rural character prevalent within most of the affected territory and the historical relationship with agriculture and specifically commercial nursery flower, citrus, and avocados groves.

Subject Agencies

The proposed reorganizations before San Diego LAFCO involves two subject agencies: Eastern MWD and County Water Authority.⁵ A summary of the subject agencies in terms of governance, population, municipal functions, and financial standings follow.

- **Eastern MWD** is an independent special district governed by a five-member board of directors. An appointed general manager oversees day-to-day activities, and this includes a current full-time budgeted staff of 642.0. Eastern MWD was formed in 1950 with an existing jurisdictional boundary spanning 542 square miles and includes the Cities of Hemet, Moreno Valley, Murrieta, Perris, and Temecula. The estimated jurisdictional resident population is 816,000. Eastern MWD's active municipal functions and associated classes involve potable water (retail and wholesale), wastewater (collection and treatment), and recycled water (retail). Approximately 84.3% of water supplies presently accessed by Eastern MWD for wholesaling or retailing are drawn from MET (Colorado River and Sacramento Bay-Delta) with the remainder coming from local groundwater. The most recent audit shows Eastern MWD's net position at \$1.939 billion as of June 30, 2022. This accrued amount reflects an overall three-year change of 11.3% and includes an unrestricted portion of \$307.290 million. The unrestricted amount is adjusted to \$399.771 million less pension and related retiree dedications and equals 11.6 months of recent actuals. The current Board officers and senior management roster follows.

President Phillip E. Paule
Vice President Randy Record
General Manager Joe Mouawad
Deputy General Manager Laura M. Nomura
Deputy General Manager Nicolas Kanetis

- **County Water Authority** is an independent special district governed by a 36-member board of directors that represent 24 local member agencies. An appointed general manager oversees, and their senior staff oversees day-to-day activities, and this includes a current full-time budgeted staff of 249.50. The County Water Authority by special legislation in 1944 with an existing jurisdictional boundary spanning 1,486 square miles and includes all 18 cities in San Diego County. The estimated jurisdictional population is 3,224,678. The County Water Authority's lone active municipal service function is water (wholesale class). Approximately 75% of all wholesale supplies are drawn from the Imperial Irrigation District (Colorado River). Another 15% of wholesale water supplies are drawn from the County Water Authority's own desalination facility in Carlsbad. The remaining 10% of wholesale supplies are drawn from MET (Colorado River and Sacramento Bay Delta). The most recent audit shows County Water Authority's net position at \$1.625 billion as of June 30, 2022. This accrued amount reflects an overall three-year change of 1.9% and includes an unrestricted portion of

⁵ Reference to Government Code § 56077.

\$318.232 million. The unrestricted amount is adjusted to \$364.076 million less pension and related retiree dedications and equals 5.5 months of recent actuals. The current Board officers and senior management roster follows.

Chair Mel Katz (City of Del Mar)
Vice Chair Nick Serrano (City of San Diego)
Secretary Frank Hilliker with (Lakeside Water District
General Manager Sandra Kerl
Deputy General Manager Dan Denham
Assistant General Manager Tish Berge

Affected Local Agencies

The affected territory lies within the jurisdictional boundaries and/or spheres of influence of 21 local agencies directly subject to San Diego LAFCO. These agencies qualify as “affected local agencies” relative to the proposed reorganization and listed below.⁶

- City of Oceanside
- County Service Area No. 135 (regional communications)
- County Service Area No. 81 (parks)
- Deer Springs Fire Protection District
- Fallbrook Regional Healthcare District
- Metropolitan Water District of Southern California
- Mission Resource Conservation District
- Morro Hills CSD
- North County Fire Protection District
- North County Cemetery District
- Oceanside Small Craft Harbor District
- Palomar Health Healthcare District
- Resource Conservation District of Greater San Diego County
- San Diego County Water Authority
- San Diego County Fire Protection District
- San Diego County Flood Control District
- San Diego County Street Lighting District
- Tri-City Healthcare District
- Upper San Luis Rey Resource Conservation District
- Valley Center Cemetery District
- Vista Fire Protection District

The affected territory also lies within the following school and college districts and received notice of the reorganization proposals: Valley Center-Pauma Unified School District and Vista Unified School District.

⁶ Reference to Government Code 56014

Proposals’ Preambles

The following actions were taken by San Diego LAFCO either in anticipation or in response to the proposed reorganization filings in consultation with the applicants and subject agencies.

- Preamble No. 1
Approval of Memorandum of Understanding with Riverside County LAFCO
-

At its October 2019 meeting, and based on preliminary discussions with the applicants, San Diego LAFCO entered into a memorandum of understanding (MOU) with Riverside LAFCO to establish responsibilities should the proposal filings proceed forward. The MOU delegates San Diego the responsibility to process any proposal submittals and prepare related analyses – including, but not limited to – a municipal service review on Eastern MWD to inform a conforming sphere of influence action. The MOU specifies San Diego shall actively consult with Riverside LAFCO in processing the reorganizations and related studies.

- Preamble No. 2
Approval for Alternative Conducting Authority Proceedings
-

At its May 2020 meeting, San Diego LAFCO approved requests from the County Water Authority to apply alternative conducting authority proceedings should the Commission approve Fallbrook PUD and/or Rainbow MWD’s reorganization proposals. Approval of the alternative process was based on the County Water Authority meeting certain criteria under statute. The substantive result means any approval of the proposals will bypass standard protest proceedings in LAFCO statute and directly proceed to a confirmation election of registered voters consistent with the County Water Authority’s principal act.⁷

- Preamble No. 3
Establishment of an Advisory Committee
-

At its June 2020 meeting, San Diego LAFCO approved the establishment of an advisory committee to directly assist the Executive Officer in the administrative review of the reorganization proposals. The establishment of the “Ad Hoc Committee” included the Commission setting the composition at 10 members with the overall task of addressing disputes among the subject agencies consistent with the provisions of the Commission’s Legislative Policy 107 (L-107). The Ad Hoc Committee roster was subsequently finalized by the Executive Officer with consultant Adam Wilson contracted to serve as moderator. The Ad Hoc Committee membership as of the date of this agenda report follows.

⁷ The Commission separately took no action involving two other related requests by the County Water Authority to suspend work on the reorganization proposals due to COVID-19 and condition any future approvals on an expanded vote in all member agencies’ jurisdictions.

Ad Hoc Committee			
Moderator Adam Wilson			
Member	Title	Agency	Representation
Jack Bebee	General Manager	Fallbrook PUD	Applicant
Tom Kennedy	General Manager	Rainbow MWD	Applicant
Nick Kanetis	Assistant General Manager	Eastern MWD	Subject Agency
Sandy Kerl	General Manager	County Water Authority	Subject Agency
Gary Croucher	Board Member	County Water Authority	CWA Appointee
Nick Serrano *	Board Member	County Water Authority	CWA Appointee
Lydia Romero	City Manger	City of Lemon Grove	Cities Committee
Kimberly Thorner	General Manager	Olivenhain MWD	Districts Committee
Brian Albright	Parks Director	County of San Diego	At-Large
Keith Greer **	Regional Planner	SANDAG	At-Large

* Successor appointee following resignation of David Cherashore

** Successor appointee following resignation of Rachel Cortes

- Preamble No. 4
Completion of the Fallbrook Region Municipal Service Review

At its March 2022 meeting, San Diego LAFCO received a final report on a scheduled municipal service review on the Fallbrook region and the local agencies operating therein subject to the Commission’s oversight – including Fallbrook PUD and Rainbow MWD. The final report and its accompanying prospectus outline nine central conclusions relative to LAFCO’s growth management tasks and interests that collectively address the availability, need, and adequacy of municipal services in the Fallbrook region and based on data collected and analyzed between 2016 and 2020. Markedly, this includes finding Fallbrook PUD and Rainbow MWD have experienced clear and measurable financial stress during the report period and reflected in substantive declines in their liquidity, capital, and margin levels. The Commission formally received the final report and in doing so attested to its completeness in making the required determinations under the municipal service review statute, which were separately adopted by resolution.

DISCUSSION

This item is for San Diego LAFCO to consider the merits of the proposed reorganizations and the principal actions to transfer wholesale water service responsibilities within the affected territory – Fallbrook PUD and Rainbow MWD’s jurisdictional boundaries – from the County Water Authority to Eastern MWD. The Commission may consider exercising discretion to modify the physical scope of the reorganizations by adding and/or subtracting lands. The Commission may also consider applying conditions so long as it does not directly regulate land uses, property developments, or subdivision requirements. Additional

State law delegates broad discretion to LAFCOs in acting on proposed jurisdictional changes. Within this broad discretion, statute orients LAFCOs’ decision-making to consider the proposals’ overall effects in facilitating accountable and efficient local government while also recognizing the potential to weigh competing goals.

discussion on the proposals’ purpose, ancillary development considerations, and the Commission’s focus under statute and local policy follows.

Proposals’ Purpose

The stated purpose of the proposed reorganizations before San Diego LAFCO is to accommodate cost-savings for the two applicants and by extension their retail ratepayers by transitioning wholesale water services within their jurisdictional boundaries from the County Water Authority to Eastern MWD. The immediate timing of the proposals follows the applicants negotiating agreeable terms with Eastern MWD for wholesale water service and memorialized in an MOU signed in August 2019.⁸ The MOU specifies Eastern MWD offers to provide wholesale supplies to the applicants should the reorganizations be approved at the current MET rate plus a commodity charge of \$11 per acre foot. The substantive effect would adjust the current wholesale supply costs to the applicants from \$1,608 under the County Water Authority to \$1,195 per acre-foot under Eastern MWD – a savings of (34.6%).

The applicants’ proposals similarly attest the following four key justifications for filing their respective reorganization proposals with LAFCO:

1. The reorganizations will produce cost-savings for the applicants and their ratepayers by only paying for infrastructure used for the delivery of wholesale water from Eastern MWD.
2. The applicants’ direct access to MET eliminates the need for new infrastructure costs to their ratepayers to accommodate the change in wholesale water service.
3. The applicants’ estimate the cost-impact to the County Water Authority and its other retail member agencies will be limited with a monthly household increase of \$0.40 cents or \$5.00 per year.
4. The applicants’ consultant analysis confirms Eastern MWD has a reliable water supply to meet their ratepayers’ respective needs going forward.

Current and Planned Development & Related Policies

No development plans are associated with the reorganization proposal. Exactly 99.0% of affected territory is unincorporated and under the land use authority of the County of San Diego and its adopted policies. Specific development policies for this portion of the affected territory are largely delegated in the County General Plan to the Bonsall, Fallbrook, and Rainbow Community Plans, which are three of 22 designated communities identified by the Board of Supervisors meriting stand-alone land use provisions. These three Community Plans collectively cover more than four-fifths of the affected territory and implemented with the

⁸ The applicants’ MOU with Eastern MWD extends through August 2025.

direct participation of separately elected advisory sponsor groups.⁹ The principal function of the sponsor groups is to serve as information links between the communities and the County on matters dealing with planning and land uses within their respective areas. Premising land use goals within each Community Plan follows.

Fallbrook Community Plan

“Perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth.” G-LU-1.1

Bonsall Community Plan

“A unique balance of Bonsall’s rural agriculture, estate lots, ridgelines, equestrian uses, and open space land uses in the community, including open space and low-density buffers separating the community from adjacent cities and unincorporated community and new development that conserves natural resources and topography.” G-LU-1.1

Rainbow Community Plan

“Land use that retains and enhances the rural character of the community.” G- LU-1-1.

Commission Focus

Three central and sequential topics underlie San Diego LAFCO’s consideration of the proposed reorganizations and the decision to approve, approve with conditions, or disapprove relative to facilitating accountable and efficient local government. These policy items ultimately take the form of determinations and orient the Commission to consider the interrelated merits of (a) accommodating sphere of influence actions for both subject agencies, (b) timing of the reorganization, and (c) whether modifications or approval terms are appropriate. Consideration of these three policy items – markedly – includes the Commission balancing competing interests and goals as needed.

ANALYSIS

San Diego LAFCO’s analysis of the proposed reorganizations is divided into two subsections. The first subsection evaluates the central topics referenced in the preceding section. This involves analyzing the merits of conforming sphere of influence actions for the two subject agencies and the role spheres serve as the Commission’s principal planning tool in directing orderly growth and development. This also involves assessing the overall public value of the reorganizations’ themselves and their timing under statute and policy with the latter marked by addressing the inter-jurisdictional disputes underlying both proposals consistent with Policy L-107. Potential modifications and terms – including those requested by the applicants and subject agencies – round out the first subsection’s analysis. The second subsection

⁹ The remaining portion of the unincorporated lands comprising the affected territory is covered under the incomplete Pendleton-De Luz Community Plan.

considers other germane statutory issues and includes making related findings under the California Environmental Quality Act (CEQA).

Central Topics

Item No. 1 |

Conforming Sphere of Influence Actions

The proposed reorganizations necessitate San Diego LAFCO to consider conforming sphere of influence actions for the two subject agencies to achieve consistency with the requested jurisdictional changes as required under statute. Consideration of the amendments are premised on LAFCO’s statutory responsibility to designate spheres to demark the affected agencies’ appropriate jurisdictional boundary and/or service areas now and into the immediate future as determined by the Commission. This includes demarking the Commission’s expectation of exclusive responsibilities for one or more municipal services.

Specific actions prompted by the proposed reorganizations involve (a) establishing a sphere for Eastern MWD specific to its wholesale function to include the affected territory and concurrently (b) removing these lands from the County Water Authority sphere. The proceeding analysis focuses on the lead action involving Eastern MWD as the receiving entity and organized to consider three related factors necessitated under statute and local policy. The statutory factors are divided between macro and micro

The analysis of the conforming sphere actions is three-fold. The first two factors tie to statute and involve considering Eastern MWD’s overall standing via a recent municipal service review plus addressing the notional relationship between Eastern and the affected territory. The third factor ties to local policy and LAFCO’s use of spheres for various policy purposes in San Diego County.

considerations and involve overall agency information analyzed in a municipal service review paired with addressing the notional relationship between the agency and affected territory.¹⁰ Local policies involve consideration of L-102 and its provisions to guide sphere actions in San Diego County. Analysis of these three sphere factors follow.

- Sphere Factor No. 1:
Consideration of a Municipal Service Review

Statute requires LAFCO to prepare municipal service reviews to inform its connected planning task to establish or update local agencies’ spheres of influence. The statute further directs LAFCO perform sphere updates every five years as needed. The most recent municipal service review germane to these proposals covers Eastern MWD and was completed by Riverside LAFCO in May 2019.¹¹ The document evaluates Eastern MWD’s full complement of active service functions (potable water, wastewater, and

¹⁰ Reference to Government Code Sections 56430 and 56425, respectively.

¹¹ Municipal service reviews serve as a centerpiece to the most recent rewrite of LAFCO statute in 2001 and represent comprehensive studies on the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs are tasked with preparing municipal service reviews to explicitly inform subsequent sphere of influence actions and done so to provide the Commission a holistic assessment of the subject agencies with respect to certain designated topics. These designated topics are headlined by growth and population projections, infrastructure needs and financial standing. LAFCOs are relatedly required to update spheres every five years.

recycled water) as part of a regional report on western Riverside County. The municipal service review largely draws on data collected between 2014 and 2018 and generally affirmative with regards to assessing Eastern MWD’s overall service capacities and related administrative controls.

In consultation with Riverside LAFCO through the MOU process, and as part of the administrative reviews of the applicants’ reorganization proposals, San Diego LAFCO has prepared an addendum to the municipal service review. The addendum provides gap analysis on Eastern MWD with specific attention to its potable water function and financial standing through data collected between 2017 to 2021. Among other topics, and as outlined in the accompanying prospectus, the addendum concludes Eastern MWD maintains adequate infrastructure to meet current and anticipated potable water demands (retail and wholesale) with available capacity to accommodate additional growth. This conclusion is reflected in average annual and daily system demands for Eastern MWD equaling less than one-third of its available capacities (supplies and associated infrastructure) during the 60-month period. The addendum also concludes Eastern MWD is fiscally sound overall and marked by finishing with positive total margins in the last four of the five years covered.

- Sphere Factor No. 2:
Consideration of the Agency-Affected Territory Relationship

The Legislature prescribes consideration of five factors anytime LAFCOs act on spheres of influence. These factors parallel the macro topics in municipal service reviews with a notional focus on the relationship with the affected territory – including service needs and adequacy of available services. The factors also orient the Commission to broadly consider the relationship between current and planned land uses in the affected territory plus – and as needed – effects on qualifying disadvantaged unincorporated communities. The factors and staff analysis follow.

- With respect to **present and planned land uses**, the affected territory as submitted spans 79,050 acres with 99% being unincorporated.¹² Close to three-fourths of the affected territory is subject to the County of San Diego’s Fallbrook Community Plan.¹³ Four distinct subregions comprise the affected territory and include Bonsall, De Luz, Fallbrook, and Rainbow. Fallbrook and its “village” setting headlines the four subregions with its cultural, retail, medical offices, schools, and entertainment venues that residents in the other subregions regularly patron. The region overall remains mostly rural in character outside Fallbrook’s “town” core and continues to function as a community separator between the more urban uses to the north (Temecula) and south (Escondido) along the Interstate 15 corridor. As addressed in LAFCO’s recent municipal service review on the Fallbrook region, it appears the affected territory is at a pivot point with respect to substantive changes in

¹² The remaining portion of the affected territory – totaling 859 acres – lies in Oceanside and part of the Morro Hills neighborhood.

¹³ The Fallbrook Community Plan is premised on the following land use goal: “perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth.”

development and land uses. Specifically, the affected territory’s historical immersion in agriculture with avocados being the primary cash crop over the last 60 plus years appears to be waning. Measuring this transition is marked by the loss of nearly one-fifth – or (18.7%) – of the total number of avocado acreages in the affected territory over a recent five-year period. Some of this acreage has already been converted into housing with nearly 600 new units added over the same five-year period; an amount equal to an overall 2% increase in the housing stock and above historical averages. More of this acreage appears to have been left fallow and suggests – among other items – the cost of growing avocados in the “Avocado Capital of the World” for many local farmers has become unsustainable.

- With respect to **present and probable need for one or more public services**, the affected territory’s existing and planned land uses merit a full range of municipal services. The present needs tie directly to the affected territory’s current estimated population of 56,116, which makes it the one of the largest unincorporated communities with a resident total that exceeds 7 of the 18 cities in San Diego County. It is also reasonable to assume the need for a full range of municipal services will further intensify given the expectation of further growth and development within the affected territory. This assumption ties to the critical demand for housing in San Diego County paired with the region’s available land supply with more than two-fifths of private acreage remaining undeveloped paired with existing jurisdictional access to wholesale water supplies. Further, and whether for residential or agricultural purposes, the lack of available local water resources accentuates the paramount importance of imported supplies and related infrastructure to the area.
- With respect to **overall adequacy of the agency’s public services**, a comprehensive evaluation of Eastern MWD was most recently prepared as part of a regional municipal service review by Riverside LAFCO. The municipal service review was completed in May 2018 and evaluates Eastern MWD’s full complement of active service functions – potable water, wastewater, and recycled water – and largely based on data collected between 2014 and 2018. This municipal service review is generally affirmative with regards to assessing Eastern MWD’s overall service capacities and administrative controls without the identification of any substantive infrastructure deficiencies. An addendum to the municipal service review prepared by San Diego LAFCO provides gap analysis to include data up to 2021 and similarly attests to Eastern MWD’s overall service capacities and related administrative controls specific to its potable water function.
- With respect to **social or economic communities of interest if relevant to the agency**, the affected territory’s existing development and land uses largely tie back to earlier annexations to the County Water Authority and Metropolitan Water District of Southern California (“MET”). These annexations and the associated availability of wholesale water supplies made available to the affected territory materially underlies its social and economic welfare. It is reasonable to assume these social and economic communities of interests within the affected territory

tied to the provision of wholesale water supplies are transferable and would be readily assumed by Eastern MWD should the reorganizations be approved.

- With respect to **present and probable need for agency services involving any disadvantaged unincorporated communities** within the existing sphere of influence, two distinct considerations are identified. First, there are currently 22 distinct qualifying areas – or DUCs – located within Eastern MWD’s existing sphere based on information independently evaluated by Riverside LAFCO. These DUCs range in size from 13.3 to 4,232.2 acres in size with the latter involving the Good Hope community with an estimated resident population of 8,681. Eastern MWD currently serves 5 of these 22 existing DUCs. Second, there are two DUCs located within the affected territory – comprising approximately 15% and 3% of Fallbrook PUD’s and Rainbow MWD’s jurisdictional boundaries – and generally cover the Fallbrook Village and Gopher Canyon communities.
- Sphere Factor No. 3:
Consideration of Policy L-102

San Diego LAFCO’s policies guiding sphere of influence actions are primarily codified under L-102. This policy was adopted in August 1990 and last substantively updated in June 2000. It directs the Commission to utilize spheres to guide deliberations on future changes of organizations and in doing so – and among other growth management objectives – help reflect and preserve community identities. The policy further directs LAFCO to use spheres to discourage duplication of municipal services and similarly encourages local agency consolidations, whether functional or political. The policy separately includes a provision for LAFCO to maintain a sphere for the County Water Authority that is coterminous with the spheres of its member agencies.¹⁴

The sphere of influence actions necessary to accommodate the proposed reorganizations – and precisely establishing a sphere for Eastern MWD to include the affected territory while removing the lands from the County Water Authority sphere – conforms with L-102. Most notably, the sphere actions would continue to designate one agency – Eastern MWD – as the chosen singular wholesale water service provider for the affected territory. The sphere actions would also establish a new and otherwise meritorious policy statement consistent with L-102 by recognizing a cohesive identity within the affected territory that is substantively distinct from adjacent areas.

¹⁴ The referenced policy provision deemphasizes the stand-alone function of the County Water Authority’s sphere of influence under statute given any changes made therein are responses to changes to the spheres of the member agencies.

**CONCLUSION |
MERITS OF CONFORMING SPHERE OF INFLUENCE ACTIONS**

The conforming sphere of influence actions to accommodate the Commission separately considering the proposed reorganizations appear sufficiently justified under both statute and local policy. Justification is marked by the preceding analysis and largely premised on two related assumptions. First, it is assumed the Commission determines the municipal service review and associated addendum prepared by Riverside and San Diego LAFCOs, respectively, adequately informs the decision-making process in evaluating the overall service and fiscal standing of Eastern MWD with respect to its potable water function. Second, it is assumed the Commission determines the affected territory shares relevant communities of interests that are distinct from adjacent lands in San Diego County and can be appropriately preserved through placement in Eastern MWD’s sphere. Nonetheless, if either of these premising assumptions misalign with Commission preferences, it would be appropriate to disapprove or term the conforming sphere actions and remedy as needed.

