



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

AGENDA

MONDAY, APRIL 30, 2018
1:30 P.M.

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

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

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

II. ACTION / DISCUSSION

A. PRELIMINARY BUDGET DISCUSSION

B. FINANCE PROJECTS AND SCHEDULES

III. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING


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

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

April 26, 2018
Dated / Fallbrook, CA

Marylou West
Secretary, Board of Directors

MEMO

TO: Fiscal Policy & Insurance Committee
 FROM: David Shank, Assistant General Manager/CFO 
 DATE: April 30, 2018
 SUBJECT: Preliminary Budget Discussion

Purpose

Review key budget assumptions and provide guidance on the document.

Summary

Staff have been working to develop the Fiscal Year 2018-19 Preliminary Budget (the Budget). The Budget document has been significantly changed from prior District budgets. Some of the key differences are:

- The organizational chart has been revised to align staffing with the District’s cost of service. The District’s Services are as follows: Administrative, Water, Wastewater and Recycled Water (the Services).
- The District’s budget breakdown follows the Division structure laid out in the organizational chart. The work order orientation of past budgets has been abandoned.
- Employer paid benefits are clearly shown and allocated directly to the Services. This eliminates the old practice of determining a burden for labor, which made it difficult to track actual expenditures.
- Warehouse and Vehicle Services are now included in Administrative Services and the burden for these activities has been eliminated.
- The new chart of accounts provides greatly improved levels of budgetary control and visibility.
- The document is being developed to achieve the Government Finance Officers Association (GFOA) budgeting excellence award.

The meeting on April 30 will focus on the following areas:

- Proposed rate increases for water, wastewater and recycled water.
- Review of budgeted operating expenditures and revenues.
- Budgeted Capital Improvement Projects.

The following Attachments have been included to provide time to review in advance of the meeting:

- Attachment A – This provides the financial summaries for the District as a whole and each of the District’s Services (Appendix A in the Budget document).
- Attachment B – The Budget document (also includes Appendix A).
- Attachment C – The requirements for the budgeting excellence award from GFOA.

Recommended Action

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

Attachment “A”

Table #1 Fallbrook Public Utility District's Enterprise Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenue from Rates					
Water	\$21,363,739	\$22,515,691	\$23,990,297	\$25,420,644	\$26,943,458
Recycled Water	1,230,458	1,314,128	1,382,833	1,296,875	1,361,719
Wastewater	5,027,098	6,016,613	6,287,860	6,571,337	6,867,593
Subtotal Revenue from Rates	\$27,621,295	\$29,846,432	\$31,660,990	\$33,288,856	\$35,172,770
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$357,204	\$368,344	\$386,810	\$405,176	\$425,974
SDCWA IAC Charge	411,331	441,777	471,025	495,018	519,958
Ag Penalties	-	-	-	-	-
Sundry	306,000	306,000	306,000	306,000	306,000
MWD/CWA Incentive	151,910	151,525	-	-	-
Class A Bio-solids Sales	101	102	103	104	105
Other Revenue Subtotal	\$1,226,546	\$1,267,747	\$1,163,938	\$1,206,298	\$1,252,037
Non-Operating Revenue					
Water Availability Charge	\$203,000	\$203,000	\$203,000	\$203,000	\$203,000
1% Property tax	1,899,256	1,908,753	1,918,296	1,927,888	1,937,527
Interest	207,356	205,464	205,362	224,127	250,573
Water CIP Charge	1,235,150	1,309,424	1,388,998	1,476,578	1,570,413
Pumping Charge (Cap. Impr part)	39,073	39,073	\$39,073	39,073	39,073
Facility Rent	173,055	176,516	180,047	183,647	187,320
Water Capacity Fees	102,779	103,807	104,845	105,893	106,952
Wastewater CIP Charge	1,108,537	1,142,101	1,176,682	1,212,310	1,249,016
Wastewater Capacity fees	34,135	30,427	31,365	32,332	33,329
Federal Interest Rate Subsidy	144,517	133,917	122,647	110,677	97,977
Subtotal Non-Operating Revenue	\$5,146,858	\$5,252,483	\$5,370,315	\$5,515,526	\$5,675,181
Total Revenues	\$33,994,699	\$36,366,662	\$38,195,243	\$40,010,679	\$42,099,988
Operating Expenses					
Water Supply Costs					
Purchased Water Costs	\$14,328,142	\$14,649,232	\$15,245,150	\$14,448,324	\$10,104,482
Pumping Costs	226,380	237,699	254,174	269,436	285,671
Water Treatment	-	-	-	-	-
SMCUP Treatment*	-	-	-	1,574,587	4,854,576
Labor Costs	2,874,213	2,779,356	2,848,840	2,920,061	2,993,062
Fringe Benefits	1,676,182	1,647,351	1,754,429	1,868,467	1,933,863
Services, Materials & Supplies	2,170,680	2,037,680	2,098,810	2,161,775	2,226,628
Allocated Admin Expenses	5,606,666	5,982,717	6,202,938	6,432,930	6,621,023
CalPERS Pre-Funding	-	-	-	-	500,000
Total Operating Expenses	\$27,632,263	\$27,884,035	\$28,404,341	\$29,675,579	\$29,519,307
Net Operating Revenues	\$6,362,436	\$8,482,627	\$9,790,902	\$10,335,100	\$12,580,681
Debt Service					
Debt Service	\$2,536,578	\$2,760,020	\$2,761,270	\$5,689,553	\$5,690,223
Total Debt Service	\$2,536,578	\$2,760,020	\$2,761,270	\$5,689,553	\$5,690,223
Capital Expenditures					
Admin CIP	\$136,350	\$280,528	\$231,818	\$81,167	\$73,571
Whole FPUD CIP	28,590,557	27,315,415	4,667,407	4,192,808	3,662,330
By Existing SRF	22,725,000	22,952,250	-	-	-
By PAYGO	5,865,557	4,363,165	4,667,407	4,192,808	3,662,330
Total Capital Expenditures	\$28,726,907	\$27,595,942	\$4,899,225	\$4,273,975	\$3,735,900

Table #2 Fallbrook Public Utility District's Water Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 21,363,739	\$21,966,527	\$22,290,636	\$22,494,901	\$22,707,095
Proposed Rev Adjustments	\$0	\$549,163	\$1,699,661	\$2,925,743	\$4,236,363
Subtotal Operating Revenues	\$ 21,363,739	\$22,515,691	\$23,990,297	\$25,420,644	\$26,943,458
Other Operating Revenues					
Pass-through Charges					
MWD RTS Charge	\$ 357,204	\$368,344	\$386,810	\$405,176	\$425,974
SDCWD IAC Charge	411,331	\$441,777	\$471,025	\$495,018	\$519,958
Ag Penalties	-	\$0	\$0	\$0	\$0
Sundry	300,000	\$300,000	\$300,000	\$300,000	\$300,000
Subtotal Other Operating Revenues	\$ 1,068,535	\$1,110,121	\$1,157,835	\$1,200,193	\$1,245,932
Non-Operating Revenue					
Water Availability Charge	\$ 203,000	\$203,000	\$203,000	\$203,000	\$203,000
1% Property tax	946,096	\$950,826	\$955,580	\$960,358	\$965,160
Interest	103,678	\$175,871	\$185,209	\$209,073	\$237,592
Water Capital Impr. Charge	1,235,150	\$1,309,424	\$1,388,998	\$1,476,578	\$1,570,413
Pumping Charge (Cap. Impr part)	39,073	\$39,073	\$39,073	\$39,073	\$39,073
Facility Rent	173,055	\$176,516	\$180,047	\$183,647	\$187,320
Water Capacity Fees	102,779	\$103,807	\$104,845	\$105,893	\$106,952
Subtotal Non-Operating Rev	\$ 2,802,831	\$2,958,517	\$3,056,752	\$3,177,623	\$3,309,511
Total Revenues	\$ 25,235,105	\$26,584,328	\$28,204,884	\$29,798,461	\$31,498,900
Operating Expenses					
Water Supply Costs					
Purchased Water Costs	\$ 14,328,142	\$14,649,232	\$15,245,150	\$14,448,324	\$10,104,482
Pumping Costs	226,380	237,699	254,174	269,436	285,671
Water Treatment	-	-	-	-	-
SMCUP Treatment*	-	-	-	1,574,587	4,854,576
Labor Costs	1,662,461	1,435,406	1,471,291	1,508,073	1,545,775
Fringe Benefits	969,513	850,779	906,080	964,975	998,749
Services, Materials & Supplies	830,200	868,600	894,658	921,498	949,143
Allocated Admin Expenses	2,915,466	3,111,013	3,225,528	3,345,124	3,442,932
CalPERS Pension Pre-Funding	-	-	-	-	264,478
Total Operating Expenses	\$ 21,328,879	\$ 21,443,655	\$21,996,881	\$23,032,016	\$22,445,807
Net Operating Revenue	\$ 3,906,226	\$ 5,140,674	\$6,208,003	\$ 6,766,445	\$ 9,053,093
Debt Service					
Water Debt Service	\$ 395,851	\$ 395,851	\$ 395,851	\$ 3,323,166	\$ 3,323,166
Total Debt Service	\$ 395,851	\$ 395,851	\$ 395,851	\$ 3,323,166	\$ 3,323,166
Capital Expenditures					
Admin CIP - Water	\$ 70,902	\$ 145,874	\$120,545	\$42,207	\$38,257
Water CIP	26,949,307	26,101,496	\$3,137,410	\$2,773,424	\$2,516,729
By Existing SRF	22,725,000	22,952,250	\$0	\$0	\$0
By PAYGO	4,224,307	\$3,149,246	\$3,137,410	\$2,773,424	\$2,516,729
Total Capital Expenditures	\$ 27,020,209	\$ 26,247,370	\$3,257,956	\$2,815,631	\$2,554,986
Net Cash Change Excluding New Debt Proceeds	\$ (784,835)	\$ 1,449,703	\$2,554,196	\$ 627,648	\$ 3,174,942
Beginning Balances	\$ 10,405,308	\$9,620,473	\$11,070,175	\$13,624,372	\$14,252,020
Ending Balances	\$ 9,620,473	\$11,070,175	\$13,624,372	\$14,252,020	\$17,426,962

Water Fund Balances and Target Balance Level

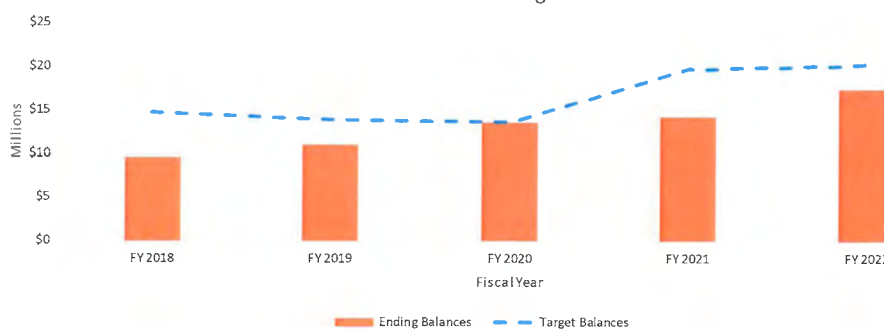


Table #3 Fallbrook Public Utility District's Wastewater Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 5,027,098	\$ 5,884,218	\$ 5,884,686	\$ 5,885,154	\$ 5,885,622
Proposed Rev Adjustments	-	132,395	403,175	686,183	981,971
Subtotal Operating Revenues	\$5,027,098	\$ 6,016,613	\$ 6,287,860	\$ 6,571,337	\$ 6,867,593
Other Operating Revenues					
Class A Biosolids Sales	\$101	\$102	\$103	\$104	\$105
Sundry	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal Other Operating Revenues	\$1,101	\$1,102	\$1,103	\$1,104	\$1,105
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$1,108,537	\$1,142,101	\$1,176,682	\$1,212,310	\$1,249,016
Wastewater Capacity fees	\$34,135	\$30,427	\$31,365	\$32,332	\$33,329
1% property tax - IDS	\$903,366	\$907,883	\$912,422	\$916,985	\$921,569
Federal Interest Rate Subsidy	\$144,517	\$133,917	\$122,647	\$110,677	\$97,977
Grants for Wastewater CIP	\$0	\$0	\$0	\$0	\$0
Interest	\$91,237	\$32,708	\$27,396	\$28,749	\$34,194
Subtotal Non-Operating Revenues	\$2,281,792	\$2,247,037	\$2,270,512	\$2,301,052	\$2,336,086
Total Revenues	\$7,309,991	\$8,264,752	\$8,559,476	\$8,873,493	\$9,204,785
Operating Expenses					
Labor Costs	\$922,875	\$1,124,410	\$1,152,520	\$1,181,333	\$1,210,867
Fringe Benefits	\$538,202	\$666,449	\$709,768	\$755,903	\$782,360
Services, Materials & Supplies	\$1,065,530	\$910,930	\$938,258	\$966,406	\$995,398
Allocated Admin Expenses	\$2,354,800	\$2,512,741	\$2,605,234	\$2,701,831	\$2,780,830
CalPERS Pre-Funding	\$0	\$0	\$0	\$0	\$198,197
Total Operating Expenses	\$5,029,008	\$5,029,008	\$5,029,008	\$5,029,008	\$5,029,008
Net Operating Revenue	\$2,131,289	\$2,832,205	\$3,153,695	\$3,268,020	\$3,237,134
Debt Service					
Total Debt Service	\$1,610,365	\$1,810,445	\$1,811,696	\$1,812,664	\$1,813,334
Capital Expenditures					
Admin CIP - WW	\$57,267	\$117,822	\$97,363	\$34,090	\$30,900
WW CIP	\$1,408,950	\$1,040,502	\$1,303,331	\$1,182,126	\$905,971
Total Capital Expenditures	\$804,335	\$1,466,217	\$1,158,324	\$1,400,694	\$1,216,216
Net Cash Change Excluding New Debt Proceeds	\$492,788	-\$945,293	-\$136,563	-\$58,694	\$239,140
Beginning Balances	\$2,937,575	\$1,992,283	\$1,855,719	\$1,797,025	\$2,036,165
Ending Balances	\$1,992,283	\$1,855,719	\$1,797,025	\$2,036,165	\$2,523,094

Wastewater Fund Balances and Target Balance Level

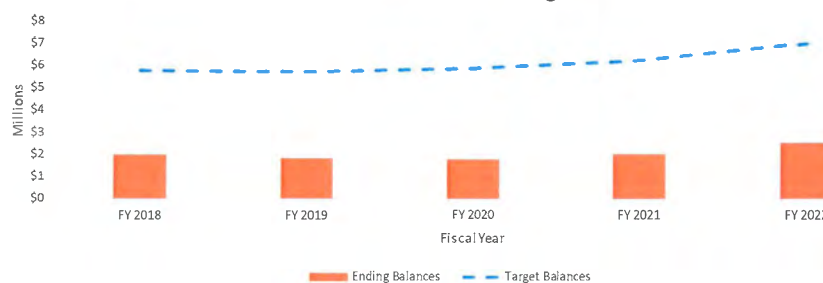
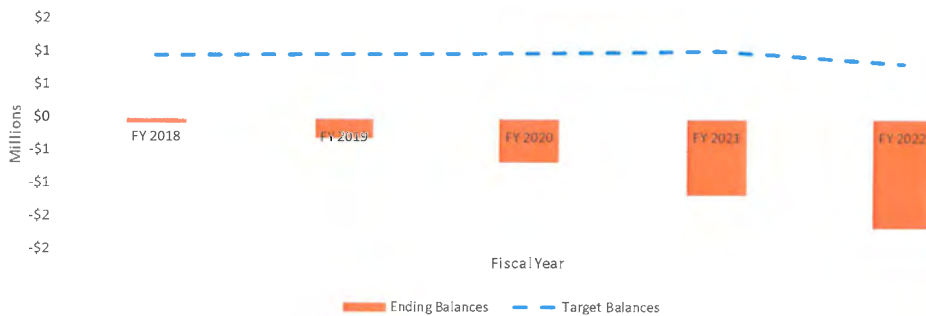


Table #4 Fallbrook Public Utility District's Recycled Water Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$1,230,458	\$1,282,076	\$1,284,862	\$1,147,614	\$1,147,614
Proposed Rev Adjustments	\$0	\$32,052	\$97,971	\$149,262	\$214,105
Other Operating Revenues					
MWD/CWA Incentive	\$151,910	\$151,525	\$0	\$0	\$0
Sundry	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Subtotal Other Operating Revenues	\$156,910	\$156,525	\$5,000	\$5,000	\$5,000
Non-Operating Revenue					
1% Property tax	\$49,795	\$50,043	\$50,294	\$50,545	\$50,798
Interest	\$12,441	-\$3,114	-\$7,243	-\$13,695	-\$21,214
Subtotal Non-Operating Rev	\$62,236	\$46,929	\$43,051	\$36,850	\$29,584
Total Revenue	\$1,449,603	\$1,517,582	\$1,430,884	\$1,338,725	\$1,396,303
Operating Expenses					
Labor Costs	\$288,877	\$219,540	\$225,029	\$230,654	\$236,421
Fringe Benefits	\$168,467	\$130,123	\$138,581	\$147,589	\$152,754
Services, Materials & Supplies	\$274,950	\$258,150	\$265,895	\$273,871	\$282,087
Allocated Admin Expenses	\$336,400	\$358,963	\$372,176	\$385,976	\$397,261
CalPERS Pre-Funding	\$0	\$0	\$0	\$0	\$37,325
Total Operating Expenses	\$1,124,682	\$1,007,834	\$1,001,680	\$1,038,090	\$1,105,849
Net Operating Revenue	\$324,922	\$509,749	\$429,204	\$300,635	\$290,454
Debt Service					
RW Debt Services	\$530,362	\$553,724	\$553,724	\$553,724	\$553,724
Total Debt Service	\$530,362	\$553,724	\$553,724	\$553,724	\$553,724
Capital Expenditures					
Admin CIP - RW	\$8,181	\$16,832	\$13,909	\$4,870	\$4,414
RW CIP	\$232,300	\$173,417	\$226,666	\$237,258	\$239,630
Total Capital Expenditures	\$240,481	\$190,249	\$240,575	\$242,128	\$244,045
NET CASH CHANGE EXCL. NEW DEBT PROCEEDS	-\$445,921	-\$234,224	-\$365,095	-\$495,216	-\$507,314
Beginning Balances	\$379,829	-\$66,092	-\$300,316	-\$665,411	-\$1,160,628
Ending Balances	-\$66,092	-\$300,316	-\$665,411	-\$1,160,628	-\$1,667,942

Recycled Water Fund Balances and Target Balance Level



Attachment “B”

About the District

History

Fallbrook is an unincorporated community in San Diego County. The first permanent recorded settlement in Fallbrook was in 1869, in the east area of the District, which later became Live Oak County Park. While agriculture has always played a major role in the community, the first plantings were olives and citrus. These crops were replaced in the 1920's by avocados and it wasn't long before Fallbrook became generally recognized as the "Avocado Capital of the World."



Water Reclamation Plant on Alturas Road, before Camp Pendleton. Photo courtesy of Tom Rodgers, (1922)

Fallbrook Public Utility District (District) was incorporated on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles). To meet the growing demand for water, additional ground water supplies were developed along both the San Luis Rey and Santa Margarita rivers.

Service Area / STATISTICS

44 square-mile service area
 Population: 35,000
 9,100 water customers
 5,000 sewer customers
 25 recycled water customers
 68 employees budgeted
 \$27 million operating revenues
 \$132 million in total assets
 10,600 acre-feet sold annually

The District became a member of the San Diego County Water Authority (Water Authority) at its formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted by the Metropolitan Water District of Southern California (Metropolitan). When Colorado River water became available in 1948, consumption within the District gradually increased to approximately 10,000 acre-feet per year by 1959. Then in 1978, Metropolitan augmented its supply system with water from the California State Water Project and began delivering water from both systems to San Diego County. Today, the Water Authority provides virtually all of the District's potable water.

Diversifying the District's Water Supply: Tthe Santa Margarita River

Back when the District used to produce some of its water from the Santa Margarita River, it did so using a small pump in the river, under a direct diversion license from the state of California. In 1948, additional water permits were obtained for diversion facilities and construction of a proposed 150-foot dam that would store storage of 30,000 acre-feet of river water. The small pump was Those diversion works were destroyed in 1969 by floods and was were not rebuilt. Subsequently the state cancelled the small-diversion license for lack of use, but the 30,000 acre-foot storage permit remained in place while the dam was being planned.

