



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

AGENDA

PURSUANT TO WAIVERS TO CERTAIN BROWN ACT PROVISIONS UNDER EXECUTIVE ORDERS ISSUED BY GOVERNOR NEWSOM RELATED TO THE COVID-19 STATE OF EMERGENCY THIS MEETING WILL BE CONDUCTED VIA WEB AND TELECONFERENCE USING THE BELOW INFORMATION, AND THERE WILL BE NO PHYSICAL LOCATION FROM WHICH MEMBERS OF THE PUBLIC MAY PARTICIPATE. INSTEAD MEMBERS OF THE PUBLIC ARE ENCOURAGED TO PARTICIPATE IN THE BOARD MEETING VIA WEB CONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION.

<https://zoom.us/j/93077750689?pwd=NUxGUGNpQ0xFWWICSGJKUFJ1RUp1Zz09>

**MEETING ID 930 7775 0689
AUDIO CALL-IN 1-669-900-9128
AUDIO PASSCODE 821056**

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.

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.

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

**TUESDAY, FEBRUARY 16, 2021
3:00 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.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

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

- A. REVIEW OF REFUNDED DEBT SAVINGS
- B. REVIEW DELINQUENT ACCOUNT POLICIES
- C. UPDATE OF DISTRICT'S FINANCIAL PLAN

III. ADJOURNMENT OF MEETING

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DECLARATION OF POSTING

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

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.

February 11, 2021
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

MEMO

TO: Fiscal Policy and Insurance (FP&I) Committee
FROM: David Shank, Assistant General Manager/CFO
DATE: February 16, 2021
SUBJECT: Review of Refunded Debt Savings

Purpose

Provide the Committee with a description of the debt service savings achieved by the issuance of refunding bonds.

Summary

The District saved \$1.6 million in debt service payments by refunding the outstanding State Revolving Funds loan. During the Board meeting a question was asked regarding the higher level of interest payments associated with the new debt. Attached is Slide #3 of the presentation from that Board meeting, which shows the debt service before the refunding and after the refunding.

Debt service is comprised of two components; interest and principal. Looking at the annual debt service, the savings are shown and equate to that \$1.6 million. When you look at interest, interest payments have increased over the refunded bonds' interest payments. This is confusing because the savings is related to the interest rate on the new bonds being less than the refunded loan.

The answer is tied to the way the bonds are structured. The District's refunding bonds are called premium bonds, which means that the interest rate paid to investors is higher than the market interest rate. In this case the coupon, which is what is paid to bond holders, is 4% while market interest rates are closer to 1.5%. Coupon structure is driven by investment fund managers' preferences. The investors pay more than the face or par value of the bond in order to secure a 4% coupon. The amount investors pay over the par value of the bond is called the premium. Investors in the District's bonds paid \$3.8 million in premiums for the bonds. This results in less principal being issued to pay down the refunded debt.

In this transaction, the District issued \$19.9 in debt and received \$3.8 million in premiums allowing the SRF loan payoff amount of \$23.4 million and cost of issuance to be paid (see table below). On slide #3, the principal payments for the refunded debt is higher than the new debt illustrating how the District is saving money on the transaction.

	SRF Loan Payoff	Refunding Debt Issuance
Principal	\$23.4	\$19.9
Premiums		\$3.8
Total	\$23.4	\$23.4

Recommended Action

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

Debt Service Savings

FYE 6/30	SRF Loan			2021 Refunding Bonds, Total				Debt Service Savings
	Principal	Interest	Total	Principal	Interest	SRF Loan Debt Service	Total	
2021	1,303,039	542,706	1,845,746	0	58,700	1,750,772	1,809,472	36,273
2022	1,331,706	514,039	1,845,746	1,110,000	619,884		1,729,884	115,862
2023	1,361,004	484,742	1,845,746	1,115,000	616,022		1,731,022	114,724
2024	1,390,946	454,800	1,845,746	1,120,000	610,746		1,730,746	115,000
2025	1,421,547	424,199	1,845,746	1,130,000	603,575		1,733,575	112,171
2026	1,452,821	392,925	1,845,746	1,145,000	584,934		1,729,934	115,812
2027	1,484,783	360,963	1,845,746	1,185,000	546,700		1,731,700	114,046
2028	1,517,448	328,298	1,845,746	1,230,000	498,400		1,728,400	117,346
2029	1,550,832	294,914	1,845,746	1,280,000	448,200		1,728,200	117,546
2030	1,584,950	260,796	1,845,746	1,335,000	395,900		1,730,900	114,846
2031	1,619,819	225,927	1,845,746	1,390,000	341,400		1,731,400	114,346
2032	1,655,455	190,291	1,845,746	1,445,000	284,700		1,729,700	116,046
2033	1,691,875	153,871	1,845,746	1,505,000	225,700		1,730,700	115,046
2034	1,729,096	116,649	1,845,746	1,565,000	164,300		1,729,300	116,446
2035	1,767,136	78,609	1,845,746	1,630,000	100,400		1,730,400	115,346
2036	1,806,013	39,732	1,845,746	1,695,000	33,900		1,728,900	116,846
	24,668,471	4,863,461	29,531,932	19,880,000	6,133,460	1,750,772	27,764,232	1,767,700
								Net Present Value (NPV) Savings
								1,575,777

M E M O

TO: Fiscal Policy and Insurance (FP&I) Committee
FROM: David Shank, Assistant General Manager/CFO
DATE: February 16, 2021
SUBJECT: Review Delinquent Account Policies

Purpose

Review the District's management of delinquent accounts during the pandemic.

Summary

Early in the pandemic the State barred the shut off of water services to delinquent residential customers or small business that provide essential services. As has been reported in many news outlets, State wide the past due water utility balances have been steadily growing. As households struggle to pay bills, many are not able to pay their water bill and an estimated 1.6 million households are behind on their water bills in California. Estimates put the amount past due at around \$1 billion. It should not be a surprise that the District's past due balances more than 120 past due has steadily increased over the past year. As of the beginning of February the balance more than 120 days past due was \$342,000, which is approximately 3 times what it was pre-pandemic. While some of these accounts are not active, many are residential accounts that are still using water. Many of the accounts more than 120 days past due are using more than 12 units a month, which is approximately twice the average use level. Given this level of use, past due balances are expected to continue their steep climb.

Although local utilities have not been shutting off water service to any customers, one is installing flow regulators to limit the amount of water flowing through the meter and another is considering regulators. This allows the house to meet its basic needs for sanitation and hygiene but is not enough to allow for irrigation or other high water demand uses. Furthermore, the State has confirmed that installing a regulator does not violate the ban on water shutoffs.

As more customers struggle to pay bills, the State and Federal governments are trying to figure out how to provide financial assistance. This is a relatively complex issue and it is going to take time to figure out 1) how to identify eligible households and 2) then get them the money. It is likely that only limited assistance will be available and households will be left with some financial burden to meet. Local assistance resources are listed on the District's website and updated periodically to help guide ratepayers seeking assistance.

Recommended Action

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