**Item No. 2 |
Reorganizations’ Timing**

San Diego LAFCO’s consideration of the proposed reorganizations’ timing draws on analyzing baseline factors required in statute as well as applicable policies set by the Commission and related project-specific considerations identified by the Executive Officer. Most of the baseline factors in statute focuses on disclosing and otherwise addressing compatibility issues with external goals and policies of other State, regional, and local agencies as well as assessing the ability of Eastern MWD – as the receiving agency – to provide services.¹⁵ Applicable local policies prompted for consideration are headlined by L-107 and its attention to addressing jurisdictional disputes, which are germane to the proposals given the numerous objections raised by the County Water Authority and some of its member agencies. LAFCO staff has also identified several other considerations underlying the proposal’s timing and merits/demerits therein based on the administrative reviews of the proposals.

The analysis of the reorganizations’ timing is three-fold. The first factor ties to statute and involves addressing multiple topics with most directed towards Eastern MWD’s ability to provide wholesale water services to the affected territory. The second factor involves addressing consistency with local policies and headlined by L-107 and its provisions to address jurisdictional disputes. The third factor involves other local considerations identified by LAFCO staff.

Analysis of these three related timing factors follows.

¹⁵ Reference to Government Code Section 56668.

- Timing Factor No. 1:
Consideration of Eastern MWD's Ability to Serve

State law prescribes the mandatory consideration of certain and multifaceted factors anytime LAFCOs consider jurisdictional changes. These factors range in substance from disclosures – such as the affected territory's current land uses, assessed values, registered voter counts, and so on – to discretionary analyses. This latter category is highlighted by evaluating the proposed jurisdictional changes' relationship to community needs as well as the service capacities and related financial resources of Eastern MWD as the receiving agency in contrast to baseline conditions. A summary of key conclusions generated in the review of these discretionary matters for the proposed reorganizations regarding (a) service needs, (b) service availability and capacities, and (c) related financial considerations follow.

- With respect to **service needs**, the provision of imported wholesale water supplies associated with the proposed reorganizations has proven necessary due to the overall limitation on local sources in the affected territory. These needs underlie the previous actions by both applicants' governing boards to pursue annexations to the County Water Authority to establish access to imported water supplies from the Colorado River and later Sacramento-Bay Delta.¹⁶ The applicants assert the increasing costs for imported water supplies from the County Water Authority – however – have begun to adversely affect the quality of life within the affected territory, and most notably for agricultural users. The applicants quantify the adverse impact by estimating an average cost increase in water rates at 8% annually over the preceding decade. The applicants relatedly attribute the size of the cost increases in large part to sustaining an expanding County Water Authority infrastructure portfolio that does not proportionally benefit the affected territory.

There are no disagreements that imported wholesale water supplies remain a critical need within the affected territory. These needs are paramount within Rainbow MWD given their absolute dependency – now and within the foreseeable future – on imported supplies given the lack of alternative local resources. These needs remain present also within Fallbrook PUD, albeit to a lesser extent. This distinction ties to Fallbrook PUD's recent investment in a conjunctive use project with Camp Pendleton that has the potential to provide PUD annually up to 4,200 acre-feet of potable water – or 46% of its current average annual demand – from the Santa Margarita Watershed.

There similarly appears to be sufficient evidence that the quality of life within the affected territory has been adversely affected by the otherwise significant rise in the County Water Authority's imported water supplies. The adverse effects tied to the rise in imported water costs on agricultural users also appears substantiated. This comment draws on the recent municipal service review prepared on the

¹⁶ The Fallbrook Public Utility District annexed upon their formation in 1944. The Rainbow Municipal Water District annexed shortly after their formation and in 1954 to provide access to Colorado River water supplies.

Fallbrook region (2022) and related analysis showing an estimated loss of nearly (one-fifth) of avocado acreage in the affected territory over the preceding five-year period. Further, and irrespective of other market factors, the increase in imported water costs has more than **FACTOR** the corresponding change in the per pound price of avocados in California in the last five years.¹⁷

- With respect to **service availability and capacities**, the approval of the reorganizations would transfer wholesale water supply responsibilities – including all rights and duties – within the affected territory from the County Water Authority to Eastern MWD. The mechanics of this transfer are addressed in the applicants’ plans of service and draw on a three-party MOU with Eastern MWD. Key items covered in the applicants’ plans of service filed with LAFCO regarding access, supply and reliability, and contingency planning follows.

Access. Fallbrook PUD currently maintains four connections to receive wholesale water supplies from County Water Authority via MET’s Skinner Water Treatment Facility in Riverside County. Three of these connections are to pipelines owned by MET that extend into San Diego County. The fourth connection involves a pipeline owned by the County Water Authority. Post reorganization approval, Fallbrook PUD states it would continue to receive wholesale supplies from Skinner via Eastern MWD using only the three connections owned by MET. (The fourth connection to pipeline owned by the County Water Authority would be abandoned.) Separately, Rainbow MWD currently maintains eight connections to receive wholesale supplies from the County Water Authority. These connections are equally divided between four pipelines owned by MET serving the northern distribution system and four pipelines owned by the County Water Authority serving the southern distribution system. Like Fallbrook PUD, nearly all of the wholesale water delivered to Rainbow MWD arrives from Skinner. However, and unlike Fallbrook PUD, Rainbow MWD can also receive wholesale water for its southern distribution system via the County Water Authority’s Twin Oaks Treatment Facility under certain hydraulic conditions. Post reorganization approval, Rainbow MWD would exclusively receive wholesale supplies from Skinner via Eastern MWD using all eight existing connections – including the four pipelines owned by the County Water Authority under a future wheeling agreement. If a wheeling agreement is not reached, Rainbow MWD would use its existing distribution system to pump and convey wholesale water from Eastern MWD – via four northern connections – as well as construct new infrastructure to ensure service delivery to its southern service area. Separately, a

The applicants’ attest no new infrastructure is needed to access wholesale water from Eastern MWD with one qualifier. This qualifier involves Rainbow MWD and its preference to enter into a wheeling agreement with County Water Authority to continue to access four connection points along the San Diego Aqueduct to dependably supply Rainbow’s southern distribution system. Absent a wheeling agreement, Rainbow would need to build new infrastructure.

¹⁷ According to the California Association of Avocados Growers, the average price per pound over the last five years (2017 to 2021) has been \$7,642. This amount represents a 13.8% increase over the prior five-year average (2012 to 2016) price per pound of \$6,716.

wheeling agreement involving the City of Oceanside’s Weese Filtration Plant will also need to be executed.¹⁸

Supply and Reliability. Fallbrook PUD and Rainbow MWD currently receive wholesale water supplies from County Water Authority that are imported from the Colorado River and Sacramento Bay-Delta. The quantity of supplies is unrestricted and based on overall availability. Until recently, the County Water Authority’s imported supply from the Colorado River was exclusively purchased through MET. This changed in 2003 when the County Water Authority began to separately purchase Colorado River supplies also from the Imperial Irrigation District (ID), which have high-priority rights in the event of limitations enacted by the Federal government.¹⁹ Access to purchased Colorado River supplies from Imperial ID, however, remains entirely dependent on MET conveyance facilities at this time.²⁰ The applicants attest to the overall reliability of the County Water Authority’s wholesale supplies relative to their demands. This includes attesting neither the County Water Authority or MET have taken actions to curtail the availability of supplies to its member agencies at any time during the last five years (i.e., all requested demands have been accommodated). Post reorganization approvals, Eastern MWD would provide Fallbrook PUD and Rainbow MWD with wholesale supplies. These wholesale supplies, however, would be generated only from MET and purposefully excludes any of Eastern MWD’s own local resources. This limitation is part of the current three-party MOU and would result in the applicants becoming entirely dependent on MET’s two supply sources: Colorado River and Sacramento Bay Delta. This contractual arrangement mirrors existing wholesale relationships for Eastern MWD in supplying seven local retailers within its jurisdictional boundary. These existing wholesale relationships were established between 1964 and 2003 and divided between three cities (Hemet, Perris, and San Jacinto), three special districts (Lake Hemet MWD, Western MWD, and Rancho Water District), and one private entity

Post reorganization approvals, Fallbrook PUD and Rainbow MWD would continue to receive wholesale supplies from the Colorado River and Sacramento Bay-Delta. These supplies – whether through County Water Authority or Eastern MWD – have proven reliable with neither wholesaler curtailing availability over the last five years due to any shortfalls. Nonetheless, the Colorado River supplies available to the applicants post reorganizations would be materially lessened given they would no longer include access to grandfather rights currently held by the County Water Authority through its agreement with Imperial ID.

¹⁸ The Weese Filtration Plant is presently located in Rainbow MWD’s service area. Rainbow MWD and the City of Oceanside entered into an agreement that commits the parties to the transfer and treatment of raw water – at the Weese Filtration Plant – and in doing so utilizing unused capacity. Should detachment be approved, the City of Oceanside, Rainbow MWD, the Water Authority, and Eastern MWD would need to establish a wheeling agreement.

¹⁹ The Colorado River Quantification Settlement Agreement (QSA) signed in 1998 – between Imperial Irrigation District (IID) and the SDCWA – was a result of severe droughts in 1990 and 1991 which led SDCWA to seek less dependency on MWD for its water supplies. The agreement held the SDCWA financially responsible for the lining of the All-American and Coachella Canals while also legally binding MWD to delivering QSA water supplies from IID to the SDCWA. The agreement took effect in October 2003 and has since facilitated the SDCWA’s reduced reliance on MWD for water and reflected in a 75% decrease since 1991 (95% in 1991 to 20% in 2022).

²⁰ The applicants also materially benefit from the County Water Authority’s seawater supply generated from its Carlsbad (Bud Carlson) Desalination Treatment Facility, which serves to increase the overall reliability of supplies available to Fallbrook PUD and Rainbow MWD.

(Nuevo Water Company).²¹ Eastern MWD has not issued any of its own curtailments on wholesale deliveries at any time during the last five years.

Rainbow MWD's application materials include supplemental analysis on the topic of reliability and differences between the County Water Authority and Eastern MWD via MET. This supplemental analysis has been prepared by Ken Weinberg and includes three pertinent and intertwined conclusions.²² The first conclusion states the County Water Authority supply is comparatively more certain given recent investments to diversify both imported and local resources. The second conclusion asserts planned MET investments to improve reliability paired with continued decreases in demands will reduce the existing margin of difference going forward. The third conclusion serves as a carveout for agricultural users and states these customers may experience an overall improvement in reliability as a result of the reorganizations. This carveout ties to eliminating the County Water Authority's Transitional Special Agricultural Water Rate (TSAWR) program, which provides eligible users with reduced costs in exchange for being subject to higher cutbacks in the event of supply shortages.

Contingency Planning. During an emergency event, causing disruption to water pipelines, facilities, and service delivery to residents the agencies would continue to receive water under storage programs available via the County Water Authority or – should detachment be approved – the Eastern MWD through Metropolitan. When implemented, these storage programs have the capacity to accommodate a 75% level of service to its member agencies. A distinguishing factor among the County Water Authority's program in comparison to Metropolitan's is that ratepayers under the TSAWR program, would not experience a higher cutback, which under CWA is equivalent to a 59% level of service. Should service be completely cutoff, Metropolitan maintains that repairs would be completed within 14 days. During this time, Rainbow MWD and Fallbrook PUD would need to supplement the loss of water with local supplies. Rainbow MWD's total storage capacity is 695.0 acre-feet and is equivalent to accommodating 15 days of average day demands without recharge. Should the emergency result in more than a 14-day lapse in service, Rainbow MWD has signed an MOU with Fallbrook PUD committing Fallbrook PUD to supply them with local potable water supplies from its Santa Margarita River Conjunctive Use Project and through an imported water system. The Fallbrook PUD has a total storage capacity of 1,453 acre-feet and is equivalent to accommodating 58 days of average day demands without recharge.

²¹ All seven of these wholesale users rely on Eastern to supplement their systems and own local supplies.

²² Ken Weinberg is the principal with Weinberg Water Resources Consulting LLC.

- With respect to **financial considerations**, the Fallbrook PUD and Rainbow MWD presently pay the County Water Authority \$1,565 and \$1,536, respectively, for every acre-foot of wholesale treated water delivered. These wholesale charges are incorporated into each applicants’ adopted retail water use rates along with recovering operation and maintenance costs. The retail rates are similarly distinguished by both applicants into two demand classes – agricultural and municipal and industrial – with different charges based on customer types (i.e., commercial agriculture rate v. special agricultural rate). The average portion of retail rates tied to recovering wholesale supply costs from the County Water Authority is approximately 65% for Fallbrook PUD and 79% for Rainbow MWD over the last five available years. Post reorganization approvals, and based on the negotiated MOU, the applicants would pay Eastern MWD \$1,195 for every acre-foot of wholesale treated water delivered. This equates to an introductory annual cost-savings to Fallbrook PUD and Rainbow MWD of 23.7% and 22.2%, respectively.

Fallbrook PUD and Rainbow MWD’s wholesale water supply costs currently account for 65% to 79% of their respective retail rates. Post reorganization approvals, Fallbrook PUD and Rainbow MWD would experience an approximate 24% and 22% annual savings in wholesale water supply costs.

- Timing Factor No. 2:
Consideration of Policy L-107 &
Associated Findings by Dr. Michael Hanemann

San Diego LAFCO adopted L-107 in May 2010 to require all applicants to disclose jurisdictional disputes or related items that are associated with their proposal filings. If applicable, and unless waived by the Executive Officer, the policy requires applicants and/or their representatives to consult with opponents to resolve any known issues – concerns, disputes, etc. – before the item is formally considered by the Commission. The Executive Officer retains discretion to determine the extent of consultation needed. If an agreement is reached through the consultation process, the policy states the Commission shall consider the provisions as part of the application. If an agreement is not reached, and the Executive Officer concurrently determines good-faith efforts have been satisfied, the policy states the Commission shall proceed to consider the application as submitted.

Consistent with the reporting requirements under L-107, Fallbrook PUD and Rainbow MWD both disclosed objections to the proposed reorganizations from the County Water Authority in filing the coordinated applications with LAFCO in March 2020. The applicants summarized the objections from the County Water Authority at the time of the filings into three topical items. Two of the items overlap and involve a dispute over the County Water Authority’s request that the applicants’ detachments not cause any net loss in revenue (“revenue neutrality”) or require exit fee payments. The third item involves a dispute over the County Water Authority’s request that any detachment elections be conducted within its entire jurisdictional boundary as opposed to only Fallbrook PUD and/or Rainbow MWD. The applicants also disclosed

a fourth objection raised by the Otay Water District with regards to the applicants’ using Class 20 exemptions as lead agencies under CEQA.

At its June 2020 meeting, and at the recommendation of the Executive Officer, the Commission approved the establishment of an advisory committee to satisfy the consultation process required under L-107 given the above-referenced dispute disclosures. The establishment of the Fallbrook-Rainbow Ad Hoc Committee (“Ad Hoc”) included the Commission setting the composition at 10 members as detailed in an earlier section (page 7) and tasked with advising the Executive Officer through the administrative review process on specific disputes and/or controversies tied to the proposals – including but not limited to the items disclosed by the applicants.

Fallbrook PUD and Rainbow MWD each disclosed four jurisdictional disputes to their reorganization proposals at the time of filing in March 2020 as follows.

1. Request by CWA for detachments to show revenue neutrality.
2. Request by CWA for exit fees in lieu of revenue neutrality.
3. Request by CWA that any detachment elections include voters throughout its (CWA) jurisdictional boundary.
4. Objection by Otay WD to exempt the detachments under CEQA Class 20.

The Ad Hoc subsequently held 12 public meetings between December 2020 and August 2022. Most meetings were dedicated to addressing three overlapping – (a) water supply reliability, (b) financial impacts, (c) potential exit fees – selected by the Ad Hoc with their related tasking of Dr. Michael Hanemann with Arizona State University to provide expert analysis. Dr. Hanemann proceeded to issue a draft report on all three topics to the Ad Hoc in September 2021 followed by a formal public review and comment period. A final report was presented to the Ad Hoc in February 2022 with the following key summary conclusions.

- With respect to **water supply reliability**, Dr. Hanemann concludes both the County Water Authority and Eastern MWD have established reliable wholesale supplies. Dr. Hanemann finds County Water Authority supplies are more reliable given they are more diversified and marked by having direct access to desalinated water. However, Dr. Hanemann does not define the reliability differences between the two as substantive relative to industry standards.
- With respect to **financial impacts**, Dr. Hanemann concludes the net cost-savings to Fallbrook PUD and Rainbow MWD if they detach and change wholesalers will be \$2.9 million and \$4.8 million each year, respectively, and generate a combined net annual savings of \$7.7 million. The individual amounts represent net savings of 35% for Fallbrook and 21% for Rainbow. Concurrently, Dr. Hanemann concludes the County Water Authority will lose \$4.1 million each year if Fallbrook PUD detaches and \$8.5 million each year if Rainbow MWD detaches. The combined annual loss for the County Water Authority should both applicants detach is \$12.6 million and represents a net loss of (2%) for the County Water Authority.

- With respect to **potential exit fees**, Dr. Hanemann concludes payments to the County Water Authority are economically justified for both Fallbrook PUD and Rainbow MWD if they depart. Dr. Hanemann defers to LAFCO to consider various options in deciding an appropriate metric in devising an exit fee. One specific option offered by Dr. Hanemann involves tying an annual exit fee to recover the applicants share of the County Water Authority’s annual payment to Imperial Irrigation District for direct and grandfathered supplies to the Colorado River. These supplies are referred to as Quantification Settlement Agreement water or “QSA” water. Dr. Hanemann calculates an annual exit fee based on QSA recovery for Fallbrook PUD and Rainbow MWD at \$5.3 million and \$7.7 million, respectively. The combined annual exit fee is \$13.0 million (rounded). Dr. Hanemann further concludes it would be reasonable to require Fallbrook PUD and Rainbow MWD to pay an annual exit fee to the County Water Authority for no less than three years and no more than 10 years.

In receiving the final report in February 2022, each Ad Hoc member was asked to go on the record with respect to determining whether they believe Dr. Hanemann’s analysis positions LAFCO to make informed decisions on each of the three topics. The Committee unanimously responded “yes.” A copy of the final report is attached.

- Timing Factor No. 3:
Other Material Considerations

LAFCO staff has identified a range of other considerations meriting the Commission’s attention in assessing the overall timing of the proposed reorganizations and related merits and/or demerits. These other considerations incorporate topics largely sourced to affected agencies – including the County Water Authority and other member agencies – that have been generated during the administrative reviews. Other topics are sourced to comments received by the Cities and Special Districts Advisory Committees as well as the general public. A listing of these other considerations number eighteen and are summarized below along with staff analysis.

- (a) MET’s Position on the Detachments

The applicants – Fallbrook PUD and Rainbow MWD – and the subject agencies – Eastern MWD and County Water Authority – are all members of MET. On September 17, 2020, MET’s General Manager Jeffrey Knightlinger provided written comments to LAFCO on the proposed reorganization proposals. These comments, which followed formal notice of the proposals by LAFCO to all affected agencies, addresses several germane technical and policy topics. The substance of these topics ranges from describing the blended nature of supplies available to Eastern MWD and County Water Authority to assessing governance impacts at MET should the detachments proceed. The comments conclude with the following statement:

“In conclusion, the proposed reorganization would not impact Metropolitan’s ability to provide reliable water supplies to its 26 member agencies. Nor would it increase the demands on the Bay Delta. It would have only a de minimis impact on voting entitlements and representation by SDCWA and Eastern at Metropolitan. It would not affect the County Assessor’s ability to collect taxes to be distributed throughout Metropolitan’s service area.” (Knightlinger, September 17, 2020)

No other formal communications have been received by LAFCO from MET deviating from the September 17, 2020 position as provided above.

- (b) SANDAG’s Position on the Detachments

During the administrative review the County Water Authority has raised various topics relating to the potential impacts of the detachments on SANDAG. Specifically, the County Water Authority has commented the detachments would counter SANDAG’s efforts to coordinate regional water planning among all land use authorities in San Diego County. Staff proceeded to communicate these topics directly to SANDAG in an April 19, 2022 letter to the Chief Executive Officer’s Office with the invitation to provide comments. No comments have been received, and accordingly staff believes it is reasonable to assume there are no direct conflicts tied to the detachments with respect to SANDAG policies or programs.²³

- (c) Financial Differences Between “Roll-Offs” and Detachments at CWA

The topic of “roll off” has been cited regularly during the administrative reviews and frequently by the applicants and their proponents as context to considering the financial impacts tied to detachment. The Ad Hoc Committee tasked a working group to independently address the topic and specifically key differences between roll-off and detachment with regard to financial impacts to the County Water Authority.²⁴ The working group’s summary follows.

“It is important to note that there is no obligation for any member agency to take any amount of supply from SDCWA. However, a member agency that remains as a member of the SDCWA will still have to pay fixed costs to SDCWA, even if they do not take a drop of water. The elephant in the room is not if detachment and roll off are the same. They are not. The impacts of detachment and roll off are different in that an agency that rolls off will still be a member agency of the SDCWA and will be contributing to future cost increases and rates set by the SDCWA board. A detachment, once completed, means that a member agency is no longer a member agency of SDCWA and will not be contributing to future costs – unless an exit fee is conditioned by LAFCO for a certain time period. The true elephant in the room is that unless SDCWA reduces (or leverages to others) its fixed take or pay supplies; it will have more fixed take or pay supplies than it will have demand in the next ten

²³ This conclusion is further supported given a SANDAG appointee has continually participated as an at-large member on the Ad Hoc Committee.