The proposed dam, and associated water supply, immediately hit some hurdles. In 1951, soon after the District had obtained water permits from the state, the federal government filed suit against the District over water rights on the river, to quiet its title to the adjudicated rights accruing to the U.S. Marine Corps Base Camp Pendleton. The lawsuit, the *U.S. v. Fallbrook* case, is the oldest civil case in the county. For more than 66 years, the District has been attempting to develop a permanent local water supply on the Santa Margarita River.

In 1968, a Memorandum of Understanding & Agreement was signed with the federal government to develop a two-dam reservoir project on the river that would benefit both Camp Pendleton and the District. This agreement was the culmination of 17 years of litigation. The federally sponsored project was known as the Santa Margarita Project. Since a signed MOU was finally in place, when the diversion works were destroyed by floods a year later in 1969, the District made the decision not to rebuild them. The Santa Margarita Project never came to fruition, however, due to environmental issues, new faces in leadership and lack of funding.

Then in January 2018, the District's Board of Directors signed an agreement with Camp Pendleton in a landmark settlement, resolving the *U.S. v. Fallbrook* case. As part of the settlement, river water will flow to Camp Pendleton and be stored in lakes that seep into an underground aquifer there. Then some of that water will be pumped out of the ground and piped back to the District when needed. Called the Santa Margarita River Conjunctive Use Project, it will provide a local supply, reducing dependence on expensive wholesale purchases from the Water Authority, and is expected to provide about 30% of the District's water needs.

Wastewater and Recycled Water History and Mergers

The District's scope of operations grew in 1994 when the Fallbrook Sanitary District merged with the District. It had provided parts of Fallbrook with recycled water and wastewater service within a 4,200-acre area of downtown. The District took over those services and the same year, the playing fields at Fallbrook High School started receiving reclaimed water as its source of irrigation water. So did two new large nurseries. For the next ten years, the District's Reclamation Plant (Plant) began receiving a series of awards for safety in operations.



In 2015, the District completed a major overhaul, upgrade and expansion of the Plant. The \$27 million project took three years to complete, replacing aged and aging equipment, and allowed for a substantial expansion of the District's recycled water distribution system. The overhaul involved upgrades to the existing Plant to improve reliability in operation and created much-needed storage space for recycled water.

Services

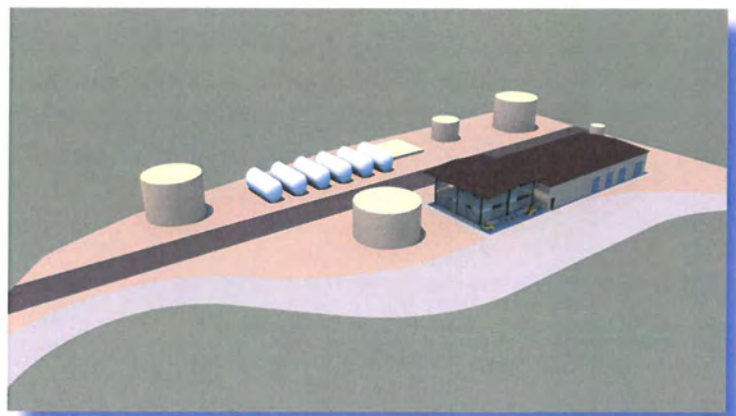
The District provides residents, businesses and agricultural customers with full-service water, wastewater and recycled water services.

Water System

The District imports 99% of its water from the Water Authority with the remaining 1% coming from a local well. The District has four connections to the Water Authority's system. The District's water distribution system is comprised of 270 miles of pipeline, 6,800 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 300-million-gallon treated water reservoir, five pump stations and plans for a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District is in the middle of an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use.

Construction / BI-DIRECTIONAL PIPELINE & GROUNDWATER TREATMENT PLANT

Fallbrook Public Utility District anticipates having this project completed by 2020 and to begin having its own cost-effective supply that same year



Rendering of the Fallbrook Groundwater Treatment Plant

The District also recently signed an agreement with U.S. Marine Corps Base Camp Pendleton to share local water in the Santa Margarita River. The river is expected to provide 30% of the District's total water needs, reducing reliance on the Water Authority. Construction of a bi-directional pipeline and groundwater treatment plant is expected to begin in the Fall of 2018.

The District's five-year average annual water sales is 10,596 acre-feet. Residential and commercial customers represent 58% of sales, and agricultural customers make up the remaining 42%. The District's historic sales trend is down due to improved water efficiency for both residential and commercial indoor and outdoor use, combined with sharp decreases in agricultural water demands. The decrease in agricultural water demands is due to drought and the increases in water costs over the last decade. The

District's agricultural water sales have reduced from 7,000 acre-feet in Fiscal Year 2008 to 3,200 in Fiscal Year 2017.

Wastewater System

The District's wastewater system is comprised of 78 miles of buried sewer lines and force mains, a 2.7 million gallon per day water reclamation plant, a 1-megawatt solar facility and a 23-mile ocean outfall line.

In an effort to go green, and to save money by reducing hauling and disposal costs of sewage sludge, the District began recycling its sewage sludge in 2008. A state-of-the-art thermal dryer heats the sludge to extremely high temperatures, killing all harmful pathogens. The end product is a sterile fertilizer that can be safely returned to the soil and is classified as a Class A soil amendment. Instead of paying to haul sewage sludge to a landfill, the fertilizer is sold to commercial growers.

The environmentally conscious decision to turn sludge into fertilizer came about as the cost of trucking the sludge out of the county had begun to skyrocket. The District was spending \$150,000 per year to haul its sludge to Riverside County, but that location was set to close and the nearest site was Kern County or out of state. This technology was cutting edge in 2008 and remains so today, reducing the District's environmental footprint, reducing waste and saving money, all while meeting California's strict emissions standards.

Recycled Water System

The District's recycled water system includes 10.5 miles of buried pipe. Currently the District has 29 recycled water meters and 18 recycled water customers, and delivers an average of 0.6 million gallons per day to them. The District provides recycled water for nurseries, sports fields, home owners' associations, Fallbrook High School, street medians and for freeway irrigation. In 2015, the District completed a \$27 million expansion and upgrade to the water reclamation plant to improve reliability of operation and provide storage for recycled water. The project included replacing aged and failing equipment, expanding the recycled water distribution system in order to add new large water users, and increasing capacity for potentially doubling recycled water production from 600 acre-feet per year to more than 1,200 acre-feet per year. The project was completed ahead of schedule and under budget.

To help new users tap into the expanding recycled water system, the District secured funding from the Department of Water Resources through the Prop. 84 grant program. In 2014, the District held a workshop to assist growers with planning, getting permits, purchasing new equipment, and receiving grant funds. Assisting growers through the entire process has helped bring new recycled customers online.

Governance and Organizational Structure

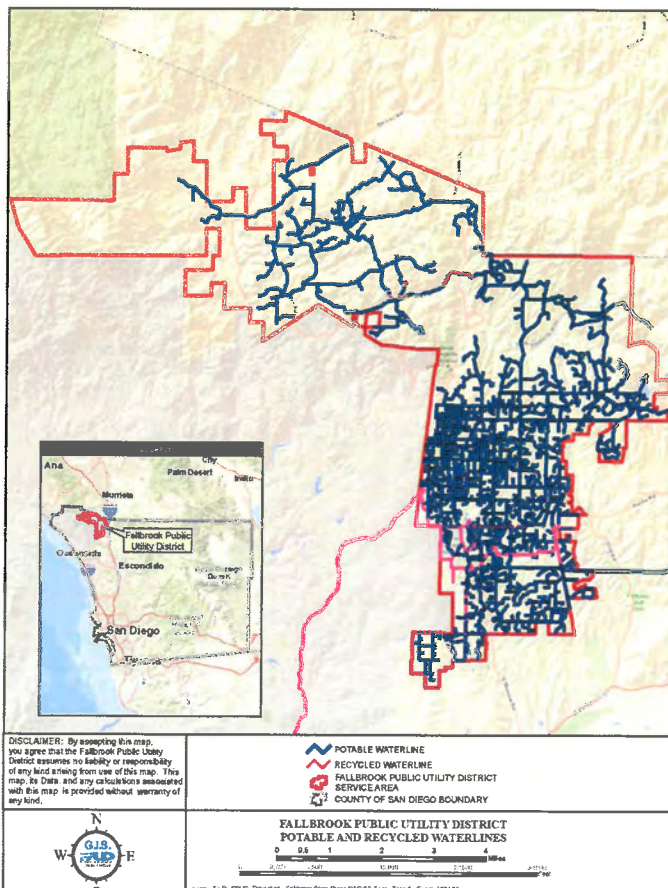
The District's Board is made up of five community members who serve overlapping four-year terms. In March 2016, the Board unanimously approved a resolution to change the method of electing board members to "election by district" and approved a map identifying five territorial units within the District.

Each director, therefore, is elected by the registered voters of the sub-district he or she resides in, within the District's service area. To run for office, a candidate must live in the area he or she is running to represent. Prior to 2016, directors would win a seat on the board by being the top vote-getters, regardless of where they lived within the District.

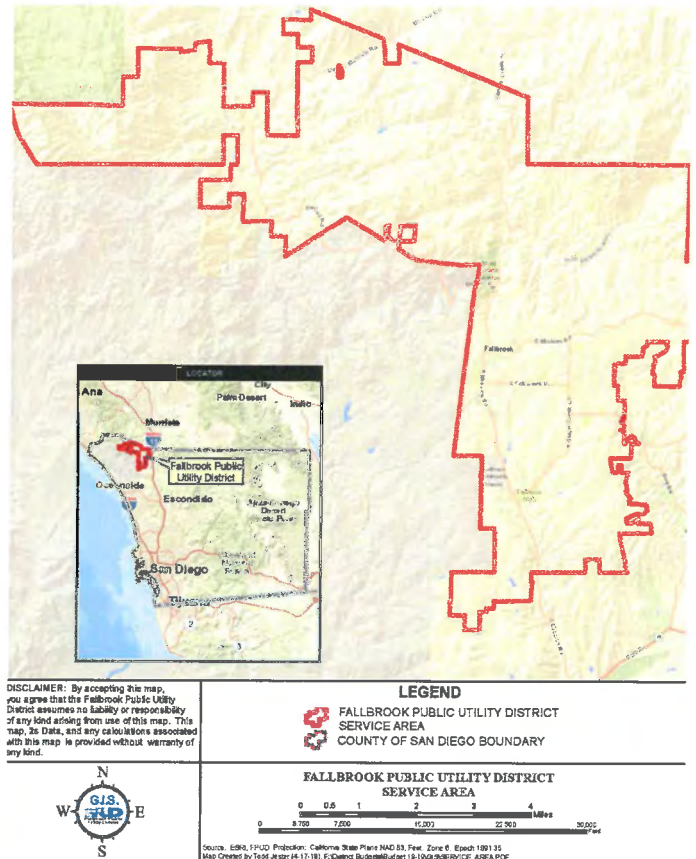
Service Area and Local Economy

San Diego County is the second-most populous county and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District's service area and pipeline is shown in the accompanying maps. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District's service area a bedroom community for Camp Pendleton's active military and civilian-service workers. The service area's 2017 population is estimated to be 34,602 with 11,418 households. The median household income in Fallbrook was

Fallbrook Pipelines



Fallbrook District Area



\$60,546, which is historically under the State median and over the national average. Fallbrook's unemployment rate is 5%, which is higher than the State's 9%. Fallbrook's population has remained relatively unchanged over the past several years.

The San Diego Association of Governments (SANDAG) projects that the County's population will approach 4.4 million residents in 2050, up from 3.3 million in 2016. The District's 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.

District's Mission Statement

To benefit the community of Fallbrook by providing efficient and reliable services.

#1 Strategic Focus Area | Water Supply

Need: *The District is almost 100% reliant on imported water purchased from the San Diego County Water Authority, and has little control over the cost of this water. While our water is reliable due to regional investments in supply and storage, this has also resulted in the cost of water increasing significantly.*

Objective: Provide a reliable, cost-effective water supply through implementation of local water supply projects

Strategy: Maximize available local water resources through development of our Santa Margarita River water rights settlement, which will provide low-cost water from the Santa Margarita River and resolve over 60 years of water rights litigation between the United States Government and the District. Evaluate further expansion of recycled water supplies, which provide a local, cost-effective drought-proof supply.

Fiscal Year 2018 Objectives:

1. Secure water rights and funding for construction of the Santa Margarita Conjunctive Use Project (SMRCUP), which will provide an average of 3,100 acre-feet per year of local water.
2. Award and initiate construction of the SMRCUP in order to begin delivery of local water by 2022.
3. Evaluate funding alternatives including additional grants to continue to expand recycled water service to increase utilization of existing supplies.

#2 Strategic Focus Area | Infrastructure

Need: *The District was formed in 1922 and has aging infrastructure throughout its service area. Over the last few years, pipe failures have caused increased service disruptions and property damage. If not addressed, these problems will increase significantly as the existing infrastructure reaches the end of its useful life.*

Objective: Maintain reliable infrastructure to our customers in the most cost-effective manner.

Strategy: Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Fiscal Year 2018 Objectives

1. Complete capital projects in accordance with approved budget and asset-management plan. Maintain utilization of District construction crews with proactive replacements versus reactive repairs.

2. Complete an update to the asset-management plan to help prioritize projects. This will help ensure lower cost alternatives are evaluated before full replacement of buried infrastructure.

#3 Strategic Focus Area | Efficiency

Need: *While the District has been able to maintain reliable service with limited resources, additional legal and environmental requirements along with rising employee costs require the District to do more with less to help control water and wastewater rates.*

Objective: Create a District culture of continuous improvement through the implementation of systems, processes and goals for all aspects of the organization.

Strategy: Continue taking incremental steps toward developing an organization that is a model in the industry for operational practices and efficiency, and one that is looked to as an industry leader for a smaller utility. Collaborate with other agencies locally and nationally to implement best practices in the industry.

Fiscal Year 2018 Objectives:

1. Continue implementation and reporting of Key Performance Measures (KPIs) for engineering and operations. Develop KPIs for administration, finance and public outreach. Tie measures to nationally recognized Effective Utility Management (EUM) goals and measure against applicable national bench-marks.
2. Complete efficiency improvements in payroll, budget status and meter reading processes. Develop a plan to improve the work order tracking and field data collection and management through implementation of a new Computerized Maintenance Management System (CMMS) with mobile applications.
3. Explore regional collaboration opportunities to evaluate reducing operating costs through sharing resources without reducing the level of service.

#4 Strategic Focus Area | Community

Need: *The District was formed by the community as a local resource, but the need to increase rates for long-term fiscal sustainability and to address past under-investments in infrastructure negatively affects our customers' public opinion of the District.*

Objective: Improve experience for our customers to help provide a positive impact on the community we serve

Strategy: Improve messaging and District approach, from field staff to management, to make sure we are approaching our activities with a focus on the customer's perspective. Establish programs that help invest in our community.

Fiscal Year 2018 Objectives:

1. Adjust overall approach on communications with customers and structure the communication from a customer perspective. Provide additional training to staff on customer service.
2. Promote District programs that help benefit the community such as the operation of the Santa Margarita Property and local purchase-preference program. Implement a high-school internship program.
3. Hold additional workshops to promote the AMI “smart meter” implementation, and provide training for customers to learn how to use this service to help reduce water costs.
4. Develop a strategy to acquire meaningful feedback from customers and evaluate engaging in social media to help provide additional information to customers on District operations.
5. Develop a transparent budget that identifies how costs are allocated and how resources are being managed. Produce a Comprehensive Annual Financial Report (CAFR) and achieve a Government Finance Officer Association budget award for the Fiscal Year 2018-19 budget.

#5 Strategic Focus Area | Workforce

Need: *Approximately 40% of our staff are currently eligible or within five years of being eligible for retirement. Recruiting is challenging for qualified replacements with necessary knowledge in water and wastewater operations, heavy construction, finance and engineering.*

Objective: Develop a resilient organization so that key positions can be filled internally with capable staff with proper training and education.

Strategy: Create an organization where many key positions are developed internally and a formal program exists to identify staff with management potential and provide necessary training. Establish a work environment and reputation in the industry that draws qualified candidates with external recruitments.

Fiscal Year 2018 Objectives:

1. Develop an improved organizational structure to ensure that loss of a single position does not have a significant impact the level of service the District provides.
2. Develop the framework for a formal program to identify future leaders in the organization and provide them training and a clearer sense of future opportunities. Look to leverage capabilities of existing staff and expand their responsibility when they show potential.
3. Continue to expand cross-training and external training program for staff and provide new opportunities and challenges for motivated employees. Reconstitute programs and events to recognize employees and improve employee recognition program.
4. Participate in regional efforts to improve local education, training and internship programs to bring more qualified applications into the industry.

- Participate in key local and national organizations in the water/wastewater industry, including participating in presentations on District and trainings to improve recognition of the District as an effectively managed and forward-looking utility.

Budget Basis

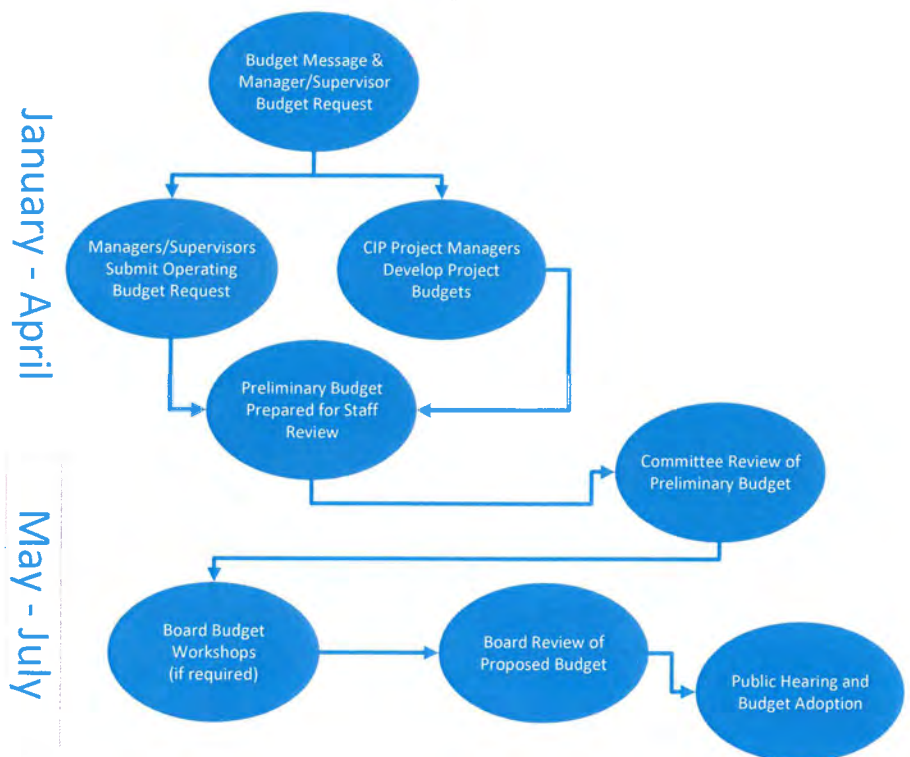
The District’s accounting system and practices are based upon Generally Accepted Accounting Principles (GAAP) and are kept on an accrual basis. Under the accrual basis, revenues are recognized when earned and expenditures are recognized when a liability is incurred. The District’s budget is prepared on a cash basis, which means that revenues are recognized when cash is received and expenses are recognized when the cash is disbursed.

The District operates as an enterprise fund, which has a set of self-balancing accounts that record the financial position of each of the District’s services. The service funds track revenues from service fees and operating expenses specific to each service. This, in turn, makes each service fund independent and self-sufficient. This also ensures service fees are set to recover only costs associated with the particular service.

Budget Process

Each year, the District develops and adopts a new budget for the upcoming fiscal year. The budgeting process begins in January and starts with the budget message. The budgeting process begins in January and starts with the budget message. The budget message establishes the priorities of the District in the next fiscal year and provides budget managers guidance on how to prioritize their budget needs. Along with the budget message, each manager/supervisor is provided a spreadsheet that has the current and projected operating expenditures for the current fiscal year and a placeholder for the proposed operating budget.

Fallbrook District’s Annual Budget Process



Each manager/supervisor then evaluates funding needs. Meetings with staff to review planned activities, as well as funding needs for services and equipment, are part of the process to develop and fill in the budgetary needs for each Division. Each manager/supervisor submits operating budgets by the end of February.

