



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

AGENDA

**MONDAY, JANUARY 22, 2024
4:00 P.M.**

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

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

TELECONFERENCE LOCATION

In addition, Director Wolk will be teleconferencing pursuant to Government Code section 54953 from the following location: Everett Station, 3201 Smith Ave, Everett, WA 98201

Join Zoom Meeting

<https://us06web.zoom.us/j/82003172211?pwd=UU10YWltMkVvWGVAUFNkQnA2bHA4Zz09>

MEETING ID: 820 0317 2211

AUDIO PASSCODE: 363170

Dial by your location

+1 346 248 7799 US (Houston); +1 720 707 2699 US (Denver); +1 253 215 8782 US (Tacoma);

Find your local number: <https://us06web.zoom.us/j/82003172211?pwd=UU10YWltMkVvWGVAUFNkQnA2bHA4Zz09>

Members of the public may participate in the meeting from any of the above locations.

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

SUBMIT COMMENTS BEFORE THE MEETING:

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

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

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

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

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

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

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

PLEDGE OF ALLEGIANCE

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

PUBLIC COMMENT

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

- A. 2023 EMPLOYEE OF THE YEAR; RESOLUTION NO 5067
 - 1. Bryan Wagner

- B. YEARS OF SERVICE
 - 1. Todd Jester – 20 years

- C. NEW EMPLOYEE ANNOUNCEMENT
 - 1. Albert Tapia, Utility Worker I

- D. NEW CERTIFICATIONS
 - 1. Jose Lucca, Distribution Operator I
 - 2. Colter Shannon, Class A Driver's License

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

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

- E. CONSIDER APPROVAL OF MINUTES
 - 1. December 4, 2023 Combined Nov./Dec. Regular Board Meeting
 - 2. December 13, 2023 Special Board Meeting
 - 3. January 4, 2024 Special Board Meeting

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

III. INFORMATION----- (ITEMS F–H)

F. RECOGNITION AND COMMENDATION OF STUDENT ARTWORK

Presented by: Noelle Denke, Public Information Officer

G. STATE LOBBYING UPDATE

Presented by: Kirk Kimmelshue, Fernandez Jensen Kimmelshue Government Affairs

H. MID-YEAR OPERATING BUDGET UPDATE

Presented by: David Shank, Assistant General Manager/CFO

IV. ACTION / DISCUSSION CALENDAR----- (ITEMS I–L)

I. CONSIDER UPDATE OF EMERGENCY DECLARATION FOR PIPELINE REPLACEMENTS

Recommendation: The recommended action is for the Board to continue the emergency action to replace the failed pipelines.

J. CONSIDER ANNUAL REVIEW OF DIRECTORS' PER DIEM COMPENSATION

Recommendation: Staff supports Board decision.

K. CONSIDER RECOMMENDATIONS BY THE COMMUNITY BENEFIT PROGRAM COMMITTEE

Recommendation: That the Board approve the Projects as recommended by the Committee. That the Board direct the Committee to finalize contract terms for each of these Projects using the Contract template and authorize the General Manager to execute these contracts.

L. CONSIDER ISSUANCE OF WATER REVENUE BONDS

Recommendation: That the Board Approve the Resolution authorizing the issuance of the 2024 Water Revenue Bonds; approve the form of the Financing Documents; and authorize staff to finalize and execute the Financing Documents.

V. ORAL/WRITTEN REPORTS----- (ITEMS 1–7)

1. General Counsel
2. General Manager
 - a. EMWD/MWD Updates
 - b. Engineering and Operations Report
 - c. Federal Funding Update

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

VI. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

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

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

January 17, 2024
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: January 22, 2024
SUBJECT: 2023 Employee of the Year – Bryan Wagner – Resolution No. 5067

Bryan Wagner was selected as the *August 2023 Employee of the Quarter* for the following reasons:

“Bryan has a willingness to help other departments and a, “That’s easy no problem attitude.” Bryan always has a positive outlook on all jobs assigned to his department no matter how difficult. He is up for any challenge. Bryan can be relied on to take a simple drawing and turn it into a well-executed finished product. Whether it be fabricating a unique one-off part, outfitting a truck with specific requirements, installing a pipeline, building a structure from blue prints or repairing a water main break, Bryan can be counted on to perform well beyond what all of us here at FPUD could expect. In the short time Bryan has worked for FPUD, he has rapidly advanced his education and technical abilities in the water industry. Bryan is truly an asset to the District, for this he should be recognizes as Employee of the Quarter.”

Bryan Wagner was chosen as the *2023 Employee of the Year* for the following reasons:

“We saw last year some of the age of our 100 year District’s water infrastructure starting to show. While many agencies would have been overwhelmed by the number of leaks and breaks that had to be responded to, many that happen at night and on the weekends, we have a team that didn’t miss a beat. Staff showed up, they tackled the problem, fixed it and got customers back in water. Many times they worked through the night under cold and wet conditions without complaint. While the entire team makes this happen, Bryan Wagner leads by example as a critical part of this team. He has a positive attitude and is willing to tackle any job. He brings has brought his technical expertise to the District and has the ability to fabricate complex repairs. He has also moved forward to get his necessary certifications, which helps increase his ability to support the needs of the District. He is a mentor for other employees and continues to help others learn the key technical welding skills to be successful. For these reasons I have chosen Bryan out of all the talented and dedicated Employee of the Quarter nominees to be the Employee of the Year for 2023.”

Resolution No. 5067 conveys the Board of Directors’ commendation and appreciation to Devin for his dedicated service to the District.

Congratulations, Bryan!

RESOLUTION NO. 5067

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC
UTILITY DISTRICT OF COMMENDATION AND APPRECIATION TO BRYAN
WAGNER, 2023 EMPLOYEE OF THE YEAR**

* * * * *

WHEREAS, the Fallbrook Public Utility District Recognition Program provides that an Employee of the Year be selected from the Employee of the Quarter winners during the past year by the General Manager; and

WHEREAS, Bryan Wagner was hired on July 22, 2019, as Utility Worker I, has since been promoted twice, and now holds the Crew Leader position; and

WHEREAS, Bryan Wagner was nominated as the Employee of the Quarter for August 2023, by Donald Parker; and

WHEREAS, Bryan Wagner was selected by General Manager Bebee as the 2023 Employee of the Year; and

WHEREAS, Bryan Wagner has demonstrated hard work and leads by example as a critical part of his team. He has a positive attitude and is willing to tackle any job; and

WHEREAS, Bryan Wagner has brought his technical expertise to the District, demonstrating the ability to fabricate complex repairs. He is a mentor for other employees and continues to help others learn key technical welding skills to be successful.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Fallbrook Public Utility District does hereby commend Bryan Wagner for being selected as the 2023 Employee of the Year and expresses its deep appreciation to Bryan for his dedicated service to the District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 22nd day of January, 2024, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

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M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: January 22, 2024
SUBJECT: Approval of Minutes

Recommended Action

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

1. December 4, 2023 Regular Meeting
2. December 13, 2023 Special Meeting
3. January 4, 2024 Special Meeting

Minutes from December 4, 2023
Combined November/December Regular Meeting



**FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
COMBINED NOVEMBER/DECEMBER REGULAR BOARD MEETING**

MINUTES

**MONDAY, DECEMBER 4, 2023
4:00 P.M.**

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

President Wolk called the Combined November/December Regular Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 4:00 p.m.

A quorum was established, and attendance was as follows:

Board of Directors

Present: Charley Wolk, Member/ President
Jennifer DeMeo, Member/Vice President
Dave Baxter, Member
Ken Endter, Member
Don McDougal, Member

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager
Dave Shank, Assistant General Manager/CFO
Paula de Sousa, General Counsel
Jodi Brown, Management Analyst
Isabel Casteran, Safety and Risk Officer
Aaron Cook, Engineering Manager
Mick Cothran, Engineering Technician
Gregory McAnally, Utility Worker I
Carl Quiram, Operations Manager
Christi Ray, Accounting Technician
Steve Stone, Field Services Manager
Veronica Tamzil, Supervising Accountant
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: Daphnie Munoz, Jacqueline Howells, Joe Naiman, and Jason Martin

PLEDGE OF ALLEGIANCE

President Wolk led the Pledge of Allegiance.

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

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

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

PUBLIC COMMENT

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

There were no public comments for non-agenda items.

There were no public comments on agenda items A – F.

- A. ELECTION OF OFFICERS TO THE BOARD OF DIRECTORS
1. President
 2. Vice-President

President Wolk turned the meeting over to General Manager Bebee for the election of officers to the Board of Directors. General Manager Bebee asked for a motion.

MOTION: Director Endter moved to nominate Director DeMeo as President and Director McDougal as Vice President; Director McDougal Baxter. Motion carried; VOTE:

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

ABSTAIN: None
ABSENT: None

Newly-elected President DeMeo presided over the remainder of the meeting.

B. APPOINTMENTS TO BOARD STANDING COMMITTEES

1. Fiscal Policy & Insurance
2. Personnel
3. Engineering & Operations

President DeMeo made no changes to the standing committees.

C. YEARS OF SERVICE

1. Veronica Tamzil – 5 years

The Board recognized Veronica Tamzil for her 5 years of service to the District.

D. NEW CERTIFICATIONS

1. Kayla Ochoa – Environmental Compliance Inspector, Grade I

The Board recognized Kayla Ochoa for receiving her Environmental Compliance Inspector, Grade I certification.

E. EMPLOYEE OF THE QUARTER FOR NOVEMBER 2023

1. Jodi Brown

The Board recognized Jodi Brown as the Employee of the Quarter for November 2023.

F. NEW EMPLOYEE ANNOUNCEMENT

1. Gregory McAnally, Utility Worker 1

The Board welcomed Gregory McAnally as the new Utility Worker I.

II. CONSENT CALENDAR-----(ITEMS G-I)****

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

- G. CONSIDER APPROVAL OF MINUTES
1. October 23, 2023 Regular Board Meeting
2. November 15, 2023 Special Board Meeting

Recommendation: That the Board approve the minutes of the aforementioned meetings of the Board of Directors of the Fallbrook Public Utility District.

- H. CONSIDER 2024 BOARD OF DIRECTORS REGULAR MEETING SCHEDULE

Recommendation: The Board establish the 2024 Board of Directors' regular meeting schedule, to include combining the November and December regular Board meetings to Monday, December 2, 2024, at 4 p.m.

- I. CONSIDER NOTICE OF COMPLETION FOR FENCING AT 2.8 MG TANK

Recommendation: That the Board authorize staff to file the attached Notice of Completion with the San Diego County Recorder.

There were no public comments on Consent Calendar items.

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

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

III. INFORMATION----- (ITEM J)

- J. CROPSWAP PRESENTATION

*Presented by: Justin Haessly, Water Use Efficiency & Grants Manager,
Rancho California Water District*

Jason Martin, Director of Administration of Rancho California Water District presented a slideshow to provide an overview on the CropSWAP program.

Director McDougal asked what our participation would be. General Manager Bebee reported it would cost about \$25,000 to start for the administrative component of the grant and then a percentage of the total amount of the grant funds that an individual receives would be part of that administrative component as well.

Director Wolk asked if this was based on acre foot or acre feet saved and if there would be audits. Mr. Martin responded that the incentive amount is entirely based on acre foot per acre saved. He summarized their inspection process and reported they do not plan on conducting audits year after year after the final audit and inspection.

Director Baxter asked if there are programs to help fund ag growth where vacant land exists. Mr. Martin was not aware of any.

General Manager Bebee reported part of the MOU will also include all agencies going out to pursue additional grants together.

IV. ACTION / DISCUSSION CALENDAR -----(ITEMS K-P)

K. CONSIDER UPDATE OF EMERGENCY DECLARATION FOR PIPELINE REPLACEMENTS

Recommendation: The recommended action is for the Board to continue the emergency action to replace the failed pipelines.

General Manager Bebee reported there was recently another break that may need to be addressed under this emergency declaration.

MOTION: Director Endter moved to continue the emergency action to replace the failed pipelines; Director McDougal seconded. Motion carried;
VOTE:

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

L. CONSIDER APPROVING DISTRICT'S ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR FISCAL YEAR 2022-23

Recommendation: The Committee recommends that the Board approve the ACFR for Fiscal Year Ending June 30, 2023.

Daphnie Munoz from CliftonLarsonAllen, LLP presented a slideshow which outlined the audit process and what was detailed in the draft Annual Comprehensive Financial Report (ACFR) for fiscal year ending June 30, 2023.

MOTION: Director McDougal moved to approve the Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2023-23; Director Baxter seconded. Motion carried; VOTE:

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

M. CONSIDER ELECTRIC VEHICLE SUPPLY EQUIPMENT GRANT FROM SDG&E AGREEMENT

Recommendation: That the Board accept the SDG&E Power Your Drive for Fleets Grant agreement so that the design can be finalized and put out to bid.

General Manager Bebee provided an overview of this project, reporting this went through the E&O Committee. He summarized the State bill about electric vehicles and the requirements, noting Operations Manager Quiram had found a grant from SDG&E, which gets about 80% of the charge infrastructure paid.

Director Baxter asked if there are significant penalties if we ever chose to exit this program. Operations Manager Quiram noted the only requirement was to maintain system for ten years. He did not believe there were any direct penalties.

Director McDougal stated this was reviewed with the E&O Committee, and he believed this this approach is the way to go. It shows we are active in this program.

MOTION: Director Endter moved to accept the SDG&E Power Your Drive for Fleets Grant agreement so that the design can be finalized and put out to bid; Director Wolk seconded. Motion carried; VOTE:

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

N. CONSIDER APPROVAL FOR SCADA SUPPORT SERVICES TO ARCADIS

Recommendation: That the Board approve a contract with Arcadis in the not-to-exceed amount of \$125,000 year one, and \$100,000 years two and three.

General Manager Bebee provided an overview of this project. He explained we are trying to keep as much in-house as we can, but there are certain skill sets that are too expensive to keep in-house.

Director Wolk asked if there was a minimum amount we are required to pay. General Manager Bebee reported there was no guaranteed hours or minimum required to be met.

MOTION: Director McDougal moved to approve a contract with Arcadis in the not-to-exceed amount of \$125,000 for year one and \$100,000 for years two and three; Director Endter seconded. Motion carried;
VOTE:

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

O. CONSIDER ADOPTING RESOLUTION NO. 5064 APPROVING THE INCREASED RATES FOR WATER AND RECYCLED WATER SERVICE CHARGES, AND RATES FOR WASTEWATER SERVICE CHARGES AND TAKING OTHER RELATED ACTIONS

Recommendation: That the Board adopt Resolution No. 5064 adopting calendar year 2024 rates and charges for water, recycled water and wastewater services.

General Counsel de Sousa provided a brief overview of the status of detachment including the settlement agreement with SDCWA and outstanding LAFCO items necessary to complete the detachment process.

Assistant General Manager/CFO Shank presented a slideshow on the proposed 2024 rates and charges for water, recycled water and wastewater services.

Director McDougal inquired about the difference between ag and commercial ag rates. General Manager Bebee explained that we will be moving towards one ag rate, but that the standard ag rate was for residential customers with agriculture on their property.

MOTION: Director McDougal moved to adopt Resolution No. 5064 adopting calendar year 2024 rates and charges for water, recycled water and wastewater services; Director Endter seconded. Motion carried;
VOTE:

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

P. CONSIDER AWARD OF VIA ARROYO PIPELINE REPLACEMENT

Recommendation: That the Board award of the Via Arroyo Pipeline Replacement Project to the lowest responsible bidder, CCL Contracting, Inc. for \$2,635,000.

General Manager Bebee provided an overview of this project.

MOTION: Director McDougal moved to award the Via Arroyo Pipeline Replacement Project to the lowest responsible bidder, CCL Contracting, Inc. for \$2,635,000; Director Wolk seconded. Motion carried; VOTE:

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

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

1. General Counsel
2. General Manager
 - a. Engineering and Operations Report
 - b. Federal Funding Update
 - General Manager Bebee announced we will have a federal funding update next month.
3. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
 - AGM/CFO Shank provided an overview of the written reports included in the agenda packet.
4. Public Information Officer
 - General Manager Bebee reported we are working on a full page ad with Rainbow in the Village News.
5. Notice of Approval of Per Diem for Meetings Attended
6. Director Comments/Reports on Meetings Attended

- President DeMeo reported on her attendance at the ACWA Conference.
- Director Endter reported on his attendance at the San Diego Chapter CSDA Quarterly Meeting.
- Director McDougal commented on the accomplishments of the Board over the last several years. He requested the Board have a long-range planning meeting at the beginning of 2024.

7. Miscellaneous

ADJOURN TO CLOSED SESSION

The Board of Directors adjourned to Closed Session at 5:29 p.m. following an oral announcement by General Counsel de Sousa of Closed Session Items VI.1 and 2.

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

1. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (d)(1):

NAME OF CASE: *San Diego County Water Authority v. San Diego Local Agency Formation Commission, Fallbrook Public Utility District, et al. (37-2023-000036018-CU-TT-CTL)*

2. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION INITIATION OF LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (d)(4):

One (1) potential case

RECONVENE TO OPEN SESSION

The Board came out of Closed Session and reconvened to Open Session at 5:50 p.m.

REPORT FROM CLOSED SESSION (*As Necessary*)

General Counsel de Sousa announced, on the record, that on Motion of Director Volk; seconded by Director Baxter, and a vote of 5-0, the Board took the following action:

In a gesture of good faith in moving forward with the Settlement Agreement by and between the Fallbrook Public Utility District, the San Diego County Water District, and the San Diego Local Agency Formation Commission, the Board rescinded its August 31, 2023 direction to the General Manager to “secure outside special counsel to initiate

litigation against the San Diego County Water Authority and bring a legal services agreement to a future Board meeting for approval by the Board in open session.”

Rescission of this prior Board action is one of the requirements of the Settlement Agreement, which while still not fully executed, was signed by General Manager Bebee earlier today, and which I signed as well, approving it as to form. The Settlement Agreement was also approved by LAFCO this morning, and which LAFCO representatives executed this afternoon. On November 16, 2023, the San Diego County Water Authority’s Board of Directors, as noted its report out of closed session on that day, took action to direct its General Counsel and General Manager to finalize and execute the Settlement Agreement with Fallbrook PUD in material conformity with documents reviewed in its closed session of that date. The document Mr. Bebee and I signed was the version transmitted by San Diego County Water Authority special counsel this morning, and is in a form that is in materially conformity with the draft settlement agreement version of November 16, 2023.

VII. ADJOURNMENT OF MEETING

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

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Minutes from December 13, 2023 Special Meeting



FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
SPECIAL BOARD MEETING

MINUTES

WEDNESDAY, DECEMBER 13, 2023
3:30 P.M.

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

President DeMeo called the December 13, 2023 Special Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 3:30 p.m.

Director Wolk announced that he was participating in today’s meeting remotely under recent amendments to the Brown Act, due to recent surgery and his recuperation. He reported there was no one in the room 18 years or older with him. Directors Baxter, Endter, and McDougal and President DeMeo were present in the District Boardroom.

A quorum was established, and attendance was as follows:

Board of Directors

Present: Jennifer DeMeo, Member/President
Don McDougal, Member/ Vice President
Dave Baxter, Member
Ken Endter, Member
Charley Wolk, Member

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager
Paula de Sousa, General Counsel
Noelle Denke, Public Information Officer
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: no others were present.

PLEDGE OF ALLEGIANCE

President DeMeo led the Pledge of Allegiance.

APPROVAL OF AGENDA

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

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

PUBLIC COMMENT

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

There were no public comments on non-agenda items.

II. ACTION/DISCUSSION CALENDAR -----(ITEM A)

- A. CONSIDER RESOLUTION NO. 5065 RECITING THE FACT OF THE SPECIAL DISTRICT ELECTION HELD ON NOVEMBER 7, 2023, DECLARING AND CERTIFYING THE RESULT, AND SUCH OTHER MATTERS AS PROVIDED BY LAW REGARDING MEASURE "A" RELATED TO DETACHING THE DISTRICT FROM THE SAN DIEGO COUNTY WATER AUTHORITY

Recommendation: Staff defers to the Board.

General Counsel de Sousa reported as a result of the election that happened on November 7, 2023, nearly 95% of the voters in the Fallbrook Public Utility District's service area voted in favor of detachment from the San Diego County Water Authority. She announced the resolution before the Board declares and certifies the results of that election. She also reported that this resolution also declares the results of Measure A, which states it becomes effective once the Board declares the results. She pointed out that while Measure A would be in effect, all other requirements under LAFCO's approval would also need to be met.