²⁴ The Ad Hoc Committee’s working group included the following members: Kim Thorner; Lydia Romero; Brian Albright; and Keith Greer.

years if its member agencies fully develop all of their local supply projects. Dr. Hanemann also noted in his presentation to the LAFCO Detachment Workgroup that there is a "Financial exposure to reduction in water sales. With current rates, I estimate that for every 1,000 AF less that SDCWA delivers to member agencies, its net revenue falls on average by almost \$1M. This is of some concern given that SDCWA is projected to experience a reduction of about 60,000 AF in deliveries to member agencies by around 2030." If member agencies roll off to the tune of 60,000 acre feet by 2030 through the development of local supplies, (according to Dr. Hanemann) this will reduce the SDCWA net revenue by \$60,000,000. By way of comparison, FY 2022 Net Water Sales Revenue by SDCWA (in its annual budget) is \$108,586,236. A loss of \$60 million in net revenue is more than half of SDCWA's total current annual net revenue. This is not a sustainable future and does not bode well for future rate affordability. This topic should be explored in depth via the upcoming SDCWA MSR. Any MSR review of SDCWA should also include a review of MWD and its operations and agreements within the SDCWA region." (Ad Hoc Working Group Memo, August 11, 2022

- (d) Detachments' Impact on CWA's Credit Rating

At multiple intervals during the administrative reviews, representatives from the County Water Authority have asserted the proposed detachments would produce significant determinantal impacts on its credit rating. A recent review on the topic shows the County Water Authority's credit ratings via the three principal reporting agencies (Moody's, Standard & Poor's, and Fitch) have remained steady with high to highest placements since the detachments were filed in March 2020. These high to highest placements – at least notionally – position the County Water Authority to readily secure lower interest rates when seeking debt financing through the public bond market with repayment based on the pledge of future revenues – including water sales. The rating agencies have also provided the County Water Authority with "stable" outlook assignments over the same three-year period with one notable exception. This exception occurred during 2020-2021 with Standard & Poor's modifying the outlook assignment from "stable" to "negative." The following passage is drawn from Standard & Poor's March 2021 report and, among other considerations, cites the potential impacts from detachments:

"The authority has a higher degree of litigation and member discord than is standard in the sector, in our opinion. This includes ongoing rate litigation with Metropolitan Water District, some of which has been settled in the authority's favor and some of which is ongoing. In addition, the authority is currently resolving a \$6.1 million lawsuit with Vallecitos Water District regarding overcharges. Lastly, two member agencies have petitioned the Local Agency Formation Commission (LAFCO) for detachment from the authority because they believe they can receive their water supply more affordably directly from Metropolitan Water District (through an arrangement with Eastern Municipal Water). Given the geographic location of the members, they reportedly believe that they do not receive sufficient benefit

from remaining with the authority. LAFCO may deny the detachments or approve the detachments with conditions. The authority's management reports that the LAFCO process will likely take up to two years with a draft report anticipated in Spring 2021. The authority has hired a consultant to advise on the proceedings and the authority intends to seek reimbursement for associated debt and costs attributable to the two agencies. Management believes they could adjust supply requirements through resource planning. While we do not believe any of the aforementioned issues will have a financial effect in the near-term, we do believe ongoing litigation has associated costs and introduces potential longer term political risk--especially if an approved detachment sets a precedent if members can easily detach from the authority. This would be further exacerbated if the two members are not required to pay for their portion of the associated debt and infrastructure costs that the authority has undertaken to provide reliable water sources.” (Standard & Poor’s Report on CWA, March 17, 2021)

Standard & Poor’s reverted and upgraded its outlook assignment for the County Water Authority in 2022 to stable. A three-year showing of the credit ratings and outlook assignments among all three principal credit rating agencies follow.

County Water Authority Credit Ratings and Assigned Outlooks							
	Standard & Poor’s		Fitch Ratings		Moody’s		
June 30, 2020	AAA	Stable	AA+	Stable	AA2	Stable	
June 30, 2021	AAA	Negative	AA+	Stable	Aa2	Stable	
June 30, 2022	AAA	Stable	AA+	Stable	AA2	Stable	

Given Standard and Poor’s own observations on the topic, it is reasonable to assume detachments would impact the County Water Authority’s credit rating. It is also reasonable to presume the impact would be less than significant given two factors. First, Standard & Poor’s identified several reasons other than detachments contributing to downgrading the County Water Authority’s outlook in 2021. Standard & Poor’s decision to subsequently upgrade the outlook one year later suggests the detachments were not a primary reason in the original downgrading decision. Second, Standard & Poor’s stated concerns with detachments tie to the uncertainty of whether the applicants will pay their share of outstanding debt and the potential precedent of other member agencies pursuing detachments. These latter concerns appear sufficiently controlled with the imposition of exit fees and the related true-up for the County Water Authority over a period of time to meet its pledge of future revenues in paying bonded long-term debt. The precedent concerns are separately controlled based on the geographic conditions that uniquely position Fallbrook PUD and Rainbow MWD to propose detachments given their ready ability to connect to the MET transmission line.

- (e) Financial Impacts from Detachments:
Remaining County Water Authority Member Agencies + Ratepayers

Dr. Hanemann's final report calculates a total net revenue loss to the County Water Authority – and by extension the remaining member agencies – from detachments at \$12.581 million each year over the first 10 years ("short-run") based on 2022.²⁵ The loss of net revenues attributed to Rainbow MWD accounts for two-thirds of the total at \$8.517 million. Fallbrook PUD accounts for the remaining one-third net revenue loss at \$7.285 million. Dr. Hanemann calculates the net revenue loss would decline to \$10.988 million (2022 base year) annually after the tenth year ("long-run"). Dr. Hanemann did not calculate total net revenue losses beyond 2022 given the existence of too many external variables as stated below:

"I will not present a multi-year analysis. I feel that there is now too much uncertainty about future water supply, future water demand, and future rate schedules to justify making a projection of the annual financial impact over the coming decade. Therefore, I restrict my analysis to an estimate of the financial impact in CY 2022."
(Hanemann, December 31, 2021)

Both the applicants – Fallbrook PUD and Rainbow MWD – and the County Water Authority have separately forwarded their own estimates to LAFCO on financial impacts tied to the detachments. The County Water Authority estimates their total annual net-revenue loss associated with the detachments at \$16.884 million.²⁶ Fallbrook PUD and Rainbow MWD estimate the total annual net-revenue loss to the County Water Authority due to the detachments at \$5.600 million.²⁷ Dr. Hanemann reviewed both estimates prior to making his own independent conclusion.

Using Dr. Hanemann's total estimated annual net-revenue loss for the County Water Authority at \$12.581 million (based on 2022), LAFCO staff has proceeded to calculate individual cost impacts for remaining member agencies and their ratepayers (equivalent meter units). The calculation assumes the County Water Authority would recover the full revenue loss by passing it in full to the remaining member agencies by increases in the wholesale rates going forward. The calculation uses the County Water Authority's water sale revenues over a recent five-year period as a baseline in identifying individual percentage shares among all member agencies. The share collectively tied to Fallbrook PUD and Rainbow MWD equals 6.0% and is the amount staff has reapportioned and added to the remaining member agencies' share to keep the County Water Authority whole post detachments.

²⁵ The calculation assumes the loss of all property taxes for County Water Authority that are currently received within the affected territory. This assumption has been separately confirmed by the County Auditor's Office.

²⁶ This amount is detailed in the County Water Authority's formal response to the notice of the reorganizations dated September 18, 2020.

²⁷ This amount is detailed in the applicants' joint formal response to the notice of the reorganizations via London Moeder Advisors and dated September 20, 2020.

Overall, LAFCO staff estimates the remaining member agencies’ ratepayers would experience an average increase to their water bills of \$26.41 annually and \$2.20 monthly. These amounts vary among the remaining member agencies and most notably based on the dependency level on wholesale supplies and their economies of scale to spread out costs among a larger pool of households. As the largest member agency, the City of San Diego’s annual recovery share to make up for the loss net revenue should the detachments proceed is calculated by staff at \$4.979 million. This amount translates to annual and monthly ratepayer increases of \$12.60 and \$1.05, respectively. In contrast, the smallest member agency is Yuima MWD and their annual recovery share to make up for the loss revenue for the County Water Authority is calculated by staff at \$0.134 million. This amount translates to annual and monthly ratepayer increases of \$224.56 and \$18.71, respectively.

The calculated cost increases for the remaining member agencies should the detachments proceed is shown below with a full breakdown attached. A narrative detailing the calculation for the City of San Diego is footnoted.²⁸

LAFCO’s Estimate of Detachment Impacts to Member Agencies + Ratepayers (Source: LAFCO Staff)			
Agency	Annual Share	Annual Ratepayer	Monthly Ratepayer
Carlsbad MWD	642,432	17.56	1.46
City of Del Mar	40,152	16.02	1.34
City of Escondido	388,136	10.90	0.91
Helix WD	749,504	11.44	0.95
Lakeside WD	107,072	13.06	1.09
City of National City	66,920	n/a	n/a
City of Oceanside	722,736	12.40	1.03
Olivenhain MWD	562,128	19.81	1.65
Otay WD	1,070,721	17.64	1.47
Padre Dam MWD	374,752	13.86	1.15
City of Poway	294,448	17.24	1.44
Ramona MWD	173,992	16.85	1.40
Rincon MWD	200,760	19.27	1.61
City of San Diego	4,978,851	12.60	1.05
San Dieguito WD	133,840	8.71	0.73
Santa Fe ID	227,528	21.55	1.80
South Bay ID	187,376	4.33	0.36
Vallecitos WD	615,664	22.42	1.87

²⁸ **Step One.** San Diego contributed \$1.286 billion in water sales revenue over the five-year period. This amount equals 37.2% of the \$3.459 billion collected by the County Water Authority over the 60-month period. **Step Two.** San Diego’s proportional share of the County Water Authority’s net revenue loss of \$12.581 million should Fallbrook PUD and Rainbow MWD detach before any true-up is \$4.680 million. This amount equals 37.2% of the total. **Step Three.** San Diego’s proportional share of the County Water Authority’s net revenue loss of \$12.581 million should Fallbrook PUD and Rainbow MWD detach plus making up for the agencies’ 6.0% contribution to water sales revenue over the five-year period is 39.6%. This post true-up adds 2.4% to San Diego’s share of cost-recovery and the result of dividing 37.2% into 6.0%. **Step Four.** San Diego’s proportional annual share for the County Water Authority to make up the net revenue loss of \$12.581 million should Fallbrook PUD and Rainbow MWD detach is \$4.979 million. This annual agency amount is the result of dividing 39.6% out of \$12.581 million. **Step Five.** San Diego’s proportional annual share for the County Water Authority to make up the net revenue loss of 12.581 million should Fallbrook PUD and Rainbow MWD detach among its ratepayers is \$12.60. This annual ratepayer amount is the result of dividing the agency total of \$4.979 million by its 395,266 equivalent meter units. **Step Six.** San Diego’s proportional monthly share for the County Water Authority to make up the net revenue loss of 12.581 million should Fallbrook PUD and Rainbow MWD detach among its ratepayers is \$1.05. This monthly ratepayer amount is the result of dividing the annual ratepayer estimate of \$12.60 by 12.

Agency	Annual Share	Annual Ratepayer	Monthly Ratepayer
Valley Center MWD	562,128	38.27	3.19
Vista ID	347,984	9.65	0.80
Yuima MWD	133,840	224.56	18.71
TOTALS	12,580,968	26.41	2.20

Table Notes:

1) The County Water Authority’s estimated individual member agency impacts tied to the detachments and net-revenue losses is listed on page 59 (Table 4.9) of its September 18, 2020 formal response to the reorganization proposals. The Authority’s estimated base year rate impact for the City of San Diego is \$7.338 million and represents a 47.4% difference above the estimate calculated by LAFCO staff. This difference would similarly adjust the projected individual ratepayer impacts in San Diego to \$18.57 annually and \$1.55 monthly.

- (f) Assessing the “Significance” of the Financial Impacts to CWA + Ratepayers

Parallel to the preceding differences addressed in (d) involving the overall financial impact of the detachments, the applicants – Fallbrook PUD and Rainbow MWD – and the County Water Authority similarly have disparate views on assessing the associated “significance.” LAFCO staff believes assessing the overall significance on the calculated financial impacts on the County Water Authority relative to inflation serves as a reasonable and certain measurement for purposes of this analysis. The appropriate period to determine the comparative inflation rate, however, is less certain and could reasonably involve one-year or multiple-years. Relying on the current one-year inflation rate – 6.4% in the San Diego-Carlsbad region – appears most reasonable given it best aligns with Dr. Hanemann’s analysis.²⁹

LAFCO staff has focused on two distinct one-year measurements in assessing whether the financial impacts to the County Water Authority are significant. The first measurement ties to Dr. Hanemann’s calculated annual net-revenue impact to the County Water Authority of \$12.581 million based on one-year estimates for 2022. This measurement represents 4.4% of the County Water Authority’s 2023 gross water sales revenue requirement and below the one-year inflation rate of 6.4%, and therefore reasonably considered insignificant.³⁰ The second measurement ties to staff’s calculated average annual ratepayer impacts among the remaining member agencies of \$26.41 based on reapportioning the full net-revenue loss identified by Dr. Hanemann. This measurement represents a 3.6% increase in ratepayer charges and below the one-year inflation rate of 6.4%, and it too is considered reasonably insignificant.³¹ While these measurements are below the identified threshold for determining “significance” as determined by LAFCO, justification to apply exit fees has still been established.

²⁹ Reference to U.S. Bureau of Labor Statistics at <http://data.bls.gov>. Inflation rates for the San Diego-Carlsbad region over the preceding ten and five year periods have been 3.6% and 4.6%.

³⁰ The County Water Authority’s CY2023 Cost of Service Study states Gross Water Sales Revenue Requirement for 2023 is \$282.97 million.

³¹ Measurement further utilizes methodology established in section (e) by dividing annual average revenues by total number of EMU’s to establish annual EMU baseline.

- (g) Merits and Options to Impose Exit Fees and Other Payments:
Mitigating Net Revenue Losses and/or Outstanding Debt

As discussed in considerable detail during the Ad Hoc Committee process, the applicants – Fallbrook PUD and Rainbow MWD – and County Water Authority have articulated distinct positions on the merits of LAFCO requiring exit fees and other payments as conditions to any detachment approvals. The County Water Authority and several of its member agencies are on record with LAFCO requesting exit fees and related measures apply to help protect the Authority from any financial disadvantages – including net revenue losses and long-term debts – that tie to the detachments. Total net revenue losses tied to detachments estimated in the base year by the County Water Authority equals \$16.401 million annually. The County Water Authority does not calculate a proportional share of the applicants’ share of the Authority’s 21.1 billion in long-term debt given the “*practical impossibility for Fallbrook and Rainbow to pay no matter how much time the debt might be stretched over.*”³² Conversely, and as further addressed in this section as (i), the applicants do not believe exit fees or other payments are merited or – pertinently – allowed under the County Water Authority’s principal act.

With respect to merits, LAFCO staff believes it is sufficiently reasonable to require exit fees on the applicants should the detachments proceed. This conclusion aligns with the uniformly accepted acknowledgment from all sides – albeit with different estimates – that the detachments will result in unavoidable financial impacts on the County Water Authority in the near term. As detailed in (e), while not necessarily meeting the threshold of significance as defined, these impacts are to the left of a decimal point and merit attention. Dr. Hanemann similarly has attested exit or departure fees are economically justified in the near term with the following statement in his final report to the Ad Hoc Committee:

“The purpose of a departure fee is to assist SDCWA in covering its financial obligations that are fixed, ongoing and unavoidable for a limited period while it adjusts to the changed financial situation.” (Hanemann, December 31, 2021)

With respect to options, focusing on mitigating annual net revenue losses appears most appropriate in setting exit fees for the detachments. This focus addresses the most concrete and quantifiable impact to the County Water Authority and independently calculated by Dr. Hanemann at \$12.581 million annually. Materially, focusing on mitigating annual net revenue losses also covers long-term debt in the near term by helping to keep the County Water Authority whole and its ability to service debt on an annual basis. Any exit fees set to also recover outstanding debt over the same time would appear as double-counting.

³² Reference to page 62 to the County Water Authority’s formal response to the notice of the reorganizations filed with LAFCO, September 18, 2020.

Establishing a dedicated payment to the applicants over a longer period to recover their proportionate share of the outstanding long-term debt obligations of the County Water Authority’s appears impractical. This impracticality ties to the uncertainty in fairly calculating each member agency’s proportionate share of each debt issuance by the County Water Authority until maturity, while also reconciling the amount of water purchased by each member agency for the duration of the debt. As referenced above, the County Water Authority’s rate-setting process includes determining the revenue requirements to satisfy annual debt service payments and covenants, which are thus included in the rates paid by member agencies. Relatedly, member agencies appear to be under no financial obligation to pay an annual pre-determined fix amount towards the County Water Authority’s debt obligations – or at least they do not appear to be readily disclosed.

- (h) Identifying the Appropriate Length of an Exit Fee

Dr. Hanemann advised LAFCO and the Ad-Hoc Committee that a reasonable length of period to apply an exit fee to the applicants was three to ten years. Dr. Hanemann further advised any term beyond 10 years would be unreasonable. Drawing from this parameter, it appears five-years is a good and reasonable benchmark given the three relatable considerations. First, the Ad Hoc’s working group made note that the best predictor of future cost allocations is to look at past rolling averages and a five-year period account for high water and low water demand years. (This five-year period was then used in their evaluation in determining the specific rate impacts to the City of Poway, City of San Diego and Valley Center.) Second, Urban Water Management Plans are prepared by urban water suppliers every five years and are submitted to the state for their review. These plans support the suppliers’ long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. Third, municipal service reviews serve as a centerpiece to the comprehensive rewrite to LAFCO law in 2001 and represent comprehensive studies of the level, range, and performance of governmental services provided within defined geographic areas. Statute provides MSRs be prepared every five years.

- (i) LAFCO’s Authority to Require Exit Fees:

Reconciling the County Water District Act and Cortese-Knox-Hertzberg Act

The applicants – Fallbrook PUD and Rainbow MWD – have been consistent in their comments during the administrative reviews that the principal act governing the County Water Authority does not contemplate the imposition of exit fees should a member agency leave. The applicants advise instead the principal act provides only the continued payment of property taxes to cover any remaining debts. While acknowledging the principal act does not require the imposition of exit fees should a member agency leave, it also does not prohibit one, and LAFCO staff does not believe the principal act precludes the Commission’s authority to condition approval on payment of such a fee. This conclusion draws on LAFCO’s authority in its own

principal act – Cortese-Knox-Hertzberg Act – and the following material sections in California Government Code:

“56100. (a) Except as otherwise provided in Section 56036.5 and subdivision (b) of Section 56036.6, this division provides the sole and exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts. All changes of organization and reorganizations shall be initiated, conducted, and completed in accordance with, and as provided in, this division.” (Cortese-Knox-Hertzberg Act, 2022 Update)

“56886. Any change of organization or reorganization may provide for, or be made subject to one or more of, the following terms and conditions. However, none of the following terms and conditions shall directly regulate land use, property development, or subdivision requirements.”

“56886. (v) Any other matters necessary or incidental to any of the terms and conditions specified in this section.”

- (j) Discounting Exit Fees:
Accounting for the Budgeted but Unbuilt ESP North County Pump Station
-

This topic was evaluated by a working group formed by the Ad Hoc Committee and consisted of members not affiliated with the applicants or subject agencies. The working group’s conclusion on the topic follows and provides the basis for LAFCO staff to conclude a full discount in the amount of \$21.0 million is reasonable.

“Fallbrook and Rainbow assert that there is a cost savings to the remaining member agencies if they detach as the ESP North County Pump Station does not need to be built if they detach. SDCWA asserts that there is no cost savings, as construction of the ESP North County Pump Station is not included in their current budget. Both of these statements are true. However, almost \$21 million was identified in the SDCWA 2010/2011 Budget for the ESP North County Pump Station. According to a mid-term budget review, this project was deferred in 2011, however bond documents appear to show inclusion of this project in 2008. If debt was already issued to pay for this project and rates were set accordingly, there should be some costs that are avoided by not having to build this pump station. SDCWA should look at its older documents to identify and address this issue. This was a project included in the CIP (and some funds were spent on design) that set rates and debt issuance over a decade ago to pay for construction this project.” (Ad Hoc Working Group Memo, August 11, 2022)

Pertinently, and as context to the reasonings to apply a full discount based on the \$21.0 million amount, the County Water Authority recently referenced the ESP North County Pump Station to cost roughly \$40.0 million as indicated in footnote on Page 61 of their September 18, 2020 response to LAFCO.

"A planned Water Authority infrastructure program for the Rainbow/Fallbrook service areas has been temporarily deferred by the Water Authority Board, with the concurrence of the applicants, pending this reorganization proceeding. If the Water Authority did not have to construct this infrastructure, it would save about \$40 million in planned costs. This would in essence cover roughly about 2.5 years of uncompensated Rainbow/Fallbrook detachment under the base year."

Additional discussion is footnoted.³³

- (k) Risks to Applicants in Greater Reliance on the Sacramento Bay-Delta

Dr. Hanemann has advised there are potential risks to applicants and their ratepayers with respect to increased reliance on the Sacramento Bay-Delta. As detailed in section (l), Dr. Hanemann concludes that while the applicants may face challenges if they switch wholesale suppliers, ultimately the challenge rests in *“paying a higher price than they had anticipated to get by in a drought”* rather than that of running out of water. (Hanemann, December 31, 2021) This identified risk is further illuminated by recent events involving cutbacks to the historically reliable water supplies of the Colorado River, which may inevitably result in cutbacks to MET. The State Water Resources Control Board’s Delta Watermaster, Michael Patrick George, also provided insight on this topic with the following submitted comment:

“[T]he two agencies would be increasing reliance on the Delta because they would abandon a less Delta-dependent supply mix (available through their SDCWA membership) in favor of a more Delta-reliant supply mix (available under the contract with Eastern MWD).” (May 6, 2022)

Dr. Hanemann further advised the Ad-Hoc Committee:

“If FPUD and RMWD switch from SDCWA to EMWD, they will switch from relying on SWP water for 24% of their supply to relying on SWP water for 63% of their supply.” (Hanemann, August 16, 2021)

Notwithstanding the above comments and based on Hanemann’s estimate of a combined reliance of 63.0% on the State Water Project that represents 16,320 acre-feet of the applicants’ total demand, it would equal 0.68% of the overall 2.4 million acre-feet of Bay-Delta water supply.

³³ It is material to assume that future costs and material will only increase over time resulting in a higher total cost to the project. Therefore, we have a significant range between costs to the proposed ESP North County Pump Station based on decades old budgets (2010/2011) and general budget projections into the future. At minimum it appears highly appropriate to assess a discount to the proposed detachment fee in the tune of \$21.0 million based on 2010/2011 figures; however, it would also be fair and reasonable to assess a discount of \$40M based on CWA 2020 figures. Bottom line: the ESP North County Pump station is contingent – one way or another – on the proposed detachment and costs associated with the project is a reasonable consideration to credit the applicants as the CWA will achieve a cost savings.

- (l) Risks to Applicants in Changes to MET Wholesale Rates

Dr. Hanemann advised on this topic within his final report submitted to LAFCO:

“While FPUD and RMWD are taking something of a gamble on supply reliability if they switch from SDCWA to EMWD, the gamble ultimately is not one of running out of water but, rather, paying a higher price than they had anticipated to get by during a drought. For surface water users in Southern California (unlike some groundwater users) the risk is not that the tap runs dry but, rather, that a temporary solution in a drought emergency turns out to be a rather expensive proposition.” (Hanemann, December 31, 2021)

LAFCO staff later confirmed with Dr. Hanemann that he refers to a “financial gamble,” in which applicants risk paying more for water in the long run.