While the operating budget is being developed, the Capital Improvements Project (CIP) managers meet with the Assistant General Manager/District Engineer and develop the CIP project budgets for the upcoming fiscal year as well as the next five years of budgets. The CIP budgets are submitted by the end of February along with the operating budget.

The capital and operating budget are included in the District's preliminary budget. Once assembled, the preliminary budget is reviewed by the General Manager and staff in a series of meetings. Adjustments are made to the preliminary budget and the revised preliminary budget is reviewed by the Fiscal Policy and Insurance Committee. Once the Committee's comments are incorporated and the proposed budget developed, budget workshops with the Board, if required, are held. The final proposed budget is then sent to the Board for review. Once Board comments are incorporated into the document, a public hearing is held and the recommended budget is adopted.

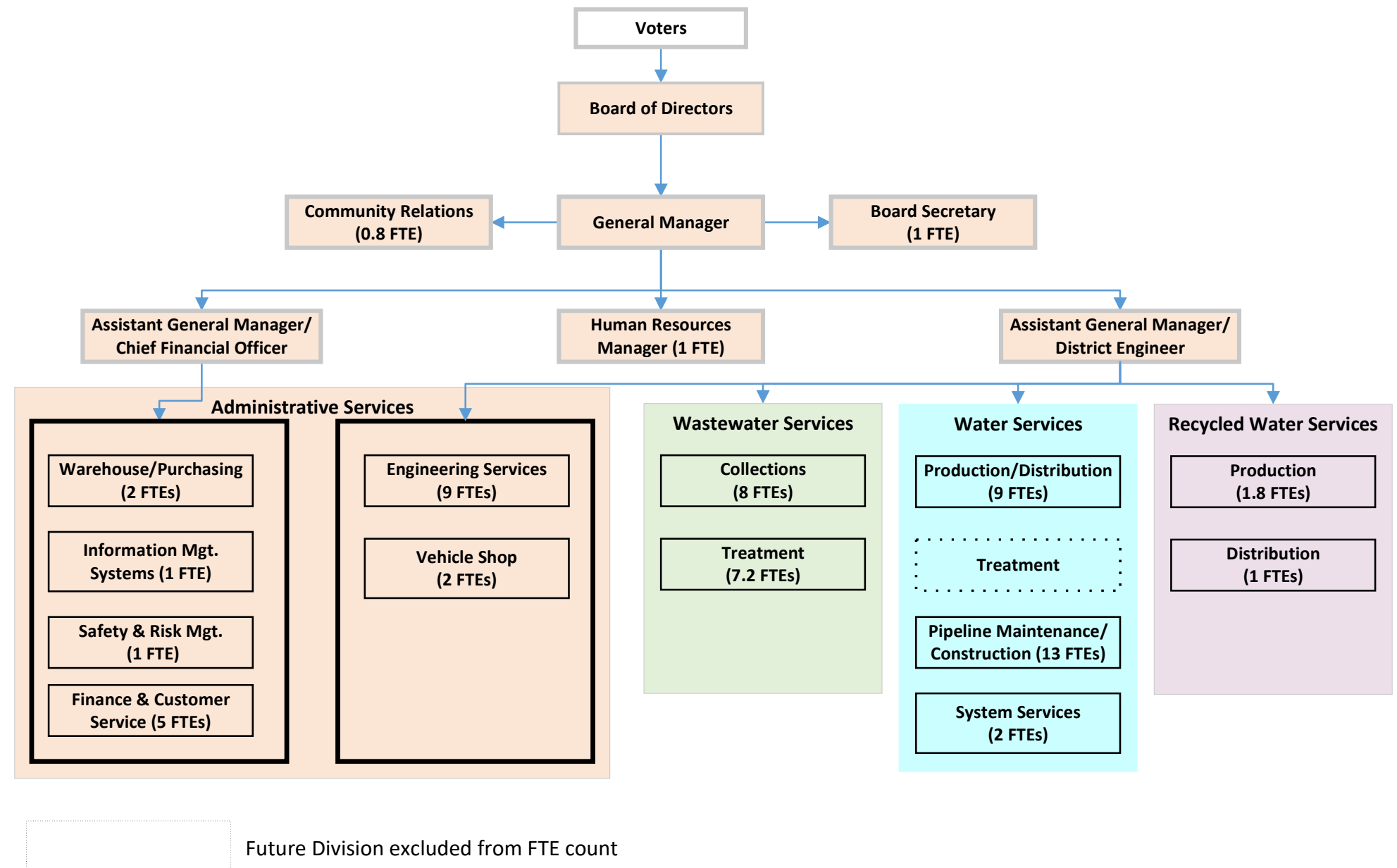
DISTRICT ORGANIZATIONAL CHART

The District maintains an efficient level of staffing which requires an organizational structure that is very flat with staff working across services and filling a variety of roles. The organizational chart below is designed to illustrate the District's organizational structure and staffing levels. The Proposed Budget includes 67.8 Full Time Employees (FTE), which was the FTE count in Fiscal Year 2018. The boxes under Administrative, Water, Wastewater and Recycled Water Services represent functional groups called Divisions. However, in some cases (*Human Resources*) a division is a single position. In these cases, the object is colored to illustrate that it is part of Administrative Services.

The Administrative Services department includes all functions that are necessary for the District to operate, but are not specific to Water, Wastewater or Recycled Water Services. While this includes a wide range of activities, these costs are recovered through water, wastewater and sewer rates. The Operating Budget Section provides a detailed discussion of how these costs are recovered through rates and charges. Each division is a function within Administrative Services, which is comprised of eight Divisions. The function of each Division is discussed in the Operating Budget Section.

Water, Wastewater and Recycled Water Services are the District's other services. The Divisions within each of these services are shown on the organizational chart. Water services is comprised of three Divisions while the other services are broken into two Divisions. While the Santa Margarita Conjunctive Use Project is not expected to be operating during this Budget, a place holder under Water Services for treatment has been inserted. The function of each division is discussed in the Operating Budget Section.

Proposed Fiscal Year 2018-19 Organizational Structure ^{1*}



1. An FTE is the hours worked by one employee on a full-time basis for one year. This is equal to 2,080 hours.

* Total Requested Regular FTE=67.8

Fund Structure

The District's fund structure is set up to support water, wastewater and recycled water operations and capital funding needs. Each fund is structured to receive certain revenues and fund certain expenditures. The District's working capital or operating funds receive operating and certain non-operating revenues and fund operating expenses for each of the services. The District's capital funds receive certain non-operating revenues that are restricted to capital uses and funds the District's capital expenditures, including a portion of debt service.

In 2017, the District completed the *2017 Water, Recycled Water & Wastewater Rate Study Report*. As part of the report, the District's fund structure and target fund balances were reevaluated and modified to meet future funding needs. The District's current working capital/operating structure and a description of each fund and the fund's target balance is provided below:

Water Services Funds

Working Capital/Operating Fund: To be established and maintained at a level of three months operating and maintenance expenses including water purchases. The primary source of funds for the Operating Fund are water sales, fixed service charge and pass-through charge revenues.

Rate Stabilization Fund: To prevent "spikes" and mid-year changes in rates because of net revenue shortfalls due to weather conditions, state or federal legislation or other future uncertainties. The target level is set equal to two years of debt service payments on the Santa Margarita Conjunctive Use Project financing. Transfers from the Operating Fund are the source of funds for the Rate Stabilization Fund.

Wastewater Services Funds

Working Capital/Operating Fund: To be established and maintained at a level of three months operating and maintenance expenses. The primary source of funds for the Operating Fund are wastewater service charges and investment earnings.

Rate Stabilization Fund: To promote smooth and predictable rates and charges a Rate Stabilization Fund is established with a target of level equal to 10% of annual revenues. Transfers from the Operating Fund are the source of funds for the Rate Stabilization Fund.

Recycled Water Services Fund

Working Capital/Operating Fund: To be established at three months operating and maintenance expenses. The primary source of funds for the Operating Fund are water sales and fixed service charge revenues.

The District capital fund structure and their target balances are provided below:

Water Services Capital Fund

The primary source of funds are the Water and Pumping Capital Improvement charges, property tax and standby availability charge receipts, annexation fees, connection fees and meter fees. Target fund balance is set to the equivalent of three-year average expenditures on recurring capital projects (i.e. pipeline renewal/replacement).

Funds related to the 1958 Annexation and the DeLuz Service Area bond proceeds are tracked separately in the fund.

Wastewater Services Capital Fund

The primary source of funds are Wastewater Capital Improvement charges, connection fees, property tax receipts, and meter fees. Target fund balance is set to the equivalent of three-year average expenditures on recurring capital projects (i.e. pipeline renewal/replacement).

Recycled Water Services Capital Fund

Target fund balance is set to the equivalent of three-year average expenditures on recurring capital projects (i.e. pipeline renewal/replacement). Operating Fund transfers are the primary source of funds.

Other Funds Maintained by the District

Section 115 Pension and OPEB Trust Fund

The fund was set up in Fiscal Year 2016-17 as an irrevocable trust established for the benefit of the pension and Other Post-Employment Benefits (OPEB) beneficiaries. The fund is managed by PARs and is restricted in its use to funding pension and OPEB expenditures. The funds restricted for OPEB and pension costs are tracked in the fund.

District's Financial Management Policies

The District maintains certain policies that govern aspects of the District's financial management. The attachment provided in Appendix B provides a copy of the District's current Debt Management Policy, Investment Policy, and the District's Rate and Charge Study. These documents serve as the District's core financial policies. Other policies are incorporated into the District's Administrative Code.

This section provides an overview of the Districts projected financial operations. Table 1 provides a detailed summary of the District's revenues and expenditures and the projected year-end fund balances. Revenues from the District's water, recycled water and wastewater services are projected to increase over the projection period driven by rate and charge increases. Non-operating revenues are relatively stable.

Appendix A provides the detailed projections for water, recycled water, and wastewater operations.

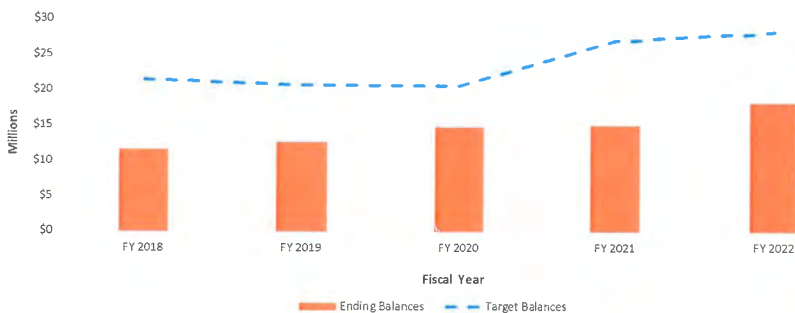
Table # 1 Fallbrook Public Utility District's Financial Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenue from Rates					
Water	\$21,363,739	\$22,515,691	\$23,990,297	\$25,420,644	\$26,943,458
Recycled Water	1,230,458	1,314,128	1,382,833	1,296,875	1,361,719
Wastewater	5,027,098	6,016,613	6,287,860	6,571,337	6,867,593
Subtotal Revenue from Rates	\$27,621,295	\$29,846,432	\$31,660,990	\$33,288,856	\$35,172,770
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$357,204	\$368,344	\$386,810	\$405,176	\$425,974
SDCWA IAC Charge	411,331	441,777	471,025	495,018	519,958
Ag Penalties	-	-	-	-	-
Sundry	306,000	306,000	306,000	306,000	306,000
MWD/CWA Incentive	151,910	151,525	-	-	-
Class A Bio-solids Sales	101	102	103	104	105
Other Revenue Subtotal	\$1,226,546	\$1,267,747	\$1,163,938	\$1,206,298	\$1,252,037
Non-Operating Revenue					
Water Availability Charge	\$203,000	\$203,000	\$203,000	\$203,000	\$203,000
1% Property tax	1,899,256	1,908,753	1,918,296	1,927,888	1,937,527
Interest	207,356	205,464	205,362	224,127	250,573
Water CIP Charge	1,235,150	1,309,424	1,388,998	1,476,578	1,570,413
Pumping Charge (Cap. Impr part)	39,073	39,073	\$39,073	39,073	39,073
Facility Rent	173,055	176,516	180,047	183,647	187,320
Water Capacity Fees	102,779	103,807	104,845	105,893	106,952
Wastewater CIP Charge	1,108,537	1,142,101	1,176,682	1,212,310	1,249,016
Wastewater Capacity fees	34,135	30,427	31,365	32,332	33,329
Federal Interest Rate Subsidy	144,517	133,917	122,647	110,677	97,977
Subtotal Non-Operating Revenue	\$5,146,858	\$5,252,483	\$5,370,315	\$5,515,526	\$5,675,181
Total Revenues	\$33,994,699	\$36,366,662	\$38,195,243	\$40,010,679	\$42,099,988

Table # 1 Fallbrook Public Utility District's Financial Projections, con't

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Operating Expenses					
Water Supply Costs					
Purchased Water Costs	\$14,328,142	\$14,649,232	\$15,245,150	\$14,448,324	\$10,104,482
Pumping Costs	226,380	237,699	254,174	269,436	285,671
Water Treatment	-	-	-	-	-
SMCUP Treatment*	-	-	-	1,574,587	4,854,576
Labor Costs	2,874,213	2,779,356	2,848,840	2,920,061	2,993,062
Fringe Benefits	1,676,182	1,647,351	1,754,429	1,868,467	1,933,863
Services, Materials & Supplies	2,170,680	2,037,680	2,098,810	2,161,775	2,226,628
Allocated Admin Expenses	5,606,666	5,982,717	6,202,938	6,432,930	6,621,023
CalPERS Pre-Funding	-	-	-	-	500,000
Total Operating Expenses	\$27,632,263	\$27,884,035	\$28,404,341	\$29,675,579	\$29,519,307
Net Operating Revenues	\$6,362,436	\$8,482,627	\$9,790,902	\$10,335,100	\$12,580,681
Debt Service					
Existing Debt Service	\$2,536,578	\$2,760,020	\$2,761,270	\$5,689,553	\$5,690,223
Total Debt Service	\$2,536,578	\$2,760,020	\$2,761,270	\$5,689,553	\$5,690,223
Capital Expenditures					
Admin CIP	\$136,350	\$280,528	\$231,818	\$81,167	\$73,571
Whole FPU D CIP	28,590,557	27,315,415	4,667,407	4,192,808	3,662,330
By Existing SRF	22,725,000	22,952,250	-	-	-
By PAYGO	5,865,557	4,363,165	4,667,407	4,192,808	3,662,330
Total Capital Expenditures	\$28,726,907	\$27,595,942	\$4,899,225	\$4,273,975	\$3,735,900
Net Cash Change	(\$2,176,049)	\$1,078,915	\$2,130,407	\$371,572	\$3,154,557
Beginning Balances	\$13,722,712	\$11,546,663	\$12,625,579	\$14,755,985	\$15,127,557
Ending Balances without Debt Proceeds	\$11,546,663	\$12,625,579	\$14,755,985	\$15,127,557	\$18,282,114

Chart #1 District Fund Balances and Target Level



Water Sources of Funds

The primary source of funds for water operations is water sales and monthly service fee revenues. Because Fallbrook is located in a semi-arid region of the United States and is subject to significant fluctuations in the level of water demands, each year careful attention is paid to the projected level of water sales. Heading into the Fiscal Year 2018-19 budget cycle, water supply conditions are such that it looks like California may be headed into another drought cycle. Unlike wet weather, drought only suppresses water demands if there are restrictions on water use levels. At this point in time, storage levels are such that no restrictions are expected to be in place this summer. This outlook is tempered by an average sales level forecast.

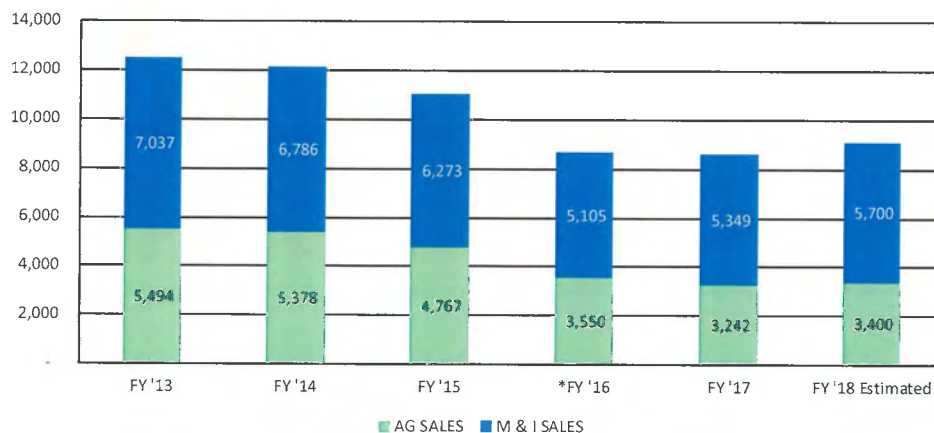
Fallbrook Public Utility District's (District) sales over the last five years including the estimate for the current fiscal year and the projected water sales for the budget period. The table shows water production and total sales, production includes system losses and water sales are units sold to customers. The sales are also split between Municipal & Industrial (M&I) customers and Agriculture customers. Agriculture customers are eligible for a reduced water rate in exchange for a lower level of water supply reliability or put simply agricultural customers have to cut back more than other customers when water restrictions are in place.

Table #1 - Five-Year Production and Sales History

	FY '13	FY '14	FY '15	*FY '16	FY '17	FY '18 Estimated	FY '19 Projected
Production	13,385	12,999	11,849	9,573	9,193	9,800	9,800
Total Sales	12,531	12,164	11,040	8,656	8,592	9,100	9,100
AG Sales	5,494	5,378	4,767	3,550	3,242	3,400	3,400
M & I Sales	7,037	6,786	6,273	5,105	5,349	5,700	5,700

As the table and chart shows, recent years have been impacted by both restrictions in use levels as well as wet weather, both of which suppress water demands. With dry conditions present, water demands are expected to increase slightly but not rebound to the levels seen five years ago as shown in the Estimated and Projected Fiscal Year 2018-19 water sales.

Chart#1 - Water Sales Trends (in thousands)



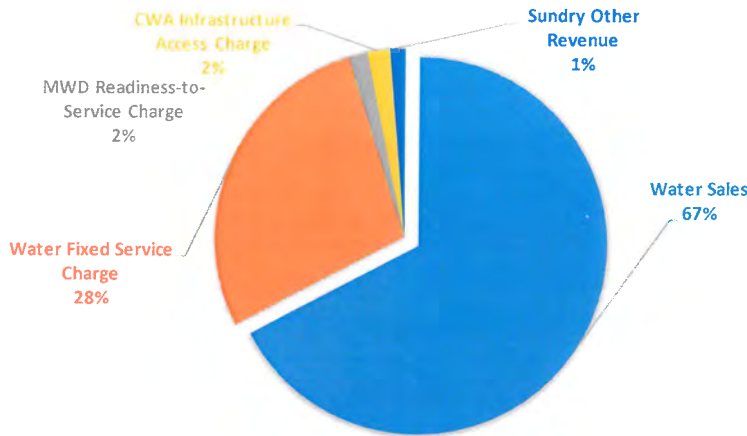
The Water Services operating and non-operating revenues are shown in Table 2. Water sales revenues are those collected by the District for water usage during a billing cycle. Each of the District's customers are charged a fee based upon their user class and water purchased in that billing period. The monthly water fixed service charge revenues are an important revenue stream for the District because they are not subject to volatility in water demands. The District also passes through certain fixed charges from the Metropolitan Water District (Metropolitan) and the San Diego County Water Authority (Water Authority).