MOTION: Director McDougal moved to adopt Resolution No. 5065 Reciting the Fact of the Special District Election Held on November 7, 2023, Declaring and Certifying the Result, and Such Other Matters as Provided by Law Regarding Measure "A" Related to Detaching the

District from the San Diego County Water Authority; Director Endter seconded. Motion carried; VOTE:

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

ADJOURN TO CLOSED SESSION

General Counsel de Sousa announced the Board would be going into closed session to discuss items III.1 and 2. She also announced members of the public participating via Zoom would only hear silence while the Board is in closed session and that any reportable action will be announced on the Zoom once the Board comes out of closed session and reconvenes to open session.

The Board adjourned to Closed Session at 3:39 p.m.

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

1. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(1):

NAME OF CASE: *San Diego County Water Authority v. San Diego Local Agency Formation Commission, Fallbrook Public Utility District, et al. (37-2023-000036018-CU-TT-CTL)*

2. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION INITIATION OF LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (d)(4):

One (1) potential case

RECONVENE TO OPEN SESSION

The Board came out of Closed Session and reconvened to Open Session at 4:02 p.m.

REPORT FROM CLOSED SESSION (*As Necessary*)

General Counsel de Sousa announced the report out of closed session for Closed Session Item III (2) – Initiation of Litigation Pursuant to Government Code Section 54956.9(d)(4) was as follows:

On Motion of McDougal, seconded by Director Endter, and a vote of 5–0, the Board took the following action:

In the event the County Water Authority does not execute the Settlement Agreement by and between the Fallbrook Public Utility District, The San Diego County Water Authority, and the San Diego Local Agency Formation Commission on or before December 22, 2023, the Board directs the General Manager to secure outside special counsel to initiate litigation against the San Diego County Water Authority and bring a legal services agreement to a future Board meeting for approval by the Board in open session.

IV. ADJOURNMENT OF MEETING

There being no further business to discuss, President DeMeo adjourned the December 13, 2023 special meeting of the Board of Directors of the Fallbrook Public Utility District at 4:03 p.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Minutes from January 4, 2024 Special Meeting



FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
SPECIAL BOARD MEETING

MINUTES

THURSDAY, JANUARY 4, 2024
9:00 A.M.

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

President DeMeo called the January 4, 2024 Special Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 9:03 a.m.

A quorum was established, and attendance was as follows:

Board of Directors

Present: Jennifer DeMeo, Member/President
Don McDougal, Member/ Vice President
Dave Baxter, Member
Ken Endter, Member
Charley Wolk, Member

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager
Paula de Sousa, General Counsel
Noelle Denke, Public Information Officer
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: Nick Kanetis, Mark Mervich and Joe Naiman

PLEDGE OF ALLEGIANCE

President DeMeo led the Pledge of Allegiance.

APPROVAL OF AGENDA

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

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

NOES: None

ABSTAIN: None

ABSENT: None

PUBLIC COMMENT

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

There were no public comments on non-agenda items.

II. ACTION/DISCUSSION CALENDAR -----(ITEM A)

A. CONSIDER WATER BILLING AND SERVICE AGREEMENT WITH EASTERN MUNICIPAL WATER DISTRICT

Recommendation: Staff recommends the Board authorize the General Manager and General Counsel to execute the Water Billing and Service Agreement with non-substantive changes.

General Manager Bebee reported we are now a member of Eastern Municipal Water District (EMWD). He noted this item before the Board today is to set a formal agreement with EMWD.

General Manager Bebee also announced there will be a member of EMWD that will represent our District. He also noted they are looking to set up an ad-hoc meeting with two members from the FPUD Board and two members from the EMWD Board.

Director McDougal noted EMWD has phenomenal communication for their ratepayers and asked if FPUD's customers would be receiving this same communication. General Manager Bebee responded that as a wholesale water customer, FPUD customers would not receive the same communications as EMWD retail customers. Director McDougal asked how many other wholesale water customers EMWD had. Nick Kanetis from EMWD stepped to the podium to respond that while there are not a lot of wholesale water customers, there were a few including Rancho California Water District, Elsinore Valley Municipal Water District, and Lake Hemet, noting Rancho California Water District would be identical to the arrangement FPUD has.

Mr. Kanetis welcomed the District to EMWD and noted he was looking forward to working with the District.

General Counsel de Sousa reported all the voters within the Fallbrook Public Utility District boundaries will also eventually be voting in EMWD elections. General Manager Bebee stated eventually EMWD will redistrict.

Director Wolk asked about the Metropolitan standby charge on page 7 of the agreement. General Manager Bebee explained this is to ensure revenues and expenses are allocated equitably through EMWD to Metropolitan. General Counsel de Sousa added this was to the benefit of the District.

Director Wolk also asked why, on page six, paragraph two, the San Diego County Water Authority was mentioned. General Manager Bebee explained we agreed, as an agency, to operate per the operations plan with the SDCWA as part of the settlement with SDCWA. General Manager Bebee offered to sit down with Director Wolk to further discuss this in detail. After a lengthy discussion, it was suggested to modify the language to include the following change: "with the water delivery protocol included in the operations plan, finalized on December 21, 2023, between Fallbrook and the Water Authority, which water delivery protocol may be modified from time to time as agreed to by Fallbrook and the Water Authority." General Counsel de Sousa also added that the SDCWA cannot change the water delivery protocol without the District's agreement. General Manager Bebee offered to send out the Operations Plan to the Board.

Joe Naiman from the Village News raised his hand via Zoom to ask if the annual operating plan included coordination between other agencies including FPUD and EMWD. General Manager Bebee explained the annual aqueduct operating plan the SDCWA puts forward is more focused on shutdowns. The operating plan between FPUD and SDCWA is a separate item focused on the fact that we are operating the flow control facilities directly above the point where they start taking water from Metropolitan.

MOTION: Director McDougal moved to authorize the General Manager and General Counsel to execute the Water Billing and Service Agreement with Eastern Municipal Water District with non-substantive changes; Director DeMeo seconded. Motion carried;
VOTE:

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

III. ADJOURNMENT OF MEETING

There being no further business to discuss, President DeMeo adjourned the January 4, 2024 special meeting of the Board of Directors of the Fallbrook Public Utility District at 9:51 a.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: Noelle Denke, Public Information Officer
DATE: January 22, 2024
SUBJECT: Recognition and Commendation of Student Artwork

Purpose

To commend the top 14 student artists the 4th grade who submitted artwork for the 2024 “Be Water Smart” calendar. The artists are from the FPUD service area schools.

Summary

During classroom presentations I gave, students played an interactive water bingo game, where they learned about the water cycle, the need to conserve water and protect our storm drains, and the fact that our district is now 100 years old. Students were asked to draw a picture of how to be water smart, or water smart ways to conserve water so there’s enough for all living things, or imaginative new ways to conserve or recycle water, or water smart ways to prevent water pollution, or how our ancestors were water smart. Approximately 400 4th grade students were visited in their classrooms and about 250 submitted posters for the contest. Fourteen of those posters really stood out for their creativity, artistic skill, and expression of the contest theme. I want to recognize those 14 artists. Twelve posters will be printed inside the calendar, one for each of the 12 months of the year, and the 13th and 14th posters will appear on the front cover and on a page for January 2025.

The winners will receive Amazon gift cards, and items with the FPUD logo on them: a reusable water bottle, reusable grocery bag and some school supplies. They will also have their artwork specially matted and framed. Additionally, the top three will win a T-shirt with their artwork printed on it.

The winners’ artwork will be displayed in the FPUD boardroom hallway for one year.

The top 14 are:

- Angeline Rosas, Live Oak Elementary, Mrs. Weisz’s class
- Teresa de Guadalupe Pascual Pedro, William H. Frazier Elem, Mr. Rudden’s class
- Johari Martinez Chavez, Fallbrook STEM Academy, Ms. Goulet’s class
- Titan Beltran, Fallbrook STEM Academy, Mrs. Figueroa’s class
- Topanga Laurenson, William H. Frazier Elem, Ms. Sergent’s class
- Arely Vasquez, Live Oak Elem, Mr. Acevedo’s class
- Cason Jarnagan, Live Oak Elem, Mr. Acevedo’s class
- Dietrich Kell, Fallbrook STEM Academy, Mrs. Weisz’s class
- Elyse Weddle, Fallbrook STEM Academy, Ms. Goulet’s class
- Sofia Zarraga, Maie Ellis Elem., Ms. Vasquez’s class
- First place: Jacquelyn Rodriguez, Fallbrook STEM Academy, Ms. Goulet’s class
- Second place: Sandra Serrano Cruz, Fallbrook STEM Academy, Ms. Goulet’s class
- Third place: Talia Cabrera, Maie Ellis Elementary, Mrs. Hernandez’s class
- Cover artwork: Emily Domingo, Live Oak Elementary, Mr. Acevedo’s class

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MEMO

TO: Board of Directors
FROM: Fiscal Policy and Insurance Committee
DATE: January 22, 2024
SUBJECT: Mid-Year Operating Budget Update

Purpose

Provide the Committee with a mid-year Operating Budget expenditures update to evaluate the District's financial performance for the first half of the year and identify any potential budget overages.

Summary

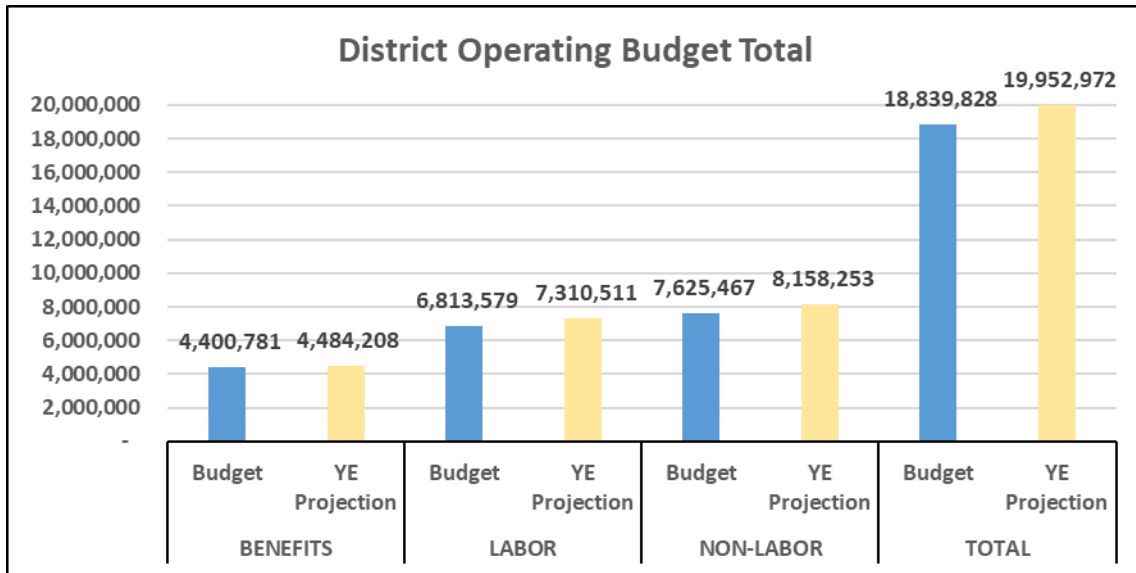
With the first half of the fiscal year complete, a detailed analysis of the District's operating and capital spending levels and trends was prepared for the Committee. The goal of this analysis is to update year-end projected expenditures and compare them to the Budget. The year-end projections are updated based upon discussions and input from the various District managers. The table below shows the breakdown of the District's operating expenditures.

District Operating Budget Total								
	BENEFITS		LABOR		NON-LABOR		TOTAL	
	Budget	YE Projection	Budget	YE Projection	Budget	YE Projection	Budget	YE Projection
		4,400,781	4,484,208	6,813,579	7,310,511	7,625,467	8,158,253	18,839,828
<i>Variance</i>	(83,427)	-1.9%	(496,931)	-7.3%	(532,786)	-7.0%	(1,113,144)	-5.9%

Overall, projected year-end operating expenditures are just over budget with an Operating Budget shortfall of \$1,113,144 or 5.9% over budget.

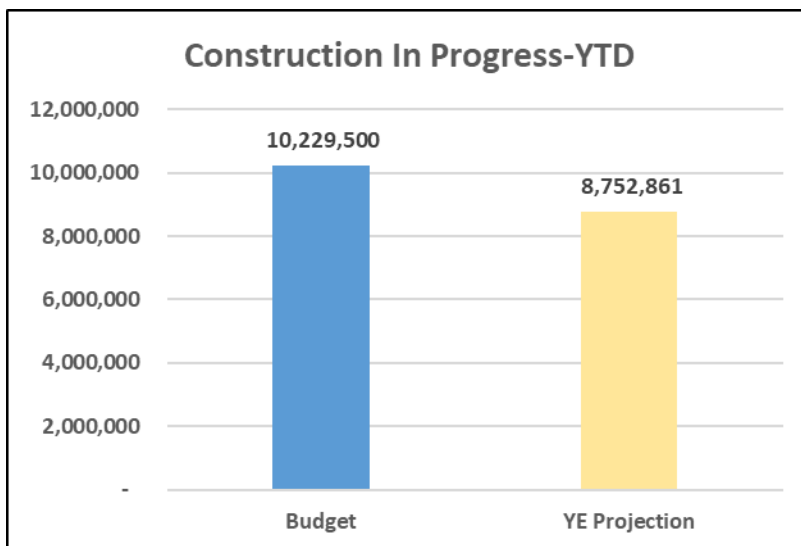
- **Benefits:** Projected year-end Benefit expenditures are in line with the Budget.
- **Labor:** The labor overage is driven by leak repair activities, this includes overtime costs. The projections include an increase of \$325,000 in operating labor that was budgeted for to capital projects. Overtime is also projected to be \$125,000 over budget due to continued emergency repair activities. The remaining overage is being driven by less than budgeted salary savings.
- **Non-Labor:** Non-labor costs related to detachment are \$300,000 over budget. Paving costs related to leak repairs are projected to be \$100,000 over budget. The remainder is largely due to higher than budgeted chemical costs for water treatment.

The cost of water is excluded from this but is on track to be under budget due to sales. Annual water sales are on track to be at the low end of historic sales levels. Because debt service payments are scheduled, the payments are equal to the budgeted amount. Both of these items are shown in the District's Budget Status Report each month.



Attachment A provides a summary of Administrative, Water, Wastewater and Recycled Water Services Operating Expenditures. This provides summary level data on each of the Services and the spending pattern. Staff will continue to monitor expenditures and keep the Committee and Board up to date on any emerging trends.

The updated Capital Improvement Project (CIP) projected expenditures are shown below. Most CIP projects are expected to be completed within the allocated budget. The lower projection is due to long lead times on the planned scrubber replacement at the Reclamation Plant and the EV charging station equipment for the yard. These projects will not be completed until next fiscal year.



Recommended Action

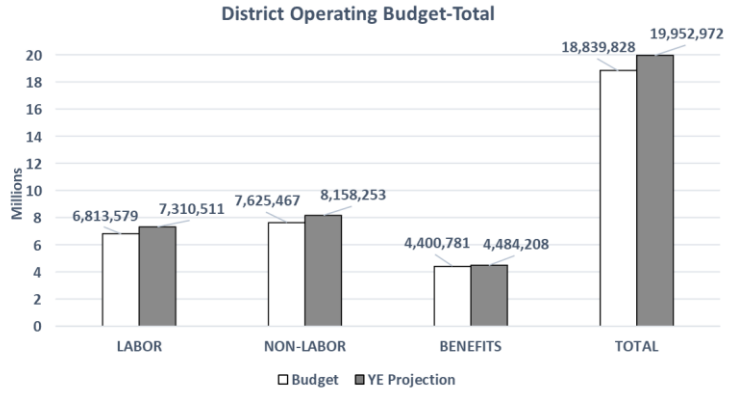
This item is for discussion only. No action is required.

Attachment A

District Operating Budget Total

- ▶ Over Budget–Labor
 - \$450k – Expenditures related to emergency repairs
- ▶ Over Budget–Non–Labor
 - \$300K – Detachment costs
 - \$200k – Related to emergency repairs
 - Water Treat/Dist.– Chemicals for SMGTP projecting over budget

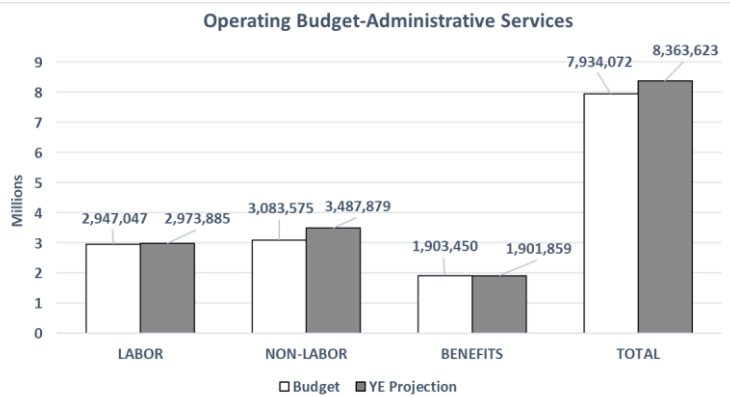
District Operating Budget Total				
	Budget	YE Projection	Variance	Variance %
LABOR	6,813,579	7,310,511	(496,931)	-7.3%
NON-LABOR	7,625,467	8,158,253	(532,786)	-7.0%
BENEFITS	4,400,781	4,484,208	(83,427)	-1.9%
TOTAL	18,839,828	19,952,972	(1,113,144)	-5.9%



Operating Budget–Administrative Services

- ▶ Over Budget–Non–Labor
 - \$300K–Detachment costs
 - \$100K– Related to emergency repair supplies

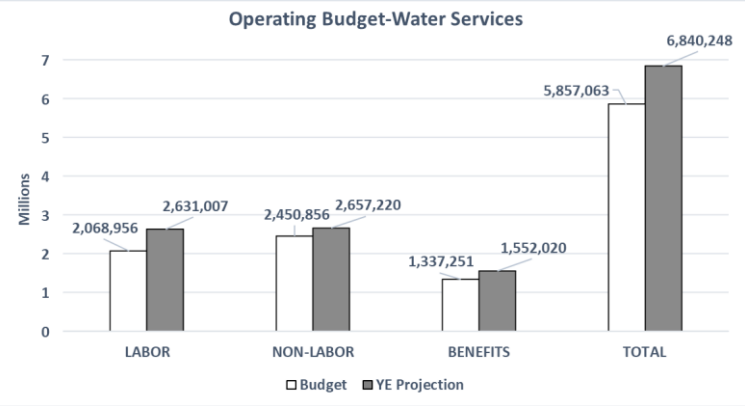
Operating Budget-Administrative Services				
	Budget	YE Projection	Variance	Variance %
LABOR	2,947,047	2,973,885	(26,838)	-0.9%
NON-LABOR	3,083,575	3,487,879	(404,304)	-13.1%
BENEFITS	1,903,450	1,901,859	1,591	0.1%
TOTAL	7,934,072	8,363,623	(429,551)	-5.4%



Operating Budget–Water Services

- ▶ Over Budget–Labor
 - \$450K – Due to emergency repair activities
- ▶ Over Budget–Non–Labor
 - \$100K – related to emergency repairs
 - \$100K – Chemicals for SMGTP

Operating Budget-Water Services				
	Budget	YE Projection	Variance	Variance %
LABOR	2,068,956	2,631,007	(562,051)	-27.2%
NON-LABOR	2,450,856	2,657,220	(206,364)	-8.4%
BENEFITS	1,337,251	1,552,020	(214,769)	-16.1%
TOTAL	5,857,063	6,840,248	(983,184)	-16.8%

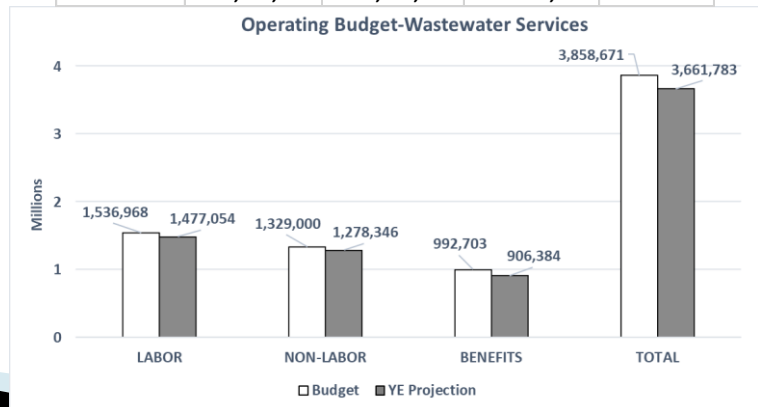


3

Operating Budget–Wastewater Services

- ▶ In–line with Budget

Operating Budget-Wastewater Services				
	Budget	YE Projection	Variance	Variance %
LABOR	1,536,968	1,477,054	59,914	3.9%
NON-LABOR	1,329,000	1,278,346	50,654	3.8%
BENEFITS	992,703	906,384	86,319	8.7%
TOTAL	3,858,671	3,661,783	196,887	5.1%