- (m) Detachments’ Impact on CWA’s Voting Power at MET

Eastern MWD presently has one representative while the County Water Authority has four representatives on the MET Board. MET’s principal act governs both director and vote entitlement for member public agencies. Under Section 52, assessed valuation is used to determine how many representatives an agency has on the MET Board. Each member agency is entitled to one board member and may appoint an additional representative for each full 5 percent of MET’s assessed valuation of taxable property that is within each member agency’s service area. Under Section 55, each member of the Board shall be entitled to vote on all questions, orders, resolutions, and ordinances coming before the board, and shall be entitled to cast one vote for each ten million dollars (\$10,000,000), or major fractional part thereof, of assessed valuation of property taxable.

As of August 2021, Eastern MWD’s service area assessed valuation constituted 2.81% of the total MET service area and entitles Eastern to 9,492 votes at MET. The County Water Authority’s service area assessed valuation constituted 17.26% of the total MET service area and entitles the Authority to 58,302 votes at MET. If the applicants’ – Fallbrook PUD and Rainbow MWD – service areas are detached from the County Water Authority the weight of the Authority’s vote will be reduced by 1,021 votes and the weight of Eastern’s vote will be correspondingly increased.³⁴ This would substantively result in a 0.3% transfer of voting power at MET from the County Water Authority to Eastern MWD.

In assessing the significance of the 0.3% transfer in voting power, LAFCO staff reviewed the last 900+ votes of the MET Board during the last 10 years. Within this period there have only been 3 votes in which the decision was within the margin of voting rights (0.3%) that would be shifted. One of these three votes is substantive

³⁴ See attachment.

and involved the appointment of the current MET General Manager. This one substantive vote creates an outlier in assessing the significance of the associated vote transfer given the known possibility – through not necessarily the probability – of repeating in the future with the aid of approving the detachments.

Additional discussion is footnoted.³⁵

- (n) Detachments' Effect on Pure Water and Other Reuse Projects

The proposed reorganization of Rainbow MWD and Fallbrook PUD does not appear to have any material direct impacts on the City of San Diego's Pure Water project or other regional reusable projects such as Pure Water Oceanside and East County Advanced Water Purification. In offering this conclusion, staff is making a distinction that these reusable projects are predominately developed to resolve wastewater issues, such as treatment costs and therefore are on a separate merit track to proceed with the ancillary benefit of enhancing local supply portfolios. Indirect impacts – nonetheless – apply given these reuse projects will lessen the agencies (San Diego, Oceanside, etc.) reliance and associated demand on supplies from the County Authority, which will reduce sale revenues.

- (o) Emergency Supplies During a Catastrophic Event

This topic has been raised by the County Water Authority and specific to raising concerns with regards to the applicants' – Fallbrook PUD and Rainbow MWD – ability to serve their ratepayers if entirely dependent on MET supplies via Eastern MWD should a catastrophic event disrupt flows from the north. LAFCO staff believes existing MET policy paired with supplemental analysis provided by Eastern MWD provides sufficient assurances these risks are reasonably controlled. The following two passages are drawn from Eastern MWD's Technical Memorandum filed with LAFCO on February 12, 2020 and materially states:

"FPUD and RMWD rely on the imported water that is transported through the San Diego Aqueduct operated by Metropolitan. Pipelines 4 and 5, which are part of this aqueduct system, cross the Elsinore Fault Zone in the Temecula Valley, with portions of the pipelines in areas with moderate to high liquefaction potential and may consequently be subject to disruption in the event of a major earthquake. However, Metropolitan maintains an emergency response plan for maintaining or quickly restoring service to its member agencies following a major earthquake or other catastrophic event" (Page 24).

³⁵ In evaluating the topic during the administrative reviews, LAFCO staff proposed two potential conditions that would serve as mediation to any impacts related to voting shift changes. The two following options were explored and presented. First it was proposed LAFCO impose a 5-year waiting period to the filing of the project's certificate of completion, as this would provide a benefit of delay and a transitional adjustment period to any shift in voting rights power. Second, it was proposed LAFCO require a MOU between Eastern MWD and the County Water that would outline terms and conditions related to the assignment and timeframe to any voting rights shift. Both options were essentially opposed and gained no further traction with the latter also having legality issues being raised from all parties including MET.

"Metropolitan has also adopted a policy that allows for isolation of Metropolitan's system for the purpose of conveying potable water. This would allow either EMWD or Rancho California Water District (an agency covering much of the Temecula area that receives wholesale water service from EMWD and the Western Municipal Water District) to provide potable water through existing connections to the Metropolitan system to supply water to FPU and RMWD in the event of an emergency." (Page 25).

LAFCO separately notes Eastern MWD via MET has the capacity to provide 75% level of service in an emergency based on current storage. Should pipelines or infrastructure completely disrupt service delivery, MET has a 14-day timeline for repairs. In the interim, and independent of MET, Rainbow MWD and Fallbrook PUD have a combined total local water storage capacity of 2,148.0 acre-feet and equivalent to accommodating 73 days of average day demands without recharge.

- (p) Effect of Stipulated CEQA Settlements on LAFCO:

Otay Water District v. Rainbow MWD, Case No. 37-2020-00001510-CU-MC-CTL

Otay Water District V. Fallbrook PUD, Case No. 37-2020-00004572-CU-MC-CTL

In early 2020 and shortly after the receipt of the applicants' – Fallbrook PUD and Rainbow MWD – detachment proposals the Otay Water District filed separate petitions for writs of mandate asserting they had failed to comply with the California Environmental Quality Act (CEQA). The writs challenged the applicants' separate findings as lead agencies that the proposals qualified for exemptions under Class 20 (CEQA Guidelines Section 15320) and instead asserted additional environmental review was required under statute. The parties – the applicants and Otay Water District only as LAFCO was not named in the suit – subsequently entered into court-mandated settlement discussions and agreed to stipulated judgements. The parties agree the stipulated judgements do not bind LAFCO to the role of responsible agency under CEQA and could assume lead agency roles for the proposals and make different findings. However, and significantly, Otay Water District asserts the stipulated judgements prohibit LAFCO from remaining a responsible agency and relying on the applicants' Class 20 findings (i.e., LAFCO needs to do an initial study or a full environmental impact report.) The County Water Authority is on record in supporting the position of Otay Water District. The applicants believe otherwise and assert nothing in the stipulated judgements prevent LAFCO from retaining its responsible agency role under CEQA and relying on the applicants' findings as lead agencies that the Class 20 exemptions appropriately apply.

Irrespective of the dispute between the parties regarding the scope of the stipulated judgements, LAFCO staff does not believe there is any material impact on the Commission's decision-making and related discretion under CEQA. LAFCO is not a party to the stipulated judgements. Accordingly, and as advised by Commission Counsel, LAFCO is not bound – however the parties choose to interpret – by the stipulated judgements' provisions.

- (q) Determining the “Affected Territory” for Election Purposes

Should the Commission approve one or both of the proposed detachments the registered voters within the affected territory would take up the item for purposes of confirmation based on a majority of votes cast (50% plus 1). The direct confirmation of registered voters deviates from standard process in LAFCO statute to hold a protest hearing and the results therein determine if an election is necessary. This direct confirmation follows the earlier request of the County Water Authority via their application for “non-district” status, which affects the Commission’s discretion regarding protest and election proceedings. The County Water Authority had the option to seek “non-district” status, and it did so here as to Part 4 of the Cortese-Knox-Hertzberg Act on April 2, 2020. The Commission approved the County Water Authority’s application on May 4, 2020.

The issue of defining the affected territory specific to establishing registered voter eligibility in a confirming election for the detachments that extends beyond the applicant’s jurisdictional boundaries (Fallbrook PUD and Rainbow MWD) has been a topic of interest during the administrative reviews. The County Water Authority and some of its member agencies are on record requesting any confirming votes be expanded to include all registered voters within the Authority. The substantive difference of expanding any confirming election from the applicants’ jurisdictional boundaries to include all of the County Water Authority is a 51-fold increase in registered voters from 36,664 to 1,878,136. The applicants object to the request with an otherwise fair observation that defining the affected territory beyond the area directly subject to the jurisdictional changes through LAFCO’s conditioning powers would be precedent setting. It would also considerably increase election costs.

Commission Counsel has reviewed the topic and concludes LAFCO’s otherwise available discretion to expand the affected territory for purposes of expanding registered voter eligibility in a conforming election per the County Water Authority request is not available. The following summary in support of this conclusion is provided by Commission Counsel and commences with the material relevance of the non-district status request approved by the Commission on May 4, 2020:

“Government Code section 56036.6, subdivision (b) addresses the implications of such a determination:

If the commission determines that an entity described in this section is not a ‘district’ or ‘special district,’ any proceedings pursuant to Part 4 (commencing with Section 57000) for a change of organization involving the entity shall be conducted pursuant to the principal act authorizing the establishment of that entity.

Government Code section 56128 also states:

If the commission determines that any applicant district, agency, or authority enumerated in subdivision (a) of Section 56036.6 is not a district or special district, for purposes of Part 4 (commencing with Sections 57000) or Part 5 (commencing with Section 57300), then those provisions shall not apply to the change of organization or reorganization described in the application and proceedings for the change of organization or reorganization shall be taken under and pursuant to the principal act.

Government Code section 56036.6, subdivision (b), makes clear that if an agency is determined to not be a district, then protest and election proceedings take place under that agency’s principal act, not Part 4 of CKH. An agency that is not a district is still subject to Parts 1–3 and, unless it requested exemption, Part 5 of CKH.

Because CKH does not apply to the protest or election proceedings regarding detachment, SDCWA’s Principal Act, the County Water Authority Act, applies instead (Water App. Code, §45-1 et seq.) Water Code Appendix Section 45-11, subdivision (a)(2) states:

Any public agency whose corporate area as a unit has become or is a part of any county water authority may obtain the exclusion of the area therefrom in the following manner: The governing body of any public agency may submit to the electors thereof at any general or special election the proposition of excluding from the county water authority the corporate area of the public agency.

The “electors thereof” refers to the electors of the public agency seeking exclusion. In this case, Rainbow and Fallbrook voters would be the electors under the county water authority law, not the entire territory of SDCWA.

CKH’s general provisions in Gov. Code §§ 56876 and 56886 do not permit the Commission to place conditions of approval regarding elections that override SDCWA’s Principal Act. Under well-established rules of statutory construction, these general statutory provisions must give way to the specific provisions of Gov. Code § 56036.6, which expressly governs the rules regarding protests and elections when a district has been granted “non-district” status. The specific controls over the general, and as a result the Commission cannot place conditions that would ignore the provisions of SDCWA’s Principal Act regarding elections to confirm the two detachments if approved.

Eastern MWD, by contrast, did not request a determination from the Commission regarding its exemption under Government Code section 56127. In the absence of such an exemption, CKH controls the election proceedings as they relate to annexation. Government Code section 56876 provides the Commission with the option to order an election, if required, regarding annexation just within the territory of Rainbow or Fallbrook or within all or a portion the territory of Eastern MWD.”

- (r) Role of Agriculture in the Proposals + LAFCO Decision-Making

A central premise to the applicants’ – Fallbrook PUD and Rainbow MWD – detachment proposals involve providing economic relief to their agricultural customers by securing less expensive water supplies from Eastern MWD. The economic relief ties to the approximate 26% cost-savings in the current “all-in” acre-foot charge between the County Water Authority and Eastern MWD (via MET). This cost-savings looms significant for both applicants. Agricultural customers presently represent 36% of all retail sales in Fallbrook PUD and 65% of all retail sales in Rainbow MWD; despite each applicant incurring no less than a (one-fourth) decline in ag user water sales over the preceding five-year period.

The specter of agriculture loss is a prominent consideration under LAFCO statute and adopted policy. Although independent, LAFCO is expected to act within a set of State-mandated parameters encouraging “planned, well-ordered, efficient urban development patterns” while concurrently providing for the “preservation of agriculture and open-space lands.” This includes specific consideration of the effects of jurisdictional changes on agriculture. (Government Code Section 56668). LAFCO recently updated its own implementing policies relevant to preserving agriculture in September 2020 and – among other items – added a section to “enhance” agriculture in San Diego County. Staff believes the substantive tie between statute and policy in relationship considering the detachment proposals is the added allowance to treat agriculture as a unique and/or protected group and in doing make special accommodations as the Commission deems appropriate.

**CONCLUSION |
REORGANIZATION MERITS & TIMING**

The analysis of the proposed reorganizations’ timing and connectivity with statutory and local policy considerations produces three distinct and otherwise merited options. Consideration of these three options are prefaced on the Commission applying its collective preferences in assigning priorities in balancing public benefits and interests. These three options are:

CONCLUSION CONTINUED... | REORGANIZATION MERITS & TIMING

Option X

Approve the proposals with conditions that are marked with a total exit fee of \$62.905 million spread out over five consecutive year payments less the \$21.0 million previously budgeted by the County Water Authority to construct the ESP North County Pump Station. The total adjusted exit fee with the discount is \$41.905 and translates to an annual payment of \$8.381. This option is appropriate should it be the Commission's collective priority to address the stand-alone merits of the applicants' proposals with the explicit paring of a policy enhancement of supporting a viable agriculture economy in North County. This policy enhancement provides justification in balancing the financial impact of detachments on the County Water Authority in tandem with applying an exit fee to cover the estimated revenue loss over the first five years.

Option Y

Administratively hold consideration of the reorganization proposals until the completion of a pending municipal service review covering the County Water Authority. This option would be appropriate should it be the Commission's collective priority to comprehensively assess the County Water Authority with respect to current and planned service levels, community needs, and financial standing *before* taking any potential actions to change baseline conditions. The option – notably – ties to the analysis of the proposals to date and what appears as major structural challenges for the County Water Authority going forward in balancing declining water sale revenues (roll-offs, potable reuse, etc.) versus fixed and increasing costs.

Option Z

Disapprove the proposals without prejudice. This option would be appropriate should it be the Commission's collective priority to retain and reinforce the role of the County Water Authority as the most appropriate policy vehicle to singularly govern and plan regional wholesale water supplies for all of San Diego County. This option – notably – would recognize the applicants' proposals in-and-of-themselves have merit, but the external considerations and overall detrimental impacts on the region, including loss of voting power at MET, negate the specific benefits to the Fallbrook and Rainbow communities.

Item No. 3 | Modifications and Terms

No modifications to the submitted reorganization have been identified by San Diego County LAFCO staff meriting Commission consideration at this time. This includes noting annexation of the affected territory to Eastern MWD would not result in any unserved corridors or other boundary irregularities for the subject agency.

Analysis of potential approval terms will be separately address in a staff memorandum.

CONCLUSION | MODIFICATIONS AND TERMS

No modifications to the proposed reorganization appear merited as detailed. Approval terms will be addressed under separate cover.

Other Statutory Considerations

Exchange of Property Tax Revenues

California Revenue and Taxation Code Section 99(b)(6) requires the County of San Diego and subject agencies to submit an adopted resolution to LAFCO agreeing to accept the exchange of property tax revenues associated with the proposed reorganization. The associated statutes also empower the County of San Diego to make all related property tax exchange determinations on behalf of cities and special districts without consultation unless the affected agencies request otherwise. The County has determined one of their adopted master property tax transfer resolutions apply to the proposed reorganization. The application of the County’s adopted master exchange resolution will result in 100% of all AB8 monies (the portion of the 1% in property taxes biannually collected) transferring to Eastern MWD. The total value of the property tax transfer is \$0.382 million and divided between \$0.173 within Fallbrook PUD and \$0.209 million in Rainbow MWD. (All remaining revenues collected by the County Water Authority off of the property tax roll within the affected territory involves unitary fees and availably charges would immediately cease at the time of recordation. These other revenues currently total \$0.723 million.)

Environmental Review

San Diego County LAFCO is responsible under CEQA to assess whether environmental impacts would result from activities approved under the Commission’s authority. Accordingly, the Commission is tasked with making two distinct findings under CEQA in consideration of the proposed reorganization. Staff’s analysis follows.

- San Diego County LAFCO serves as lead agency under CEQA for the conforming sphere of influence actions associated with accommodating the reorganizations. It is recommended the Commission find these actions – and specifically establishing a sphere for Eastern MWD covering its wholesale function to include the affected territory and concurrently removing these lands from the County Water Authority sphere – collectively qualify as a project under CEQA but exempt from further review under State Guidelines 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and any associated actions (establishment, update, or amendment) in and of itself does not change the environment or authorize any new uses or services.
- Fallbrook PUD’s and Rainbow MWD’s initiating actions involving the reorganization proposals position these agencies to serve as lead agencies in assessing the potential impacts - and specifically the annexation to Eastern MWD and detachment from County Water Authority - under CEQA. In their roles as lead agency, both Fallbrook PUD and Rainbow MWD have made findings that the proposal qualifies as a project but is exempt from further review under State CEQA Guidelines Section 15320. Staff independently concurs this exemption appropriately applies given the underlying action involves the transfer of existing municipal service functions within the same area with no additional powers or expansions therein.

Alternative Conducting Authority Proceedings

At its May 2020 meeting, San Diego LAFCO approved requests from the County Water Authority to apply alternative conducting authority proceedings should the Commission approve Fallbrook PUD and/or Rainbow MWD’s reorganization proposals. Approval of the alternative process was based on the County Water Authority meeting certain criteria under statute and substantively means any approval of the proposals will bypass standard protest proceedings and directly proceed to a confirmation election of registered voters with the applicant’s service areas.

RECOMMENDATION

TBD

ALTERNATIVES FOR ACTION

TBD

APPENDIX A

Government Code Section 56668 Mandatory Proposal Review Factors

- a) **Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to populated areas; the likelihood of significant growth in the area, and adjacent areas, in the next 10 years.**
-

The affected territory as proposed comprises the entirety of Rainbow MWD’s and Fallbrook PUD’s jurisdictional boundaries located in north San Diego County. The affected territory is entirely unincorporated with the exception of an approximate 859.0-acre area within Rainbow MWD that overlaps with the City of Oceanside’s Morro Hills neighborhood. LAFCO estimates the total resident population within the affected territory is 56,116. The elevation ranges from 673 feet to 1,800 feet above sea level with the latter point recorded on the foothills between the Aqua Tibia Mountain and Santa Margarita Mountain. Predominant land uses largely involve rural residential and agricultural uses. Total assessed value (land) within the affected territory is a combined \$8.99 billion and divided between \$4.078 billion within Fallbrook PUD and \$4.912 billion within Rainbow MWD.

- b) **The need for municipal services; the present cost and adequacy of municipal services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.**
-

The County of San Diego serves as the primary purveyor of general governmental services to the affected territory. These services include community planning, roads, street lighting, and law enforcement. Other pertinent service providers include Rainbow MWD, Fallbrook PUD, County Service Area No. 81, and North County Fire Protection District. The proposal affects only Rainbow MWD and Fallbrook PUD’s functions and the proposed transfer of wholesale water services to Eastern MWD and is the focus of the following analysis.

- **Transferring Wholesale Water Services to Eastern MWD**

Rainbow MWD and Fallbrook PUD have experienced overall limitations on local sources of wholesale water in the affected territory. This is marked by the increasing costs of wholesale water supplies from the County Water Authority which has begun to adversely impact the quality of life for residents within the affected territory – most notably for agricultural users. Both Fallbrook and Rainbow quantify the adverse impact by estimating the average cost increase in water rates at 8% annually over the preceding decade. The two agencies relatedly attribute the size of the costs to sustaining an expanding County Water Authority’s infrastructure portfolio that does not proportionally benefit the affected territory. The need for imported wholesale

water supplies remains critical given Rainbow's absolute dependency on imported supplies due to the lack of other local resources. The same applies to Fallbrook albeit to a lesser extent.

c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on local governmental structure.

None.

d) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies/priorities set forth in G.C. Section 56377.

Approval of the recommended reorganizations to transfer wholesale water supply from the County Water Authority to Eastern MWD serves as a viable alternative. Additionally, the proposal would not induce or otherwise facilitate the loss of open-space lands, and as such does not conflict with the provisions of Government Code Section 56377.

e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

Portions of the affected territory qualify as agricultural land under LAFCO law. The reorganization proposal, nonetheless, is specific to transferring wholesale water supply services between three local governmental agencies and would not adversely affect the physical or economic well-being of the agricultural lands.

f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment, the creation of islands or corridors of unincorporated territory, and other similar matters.

LAFCO is in receipt of a draft map and geographic description of the affected territory that details metes and bounds that appears consistent with the standards of the State Board of Equalization and conforming with lines of assessment. LAFCO approval would be conditioned on approval of the map and geographic description by the County Assessor's Office and address any modifications enacted by the Commission.

g) A regional transportation plan adopted pursuant to Section 65080.

The reorganizations would not conflict with San Diego Forward, the regional transportation plan established by the San Diego Association of Governments (SANDAG).

h) Consistency with the city or county general and specific plans.

The affected territory recommended for reorganization is 99% unincorporated and subject to the land use policies of the County of San Diego. The County’s implementing land use policy documents for the affected territory are the Fallbrook, Rainbow, Bonsall, and yet to be completed, Pendleton-De Luz Community Plan’s. These documents guide development toward enhancing and preserving the existing rural character of the communities marked by semi-rural and rural lower density development. The incorporated portion of the affected territory lies within the City of Oceanside and part of the Morro Hills neighborhood. The Oceanside General Plan – which was last updated in September 1986 – designates the area for low density residential use.

i) The sphere of influence of any local agency affected by the proposal.

See agenda report analysis.

j) The comments of any affected local agency or other public agency.

Notice of the submitted reorganization proposals was distributed to all affected and subject agencies as required under LAFCO law. Notices were also provided to all local college and school districts. Copies of all correspondence received on the proposals has been posted online and available on a dedicated page cited at www.sdlafco.org.

k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Eastern MWD is funded through General Fund allocations authorized by the Riverside County Board of Supervisors. The amount of the funding provided to Eastern MWD is considered reliable given the allocations have increased since 2009. At the end of FY 21/22, Eastern MWD’s funding has increased over the last 5 years, with a budget of \$414.6 million.

l) Timely availability of adequate water supplies for projected needs as specified in G.C. Section 65352.5.

The affected territory lies within Rainbow MWD and Fallbrook PUD and eligible to receive potable water service with water supplies currently dependent on local and imported water supplies. The reorganization does not change these baseline conditions.

m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs.

The proposed reorganization would not impact any local agencies in accommodating their regional housing needs.

n) Any information or comments from the landowners, voters, or residents.