Table #2 Water Services Sources of Funds

	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Projected	FY 2018-19 Budget	Budget to Budget Increase (%)
Operating Revenues:					
Water Sales	\$ 13,233,057	\$ 14,842,821	\$ 15,41,879	\$ 15,526,938	4.6%
Water Fixed Service Charge	5,388,463	5,268,977	6,121,860	6,439,590	22.2%
MWD Readiness-to-Service Charge	-	405,267	357,204	68,344	-9.1%
CWA Infrastructure Access Charge	-	411,331	411,331	441,777	7.4%
Sundry Other Revenue	1,783,859	306,100	306,100	300,000	-2.0%
Total Operating Revenue	\$ 20,405,379	\$ 21,234,496	\$ 22,438,374	\$ 23,076,648	8.7%
Non-Operating Revenues:					
Water Capital Improvement Charge	\$ -	\$ 1,272,836	\$ 1,274,223	1,309,424	2.9%
Property Tax	990,936	1,005,488	946,096	950,826	-5.4%
Water Standby/Availability Charge	200,730	203,000	203,000	203,000	0.0%
Water Capacity Charges		102,779	102,779	103,807	1.0%
Investment earnings		103,678	103,678	175,871	69.6%
Pumping Charge		39,073	39,073	39,073	0.0%
Other Revenue		173,055	173,055	176,516	2.0%
Total Non-Operating Revenue	1,191,666	2,899,909	2,802,831	2,958,517	2.0%
Total Revenues	\$ 21,597,045	\$ 24,134,405	\$ 25,241,205	\$ 26,035,165	7.9%

Water sales revenues represent 70% of the District's Operating Revenues with the remaining 30% of revenues coming from other sources that are independent from water sales. This variable/fixed mix of revenue means that operating revenues are subject to volatility due to water sales levels. Managing this volatility requires good fiscal planning and the use of the Rate Stabilization Fund to make up shortfalls. The primary sources of non-operating revenues are the water Capital Improvement Charge, which is a fixed charge restricted to fund only capital projects, and property tax and Water Standby Charge revenues. Other revenues include pumping charge, investment earnings and other income.

Chart #2 Fiscal Year 2018-19 Operating Revenues

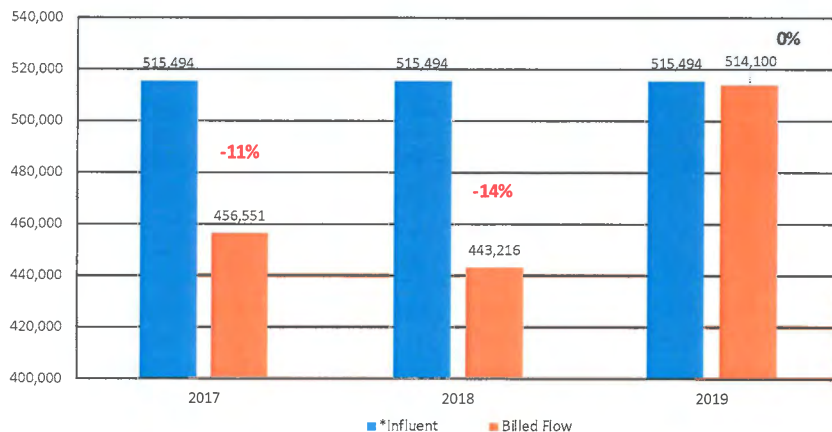


Wastewater Sources of Funds

Wastewater revenue is relatively stable since it is billed upon return flow to the sewer system. To estimate the amount of water used that is returned to the sewer a return to sewer factor is applied to each user class. For residential users, the return to sewer factor is applied to their winter average (December, January, and February). The winter months, which are typically wet, allow indoor use to be estimated since outdoor/landscape use is at a minimum. However, even the winter average use is adjusted to reflect some level residential outdoor/landscape, which is not returned to the sewer. This methodology limits the impact weather has on billable sewer flows. Typically this makes the revenue stream for this service relatively stable. However, the Winter of 2017 broke rainfall records and the District is seeing a significant reduction in residential billable sewer flows due to exceptionally low levels of winter water use. This is expected to reverse in Calendar Year 2019 when the Winter average for 2018 is used.

Historic averages provide a good basis from which revenues can be estimated. The chart below shows the average annual flows at the plant and the flows projected for this budget period. The projection for Fiscal Year 2019 includes the current year's under performance and a return to normal for Calendar Year 2019.

Chart #3 Average Annual Flows

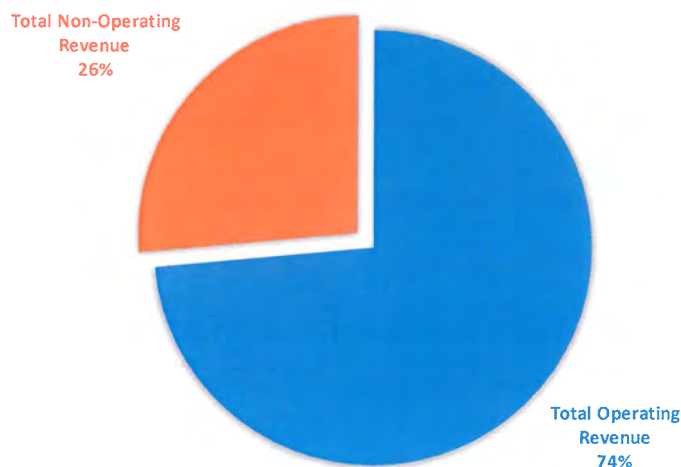


Wastewater Services operating and non-operating revenues are shown in Table #3. The primary source of operating revenue for Wastewater Services is the Wastewater Service Charge. The primary non-operating revenues are the Wastewater Capital Improvement charge, which, like the Water Capital Improvement Charge, is restricted to fund only capital projects. Other non-operating revenues include property tax revenues.

Table #3 Wastewater Sources of Funds

	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Projected	FY 2018-19 Budget	Budget to Budget Increase (%)
Operating Revenue					
Wastewater Service Charges	\$ 5,627,476	\$ 5,787,904	\$ 5,027,098	\$ 5,884,218	1.7%
Sundry Other Revenue	749	1,100	1,101	1,102	0.2%
Total Operating Revenue	\$ 5,628,225	\$ 5,789,004	\$ 5,028,199	\$ 5,885,320	1.7%
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ -	\$ 1,123,364	1,108,537	1,142,101	1.7%
Property Tax	-	91,450	903,366	907,883	-0.4%
Water Capacity Charges	-	34,135	34,135	30,427	-10.9%
Investment earnings	-	91,237	91,237	32,708	-64.2%
Total Non-Operating Revenue	\$ -	\$ 2,160,186	\$ 2,137,275	\$ 2,113,120	-2.2%
Total Revenues	\$ 5,628,225	\$ 7,949,190	\$ 7,165,474	\$ 7,998,440	0.6%

Chart #4 Fiscal Year 2018-19 WasteWater Funds



Recycled Water Sources of Funds

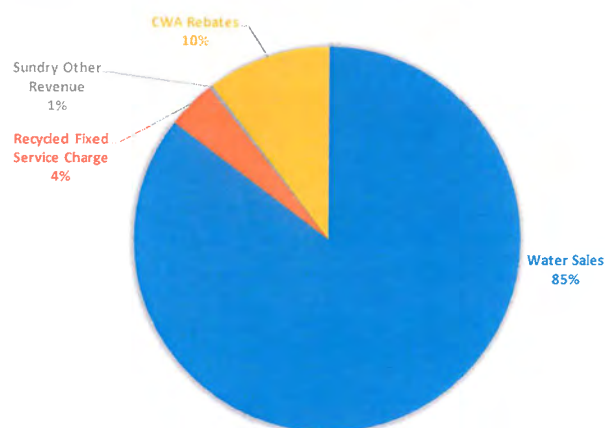
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively small and static. Therefore, the historic average adjusted for a small level of growth provide a good basis from which revenues can be budgeted from. The accompanying chart shows the average annual recycled water sales and the sales projected for this budget period.

Recycled Water Services operating and non-operating revenues are shown in Table 4. The primary source of operating revenue for Recycled Water Services is water sales revenue. Recycled Water Services customers pay a per unit rate for recycled water. In addition, the District receives some financial support by the Water Authority to help mitigate the cost of processing the water since it offsets potable water usage and helps increase regional water supply reliability. Other operating revenues include the Fixed Recycled Water Charge. Investment Earnings makes up the only non-operating revenues.

Table #4 Recycled Sources of Funds

	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Projected	FY 2018-19 Budget	Budget to Budget Increase (%)
Operating Revenues					
Water Sales	\$ 1,135,841	\$ 1,281,487	\$ 1,157,833	\$ 1,254,933	-2.1%
Recycled Fixed Service Charge	-	79,442	72,625	59,196	-25.5%
Sundry Other Revenue	-	5,000	5,000	5,000	0.0%
Water Authority Rebates	-	162,448	162,448	151,525	-6.7%
Total Operating Revenue	\$ 1,135,841	\$ 1,528,377	\$ 1,397,906	1,470,653	-3.8%
Non-Operating Revenues					
Property Tax	-	-	-	50,043	n/a
Investment Earnings	-	12,441	12,441	12,441	0.0%
Total Non-Operating Revenue	\$ -	\$ 12,441	\$ 12,441	\$ 62,484	402.2%
Total Revenues	\$ 1,135,841	\$ 1,540,818	\$ 1,410,347	\$ 1,540,818	-0.5%

Chart #4 Fiscal Year 2018-19 Recycled Water Funds



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Operating Budget

Overview

The District, while relatively small, provides a wide range of services to residents. This section of the budget document provides a detailed description of the District's budgeted use of funds (operating expenses) for each program/function. To make the budget easy to follow, the District's Operating Budget is broken out into its main cost centers. The cost center breakdown is: Administrative Services, Water Services, Wastewater Services and Recycled Water Services (collectively the Services). In addition to the Services, this section provides a detailed breakdown of the District's employer paid employee benefits and debt service costs.

In addition to a detailed budget to fund day-to-day operations, this section also provides a description of programs and functions within each of the Services. The Service budgets are developed to support the long-term and short-term strategic goals of the District. The table below shows a summary of the District's Operating Budgets.

Table #1 Overview of Total Operating Budget

Description	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Projected	FY 2018-19 Budget	% of Change Budget to Budget
Total Labor	\$ 5,353,915	\$ 5,275,973	\$ 5,275,973	\$ 5,427,812	2.9%
Total Non-Labor	3,176,760	4,440,228	4,453,848	4,436,000	-0.1%
Operating Total	8,530,675	9,716,201	9,729,821	9,863,812	1.5%
Allocated Benefits Expenditures	2,939,973	3,299,987	3,299,987	3,274,062	0%
Total Budget	\$11,470,648	\$13,016,188	\$13,029,808	\$13,137,874	0.9%

Administrative Services

Administrative Services includes a wide range of functions that support the District's core services: water, wastewater and recycled water. [The Organizational Chart on page 8](#) shows the broad scope of functions captured in the Administrative Services budget. Administrative Service functions include:

- Manages District operations and capital projects
- Implements and maintains District policies and procedures
- Directs and maintains District documents and archives
- Supports activities of the Board of Directors
- Coordinates District legal activities
- Oversees the District's financial management including the management debt, budget, annual audit, treasury and other required financial reporting
- Maintains customer accounts and billing for water, wastewater and recycled water
- Oversees permit process, right of way and District Geographic Information System (GIS) data

- Manages District contracts and service and construction services procurement
- Administers the District’s water conservation and agricultural water programs
- Creates and administers public outreach activities
- Provides human resources support to the District
- Coordinates and monitors District safety and risk management programs

Administrative Services is broken down into divisions that support a specific Administrative Service’s function. Administrative Services historic and proposed staffing levels are shown in Table 1.

Table #2 Adminisistrative Services

Position	Actual FTE		Proposed FTE
	FY 2016-17	FY 2017-18	FY 2018-19
General Manager	1.0	1.0	1.0
Board Secretary	1.0	1.0	1.0
Assistant General Manager/ Chief Engineer	1.0	1.0	1.0
Assistant General Manager/Chief Financial Officer	-	1.0	1.0
Administrative Services Manager	1.0	-	-
Human Resources Manager	1.0	1.0	1.0
Accounting Supervisor	1.0	1.0	1.0
Safety & Risk Administrator	1.0	1.0	1.0
Engineering Supervisor	1.0	1.0	1.0
Information System Tech	1.0	1.0	1.0
Warehouse Purchasing Specialist	1.0	1.0	1.0
Administrative Office Specialist	1.0	1.0	1.0
Engineering Technician	3.0	3.0	4.0
Drought Management Coordinator	1.0	1.0	-
GIS Specialist	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Public Affairs Specialist	0.8	0.8	0.8
Accounting/Customer Service Assistant	2.0	2.0	2.0
Customer Service Specialist	1.0	1.0	2.0
Customer Service Representative	2.0	2.0	1.0
Purchasing Warehouse Supervisor	-	-	1.0
Warehouse Supervisor	1.0	1.0	-
Equipment Tech	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
TOTAL FTE	25.8	25.8	25.8

* FTE - Full-Time Employees

The divisions and their activities are summarized below.

The Office of the General Manager

- Oversees all District operations
- Plans, organizes and conducts Board of Directors activities and meetings in addition to supporting Board policy development and execution
- Manages legal activities including public hearing and other required notices
- Serves as public liaison to the Community and other entities (i.e. San Diego County Board member) and manages public relations
- Manages District documents, contracts and Board of Director meeting agendas and minutes

Finance and Customer Services

- Manage and maintain the District's financial and customer information
- Develop and monitor the District's annual budget
- Manage the annual financial audit and develop financial reports
- Maintain and execute the District's financial policies and procedures
- Process payroll
- Manage the District's payroll process and treasury and debt management functions
- Establish and monitors the District's internal controls
- Maintain customer service counter and phone line for questions and payment
- Manage meter reading, meter repair and locking and unlocking delinquent accounts
- Generate and monitor customer bills

Warehouse and Purchasing

- Issue Requests for Proposals and solicitations for equipment, supplies and materials.
- Maintain and manage District equipment, supplies and materials inventory
- Manage purchasing contracts for materials, supplies, equipment and services

Human Resources

- Establish and maintain effective employee relations
- Implement and administer District personnel policies, practices and procedures and various programs including the performance appraisal system
- Manage recruitment & selection activities, employee benefits & recognition and training & technical certification
- Support MOU negotiations

Information Management

- Maintain, troubleshoot and upgrade the District’s Network Servers, Workstations, copiers and printers, phone system and wireless services
- Creates and maintains the District’s information system’s policies and procedures
- Manage the security of the District’s information management systems

Engineering Services

- Oversee implementation of the District’s Capital Improvement Program
- Maintain records of District easements, as-built facility drawings and facility location drawings
- Design, develop and maintain the District GIS program
- Provide customer service for water and sewer service
- Process water and sewer requests for new service
- Support outside developer and County projects
- Participation in County subdivision map process for new development
 - Assess water and sewer availability and develop requirements
 - Review and plan check developer water and sewer improvement plans
 - Inspect and document developer installation of District facilities

Vehicle services/shop

- Service and repair small and large equipment and vehicles

Safety & Risk

- Manage and administer the District’s safety and risk program
- Investigate claims against the District and conduct accident/incident investigations
- Maintain and update the District’s Emergency Response Plan and conduct vulnerability assessments.

Table #X Administrative Services Operating Budget Summary

Description	FY 2017 Actual	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Total Labor	\$ 2,561,018	\$ 2,467,947	\$ 2,467,947	\$ 2,587,457	5%
Total Non-Labor Expenses	\$ 1,413,644	\$ 2,043,168	\$ 2,103,168	\$ 2,218,320	9%
Operating Total	\$3,974,662	\$ 4,511,115	\$ 4,571,115	\$ 4,805,777	7%
Allocated Benefits Expenditures	1,406,543	1,543,639	1,543,639	1,560,757	1%
Total Budget	\$5,381,205	\$6,054,754	\$6,114,754	\$6,366,534	5%

Table #2 Administrative Services - Budget to Budget Comparison

	FY 2016-17 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Office of the General Manager					
Labor Expenses:					
Salaries	\$ 521,159	\$ 475,699	\$ 475,699	\$ 458,983	-4%
Non-Labor Expenses:					
Director Expenses		52,000	52,000	52,000	0%
General & Administrative		85,500	85,500	79,650	-7%
Legal Services		151,000	151,000	151,000	0%
Professional Services		22,000	22,000	24,000	9%
Public Outreach		80,170	80,170	84,200	5%
Santa Margarita Watermaster		89,000	89,000	91,670	3%
Total Non-Labor	\$ 262,477	\$ 479,670	\$ 479,670	\$ 482,520	1%
Division Operating Total	\$ 783,636	\$ 955,369	\$ 955,369	\$ 941,503	-1%
	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Finance & Customer Service					
Labor Expenses:					
Salaries	\$ 722,205	\$ 576,333	\$ 576,333	\$ 645,213	12%
Non-Labor Expenses:					
Auditor		46,000	46,000	42,000	-9%
Bank Fees		28,800	28,800	29,500	2%
Copying Service		40,800	40,800	45,500	12%
General & Administrative		49,850	49,850	51,050	2%
Professional Services		139,420	139,420	141,020	1%
Power		13,300	13,300	13,300	0%
Total Non-Labor	\$ 451,996	\$ 318,170	\$ 318,170	\$ 322,370	1%
Division Operating Total	\$ 1,174,201	\$ 894,503	\$ 894,503	\$ 967,583	8%

Table #2 - Administrative Services - Budget to Budget Comparison, con't

	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Warehouse & Purchasing					
Labor Expenses:					
Salaries	\$ 208,197	\$ 164,961	\$ 164,961	\$ 166,563	1%
Non-Labor Expenses:					
Equipment-Non Capital		7,000	7,000	8,100	16%
Materials/Supplies/Services		235,500	235,500	268,200	14%
Power		45,000	45,000	45,000	0%
Total Non-Labor	\$ 101,044	\$ 287,500	\$ 287,500	\$ 321,300	12%
Division Operating Total	\$ 309,242	\$ 452,461	\$ 452,461	\$ 487,863	8%
	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Human Resources					
Labor Expenses:					
Salaries	\$ 187,599	\$ 221,537	\$ 221,537	\$ 212,081	-4%
Non-Labor Expenses:					
Materials/Supplies/Services		31,977	31,977	36,677	15%
Professional Services		10,700	10,700	13,234	24%
Training		90,982	90,982	73,300	-21%
Total Non-Labor	\$ 52,338	\$ 133,659	\$ 133,659	\$ 122,211	-9%
Division Operating Total	\$239,937	\$355,196	\$ 355,196	\$ 334,292	-6%
	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Information Management					
Labor Expenses:					
Salaries	\$ 83,726	\$ 77,283	\$ 77,283	\$ 81,880	6%
Non-Labor Expenses:					
Materials/Supplies/Services		51,500	51,500	53,450	4%
Professional Services		2,000	62,000	80,000	100%
SpringBrook		35,000	35,000	35,000	0%
Telephones		80,100	80,100	97,200	21%
Total Non-Labor	\$ 151,144	\$168,600	\$228,600	\$265,650	58%
Division Operating Total	\$234,870	\$245,883	\$305,883	\$ 347,530	41%

Table #2 - Administrative Services - Budget to Budget Comparison, con't

	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Engineering Services					
Labor Expenses:					
Salaries	\$ 573,429	\$ 607,876	\$ 607,876	\$ 670,293	10%
Non-Labor Expenses:					
Materials/Supplies/Services		45,100	45,100	68,800	53%
Total Non-Labor	\$ 33,017	\$ 45,100	\$ 45,100	\$ 68,800	53%
Division Operating Total	\$ 606,447	\$ 652,976	\$ 652,976	\$ 739,093	13%
Description	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Safety					
Labor Expenses:					
Salaries	\$ 165,903	\$ 192,192	\$ 192,192	\$ 186,300	-3%
Non-Labor Expenses:					
Insurance		270,000	270,000	265,000	-2%
Professional Services		75,969	75,969	75,969	0%
Total Non-Labor	\$ 94,690	\$ 345,969	\$ 345,969	\$ 340,969	-1%
Division Operating Total	\$ 260,593	\$ 538,161	\$ 538,161	\$ 527,269	-2%
Description	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Vehicle Services & Shop					
Labor Expenses:					
Salaries	\$ 98,798	\$ 152,068	\$ 152,068	\$ 166,143	9%
Non-Labor Expenses:					
Vehicle Maintenance & Operations		264,500	264,500	294,500	11%
Total Non-Labor	\$ 266,937	\$ 264,500	\$ 264,500	\$ 294,500	11%
Division Operating Total	\$ 365,736	\$ 416,568	\$ 416,568	\$ 460,643	11%

*Detailed line item expenditure not available for FY 16-17.