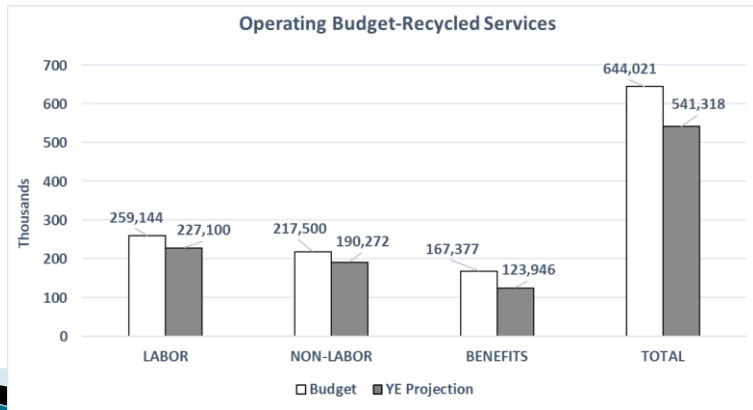


4

Operating Budget–Recycled Water Services

▶ In-line with Budget

Operating Budget-Recycled Water Services				
	Budget	YE Projection	Variance	Variance %
LABOR	259,144	227,100	32,044	12.4%
NON-LABOR	217,500	190,272	27,228	12.5%
BENEFITS	167,377	123,946	43,431	25.9%
TOTAL	644,021	541,318	102,703	15.9%

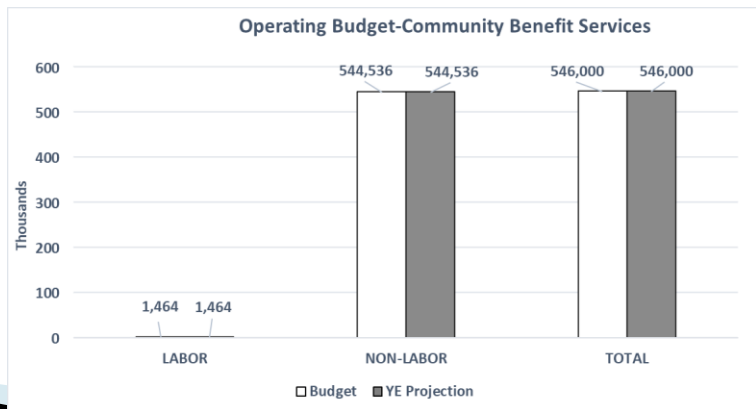


5

Operating Budget–Community Benefit Program

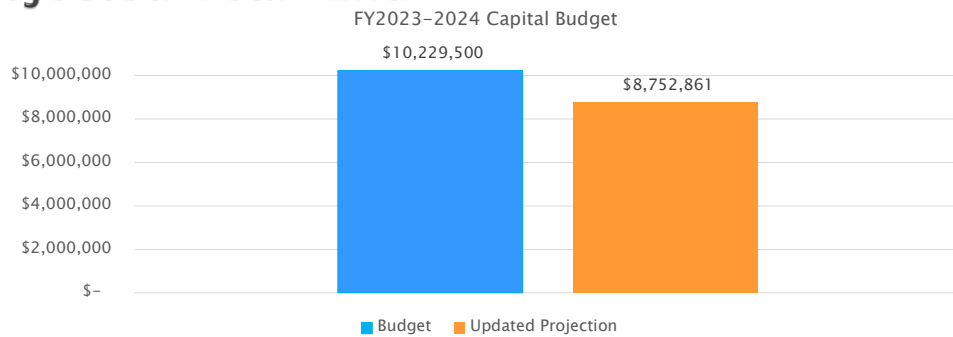
▶ No expenditures have hit this FY.

Operating Budget-Community Benefit Program				
	Budget	YE Projection	Variance	Variance %
LABOR	1,464	1,464	-	0.0%
NON-LABOR	544,536	544,536	-	0.0%
TOTAL	546,000	546,000	-	0.0%



6

Capital Improvement Projects Projected Year-End



- ▶ Spending delayed due to long lead times on scrubber replacement at Reclamation Plant



MEMO

TO: Board of Directors
FROM: Aaron Cook, Engineering Manager
DATE: January 22, 2024
SUBJECT: Update of Emergency Declaration for Pipeline Replacements

Description

California Public Contract Code Section 22050 authorizes special contracting procedures in case of an emergency; the General Manager may take immediate action required by the emergency to procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids. However, the GM must report to the Board of Directors with an update at each regularly scheduled meeting to determine that there is a need to continue the action. When the Board reviews the emergency action, it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts. In the March 2023 meeting of the Board, three prequalified contractors were approved for on-call emergency pipeline repair services.

Purpose

Multiple recent leaks have occurred on sections of existing water main on North Main Ave and Acacia Lane, resulting in repeated emergency shutdowns in these areas. To restore reliable service, staff have engaged Filanc Construction, one of the prequalified contractors for emergency repairs, per the on-call emergency pipeline repair services procedures. The targeted area consists of approximately 300 linear feet of 6-inch water main on North Main and 1,000 linear feet of 6-inch water main on Acacia Lane. Work on Acacia Lane is nearing completion. The North Main pipeline work began in October and is expected to be completed in March.

Budgetary Impact

The estimated cost of these repairs is \$600,000. The costs will be covered by the approved capital budget pipeline replacement funds.

Recommended Action

The recommended action is for the Board to continue the emergency action to replace the failed pipelines.

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: January 22, 2024
SUBJECT: Annual Review of Directors' Per Diem Compensation

Purpose

To perform the annual review of Directors' per diem compensation as prescribed by Article 2.12 of the Administrative Code.

Summary

Members of the Fallbrook Public Utility District Governing Board receive compensation of One Hundred Twenty Seven Dollars and Sixty-Three Cents per day (\$127.63) for each day's attendance at meetings, as more fully described in Sections 2.12, 2.17, and 2.17.1 of the Administrative Code. In addition, Article 2.12 prescribes that per diem compensation shall be reviewed each January at a Board meeting.

If the Board determines to change the amount of Directors' per diem compensation, a Public Hearing must be noticed to receive public comment prior to any action taken. Any changes to compensation shall require approval by the Board at an open meeting held at least 60 days prior to the effective date of the Ordinance making the change and cannot exceed five (5) percent per each calendar year following the operative date of the last adjustment.

The following is a table of per diem compensation paid by several other agencies:

DISTRICT	PER DIEM
Valley Center Municipal Water District	\$100.00
Padre Dam Municipal Water District	\$145.00
Santa Fe Irrigation District	\$150.00
Rainbow Municipal Water District	\$150.00
San Diego County Water Authority	\$150.00
Helix Water District	\$225.00

Recommendation

Staff supports Board direction.

MEMO

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: January 22, 2024
SUBJECT: Board Consideration of Recommendations by the Community Benefit Program Committee

Summary

The Community Benefit Program recommends, promotes, coordinates projects, oversees funding and ensures timely completion of projects proposed by nonprofit and qualified organizations related to parks, recreation facilities, and roads and street lighting within FPUD’s service area. The program intends to benefit Fallbrook residents by using unrestricted public property tax revenue received by FPUD and allocated to the Community Benefit Program. The Committee Benefit Program is administered by the Board appointed Community Benefit Program Committee, which is made of volunteers that are District ratepayers. The Community Benefit Program Committee has completed their review and developed recommendations for approval of projects for Fiscal Year 2023-2024 as part of the Community Benefit Program. Each Fiscal Year the District allocated \$565,500 in property tax revenue to fund the Program. In accordance with the District’s Administrative Code the Board approval is required to complete the funding process.

Description

The Community Benefit Program Committee (Committee) held numerous public workshops and public meetings to inform the public about the funding opportunity available under the Community Benefit Program (Program). The Committee received 10 applications (Attachment A). On January 8, 2024, The Committee held a public meeting to finalize the scoring and make recommendations for funding. The Committee completed the process formally recommended the Board approve a total of seven projects for a total amount of \$265,575 (Attachment B).

Recommended Project	Brief Description	Recommended Amount
Fallbrook Beautification Alliance: South Mission Median Landscaping Maintenance	Maintenance of landscaping for medians on S. Mission Road between Rockycrest and Old State Coach Lane.	\$16,000
Fallbrook Land Conservancy: Save our Forest Treescape	Tree pruning for Downtown Fallbrook, Pico Promenade, and the Palomares House Park, and irrigation and weed abatement for 1.1 miles of South Mission.	\$22,720

	Road.	
Fallbrook Land Conservancy: Los Jilqueros Preserve Improvements	Adding ADA accessible parking spaces, security cameras and interior updates to improve safety and efficiency.	\$68,680
Fallbrook Sports Association: Ingold Sports Park Parking Lot Sealcoating and Repaving	Maintaining the Ingold Sports Park parking lot by means of seal coating and restriping.	\$32,975
Fallbrook Village Association : Pico Promenade, Jackie Heyneman Park, Vince Ross Village Square and Railroad Heritage Park Maintenance.	Park maintenance including landscape maintenance, general cleaning and sanitation, graffiti and trash removal, repairs, and doggie bag refills.	\$36,200
Fallbrook Village Association: Railroad Heritage Park Construction Project	Public safety items including a deck, handrails, fencing, lighting, and a gated entry.	\$83,000
Mission Resource Conservation District: Removal of Invasive Fountain Grass	Eradicating invasive Fountain Grass by cutting down bundles of Fountain Grass and treating root areas to kill remaining roots.	\$6,000
	Total	\$265,575

Staff and District’s legal counsel worked with the Committee to develop a contract template to be completed and executed with the entities approved for funding. A copy of the agreement is included in Attachment C. The committee identified several projects for non-profits in which they want to ensure there are provisions in the agreement to ensure on-going public access or repayment of the funds. Staff will work with legal counsel to ensure this provision is added into the contract template.

Budgetary Impact

The District has allocated two years of property tax revenues for Fiscal Year 2022/23 and 2023/24 into the Program. The current balance in the Program is \$1,091,901. If the Board approved the recommended projects the remaining balance will be \$826,326.

Recommended Action

That the Board approve the Projects as recommended by the Committee. That the Board direct the Committee to finalize contract terms for each of these Projects using the Contract template and authorize the General Manager to execute these contracts.

Attachment A

Applications Received

1. Fallbrook Bank Boosters
2. Fallbrook Beautification Alliance
3. Fallbrook Center for the Arts, Inc.
4. Fallbrook Gem and Mineral
5. Fallbrook Land Conservancy
6. Fallbrook Sports Association
7. Fallbrook Trails Council
8. Fallbrook Village Association
9. Fallbrook Village Homeowners Association, Inc.
10. Mission Resource Conservation District

Attachment B

Jim Mendelson
 Community Benefit Program Committee Chair
 990 E. Mission Road
 Fallbrook, CA 92028

January 12, 2024

Jennifer DeMeo
 President Fallbrook Public Utility District Board of Directors
 c/o Jack BeBee, Fallbrook Public Utility District General Manager
 990 E. Mission Road
 Fallbrook, CA 92028

Re: Community Benefit Program Committee Recommendations

Dear Fallbrook Public Utility District Board Members:

The Community Benefit Program Committee has solicited, received and reviewed applications for funding from non-profit organizations and a governmental agency. On January 8, 2024, during a regularly scheduled public meeting, the Committee made the following funding decisions:

Organization & Project	Funding	Considerations
Fallbrook Beautification Alliance: South Mission Median Landscaping Maintenance	\$16,000.00	
Fallbrook Land Conservancy: Save our Forest Treescape	\$22,720.00	
Fallbrook Land Conservancy: Los Jilgueros Preserve	\$68,680.00	
Fallbrook Sports Association: Ingold Sports Park Parking Lot Sealcoating and Restriping	\$32,975.00	Will require contractual terms to insure continued public access/use
Fallbrook Village Association: Pico Promenade, Jackie Heyneman Park, Vince Ross Village Square and Railroad Heritage Park Maintenance	\$36,200.00	
Fallbrook Village Association: Railroad Heritage Park Construction Project	\$83,000.00	Will require contractual terms to insure continued public access/use
Mission Resource Conservation District: Removal of Invasive Fountain Grass	\$6,000.00	
TOTAL AMOUNT:	\$265,575.00	

Please consider this letter a request for the Fallbrook Public Utility District Board to include these recommendations to your Board in your January 22, 2024 Meeting Agenda, for FPUD Board approval.

Community Benefit Program Committee Vice Chair Elana Sterling and Committee Member Lila Hargrove will attend the Fallbrook Public Utility District's January 22, 2024 Board Meeting to present these recommendations and to answer any questions. However, please feel welcome to contact me prior to the meeting with any questions.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Elana Sterling", with a long horizontal flourish extending to the right.

FPUD CBP Committee Chair

FCBPChair@outlook.com

949.201.9967

Attachment C

**Fallbrook Public Utility District
Community Benefit Program Funding Agreement**

This Community Benefit Program Grant Agreement (“Agreement”) is made and entered into as of [Insert Date] by and between the Fallbrook Public Utility District (“District”) and [Insert Community Organization Name] (“Recipient”).

1. Purpose

The District allocates funding each fiscal year to its Community Benefit Program, which grants funding to community organizations. Accordingly, this Agreement grants funding under the District’s Community Benefit Program to Recipient in order to [Describe project/service for which funds will be used] as outlined in Recipient’s Proposal submitted on or about [Insert Date]. Recipient’s work plan for its Community Benefit Program Grant Proposal is incorporated herein by reference.

2. CBP Funds

The award amount of \$[Insert amount] (“CBP Funds”) granted to Recipient pursuant to this Agreement is payable with a minimum of *two (2) payments* on or around the week of the following dates or as worked out with organization:

[Insert Date]	1 Payment:	\$
[Insert Date]	2 Payment:	\$

3. Term of Agreement

The term of this Agreement is from [Insert Date] through [Insert Date], except in the event that this Agreement is terminated earlier as set forth herein.

4. Budget and Payment Schedule

Unless Recipient and District agree upon alternative arrangements, CBP Funds shall be allocated in two payments, upon District’s receipt of a report with appropriate back-up documentation. If the Recipient fails to timely provide the report, Recipient may be subject to discontinuance of funding or return of CBP Funds to District.

Recipient must submit a half -yearly report and a final report to [Insert Name & Title] via email at [Insert Email Address] by the following due dates:

[Insert Date]	1 st Report
[Insert Date]	2 nd Report

5. Recipient Obligations

Recipient shall cooperate in efforts undertaken by District to evaluate the effectiveness and use of the CBP Funds. Recipient shall participate in and comply with all on-site evaluation and contract monitoring procedures, including interviews with Recipient's staff. Recipient shall also provide written status reports to District as set forth herein. Recipient shall attend at least one (1) regular meeting of the District during the Agreement term.

6. Procurement Requirements

All services and projects procured using CBP Funds shall comply with the District's procurement and competitive bidding procedures set forth in Article 5 of the District's Administrative Code, which includes but is not limited to the following bidding requirements:

- a. Purchases under \$10,000 shall be purchased in the most prudent and economical manner possible.
- b. Purchases of \$10,000 or more shall be made only after obtaining three (3) written quotations.
- c. Purchases greater than \$60,000 up to \$200,000 require compliance with the District's Informal Bid Procedures.
- d. Purchases greater than \$200,000 require compliance with the District's Formal Bid Procedures. In the event that CBP Funds exceed \$200,000, additional terms and conditions related to the use of such funds will apply.

If the services and/or project undertaken by Recipient pursuant to this Agreement constitute a "public works" or "maintenance" project, Recipient shall comply with all applicable Labor Code requirements, including but not limited to, payment of prevailing wage rates, employment of apprentices, hours of labor, submission of payroll records and registration with the Department of Industrial Relations (DIR). The performance of such services and/or project may be subject to compliance monitoring and enforcement by the DIR.

7. Acknowledgement Requirement

Recipient shall provide acknowledgement of the District with an official sponsor line as well as the Fallbrook Public Utility District logo on all print and electronic materials, press releases, website references, and any other form of written and verbal publicity that relates to the funded service(s) and/or project. Recipient shall have no other permission to otherwise publicize or use the Fallbrook Public Utility District logo without the prior written consent of the District. District will provide Recipient with monthly content to be used for social media promotion of the District.

8. Changes or Modifications to the Use of District CBP Funds

Recipient shall submit to District, in writing, any requests for revisions prior to implementation of any proposed changes in the use of CBP Funds. The District must receive such requests at least thirty (30) days prior to the date that requested changes are to be implemented.

9. Legal Responsibility/Liability

In authorizing execution of this Agreement, the governing body of Recipient is solely responsible for ensuring that CBP Funds are allocated for the purpose or purposes for which this Agreement was intended, as outlined in Recipient's Proposal. Recipient shall be responsible for compliance with all terms of this Agreement. In no event shall District be legally responsible or liable for Recipient's performance or failure to perform under the terms of this Agreement.

10. Reduction of Awarded Funds

District may reduce, suspend, or terminate the payment or amount of the CBP Funds if the Recipient is not meeting the objectives of the Agreement as determined in the District's sole discretion. Recipient understands and agrees that its failure to comply with its obligations under this Agreement, including, without limitation paragraphs 13, 18, and 20 herein, may result in Recipient's disqualification from participation in subsequent contract cycles with the District. Recipient hereby expressly waives any and all claims against District for damages arising from the termination, suspension, or reduction of the CBP Funds.

11. Other Funding Sources

Recipient shall make available, as requested by District, information regarding any other funding sources for the project or service(s) provided by Recipient.

12. Fund Use Description

Recipient shall make available for prospective participants or others a description detailing the nature of the project or service(s) that are being funded by District. This written project description may be a separate document or incorporated in the overall project materials developed by Recipient. Upon request, Recipient shall provide a copy of the project or service(s) description to the District.

13. Independent Contractor Status

The relationship between District and Recipient, and the agents, employees, and subcontractors of Recipient, in the performance of this Agreement shall be one of independent contractors, and no agent, employee, or subcontractor of Recipient shall be deemed an officer, employee, or agent of District.

14. Use of Funds for Lobbying or Political Purposes

Recipient is prohibited from using CBP Funds provided by District for any political campaign or to support attempts to influence legislation by any governmental body.

15. Federal, State, Local Laws, Regulations, and Organizational Documents

Recipient shall comply with all federal, state, and local laws and regulations, including but not limited to labor laws, occupational and general safety laws, and licensing laws. All licenses, permits, notices, and certificates as are required to be maintained by Recipient shall be in effect

throughout the term of this Agreement. District shall immediately notify District if any required licenses or permits are canceled, suspended, or otherwise become ineffective.

16. Conflict of Interest/Self-Dealing

Recipient and Recipient's officers and employees shall not have a financial interest or acquire any financial interest, direct or indirect, in any business entity or source of income that could be financially affected by, or otherwise conflict in any manner or degree with, the performance of services required under this Agreement

17. Authorization and License to Use Commercial Image in Promotional Materials

Recipient understands that District may wish to utilize Recipient's name and logo, along with any photographic or video images of Recipient's premises, operations, and activities in promotional materials designed to publicize the District's mission and service to the community served by the District. By entering into this Agreement, Recipient hereby grants permission and license to the District to utilize Recipient's name, logo, and commercial image, along with any photographs, videotape footage, or other graphic illustrations of Recipient's premises, operations, and activities, as further consideration for receipt of the CBP Funds.

18. Indemnification

To the fullest extent permitted by law, Recipient shall indemnify, defend and hold District and the CBP Committee harmless against and from any and all claims or suits for damages or injury arising from Recipient's performance of this Agreement or from any activity, work, or thing done, permitted or suffered by Recipient in conjunction with the performance of this Agreement. Recipient shall further indemnify, defend and hold District harmless against and from any and all claims or suits arising from any breach or default of any performance of an obligation of Recipient hereunder, and against and from all costs, attorneys' fees, expenses and liabilities related to any claim or any action or proceeding brought within the scope of this indemnification. This indemnification obligation shall survive termination of this Agreement.

19. Documentation of Revenues and Expenses

Recipient shall maintain an accounting system that accurately reflects and documents all fiscal transactions for which the CBP Funds are used. Recipient shall maintain full and complete documentation of all revenue and expenses (including subcontracted, overhead, and indirect expenses) and procurement documentation associated with use of the CBP Funds. During the term of this Agreement and thereafter, District and its authorized representative(s) shall have the right to review all Recipient financial records, including records related to the use of CBP Funds.

20. Reports and Record Retention

All Recipient records pertaining to the use of CBP Funds shall be maintained at Recipient's main local office for at least five (5) years following the year in which funds were granted and will be made available for District review upon request.

21. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any action brought to enforce these terms and conditions shall be brought in a state or federal court in the County of San Diego.

22. Assignment or Transfer

Recipient shall not assign or transfer any interest in this Agreement or entitlement to CBP Funds without the written consent of District.