All correspondence received from landowners, voters, and/or residents on the proposed reorganizations has been posted online and available on a dedicated page cited at www.sdlafco.org.

o) Any information relating to existing land use designations.

See above analysis for (h).

p) The extent to which the proposal will promote environmental justice.

The reorganization has the potential to promote environmental justice by reducing wholesale water supply costs within the affected territory and for any groups that are susceptible to pollution burdens and their effects. This latter category – notably – low-income communities, communities of color, tribal nations, and other disadvantaged groups. Consideration of existing environmental justice factors within the affected territory draw on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two composite percentile rankings for the affected territory are generated within this analysis and involves pollution burdens (exposures and environmental effects) and at-risk population characteristics (sensitive populations and socioeconomic factors) relative to all census tracts in California. Key results are summarized below followed by fulling table listings.

- The affected territory’s composite **pollution burdens** ranking falls in the 35 percentile. Six pollution burden measurements exceed the 50 percentile and considered relatively high. These five measurements comprise (a) three exposures involving ozone, pesticides, and traffic as well as (b) three environmental effects involving groundwater threats, impaired water and solid waste sites.
- The affected territory’s composite **at-risk population** ranking falls in the 26 percentile. Two at-risk population measurements exceed the 50 percentile and considered relatively high. These two measurements comprise two socioeconomic factors involving poverty and housing burden.

Rainbow MWD + Fallbrook PUD Pollution Burdens and At-Risk Population Table 2.6a (Source: California Environmental Protection Agency and SD LAFCO)	
Factor	Rainbow MWD + Fallbrook PUD
No. of Census Tracts	28
Estimated Population	245,597
Pollution Burden	Weighted Percentile
... Composite Score	53.11
... Percentile	35.29
Indicator Air Quality: Ozone	54.07
Indicator Air Quality: PM 2.5:	21.04
Indicator Air Quality: Diesel PM:	20.91
Indicator Pesticides:	63.95
Indicator Toxic Releases:	12.15
Indicator Traffic:	58.57
Indicator Drinking Water Contaminants:	47.42
Indicator Lead in Housing:	29.36
Effects Cleanup Sites:	47.42
Effects Groundwater Threats:	52.42
Effects Hazardous Waste:	49.44
Effects Impaired Water:	74.78
Effects Solid Waste:	56.19
At Risk Population Characteristics	Weighted Percentile
... Percentile	26.59
Sensitive Population Asthma:	13.23
Sensitive Population Low Birth Weight:	34.27
Sensitive Population Cardiovascular Disease:	30.83
Socioeconomic Factor Education Attainment:	30.84
Socioeconomic Factor Linguistic Isolation:	19.78
Socioeconomic Factor Poverty:	50.67
Socioeconomic Factor Unemployment:	30.84
Socioeconomic Factor Housing Burden:	55.63

- q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone or maps that identify land determined to be in a state responsibility area, if it is determined that such information is relevant to the affected territory.

The County of San Diego General Plan contains a hazard mitigation plan for potential fire, flooding, and earthquakes. The affected territory lies between Moderate to Very-High Fire Hazard Severity Zone.

- r) **Section 56668.3(a)(1) Whether the proposed annexation will be for the interest of the landowners or present or future inhabitants within the district and within the territory proposed to be annex to the district.**
-

TBD.

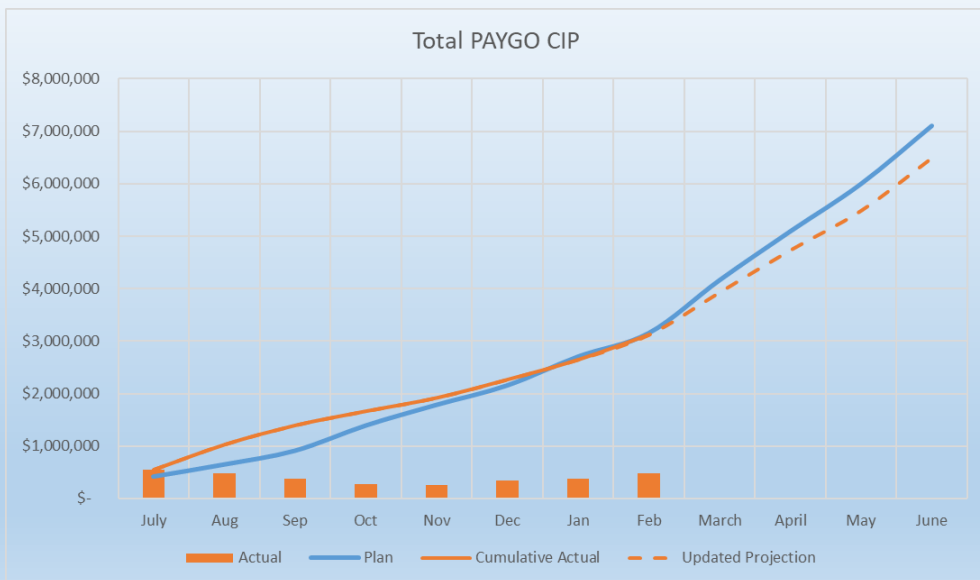


Fallbrook Public Utility District

Engineering and Operations FY23

Board Meeting Mar 2023

Total CIP FY23



Wastewater Treatment

Reclamation Plant

Recycled Water

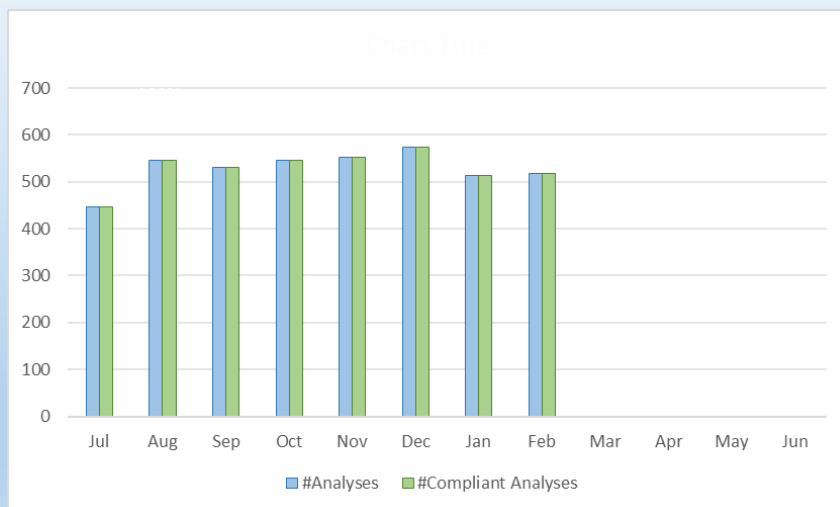
- Wastewater System Violations
- Reclamation Plant PMs Completed
- Energy Cost per MG
- Recycled Water – Time Out of Service

3

Wastewater Treatment System Regulatory Compliance

**SRWQCB
Compliance:**
NPDES
WDR

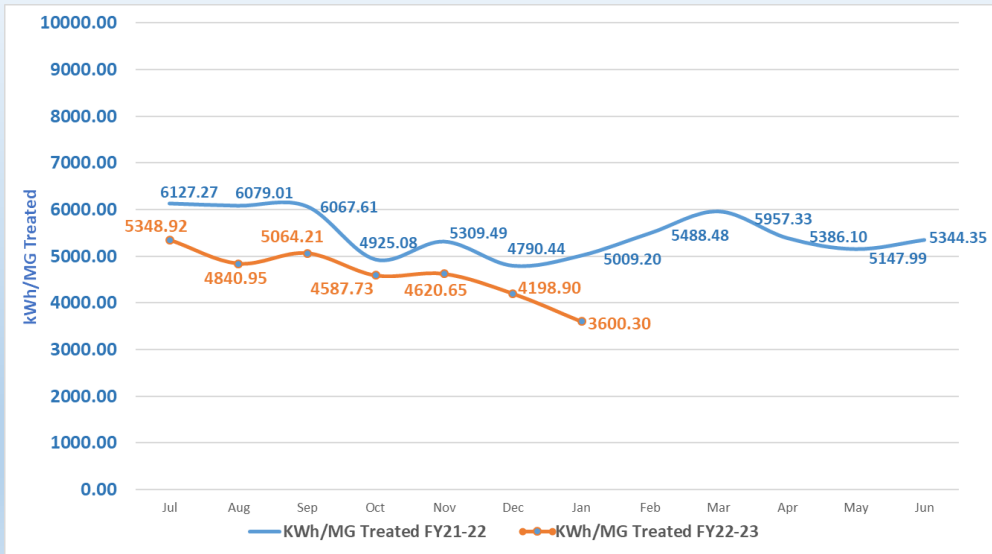
**Analyses
performed:**
Daily
Monthly
Quarterly
Semi-annually
Annually



4

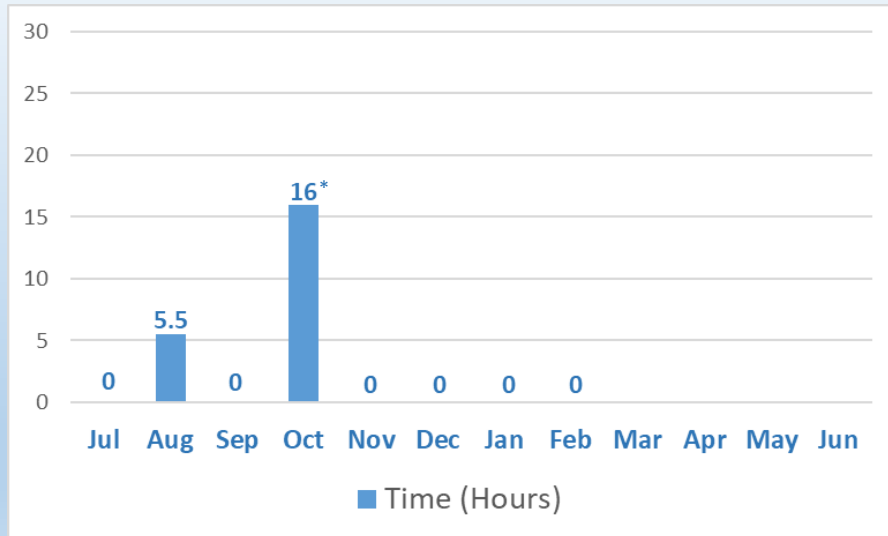
Formula =
 $\frac{\text{Total Plant Energy Demand}}{\text{MG Treated Flow}}$

Reclamation Plant – Energy Usage (KWh/MG Treated)



5

Recycled Water – Time out of Service (Hours)



*RW Users were offline for 16 hours due to recycled water line break.

6

Water Operations

Regulatory Compliance

Preventative Maintenance Work Orders

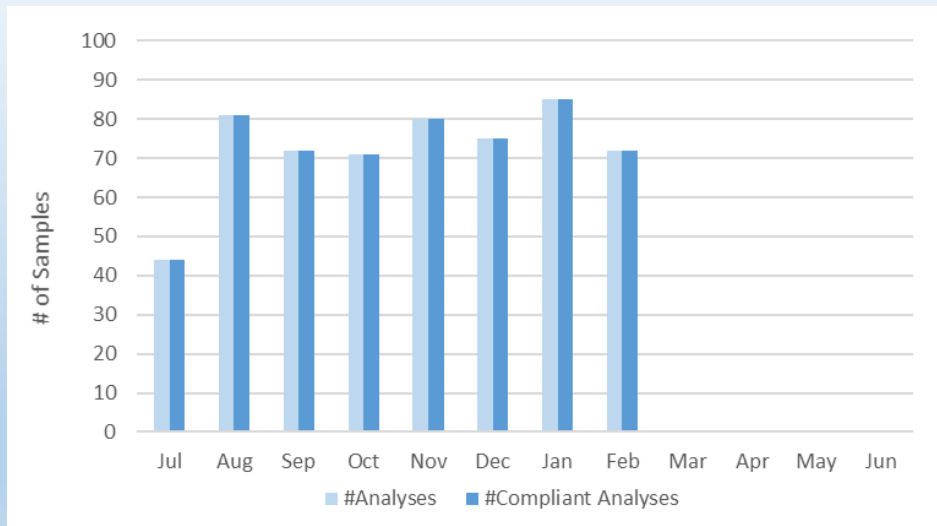
CUP Deliveries

SMGTP Flows

7

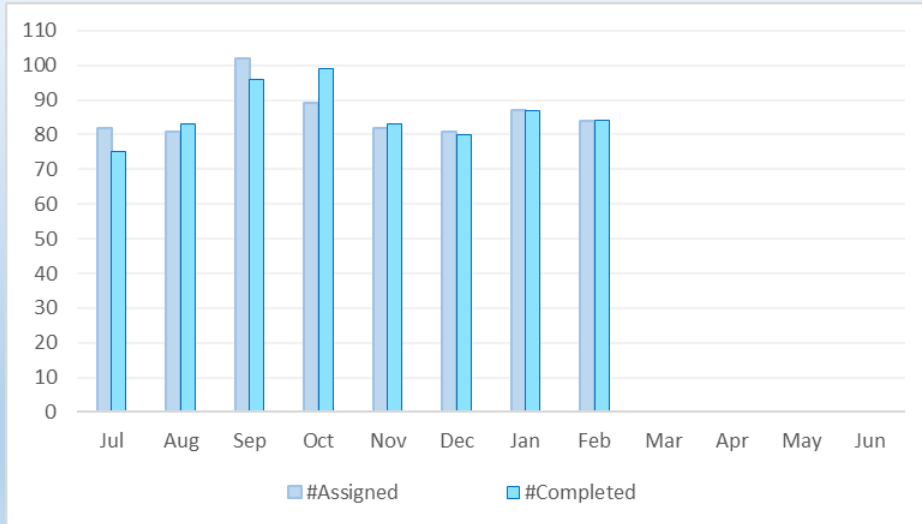
Water System Regulatory Compliance

- Facility Operation
- Routine Sampling



8

Water Preventative Maintenance Work Orders



9

SMGTP Flows



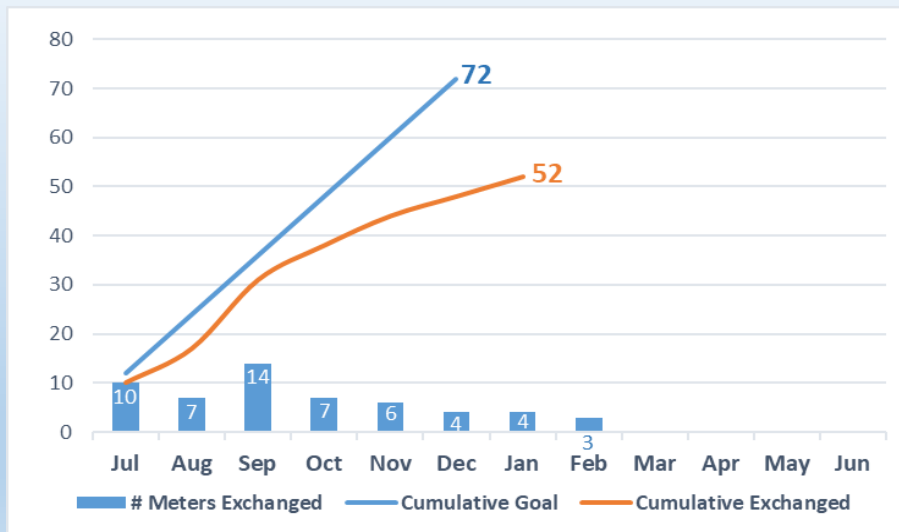
10

Meter Services

Meter Exchange Program

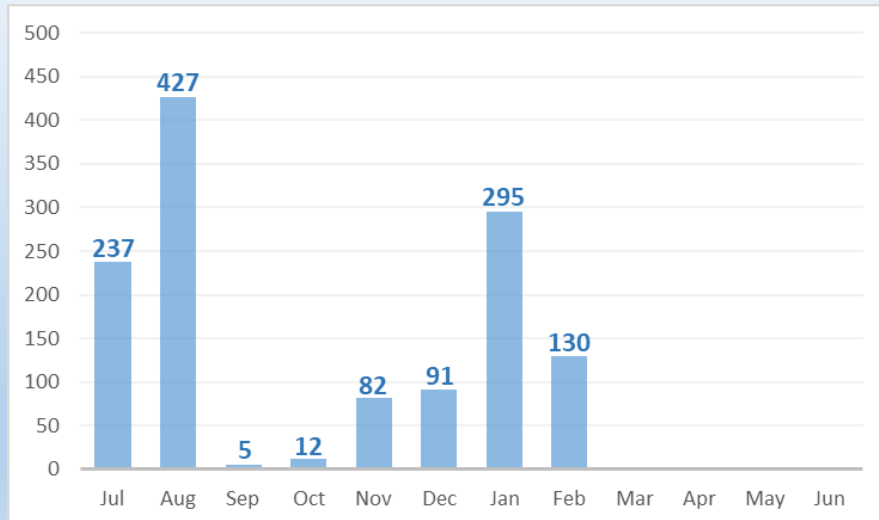
11

Meter Exchange



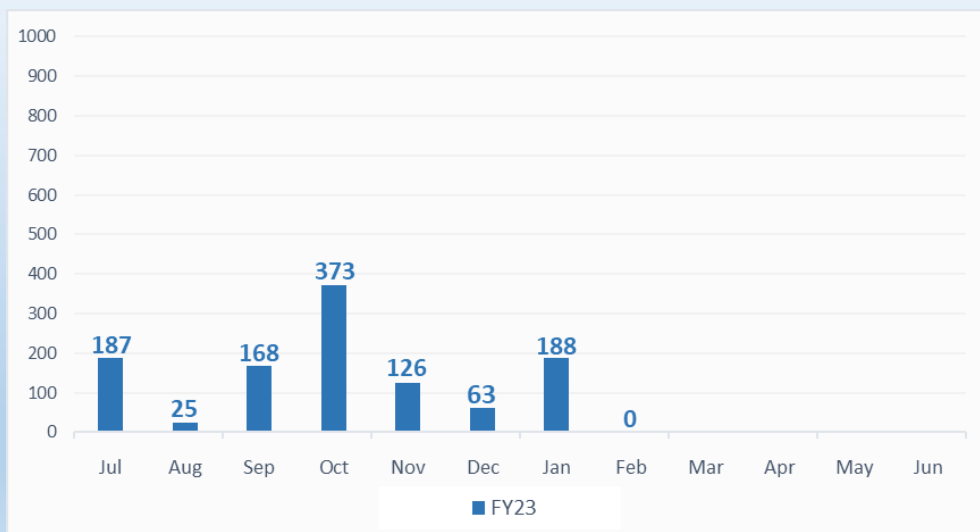
12

Planned Water Outages > 4 Hours # of Customers Affected



13

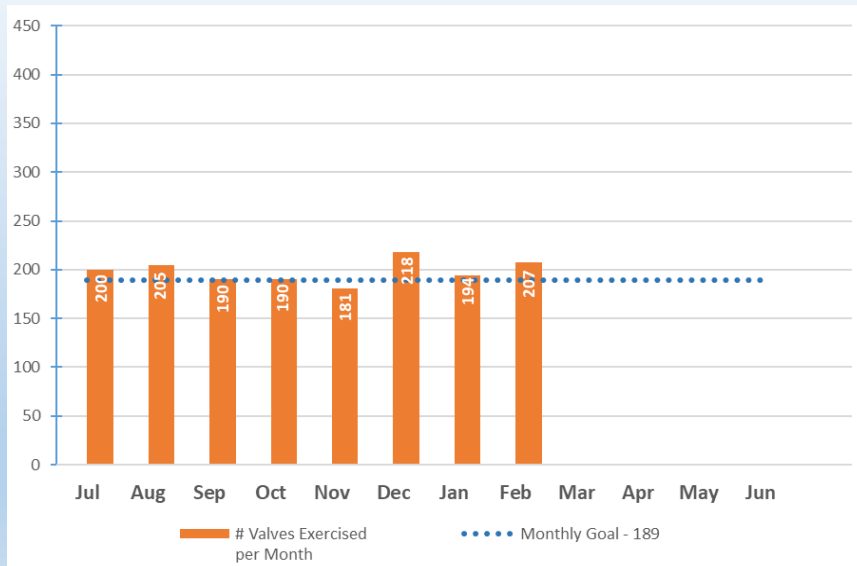
Unplanned Water Outages > 4 Hours # of Customers Affected



14

Main Line Valve Exercise Program

- Improve reliability
- Reduce impact of planned and emergency shutdowns



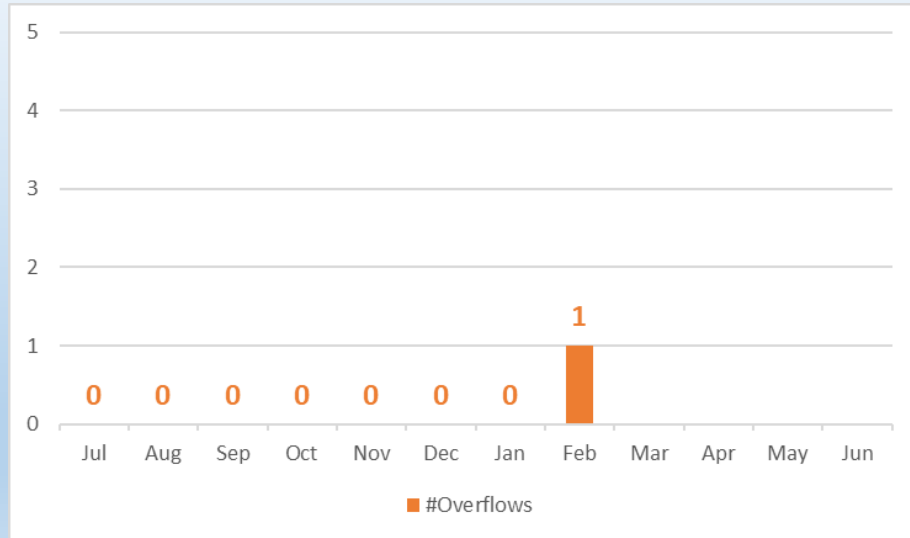
15

Wastewater Collections

Total Wastewater Spilled
Non-Recovered Wastewater Spilled
Odor Complaints

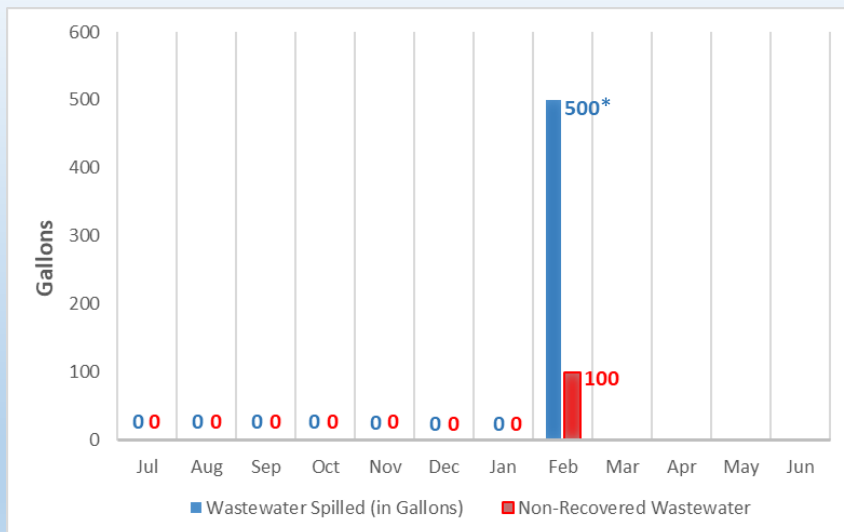
16

Wastewater Collections - Sewer Overflows



17

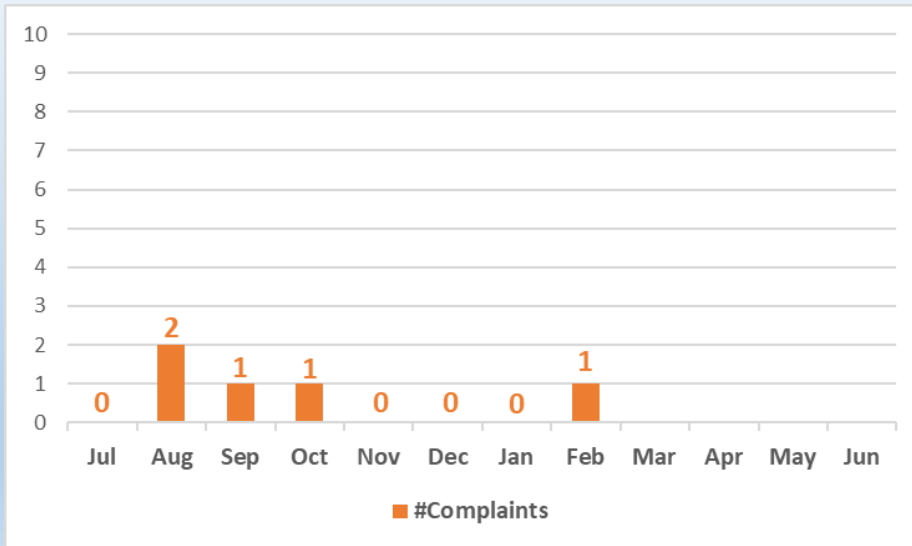
Wastewater Collections - Wastewater Spilled



*Sewer system overflow on 2/12. The spill occurred at the sewer main from a private lateral. Spill was 500 gal; 400 gal recovered, 100 gal reached surface water.