Fiscal Year 2017-18 Accomplishments

- Managed completion of capital projects in line with approved capital plan
- Conducted extensive public outreach on various topics including rate and charge adjustments
- Timely processing of Engineering Services requests
- Completed a cost of service and rate study for all of the District's services
- Finished the implantation of an Enterprise Resource Planning (ERP) system
- Updated confined space permit and respiratory protection programs
- On track to prepared and processed approximately 500 purchase orders

Fiscal Year 2018-19 Goals & Objectives

- Enhance budget controls and financial system operations
- Conduct a review of organizational structure
- Review and update of the District's Emergency Response Plan
- Develop and implement centralized procurement to standardize all contracts across the District

Water Services

The District provides Water Services to 9,200 meters within the District's service area. The largest component of the Water Services' operating budget is the cost of water. The District buys 99% of its water from the San Diego County Water Authority (Water Authority), which is the region's wholesale water provider. Water Services provide the following functions:

- Manage the delivery of water from the District's water supplier and the delivery of water to the District's customers
- Manage an asset management program that optimizes lifecycle costs and maintains, repairs and replace system assets
- Operate water system assets including reservoirs, valves, pump stations, control facilities
- Maintain the District's Water Service's rights of way
- Manage the Districts water meters and Smart Meter replacement program.

Water Services is broken down into divisions that support a specific functions. Water Services historic and proposed staffing levels are shown in Table 3.

Table #3 Water Services

Position	Actual FTE		Proposed FTE
	FY 2016-17	FY 2017-18	FY 2018-19
Construction Supervisor	1.0	1.0	1.0
Utility Technician	4.75	4.75	4.75
Utility Worker I & II	9.5	9.5	9.5
System Service Supervisor	1.0	1.0	1.0
System Operations Manager	1.0	1.0	1.0
Lead Systems Operator	1.0	1.0	1.0
Systems Operator I/II	3.0	3.0	3.0
Instrumentation & Controls Specialist	1.0	1.0	1.0
Maintenance Electrician	1.0	1.0	1.0
Backflow/ Cross Connection Tech	0.75	0.75	0.75
TOTAL FTE	24.0	24.0	24.0

*FTE - Full-Time Employees

The divisions and their activities are summarized below.

Production and Distribution

- Schedules and manages water deliveries to the District to meet customer demands
- Operates water system assets and monitors system conditions including water pressure and water quality
- Install and upgrade pressure reducing and pump stations
- Replace aged water mains and valves
- Maintains crews to operate the system and respond to customer inquires

Pipeline Maintenance & Construction

- Maintains the Districts Water Services assets
- Manages all Water Services repairs and asset replacements
- Maintain 24-hour coverage of large water main breaks
- Maintains all right-of-way and interconnects with neighboring districts

System Services

- Meter reading, meter repair and meter exchange programs and delinquent account lock/unlocking

Table #X - Water Services Operating Budget Summary

	FY 2017 Actual	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Total Labor	\$1,486,420	\$1,593,879	\$1,593,879	\$1,496,406	-6%
Total Non-Labor Expenses	\$ 710,139	\$1,056,580	\$1,010,200	\$1,048,600	-1%
Operating Total	\$ 2,196,559	\$ 2,650,459	\$ 2,604,079	\$ 2,545,006	-4%
Allocated Benefits Expenditures	656,829	996,931	996,931	902,634	-9%
Allocation of Administrative Services	2,798,227	3,148,472	3,148,472	3,310,597	5%
Total Budget	\$5,651,615	\$6,795,862	\$6,749,482	\$6,758,237	-1%

Table #4 - Water Services - Budget to Budget Comparison

	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Production & Distribution					
Labor Expenses:					
Salaries	\$ 947,831	\$ 969,898	\$ 969,898	\$ 902,874	-7%
Non-Labor Expenses:					
Equipment - Non Capital		60,500	60,500	60,500	0%
Materials/Supplies/Services		306,150	306,150	318,550	4%
Power		282,380	236,000	236,000	-16%
Total Non-Labor	\$ 327,420	\$ 649,030	\$602,650	\$ 615,050	-5%
Division Operating Total	\$1,275,251	\$1,618,928	\$1,572,548	\$1,517,924	-6%
	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt

Pipeline Maintenance & Construction

Labor Expenses:					
Salaries	\$ 248,130	\$ 369,191	\$ 369,191	\$ 283,428	-23%
Non-Labor Expenses:					
Materials/Supplies/Services		174,000	174,000	192,000	10%
Total Non-Labor	\$ 219,578	\$ 174,000	\$ 174,000	\$ 192,000	10%
Division Operating Total	\$ 467,707	\$ 543,191	\$ 543,191	\$ 475,428	-12%

Table #4 - Water Services - Budget to Budget Comparison, con't

	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
System Services					
Labor Expenses:					
Salaries	\$ 290,459	\$ 254,790	\$ 254,790	\$ 310,103	22%
Non-Labor Expenses:					
Materials/Supplies/Services		233,550	233,550	241,550	3%
Total Non-Labor	\$ 163,141	\$ 233,550	\$ 233,550	\$ 241,550	3%
Division Operating Total	\$453,600	\$ 488,340	\$ 488,340	\$ 551,653	13%

*Detailed line item expenditure not available for FY 16-17.

Fiscal Year 2017-18 Accomplishments

- Had no water quality violations during the year
- Installed solar mixer at Red Mountain Reservoir to improve water quality
- Automated/remote monitor flow and pressure controls in the distribution system
- Maintained schedule to exercise all valves on a three-year cycle
- Replaced 77 water main valves and 907 feet of water mains.
- Met the meter replacement schedule

Fiscal Year 2018-19 Goals & Objectives

- Upgrade SCADA to improve communications between critical sites

Wastewater Services

The District provides Wastewater Services to 4,200 meters within the District’s service area. The largest component of the Wastewater Services’ operating budget is the operating costs of the District’s water reclamation plant. Wastewater Services includes the following functions:

- Operate a water reclamation plant that provides secondary treatment
- Manage an asset management program that optimizes lifecycle costs and maintains, repairs and replace plant and collections system assets
- Meet the Regional Water Quality Control Board’s discharge permit requirements
- Operate and maintain the District’s six collections system lift stations and XXX miles of pipe

Wastewater Services is broken down into divisions that support a specific functions. Wastewater Services historic and proposed staffing levels are shown in Table 6.

Table #6 Wastewater Services

Position	Actual FTE		Proposed FTE
	FY 2016-17	FY 2017-18	FY 2018-19
Collections Supervisor	1.0	1.0	1.0
Utility Technician	2.0	2.0	2.0
Utility Worker I & II	5.0	5.0	5.0
Chief Plant Operator	0.7	0.7	0.85
Lead Operator	1.5	1.5	1.7
Operator	1.4	1.4	1.7
Environmental Compliance Technician	0.5	0.5	0.5
Laboratory Technician	0.7	0.7	0.85
Mechanical Technician	0.6	0.6	0.8
Plant Maintenance Worker	0.6	0.6	0.8
TOTAL FTE	14.0	14.0	15.2

*FTE - Full-Time Employee

The divisions and their activities are summarized below.

Collections

- Provide emergency repairs and routine maintenance to the collections system
- Manage the District’s collection system inspection program that includes TV inspection of the collections system
- Maintain and operate a vactor truck
- Maintain lift stations, clean outs, system ocean outfall
- Provide light and heavy construction services

Treatment

- Operates and maintains the Water Reclamation Plant processes in the following areas: Headworks, Primary Sedimentation, Activated Sludge, Secondary Sedimentation and Solids Handling (which includes an aerobic digester, centrifuges and a sludge dryer)
- Conducts laboratory analysis and reporting to meet the Regional Water Quality Control Board’s discharge permit requirements

Table #7 - Wastewater Services Operating Budget Summary

	FY 2017 Actual	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Total Labor	\$ 1,024,881	924,699	924,699	1,124,410	22%
Total Non-Labor	\$ 822,640	1,065,530	1,065,530	910,930	-15%
Operating Total	\$ 1,847,521	\$ 1,990,229	\$ 1,990,229	\$ 2,035,340	2%
Allocated Benefits Expenditures	722,393	578,376	578,376	678,245	17%
Allocation of Administrative Services	2,260,106	2,542,997	2,542,997	2,673,944	5%
Total Budget	\$ 4,830,020	\$ 5,111,601	\$ 5,111,601	\$ 5,387,529	5%

Table #7 - Wastewater Services - Budget to Budget Comparison

	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Collections					
Labor Expenses:					
Salaries	\$ 407,992	\$ 333,989	\$ 333,989	\$ 410,267	23%
Non-Labor Expenses:					
Materials/Supplies/Services		180,430	180,430	184,130	2%
Power		95,000	95,000	95,000	0%
Total Non-Labor	\$ 275,116	\$ 275,430	\$ 275,430	\$ 279,130	1%
Division Operating Total	\$ 683,108	\$ 609,419	\$ 609,419	\$ 689,397	13%

Table #7 - Wastewater Services - Budget to Budget Comparison, con't

	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Treatment					
Labor Expenses:					
Salaries	\$ 616,889	\$590,710	\$590,710	\$714,143	21%
Non-Labor Expenses:					
Contractor Services		187,300	187,300	192,500	3%
Materials/Supplies/Services		278,300	278,300	270,800	-3%
Non-Capital Equipment		23,500	23,500	20,000	-15%
Power & Gas		301,000	301,000	148,500	-51%
Total Non-Labor	\$ 547,524	\$790,100	\$790,100	\$631,800	-20%
Division Operating Total	\$ 1,164,413	\$1,380,810	\$1,380,810	\$1,345,943	-3%

*Detailed line item expenditure not available for FY 16-17.

Fiscal Year 2017-18 Accomplishments

Operating the Water Reclamation Plant processes from the headwork's to secondary treatment including solids handling, while staying in compliance with the applicable permits: NPDES and EPA Bio-Solids Regulations.

- Maintaining the Water Reclamation Plant equipment from the headwork's to secondary treatment including solids handling equipment in order to sustain mechanical integrity and processes.

Fiscal Year 2018-19 Goals & Objectives

- Operates Water Reclamation Plant processes effectively from the headwork's to secondary treatment including solids handling to stay in compliance while running in an optimized state. This includes monitoring and maintaining kilowatts, chemicals and overtime at their lowest possible levels.
- Maintain Water Reclamation Plant equipment from the headwork's to secondary, including solids handling equipment in an optimal state free from equipment failure using preventative and predictive measures.

Recycled Water Services

The District provides Recycled Water Services to 26 meters within the District’s service area. The largest component of the Recycled Water Services’ operating budget is the operating costs of the District’s water reclamation plant. Recycled Water Services includes the following functions:

- Operate the Water Reclamation Plant, equipment and processes necessary to produce recycled water
- Liaise with recycled water customers to schedule deliveries and inspections of service connections
- Operate and maintain the District’s distribution system, which includes XXX miles of pipe and customers in Fallbrook and the City of Oceanside

Recycled Water Services is broken down into Divisions that support a specific functions. Recycled Water Services historic and proposed staffing levels are shown in Table 8.

Table #8 Recycled Water Services

Position	Actual FTE		Proposed FTE
	FY 2016-17	FY 2017-18	FY 2018-19
Chief Plant Operator	0.3	0.3	0.15
Lead Operator	0.5	0.5	0.3
Operator	0.6	0.6	0.3
Environmental Compliance Tech	0.5	0.5	0.5
Laboratory Tech	0.3	0.3	0.15
Mechanical Tech	0.4	0.4	0.2
Plant Maintenance Worker	0.4	0.4	0.2
Utility Technician	0.25	0.25	0.25
Utility Worker I	0.5	0.5	0.5
Backflow/ Cross Connection Tech	0.25	0.25	0.25
TOTAL FTE	4.0	4.0	2.8

*FTE - Full-Time Employee

The divisions and their activities are summarized below.

Production

- Operates and maintains the Water Reclamation Plant tertiary processes, such as the filters, chlorine contact basin, recycled water pumps, and recycled water storage/pond
- Laboratory analyses and reporting to meet permit requirements

Distribution

- Maintains the Districts Recycled Water Services distribution assets
- Conducts value and meter maintenance and replacement
- Operates and maintains a SCADA telemetry system
- Conducts site connection and system inspections
- Maintains right-of-way and interconnects with neighboring districts

Table #9 Recycled Water Services Operating Budget Summary

Description	FY 2017 Actual	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Total Labor	281,596	289,447	289,447	219,540	-24%
Total Non-Labor	230,337	274,950	274,950	258,150	-6%
Operating Total	\$511,933	\$564,397	\$564,397	\$477,690	-15%
Allocated Benefits Expenditures	154,207	181,042	181,042	132,427	-27%
Allocation of Administrative Services	322,872	363,285	363,285	381,992	5%
Total Budget	\$989,013	\$ 1,108,725	\$ 1,108,725	\$ 992,109	-11%

Table #9 Recycled Water Services - Budget to Budget Comparison

Description	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Production					
Labor Expenses:					
Salaries	\$ 259,385	\$ 249,555	\$ 249,555	\$ 177,936	-29%
Non-Labor Expenses:					
Contractor Services		28,750	28,750	29,850	4%
Materials/Supplies/Service		117,500	117,500	118,600	1%
Power		88,000	88,000	60,000	-32%
Total Non-Labor	\$190,720	\$234,250	\$234,250	\$208,450	-11%
Division Operating Total	\$450,105	\$483,805	\$483,805	\$386,386	-20%

Table #9 Recycled Water Services - Budget to Budget Comparison, con't

Description	FY 2017 Actual*	Budget	FY 2018 Projected	FY 2019 Budget	% Change Bgt to Bgt
Distribution					
Labor Expenses:					
Salaries	\$ 22,211	\$ 39,892	\$ 39,892	\$ 41,604	4%
Non-Labor Expenses:					
Materials/Supplies/Service		40,200	40,200	49,200	22%
Power		500	500	500	0%
Total Non-Labor	\$ 39,617	\$ 40,700	\$ 40,700	\$ 49,700	22%
Division Operating Total	\$ 61,828	\$ 80,592	\$ 80,592	\$ 91,304	13%

*Detailed line item expenditure not available for FY 16-17.

Fiscal Year 2017-18 Accomplishments

- Operating the Water Reclamation Plant recycled water facility while staying in compliance with the applicable recycled water permits: Title 22, State Recycled Water Policy and the State Recycled Water General Permit.
- Maintaining the Water Reclamation Plant recycled water equipment in order to sustain mechanical integrity and processes throughout the recycled water process.

Fiscal Year 2018-19 Goals & Objectives

- Operate Water Reclamation Plant recycled water facility effectively to stay in compliance while running in an optimized state. This includes monitoring and maintaining the recycled plant process in minimizing the kilowatts, chemicals and overtime at their lowest possible levels.
- Maintain Water Reclamation Plant recycled water equipment in an optimal state free from equipment failure using preventative and predictive measures.

Cost of Water

The District’s cost of water is broken down into fixed and variable costs. Variable or Commodity costs vary depending on the amount of water purchased. Fixed charges are set regardless of the water consumed during the billing period. The fixed water costs are comprised of the Water Authority’s charges and Metropolitan Water District (MWD) fixed charges that are pass through by the Water Authority. The District’s variable and fixed water charges are summarized below:

Table #5 Variable and Fixed Charges - Budget to Budget Comparison

Variable Costs:

Volumetric Cost	\$9,586,785	\$10,946,794	\$11,198,586	2%
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Fixed Costs:

Supply Reliability			\$524,118	2%
Storage			\$1,176,698	
Customer service	\$3,641,801	\$2,598,408	\$657,476	
MWD Capacity			\$285,926	
MWD Readiness to Serve	\$405,267	\$357,204	\$367,920	3%
CWA IAC	\$411,331	\$411,331	\$438,508	7%

Total Cost of Water	\$13,067,064	\$14,045,184	\$14,313,737	\$14,649,232	2%
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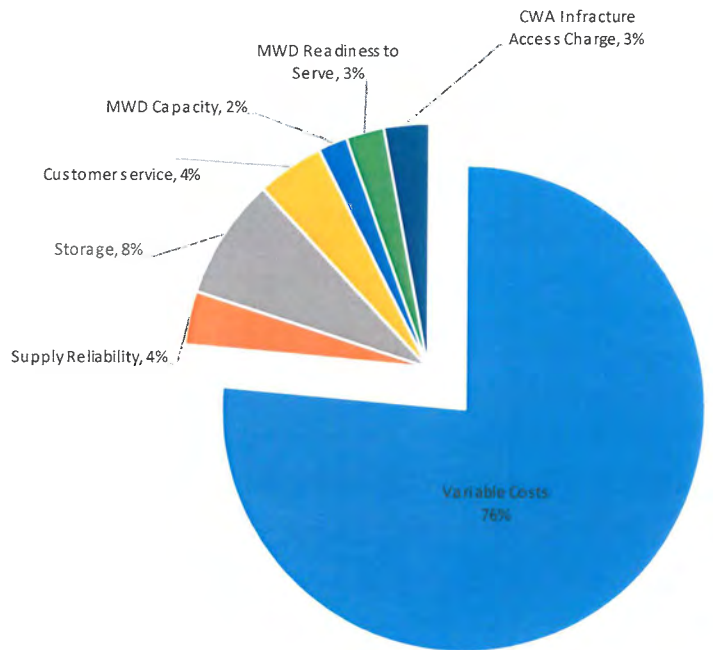
Supply Reliability Charge – Water Authority charge to collect a portion of the costs associated with highly reliability water supplies (i.e. Desalination).

- Infrastructure Access Charge (IAC) – Meter charge imposed by the Water Authority to provide water capacity
- Customer Service Charge – Water Authority charge designed to recover costs associated with the Water Authority’s customer service and functions
- Emergency Storage Charge – Water Authority charge to recover costs associated with the Emergency Storage Program
- MWD Capacity Charge – MWD charge passed-through by the Water Authority. The MWD charge collects costs associated with demand peaks
- MWD Readiness-to-Serve Charge – MWD charge for State Water Project costs passed through by the Water Authority

The variable costs the District pays the Water Authority for water supplied are listed below:

- Merged Supply – This is the \$/acre-foot rate the District pays for water.
- Merged Treatment - This is the \$/acre-foot rate the District pays for water that is potable. The District only purchases treated water.
- Transportation - This is the \$/acre-foot rate the District pays for water transported by the Water Authority.
- Special Agricultural Water Rate (SAWR) - This is the \$/acre-foot rate the District pays for water that is in the SAWR program.

Chart #xx Breakdown of Costs



Employee Benefits

The District updates the cost of the benefits offered to District staff as part of the annual budget. While the current Memorandum of Understanding (MOU) between the District and its employee association is set to expire in July 2018, the budget was developed based upon the terms of the current MOU. Table 10 shows the breakdown of the District’s costs related to employee benefits. These cost estimates include expected increases in costs.

Table #10 Breakdown of District’s Employee Benefit Costs

	FY 2016-17		FY 2017-18	FY 2018-19	Budget to
	Actual	Budget	Projected	Budget	Budget
Auto Allowance	15,058	14,500	14,500	14,500	0.0%
Insurance - Dental	66,567	73,341	73,341	74,535	1.6%
Insurance - Vision	14,061	14,416	14,416	15,125	4.9%
Insurance - Health	784,133	821,026	821,026	863,479	5.2%
Insurance - Life and Disability	38,457	35,780	43,000	47,070	31.6%
Insurance - Worker’s Comp	116,329	127,023	130,000	136,749	7.7%
Longevity Bonus	6,433	25,753	25,753	21,438	-16.8%
FICA - Employee’s share	415,695	426,320	426,320	437,751	2.7%
CalPERS Annual Contribution	519,326	539,651	539,651	581,681	7.8%
CalPERS Unfunded Liability Payment	459,468	572,652	572,652	730,682	27.6%
Pension/OPEB Liability Trust Payment	1,336,000	900,000	900,000	650,000	-27.8%
Employer’s share (401 & 457)	15,693	19,119	19,119	19,285	0.9%
District Share of Retiree Medical Insurance	28,787	n/a	35,000	40,000	n/a
Uniforms & Boots	50,640	38,317	38,317	38,401	0.2%
Total	\$ 3,866,645	\$ 3,607,898	\$3,653,095	\$3,670,695	1.7%

Budgeted Fund Transfers

Amortized Cost of Benefit Change 585,000 585,000

The District participates in the California Public Employees’ Retirement System (CalPERS). Recent changes to CalPERS accounting practices have caused pension costs for participating agencies to increase. The District’s pension cost budget incorporates the costs determined by CalPERS for the next fiscal year. The recent change to the discount rate used to calculate the current cost of the pension benefits already earned by staff are driving up the Unfunded Liability Payment as seen by the 23% increase in this cost. The current annual contribution rate is also increasing by 7.8%. Together these costs are increasing 15.8% and represent 44% of the benefits costs. Appendix C provides the District’s CalPERS annual payment schedule for the AUL.