23. Entire Agreement, Amendment

This Agreement represents the entire understanding of the parties as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing signed by both parties.

24. Notices

Any notice required or permitted thereunder may be given by a party to the other party at the address set forth in the signature block of this Agreement. Either party may change its address for purposes of notice by complying with the requirements of this section.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**FALLBROOK PUBLIC UTILITY
DISTRICT**

[INSERT RECIPIENT NAME]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address: _____

Address: _____

M E M O

TO: Board of Directors
FROM: Fiscal Policy and Insurance (FP&I) Committee
DATE: January 22, 2024
SUBJECT: Issuance of Water Revenue Bonds

Purpose

Review with the Committee the draft documents necessary to authorize and execute the District’s issuance of Water Revenue Bonds (2024 Bonds) to finance the District’s water Capital Improvement Program (CIP).

Summary

In December 2023, staff presented the Board with several options for the CY 2024 rate and charge options. The options included; 1) funding the detachment and CIP from rates and charges, 2) funding \$8 million of Water CIP expenditures, 3) funding \$12 million of Water CIP expenditures. The Board chose to issue \$12 million in debt to provide rate relief. The proposed 2024 Bond issuance amount will be \$12 million and the debt structure will include a 30-year term, tax exempt status and a debt repayment structure that provides the Water System with a flat annual debt service profile. Given the volatile interest rate environment, it is not clear what the rates will be on the bonds at the time of pricing but staff will be monitoring the market and providing updates. The table below shows the key provisions of the proposed debt issuance:

Issue Amount	\$12 million
Interest Rate	3.9%
Estimated Annual Debt Service	\$695,000

The District has now completed the detachment from San Diego County Water Authority (SDCWA) and the annexation into Eastern Municipal Water District’s Service area (EMWD). As part of the detachment from SDCWA, the District is required to make a payment of \$6.8 million in March of 2024. The District has chosen to fund the SDCWA payment out of Water System Reserves. In order to offset the financial impact of the detachment payment and maintain the Water System’s financial position, the District will fund select Water System’s CIP projects with the proposed 2024 Bond proceeds over the next two years. Even with the debt issuance, the detachment payment is creating a liquidity challenge. The Committee has worked with staff to create cash flow plan to avoid any shortfalls and maintain the District’s working capital.

Careful attention has been paid to evaluating the financial impact of the Water System incurring an additional \$12 million in debt in addition to the already \$65.2 million currently outstanding. Based upon conservative assumptions, the Water System is able to both satisfy the Additional Bonds Test required by the existing State Revolving Loan terms and maintain the Water Systems fiscal health.

The attached Resolution authorizes the issuance of the Revenue Bonds subject to certain parameters, the procurement of transaction related professional services included in the cost of issuance, and authorizes District staff to execute various Financing Documents including an Indenture, Preliminary and Final Official Statement, Continuing Disclosure Agreement and Bond Purchase Agreement. The estimated cost of issuance is \$210,020. It should be noted that this is subject to change should the District’s credit rating warrant the addition of bond insurance and a surety reserve. The table below shows a breakdown of the estimated Cost of Issuance.

Description	Estimate
Underwriter Fees	\$64,020
Bond and Disclosure Counsel	\$65,000
Municipal Advisor	\$42,500
Rating Agency	\$21,500
Trustee and Counsel	\$6,000
Rate Consultant	\$5,000
Other	\$4,500
Total	\$210,020

The Indenture is the contract between the District and Bondholders, which details each party’s rights and obligations. The Official Statement (OS) is the document that investors review in order to make an informed decision about whether or not to buy the bonds. The Official Statement contains a summary of the bond terms and conditions, a description of the District and its operations, finances, management and governance, descriptions of various ‘risk factors’ and other any ‘material’ information. The Continuing Disclosure Agreement (attached to the OS) lists the financial and operating data the District is required to provide Bondholders annually while the bonds remain outstanding, so that Bondholders can monitor their investments. The Bond Purchase Agreement is the contract between the District and underwriter establishing the terms and conditions of a negotiated bond sale.

With the exception of the Authorizing Resolution, all of the documents will be finalized by staff closer to the sale of the bonds. The attached draft documents represent the “form of” the document and include all the material provisions that impact the District.

Attachments

- A. Resolution
- B. Draft Indenture of Trust
- C. Draft Preliminary Official Statement
- D. Draft Bond Purchase Agreement

Recommended Action

Approve the Resolution authorizing the issuance of the 2024 Water Revenue Bonds; approve the form of the Financing Documents; and authorize staff to finalize and execute the Financing Documents.

Attachment A

RESOLUTION NO. 5068

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT AUTHORIZING THE SALE AND ISSUANCE OF WATER REVENUE BONDS IN AN AMOUNT NOT TO EXCEED \$12,000,000, APPROVING AN INDENTURE, OFFICIAL STATEMENT AND APPROVING RELATED AGREEMENTS AND ACTIONS

WHEREAS, the Fallbrook Public Utility District (the “District”) owns and operates facilities and property for the collection, treatment, storage and distribution of water within the service area of the District (the “Water System”); and

WHEREAS, the Board of Directors wishes at this time to authorize the sale and issuance of the Fallbrook Public Utility District 2024 Water Revenue Bonds (the “Bonds”) under the Bond Law (as herein defined) to provide funds to finance capital improvements of the Water System, which includes pipeline replacements, to be secured by a senior lien on the net revenues of the Water System; and

WHEREAS, certain good-faith estimates regarding the Bonds are set forth in Exhibit A attached hereto.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Fallbrook Public Utility District as follows:

Section 1. Sale and Issuance of Bonds. The Board of Directors hereby authorizes the sale and issuance of the Bonds under the provisions of Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code (the “Bond Law”), for the purpose of providing funds to finance capital improvement projects of the Water System, so long as the requirements in Section 3 are achieved. Such Bond issuance shall be accomplished as provided in the Indenture of Trust approved below.

Section 2. Approval of Indenture. The Bonds shall be issued pursuant to an Indenture of Trust between the District and U.S. Bank Trust Company, National Association, as trustee, which Indenture is hereby approved in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by the President of the Board of Directors or the General Manager (each an “Authorized Officer”), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of such changes and additions. The Board of Directors hereby authorizes and directs an Authorized Officer to execute, and the Secretary to attest, said form of the Indenture of Trust for, and in the name of, the District. The Board of Directors hereby authorizes the delivery and performance of the Indenture of Trust.

Section 3. Sale of Bonds via Public Offering. The Board of Directors hereby authorizes the sale of the Bonds through a public offering; provided, however, that the principal amount of the Bonds shall not exceed \$12,000,000. Such public offering may be accomplished by either competitive bidding or through negotiation with an underwriter, as determined by an Authorized Officer to be in the best interests of the District. If negotiation

with an underwriter is selected, the Underwriter's discount shall not exceed \$6.00 per \$1,000 of the principal amount of the Bonds, and the negotiated sale of the Bonds shall be accomplished pursuant to a bond purchase agreement, in the form presented to the Board of Directors at the meeting at which this resolution is adopted, together with any changes therein or additions thereto which are deemed advisable by the General Manager, upon consultation with Best Best & Krieger LLP, the District's Bond Counsel, and Wulff, Hansen & Co., the District's Municipal Advisor, to be entered into between the chosen underwriter and the District, with each Authorized Officer hereby delegated with the authority to negotiate, execute and deliver such bond purchase agreement on behalf of the District, subject to the review by and approval of such agreement by the General Counsel of the District.

If a competitive sale is chosen, the sale of the Bonds shall be undertaken pursuant to and in accordance with a notice of sale for the Bonds that is approved by an Authorized Officer following review and approval by the General Counsel of the District. The Board of Directors hereby delegates to each of the Authorized Officers the authority to accept an offer from the winning bidder to purchase the Bonds from the District if a competitive sale is chosen.

Section 4. Official Statement; Continuing Disclosure Certificate. The Board of Directors hereby approves the Preliminary Official Statement describing the Bonds in the form on file with the Secretary, and authorizes each of the Authorized Officers to approve revisions to said Preliminary Official Statement if and to the extent necessary for distribution in connection with a public offering of the Bonds. An Authorized Officer shall execute a certificate deeming the Preliminary Official Statement, as so revised, to be nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. Distribution of the Preliminary Official Statement by the underwriter of the Bonds to prospective purchasers of the Bonds is hereby approved. Each of the Authorized Officers is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the final Official Statement by the underwriter. The final Official Statement shall be executed in the name and on behalf of the District by an Authorized Officer.

The Board of Directors hereby approves the Continuing Disclosure Certificate to be executed by the District, the form of which is attached as an exhibit to the Preliminary Official Statement. Each of the Authorized Officers is hereby authorized and directed to approve any changes in or additions to a final form of said Continuing Disclosure Certificate, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The final Continuing Disclosure Certificate shall be executed in the name and on behalf of the District by an Authorized Officer.

Section 5. Documents in Substantially Final Form; Further Authority. The documents on file with the Secretary and herein approved are in substantially final form; that is, they are final as to important business terms such as the rate covenant undertaken by the District as to the water rates the District will enact so long as the Bonds are outstanding, and parity bond restrictions, governing limitations on future obligations

secured by net revenues of the Water System, but do not contain the final pricing terms resulting from the sale of the Bonds, which will be inserted only after the Bonds are sold. This resolution is intended to be a “parameters resolution,” in which the Board of Directors approves a water revenue bond issue at a not to exceed principal amount, payable from net revenues of the Water System.

Section 6. Engagement of Professional Services. In connection with the sale and issuance of the Bonds, the Board of Directors hereby authorizes the firm Wulff, Hansen & Co. to act as registered municipal advisor to the District and the firm of Best Best & Krieger LLP, to act as bond counsel and disclosure counsel to the District. Each of the Authorized Officers is hereby authorized to execute a professional services agreement with each of the foregoing firms. Each such agreement shall be substantially in the form of a professional services agreement established by the District and shall be subject to review by and approval of the General Counsel of the District.

Section 7. Official Actions. The President of the Board, the General Manager, the Assistant General Manager/CFO, are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to issue the Bonds and consummate the transaction described in this Resolution, including executing any commitments or other documents necessary for the District to obtain bond insurance and/or a reserve surety policy for the Bonds, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 8. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 22nd day of January, 2024, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Exhibit A

Good-Faith Estimates

In accordance with Government Code Section 5852.1, the following information has been obtained and disclosed to the Board in connection with the approval of the Bonds:

(i) the estimated true interest cost of the Bonds (being the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds) is 3.90%,

(ii) the estimated finance charge of the Bonds (being the sum of all fees and charges paid to third parties) is \$210,020,

(iii) the estimated proceeds of the Bonds expected to be received, net of proceeds for finance charges in (ii) above to paid from the principal amount of the Bonds and any reserves or capitalized interest paid or funded with Bonds is \$12,000,000, and

(iv) the estimated total payment amount of the Bonds (being the sum of debt service plus finance to be paid to final maturity, plus any financing costs not paid from proceeds of the Bonds) is \$20,856,625.

The foregoing constitute good faith estimates only, and the final results of any sale of the Bonds may materially differ due to a variety of factors outside the control of the District.

Attachment B

INDENTURE OF TRUST

Between the

FALLBROOK PUBLIC UTILITY DISTRICT

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

as Trustee

Dated as of _____, 2024

Relating to:

\$ _____
Fallbrook Public Utility District
2024 Water Revenue Bonds

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INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of _____ 1, 2024, is between the FALLBROOK PUBLIC UTILITY DISTRICT, a public utility district duly organized and existing under the Constitution and laws of the State of California (the “District”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the “Trustee”).

WITNESSETH:

WHEREAS, in order to provide funds for the purpose of financing capital improvements for the District’s Water System (defined herein), the Board of Directors of the District has authorized the issuance of the Fallbrook Public Utility District 2024 Water Revenue Bonds in the aggregate principal amount of \$_____ (“Bonds”) under the provisions of Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code (the “Bond Law”); and

WHEREAS, the Bonds will be secured by a first pledge of and lien on the Net Revenues derived by the District from the operation of its Water System; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board of Directors of the District has authorized the execution of this Indenture.

AGREEMENT:

In order to secure the payment of the principal of and the interest on all the Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the District and the Trustee hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

Section 1.01. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

Section 1.02. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

ISSUANCE OF BONDS

Section 2.01. Authorization and Purpose of Bonds. The District has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the District is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The District hereby authorizes the issuance of Bonds in the aggregate principal amount of \$_____ under the Bond Law for the purposes identified herein. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds shall be issued and designated the “Fallbrook Public Utility District 2024 Water Revenue Bonds.”

Section 2.02. Terms of the Bonds. The Bonds are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds will be dated as of the Closing Date, and will mature on December 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity Date</u> (December 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> (_____)
--	---	--	---

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States

of America by wire or by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Section 2.03. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or after December 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as the District may designate and by lot within a maturity, at the option of the District, on any date on or after December 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption.

The Outstanding Bonds maturing on December 1, 20__ and December 1, 20__ are subject to mandatory sinking fund redemption, in part, on December 1, 20__, and December 1, 20__ respectively, and on each December 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

Bonds Maturing on December 1, 20__

Redemption Date (<u>December 1</u>)	<u>Sinking Payment</u>
--	------------------------

(maturity)

Bonds Maturing on December 1, 20__

Redemption Date (<u>December 1</u>)	<u>Sinking Payment</u>
--	------------------------

(maturity)

(c) Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds, upon the terms and conditions of, and as provided for in Sections 5.04 or 5.05, as applicable, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date

fixed for redemption. The District shall give written notice of any redemption of Bonds under this subsection (b) to the Trustee at least 45 days prior to the date of redemption or such shorter time as shall be acceptable to the Trustee.

(d) Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee, by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books and containing the information set forth in this Section 2.03(d); provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds. Redemption notices may be conditional.

All notices of redemption shall be dated and shall state:

- (i) the redemption date,
- (ii) the redemption price of the Bonds being redeemed (the "Redemption Price"),
- (iii) if fewer than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, including (A) the CUSIP numbers of all Bonds being redeemed; (B) the stated interest rate with respect to each Bond being redeemed; (C) the maturity date of each Bond being redeemed; and (D) any other descriptive information needed to identify accurately the Bonds being redeemed,
- (iv) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and
- (v) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Office of the Trustee.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

(e) Rescission of Notice of Redemption. The District has the right to rescind any notice of the redemption of Bonds given under Section 2.03(a) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Bond Owners or any other party related to or arising from such

rescission of notice of redemption. The Trustee shall mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent under Section 2.03.

(f) Deposit of Money. On or prior to any redemption date, the District shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(g) Consequences of Notice. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the District shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to have interest accrue thereon. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be redelivered.

(h) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(i) Manner of Redemption. Whenever any Bonds are to be selected for redemption, the Trustee shall determine, by lot, the numbers of the Bonds to be redeemed, and shall notify the District thereof.

All Bonds redeemed pursuant to this Section shall be cancelled and destroyed pursuant to Section 9.07.

Section 2.04. Book Entry System.

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the District and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the

District and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the District elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, interest and premium, if any, on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The District and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and the interest and premium, if any, on such Bond, for the purpose of giving notices of matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the District of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued.

The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

Section 2.05. Form and Execution of Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The President of the Board of Directors of the District (or his or her designee) shall execute, and the Secretary of the District shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond are the proper officers of the District, duly authorized to execute debt instruments on behalf of the District, although on the date of such Bond any such person was not an officer of the District.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is

conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Transfer and Exchange of Bonds.

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section 2.06. Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The District shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds. The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period 15 days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The District shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds. The Trustee may refuse to exchange, under the provisions of this Section 2.06, either (a) any Bonds during the 15 days prior to the date established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption.

Section 2.07. Registration Books. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which must at all times during normal business hours, and upon reasonable notice, be open to inspection by the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond is mutilated, the District, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the District. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUE OF BONDS; PARITY DEBT

Section 3.01. Issuance of Bonds. Upon the execution and delivery of this Indenture, the District shall execute and deliver the Bonds in the aggregate principal amount of \$_____, the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the District therefor.

Section 3.02. Deposit and Application of Proceeds. (a) On the Closing Date, the Trustee shall receive proceeds of the Bonds from the Original Purchaser in the aggregate amount of \$_____, representing: the purchase price of the Bonds in the amount of \$_____ (representing for the \$_____ aggregate principal amount of the Bonds plus/less \$_____ of original issue premium/discount, less \$_____ of Original Purchaser's discount), as follows:

- (i) The Trustee shall deposit \$_____ into the Costs of Issuance;
- (ii) The Trustee shall deposit \$_____ into the Project Fund; and
- (iii) [The Trustee shall deposit \$_____ into the Reserve Fund.]

Section 3.03. Costs of Issuance Fund; Project Fund.

(a) Costs of Issuance Fund. There is hereby established a separate fund to be known as the “Costs of Issuance Fund”, to be held by the Trustee in trust. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the District stating (i) the person to whom payment is to be made, (ii) the amounts to be paid, and (iii) the purpose for which the obligation was incurred; in each case together with a statement or invoice for each amount requested thereunder. Each such Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. One hundred and eighty (180) days after the Closing Date, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Debt Service Fund to be applied to pay a portion of the interest next coming due and payable on the Bonds.

(b) Project Fund. There is hereby established a separate fund to be known as the “Project Fund”, to be held by the Trustee in trust for the District. Into the Project Fund, the Trustee shall deposit \$_____ from the proceeds of the Bonds and other available moneys. The Trustee shall disburse moneys in the Project Fund from time to time to pay Project costs (or to reimburse the District, respectively, for payment of Project costs) upon receipt by the Trustee of a written requisition of an Authorized Representative, the form of which is attached hereto as Exhibit C which: (a) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Project Fund and has not previously been disbursed by the Trustee from amounts in the Project Fund, (v) that all conditions precedent set forth in the Indenture with respect to such disbursement have been satisfied, and (vi) that the amount of such disbursement is for a Project cost and (b) specifies in reasonable detail the nature of the obligation. The Trustee shall not be responsible for the representations made in such written requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Interest earnings on the investment of funds on deposit in the Project Fund shall be retained in therein. Upon the filing with the Trustee of a written certificate of an Authorized Representative stating that the Project has been completed or that all written requisitions intended to be filed have been filed, the Trustee shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Principal Fund.

Notwithstanding the foregoing provisions of this Section, upon the occurrence and continuation of an Event of Default, the Trustee shall promptly withdraw all amounts then on deposit in the Project Fund and apply such amounts in accordance with the provisions of this Indenture.

Section 3.04. Issuance of Parity Debt. The District may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all grace periods have passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of Net Revenues, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the District, plus, at the option of the District any Additional Revenues, are at least equal to 125% of the maximum amount of Debt Service coming due and payable in the current or any future Fiscal Year with respect to (i) the Bonds and all Parity Debt then outstanding and (ii) the Parity Debt then proposed to be issued;

(c) The total amount of outstanding variable-rate debt issued by the District may not exceed 12% of the total principal amount of all outstanding and proposed debt that is secured by Net Revenues of the District; and

(d) The District shall deliver to the Trustee a Certificate of the District certifying, that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing subsections of this Section 3.04 have been satisfied.

For purposes of calculating Net Revenues to demonstrate compliance with paragraph (b) above, Revenues shall not include connection fees, transfers from the Rate Stabilization Fund (if any), or interest income received by the Water Fund during the period for which the calculation of Net Revenues is being made.

Section 3.05. State Loans. The District may borrow money from the State and incur State Loans to finance improvements to the Water System. A State Loan may be treated as a Parity Debt for purposes of this Indenture, so long as the District complies with Section 3.04 of this Indenture before incurring said State Loan.

Section 3.06. Validity of Bonds. The recital contained in the Bonds that they are issued under the Laws of the State of California is conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

Section 4.01. Pledge of Net Revenues; Debt Service Fund. The Debt Service Fund, as a special fund, is hereby created. The Debt Service Fund shall be held and maintained by the Trustee. Within such Debt Service Fund there shall be held and maintained by the Trustee the Interest Account, the Principal Account and the Sinking Fund Account. The Bonds and all Parity Debt are secured by a first pledge of and lien on all of the Net Revenues. In addition, the Bonds are secured by a pledge of all of the moneys in the Debt Service Fund, including all amounts derived from the investment of such moneys. The Bonds and any Parity Debt are equally secured by a pledge, charge

and lien upon the Net Revenues, without priority for series, issue, number or date, and the payment of the interest on and principal of the Bonds and Parity Debt shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues. So long as any of the Bonds and Parity Debt are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

Section 4.02. Receipt, Deposit and Application of Net Revenues.

(a) Establishment and Maintenance of Water Fund. The District has previously established the Water Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all Revenues in the Water Fund promptly upon the receipt thereof, and shall apply amounts in the Water Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in any Parity Debt Documents.