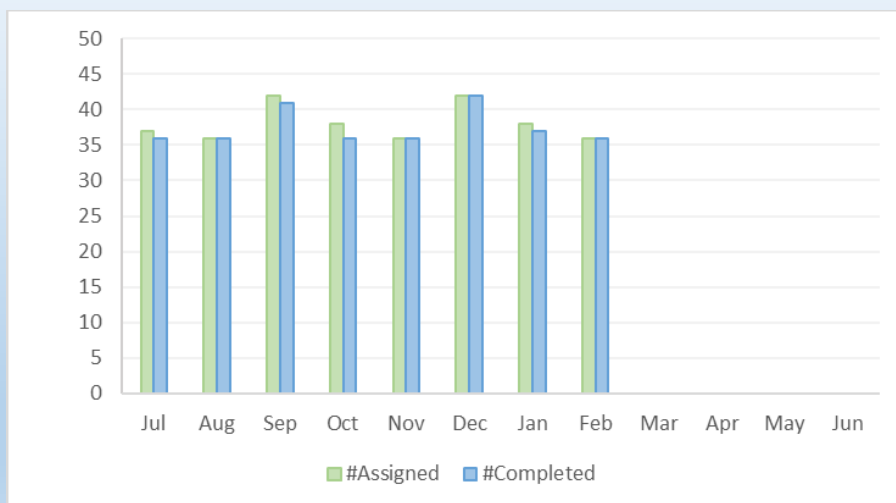
18

Reclamation Plant & Wastewater Collections Odor Complaints



19

Wastewater Collections – Preventative Maintenance Work Orders



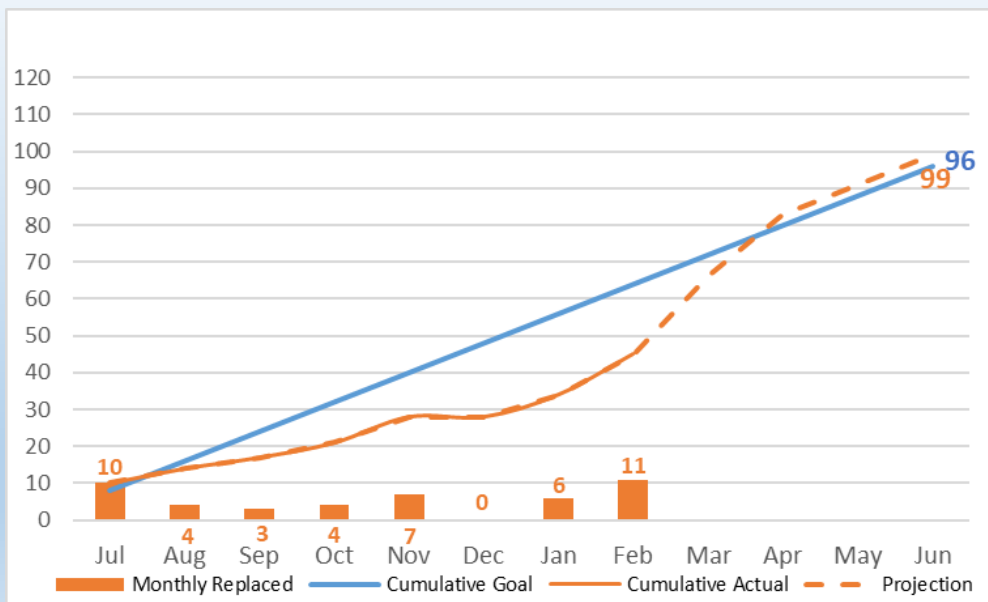
20

Construction/Maintenance

- Efforts continue in replacing valves with the greatest impact on water loss and customer outages during large main breaks.
- With new valves, crews will be capable of shutting down smaller controlled areas faster, impacting fewer customers while losing less water and completing repairs sooner.
- Our goal is to replace 100 valves per year. FY23, 28 valves have been replaced through December 2022. We currently have 6821 valves in the system with 144 known to be broken.
- We also have a goal to perform maintenance on 3,000 linear feet of easement roads. To date, 2,800 linear feet of maintenance has been completed.

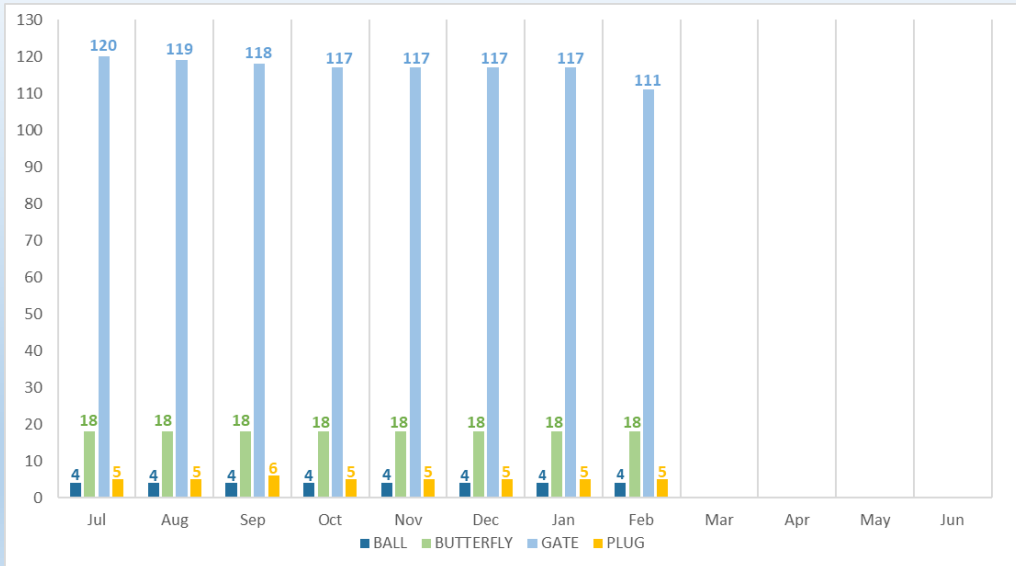
21

Main Line Valves Replaced



22

Rolling Total Broken Valves (4" and above)



M E M O

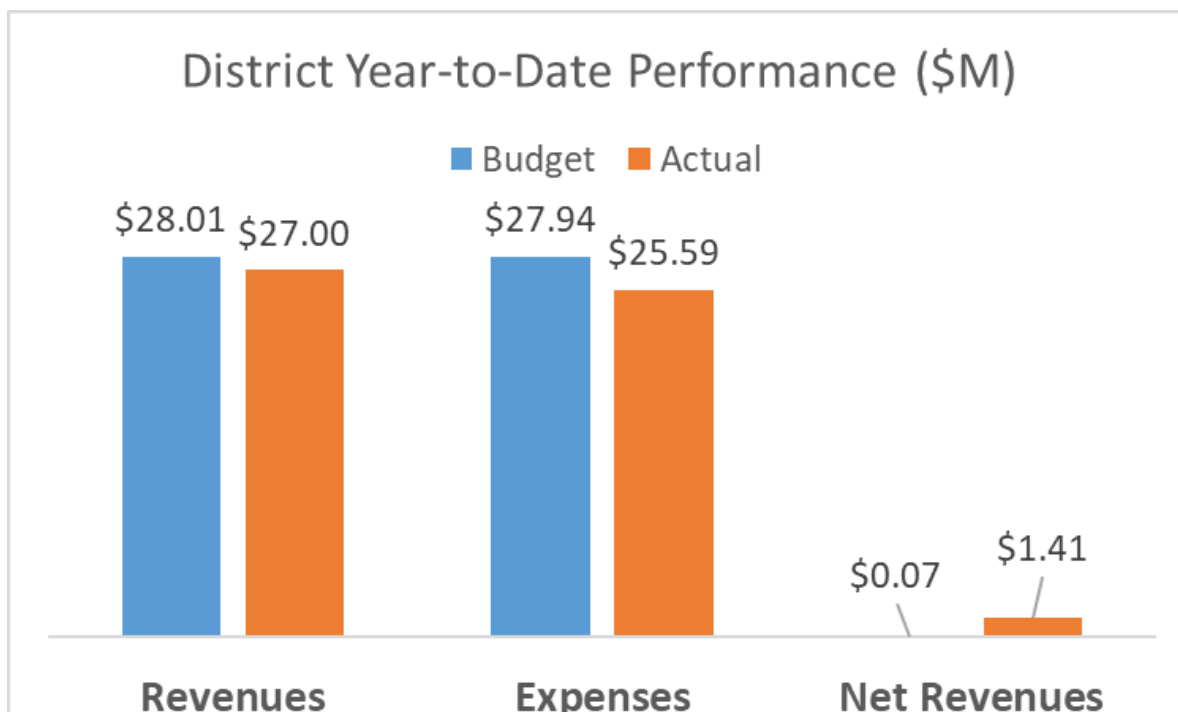
TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: March 27, 2023
SUBJECT: Financial Summary Report – February

Purpose

Provide an overview of changes in the District’s financial position.

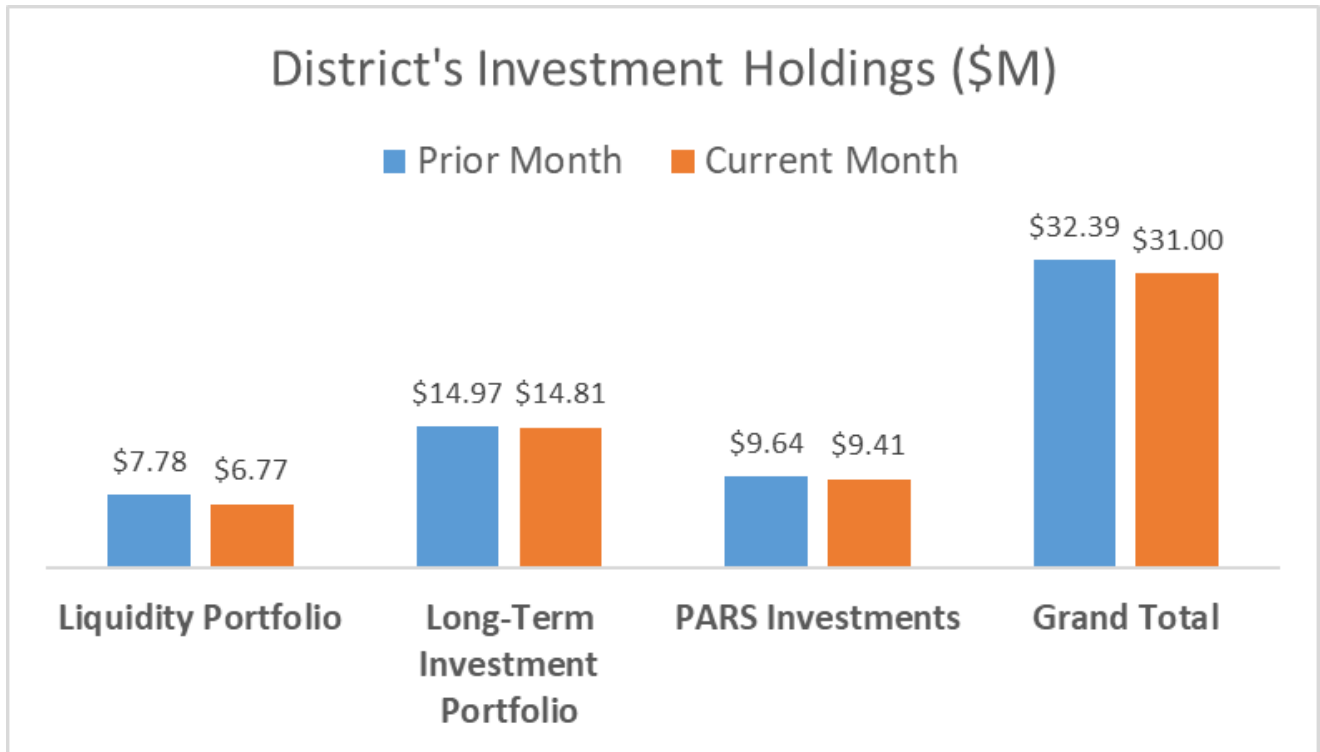
Summary

The graph below shows the District’s year-to-date Revenues, Expenditures and Net revenues.



Revenues and expenditures are under Budgeted levels. The decline in revenues mirrored by a decline in expenditures resulting in a net revenues level that is greater than budgeted. The Operating Revenue shortfall is due to lower than budgeted water sales. Lower Purchased Water expenditures is keeping total Operating Expenditures under budget. PayGo CIP execution is also under budget contributing the higher level of net revenues but expected to trend towards budget levels as the year progresses. Water sales are expected to continue to trend under budgeted levels due to wet weather. Staff are carefully tracking the District’s financial position to identify any budget shortfalls early.

The graph below shows the District's bank holdings reported in the Treasurer's Report at the end of the current and prior month.



Overall the District's financial holdings decreased this month. The decrease in the Liquidity Portfolio was driven by two scheduled debt service payments. The changes in the market value of the PARS and Long-Term Portfolio Investments reflect the recent capital markets' volatility. Overall these investments continue to perform in line with the capital markets.

Recommended Action

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

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: March 27, 2023
SUBJECT: Treasurer's Report

Purpose

Provide the February 2023 Treasurer's Report. Confirm that the District's investment portfolio is in compliance with the Investment Policy and that the District is able to meet the expenditure requirements for the next 6-months.

Notes

Overall the District's financial holdings decreased this month. The decrease was driven by two debt service payments totaling \$1,481,190. The District's PARS and Long-term Reserve accounts reflect recent market volatility. Overall these investments continue to perform in line with the capital markets. The District continues to carefully manage its working capital to ensure its ability to meet its financial commitments.

Summary

Treasurer's Report February, 2023

Account	Beginning Balance	Ending Balance
Operating Fund	\$ 6,221	\$ 5,188
Money Market	\$ 825,779	\$ 749,906
CAMP Account	\$ 6,945,351	\$ 6,019,465
<i>District's Liquidity Portfolio</i>	<i>\$ 7,777,351</i>	<i>\$ 6,774,559</i>
PFM Managed Long-term Investment Portfolio*	\$ 14,962,343	\$ 14,805,575
LAIF (Long-term Reserves)	\$ 6,624	\$ 6,624
PARS (OPEB & Pension Trust)**	\$ 9,644,967	\$ 9,411,238
<i>District Accounts Total</i>	<i>\$ 32,391,285</i>	<i>\$ 30,997,996</i>

*\$6.21M of funds are from the sale of the Santa Margarita properties.

**\$3.78M of funds are from the sale of the Santa Margarita Properties.



David Shank
March 27, 2023



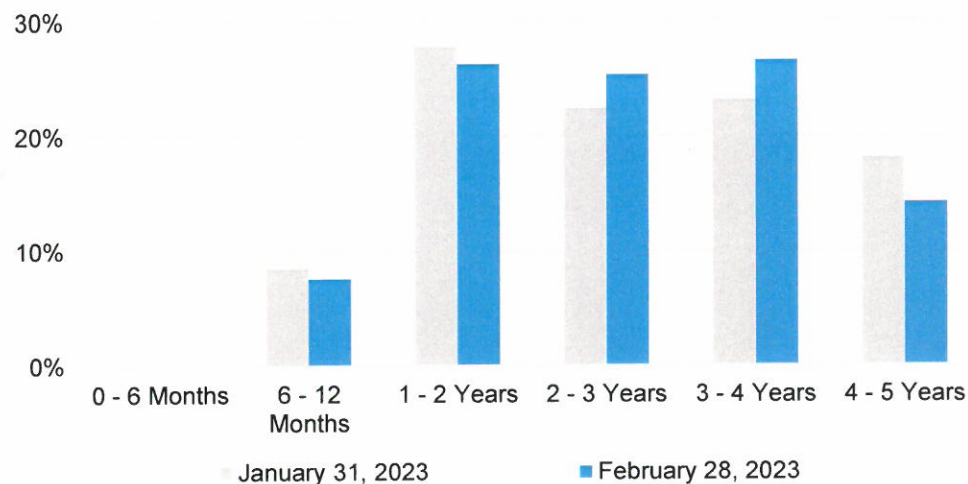
Fallbrook Public Utilities District - Holdings Summary

Security Type	January 31, 2023	February 28, 2023	Change (\$)	Change (%)
U.S. Treasury	\$11,170,585.91	\$11,226,291.30	\$55,705.39	0.5%
Municipal	\$104,962.80	\$103,425.25	(\$1,537.55)	-1.5%
Federal Agency CMO	\$192,743.68	\$191,333.23	(\$1,410.45)	-0.7%
Corporate Note	\$2,761,186.79	\$2,577,602.19	(\$183,584.60)	-6.6%
Asset-Backed Security	\$699,839.22	\$696,323.10	(\$3,516.12)	-0.5%
Securities Total	\$14,929,318.40	\$14,794,975.07	(\$134,343.33)	-0.9%
Money Market Fund	\$33,024.20	\$10,599.79	(\$22,424.41)	-67.9%
Total Investments	\$14,962,342.60	\$14,805,574.86	(\$156,767.74)	-1.0%

Summary

FY 22-23 Accrual Earnings	\$146,124.14
Yield to Maturity at Cost	2.32%
Weighted Average Maturity (Years)	2.64

Maturity Distribution



Security market values, excluding accrued interest, as on last day of month.