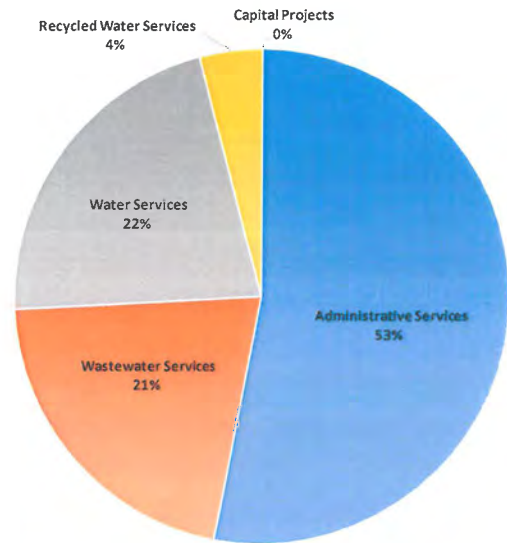
The District’s health insurance costs are budgeted to increase by 6.1% driven by a 5.2% increase in the District’s cost of medical insurance. Changes to the budgeting methodology resulted in the increases in Worker’s Compensation, Life and Disability Insurance and retiree healthcare costs.

Other benefits show a slight decrease due to the reduction in planned longevity bonuses.

BENEFIT ALLOCATION

The District’s benefit costs are allocated to each of the District’s services based upon its share of the budgeted salary and wages. This allocation methodology aligns the benefit cost allocation with salary and wages, which are the primary determinants of the benefit costs.

Chart#1 Fiscal Year 2018-19 Benefits Allocation



Debt Service

The District currently has three outstanding long-term debt obligations, the Red Mountain State Revolving Fund Loan (2011 SRF Loan), the Wastewater Reclamation Plant State Revolving Fund Loan (2016 SRF Loan) and the Qualified Energy Conservation Revenue Bonds (2010 QECB).

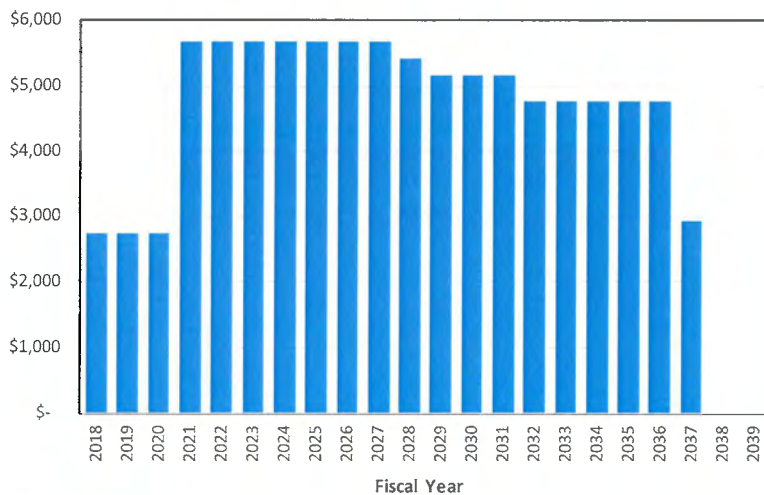
In addition, the District expects to issue additional debt to finance the District’s Santa Margarita Conjunctive Use Project with State Revolving **Loan funds**. While the agreement has been approved, the final amount and payment schedule have not yet be determined. The table below shows the debt service payment schedule for each debt issuance.

Table # 11 Debt Service Budget Summary

Debt Issuance	Service			Total Debt Service
	Water	Wastewater	Recycled Water	
2011 SRF Loan	\$ 395,851	\$ -	\$ -	\$ 395,851
2016 SRF Loan*	-	1,292,022	553,724	1,845,746
2010 QECB	-	518,423	-	518,423
Total	\$ 395,851	\$ 1,810,445	\$ 553,724	\$ 2,760,019

*70% is allocated to wastewater and 30% of the debt service is allocated to recycled water.

Chart #2 Annual Debt Service



Each debt issuance is linked to the service that it was used to fund. In some cases the debt service can be allocated to more than one service. The table below shows the debt service payments for Fiscal Year 2018-19 and the amount allocated to each service.

Table #12 Fiscal Year 2019 Debt Service Schedule

Year Ending June 30	Red Mountain State Revolving Fund Loan		Water Reclamation Plant State Revolving loan		QECB* Loan		SMCUP State Revolving Funds	District Annual Debt Service
	Principle	Interest	Principle	Interest	Principle	Interest		
2013	\$ 245,212	\$ 150,639	\$ -	\$ -	\$ 575,745	\$ 378,821		\$ 1,350,417
2014	251,556	144,295	-	-	593,502	345,519		1,334,872
2015	258,064	137,786	-	-	611,992	311,188		1,319,031
2016	264,741	131,110	-	-	631,240	275,785		1,302,876
2017	271,590	124,260	1,197,952	647,793	270,430	244,706		2,756,731
2018	278,617	117,234	1,220,688	625,057	287,973	228,932		2,758,501
2019	285,826	110,025	1,247,544	598,202	306,282	212,141		2,760,019
2020	293,220	102,630	1,274,990	570,756	325,386	194,288		2,761,270
2021	300,807	95,044	1,303,039	542,706	345,316	175,326	2,927,315	5,689,553
2022	308,589	87,261	1,331,706	514,039	366,104	155,208	2,927,315	5,690,223
2023	316,573	79,277	1,361,004	484,742	387,783	133,884	2,927,315	5,690,578
2024	324,764	71,087	1,390,946	454,800	410,388	111,302	2,927,315	5,690,601
2025	333,166	62,685	1,421,547	424,199	433,953	87,409	2,927,315	5,690,273
2026	341,786	54,065	1,452,821	392,925	458,515	62,150	2,927,315	5,689,576
2027	350,628	45,222	1,484,783	360,963	484,114	35,465	2,927,315	5,688,490
2028	359,700	36,151	1,517,448	328,298	254,219	7,296	2,927,315	5,430,426
2029	369,006	26,844	1,550,832	294,914	-	-	2,927,315	5,168,911
2030	378,553	17,297	1,584,950	260,796	-	-	2,927,315	5,168,911
2031	388,347	7,503	1,619,819	225,927	-	-	2,927,315	5,168,911
2032	-	-	1,655,455	190,291	-	-	2,927,315	4,773,061
2033	-	-	1,691,875	153,871	-	-	2,927,315	4,773,061
2034	-	-	1,729,096	116,649	-	-	2,927,315	4,773,061
2035	-	-	1,767,136	78,609	-	-	2,927,315	4,773,061
2036	-	-	1,806,014	39,732	-	-	2,927,315	4,773,061
2037	-	-	-	-	-	-	2,927,315	2,927,315
2038	-	-	-	-	-	-	-	-

The District does not expect any debt service related to the Santa Margarita Conjunctive Use Project during this budget period. Debt service for the State Revolving Fund loan is expected to begin in Fiscal Year 2019-20.

Chart #3 Debt Service Coverage Ratio

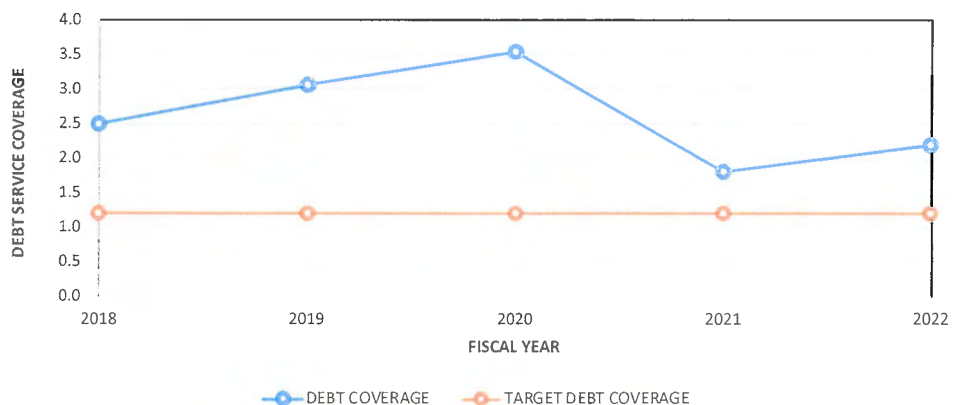


Table #1 Fallbrook Public Utility District's Enterprise Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenue from Rates					
Water	\$21,363,739	\$22,515,691	\$23,990,297	\$25,420,644	\$26,943,458
Recycled Water	1,230,458	1,314,128	1,382,833	1,296,875	1,361,719
Wastewater	5,027,098	6,016,613	6,287,860	6,571,337	6,867,593
Subtotal Revenue from Rates	\$27,621,295	\$29,846,432	\$31,660,990	\$33,288,856	\$35,172,770
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$357,204	\$368,344	\$386,810	\$405,176	\$425,974
SDCWA IAC Charge	411,331	441,777	471,025	495,018	519,958
Ag Penalties	-	-	-	-	-
Sundry	306,000	306,000	306,000	306,000	306,000
MWD/CWA Incentive	151,910	151,525	-	-	-
Class A Bio-solids Sales	101	102	103	104	105
Other Revenue Subtotal	\$1,226,546	\$1,267,747	\$1,163,938	\$1,206,298	\$1,252,037
Non-Operating Revenue					
Water Availability Charge	\$203,000	\$203,000	\$203,000	\$203,000	\$203,000
1% Property tax	1,899,256	1,908,753	1,918,296	1,927,888	1,937,527
Interest	207,356	205,464	205,362	224,127	250,573
Water CIP Charge	1,235,150	1,309,424	1,388,998	1,476,578	1,570,413
Pumping Charge (Cap. Impr part)	39,073	39,073	\$39,073	39,073	39,073
Facility Rent	173,055	176,516	180,047	183,647	187,320
Water Capacity Fees	102,779	103,807	104,845	105,893	106,952
Wastewater CIP Charge	1,108,537	1,142,101	1,176,682	1,212,310	1,249,016
Wastewater Capacity fees	34,135	30,427	31,365	32,332	33,329
Federal Interest Rate Subsidy	144,517	133,917	122,647	110,677	97,977
Subtotal Non-Operating Revenue	\$5,146,858	\$5,252,483	\$5,370,315	\$5,515,526	\$5,675,181
Total Revenues	\$33,994,699	\$36,366,662	\$38,195,243	\$40,010,679	\$42,099,988
Operating Expenses					
Water Supply Costs					
Purchased Water Costs	\$14,328,142	\$14,649,232	\$15,245,150	\$14,448,324	\$10,104,482
Pumping Costs	226,380	237,699	254,174	269,436	285,671
Water Treatment	-	-	-	-	-
SMCUP Treatment*	-	-	-	1,574,587	4,854,576
Labor Costs	2,874,213	2,779,356	2,848,840	2,920,061	2,993,062
Fringe Benefits	1,676,182	1,647,351	1,754,429	1,868,467	1,933,863
Services, Materials & Supplies	2,170,680	2,037,680	2,098,810	2,161,775	2,226,628
Allocated Admin Expenses	5,606,666	5,982,717	6,202,938	6,432,930	6,621,023
CalPERS Pre-Funding	-	-	-	-	500,000
Total Operating Expenses	\$27,632,263	\$27,884,035	\$28,404,341	\$29,675,579	\$29,519,307
Net Operating Revenues	\$6,362,436	\$8,482,627	\$9,790,902	\$10,335,100	\$12,580,681
Debt Service					
Debt Service	\$2,536,578	\$2,760,020	\$2,761,270	\$5,689,553	\$5,690,223
Total Debt Service	\$2,536,578	\$2,760,020	\$2,761,270	\$5,689,553	\$5,690,223
Capital Expenditures					
Admin CIP	\$136,350	\$280,528	\$231,818	\$81,167	\$73,571
Whole FPUD CIP	28,590,557	27,315,415	4,667,407	4,192,808	3,662,330
By Existing SRF	22,725,000	22,952,250	-	-	-
By PAYGO	5,865,557	4,363,165	4,667,407	4,192,808	3,662,330
Total Capital Expenditures	\$28,726,907	\$27,595,942	\$4,899,225	\$4,273,975	\$3,735,900

Table #2 Fallbrook Public Utility District's Water Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 21,363,739	\$21,966,527	\$22,290,636	\$22,494,901	\$22,707,095
Proposed Rev Adjustments	\$0	\$549,163	\$1,699,661	\$2,925,743	\$4,236,363
Subtotal Operating Revenues	\$ 21,363,739	\$22,515,691	\$23,990,297	\$25,420,644	\$26,943,458
Other Operating Revenues					
Pass-through Charges					
MWD RTS Charge	\$ 357,204	\$368,344	\$386,810	\$405,176	\$425,974
SDCWD IAC Charge	411,331	\$441,777	\$471,025	\$495,018	\$519,958
Ag Penalties	-	\$0	\$0	\$0	\$0
Sundry	300,000	\$300,000	\$300,000	\$300,000	\$300,000
Subtotal Other Operating Revenues	\$ 1,068,535	\$1,110,121	\$1,157,835	\$1,200,193	\$1,245,932
Non-Operating Revenue					
Water Availability Charge	\$ 203,000	\$203,000	\$203,000	\$203,000	\$203,000
1% Property tax	946,096	\$950,826	\$955,580	\$960,358	\$965,160
Interest	103,678	\$175,871	\$185,209	\$209,073	\$237,592
Water Capital Impr. Charge	1,235,150	\$1,309,424	\$1,388,998	\$1,476,578	\$1,570,413
Pumping Charge (Cap. Impr part)	39,073	\$39,073	\$39,073	\$39,073	\$39,073
Facility Rent	173,055	\$176,516	\$180,047	\$183,647	\$187,320
Water Capacity Fees	102,779	\$103,807	\$104,845	\$105,893	\$106,952
Subtotal Non-Operating Rev	\$ 2,802,831	\$2,958,517	\$3,056,752	\$3,177,623	\$3,309,511
Total Revenues	\$ 25,235,105	\$26,584,328	\$28,204,884	\$29,798,461	\$31,498,900
Operating Expenses					
Water Supply Costs					
Purchased Water Costs	\$ 14,328,142	\$14,649,232	\$15,245,150	\$14,448,324	\$10,104,482
Pumping Costs	226,380	237,699	254,174	269,436	285,671
Water Treatment	-	-	-	-	-
SMCUP Treatment*	-	-	-	1,574,587	4,854,576
Labor Costs	1,662,461	1,435,406	1,471,291	1,508,073	1,545,775
Fringe Benefits	969,513	850,779	906,080	964,975	998,749
Services, Materials & Supplies	830,200	868,600	894,658	921,498	949,143
Allocated Admin Expenses	2,915,466	3,111,013	3,225,528	3,345,124	3,442,932
CalPERS Pension Pre-Funding	-	-	-	-	264,478
Total Operating Expenses	\$ 21,328,879	\$ 21,443,655	\$21,996,881	\$23,032,016	\$22,445,807
Net Operating Revenue	\$ 3,906,226	\$ 5,140,674	\$6,208,003	\$ 6,766,445	\$ 9,053,093
Debt Service					
Water Debt Service	\$ 395,851	\$ 395,851	\$ 395,851	\$ 3,323,166	\$ 3,323,166
Total Debt Service	\$ 395,851	\$ 395,851	\$ 395,851	\$ 3,323,166	\$ 3,323,166
Capital Expenditures					
Admin CIP - Water	\$ 70,902	\$ 145,874	\$120,545	\$42,207	\$38,257
Water CIP	26,949,307	26,101,496	\$3,137,410	\$2,773,424	\$2,516,729
By Existing SRF	22,725,000	22,952,250	\$0	\$0	\$0
By PAYGO	4,224,307	\$3,149,246	\$3,137,410	\$2,773,424	\$2,516,729
Total Capital Expenditures	\$ 27,020,209	\$ 26,247,370	\$3,257,956	\$2,815,631	\$2,554,986
Net Cash Change Excluding New Debt Proceeds	\$ (784,835)	\$ 1,449,703	\$ 2,554,196	\$ 627,648	\$ 3,174,942
Beginning Balances	\$ 10,405,308	\$9,620,473	\$11,070,175	\$13,624,372	\$14,252,020
Ending Balances	\$ 9,620,473	\$11,070,175	\$13,624,372	\$14,252,020	\$17,426,962

Water Fund Balances and Target Balance Level

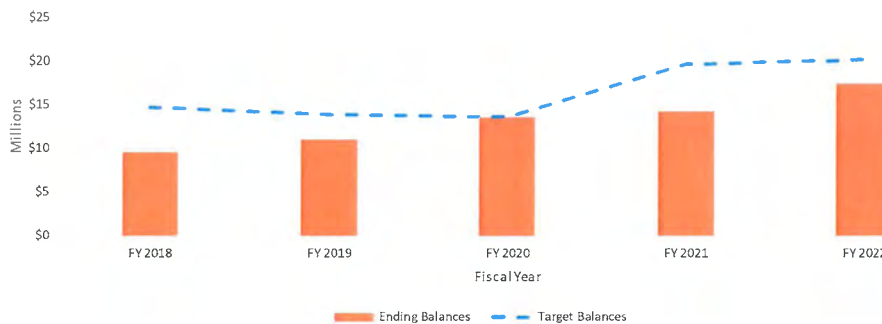


Table #3 Fallbrook Public Utility District's Wastewater Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 5,027,098	\$ 5,884,218	\$ 5,884,686	\$ 5,885,154	\$ 5,885,622
Proposed Rev Adjustments	-	132,395	403,175	686,183	981,971
Subtotal Operating Revenues	\$5,027,098	\$ 6,016,613	\$ 6,287,860	\$ 6,571,337	\$ 6,867,593
Other Operating Revenues					
Class A Biosolids Sales	\$101	\$102	\$103	\$104	\$105
Sundry	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal Other Operating Revenues	\$1,101	\$1,102	\$1,103	\$1,104	\$1,105
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$1,108,537	\$1,142,101	\$1,176,682	\$1,212,310	\$1,249,016
Wastewater Capacity fees	\$34,135	\$30,427	\$31,365	\$32,332	\$33,329
1% property tax - IDS	\$903,366	\$907,883	\$912,422	\$916,985	\$921,569
Federal Interest Rate Subsidy	\$144,517	\$133,917	\$122,647	\$110,677	\$97,977
Grants for Wastewater CIP	\$0	\$0	\$0	\$0	\$0
Interest	\$91,237	\$32,708	\$27,396	\$28,749	\$34,194
Subtotal Non-Operating Revenues	\$2,281,792	\$2,247,037	\$2,270,512	\$2,301,052	\$2,336,086
Total Revenues	\$7,309,991	\$8,264,752	\$8,559,476	\$8,873,493	\$9,204,785
Operating Expenses					
Labor Costs	\$922,875	\$1,124,410	\$1,152,520	\$1,181,333	\$1,210,867
Fringe Benefits	\$538,202	\$666,449	\$709,768	\$755,903	\$782,360
Services, Materials & Supplies	\$1,065,530	\$910,930	\$938,258	\$966,406	\$995,398
Allocated Admin Expenses	\$2,354,800	\$2,512,741	\$2,605,234	\$2,701,831	\$2,780,830
CalPERS Pre-Funding	\$0	\$0	\$0	\$0	\$198,197
Total Operating Expenses	\$5,029,008	\$5,029,008	\$5,029,008	\$5,029,008	\$5,029,008
Net Operating Revenue	\$2,131,289	\$2,832,205	\$3,153,695	\$3,268,020	\$3,237,134
Debt Service					
Total Debt Service	\$1,610,365	\$1,810,445	\$1,811,696	\$1,812,664	\$1,813,334
Capital Expenditures					
Admin CIP - WW	\$57,267	\$117,822	\$97,363	\$34,090	\$30,900
WW CIP	\$1,408,950	\$1,040,502	\$1,303,331	\$1,182,126	\$905,971
Total Capital Expenditures	\$804,335	\$1,466,217	\$1,158,324	\$1,400,694	\$1,216,216
Net Cash Change Excluding New Debt Proceeds	\$492,788	-\$945,293	-\$136,563	-\$58,694	\$239,140
Beginning Balances	\$2,937,575	\$1,992,283	\$1,855,719	\$1,797,025	\$2,036,165
Ending Balances	\$1,992,283	\$1,855,719	\$1,797,025	\$2,036,165	\$2,523,094