(b) Application of Amounts in Water Fund. In addition to transfers which are required to be made for repayment of any Parity Debt, which shall be made on a parity basis with amounts required to be made for repayment of the Bonds, the District shall withdraw amounts on deposit in the Water Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(i) Operation and Maintenance Costs. The District shall apply amounts on deposit in the Water Fund to pay all Operation and Maintenance Costs when due.

(ii) Debt Service Fund. At least 5 days prior to each Interest Payment Date, the District shall transfer all Net Revenues to the Trustee for the purpose of paying the Bonds and all Parity Debt of the Water System. Not later than the first Business Day preceding each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Debt Service Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Debt Service Fund), the following amounts in the following order of priority, the requirements of each such account at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds and Parity Debt of the Water System then Outstanding.

(b) Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds and all

Parity Debt of the Water System coming due and payable on such Interest Payment Date.

(c) Sinking Account. The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to Section 2.03(b).

(iii) Reserve Fund. Replenishment of the Reserve Fund to the Reserve Requirement.]

(iv) Other Lawful Uses. So long as no Event of Default has occurred and is continuing, the District may at any time use and apply moneys in the Water Fund for any one or more of the following purposes:

(A) the payment of any subordinate obligations or any unsecured obligations;

(B) the acquisition and construction of extensions and improvements to the Water System;

(C) the payment or retirement of any of the Bonds or any other obligations of the District relating to the Water System; or

(D) any other lawful purpose of the District.

Section 4.03. Application of Debt Service Fund. Moneys in the Debt Service Fund shall be applied as follows:

(a) Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

(b) Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

(c) Application of Sinking Account. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing Bonds (in lieu of redemption) pursuant to Section 2.03(b).

Section 4.04. Establishment of the Reserve Fund. In the event that the amount on deposit in the Reserve Requirement at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the District of such fact. Promptly upon receipt of any such notice, the District shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement of the Reserve Requirement. If there

shall then not be sufficient Net Water System Revenues on deposit in the Water Revenue Fund to transfer an amount sufficient to maintain the Reserve Requirement of the Reserve Requirement, the District shall be obligated to continue making transfers as Net Revenues become available in the Water Revenue Fund until there is an amount sufficient to maintain the Reserve Requirement of the Reserve Requirement. No such transfer and deposit need be made to the Reserve Requirement so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Requirement shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of Bonds then Outstanding, except that so long as the District is not in default hereunder, any amount in the Reserve Requirement in excess of the Reserve Requirement shall be withdrawn from the Reserve Requirement semiannually on or before four (4) Business Days preceding each June 1 and December 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Requirement on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Requirement and shall be transferred either (i) to the Interest Account, the Principal Account and Sinking Account, in such order, to the extent required to make the deposits then required to be made pursuant to this Section 4.04 or, (ii) if the District shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by this Section 4.04, then, at the Request of the District, such amount shall be transferred as directed by the District.

The Reserve Requirement with respect to the Bonds shall be satisfied by the delivery of the Reserve Policy to the Trustee. The Trustee shall credit the Reserve Policy to the Reserve Requirement. Under the terms and conditions of the Reserve Policy, the Trustee shall deliver to the Insurer a demand for payment under the Reserve Policy in the required form at least five Business Days before the date on which funds are required for the purposes set forth in Section 4.04. The Trustee shall comply with all of the terms and provisions of the Reserve Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Requirement, within the limits of the coverage amount provided by the Reserve Policy. All amounts drawn by the Trustee under the Reserve Policy will be deposited into the Reserve Requirement and applied for the purposes thereof. The District shall reimburse the Insurer for all draws under Reserve Policy in accordance with the terms of the Reserve Policy and Section 4.09 hereof.

Section 4.05. Establishment of Rate Stabilization Fund. The District may establish a "Rate Stabilization Fund," which it shall hold and administer in accordance with this Section 4.05, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Debt, as the District may determine. The Rate Stabilization Fund is currently unfunded.

The District may, but is not required to, withdraw from any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Water Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Water Fund. Amounts on deposit in the Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Debt. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District relating to the Water System.

Section 4.06. Equal Rights. It is the intention of the District that the Bonds and Parity Debt of the Water System shall be secured by and payable from all moneys deposited in the Water Fund on an equal basis. To the extent that moneys deposited in the Water Fund are insufficient to pay debt service on the Bonds and Parity Debt of the Water System as it becomes due, the Bonds and Parity Debt of the Water System shall be payable on a pro-rata basis from all available moneys deposited in the Water Fund. Additionally, any moneys which remain in the Water Fund after payment of principal of and interest on the Bonds shall be used to pay the Insurer for any other unpaid advances under the Reserve Policy.

Section 4.07. Investments.

(a) Investment of Funds Held by District. All moneys in the Water Fund and the Rate Stabilization Fund shall be invested by the District from time to time in any securities in which the District may legally invest funds subject to its control.

(b) Investment of Funds Held by Trustee. The Trustee shall invest moneys in the funds and accounts held by it hereunder (being the Debt Service Fund and the accounts therein, the Reserve Fund and the Project Fund) in Permitted Investments specified in the Request of the District delivered to the Trustee at least two Business Days in advance of the making of such investments. The Trustee may rely conclusively upon the investment direction of the District as to the suitability and legality of the directed investments. In the absence of any such direction from the District, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (e) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Request of the District specifying a specific money market mutual fund that satisfies the requirements of said paragraph in which such investment is to be made and, if no such Request of the District is so received, the Trustee shall notify the District that a Request of the District is needed.

(c) General Investment Provisions. Parity Debt purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture the District is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the

funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the District. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee has no liability for losses arising from any investments made under this Section.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

Section 4.08. 4.08 Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, the District covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the District must inform the Trustee which funds are subject to a yield restriction, and must provide the Trustee with any necessary valuation criteria or formulae.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof, on December 1 of each year. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow: (i) its normal practices in the purchase, sale and determining the value of Permitted Investments; and (ii) the investment directions of the District. The Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the District in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom. In determining the Fair Market Value of

Authorized Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

(d) For purposes of this Section 4.08, the term “Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

Section 4.09. [Insurance/Reserve Policy Provisions.]

ARTICLE V

FINANCIAL COVENANTS

Section 5.01. Punctual Payment; Compliance With Documents. The District shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

Section 5.02. Discharge of Claims. The District covenants that in order to fully preserve and protect the priority and security of the Bonds the District shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The District shall also pay, from the Net Revenues, all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Water System or upon any part thereof or upon any of the Net Revenues therefrom.

Section 5.03. Operation of Water System in Efficient and Economical Manner. The District covenants and agrees to operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

Section 5.04. Sale or Eminent Domain of Water System. Except as provided herein, the District covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the principal of or interest on the Bonds or any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Indenture or any Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Bonds and any Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

The Net Proceeds received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall, at the written direction of the District, either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be applied on a pro rata basis to redeem the Bonds and any Parity Debt in accordance with this Indenture and the related Parity Debt Documents.

Section 5.05. Insurance. The District will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the Bonds. Any insurance required by this Section may be maintained by the District in the form of self-insurance through a joint powers agreement or otherwise. The Trustee has no liability to determine whether the District is in compliance with the provisions of this Section 5.05.

The Net Proceeds collected by the District from insurance against accident to or destruction of any portion of the Water System shall be used to repair or rebuild such damaged or destroyed portion of the Water System, and to the extent not so applied, shall be applied on a pro rata basis to redeem the Bonds and any Parity Debt in accordance with this Indenture and the related Parity Debt Documents.

Section 5.06. Records and Accounts. The District will keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon reasonable request, be subject to the inspection of the Trustee and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The District shall cause the books and accounts of the Water System to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant.

Section 5.07. Rates and Charges. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts:

(a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(b) The principal of and interest on the Bonds and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose; and

(c) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this paragraph, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (a) any transfers from the Rate Stabilization Fund into the Water Fund in such Fiscal Year are included in the calculation of Net Revenues, as provided in Section 4.05, and (b) any transfers from the Water Fund into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Gross Revenues received by the District during that Fiscal Year.

Section 5.08. Superior and Subordinate Obligations; Parity Debt. The District may not issue or incur any additional bonds or other obligations having any priority over the Bonds in the payment of principal or interest out of the Net Revenues. Nothing herein limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder. Parity Debt may be issued or incurred only in accordance with Sections 3.04 and 3.05.

Section 5.09. Tax Covenants.

(a) The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

(b) The District shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(d) The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(e) The District shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the District.

The Trustee has no duty to monitor the compliance by the District with any of the covenants contained in this Section 5.09.

Section 5.10. Continuing Disclosure. The District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the District on the Closing Date. Notwithstanding any other provision hereof, failure of the District to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; provided, however, that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Section 5.10.

Section 5.11. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds and the Trustee the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

Section 6.01. Duties, Immunities and Liabilities of Trustee.

(a) Performance of Duties. The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties will be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) Removal of Trustee. The District may remove the Trustee upon 30 days' prior written notice, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible in accordance with subsection (e) of this Section 6.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The District may accomplish such removal by giving 30 days' prior written notice to the Trustee, whereupon the District will appoint a successor Trustee by an instrument in writing.

(c) Resignation by Trustee. The Trustee may at any time resign by giving written notice of such resignation to the District, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee by an instrument in writing.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the retiring Trustee, any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating District which then maintains a rating on the Bonds, and to the Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 15 days

after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Qualifications of Trustee. Any Trustee appointed under the provisions of this Section in succession to the Trustee must:

- (i) be a company, national banking association or bank having trust powers,
- (ii) have a corporate trust office in the State of California,
- (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$75,000,000, and
- (iv) be subject to supervision or examination by federal or state authority.

If such bank, national banking association or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The District will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

Section 6.02. Merger or Consolidation. Any bank, national banking association or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank, national banking association or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.03. Rights and Liabilities of Trustee.

(a) The recitals of facts herein and in the Bonds contained are taken as statements of the District, and the Trustee has no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties

hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the District.

(b) The Trustee has no liability with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee has no liability for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder is not construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee is not responsible for the District's payment of principal and interest on the Bonds, the District's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.06 and may rely conclusively on a Certificate of the District (if any) to establish the District's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Gross Revenues into the Water Fund and the investment and application of moneys on deposit in the Water Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) fully to inspect the Water System, including all books, papers and records of the District pertaining to the Water System and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(i) Before taking any action under Article VIII or this Article VI, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The permissive right of the Trustee to do things enumerated in this Indenture is not construed as a duty.

(l) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and is not answerable for the conduct of the same if appointed by it with reasonable care.

(m) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Section 6.04. Right to Rely on Documents. The Trustee is protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, facsimile transmission, electronic mail or other paper or document believed by it

to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the District.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District, whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the

Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys, including Bond proceeds, which shall be released or withdrawn in accordance with the provisions hereof.

Section 6.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing.

Section 6.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee has a first lien on the Net Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Trustee shall be deemed to constitute a substantial contribution to the trust estate which secures the Bonds. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The District further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities, whether or not litigated, suits, actions, and judgments, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the District under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 6.07. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the District at reasonable hours, during the Trustee's regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the District, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

Section 7.01. Amendments Permitted.

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended by the District and the Trustee upon Request of the District at any time by the execution of a Supplemental Indenture, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment may:

(i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or

(ii) permit the creation by the District of any mortgage, pledge or lien upon the Gross Revenues or Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or

(iii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or

(iv) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the District deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the District and the Trustee;

(iii) to provide for the issuance of Parity Debt under Section 3.04, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.04; and

(iv) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the District and the Trustee.

(c) Notice of Amendments. The District shall deliver or cause to be delivered a draft of any Supplemental Indenture to Moody's and/or S&P, if and only if such rating District is then providing a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 7.01.

Section 7.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification hereof under this Article VII, the District may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the District, as to such amendment or modification and in that case upon demand of the District the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the District may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the District the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

Section 7.05. Trustee's Reliance. The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the District and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 8.01. Events of Default and Acceleration of Maturities. Each of the following events constitutes an Event of Default hereunder:

(a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for acceleration, or otherwise.

(b) Failure to pay any installment of interest on the Bonds when due.

(c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the District by the Trustee; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the District institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure within 60 days after the written notice of default thereof.

(d) The District commences a voluntary bankruptcy case under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall (i) for any default listed in Section 8.01(a), (b) or (d) only, declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (ii) subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under this Indenture, including the right, by action brought pursuant to the California Code of Civil Procedure, or as otherwise provided by law, to obtain the issuance of a writ of mandamus enforcing the duty of the District to take all

steps necessary for the payment of principal of and interest on the Bonds, and other amounts due hereunder.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the District by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the District and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Event of Default or Acceleration.

All amounts received by the Trustee under any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) First, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.

(b) Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Section 8.03. Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action and the Trustee has been indemnified to its satisfaction. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 8.04. Limitation on Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

(a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;

(b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

(c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and the interest and premium, if any, on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.05. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay from the Net Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 8.06. Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section 8.06, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the

Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

Section 8.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Limited Liability of the District. Notwithstanding anything in this Indenture contained, the District is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Net Revenues). The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Net Revenues and other funds as in this Indenture provided. The Water Fund of the District is not liable, and the credit of the District is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the District. The principal of and interest on the Bonds are not a debt of the District, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as provided in this Indenture.

Section 9.02. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, gives to any person other than the District and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

Section 9.03. Defeasance of Bonds.

(i) If the District pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal and interest;

(c) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or

(d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the District, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the District under this Indenture with respect to such Bonds shall cease and terminate, except only: the obligations of the District under Section 5.09 (Tax Covenants), the obligation of the Trustee to transfer and exchange Bonds hereunder, the obligation of the District to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and the obligations of the District to compensate and indemnify the Trustee under Section 6.06.

The District must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the District or to its order.

(ii) To accomplish defeasance pursuant to paragraphs (i)(b) or (i)(c) above, the District shall cause to be delivered (a) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date ("Verification"), (b) an escrow agreement or irrevocable refunding instructions, and (c) an opinion of Bond Counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; each Verification and defeasance opinion to be acceptable in form and substance, and addressed, to the District and Trustee.

(iii) In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section 9.03, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the District.

(iv) Bonds shall be deemed "Outstanding" under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

Section 9.04. Execution of Documents and Proof of Ownership by Owners.

Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing. Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books. Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

Section 9.05. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District (but excluding Bonds held in any employees' retirement fund) must be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Bonds are so owned or held, in which case all such Bonds shall be considered Outstanding. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the District unless the District is the Registered Owner or the Trustee has received written notice to that effect.

Section 9.06. Waiver of Personal Liability. No member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.07. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the District of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee, upon request, shall be deemed to be the equivalent of the surrender of such canceled Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The District shall pay all costs of any microfilming of Bonds to be destroyed.

Section 9.08. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the District or the Trustee may be established and maintained in the accounting records of the District or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts

held by the District shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 9.09. Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. The District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District: Fallbrook Public Utility District
 990 E Mission Road
 Fallbrook, California 92028
 Attn: General Manager

If to the Trustee: U.S. Bank Trust Company, National Association
 One Embarcadero Center, Suite 2100
 San Francisco, CA 94111
 Attn: Global Corporate Trust

Section 9.10. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for one year after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for one year after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee (without liability for interest) to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the principal of and interest on such Bonds.

Section 9.11. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 9.12. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

(Signature page follows.)

IN WITNESS WHEREOF, the Fallbrook Public Utility District has caused this Indenture to be signed in its name by the General Manager and attested by the Secretary, and U.S. Bank Trust Company, National Association, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____
General Manager

ATTEST

Secretary

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

*-Signature page-
Indenture of Trust*

APPENDIX A

DEFINITIONS

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be made from the proceeds of such Parity Debt in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Financial Consultant.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been duly approved by the Board of Directors of the District prior to the incurring of such Parity Debt, but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District under Section 3.04(b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Financial Consultant.

[“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid.]

“Bond Counsel” means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means the provisions of Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bonds” means Fallbrook Public Utility District 2024 Water Revenue Bonds issued and at any time Outstanding hereunder.

“Bond Year” means the period beginning on the Closing Date and ending on December 1, 2024 and thereafter the period beginning on each December 2 and ending on the following December 1.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Certificate of the District” means a certificate in writing signed by the President of the Board of Directors of the District, the General Manager of the District or, the Assistant General Manager/Chief Financial Officer of the District.

“Closing Date” means [_____], 2024, being the date of delivery of the Bonds to the Original Purchaser.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate described in Section 5.10.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, fees, charges and disbursements of attorneys, financial advisor, underwriter, accounting firms, consultants and other professionals, and any other cost, charge or fee in connection with the original issuance of the Bonds, including bond insurance premium.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Debt Service” means, with respect to any Fiscal Year, the sum obtained by totaling the following amounts for such Fiscal Year:

- (a) the aggregate amount of principal of and interest on the Outstanding Bonds coming due and payable in such Fiscal Year;
- (b) the principal amount of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year; and
- (c) as to any such Bonds or Parity Debt bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be the greatest of (a) the actual interest rate on such Bonds or Parity Debt on the date of calculation, or if the indebtedness is not yet outstanding, the initial interest rate (if established and binding), (b) if the Bonds or Parity Debt have been outstanding for at least twelve months, the average rate over the twelve calendar months immediately preceding the date of calculation, and (c) (i) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published) plus 50 basis points, or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any portion of Sections 3.04 (Parity Debt) and 5.07 (Amount of Rates and Charges) of this

Indenture, measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

“Debt Service Fund” means the fund by that name established and held by the Trustee under Section 4.02(b)(ii).

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“District” means the Fallbrook Public Utility District, a public utility district duly organized and existing under the Constitution and laws of the State of California, and any successor thereto.

“DTC” means The Depository Trust Company, and its successors and assigns. “Event of Default” means any of the events described in Section 8.01.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; or (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom: (a) is judged by the District to have experience in matters relating to the financing of water systems; (b) is in fact independent and not under domination of the District; (c) does not have any substantial interest, direct or indirect, with the District; and (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the District as its official fiscal year period (written notice of which shall be given by the District to the Trustee).

“Gross Revenues” means: (1) all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) connection charges, (b) rebates or incentives paid to the District as a result of installed renewable energy generation projects or energy efficiency measures that benefit the operation of the Water System, and (c) investment earnings on amounts held in the Water Fund or in any other fund established with respect to the Water System; and (2) Tax Revenues. Gross Revenues does not include (i)

refundable deposits made to establish credit, and (ii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the District, and who, or each of whom (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, with the District; and (c) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

[“Insurer” means (i) _____ as provider of the Reserve Policy, and (ii) the provider of a municipal bond or financial guaranty insurance policy with respect to the Bonds or with respect to an issue of bonds the proceeds of which are used to purchase the Bonds.]

“Interest Payment Date” means June 1 and December 1 in each year, commencing December 1, 2024, and continuing so long as any Bonds remain Outstanding.

[“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.]

“Moody’s” means Moody’s Investors Services, and its successors and assigns.

“Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.09, or at such other or additional offices as may be specified by the Trustee in writing to the District; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Water System, including but not limited to (a) costs of treating water, (b) costs of electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water System. Operation and Maintenance Costs does not include (i) Debt Service payable on obligations incurred by the District with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means [_____], as the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the District has been discharged in accordance with Section 9.03; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture; and (d) Bonds which are required to be disregarded and not deemed Outstanding under Section 9.05.

“Owner” when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Debt” means (a) the State Revolving Fund construction loan and grant between the State Department of Public Health and the District, dated June 21, 2010 (“2010 SRF Loan”) and a Construction Installment Sale Agreement No. SWRCB0000000000D 180202000, by and between the California State Water Resources Control Board and the District, dated August 28, 2019, as amended (“2019 SRF Loan”). and (b) all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of and lien on any of the Net Revenues issued or incurred on a parity with the Bonds under Section 3.04 or 3.05.