Account Statement - Transaction Summary

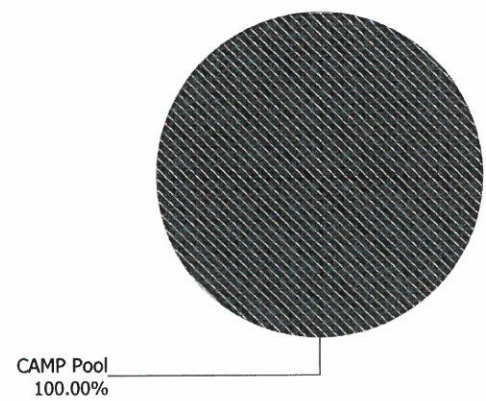
For the Month Ending February 28, 2023

Fallbrook Public Utility District - Liquidity - 6050-004

CAMP Pool	
Opening Market Value	6,945,350.69
Purchases	24,114.03
Redemptions	(950,000.00)
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$6,019,464.72
Cash Dividends and Income	24,114.03

Asset Summary		
	February 28, 2023	January 31, 2023
CAMP Pool	6,019,464.72	6,945,350.69
Total	\$6,019,464.72	\$6,945,350.69

Asset Allocation	
CAMP Pool	100.00%





Account Statement

For the Month Ending **February 28, 2023**

Fallbrook Public Utility District - Liquidity - 6050-004

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					6,945,350.69
02/16/23	02/16/23	Redemption - Outgoing Wires	1.00	(400,000.00)	6,545,350.69
02/23/23	02/23/23	Redemption - Outgoing Wires	1.00	(550,000.00)	5,995,350.69
02/28/23	03/01/23	Accrual Income Div Reinvestment - Distributions	1.00	24,114.03	6,019,464.72
Closing Balance					6,019,464.72

	Month of February	Fiscal YTD July-February		
Opening Balance	6,945,350.69	1,820,099.08	Closing Balance	6,019,464.72
Purchases	24,114.03	8,649,365.64	Average Monthly Balance	6,642,640.48
Redemptions (Excl. Checks)	(950,000.00)	(4,450,000.00)	Monthly Distribution Yield	4.73%
Check Disbursements	0.00	0.00		
Closing Balance	6,019,464.72	6,019,464.72		
Cash Dividends and Income	24,114.03	109,365.64		

Managed Account Security Transactions & Interest

For the Month Ending **February 28, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
BUY											
	02/27/23	02/28/23	US TREASURY N/B NOTES DTD 09/30/2022 4.125% 09/30/2027	91282CFM8	250,000.00	(248,486.33)	(4,277.99)	(252,764.32)			
	02/27/23	02/28/23	US TREASURY NOTES DTD 02/15/2018 2.750% 02/15/2028	9128283W8	125,000.00	(116,875.00)	(123.45)	(116,998.45)			
	02/27/23	02/28/23	US TREASURY NOTES DTD 11/15/2017 2.250% 11/15/2027	9128283F5	70,000.00	(64,104.69)	(456.84)	(64,561.53)			
Transaction Type Sub-Total					445,000.00	(429,466.02)	(4,858.28)	(434,324.30)			
INTEREST											
	02/01/23	02/01/23	CHARLES SCHWAB CORP NOTES (CALLABLE) DTD 10/31/2018 3.550% 02/01/2024	808513AY1	145,000.00	0.00	2,573.75	2,573.75			
	02/01/23	02/01/23	MONEY MARKET FUND	MONEY0002	0.00	0.00	74.19	74.19			
	02/01/23	02/25/23	FHMS K046 A2 DTD 06/17/2015 3.205% 03/01/2025	3137BJP64	100,000.00	0.00	267.08	267.08			
	02/01/23	02/25/23	FHLMC MULTIFAMILY STRUCTURED POOL DTD 11/01/2017 3.064% 08/01/2024	3137FBTA4	97,325.90	0.00	248.51	248.51			
	02/05/23	02/05/23	INTEL CORP NOTES (CALLABLE) DTD 08/05/2022 3.750% 08/05/2027	458140BY5	85,000.00	0.00	1,593.75	1,593.75			
	02/09/23	02/09/23	IBM CORP CORP NOTES (CALLABLE) DTD 02/09/2022 2.200% 02/09/2027	459200KM2	180,000.00	0.00	1,980.00	1,980.00			
	02/15/23	02/15/23	CARMX 2022-3 A3 DTD 07/20/2022 3.970% 04/15/2027	14318MAD1	75,000.00	0.00	248.13	248.13			
	02/15/23	02/15/23	US TREASURY NOTES DTD 02/15/2017 2.250% 02/15/2027	912828V98	875,000.00	0.00	9,843.75	9,843.75			
	02/15/23	02/15/23	CARMX 2021-3 A3 DTD 07/28/2021 0.550% 06/15/2026	14317DAC4	65,000.00	0.00	29.79	29.79			
	02/15/23	02/15/23	COMET 2021-A3 A3 DTD 11/30/2021 1.040% 11/15/2026	14041NFY2	70,000.00	0.00	60.67	60.67			
	02/15/23	02/15/23	WOART 2021-D A3 DTD 11/03/2021 0.810% 10/15/2026	98163KAC6	35,000.00	0.00	23.63	23.63			
	02/15/23	02/15/23	DCENT 2022-A3 A3 DTD 08/09/2022 3.560% 07/15/2027	254683CW3	70,000.00	0.00	207.67	207.67			

Managed Account Security Transactions & Interest

For the Month Ending February 28, 2023

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	02/15/23	02/15/23	MBART 2022-1 A3 DTD 11/22/2022 5.210% 08/16/2027	58768PAC8	105,000.00	0.00	455.88	455.88			
	02/15/23	02/15/23	HART 2022-A A3 DTD 03/16/2022 2.220% 10/15/2026	448977AD0	55,000.00	0.00	101.75	101.75			
	02/15/23	02/15/23	FORDO 2022-A A3 DTD 01/24/2022 1.290% 06/15/2026	345286AC2	40,000.00	0.00	43.00	43.00			
	02/15/23	02/15/23	US TREASURY N/B NOTES DTD 08/15/2022 3.125% 08/15/2025	91282CFE6	300,000.00	0.00	4,687.50	4,687.50			
	02/15/23	02/15/23	DCENT 2021-A1 A1 DTD 09/27/2021 0.580% 09/15/2026	254683CP8	70,000.00	0.00	33.83	33.83			
	02/15/23	02/15/23	US TREASURY N/B NOTES DTD 08/15/2021 0.375% 08/15/2024	91282CCT6	250,000.00	0.00	468.75	468.75			
	02/15/23	02/15/23	US TREASURY NOTES DTD 08/15/2016 1.500% 08/15/2026	9128282A7	140,000.00	0.00	1,050.00	1,050.00			
	02/16/23	02/16/23	GMCAR 2022-1 A3 DTD 01/19/2022 1.260% 11/16/2026	380146AC4	20,000.00	0.00	21.00	21.00			
	02/16/23	02/16/23	GMCAR 2021-4 A3 DTD 10/21/2021 0.680% 09/16/2026	362554AC1	30,000.00	0.00	17.00	17.00			
	02/20/23	02/20/23	GMALT 2021-3 A4 DTD 08/18/2021 0.500% 07/21/2025	36262XAD6	25,000.00	0.00	10.42	10.42			
	02/21/23	02/21/23	HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	35,000.00	0.00	25.67	25.67			
	02/22/23	02/22/23	AMERICAN EXPRESS CO CORP NOTES (CALLABLE) DTD 02/22/2019 3.400% 02/22/2024	025816CC1	100,000.00	0.00	1,700.00	1,700.00			
	02/25/23	02/25/23	BMWOT 2022-A A3 DTD 05/18/2022 3.210% 08/25/2026	05602RAD3	30,000.00	0.00	80.25	80.25			
	02/28/23	02/28/23	WALT DISNEY COMPANY/THE (CALLABLE) DTD 09/06/2019 1.750% 08/30/2024	254687FK7	145,000.00	0.00	1,268.75	1,268.75			
	02/28/23	02/28/23	US TREASURY NOTES DTD 08/31/2020 0.250% 08/31/2025	91282CAJ0	90,000.00	0.00	112.50	112.50			
	02/28/23	02/28/23	US TREASURY N/B NOTES DTD 08/31/2021 0.750% 08/31/2026	91282CCW9	95,000.00	0.00	356.25	356.25			



Managed Account Security Transactions & Interest

For the Month Ending **February 28, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
02/28/23	02/28/23	US TREASURY NOTES DTD 08/31/2020 0.500% 08/31/2027	91282CAH4	175,000.00	0.00	437.50	437.50			
Transaction Type Sub-Total				3,502,325.90	0.00	28,020.97	28,020.97			
PAYDOWNS										
02/01/23	02/25/23	FHLMC MULTIFAMILY STRUCTURED POOL DTD 11/01/2017 3.064% 08/01/2024	3137FBTA4	135.17	135.17	0.00	135.17	(0.18)	0.00	
Transaction Type Sub-Total				135.17	135.17	0.00	135.17	(0.18)	0.00	
SELL										
02/27/23	02/28/23	US TREASURY N/B NOTES DTD 01/31/2022 0.875% 01/31/2024	91282CDV0	250,000.00	240,527.34	169.20	240,696.54	(1,181.65)	(4,150.62)	FIFO
02/27/23	02/28/23	CHARLES SCHWAB CORP NOTES (CALLABLE) DTD 10/31/2018 3.550% 02/01/2024	808513AY1	145,000.00	142,661.15	386.06	143,047.21	(7,194.90)	(3,215.80)	FIFO
Transaction Type Sub-Total				395,000.00	383,188.49	555.26	383,743.75	(8,376.55)	(7,366.42)	
Managed Account Sub-Total					(46,142.36)	23,717.95	(22,424.41)	(8,376.73)	(7,366.42)	
Total Security Transactions					(\$46,142.36)	\$23,717.95	(\$22,424.41)	(\$8,376.73)	(\$7,366.42)	

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

March 02, 2023

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[PMIA Average Monthly Yields](#)

FALLBROOK PUBLIC UTILITY DISTRICT

TREASURER
P.O. BOX 2290
FALLBROOK, CA 92088

[Tran Type Definitions](#)

Account Number: 85-37-001

February 2023 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	6,623.72
Total Withdrawal:	0.00	Ending Balance:	6,623.72

FALLBROOK PUBLIC UTILITY DISTRICT
PARS Post-Employment Benefits Trust

Account Report for the Period
2/1/2023 to 2/28/2023

David Shank
Assistant General Manager/CFO
Fallbrook Public Utility District
990 East Mission Road
Fallbrook, CA 92028

Account Summary

Source	Balance as of 2/1/2023	Contributions	Earnings	Expenses	Distributions	Transfers	Balance as of 2/28/2023
OPEB	\$1,150,550.95	\$0.00	-\$27,376.76	\$504.88	\$0.00	\$0.00	\$1,122,669.31
PENSION	\$8,494,416.39	\$0.00	-\$202,120.20	\$3,727.50	\$0.00	\$0.00	\$8,288,568.69
Totals	\$9,644,967.34	\$0.00	-\$229,496.96	\$4,232.38	\$0.00	\$0.00	\$9,411,238.00

Investment Selection

Source

OPEB	Moderate HighMark PLUS
PENSION	Moderate HighMark PLUS

Investment Objective

Source

OPEB	The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.
PENSION	The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Investment Return

Source	1-Month	3-Months	1-Year	Annualized Return			Plan's Inception Date
				3-Years	5-Years	10-Years	
OPEB	-2.38%	0.00%	-7.93%	3.59%	3.97%	-	2/16/2017
PENSION	-2.38%	0.00%	-7.93%	3.58%	3.93%	-	2/16/2017

Information as provided by US Bank, Trustee for PARS: Not FDIC Insured; No Bank Guarantee; May Lose Value

Past performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.
Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.
Account balances are inclusive of Trust Administration, Trustee and Investment Management fees

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: March 27, 2023
SUBJECT: Budget Status Report for Fiscal Year 2022-2023

Purpose

Provide a Budget Status Report (BSR) to the Board.

Summary

The BSR shows the District's financial performance compared to the budget for the month of February, Year-to-Date and the annual budgeted amount.

Total revenues for the month and year-to-date are under budget. Year-to-date water sales are 13.5% under budget, with February 38% under budget. This month's water sales were driven by recent extreme wet weather. Year-to-date water sales revenues are 11% below budgeted levels. Recycled water revenues are expected to continue the trend under budget. Wastewater revenues, while under budget, are expected to trend towards budget levels as the fiscal year winds down.

Non-operating revenues are over budget driven by the gain on sale of surplus land and higher property tax revenues and investment earnings. Year-end total non-operating revenues are expected to be higher than budget levels.

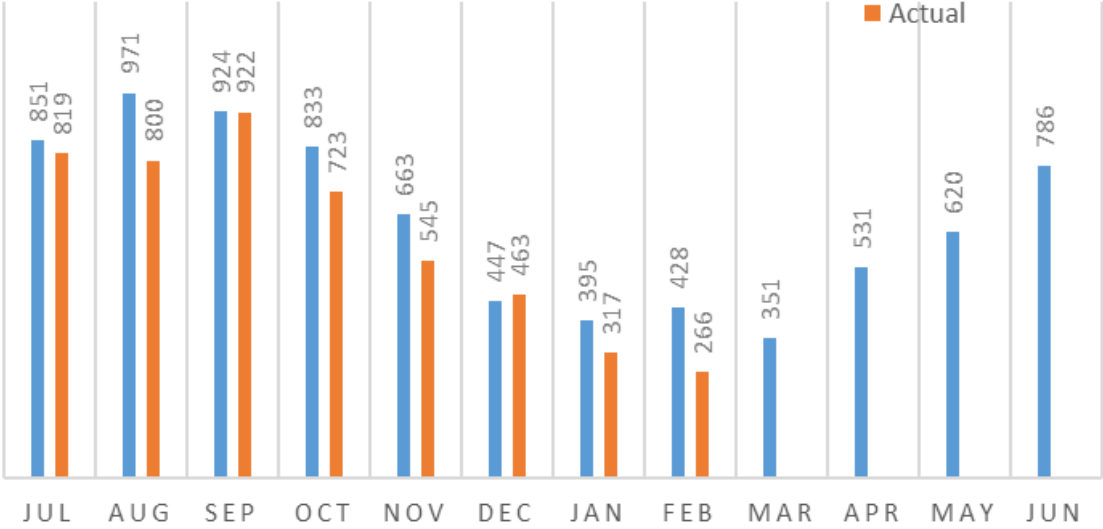
The District's monthly and year-to-date total expenditures are 6.1% under budget due to the lower than budgeted water purchases. Water operating expenses are trending over budget levels, with the Santa Margarita Plant producing water. While staff expect expenditures to trend to budget, the District's expenditures are being monitored closely to identify any potential budget shortfalls early.

Total revenue is \$26,997,616 or 3.6% under budget and total expenditures are \$22,396,483 or 4.8% under budget. PAYGO CIP expenditures are under budget for the month and year-to-date but are expected to trend to budget levels. After adjusting for the PAYGO expenditures year-to-date net revenues are higher than Budgeted.

Recommended Action

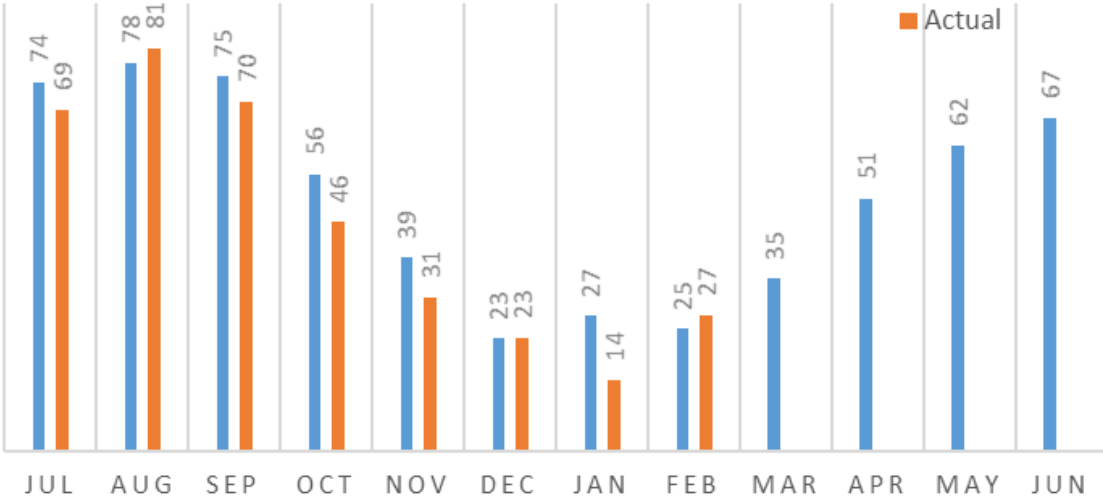
This item is for discussion only. No action is required.

WATER SALES (AF)



Year-to-Date Actual 4,857 AF Year-to-Date Budget 5,512 AF

RECYCLED WATER (AF)



Year-to-Date Actual 361 AF Year-to-Date Budget 396 AF

Monthly Budget Report for February

Favorable Variance Shown as a positive number

	Current Month		Year-To-Date				Annual Budget		
	Actual	Budget	Actual	Budget	Variance	%	Budget	Remaining Balance	%
Operating Revenues:								Year remaining	33.3%
Water Sales ⁽¹⁾	734,378	1,117,163	11,781,209	13,232,449	(1,451,241)	-11.0%	19,105,552	7,324,343	38.3%
Water Meter Service Charges	740,820	714,773	5,513,674	5,475,432	38,242	0.7%	8,334,524	2,820,850	33.8%
Wastewater Service Charges	610,252	541,527	4,578,320	4,663,760	(85,441)	-1.8%	6,829,867	2,251,547	33.0%
Recycled Water Revenues	59,723	57,340	740,050	825,378	(85,328)	-10.3%	1,294,803	554,753	42.8%
Other Operating Revenue	-	-	-	-	-	NA	-	-	NA
Total Operating Revenue	2,145,173	2,430,802	22,613,253	24,197,019	(1,583,767)	-6.5%	35,564,746	12,951,494	36.4%
Non Operating Revenues:									
Water Capital Improvement Charge	139,884	124,573	1,021,110	996,580	24,530	2.5%	1,494,870	473,760	31.7%
Wastewater Capital Improvement Charge	107,357	98,813	805,091	790,502	14,589	1.8%	1,185,754	380,662	32.1%
Property Taxes	94,426	146,146	1,533,005	1,422,078	110,926	7.8%	2,195,381	662,376	30.2%
Water Standby/Availability Charge	6,821	7,175	118,585	127,487	(8,901)	-7.0%	208,842	90,257	43.2%
Water/Wastewater Capacity Charges	39,859	12,788	126,003	102,308	23,695	23.2%	153,461	27,458	17.9%
Portfolio Interest	39,545	11,738	202,962	93,905	109,057	116.1%	140,857	(62,104)	-44.1%
Pumping Capital Improvement Charge	-	2,730	8,173	21,837	(13,664)	-62.6%	32,756	24,583	75.0%
Federal Interest Rate Subsidy	-	-	44,808	43,103	1,705	4.0%	84,516	39,708	47.0%
Gain on Sale of Asset ⁽²⁾	-	-	170,307	-	170,307	NA	-	(170,307)	NA
SDCWA Refund/Covid Relief Grant ⁽³⁾	-	-	8,441	-	8,441	NA	-	(8,441)	NA
Grant Funds-IPRP Project ⁽⁴⁾	-	-	79,245	-	79,245	NA	-	(79,245)	NA
Facility Rents	19,810	21,766	171,609	174,126	(2,517)	-1.4%	261,189	89,580	34.3%
Fire Hydrant Service Fees	11,482	-	11,482	-	11,482	NA	-	(11,482)	NA
Other Non-Operating Revenues	9,776	4,917	83,540	39,339	44,201	112.4%	59,009	(24,531)	-41.6%
Total Non Operating Revenues	468,960	430,646	4,384,364	3,811,266	573,097	15.0%	5,816,635	1,432,271	24.6%
Total Revenues	2,614,133	2,861,448	26,997,616	28,008,286	(1,010,669)	-3.6%	41,381,381	14,383,765	34.8%
Expenditures									
Purchased Water Expense	586,025	824,825	7,804,827	9,240,056	1,435,229	15.5%	13,617,771	5,812,944	42.7%
Water Services	445,847	366,864	3,422,214	3,077,968	(344,246)	-11.2%	4,487,727	1,065,513	23.7%
Wastewater Services	273,485	274,262	2,273,704	2,372,363	98,659	4.2%	3,579,114	1,305,410	36.5%
Recycled Water Services	41,554	37,523	369,607	324,574	(45,034)	-13.9%	489,675	120,068	24.5%
Administrative Services	524,783	561,550	4,962,151	4,857,405	(104,746)	-2.2%	7,328,223	2,366,072	32.3%
Community Benefit Program	-	84,000	-	176,400	176,400	100.0%	546,000	546,000	100.0%
Total Operating Expenses	1,871,696	2,149,024	18,832,503	20,048,765	1,216,262	6.1%	30,048,510	11,216,007	37.3%
Debt Service Expenses									
SMCUP SRF	1,174,396	1,081,968	1,174,396	1,081,968	(92,428)	-8.5%	1,081,968	(92,428)	-8.5%
Red Mountain SRF	-	-	395,851	395,851	-	0.0%	395,851	-	0.0%
WW Rev Refunding Bonds	306,904	306,904	1,731,022	1,731,022	-	0.0%	1,731,022	-	0.0%
QECB Solar Debt	-	-	262,711	262,711	-	0.0%	521,667	258,956	49.6%
Total Debt Service	1,481,301	1,388,873	3,563,980	3,471,552	(92,428)	-2.7%	3,730,508	166,528	4.5%
Total Expenses	3,352,996	3,537,896	22,396,483	23,520,318	1,123,834	4.8%	33,779,018	11,382,534	33.7%
Net Revenue/(loss) From Operations and Debt Service	(738,863)	(676,448)	4,601,133	4,487,968	113,165	2.5%	7,602,364	3,001,231	39.5%
Capital Investment									
Capital Investment ⁽⁵⁾									
Construction Expenditures-Admin	315,171	57,750	621,306	628,000	6,694	1.1%	800,000	178,694	22.3%
Construction Expenditures-Water	140,650	721,392	1,858,249	2,992,783	1,134,534	37.9%	6,128,350	4,270,101	69.7%
Construction Expenditures-Recycled	3,138	35,933	414,517	321,267	(93,250)	-29.0%	465,000	50,483	10.9%
Construction Expenditures-Wastewater	27,783	75,500	294,897	479,000	184,103	38.4%	731,000	436,103	59.7%
Construction Expenditures-PAYGO TOTAL	486,742	890,575	3,188,969	4,421,050	1,232,081	27.9%	7,773,350	4,584,381	59.0%
Net Revenue/(Loss)	(1,225,605)	(1,567,023)	1,412,164	66,918	1,345,246	2010.3%	(170,986)	(1,583,151)	925.9%

(1) Includes Local Resource Credit of \$288,469.00

(2) Includes De Luz Land Sale of \$170,307.37

(3) Includes SDCWA Refund of \$8,441.37

(4) Includes IPRP Grant Funds of \$79,245.12

(5) Detailed CIP Summary Table attached

CIP Summary Table

	Budget FY23	Current Month FY23	Actual-to- Date FY23
Water Capital Projects			
Pipelines and Valve Replacement Projects by District	\$ 570,000	\$ 50,195	\$ 384,574
Pipeline Replacement Projects by Contractors	\$ 4,543,350	\$ 4,438	\$ 958,367
Deluz ID Projects	\$ 100,000	\$ 30,582	\$ 239,700
Pump Stations	\$ 300,000	\$ -	\$ 16,562
Meter Replacement	\$ 25,000	\$ 11,784	\$ 38,957
Pressure Reducing Stations	\$ 65,000	\$ -	\$ 27,144
Red Mountain Reservoir Improvements	\$ 175,000	\$ -	\$ 11,155
Steel Reservoir Improvements	\$ 60,000	\$ -	\$ 20,826
Treatment Plant R&R	\$ 200,000	\$ 20,858	\$ 123,842
SCADA Upgrades/ Security/Telemetry	\$ 90,000	\$ 22,793	\$ 37,121
Total PAYGO Water Capital Projects	\$ 6,128,350	\$ 140,650	\$ 1,858,249
Recycled Water Capital Projects			
Recycled Water Improvements	\$ 465,000	\$ 3,138	\$ 414,517
Wastewater Capital Projects			
WRP Improvements	\$ 281,000	\$ 9,411	\$ 169,833
Collection System Improvements	\$ 400,000	\$ 18,372	\$ 115,073
Outfall Improvements	\$ 50,000	\$ -	\$ 9,991
Total Wastewater Capital Projects	\$ 731,000	\$ 27,783	\$ 294,897
Administrative Capital Projects			
Administrative Upgrades	\$ 105,000	\$ 27,692	\$ 50,131
Engineering and Operations Information Systems	\$ 30,000	\$ -	\$ 31,786
Facility Improvements/Upgrades/Security	\$ 410,000	\$ 18,979	\$ 243,350
District Yard Improvements	\$ -	\$ -	\$ -
Vehicles and Heavy Equipment	\$ 255,000	\$ 268,500	\$ 296,039
Total Administrative Capital Projects	\$ 800,000	\$ 315,171	\$ 621,306
Total PAYGO Capital Budget Projects	\$ 8,124,350	\$ 486,742	\$ 3,188,969

02/28/2023

Treasurer's Warrant No. February

TO: Treasurer of the Fallbrook Public Utility District

The bills and claims listed below are approved as authorized by resolution no. 3538 of the Board of Directors dated July 8, 1985. You are hereby authorized and directed to pay said prospective claims for the amounts stated (less discounts in instances where discounts are allowed).