Wastewater Fund Balances and Target Balance Level

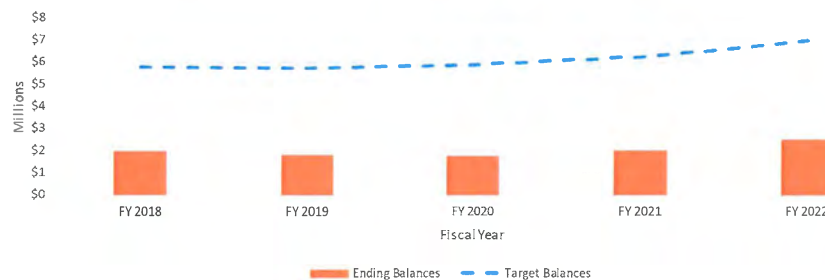


Table #4 Fallbrook Public Utility District's Recycled Water Projections

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$1,230,458	\$1,282,076	\$1,284,862	\$1,147,614	\$1,147,614
Proposed Rev Adjustments	\$0	\$32,052	\$97,971	\$149,262	\$214,105
Other Operating Revenues					
MWD/CWA Incentive	\$151,910	\$151,525	\$0	\$0	\$0
Sundry	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Subtotal Other Operating Revenues	\$156,910	\$156,525	\$5,000	\$5,000	\$5,000
Non-Operating Revenue					
1% Property tax	\$49,795	\$50,043	\$50,294	\$50,545	\$50,798
Interest	\$12,441	-\$3,114	-\$7,243	-\$13,695	-\$21,214
Subtotal Non-Operating Rev	\$62,236	\$46,929	\$43,051	\$36,850	\$29,584
Total Revenue	\$1,449,603	\$1,517,582	\$1,430,884	\$1,338,725	\$1,396,303
Operating Expenses					
Labor Costs	\$288,877	\$219,540	\$225,029	\$230,654	\$236,421
Fringe Benefits	\$168,467	\$130,123	\$138,581	\$147,589	\$152,754
Services, Materials & Supplies	\$274,950	\$258,150	\$265,895	\$273,871	\$282,087
Allocated Admin Expenses	\$336,400	\$358,963	\$372,176	\$385,976	\$397,261
CalPERS Pre-Funding	\$0	\$0	\$0	\$0	\$37,325
Total Operating Expenses	\$1,124,682	\$1,007,834	\$1,001,680	\$1,038,090	\$1,105,849
Net Operating Revenue	\$324,922	\$509,749	\$429,204	\$300,635	\$290,454
Debt Service					
RW Debt Services	\$530,362	\$553,724	\$553,724	\$553,724	\$553,724
Total Debt Service	\$530,362	\$553,724	\$553,724	\$553,724	\$553,724
Capital Expenditures					
Admin CIP - RW	\$8,181	\$16,832	\$13,909	\$4,870	\$4,414
RW CIP	\$232,300	\$173,417	\$226,666	\$237,258	\$239,630
Total Capital Expenditures	\$240,481	\$190,249	\$240,575	\$242,128	\$244,045
NET CASH CHANGE EXCL. NEW DEBT PROCEEDS	-\$445,921	-\$234,224	-\$365,095	-\$495,216	-\$507,314
Beginning Balances	\$379,829	-\$66,092	-\$300,316	-\$665,411	-\$1,160,628
Ending Balances	-\$66,092	-\$300,316	-\$665,411	-\$1,160,628	-\$1,667,942

Recycled Water Fund Balances and Target Balance Level



Attachment “C”

CSMFO AND GFOA BUDGET AWARD CRITERIA

TABLE OF CONTENTS:

CSMFO A1. Is there a table of contents? Are the document's pages numbered?

- The table of contents should be accurate. Check a few references in the Table of Contents to make sure the Table agrees with the document.
- All pages should be numbered including blank pages, pages marked "this page intentionally blank", logo pages and picture pages. (not tabs)
- If a couple of pages are not numbered, you should still award the point. The main goal is: Can the document be navigated?

GFOA C1. *Mandatory:* The document shall include a table of contents that makes it easier to locate information in the document.

- Is a comprehensive table of contents provided to help the reader locate information in the document?
- Are all pages in the document numbered or otherwise identified?
- Do the page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission?
- Explanation: Detailed indices preceding individual sections can be helpful, but they are not a substitute for a single comprehensive table of contents. Care should be taken in developing budget or electronic page number references in the table of contents, so they agree with the related page numbers in the budget *document or electronic submission*. *The use of whole numbers as page numbers is easier to follow.*

TRANSMITTAL LETTER/ BUDGET MESSAGE

CSMFO A2. Does the budget contain transmittal letter/ budget message?

- This is usually from the Organization's Executive Officer (EO) and touches on the highlights of the budget.
- Can be a letter signed by EO and a message written by the person preparing the budget.

GFOA P3. *Mandatory:* The document shall include a budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (*e.g., transmittal letter, budget summary section*).

- Does the message highlight the principal issues facing the governing body in developing the budget (*e.g., policy issues, economic factors, regulatory, and legislative challenges*)?
- Does the message describe the action to be taken to address these issues?

- Does the message explain how the priorities for the budget year differ from the priorities of the current year?
- Is the message comprehensive enough to address the entire entity?
- Discuss issues and offer solutions
- Explanation: This criterion requires a summary explanation of key issues and decisions made during the budget process. The budget message also should address the ramifications of these decisions. It is recommended that the total amount of the budget be included in the budget message.

CSMFO A3. Do letter/message highlight policy/ economic/legislative issues facing the jurisdiction and recommend actions to resolve these issues?

- Do you get a clear picture of what issues are being addressed by the Organization?
- Are recommendations made to address the issues?

GFOA C2. *Mandatory*: The document should provide an overview of significant budgetary items and trends. An overview should be presented within the budget document either in a separate section (e.g., *executive summary*) or integrated within the transmittal letter or as a separate budget-in-brief document.

- Is an overview contained in the budget message/transmittal letter, executive summary, or in a separate budget-in-brief document?
- Is summary information on significant budgetary items conveyed in an easy to read format?
- Is summary information on budgetary trends provided?
- Refer to GFOA's best practice on Effective Presentation of the Budget Document.

CSMFO A4. Does letter/message highlight major changes in budget from current year regarding service and/or funding levels?

- Is there a discussion of the addition/reduction of personnel?
- Are new programs being introduced or old ones phased out and are they discussed?
- If this is status quo, Organization should so state.

GFOA P2: The document should describe the entity's short-term factors that influence the decisions made in the development of the budget for the upcoming year.

- Are short-term factors addressed?
- Does the document discuss how the short-term factors guided the development of the annual budget?
- Is a summary of service level changes presented?
- Explanation: This criterion requires a discussion of the key factors that guide the development of the upcoming year's budget. Factors that might be included relate to: salary and benefit guidelines, fees, capital improvements, program enhancements or reductions, tax levels

- *Make sure every page in the budget document is sequentially numbered.*

CSMFO A5. Does letter/message highlight major organization priorities and their funding sources?

- Is there a discussion about what's going on in the community (the hot items)?
- Can be a discussion of the Organization's goals and how they will be funded.

CSMFO B10. Are there additional budget details describing highlights of recent accomplishments?

- Look for scope and clarity.
- This goes along with communicating what departments or programs do, may be goals accomplished.
- What have they accomplished in the past?
- This could be the interesting "story" part of the budget.

CSMFO B11. Is there additional budget detail that describes goals for program/department/function?

- What are the goals within each department, program or function?
- How do they tie to the Organization's overall objectives?

JURISDICTION PROFILE

CSMFO B3. Does document contain a jurisdiction profile; review of community demographics, location, economy?

- Look for comprehensiveness.
- Could include population, a map, the economy of the area, some historical data, pictures, etc.
- What is the community most known for? When was it established? How did it grow and when?

GOALS/STRATEGIC PLANNING

CSMFO B12. Is there additional budget detail including performance measures re: workload, efficiency or effectiveness?

- Be sure these are really performance measures and not just goals/objectives.
- Must be measurable.

CSMFO B13. Are performance measures directly linked to stated goals?

- How do the performance measures help the Organization meet its stated goals?
- Must include an indication of the *link* for reviewer to be able to determine if the performance measure is linked.

GFOA P1: The document should include a coherent statement of organization-wide, strategic goals and strategies that address long-term concerns and issues.

- Are non-financial policies/goals included?
- Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections?
- Are other planning processes discussed?
- Explanation: This criterion relates to the long-term, entity-wide, strategic goals that provide the context for decisions within the annual budget. Consider including action plans or strategies on how the goals will be achieved.
- Refer to GFOA's best practice on Establishment of Strategic Plans.

GFOA O5: The document should include clearly stated goals and objectives of organizational units (*e.g., departments, divisions, offices or programs*).

- Are unit goals and objectives identified?
- Are unit goals clearly linked to the overall goals of the entity?
- Are objectives quantifiable?
- Are timeframes on objectives noted?
- Explanation: This criterion requires that unit goals and objectives be clearly identified. The relationship of unit goals to the overall goals of the entity should be apparent (perhaps, in the form of a matrix). For purposes of this criterion, goals are long-term and general in nature, while objectives are more short-term oriented and specific. Note when goals and objectives are expected to be accomplished.

GFOA O6: The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.

- Are performance data for individual departments included in the document?
- Are performance data directly related to the stated goals and objectives of the unit?
- *Do performance measures focus on results and accomplishments (e.g., output measures, efficiency and effectiveness measures) rather than inputs (e.g., dollars spent)?*
- *Consider a matrix linking department goals to overall entity goals.*
- *Link performance measures to unit goals and objectives and include efficiency and effectiveness measures.*
- Explanation: Performance measures should include the outputs of individual units and provide a meaningful way to assess the effectiveness and efficiency of those units. The measures should be related to the mission, goals, and objectives of each unit. Include

information for at least three years (the prior year actual, current year estimate or budget, and budget year).

- Refer to GFOA’s best practice on A Systematic Approach to Managing Performance and Performance Management for Decision Making.

GFOA F7: The document should explain long-range financial plans and its effect upon the budget and the budget process.

- Are long-range financial plans identified?
- Do your long-range financial plans extend out at least two years beyond the budget year?
- Is there a concise explanation or illustration of the linkage between the entity’s long-range financial plans and strategic goals?
- Explanation: This criterion requires the identification of long-range financial plans that extend beyond the budget year. The impacts of the long-range financial plan upon the current budget and future years should be noted.
- Refer to GFOA best practices on (1) Long-Term Financial Planning, (2) Establishment of Strategic Plans, (3) Budgeting for Results and Outcomes, and (4) Multi-Year Capital Planning.

BUDGET BASIS

CSMFO A6. Is the basis of budgeting defined?

- For example, modified accrual/cash/or accrual, etc. Is the basis of budgeting the same as the basis of accounting and if not, are the differences described?
- Referring to the funds within the Organization or the budget process does not meet criteria.
- Could be in the budget message, as an appendix or elsewhere in the document.

GFOA F2: The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

- Is the basis of budgeting defined (*eg., modified accrual, cash, or accrual*) for all funds included in the document? If the basis of budgeting is the same as the basis of accounting used in the entity’s audited financial statements, is that fact clearly stated

CSMFO B6. Does the document demonstrate the use of cost accounting and/or allocated costs?

- Evaluate based on the degree to which cost accounting has been implemented.
- Internal Service Funds are a start. Should discuss how the costs are allocated back to the other funds including the basis for determining the allocations.
- Indirect Cost formulations could be identified.

CSMFO B7. Is there a description of financial/budget policies which govern finance or budget development such as for reserves, debt management, CIP, revenue projections?

- Look for comprehensiveness.
- May include actual policies typically found in appendix or transmittal letter.

GANN LIMIT/PROP 4

CSMFO A7. Is the jurisdiction's Prop 4 (Gann) Appropriation Limit included?

- Could include resolution or the calculation page or both to meet this criterion.
- If the Appropriation Limit does not apply to the organization, should state, "Does not apply" on the application. Award the point for Special Districts.

CSMFO B5. Are implications of Prop 4 limit discussed and/or future trends analyzed?

- Must include more than the calculation and/or the resolution. (more than A7)
- Look at the past to determine the future.
- If you have such a wide margin between your proceeds of taxes and your appropriation that you'll never have to worry, show some historical data to support that trend.
- For Special Districts this item does not apply, so award full points.

BUDGET PROCESS

CSMFO A8. Is the budget process explained?

- Should discuss the role of the departments, any meetings that are held throughout the process, workshops, citizen involvement.
- This is where the Organization can give credit for the hard work of others in the organization and/or community.
- Could include a timeline.

CSMFO B4. Does document include actual budget adoption resolutions/ordinances enacted by the Organization's governing body?

- Adopting document must be included in the budget document, not as an addendum, to earn this point.

GFOA P5. *Mandatory*: The document shall describe the process for preparing, reviewing, and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption.

- Is a description of the process used to develop, review, and adopt the budget included in the document?
- Is a budget calendar provided to supplement (not replace) the narrative information on the budget process?
- Is a discussion of how the budget is amended provided in the budget document available to the public (including the budgetary level of control?)

CSMFO A17. Does the budget describe the level of budget control exercised by the jurisdiction and is that level included in the budget document?

- Level at which departments or Organization's EO cannot make changes without the Organization's governing body approval.
- Must be described somewhere in document.

ORGANIZATION CHART

CSMFO A9. Is a jurisdiction-wide organization chart included?

- May include functions of departments, if room permits.
- Does not have to include every position in your organization.

GFOA: O1. *Mandatory*: The document shall include an organization chart(s) for the entire entity.

- Is an organization chart provided which shows the entire entity?

GFOA O4. (*Mandatory*): The document shall describe activities, services or functions carried out by organizational units.

- Does the document clearly present the organizational units (*e.g., divisions, departments, offices, agencies, or programs*)?
- *Does the document provide descriptions of each organizational unit?*
- Explanation: This criterion requires a clear presentation of the organizational units within the budget document. A narrative description of the assigned services, functions, and activities of organizational units should be included. The presentation of relevant additional information should be included (*e.g., shift in emphasis or responsibilities or major changes in costs*). Refer to GFOA's best practice on Departmental Presentation in the Operating Budget Document.

PERSONNEL

CSMFO A18. Is there a summary of personnel (headcount) by organization, fund or department for the proposed budget year(s) and the prior year?

- This should include all positions or full-time equivalents compared from one year to the next, subtotals and a grand total.
- Can be sorted by fund, department or function.
- Should be in summary form.
- Governing body should be able to tell if positions are being added or deleted.

CSMFO B14. Are personnel/staffing levels listed for each detail budget level (department, division, function, and program)?

- Could include historical and future.
- Must provide reader with staffing level for each detail budget level where costs are indicated for staffing.

CSMFO B15. Does document include departmental organization charts?

- Could be imbedded in overall organization chart if room permits.

CSMFO B16 Is there a description of staffing level changes?

- Could be in the transmittal letter.
- Should describe the change, don't just give the numbers.

CSMFO B17. Is there a discussion of employee compensation and benefits?

- Could be in the transmittal letter or budget message.
- Should include a discussion, don't just give the numbers.

GFOA O3. *Mandatory*: A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.

- Is a summary table of position counts provided for the entire entity?
- Does the table include the prior year, the current year, and budget year position counts?
- Are changes in staffing levels for the budget year explained?
- If there are no changes in staffing levels, is that item noted?
- Explanation: This criterion requires a presentation of position counts or full-time equivalents (FTEs) within the entity. Presentation may be by position and/or by summaries of positions. Position summaries within individual departments may supplement, but not be a substitute for, the position counts on the consolidated schedule. If presented, position counts on the departmental summaries should tie to the consolidated position count schedule for the entity as a whole. Staffing level changes must be explained. If there are no staffing level changes, then that fact must be noted.

FUNDS

CSMFO A11. Does the budget include at least the General Fund, special revenue funds, and enterprise funds of the jurisdiction, and a listing of all other funds used in the jurisdiction? (Such as internal service funds, debt service funds, capital project funds, or trust and agency funds.)

- Could include a List of Funds by type.
- May be found in the Appendix.

CSMFO A15. Is there a fund balance summary schedule, by fund, showing changes from the projected beginning balances through the end of the budget year(s)?

- Make sure it has a beginning and an ending number, with changes shown in between.
- Should include everything that affects ending balances, such as transfers and adjustments.
- Could provide "available" fund balance for some funds or "working capital" for enterprise funds.

GFOA P4. *Mandatory*: The document should include a coherent statement of entity-wide long-term financial policies.

- Is there a summary of financial policies and goals?
- Do the financial policies include the entity's definition of a balanced budget?
- Are all financial policies presented in one place?
- Explanation: This criterion requires a discussion of the long-term financial policies. Financial policies that should be included (but not limited to) and formally adopted relate to: (1) financial planning policies, (2) revenue policies, and (3) expenditure policies. The entity should adopt a policy(s) that defines a balanced operating budget and indicate whether the budget presented is balanced. The entity should adopt a policy(s) that supports a financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets, budget policies, and cash management and investment policies. The entity should adopt a policy(s) to inventory and assess the condition of all major capital assets. Revenue policies should consist of diversification, fees and charges, and use of one-time and unpredictable revenues. Expenditure policies should consist of debt capacity, issuance, and management, fund balance reserves, and operating/capital budget versus actual monitoring.
- Refer to GFOA's best practices on (1) Adopting Financial Policies, (2) Long-Term Financial Planning, (3) Multi-Year Capital Planning, (4) Establishing Government Charges and Fees, (5) Debt Management, (6) Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund, (7) Determining the Appropriate Level of Working Capital in Enterprise Funds (8) Creating a Comprehensive Risk Management Program, and (9) Establishing an Effective Grants Policy.

GFOA F1: The document should include and describe all funds that are subject to appropriation.

- Is a narrative or graphic overview of the entity's budgetary fund structure included in the document?
- Does the document indicate which funds are appropriated? (Other funds for which financial plans are prepared also may be included in the document.)
- Does the document include a description of each individual major fund included within the document?
- If additional or fewer funds are included in the audited financial statements, does the document indicate this fact?
- Explanation: Showing an entity's budgetary fund structure is essential for understanding its financial configuration. An overview of the budgeted funds should be included in the document. This overview should include each major fund's name and either (1) an indication of whether the fund is a governmental, proprietary, or fiduciary fund OR (2) an indication of the fund type of each fund (*e.g., general, special revenue, enterprise fund*). Any fund whose revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget

should be considered a major fund for this purpose. The entity needs to identify its major funds.

GFOA O2: The document should provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and nonmajor funds in the aggregate.

- Is the relationship between the entity's functional units, major funds, and nonmajor funds in the aggregate explained or illustrated?
- Explanation: Since most entities use more than one way of classifying financial and operational information, this criterion requires an explanation or illustration of the relationship between functional units, major funds, and nonmajor funds in the aggregate. A matrix is one way to show this relationship.

GFOA F5. *Mandatory*: The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document).

- Does the document include the entity's definition of "fund balance" (or of "fund equity" if no governmental funds are included in the entity - frequently the noncapital portion of net assets)?
- Is the fund balance (equity) information presented for the budget year?
- Is there a schedule showing (1) beginning fund balances, (2) increases and decreases in total fund balances (reported separately), and (3) ending fund balances for appropriated governmental funds?
- Is this information presented at a minimum for each major fund and for nonmajor governmental funds in the aggregate?
- If fund balances of any major fund or the nonmajor funds in the aggregate are anticipated to increase or decline by more than 10%, does the document include a discussion of the causes and/or consequences of these changes in fund balance?
- If an entity has no governmental funds, is the change in the fund equity presented for (1) the entity as a whole, (2) the main operating fund, and (3) each significant fund?
- If an entity has no governmental funds and the fund equity of any significant fund or other funds in the aggregate is anticipated to change by more than 10%, does the document include a discussion of the causes and/or consequences of any change in fund equity that is greater than 10% in either a significant fund or other funds in the aggregate?
- For biennial budgets is the change in fund equity presented separately for both years of the biennium?
- Explanation: This criterion requires that beginning and ending fund balances, as defined by the entity in the budget document, be shown for the budget year, as well as revenues, expenditures, and other financing sources/uses. This information must be provided for each major fund and for the nonmajor governmental funds in the aggregate. The information may be included on the schedule(s) with the three-year data or may be

presented on a separate schedule(s). Both the beginning and ending fund balances must be clearly labeled. If the entity budgets on a cash basis, the schedule may show beginning and ending cash rather than fund balance. If the fund balances of any major fund or the nonmajor funds in the aggregate are expected to change by more than 10%, the changes should be discussed in the budget message/transmittal letter or at the bottom of the schedules identifying the change. If the ending fund balances are greater than the amount or percentage that the financial policies require to be set aside, the entity is encouraged to state that fact. Changes in fund equities for entities with no governmental funds should be reported.