“Parity Debt Documents” means documents related to the 2010 SRF Loan and 2019 SRF Loan such as indentures, installment purchase agreements and other loan documents entered in compliance with Section 3.04 hereof.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Request of the District directing investment in such Permitted Investment as a certification by the District to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at fair market value:

- (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;
- (b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself); U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration obligations;
- (c) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;
- (d) bonds or notes issued by any state or municipality, or political subdivisions thereof, which are rated by S&P, Fitch or Moody's in one of the three highest rating (without regard to qualifier) categories assigned by such agencies;
- (e) repurchase agreements with a primary dealer on the reporting dealer list of the Federal Reserve, or any bank, or any other financial institution, which, in any case, has capital of not less than \$500 million and which has, or is guaranteed by an entity which has, long-term ratings, at the time of purchase, in the "A" category (without regard to modifiers) or better by at least two of the following rating agencies: S&P, and Moody's, and or Fitch; and which has a minimum short-term rating of no less than "A-1" or equivalent (A-1/P-1/F1), at the time of purchase, by at least two of the following rating agencies: S&P, Moody's, or Fitch, provided that the Trustee or third party acting solely as agent for the Trustee has possession of the collateral and the collateral is valued weekly with deficiencies to be cured within two (2) days and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA or States or Municipalities, 105%) of the amount of cash transferred by the Trustee to the repurchase agreement provider under the repurchase agreement plus interest, (iv) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral, and (v) there shall have been delivered to the Trustee and the District an

Opinion of Counsel as to the validity, legality and enforceability of the repurchase agreement;

- (f) investment agreements, including guaranteed investment contracts ("GICs") with providers in one of the two highest rating categories (without regard to qualifier) of Moody's and S&P
- (g) money market funds registered under the Federal Investment Company Act of 1940, and having a rating, at the time of purchase, by S&P or Moody's in the highest rating category thereof," including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (h) certificates of deposit or similar bank deposit products secured at all times by collateral described in (a) and/or (b) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Trustee on behalf of the Bondholders has a perfected first security interest;
- (i) certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF;
- (j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating, at the time of purchase, of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P;
- (k) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended;
- (l) the State of California's Pooled Money Investment Account;
- (m) the State of California's Local Agency Investment Fund; and
- (n) any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds.

“Project” capital improvements to the Water System, including but not limited to repair and replacement of water pipeline throughout the District.

“Project Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Qualified Reserve Fund Credit Instrument” means (i) the Reserve Policy or (ii) an irrevocable standby or direct-pay letter of credit or Reserve Policy issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 4.04, provided that all of the following requirements are met by the District at the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is “A” (without regard to modifier) or higher; (b) such letter of credit or Reserve Policy has a term of at least twelve (12) months; (c) such letter of credit or Reserve Policy has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 4.04; (d) the Trustee is authorized pursuant to the terms of such letter of credit or Reserve Policy to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account and the Principal Account; and (e) prior written notice is given pursuant to the Indenture before the effective date of any such Qualified Reserve Fund Credit Instrument.

“Rate Stabilization Fund” means the fund by that name that is established and held by the District pursuant to Section 4.05 hereof.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date whether or not such day is a Business Day.

“Registration Books” means the books maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

“Request of the District” means a request in writing signed by the President of the Board of Directors of the District, the General Manager of the District, the Assistant General Manager & Chief Financial Officer of the District or any other officer of the District duly authorized by the Board of Directors for that purpose.

[“Reserve Fund” means the account by that name established and held by the Trustee pursuant to Section 4.04 hereof.]

[“Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer as Policy Number _____ in the stated amount of \$ _____, deposited into the Reserve Fund relating to the Bonds.]

[“Reserve Requirement” means, with respect to the Bonds, as of any date of calculation, the least of (i) ten percent (10%) of the original par amount of the Bonds, (ii) Maximum Annual Debt Service with respect to the Bonds, or (iii) 125% of average Annual Debt Service on the Bonds; provided, further that the district may meet all or a portion of

the Reserve Requirement by depositing a Qualified Reserve Fund Credit Instrument meeting the requirements of Section 4.04 hereof.]

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors and assigns.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Request of the District delivered by the District to the Trustee.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with Section 7.01.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Tax Revenues” means the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the County Tax Collector to the District that are allocable to the Water Fund.

“Trustee” means U.S. Bank Trust Company, National Association, as Trustee hereunder, or any successor thereto appointed as Trustee under Article VI.

“Water Fund” means the fund or funds established and held by the District with respect to the Water System for the deposit of Gross Revenues.

“Water System” means all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the production, transmission, distribution and sale of water and all additions, extensions, expansions, improvements and betterments thereto, and equipping thereof; provided, however, that to the extent the District is not the sole owner of an asset or property, only the District’s ownership interest in such asset or property shall be considered to be part of the Water System.

APPENDIX B

FORM OF BOND

No. _____

\$ _____

**FALLBROOK PUBLIC UTILITY DISTRICT
2024 WATER REVENUE BOND,**

<u>RATE OF INTEREST</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
_____ %	December 1, _____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Fallbrook Public Utility District, a public utility district duly organized and existing under the Constitution and laws of the State of California (the "District"), for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above, the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the 15th day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before _____, 2024, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each June 1 and December 1, commencing December 1, 2024 (each, an "Interest Payment Date").

The principal hereof is payable by check at the Office (as defined in the Indenture referred to below) of U.S. Bank Trust Company, National Association (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Indenture hereinafter referred to) at the address shown on the registration books maintained by the Trustee. Payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee before the 15th day of the month preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the District designated as its "Fallbrook Public Utility District 2024 Water Revenue Bonds" (the "Bonds"), in the aggregate principal amount of \$_____ authorized under Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code (the "Bond Law"), and issued under an Indenture of Trust, dated as of _____ 1, 2024 (the "Indenture"), between the District and the Trustee. The Bonds have been issued for the purpose of financing capital improvements of the District's water system (the "Water System").

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the District thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Net Revenues (as such term is defined in the Indenture) of the Water System, and are secured by a pledge of, and lien on, said Net Revenues and amounts held in certain funds and accounts established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The District has the right under the Indenture to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Indenture. The Bonds are special obligations of the District and are not a lien or charge upon the funds or property of the District, except to the extent of the aforesaid pledge and lien.

The Bonds maturing on or before December 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after December 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as the District may designate and by lot within a maturity, at the option of the District, on any date on or after December 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Outstanding Bonds maturing on December 1, 20__ and December 1, 20__ are subject to mandatory sinking fund redemption, in part, on December 1, 20__, and December 1, 20__ respectively, and on each December 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments in the manner and in the amounts described in the Indenture.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds (as such term is defined in the Indenture), upon the terms and conditions of, and as provided for in the Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Bonds may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The District and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the District and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the District to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond, without the written consent of the owner of such Bond, (b) permit the creation by the District of any mortgage, pledge or lien upon the Gross Revenues or Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by the Indenture), (c) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (d) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the Trustee for registration or transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE

HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by the Bond Law and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture, or is not valid or obligatory for any purpose, until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, Fallbrook Public Utility District has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the General Manager of the District and attested to by the facsimile signature of the Secretary of the District, all as of the Issue Date stated above.

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____
General Manager

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Dated: _____, 2024

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

APPENDIX C

FORM OF REQUISITION (PROJECT FUND)

U.S. Bank Trust Company, National Association
One Embarcadero Center, Suite 2100
San Francisco, CA 94111
Attn: Global Corporate Trust

Re: Fallbrook Public Utility District 2024 Water Revenue Bonds

Fallbrook Public Utility District (the "Borrower") hereby requests U.S. Bank Trust Company, National Association, as Trustee (the "Trustee"), under that certain Bond Indenture, dated as of _____ 1, 2024 (the "Indenture"), between the Borrower and the Trustee, relating to the above-captioned Bonds to pay to the persons listed on Schedule I attached hereto the amounts shown for the purposes and in the detail indicated on Schedule I from the Project Fund established pursuant to the Indenture.

The Borrower hereby certifies that: (i) each item in the amount set forth on Schedule I is a proper charge against the Project Fund and has not previously been disbursed by the Trustee from amounts in the Project Fund, (ii) all conditions precedent set forth in the Indenture with respect to this disbursement have been satisfied, (iii) the amount of such disbursement is for a cost of the Project (as defined in the Indenture).

Dated: _____, _____.

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____
Authorized Representative

SCHEDULE I

Attachment C

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2024

NEW ISSUE-FULL BOOK-ENTRY

**RATING: [S&P (Insured): “___”]
S&P Rating : “___”
(See “RATINGS” herein.)**

In the opinion of Best Best & Krieger LLP, Riverside, California (“Bond Counsel”), subject, however, to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes, and interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, for tax years beginning after December 31, 2022, interest on the Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See “TAX EXEMPTION” herein.

\$12,000,000*
FALLBROOK PUBLIC UTILITY DISTRICT
2024 Water Revenue Bonds

Dated: Date of Issuance

Due: December 1, as shown on inside front cover

The 2024 Water Revenue Bonds (the “Bonds”) are being issued by the Fallbrook Public Utility District (the “District”) to (i) finance capital improvements for the District’s water system, (ii) pay the costs of issuing the Bonds, and (iii) finance a reserve fund. See “PLAN OF FINANCE.”

Interest on the Bonds will be payable on March 1 and December 1 of each year, commencing December 1, 2024. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to The Depository Trust Company (“DTC”), or its nominee, Cede & Co., by U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), so long as DTC or Cede & Co. is the registered owner of the Bonds.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Disbursements of payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See APPENDIX D – BOOK-ENTRY SYSTEM.

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

The Bonds are special limited obligations of the District, secured by and payable from a first pledge of and lien on the Net Revenues (defined herein) of the Water System (defined herein) and from amounts on deposit in certain funds and accounts established under the Indenture (defined herein). The Bonds are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the District as described herein. [The District is/is not funding a debt service reserve fund for the Bonds.] See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The District has outstanding debt that is payable from the Net Revenues of the Water System on a parity basis with the Bonds and may enter into additional parity obligations in the future, subject to the conditions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Debt.”

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decision.

THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM REVENUES AND OTHER FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT, OBLIGATION OR LIABILITY OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF ANY OF THE FOREGOING (INCLUDING THE DISTRICT) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE DISTRICT’S OBLIGATION TO PAY DEBT SERVICE ON THE BONDS IS AN OBLIGATION PAYABLE SOLELY FROM THE DISTRICT’S WATER FUND. THE OBLIGATION OF THE DISTRICT TO PAY DEBT SERVICE DOES NOT CONSTITUTE A DEBT OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION, OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

[Bids for the purchase of the Bonds will be received by the District on _____, 2024, electronically only, through the I-Deal LLC BiDCOMP™/PARITY® system, until 9:00 A.M. Pacific Standard time. The Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated _____, 2024.]

The Bonds are offered when, as and if issued subject to the approval, as to their validity, by Best Best & Krieger LLP, Riverside, California, Bond Counsel to the District, and certain other conditions. Best Best & Krieger LLP is also serving as Disclosure Counsel to the District and for [_____, _____, California, the Underwriter by its counsel, _____, _____, California]. Certain legal matters will be passed upon for the District by Best Best & Krieger LLP, as general counsel to the District. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about _____, 2024.

Dated: _____, 2024

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

\$12,000,000*

**FALLBROOK PUBLIC UTILITY DISTRICT
2024 Water Revenue Bonds,**

<u>Maturity Date</u> (December 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	CUSIP[†] (Base: _____)
--	---	--	---------------------	---------------------	--

^(C) Priced to the optional redemption date of December 1, 20__, at par.

* Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City, the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the City, the District or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the District or the Water System since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement, in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriters may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Internet Site. The District maintains an internet site; however, none of the information contained on that internet site is incorporated by reference in this Official Statement.

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**FALLBROOK PUBLIC UTILITY DISTRICT
(SAN DIEGO COUNTY, CALIFORNIA)**

Board of Directors

Jennifer DeMeo, President and Director of Subdistrict No. 3
Don McDougal, Vice President and Director of Subdistrict No. 4
Dave Baxter, Director of Subdistrict No. 1
Ken Endter, President and Director of Subdistrict No. 2
Charley Wolk, Director of Subdistrict No. 5

District Staff

Jack Bebee, General Manager
David Shank, Assistant General Manager & Chief Financial Officer
Lauren Eckert, Secretary of the Board of Directors
Paula C. P. de Sousa, Best Best & Krieger LLP, General Counsel

SPECIAL SERVICES

Municipal Advisor
Wulff, Hansen & Co.
San Rafael, California

Bond Counsel and Disclosure Counsel
Best Best & Krieger LLP
Riverside, California

Trustee
U.S. Bank Trust Company, National Association
Los Angeles, California

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LOCATION MAP

AERIAL PHOTO

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OFFICIAL STATEMENT

\$12,000,000*

FALLBROOK PUBLIC UTILITY DISTRICT 2024 Water Revenue Bonds

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale by the Fallbrook Public Utility District (the “District”) of its 2024 Water Revenue Bonds (“Bonds”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein.

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

Authority for Issuance and Application of Proceeds

The Bonds are being issued under the provisions of Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code (the “Bond Law”) and an Indenture of Trust, dated as of _____ 1, 2024 (the “Indenture”), between the District and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Bonds are being issued to (i) finance capital improvements of the District’s Water System (defined herein), (ii) pay the costs of issuing the Bonds, [and (iii) fund a reserve fund]. See “PLAN OF FINANCE.”

The District

The District provides the following services through three separate utility enterprises: (i) potable water service through its Water System, (ii) wastewater service through its wastewater system, and (iii) recycled water service through its recycled water system.

The District was originally formed on June 5, 1922 to provide potable water to customers in the unincorporated community of Fallbrook, which is located in San Diego County (the “County”) approximately 55 miles north of the City of San Diego and 7 miles northeast of the Marine Corps Base Camp Pendleton. Over time, annexations have expanded the District’s potable water service area from approximately 500 acres to 28,000 acres (44 square miles) at present.

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 Water System, and conduct all system maintenance and repairs. The District has nearly completed an Advanced Metering Infrastructure system upgrade that will enable real-time meter reading and provide customers with real-time water use. The District has 3 active connections to the imported water system that are directly connected to Metropolitan Water District of Southern California owned pipelines. The District has a fourth connection, which connects to a San Diego County

* Preliminary, subject to change.

Water Authority pipeline, which is in the process of being permanently decommissioned. See “THE WATER SYSTEM.”

For additional information regarding the District, the unincorporated area of Fallbrook and the County, see “THE DISTRICT” and “APPENDIX A – General Information about Fallbrook and San Diego County.”

The Bonds

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on June 1 and December 1, commencing December 1, 2024 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. See “THE BONDS.”

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

Security for the Bonds and Parity Debt

The Bonds are secured by the Net Revenues of the Water System, which under the Indenture are pledged for payment of the Bonds. The District has outstanding debt that is payable from the Net Revenues of the Water System on a parity basis with the Bonds and the District may enter into additional Party Debt in the future, subject to the conditions set forth in the Indenture.

[No Reserve Fund

The District will not fund a debt service reserve fund for the Bonds.]

Special Obligations

The Bonds are special obligations of the District, secured by and payable from the Net Revenues of the Water System, and from amounts on deposit in certain funds and accounts established under the Indenture. Revenues of the District’s recycled water system may also be used to pay a portion of the Bonds, however such revenues are not pledged for payment of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Bonds are not a debt, liability or obligation of the State or any of its political subdivisions other than the District, as described herein.

Risk Factors

Investment in the Bonds is not suitable for all investors. Investors are directed to the heading “RISK FACTORS” for a non-exclusive list of certain risks that may materially adversely impact the District and the Bonds.

Further Information

The summaries and references of the Indenture and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for a summary of certain terms of the Indenture not summarized in the main body of this Official Statement.

THE BONDS

General

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable on each Interest Payment Date and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Bond may have more than one maturity date. The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all Bonds. See APPENDIX D – “BOOK ENTRY SYSTEM.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated between an Interest Payment Date and the 15th calendar day of the month immediately preceding such Interest Payment Date (each, a “Record Date”), in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of original delivery of the Bonds, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on the Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner’s address as it appears on the Registration Books at the close of business on the preceding Record Date; provided, that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

Redemption

Optional Redemption. The maturing on or after December 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as the District may designate and by lot within a maturity, at the option of the District, on any date on or after December 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on December 1, 20__ and December 1, 20__ are subject to mandatory sinking fund redemption, in part, on December 1, 20__, and December 1, 20__ respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

Bonds Maturing on December 1, 20

Redemption Date (December 1)	Sinking Payment
---	----------------------------

(maturity)

Bonds Maturing on December 1, 20

Redemption Date (December 1)	Sinking Payment
---	----------------------------

(maturity)

Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds, upon the terms and conditions of, and as provided for in the Indenture, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds will be given, at the expense of the District, by the Trustee, by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

All notices of redemption will be dated and will state: (i) the redemption date, (ii) the redemption price of the Bonds being redeemed (the "Redemption Price"), (iii) if fewer than all Outstanding Bonds are to be redeemed, including (A) the CUSIP numbers of all Bonds being redeemed; (B) the stated interest rate with respect to each Bond being redeemed; (C) the maturity date of each Bond being redeemed; and (D) any other descriptive information needed to identify accurately the Bonds being redeemed, (iv) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and (v) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Office of the Trustee.

Rescission of Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The District and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee will mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent.

Consequences of Notice. Notice of redemption having been given as required by the Indenture, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the Redemption Price, and from and after such date (unless the District defaults in the payment of the Redemption Price) such Bonds or portions of Bonds will cease to have interest accrue thereon. Upon surrender of Bonds for redemption in accordance with a redemption notice, the Bonds will be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date will be payable as provided in the Indenture. Upon surrender for any partial redemption of any Bond, there will be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed will be cancelled and destroyed by the Trustee and will not be redelivered.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Manner of Redemption. Whenever any Bonds are to be selected for redemption, the Trustee will determine, by lot, the numbers of the Bonds to be redeemed, and will notify the District of its determination.

Cost of Issuance Fund

There Indenture establishes a separate fund to be known as the “Costs of Issuance Fund”, to be held by the Trustee in trust. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the District. Each such Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. After the Closing Date, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Debt Service Fund to be applied to pay a portion of the interest next coming due and payable on the Bonds.

Project Fund

The Indenture establishes a separate fund to be known as the “Project Fund”, to be held by the Trustee in trust for the District. The Trustee shall disburse moneys in the Project Fund from time to time to pay Project costs (or to reimburse the District respectively, for payment of Project costs) upon receipt by the Trustee of a written requisition of an Authorized Representative. Interest earnings on the investment of funds on deposit in the Project Fund shall be retained therein. Upon the filing with the Trustee of a written certificate of an Authorized Representative stating that the Project has been completed or that all written requisitions intended to be filed have been filed, the Trustee shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Principal Fund.

PLAN OF FINANCE

General

Bond proceeds will be used to finance improvements for the Water System and (ii) pay the costs of issuing the Bonds.

Estimated Sources and Uses of Funds

The following sets forth the estimated sources and uses of funds related to the Bonds.

Sources of Funds

Principal Amount of Bonds
 Plus/minus Original Issue Premium/Discount _____
TOTAL SOURCES

Uses of Funds

Costs of Issuance Fund⁽¹⁾
 Project Fund
 [Reserve Fund] _____
TOTAL USES

⁽¹⁾ Includes fees of bond and disclosure counsel fees, expenses and charges of the Trustee, printing costs, fees of the Municipal Advisor, Underwriter’s discount, and other costs of issuance.

Debt Service Schedule

The following table shows, for each Bond Year ending December 1, the principal of and interest that is payable on the Bonds, assuming no optional or extraordinary redemptions. See “– General,” above.

<u>Period Ending</u> <u>(December 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Net Revenues

The Bonds and any Parity Debt are secured by a first pledge and lien on Net Revenues. “Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period. In addition, the Bonds are secured by a pledge of all of the moneys in the Debt Service Fund held by the Trustee under the Indenture, including all amounts derived from the investment of such moneys. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose, except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

“Gross Revenues” means: (1) all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) connection charges, (b) rebates or incentives paid to the District as a result of installed renewable energy generation projects or energy efficiency measures that benefit the operation of the Water System, and (c) investment earnings on amounts held in the Water Fund or in any other fund established with respect to the Water System; and (2) Tax Revenues. Gross Revenues does not include (i) refundable deposits made to establish credit, and (ii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System.

“Tax Revenues” means the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the County Tax Collector to the District.

“Water System” means all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the production, transmission, distribution and sale of water and all additions, extensions, expansions, improvements and betterments thereto, and equipping thereof; provided, however, that to the extent the District is not the sole owner of an asset or property, only the District’s ownership interest in such asset or property shall be considered to be part of the Water System.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Water System, including but not limited to (a) costs of treating water, (b) costs of electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water System. Operation and Maintenance Costs does not include (i) Debt Service payable on Parity Debt incurred by the District with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Debt Service” means, with respect to any Fiscal Year, the sum obtained by totaling the following amounts for such Fiscal Year:

- (a) the aggregate amount of principal of and interest on the Outstanding Bonds coming due and payable in such Fiscal Year;
- (b) the principal amount of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year; and
- (c) as to any such Bonds or Parity Debt bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be the greatest of (a) the actual interest rate on such Bonds or Parity Debt on the date of calculation, or if the indebtedness is not yet outstanding, the initial interest rate (if established and binding), (b) if the Bonds or Parity Debt have been outstanding for at least twelve months, the average rate over the twelve calendar months immediately preceding the date of calculation, and (c) (i) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published) plus 50 basis points, or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Special Obligation

The Bonds and any Parity Debt are special obligations of the District, secured by and payable from Net Revenues. The Bonds are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the District, as described herein.

[No Reserve Fund

The District will not fund a debt service reserve fund for the Bonds.]