Payroll - 02/2023

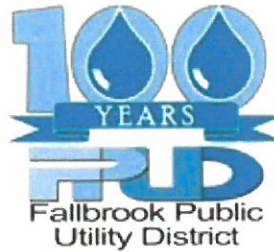
Computer Check Register

Payroll #1	\$181,693.43
Payroll #2	<u>\$175,885.36</u>
	<u>\$357,578.79</u>

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
 Printed: 3/2/2023 9:46 AM



Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	91223	STERLING ADMINISTRATION	02/02/2023	125.00
90361	01460	AFLAC	02/02/2023	446.72
90362	91286	AMAZON CAPITAL SERVICES, INC.	02/02/2023	693.59
90363	02805	ASBURY ENVIRONMENTAL SERVICES	02/02/2023	381.80
90364	91608	AT&T MOBILITY LLC	02/02/2023	3,722.40
90365	91069	BRENNTAG PACIFIC INC.	02/02/2023	1,667.31
90366	03134	CALIFORNIA WATER ENVIRONMENT	02/02/2023	95.00
90367	00709	COUNTY OF SAN DIEGO	02/02/2023	718.00
90368	02925	DATA NET SOLUTIONS	02/02/2023	3,140.25
90369	06762	DENALI WATER SOLUTIONS LLC	02/02/2023	8,187.41
90370	91585	LAUREN ECKERT	02/02/2023	195.54
90371	06711	ECS IMAGING, INC	02/02/2023	5,900.00
90372	03391	ELECTRICAL SALES INC	02/02/2023	3,152.28
90373	02411	FALLBROOK PRINTING CORP	02/02/2023	1,886.97
90374	04494	FEDERAL EXPRESS CORPORATION	02/02/2023	36.15
90375	01432	FERGUSON WATERWORKS #1083	02/02/2023	2,420.07
90376	91200	FIRST BANKCARD	02/02/2023	1,636.76
90377	91202	FIRST BANKCARD	02/02/2023	736.33
90378	91225	FIRST BANKCARD	02/02/2023	772.19
90379	91323	FIRST BANKCARD	02/02/2023	682.94
90380	91540	FIRST BANKCARD	02/02/2023	1,159.97
90381	91635	FIRST BANKCARD	02/02/2023	463.06
90382	91678	FIRST BANKCARD	02/02/2023	475.87
90383	91744	FIRST BANKCARD	02/02/2023	153.77
90384	04958	GOSCH FORD TEMECULA	02/02/2023	81.91
90385	02170	GRAINGER, INC.	02/02/2023	3,179.05
90386	03174	HAAKER EQUIPMENT COMPANY	02/02/2023	167.58
90387	91544	HAZEN AND SAWYER, D.P.C.	02/02/2023	13,587.00
90388	06561	HOWELLS GOVERNMENT RELATIONS	02/02/2023	1,669.65
90389	06577	INFOSEND INC	02/02/2023	525.00
90390	00190	JCI JONES CHEMICALS INC.	02/02/2023	10,429.29
90391	90887	LLOYD PEST CONTROL	02/02/2023	150.00
90392	91730	MHS LOMACK HEATING AND AIR COI	02/02/2023	99.95
90393	UB*00414	TO THE ESTATE OF LENITA MICHAEL	02/02/2023	324.96
90394	06298	ONESOURCE DISTRIBUTORS, LLC	02/02/2023	317.88
90395	91674	O'REILLY AUTO ENTERPRISES, LLC	02/02/2023	1,119.76
90396	01267	PACIFIC PIPELINE	02/02/2023	276.49
90397	00215	PETTY CASH	02/02/2023	74.89
90398	91007	PFM ASSET MANGEMENT LLC	02/02/2023	1,324.21
90399	91603	PREMIER ACCESS CONSULTING GROU	02/02/2023	1,998.45
90400	91155	QUALITY GATE COMPANY, INC	02/02/2023	1,945.00
90401	91697	R&B AUTOMATION, INC.	02/02/2023	20,765.58
90402	91599	RUSH TRUCK CENTERS OF CALIFORN	02/02/2023	571.08
90403	00232	SAN DIEGO GAS & ELECTRIC	02/02/2023	45,837.09
90404	91800	SAN DIEGO PSYCHOLOGICAL CENTE	02/02/2023	2,900.00
90405	90929	SOUTHWEST ANSWERING SERVICE, I	02/02/2023	764.00
90406	91723	SPECIALTY MOWING SERVICES, INC	02/02/2023	18,655.21

Check No	Vendor No	Vendor Name	Check Date	Check Amount
90407	91799	SUNBELT RENTALS, INC	02/02/2023	9,702.86
90408	00159	SUPERIOR READY MIX	02/02/2023	5,848.13
90409	91385	VERONICA TAMZIL	02/02/2023	60.00
90410	91771	TIMECLOCK PLUS, LLC	02/02/2023	3,215.25
90411	91282	WREGIS	02/02/2023	132.48
90412	91700	STEPHEN WUERTH	02/02/2023	402.90
Total for 2/2/2023:				184,975.03
ACH	00152	FPUD EMPL ASSOCIATION	02/09/2023	476.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	02/09/2023	3,805.00
ACH	06758	UNITED STATES TREASURY	02/09/2023	68,386.52
ACH	06759	STATE OF CA - PR TAXES	02/09/2023	10,065.08
ACH	06760	STATE OF CA - SDI	02/09/2023	2,464.13
ACH	06761	LINCOLN FINANCIAL GROUP	02/09/2023	11,665.81
ACH	06763	PERS - PAYROLL	02/09/2023	44,654.01
ACH	06758	UNITED STATES TREASURY	02/09/2023	595.77
ACH	06759	STATE OF CA - PR TAXES	02/09/2023	73.89
ACH	06760	STATE OF CA - SDI	02/09/2023	26.95
90416	00231	SAN DIEGO COUNTY WATER AUTH	02/09/2023	574,618.20
90417	91256	AFP	02/09/2023	325.00
90418	91286	AMAZON CAPITAL SERVICES, INC.	02/09/2023	434.19
90419	91490	AMAZON WEB SERVICES, INC.	02/09/2023	1,115.27
90420	04995	AMERICAN MESSAGING	02/09/2023	129.52
90421	05088	AT&T	02/09/2023	587.95
90422	91503	BACKGROUNDS ONLINE	02/09/2023	19.90
90423	91487	BADGER METER, INC.	02/09/2023	8,896.71
90424	91429	BSK ASSOCIATES	02/09/2023	4,219.00
90425	03978	CAMERON WELDING SUPPLY	02/09/2023	735.83
90426	91188	CDTFA	02/09/2023	1,358.94
90427	91330	AARON COOK	02/09/2023	180.00
90428	05953	CORODATA RECORDS MANAGEMENT	02/09/2023	816.22
90429	05985	SOLEIL DEVELLE	02/09/2023	1,039.00
90430	05192	DIAMOND ENVIRONMENTAL SERVIC	02/09/2023	278.28
90431	03391	ELECTRICAL SALES INC	02/09/2023	1,977.77
90432	91611	FALLBROOK ACE HARDWARE	02/09/2023	4,070.76
90433	09523	FALLBROOK EQUIP RENTALS	02/09/2023	7,819.00
90434	00169	FALLBROOK OIL COMPANY	02/09/2023	4,475.42
90435	00170	FALLBROOK WASTE & RECYCLING	02/09/2023	1,003.14
90436	01155	FALLBROOK WASTE/RECYCLING	02/09/2023	60.00
90437	01432	FERGUSON WATERWORKS #1083	02/09/2023	20,433.10
90438	91620	FIRST BANKCARD	02/09/2023	311.10
90439	02972	FISHER SCIENTIFIC COMPANY LLC	02/09/2023	100.50
90440	05814	GEORGE PLUMBING COMPANY INC	02/09/2023	448.00
90441	02170	GRAINGER, INC.	02/09/2023	1,781.62
90442	05380	HACH CO	02/09/2023	567.98
90443	06577	INFOSEND INC	02/09/2023	3,800.19
90444	05871	ITRON INC	02/09/2023	300.00
90445	91751	MANAGED MOBILE INC	02/09/2023	4,862.60
90446	91192	MISSION LINEN SUPPLY	02/09/2023	1,102.03
90447	90932	NAPA AUTO PARTS	02/09/2023	1,885.38
90448	03201	NATIONAL SAFETY COMPLIANCE INC	02/09/2023	58.40
90449	91167	NORTH COUNTY FORD	02/09/2023	424.51
90450	00370	NUTRIEN AG SOLUTIONS, INC.	02/09/2023	59.29
90451	91674	O'REILLY AUTO ENTERPRISES, LLC	02/09/2023	88.73
90452	01267	PACIFIC PIPELINE	02/09/2023	4,413.98
90453	04489	PARKHOUSE TIRE INC	02/09/2023	349.65

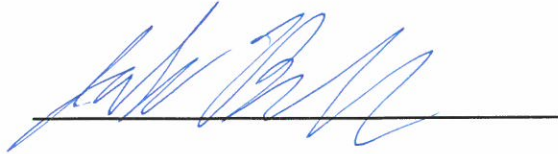
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90454	00215	PETTY CASH	02/09/2023	59.01
90455	00216	PINE TREE LUMBER	02/09/2023	55.18
90456	91790	POWERBLANKET	02/09/2023	4,223.81
90457	91426	PRINTING SOLUTIONS	02/09/2023	163.53
90458	06608	ROTARY CLUB OF FALLBROOK	02/09/2023	172.00
90459	06703	S & C ELECTRIC COMPANY	02/09/2023	8,250.00
90460	91482	S & R TOWING	02/09/2023	500.00
90461	00232	SAN DIEGO GAS & ELECTRIC	02/09/2023	87,828.43
90462	90925	SHERWIN-WILLIAMS	02/09/2023	105.25
90463	02815	SWRCB ACCOUNTING OFFICE	02/09/2023	861.00
90464	06735	TCN, INC.	02/09/2023	96.39
90465	91765	TOTALENERGIES RENEWABLES USA,	02/09/2023	2,441.88
90466	91789	TSI	02/09/2023	5,280.00
90467	00724	UNDERGROUND SERVICE ALERT	02/09/2023	371.72
90468	03358	US BANK TRUST NA	02/09/2023	1,471.00
90469	91254	WESTERN PUMP, INC.	02/09/2023	3,232.50
90470	91286	AMAZON CAPITAL SERVICES, INC.	02/09/2023	878.13
90471	01719	MICKEY M. CASE	02/09/2023	60.00
90472	05192	DIAMOND ENVIRONMENTAL SERVIC	02/09/2023	152.77
90473	03391	ELECTRICAL SALES INC	02/09/2023	4,577.64
90474	05588	ESCONDIDO METAL SUPPLY	02/09/2023	1,297.31
90475	06303	EXECUTIVE LANDSCAPE INC.	02/09/2023	1,020.00
90476	01432	FERGUSON WATERWORKS #1083	02/09/2023	3,649.71
90477	05560	FRANCHISE TAX BOARD	02/09/2023	50.00
90478	02170	GRAINGER, INC.	02/09/2023	521.23
90479	05380	HACH CO	02/09/2023	2,448.50
90480	06380	JANI-KING OF CALIFORNIA, INC - SA	02/09/2023	3,433.71
90481	06338	MYTHOS TECHNOLOGY INC	02/09/2023	1,815.36
90482	91803	NPG ASPHALT	02/09/2023	1,266.00
90483	04075	RAYNE WATER SYSTEMS	02/09/2023	180.00
90484	91107	SPECTRUM BUSINESS	02/09/2023	142.96
90485	91123	STREAMLINE	02/09/2023	550.00
90486	91082	TELETRAC, INC	02/09/2023	2,478.64
90487	91765	TOTALENERGIES RENEWABLES USA,	02/09/2023	1,930.55
90488	UB*00477	PEDRO & ISABEL ZAMORA	02/09/2023	638.46
Total for 2/9/2023:				939,562.99
ACH	91223	STERLING ADMINISTRATION	02/16/2023	125.00
90489	91724	ASPHALT & CONCRETE ENTERPRISES	02/16/2023	33,780.77
90490	02743	BEST BEST & KRIEGER	02/16/2023	6,338.20
90491	91797	COFFMAN ENGINEERS, INC.	02/16/2023	1,675.00
90492	06675	CORODATA SHREDDING, INC	02/16/2023	67.32
90493	09705	CSDA SAN DIEGO CHAPTER	02/16/2023	180.00
90494	05192	DIAMOND ENVIRONMENTAL SERVIC	02/16/2023	212.56
90495	91658	PK MECHANICAL SYSTEMS, INC	02/16/2023	78,375.00
90496	91538	PUDGIL & COMPANY	02/16/2023	5,000.00
90497	06643	SAN DIEGO LAFCO	02/16/2023	32,648.92
90498	91768	THE ALCHEMY GROUP INC	02/16/2023	7,500.00
90499	91793	TRAFFIC SUPPLY, INC	02/16/2023	14,822.75
90500	00100	ACWA	02/16/2023	815.00
90501	03223	AIR POLLUTION CONTROL DISTRICT	02/16/2023	239.60
90502	04995	AMERICAN MESSAGING	02/16/2023	109.92
90503	05958	BAMM! PROMOTIONAL PRODUCTS, I	02/16/2023	986.33
90504	00182	COMPLETE OFFICE OF CALIFORNIA, I	02/16/2023	227.06
90505	91210	CORE & MAIN LP	02/16/2023	4,647.74
90506	00709	COUNTY OF SAN DIEGO	02/16/2023	50.00

Check No	Vendor No	Vendor Name	Check Date	Check Amount
90507	05714	COUNTY OF SD DEPT PUBLIC WORKS	02/16/2023	2,901.90
90508	02925	DATA NET SOLUTIONS	02/16/2023	3,013.50
90509	91592	ELEMENT MATERIALS TECHNOLOGY	02/16/2023	422.65
90510	04494	FEDERAL EXPRESS CORPORATION	02/16/2023	98.95
90511	01432	FERGUSON WATERWORKS #1083	02/16/2023	7,343.39
90512	02972	FISHER SCIENTIFIC COMPANY LLC	02/16/2023	156.62
90513	02170	GRAINGER, INC.	02/16/2023	63.49
90514	05970	GRISWOLD INDUSTRIES	02/16/2023	13,208.96
90515	06329	HILL BROTHERS CHEMICAL COMPAN	02/16/2023	2,422.20
90516	06561	HOWELLS GOVERNMENT RELATIONE	02/16/2023	7,500.00
90517	05871	ITRON INC	02/16/2023	25,317.20
90518	00190	JCI JONES CHEMICALS INC.	02/16/2023	9,281.65
90519	91648	KING LEE CHEMICAL COMPANY	02/16/2023	3,369.22
90520	91515	LABORATORY CALIBRATION SERVIC	02/16/2023	2,555.00
90521	91751	MANAGED MOBILE INC	02/16/2023	6,153.51
90522	91061	MICHELLI MEASUREMENT GROUP	02/16/2023	2,084.15
90523	03944	MISSION RESOURCE CONSV DISTRIC	02/16/2023	283.50
90524	91674	O'REILLY AUTO ENTERPRISES, LLC	02/16/2023	114.12
90525	01267	PACIFIC PIPELINE	02/16/2023	3,486.68
90526	91546	QUADIENT FINANCE USA, INC.	02/16/2023	839.00
90527	06717	RDO EQUIPMENT CO	02/16/2023	439.50
90528	91486	SATELLITE PHONE STORE	02/16/2023	78.28
90529	00236	SCRAPPYS	02/16/2023	214.31
90530	04434	SNAP ON TOOLS	02/16/2023	674.52
90531	02927	TIM STERGER	02/16/2023	60.00
90532	91799	SUNBELT RENTALS, INC	02/16/2023	2,098.89
90533	00159	SUPERIOR READY MIX	02/16/2023	1,033.85
90534	91703	UNIVAR SOLUTIONS	02/16/2023	927.56
90535	03358	US BANK TRUST NA	02/16/2023	306,851.21

Total for 2/16/2023: 590,794.98

ACH	00152	FPUD EMPL ASSOCIATION	02/23/2023	466.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	02/23/2023	3,805.00
ACH	06758	UNITED STATES TREASURY	02/23/2023	67,242.41
ACH	06759	STATE OF CA - PR TAXES	02/23/2023	9,809.46
ACH	06760	STATE OF CA - SDI	02/23/2023	2,424.13
ACH	06761	LINCOLN FINANCIAL GROUP	02/23/2023	11,665.81
ACH	06763	PERS - PAYROLL	02/23/2023	44,580.70
90538	06597	AIRGAS USA, LLC	02/23/2023	324.33
90539	91286	AMAZON CAPITAL SERVICES, INC.	02/23/2023	4,566.98
90540	06536	ARCADIS U.S., INC	02/23/2023	17,479.40
90541	02743	BEST BEST & KRIEGER	02/23/2023	9,613.87
90542	03134	CALIFORNIA WATER ENVIRONMENT	02/23/2023	202.00
90543	03978	CAMERON WELDING SUPPLY	02/23/2023	1,744.56
90544	02176	CORELOGIC SOLUTIONS, LLC	02/23/2023	200.00
90545	91808	COUNTRY GARDENS NURSING HOME	02/23/2023	47.71
90546	02925	DATA NET SOLUTIONS	02/23/2023	14,416.28
90547	UB*00478	JESSICA DAVIS	02/23/2023	166.02
90548	05192	DIAMOND ENVIRONMENTAL SERVIC	02/23/2023	438.77
90549	03391	ELECTRICAL SALES INC	02/23/2023	5,972.35
90550	01432	FERGUSON WATERWORKS #1083	02/23/2023	1,155.70
90551	91201	FIRST BANKCARD	02/23/2023	2,150.00
90552	91225	FIRST BANKCARD	02/23/2023	589.18
90553	91323	FIRST BANKCARD	02/23/2023	4,709.33
90554	91540	FIRST BANKCARD	02/23/2023	9,637.21
90555	91620	FIRST BANKCARD	02/23/2023	1,120.62

Check No	Vendor No	Vendor Name	Check Date	Check Amount
90556	91678	FIRST BANKCARD	02/23/2023	1,585.27
90557	05560	FRANCHISE TAX BOARD	02/23/2023	50.00
90558	03161	IDEXX DISTRIBUTION, INC.	02/23/2023	670.78
90559	04926	KONICA MINOLTA PREMIER FINANCE	02/23/2023	2,154.41
90560	91130	LINCOLN NATIONAL LIFE INSURANC	02/23/2023	3,741.65
90561	UB*00479	MARK & MARY LOVELADY	02/23/2023	187.83
90562	03201	NATIONAL SAFETY COMPLIANCE INC	02/23/2023	819.39
90563	91719	NATIONAL TIRE WHOLESale	02/23/2023	1,154.65
90564	91167	NORTH COUNTY FORD	02/23/2023	335.06
90565	06298	ONESOURCE DISTRIBUTORS, LLC	02/23/2023	754.45
90566	01267	PACIFIC PIPELINE	02/23/2023	3,248.67
90567	91535	PAYMENTUS GROUP, INC	02/23/2023	3,787.14
90568	91155	QUALITY GATE COMPANY, INC	02/23/2023	725.00
90569	91077	RED WING BUSINESS ADVANTAGE AC	02/23/2023	938.96
90570	02206	STATE WATER RESOURCES CONTROL	02/23/2023	1,174,396.25
90571	91765	TOTALENERGIES RENEWABLES USA,	02/23/2023	3,547.93
90572	91325	VISTA TREE SERVICE, INC.	02/23/2023	700.00
90573	91700	STEPHEN WUERTH	02/23/2023	60.00
Total for 2/23/2023:				1,413,385.76
Report Total (227 checks):				3,128,718.76



Jack Bebee

General Manager

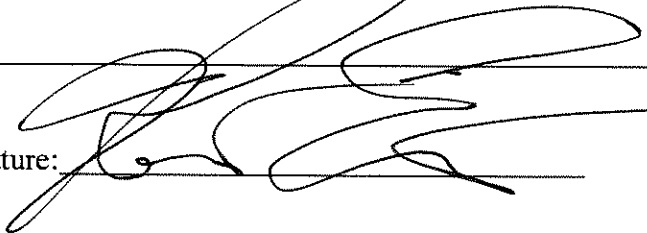
FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Kenneth Endter
Name & Location of Function: CSDA Quarterly Meeting
Butcher Shop Steak House
San Diego, CA
Date(s) of Attendance: 2-16-23
Purpose of Function: Business Mtg. and Presentation
Sponsoring Organization: CSDA

Summary of Conference or Meeting:

Candidates for LAFCO presented their info
and request for votes. New Secretary for
local CSDA was appointed. Presentation by
a three member panel of Health care leaders
from Tricity, Grossmont, & Fallbrook discussed the
problems of Mental Health, Health Prevention,
and problems associated with their Implementations.

Director Signature: 

Date: 2-17-23

The Administrative Code requires reports of conferences or meetings for which a director requests per diem or expense reimbursement. Reports must be submitted to the secretary no later than one (1) week prior to the board meeting.

Reports must be submitted before the District will pay per diem or reimbursement for the conference or meeting. Reports are not required for board or committee meetings or meetings with board or committee officers, the general manager, or the general counsel.

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Don B. McDougal

Name & Location of Function: Ethics Training at home

Date(s) of Attendance: 03/02/2023

Purpose of Function: Required Board Director Training required FPUD

Sponsoring Organization: FPUD & Target Solutions

Summary of Conference or Meeting:

Took on line course on "Ethics" required by board members every two year. Successfully
completed course/

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Don B. McDougal

Name & Location of Function: Sexual Harassment Training at home

Date(s) of Attendance: 3/7/2023

Purpose of Function: Required Board Training every two years

Sponsoring Organization: FPUD & Target Solutions

Summary of Conference or Meeting:

Completed on line course on "Sexual Harassment" required for board members. |