- Refer to GFOA's best practice on Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund and Determining the Appropriate Level of Working Capital in Enterprise Funds.

CONSOLIDATED FINANCIAL SCHEDULES

GFOA F3. *Mandatory*: The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

- Does the document include an overview of revenues and other financing sources and expenditures and other financing uses of all appropriated funds?
- Are revenues and other financing sources and expenditures and other financing uses presented either (1) together in a single schedule OR (2) in separate but adjacent/sequential schedules OR (3) in a matrix?
- Are revenues presented by major type in this schedule (*e.g., property taxes, intergovernmental, sales taxes, fees and charges*)?
- Are expenditures presented by function, organizational unit, or object in this schedule? (For funds other than the main operating fund of the entity, a presentation by fund normally would satisfy this requirement.)
- Explanation: This criterion requires a summary of the revenues and other financing sources and expenditures and other financing uses of all appropriated funds in one place in the budget document. Other funds *may* be included in this schedule, but appropriated funds *must* be included. Both revenues and other financing sources and expenditures and other financing uses must be presented either (1) together in a single schedule OR (2) in separate but adjacent/sequential schedules OR (3) in a matrix. Merely showing fund totals in a summary schedule is not proficient.
- Revenues should be presented by type (*e.g., property tax, sales tax, fees and charges, intergovernmental*) for all appropriated funds in total. A more detailed presentation that also shows revenues by major fund is encouraged, but not required. Expenditures should be presented either by function, organizational unit or object.

GFOA F4. *Mandatory*: The document must include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year

- Consolidated Financial Schedule
- *Break out revenues by type and expenditures by function, organizational unit, or object.* actual, the current year budget and/or estimated current year actual, and the proposed budget year.
- For annual budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and the budget year presented together on the same schedule(s) or on schedules presented on adjacent/sequential pages?
- Is this information presented for the appropriated funds in total (or for the entity as a whole if no appropriated funds are included)?
- Is this information also presented at a minimum for each major fund and for other (i.e. nonmajor) funds in the aggregate (or for each significant fund and other funds in the aggregate if no appropriated funds are included)?
- For biennial budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and both budget years presented together on the same schedule(s) or on separate schedules presented on adjacent/sequential pages?
- Explanation: This criterion requires a schedule(s) that includes both revenues and other financing sources and expenditures and other financing uses for at least three budget periods (prior year actual, current year, and budget year). The data for the prior year should be the actual revenues and expenditures. However, the entity may choose whether to use current year budget and/or estimated figures. Alternately, the document may include both the current year budget and the current year estimated amounts. Also, the document may include a discussion of any changes to the budget for the current year. However, such a discussion is not required. Any fund whose revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget should be considered a major fund. Of course, information for other funds also may be presented. Information for individual major funds, nonmajor funds in the aggregate, and the entity as a whole may be presented on a single schedule OR on separate schedules. Regardless of the format selected, the information for both revenues and expenditures must be included (1) on the same schedule(s) OR (2) on schedule(s) presented on adjacent/ sequential pages. As in the prior criterion, revenues should be presented by type (*e.g., property tax, sales tax, fees and charges, intergovernmental*) and expenditures should be presented either by function, organizational unit or object.
- Entities with biennial budgets should present data for four years - one prior year actual, current year budget and/or estimated amount, and budget for both years of the biennium.

KEY REVENUE ESTIMATES

CSMFO A10. Is the basis for assumptions for key revenue estimates described?

- This should focus on major revenue sources.
- Describing the revenue source does not meet this criterion.

- How were the amounts developed and by whom? Did the information come from the State or from an in-CSMFO house calculation based on CPI/other basis or from a fee/rate-based revenue projection?

CSMFO A12. Is there a summary schedule of revenue, by fund, and does it display at least the *proposed budget* year(s) and the two prior years?

- Make sure it includes the 3 required years.
- Should fit on one or two pages.
- Should be a summary, not detail.
- Should include all funds included in the document, plus jurisdiction-wide totals.
- CSMFO B2. Is there an in-depth description of revenue sources and basis for estimates?
- Look for comprehensiveness beyond A10. A10 is looking for “major” revenue sources and this question is looking for more comprehension.
- Must include basis for estimates. How was the number developed?

GFOA F6. *Mandatory*: The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

- Are individual revenue sources described?
- Do the revenue sources that are described represent at least 75 percent of the total revenues of all appropriated funds?
- *Are the methods used to estimate revenues for the budget year described (e.g., trend analysis, estimates from another government or consulting firm)?*
- If revenues are projected based on trend information, are both those trends and the underlying assumptions adequately described?
- Explanation: This criterion requires that the major revenues of the appropriated funds in the aggregate be identified and described. If an outside source (*e.g., another government or consulting firm*) provides an estimate of the revenue for the budget year, that fact must be clearly stated. If the entity uses trend analysis to project particular revenue, a discussion of the revenue trend is required in addition to any schedules or graphs depicting the revenue trend. If the projections are based on trend analysis, the discussion must identify factors that affect the trend, such as changes in the local economy, a new housing development, or fee increases. Do not just focus on General Fund revenues.
- Refer to GFOA’s best practice on Financial Forecasting in the Budget Preparation Process.

EXPENDITURES

CSMFO A13. Is there a summary schedule of expenditures, by fund, and does it display at least the proposed budget year(s) and the two prior years?

- Make sure it includes the 3 required years.
- Should fit on one or two pages.
- Should be a summary, not detail.
- Should include all funds included in the document.

CSMFO A14. Is there a summary schedule of expenditures, by department, organization, program or function, and does it display at least the proposed budget year(s) and the two prior years?

- Make sure it includes 3 required years.
- Should reflect how the Organization does business.
- Should be a summary, not detail.
- Bottom line should equal bottom line for summary provided for A13.

CSMFO A16. Do the budget detail pages describe the department, organization, program or function in question?

- Does the description tell the reader what these individual departments do or what services are performed?

DEBT

CSMFO B18. Is there a description of budgeted debt obligations?

- Could describe why the debt was issued.
- Could describe the debt service schedule in general terms and the source of funds for repayment.
- GFOA F10. *Mandatory*: The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current operations.
- If the entity has legal debt limits:
 - Are debt limits described?
 - Are the amounts of debt limits expressed in terms of total dollars, millage rates or percentages of assessed value?
 - Are the amounts of debt subject to debt limits identified in the same terms used to describe the debt limits themselves?

- If the entity has no legal debt limits, is that fact clearly stated within the budget document?
- If the entity does not have and does not intend to issue debt, is that fact clearly stated?
- Is the amount of principal and interest payments for the budget year (two years for biennial budgets) shown for each major fund (for appropriated funds), for each significant unappropriated fund and for other funds in the aggregate?
- Explanation: Entities should describe their legal debt limits. The legal debt limits may be expressed in terms of total dollars, millage rates, or percentages of assessed value. A graph may supplement the calculation, but may not be a substitute for the calculation. If an entity has no legal debt limits, that fact should be clearly stated within the budget document. The budget document may omit the debt limits requirements only if the entity (1) has no debt, (2) has no intention of issuing debt, and (3) states this fact in the budget document.
- The document should indicate the impact of debt on the current budget by indicating the total amount of principal and interest payments to be paid during the year for each major appropriated fund and for each significant unappropriated and for other funds in the aggregate (two years for biennial budgets). If the entity has variable rate debt or a balloon payment that could significantly alter debt levels in the future, the entity is encouraged to disclose that fact. A repayment schedule may be presented, but is not required. The entity is encouraged to discuss coverage requirements and actual coverage for revenue backed debt. An entity may wish to discuss debt that it anticipates issuing separately from its discussion of outstanding debt. An entity should consider concisely describing the purpose and type of individual debt obligations.

CAPITAL EXPENDITURES

GFOA F8. *Mandatory*: The document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

- Does the document define “capital expenditures”?
- Does the document indicate the total dollar amount of capital expenditures for the budget year (both budget years for biennial budgets)?
- Are significant nonrecurring capital expenditures described along with dollar amounts? (Information in a separate CIP document does not satisfy this criterion.)
- If the entity has no significant nonrecurring capital expenditures, is that fact clearly stated in the document?
- Explanation: This criterion does not mandate any particular definition of “capital expenditures,” only that whatever definition is being used by the entity be disclosed.
- After defining *capital expenditures*, the entity should indicate the total dollar amount of such expenditures for the budget year. The entity is encouraged, but not required, to provide a summary of capital expenditures by major project, type, fund, or user.

- Recurring capital expenditures are those that 1) are included in almost every budget and 2) will have no significant impact on the operating budget. For example, the construction of a new school building, because of its significant impact, would almost always be considered nonrecurring, even if such construction is a frequent occurrence. If the entity has only insignificant recurring capital expenditures, the document should clearly state that fact.
- If the entity has any significant, nonrecurring capital expenditures, the document should describe these items (i.e. indicate the project’s purpose and funding sources) and indicate the amount appropriated for the project during the budget year(s). Also, the document should include the amount appropriated for significant, nonrecurring capital expenditures in the budget year.
- Refer to GFOA best practices on (1) Establishing Appropriate Capitalization Thresholds for Tangible Capital Assets, (2) Determining the Estimated Useful Lives of Capital Assets, (3) Incorporating a Capital Project Budget in the Budget Process, (4) Multi-Year Capital Planning and (5) Presenting the Capital Budget in the Operating Budget Document.

GFOA F9: The document should describe if and to what extent significant nonrecurring capital expenditures will affect the entity’s current and future operating budget and the services that the entity provides.

- Are anticipated operating costs associated with significant nonrecurring capital expenditures described and quantified (*e.g., additional personnel costs, additional maintenance costs, or additional utility costs*)? (Information in a separate CIP document does not satisfy this criterion.)
- *Are anticipated savings or revenues expected to result from significant nonrecurring capital expenditures described and quantified (e.g., reduced utility costs, lower maintenance costs)?*
- Impact of Capital Improvements on Operating Budget
- Explanation: This criterion asks for the identification of specific significant financial impacts upon current and future years that are likely to result from significant nonrecurring capital expenditures (other than the cost of the improvements themselves). The entity may make its own determination of what is “significant.” However, some examples of significant costs are those that (1) would require an increase in the tax rate OR (2) would result in a reduction in spending elsewhere in the budget OR (3) would require additional staff. Additional anticipated revenues and expenditure reductions also should be briefly described and quantified. Concepts like net present value, return on investment, or payback period may be used.
- Identification of the anticipated non-financial impact of significant nonrecurring capital expenditures on services is encouraged. Examples include a cleaner environment, improved response time by public safety employees, smaller class sizes in schools, and access to public buildings and public transportation by all citizens.

ACRONYMS

CSMFO B19. Is a list of acronyms used included and are the acronyms defined?

- Maybe a stand-alone list or could be combined with the Glossary Section.

GFOA C4: A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

Criteria Location Guide Questions

- Are acronyms or abbreviations used in the document defined in the glossary?

GLOSSARY

CSMFO B20. Is there a glossary of terms?

- A glossary is an alphabetized list of terms that includes definitions.
- An Index does not earn proficiency for this item.

GFOA C4: A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

- Explanation: The use of technical terms and acronyms ought to be kept to a minimum, to enhance the value of the document to the majority of stakeholders. When technical terms and acronyms are used, they should be clearly and concisely described in the glossary.
- Are acronyms or abbreviations used in the document defined in the glossary?
- Is the glossary written in non-technical language?

STATISTICAL AND SUPPLEMENTAL DATA

CSMFO B21. Does document include financial trend indicators?

- Look for scope of analysis, number of years analyzed, and use of per capita or constant dollar analyses. The level of comprehension should determine the grade.

CSMFO B22. Is there a comparison of financial status and other statistical data to other jurisdictions?

May include major revenue sources, population growth, crime rate, employees per capita, etc.

GFOA C3: The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.

- Is statistical information that defines the community included in the document (*e.g., population, composition of population, land area, and average household income*)?
- Is supplemental information on the local economy included in the document (*e.g., major industries, top taxpayers, employment levels, and comparisons to other local communities*)?
- Is other pertinent information on the community (*e.g., local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure*) included in the document?
- Explanation: Background information should be included in the budget in the form of statistical and supplementary data, either in a separate section or throughout the document. The goal is to provide a context for understanding the decisions incorporated into the budget document. The presentation should include factors that will affect current or future levels of service (*e.g., population growth, economic strength in the region, or a change in the size of the school age population*).
- Refer to GFOA's best practice on The Statistical/Supplemental Section of the Budget Document for information that should be included as part of this discussion.
- *Do not just copy the CAFR statistical/supplemental section into the budget document.*

CSMFO B8. Additional prior year(s) revenue, expenditure, and fund balance history. (Beyond A12, 13, 14)

- Additional columns to A12, 13, and 14 is one way to evaluate proficiency.
- Use reviewer judgment for partial information. If only one year of prior revenue and expenditures is included without fund balance, for example, the reviewer should determine whether the impact of the missing information warrants a lower grade.

CSMFO B9. Additional future years of forecasted revenue, expenditure and fund balance?

- Summarized information qualifies.
- Use reviewer judgment for partial information. If only one year of future revenue and expenditures is included without fund balance, for example, the reviewer should determine whether the impact of the missing information warrants a lower grade.

FORMATTING

CSMFO A19. Is the budget clearly enough organized and presented as a document?

- Has common sense been used to make the document easy to navigate?
- Is the information clear and organized in a way to make it understandable?

CSMFO A20. Do the budget numbers and format appear to be accurate and consistent throughout the document?

- Do the numbers flow and balance?

CSMFO B1. Does the document display an effective use of graphics, artwork and charts?

- Start with the cover - Is it meaningful? Is a description of the cover provided?
- Look for scope, clarity, and originality.
- Has creativity been used?
- Does it give the reader a flavor of the community?
- Could the reader know a lot about the budget just from these items?

GFOA C5: Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

- Are charts and graphs used in the document to convey essential information (*e.g., key policies, trends, choices and impacts*)?
- Do the graphics supplement the information contained in the narratives?
- Explanation: This criterion requires that graphics be used to communicate key information in the budget document. Graphics should enhance the budget presentation, and clarify significant information. The entity determines the most effective format to present graphic information. Graphics may be consolidated or included throughout the document. Normally, narratives should accompany the graphs. Graphs can be used for such topics as revenues, expenditures, fund balances, staffing, economic trends, capital expenditures, service levels, performance measures, or general statistical information. Originality is encouraged, but not at the expense of clarity and consistency. Consider using captions to explain the significance of graphs.

GFOA C6: The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.

- Is page formatting consistent?
- Are the main sections of the document easily identifiable?
- Is the level of detail appropriate?
- Are text, tables, and graphs legible?
- Are budget numbers in the document accurate and consistent throughout the document?
- Explanation: The goal of this criterion is to make sure that the document itself contributes to the effectiveness of the communication to readers. Sequential page numbering


throughout the document is encouraged. Budget numbers (both financial and operational) should be accurate and consistent throughout the document. Put similar topics in the same section.

- Refer to GFOA's best practice on Making the Budget Document Easier to Understand and Presenting Official Financial Documents on Your Government's Website.
- Charts and Graphs
- Understand- ability and Usability - Make sure the document is easy to read

CSMFO B23. Does document display exceptional clarity of format and presentation effectiveness?

- Is the document easy to navigate?
- Is the document put together logically and does it flow well?
- Has it been easy for you to find what you need in order to score the document?

M E M O

TO: Fiscal Policy & Insurance Committee
FROM: David Shank, Assistant General Manager/CFO 
DATE: April 30, 2018
SUBJECT: Finance Projects and Schedules

Purpose

Review the various planned finance projects and their schedules.

Summary

A number of projects have been identified by the Committee and the Board. This memo provides a summary of each project, the completion schedule, and the project status. The projects have been broken into three focus areas. Each focus area and the related projects are listed below. All of the projects are on schedule. Attachment A provides a timeline for all the projects.

Accounting:

- **Accounting system review/optimization** – The current system configuration creates unnecessary and multiple journal entries. The current cost accounting structure also requires cumbersome journal entries to track basic things like cash and investment by fund. By making some changes in the system configuration, staff will reduce the number of journal entries, allow better tracking of cash/investments by fund, eliminate the fringe and warehouse burdens on labor and support better budget monitoring. The new chart of accounts is completed and undergoing testing. Over 1,600 accounts have been added. The changes will be implanted on July 1, 2018, the start of the fiscal year.
- **Streamline Payroll** – Payroll currently takes an inordinate amount of time to process and Springbrook will not support enhancements without completely reworking the system structure. As a result, a third party service is necessary to support electronic timesheet processing that can be imported into Springbrook. The new system is undergoing testing, and implementation is scheduled for mid-May.
- **Auditor RFP/Selection** – It is a best management practice to limit the number of years an auditor can serve for to ensure the financial reporting is kept to the highest standards. A new auditor has been selected and initial field, work begins the week of June 18th.
- **FY 17-18 Audit** – This is expected to take additional time as the new auditor learns the District system and performs the necessary tests for the first time. In addition, the District has set the goal of issuing its first Comprehensive Annual Financial Report (CAFR). A CAFR requires additional information that was not included in the District's Annual Financial Statements and is considered a best management practice. The issuance of a CAFR and the receipt of the award of excellence would not only elevate the District's

financial disclosure, but also enhance transparency. The schedule would have the CAFR approved by the Board in December, which is a very common schedule.

Budget:

- **FY 18-19 Budget** – The development of the next year’s budget is well underway. Staff are reviewing layout and content to establish a suitable balance of detail to provide transparent and accurate data. The budget will be structured to work with the reconfigured financial system to yield the level of detail necessary to track and manage the annual budget. Per Article 15 of the Administrative Code, the Board will be presented the budget in May. Committee meetings are scheduled for the budget review and discussion.
- **Rate and Charge Adjustment** – Metropolitan’s Readiness-to-Serve (RTS) Charge was modified effective January 1, 2018, to eliminate an overcharge. This will be changed and the RTS charge modified to recover the appropriate amount.
- **CY 2019 Rates and Charges** – The rate and charge assumptions must be updated with CY 2019 data to support budget revenue and water cost assumptions. While the rate and charge levels will be vetted during this process, the rates and charges will not be adopted until late CY 2018. Preliminary numbers are available in the draft budget under review.
- **Finalize Rate Model** – The rate model developed for the Rate Study must be modified to support rate and charge setting in CY 2019 and beyond. This requires that staff be able to annually update the assumptions on water costs, O&M, other revenues, and sales levels to set the rates and charges. A new rate model has been completed to support the budgeting and financial planning processes.

Reporting:

- **Budget Status Report** – The report is designed to enable a quick assessment of the District’s budget status. The report shows expected monthly activity, year to date, and remaining budget. This has been completed
- **Treasurer’s Report** – The current treasurer’s report needs some basic enhancements. All funds and transactions should be reflected in the report. This has been completed.
- **State Controller Report** – Each year the District must file certain reports with the State Treasurer’s Office. The reports must be filed in January. This has been completed.

Recommended Action

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

Attachment “A”

	FY 2017-18										FY 2018-19									
	Nov.	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct.	Nov.	Dec	Jan	Feb	March	April	May	June
Accounting																				
Accounting System Review/Optimization	Assessment			Phase I: Implementation				COMPLETED	Phase II: Implementation											
Payroll Process Improvements				RFP	Award/Implement															
Auditor RFP/Selection				RFP	Award	COMPLETED														
Audit FY 17-18	TBD Audit Schedule																			
Budget																				
FY 2018-2019 Budget		Development				FP&I Draft	Meetings/Adopt													
Rate & Charge Adjustment									RTS											
CY 2019 Rates and Charges												Hearings/Adoption								
Finalize working rate model				Final model/Budget support		COMPLETED														
Reporting																				
Budget Status		Develop/Final		COMPLETED																
Treasurers Report			Develop/Final		COMPLETED															
State Controller Report			Due	COMPLETED																