Water Fund; Flow of Funds under Indenture

General. Promptly upon receipt, the District will deposit all Gross Revenues of the Water System into the Water Fund, and will apply all such amounts solely as set forth in the Indenture and as set forth in any other agreement, indenture of trust, resolution or other instrument authorizing the issuance of Parity Debt (each a “Parity Debt Document”). In addition to transfers which are required to be made for the repayment of any Parity Debt, the District will withdraw amounts on deposit in the Water Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

Operation and Maintenance Costs. The District will apply amounts on deposit in the Water Fund to pay all Operation and Maintenance Costs when due.

Debt Service Fund. At least 5 days prior to each Interest Payment Date, the District shall transfer all Net Revenues to the Trustee for the purpose of paying the Bonds and all Parity Debt of the Water System. Not later than the first Business Day preceding each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Debt Service Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Debt Service Fund), the following amounts in the following order of priority, the requirements of each such account at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds and Parity Debt of the Water System then Outstanding.

Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds and all Parity Debt of the Water System coming due and payable on such Interest Payment Date.

Sinking Account. The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to the Indenture.

[**Reserve Fund.** Replenishment of the Reserve Fund to the Reserve Requirement.]

Other Lawful Uses. So long as no Event of Default has occurred and is continuing, the District may at any time use and apply moneys in the Water Fund for any one or more of the following purposes: (A) the payment of any subordinate obligations or any unsecured obligations; (B) the acquisition and construction of extensions and improvements to the Water System; (C) the payment or retirement of any of the Bonds or any other obligations of the District relating to the Water System; or (D) any other lawful purpose of the District.

Application of Accounts

Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

Sinking Account. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing Bonds (in lieu of redemption) pursuant to the Indenture.

Rate Stabilization Fund

The District has established a “Rate Stabilization Fund” for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. See “FINANCIAL MATTERS OF THE DISTRICT-Financial Policies.” The Rate Stabilization Fund is currently unfunded.

From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secure the Bonds and any Parity Debt, as the District may determine. The District may, but is not required to, withdraw from any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Water Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and shall be applied for the purposes of the Water Fund. Amounts on deposit in the Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Debt. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District relating to the Water System. The Rate Stabilization Fund is currently unfunded.

Rate Covenants; Collection of Rates and Charges

The District covenants in the Indenture to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and errors in the estimates, to yield Gross Revenues sufficient to pay the following amounts:

- (a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (b) The principal of and interest on the Bonds and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such principal and interest is payable from proceeds of Parity Debt deposited for such purpose; and
- (c) All payments required to meet any other Parity Debt of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the District is required to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (i) any transfers from the Rate Stabilization Fund into the Water Fund in such Fiscal Year are included in the calculation of Net Revenues, and (ii) any transfers from the Water Fund into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Gross Revenues received by the District during that Fiscal Year.

Insurance; Net Proceeds

The District will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. All amounts collected from insurance against accident to or destruction of any portion of the Water System constitute Gross Revenues and must be used to repair or rebuild such damaged or destroyed portion of the Water System, and to the extent not so applied, will be applied on a pro rata basis to redeem the Bonds and any Parity Debt in accordance with the Indenture and the related Parity Debt Documents. The District will also maintain, with responsible insurers, worker’s compensation insurance and insurance against

public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the Bonds and outstanding Parity Debt. Any insurance required by the Indenture may be maintained by the District in the form of self-insurance through a joint powers agreement or otherwise.

No Senior Obligations

The District may not issue or incur any bonds, notes or other obligations having any priority over the Bonds in the payment of principal or interest out of the Net Revenues.

Parity Debt

Existing Parity Debt. The District's existing Parity Debt includes, State Revolving Fund construction loan and grant between the State Department of Public Health and the District, dated June 21, 2010 and a Construction Installment Sale Agreement No. SWRCB0000000000D 180202000, by and between the California State Water Resources Control Board and the District, dated August 28, 2019, as amended.

Future Parity Debt. The District may issue bonds, notes or other obligations ("Parity Debt") payable from Net Revenues on a parity with the Bonds provided that certain conditions are satisfied, including the following:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The amount of Net Revenues, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the District, plus, at the option of the District any Additional Revenues, are at least equal to 125% of the maximum amount of Debt Service coming due and payable in the current or any future Fiscal Year with respect to (i) the Bonds and all Parity Debt then outstanding and (ii) the Parity Debt then proposed to be issued;
- (c) The total amount of outstanding variable-rate debt issued by the District may not exceed 12% of the total principal amount of all outstanding and proposed debt that is secured by Net Revenues of the District; and
- (d) The District shall deliver to the Trustee a Certificate of the District certifying, that the conditions precedent to the issuance of such Parity Debt set forth in the Indenture have been satisfied.

For purposes of calculating Net Revenues to demonstrate compliance with paragraph (b) above, Gross Revenues does not include connection fees and charges, transfers from the Rate Stabilization Fund (if any), or interest income received by the Water Fund during the period for which the calculation of Net Revenues are made.

"Additional Revenues" is defined in the Indenture to mean, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be made from the proceeds of such Parity Debt in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Financial Consultant.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been duly approved by the Board of Directors of the District prior to the incurring of such Parity Debt, but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent

consecutive 12-month period selected by the District under Section 3.04(b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Financial Consultant.

State Loans. The District may borrow money from the State and incur State Loans to finance additional improvements to the Water System. “State Loans” means loans secured by a pledge of Net Revenues of the Water System and incurred by the District to finance improvements to the Water System. State Loans may be treated as Parity Debt, so long as the District complies with the requirements for issuing Parity Debt.

Subordinate Obligations

Nothing in the Indenture limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Indenture.

[Reserve Fund Insurance] [TO COME]

THE DISTRICT

Overview of the District

General. The District is a public utility district organized and existing under the “Public Utility District Act,” being Section 15501 et seq. of the Public Utilities Code of the State of California. Operating through three separate utility enterprises, the District provides the following services within the Fallbrook area: (i) potable water service through its Water System, (ii) wastewater service through its wastewater system, and (iii) recycled water service through its recycled water system.

Fallbrook is a census-designated-place in unincorporated San Diego County. The County is the second-most populous county in the State and the fifth-most populous in the United States. The District is located in the north-east region of the County approximately 55 miles north of the City of San Diego and 7 miles northeast of Marine Corp. Base Camp Pendleton, making the District’s service area a bedroom community for Camp Pendleton’s active military and civilian-service workers.

Camp Pendleton. Marine Corps Base Camp Pendleton is the Corps’ largest West Coast expeditionary training facility encompassing more than 125,000 acres including more than 2,600 buildings and 500 miles of road. Camp Pendleton is one of the Department of Defense’s busiest installations and offers a broad spectrum of training facilities for many active and reserve Marine, Army and Navy units, as well as national, state and local agencies. Located seven miles from Fallbrook, Camp Pendleton has been the largest employer in northern San Diego County for the past 60 years.

More than 38,000 military family members occupy base housing complexes. With a daytime population of 70,000 military and civilian personnel, the Marines, Sailors and their families rely on the surrounding communities for retail goods and services not available on Base.

Fallbrook Area. Fallbrook is a census designated place (CDP) located in unincorporated northern San Diego County, with an estimated 2018 population of approximately 33,000. Fallbrook’s population has been relatively stable over the past several years. Additional demographic and economic information about Fallbrook and the County is located in APPENDIX A.

Local Supply. In January 2018, the District’s Board of Directors signed an agreement with Camp Pendleton in a settlement, which was adopted in April 2019. As part of the settlement, river water will flow to Camp Pendleton and be stored in recharge ponds that seep into an underground aquifer there. That stored water will be pumped out of the ground and piped back to the District when available. The Santa Margarita River

Conjunctive Use Project (“SMRCUP”) provides a local supply, reducing dependence on expensive wholesale water purchases. While the amount of water available to the District will vary each year depending on regional weather and river hydrogeology, the SMRCUP is expected to supply just over half of the District’s water needs on average.

Treatment Plant. The District completed the Santa Margarita Groundwater Treatment Plant in 2022. The plant was constructed to treat the District’s SMRCUP water supply. This state of the art water treatment plant has a maximum capacity of 7.8 million gallons a day. The reverse osmosis treatment process provides the District with a high quality treated water supply. An activated carbon filtration process was added to the treatment plant to achieve non-detect levels of PFAS in the treated water.

Wholesale Supplier. On January 1, 2024, the District detached from San Diego County Water Authority (“SDCWA”) and annexed into Eastern Municipal Water District (“EMWD”). This move provides the District with a significant reduction in the cost of wholesale water while maintaining the District’s current level of water supply reliability. The process of detachment was managed by the San Diego County Local Agency Formation Commission. As part of the detachment agreement, the District will pay SDCWA \$8.51 million from funds on hand in unrestricted reserves. The process and effect of the detachment from SDCWA is discussed more fully under the caption, “WATER SYSTEM – Water System Facilities – Detachment,” herein.

Distribution 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 a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District has recently completed an Advanced Metering Infrastructure system upgrade that enables real-time meter reading and provides customers with real-time water use. The District imports water via three connections which are directly connected to the Metropolitan Water District of Southern California (“MWD”) owned pipelines. The change of the wholesale supplier of water from SDCWA to EMWD will have no impact on the delivery of water through these connections.

Service Area Map

The map on the following page shows the service area of the District’s Water System.

Board of Directors

The Board of Directors of the District consists of five directors, each of whom is elected to a four-year term representing one of five subdistricts within the District. The current Board Members, their respective sub-districts, and the expiration of each director’s current term are as follows:

<u>Board Members</u>	<u>Subdistrict</u>	<u>Expiration of Term</u>
Dave Baxter	Subdistrict No. 1	December 2024
Ken Endter	Subdistrict No. 2	December 2026
Jennifer DeMeo	Subdistrict No. 3	December 2024
Don McDougal	Subdistrict No. 4	December 2024
Charley Wolk	Subdistrict No. 5	December 2026

Jennifer DeMeo, President. Ms. DeMeo has been on the Board since 2016. She is a longtime Fallbrook resident, and works within the health and safety industry for GreatCall Inc, which provides devices geared toward seniors. She is also a youth volunteer at North Coast Church in Fallbrook. She holds a bachelor’s degree in Religious Studies from Guilford College in North Carolina.

Don McDougal, Vice President. Mr. McDougal has been on the Board since 2004. He is the President/CEO of the Grand Tradition Estate and Gardens, his family’s business. A graduate of Fallbrook High, he has more than 40 years in the private business sector. After being away from Fallbrook for 28 years, he moved

back to take over operation of the Grand Tradition in 1996. Mr. McDougal has a bachelor's degree from California Polytechnic University in Agricultural Business Management.

Ken Endter, Director. Mr. Endter has been on the Board since 2018. He is retired from RADY Children's Hospital where he worked as a diagnostic medical professional in the imaging department. He moved to Fallbrook in 2003 when RADY offered him the position. Prior to that, he worked for Kaiser Permanente and as a sub-contractor for the Department of Defense. He grew up in both Long Beach, California and on his family farm in Monticello, Utah which he managed and operated for many years. He has a bachelor's degree from Seattle University in Diagnostic Ultrasound with a minor in Physics.

Dave Baxter, Vice President. Mr. Baxter has been on the Board since 2019. He is the senior director at Relevant Solutions, a company providing business solutions through instrumentation and automation, rotating and thermal equipment purification and building solutions. He has a background in water and wastewater treatment, working with municipalities and spent eight years in the Coast Guard. He is a Fallbrook business owner, owning and operating Fallbrook Protea farm, and rental property throughout town. Mr. Baxter has two bachelor's degrees from the University of Tennessee – in environmental engineering and chemical engineering.

Charley Wolk, Director. Mr. Wolk has been on the Board since 2014. Prior to that, he also served a 4-year term on the Board from 1990 to 1994. A resident of Fallbrook since 1972, he owns and operates the Bejoca Company, a local grove management services company. Mr. Wolk has a bachelor's degree in Mechanical Engineering from Marquette University and a master's degree in Management Engineering from George Washington University.

District Management

Jack Bebee, General Manager. Mr. Bebee has more than 20 years in the management of engineering, operations, design and planning of water and wastewater infrastructure – including water treatment, distribution and wastewater collection and reclamation facilities. He began working for the District in 2009, and prior to that worked as a consultant, managing water and wastewater infrastructure projects. He has a Bachelor of Science degree in engineering from Washington and Lee University, a Master of Science in civil engineering from University of Illinois, and a Master of Business Administration from Cal. State University San Marcos, and holds a Professional Civil Engineering License in California.

David Shank, Assistant General Manager & Chief Financial Officer. Mr. Shank has more than 15 years in financial management. He began working for the District in 2017, and prior to that worked for the San Diego County Water Authority, as a consultant and an economist for the USDA. He has a Bachelor of Arts degree in economics from Emory University, and Master's degrees in Resource & Agricultural Economics (UC Davis), Environmental Engineering (University of Illinois), and Public Administration (San Diego State University).

THE WATER SYSTEM

Overview

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 a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District has completed an Advanced Metering Infrastructure system upgrade that enables real-time meter reading and provides customers with real-time water use.

Number of Water Connections

The following table shows the number of residential, single-family residential, multi-family residential, commercial and institutional, agricultural, and other connections for the Water System for the years shown.

TABLE 1
Fallbrook Public Water Connections

<u>As of June 30</u>	<u>Single-Family Residential</u>	<u>Multi-Family Residential</u>	<u>Commercial & Institutional</u>	<u>Agricultural</u>	<u>Other</u>	<u>Total</u>
2014	7,582	217	680	660	32	9,171
2015	7,581	217	679	695	33	9,205
2016	7,582	217	671	699	37	9,206
2017	7,617	217	673	674	38	9,219
2018	7,735	218	711	529	40	9,233
2019	7,742	218	713	533	45	9,251
2020	7,755	216	712	535	41	9,259
2021	7,757	218	711	543	41	9,270
2022	7,772	218	712	546	43	9,291
2023	7,787	217	712	551	43	9,310

Source: District.

Top Ten Customers

The following table shows the ten largest customers of the Water System for the fiscal year ending in June 30, 2023, based on charges billed.

TABLE 2
Fallbrook Public Utility District
Ten Largest Water Customers

<u>No.</u>	<u>Customer</u>	<u>Type of Business</u>	<u>Annual Usage (thousand gallons)</u>	<u>Percent of Total Usage</u>
1.	Altman Nursery	C, CA	66,403	3.24%
2.	Fallbrook Union Elementary Sch. Dist.	G	29,140	1.42
3.	Ranajit Ranch	AS	16,881	0.82
4.	Hennell Grove	C, CB	15,571	0.76
6.	Magdic Grove	AT	15,346	0.75
5.	Sunlet Nursery	AT	14,882	0.73
7.	Valley Heights Ranch	I, M	11,257	0.55
8.	Ambercreek Association	C	9,442	0.46
9.	Shady Grove HOA	M	9,305	0.45
10.	Valley View Mobile Lodge		<u>9,094</u>	<u>0.44</u>
	Total, Top 10		197,321	9.62%
	Total, All Water Customers		1,854,330	90.38%
	Total Water Consumed		2,051,651	100.00%

Source: District.

Water System Facilities

General. Historically, the District imported 99% of its potable water from its prior water wholesale provider, SDCWA, via service connections to facilities operated by MWD. As of January 1, 2024, the District

will received wholesale water from EMWD, as further discussed below under “ – Detachment.” The remaining 1% comes from a local well. However, the Santa Margarita Groundwater Treatment Plant is now operational, and a significant amount of the District’s water supply will be provided through its Santa Margarita River Water Rights. The new local supply is expected to reduce the average annual amount of wholesale water purchased by 40% or more. The District’s average cost to treat and deliver the local water supply is expected to be less than the current cost of purchasing wholesale water.

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 a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District has completed an Advanced Metering Infrastructure system upgrade that enables real-time meter reading and provides customers with real-time water use.

Detachment. Wholesale water costs for the District had previously increased as a result of infrastructure investments by SDCWA to achieve supply reliability. SDCWA increased its treated water supply cost by 13% in Fiscal Year ending 2023. The District looked for alternative means to import wholesale water to its system. In 2019, the District began the process to detach from SDCWA and annex into the service area of EMWD. The purpose of this move was to provide the District with a significant reduction in the cost of wholesale water while maintaining the District’s current level of water supply reliability. The detachment process was managed by the San Diego County Local Agency Formation Commission (“LAFCO”) and on July 10, 2023, LAFCO approved the detachment pending a vote of the District’s rate payers. An election was subsequently called for November 7, 2023 to be conducted by the County of San Diego Registrar of Voters.

On August 31, 2023, the Water Authority filed a lawsuit (“Lawsuit”) challenging, among other things, the Fallbrook detachment and alleging five causes of action: (1) Writ of Mandate against LAFCO for Violation of CEQA; (2) Writ of Mandate Against LAFCO for Failure to Perform Acts Required by Law and Prejudicial Abuse of Discretion – C.C.P., sections 1085/1094.5; (3) Violation of the Service Duplication Act against LAFCO and Eastern; (4) Inverse Condemnation against LAFCO, Fallbrook, and Rainbow; and (5) Declaratory Relief against LAFCO, Fallbrook, Rainbow, and Eastern.

On November 7, 2023, the District conducted a general election and the rate payers approved the detachment proceedings. On December 21, 2023, the Water Authority, LAFCO, and Fallbrook executed a Settlement Agreement (“Settlement Agreement”) that set forth the terms for resolving the claims and causes of action in the Lawsuit as related to the District’s detachment and on January 8, 2024, the Lawsuit was dismissed.

As part of the Settlement Agreement, the District will pay SDCWA \$8.51 million from funds on hand in unrestricted reserves within ninety days of the completion of the detachment and will bear the costs for decommissioning the Number 4 Flow Control Facility. Additionally, the District and SDCWA agreed to develop an operational plan with respect to the detachment. The administrative actions regarding the detachment process will be completed in fiscal year 2024-25.

On January 1, 2024, the District detached from SDCWA and annexed into EMWD. The District annexed into EMWD’s service area as a wholesale customer. Under the District’s service agreement with EMWD, the District does not utilize any of EMWD’s infrastructure and continues to receive its water from the existing MWD service connections. MWD owns and operates an extensive range of facilities including the Colorado River Aqueduct, 15 hydroelectric plants, nine reservoirs, 830 miles of large-scale pipes, and five water treatment plants. MWD also imports water from the Colorado River and Northern California to supplement local supplies.

Historical Water Flows

The following table sets forth the historical average daily water flow for the fiscal years shown.

TABLE 3
Fallbrook Public Utility District
Water Production

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Annual Production</u> <u>(gallons)</u>	<u>Average Daily</u> <u>Production</u> <u>(gallons per day)</u>	<u>Percent</u> <u>Change</u>
2014	4,178,179,040	11,447,066	
2015	3,327,254,350	9,115,765	-20.4%
2016	3,235,951,180	8,865,620	-2.7
2017	3,114,930,490	8,534,056	-3.7
2018	3,287,934,350	9,008,039	5.6
2019	2,684,556,048	7,354,948	-18.4
2020	2,602,343,841	7,129,709	-3.1
2021	2,905,874,048	7,961,299	11.7
2022	2,686,152,719	7,359,323	-7.6
2023	2,169,744,054	5,944,504	-19.2

Source: District.

Regulatory Matters

The U.S. Environmental Protection Agency (“EPA”), California State Water Resources Control Board (“State Water Board”), and the California Regional Water Quality Control Board, San Diego Region (“San Diego RWQCB”) regulate the System. The District is currently in compliance with all Federal and State regulatory requirements.

Capital Improvement Program

Each year a 10-year Capital Improvement Plan (“CIP”) is developed for water, recycled water and wastewater services’ as part of the District’s annual budget process. The table below presents the District’s anticipated capital improvement projects with respect to the Water System for the fiscal years shown. The District cannot provide any assurance that any specific improvements will be completed or completed on the anticipated schedule, or that the expenditures shown below will made. The District does not expect to incur any additional bonded indebtedness to finance these capital improvements and expects to pay for such improvements from available revenues of the Water System.

TABLE 4
Fallbrook Public Utility District
5-Year Capital Improvement Program
(Water System)

Fiscal Year <u>Ending June 30,</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Total</u>
Pipeline & Valve Replacement (District)	\$ 680,000	\$ 598,500	\$ 622,440	\$ 647,338	\$ 673,231	\$ 3,221,509
Pipeline & Valve Replacement (Contractors)	5,760,000	4,928,344	3,739,067	4,060,056	4,771,673	23,259,140
DeLuz ID Projects	100,000	105,000	109,200	113,568	118,111	545,879
Pump Stations	100,000	1,123,500	54,600	56,784	59,055	1,393,939
Meter Replacement	20,000	21,000	21,840	22,714	23,622	109,176
Pressure Reducing Station Rehab.	40,000	21,000	-	-	-	61,000
Red Mtn. Reservoir Facility Improvements	24,000	236,250	54,600	56,784	118,111	489,745
Steel Reservoir Improvements	162,000	577,500	873,600	738,192	767,720	3,119,012
Santa Margarita Groundwater Treatment Plant	200,000	210,000	218,400	227,136	236,221	1,091,757
SCADA and Security	150,000	136,500	141,960	147,638	177,166	753,264
Vehicles and Heavy Equipment	<u>143,500</u>	<u>267,893</u>	<u>521,430</u>	<u>346,382</u>	<u>481,301</u>	<u>1,760,506</u>
	<u>\$7,379,500</u>	<u>\$8,225,487</u>	<u>\$6,357,137</u>	<u>\$6,416,592</u>	<u>\$7,426,211</u>	<u>\$35,804,927</u>

Source: District.

FINANCIAL MATTERS OF THE DISTRICT

Basis of Accounting; Budgets

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 projected revenues are recognized when cash is assumed to be received and projected expenses are recognized when 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, and also ensures service fees are set to recover only costs associated with the particular service.

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 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.

Financial Policies

Fund Balance Policies. Article 6 of the District’s Administrative Code describes the Appropriated Fund Balances for the Water System, which includes a Working Capital Fund and a Santa Margarita Debt Payment Fund.

- The Working Capital Fund is established and maintained at a level of three months operating and maintenance expenses, including water purchases. .
- The Santa Margarita Debt Payment Fund is established 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 equal to 2-years of debt service payments on the Santa Margarita Conjunctive Use Project financing.

Investment Policy. The Investment Policy, which is set forth in Article 18 of the District’s Administrative Code, establishes permitted investments for the District in compliance with State law. The Board delegates its authority to manage the investments of the District to the Treasurer, under the supervision of the General Manager. The objectives of the investment policy are, in order of importance: (i) to safeguard principal, (ii) meet the District’s liquidity needs, (iii) achieve a return on investment within the parameters of prudent risk management.

Debt Management Policy. The Debt Management Policy, adopted by the Board in May 2017, complies with California Government Code section 8855(i). The policy sets forth the District’s goals for the approval and issuance of bonds, notes and other debt instruments and sets forth guidelines for the use of debt to finance of capital projects.

Capitalization Policy. The Capitalization Policy establishes the parameters for costs to be defined an operating or capital expenditure of the District.

Long-Range Planning and Goals

Every five years the District develops a detailed financial plan that supports the financial sustainability of the District’s enterprises. The 2022 Water, Wastewater, and Recycled Water Rate Study is most recent plan and was completed in December 2022. It provides guidance on rates and charges through 2027.

The District maintains over 370 miles of buried water and sewer pipe that must be maintained and replaced. The District also has pump stations, lift stations and treatment facilities that require significant expenses to replace and maintain. The District develops plans to reduce the overall cost of operating these facilities by completing proactive capital projects to replace and rehabilitate these assets versus waiting for system failures. The annual Capital Improvement Budget is used to implement the District’s long-range capital goals. These goals are developed using the District’s Strategic Plan, Urban Water Management Plan, Asset Management Plan and Master Plans. These plans are utilized to develop the lowest lifecycle cost to meet water and wastewater needs and maintain system reliability for the District’s customers. Projects are selected based on weighing prioritized needs verses available capital funds. Individual project costs are estimated based on current construction cost information.

The District has identified the following long-range strategic goals: (1) to diversify its water supply by reducing its reliance on imported water, (2) to maintain the operational integrity of its aging infrastructure, (3) to improve operational efficiency, (4) to enhance customer service, and (5) to improve workforce training and development.

Water Rates and Charges

On December 4, 2023, the District’s Board of Directors adopted Resolution No. 5064, which approved the increased rates for water and recycled water service charges, and rates for wastewater service charges.

On September 21, 2022, the District issued the 2022 Water, Wastewater, and Recycled Water Rate Study. The study developed long-term financial projections for the District’s water, wastewater and recycled water utilities and calculates new rates designed to equitably recover the costs of providing service. The recommended rates were designed to meet the District’s funding needs and comply with legal requirements. The proposed rates

incorporated both overall rate increases as well as some modifications to the rate structures designed to improve rate equity and align rates with the cost of providing service. Rate increases are phased in over five years to minimize the annual impact on customers. The rate structure recommendations included:

- Residential: Maintain a lower volumetric rate for the first 5,000 gallons (5 Kgal) of residential water use in Tier 1, reflecting the lower cost to provide water supply for base indoor demands. Combine residential Tiers 2 & 3 into a single tier for all water use above the first 5,000 gallons to reflect current costs of service.
- Non-Residential: Charge the same uniform volumetric rate to Commercial, Government, and Irrigation customer classes, which currently have extremely close but slightly different rates.
- Agricultural: Maintain Agricultural volumetric water use rates that provide agricultural customers with a lower-cost water supply that comes with a reduced level of water supply reliability.
- Recover MWD's Readiness-to-Serve Charge via the District's volumetric water rates, instead of as a small, separate pass-through charge based on meter size, to align costs with sources of water supply to each customer class,
- Maintain the supplemental Pumping Charges to recover the incremental costs of electricity needed to provide water supply to higher-elevation service areas but eliminate the small supplemental \$0.10 per thousand gallons Pumping Capital Improvement Charge as the District's pumping facilities provide some benefit to all customers.
- Eliminate the reduced Standby Capital Improvement Charges levied on standby customers (accounts with suspended service) and instead have Standby customers pay the same Capital Improvement Charges as all other customers.
- Continue the historical practice of automatic annual adjustments to a) Capital Improvement Charges based on the annual change in the Engineering News-Record Construction Cost Index + 3% to account for a planned gradual increase in capital improvement funding.

Monthly Water Service Charges. The District’s customer water demands are split into groups by demand category. The demand categories are organized into a hierarchy where the District’s demands are separated into progressively smaller groups. Tier levels consist of a set charge that is tied to an upper and lower limit of water consumption. The District’s total demand can be separated into two distinct water demand types: Municipal and industrial demand (domestic, commercial and government uses) and agricultural demand. The monthly water service charges of the District are set forth in the following table.

TABLE 5
Fallbrook Public Utility District
Monthly Water Service Charges (Dollars Per Thousand Gallons)

Calendar <u>Year</u>	<u>Domestic</u>			<u>Commercial</u>			<u>Special</u>	<u>Commercial</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Government</u>	<u>Agricultural</u>	<u>Agricultural</u>	<u>Agriculture</u>
2014	4.03	4.64	5.11	4.03	4.64	4.64	3.14	4.06	n/a
2015	4.19	4.61	5.08	4.19	4.61	4.61	3.14	4.06	n/a
2016	4.38	4.82	5.31	4.38	4.82	4.82	3.18	4.28	n/a
2017	5.21	5.74	6.32	5.21	5.74	5.74	3.65	4.97	n/a
2018	5.62	5.71	6.95	5.79	n/a	5.70	4.17	4.83	n/a
2019	5.96	6.05	7.37	6.14	n/a	6.04	4.42	5.12	n/a
2020	6.44	6.53	7.96	6.63	n/a	6.52	4.77	5.53	n/a
2021	6.83	6.92	8.44	7.03	n/a	6.91	5.06	5.86	n/a
2022	7.17	7.27	8.86	7.38	n/a	7.26	5.31	6.15	n/a
2023	7.31	8.06	n/a	7.72	n/a	7.72	5.63	6.38	n/a
2024	7.31	8.06	n/a	7.72	n/a	7.72	n/a	n/a	5.63

Source: District.

Monthly Fixed Water Charge. The following table sets forth a history of the District’s monthly fixed water service charge for the years shown.

TABLE 6
Fallbrook Public Utility District
Monthly Fixed Water Service Charge

Calendar <u>Year</u>	<u>3/4” Meter</u>	<u>1” Meter</u>	<u>1 ½” Meter</u>	<u>2” Meter</u>	<u>3” Meter</u>	<u>4” Meter</u>	<u>6” Meter</u>
2014	44.89	59.28	85.69	126.62	208.35	323.73	583.40
2015	44.89	59.28	85.69	126.62	208.35	323.73	583.40
2016	46.24	61.06	88.26	130.42	214.60	333.44	600.90
2017	49.01	64.72	93.56	138.25	227.48	353.45	636.95
2018	44.10	67.33	123.36	195.01	380.73	589.67	1,170.06
2019	46.75	71.37	132.88	206.71	403.57	625.05	1,240.26
2020	50.49	77.08	143.51	223.25	435.86	675.05	1,339.48
2021	53.52	81.70	152.12	236.65	462.01	715.55	1,419.85
2022	56.20	85.79	159.73	248.48	485.11	751.33	1,490.84
2023	60.60	96.51	185.46	292.64	578.82	900.36	1,793.16
2024	57.16	90.77	174.00	274.30	542.12	843.02	1,678.50

Source: District.

Monthly Capital Improvement Charge. The District’s Water Capital Improvement Charge (“CIC”) was implemented to provide a partial funding source for the District’s capital projects. According to the District’s administrative code, the Water CIC “will be adjusted annually based on the ENR (Engineering News Record) Construction Cost Index (CCI) of February, plus 3% not to exceed 10%.” The following table sets forth a history of the District’s monthly capital improvement for the years shown.

TABLE 7
Fallbrook Public Utility District
Monthly Capital Improvement Charge

Calendar Year	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
2014	8.00	11.00	16.00	25.00	42.00	66.00	120.00	4.80
2015	8.59	11.81	17.18	26.84	45.10	70.87	128.85	5.15
2016	9.06	12.46	18.12	28.31	47.57	74.75	135.90	5.44
2017	9.45	12.99	18.90	29.53	49.61	77.96	141.75	5.67
2018	8.58	14.30	28.60	45.76	91.52	143.00	286.00	variable
2019	9.12	15.20	30.40	48.64	97.29	152.01	304.02	variable
2020	9.47	15.78	31.56	50.49	100.98	157.79	315.57	variable
2021	9.77	16.27	32.55	52.07	104.14	162.72	325.43	variable
2022	10.10	16.82	33.66	53.84	107.68	168.25	336.50	variable
2023	11.11	18.50	37.03	59.22	118.45	185.08	370.15	variable
2024	12.05	20.07	40.17	64.24	128.48	200.76	401.50	variable

Source: District.

Average Monthly Water Bill. The following table sets forth a comparison of average monthly residential water rates, as of January 1, 2024.

TABLE 8
Fallbrook Public Utility District
Average Water Bill
As of January 1, 2024

City/Agency	Average Monthly Rate
Ramona	
Oceanside	
Rainbow	
Fallbrook	
Olivenhain	
San Dieguito	

Based on 10 units HCF water use and 3/4 residential meter size
Source: District.

Water Demand by Type of Customer

Table 9 sets forth water demand by type of customer for fiscal year ending on June 30, 2023.

TABLE 9
Fallbrook Public Utility District
Water Demand Type of Customer (Thousands of Gallons)

<u>Customer Type</u>	<u>Fiscal Year Ending on June 30, 2023</u>	<u>Share</u>
Residential	1,452,252	60.2%
Commercial	150,254	6.2
Government	40,176	1.7
Irrigation Only	7,671	0.3
Agricultural	<u>760,944</u>	<u>31.6</u>
	2,411,297	100.0%

Source: District.

Typical Monthly Residential Bill

Table 10 below shows a typical monthly residential water bill for the District for calendar year 2024.

TABLE 10
Fallbrook Public Utility District
Typical Monthly Residential Water Bill (3/4" Connection)

Fixed Monthly Service Charge	\$ 57.16
Capital Improvement Charge (CIC)	12.05
Monthly Volumetric Service Charge:	
First 5 units	36.55
Next 4 units	<u>32.24</u>
Total	\$138.00

Source: District.

Collection of Water Service Charge; Delinquencies

Billing and Collections. The District bills for water, wastewater and recycled water services (as applicable) on a single bill on a monthly basis.

Billing due dates fall on the 10th, 20th, and 30th of the month depending on meter location in the District. All charges for water and sewer services during specified meter read dates are due and payable when rendered. Bills become delinquent the day after the due date. Residential accounts not paid within 30 days of the due date are sent past due statements and the meters are subject to lock-up for non-payment. Non-Residential accounts not paid within 30 days of the due date are subject to meter lock-up. All water accounts accrue a \$30 Delinquent Processing Fee on the 31st day of delinquency.

Accounts not paid within 30 days after lock-up and accounts that have tampered with the meter to obtain water illegally are subject to removal of meters and permanent disconnection of water service. Standby charges will continue to accrue after the meter has been removed. If a meter has been locked for non-payment for a period of 90 days, it may be placed on Standby Service by the District. Standby Service charges will accrue from that

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

Lien for Unpaid Bills. In addition to any other remedy provided in the District’s Administrative Code or by law for the collection of any water and wastewater rates, charges or accounts, all rates or service charges provided for in District’s Administrative Code shall be charged and become a charge against the property on which the water is furnished and against the owner thereof, and all charges for water so served to a property shall be and become a lien against the premises upon which the water is used or served. Standby accounts with a delinquent balance greater than \$500 as of April 1st of each year may be sent notification of intent to place delinquent and unpaid charges on the annual tax roll. The notification will be sent by May 1st and provides the customer 60 days to bring the account current. If the amount is not brought current by July 1st, the portion of the delinquency due as of the prior April 1st may be reported to the County Treasurer for inclusion on the annual taxes levied on the property. See - “Property Tax Delinquencies; Teeter Plan” below.

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

Current Delinquencies. The delinquency amount for Fiscal Year 2023-24 was \$212,915. As discussed above, delinquent amounts owed to the District are placed on the County’s secured property roll for collection in the fiscal year following delinquency. See “–Teeter Plan,” below.

Property Taxes; District Assessed Valuations

Assessed Valuations. As provided by Article XIII A of the California Constitution, county assessors’ assessed values are to reflect market value as of the date the property was last assessed (or 1975, whichever is more recent), increased by a maximum of 2% per year. Properties may be reassessed by the county only upon a change of at least 51% ownership of existing property or upon new construction. The assessed values of parcels within the service area of the District thus reflect, for undeveloped parcels, the estimate of each county assessor (the “Assessor”) of market value when acquired (or 1975, whichever is later), possibly increased by 2% per year, and for parcels on which construction has occurred since their date of acquisition, the Assessor’s estimate of market value as of the time of construction, possibly increased by 2% per year. Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values.

Assessed Valuation of Taxable Property

The table below sets forth the assessed valuation of taxable property for the years below.

**TABLE 11
Fallbrook Public Utility District
Assessed Valuation of Taxable Property**

Fiscal Year Ending June 30	Local Assessed	State Assessed	Unsecured Value	Total	% Change
2014	\$3,058,914,090	-	\$39,761,073	\$3,098,675,163	-
2015	3,234,556,718	-	40,480,476	3,275,037,194	5.7%
2016	3,390,367,447	-	37,440,559	3,427,808,006	4.7
2017	3,518,846,961	-	36,135,611	3,554,982,572	3.7
2018	3,709,470,372	-	36,271,614	3,745,741,986	5.4
2019	3,895,955,738	-	41,211,234	3,937,166,972	5.1
2020	4,078,331,287	-	41,515,562	4,119,846,849	4.6
2021	4,268,726,975	-	42,961,480	4,311,688,455	4.7
2022	4,399,211,909	-	37,054,002	4,436,265,911	2.9
2023	4,739,631,751	-	46,156,838	4,785,788,589	7.9

Source: District.

Property Tax Levy and Collections

Table 12 sets forth the property tax levy and collections for the dates below.

**TABLE 12
Fallbrook Public Utility District
Property Tax Levy and Collections**

Fiscal Year Ending June 30	Current Levy	Total Collections
2014	\$ 887,378	\$ 874,729
2015	933,206	921,440
2016	982,997	970,998
2017	1,022,747	1,009,595
2018	1,072,468	1,060,447
2019	1,122,771	1,108,272
2020	1,169,224	1,154,850
2021	1,221,575	1,205,539
2022	1,274,829	1,245,713
2023	1,388,768	1,359,100

Source: District.

Property Tax Delinquencies; Teeter Plan

General – Teeter Plan. The Board of Supervisors in the County has adopted the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds” (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. Under this method, the County

pays the District 100% of property taxes due to the District and retains any penalties or delinquencies collected to offset such payment. There can be no assurance that the County will not discontinue the Teeter Plan or remove the District, or the property tax payable to the District, from the Teeter Plan in the future.

The Teeter Plan covers not only the District's portion of the 1.0% general secured property tax levy apportioned to the District each year, but also any delinquencies that the District has placed onto the secured property tax bill for collection.

The following table sets forth the property tax collections and delinquencies for the District for the fiscal years shown. Notwithstanding the historical delinquency rate shown, the District receives 100% of the property taxes levied for the District by the County pursuant to the Teeter Plan.

Combined Water Fund, Wastewater Fund and Recycled Water Fund Net Position

The following table describes the combined assets and liabilities of the Water System, Wastewater System and recycled water system of the District. The only District has only pledged its Net Revenues of the Water System and the assets and liabilities of the Wastewater System and the recycled water system are not available for the operations of the Water System and are not available to pay debt service on the Bonds.

As part of the District's continuing disclosure obligation for the Bonds, the District will provide a separate table of the Water System assets, liabilities and net position.

TABLE 13
Fallbrook Public Utility District
Combined Water Fund, Wastewater Fund and Recycled Water Fund
Assets, Liabilities and Net Position Fiscal Years Ending 2018-2023

<u>Fiscal Year Ending June 30,</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Current Assets:						
Cash and Cash Equivalents	\$2,810,799	\$ 3,997,334	\$ 8,137,414	\$10,275,808	\$10,327,128	\$ 8,625,839
Investments	8,512,057	11,647,359	7,831,917	6,019,693	7,063,348	10,956,276
Receivables – Water Sales and Services	3,986,912	4,029,630	4,478,619	5,063,293	5,431,116	4,442,273
Accrued Interest Receivable	79,174	79,724	64,434	22,998	32,947	61,144
Property Taxes Receivable	9,183	12,370	10,160	58,525	42,166	45,418
Lease Receivable, Current Portion	-	-	-	-	262,820	219,700
Other Receivables	142,877	87,217	15,519,773	7,170,247	1,582,499	399,671
Inventory	1,985,473	1,839,995	1,845,755	1,861,925	1,460,165	1,405,107
Prepaid Expenses and Other Deposits	62,600	43,393	55,971	82,501	71,282	100,705
Restricted Assets:						
Cash Equivalents	1,388,748	6,693,439	7,496,954	9,494,809	8,812,335	9,816,557
Investments	<u>3,579,612</u>	<u>3,059,526</u>	<u>3,059,526</u>	<u>3,561,261</u>	<u>3,561,261</u>	<u>3,977,503</u>
Total Current Assets	\$22,557,435	\$31,489,987	\$48,500,523	\$43,611,060	\$38,647,067	\$40,050,193
Non-Current Assets						
Capital Assets:						
Capital Assets, Not Being Depreciated	\$ 14,391,257	\$14,145,536	\$42,118,554	\$75,045,121	\$19,935,557	\$18,329,634
Capital Assets Being Depreciated, Net	<u>100,256,339</u>	<u>99,454,241</u>	<u>98,993,697</u>	<u>96,601,755</u>	<u>157,672,281</u>	<u>156,180,190</u>
Total Capital Assets, Net	\$114,647,596	\$113,599,777	\$141,112,251	\$171,646,876	\$177,607,838	\$174,509,824
Lease Receivable, Net of Current Portion	-	-	-	-	<u>2,534,615</u>	<u>2,192,063</u>
Total Non-Current Assets	\$114,647,596	\$113,599,777	\$141,112,251	\$171,646,876	\$180,142,453	\$176,701,887
Deferred Outflows of Resources						
Deferred Amounts from Pension	\$ 3,819,796	\$ 3,197,216	\$ 3,004,079	\$ 2,744,892	\$ 2,740,102	\$ 7,217,689
Deferred Amounts from OPEB	<u>194,371</u>	<u>222,552</u>	<u>231,603</u>	<u>348,223</u>	<u>280,807</u>	<u>420,988</u>
Total Deferred Outflows of Resources	\$ 4,014,167	\$ 3,419,768	\$ 3,235,682	\$ 3,093,115	\$ 3,020,909	\$ 7,638,677
Current Liabilities:						
Accounts Payable	\$ 3,731,613	\$ 2,871,022	\$18,213,752	\$ 8,203,459	\$ 4,325,917	\$ 2,489,410
Accrued Wages	297,812	247,894	208,653	167,285	109,004	147,964
Construction and Other Deposits	63,142	8,908	14,884	12,056	10,175	11,203
Accrued Interest Payable	230,365	217,795	258,156	582,359	646,898	645,606
Retention Payable	-	-	27,771	245,627	77,541	64,035
Lease Liability, Current Portion	-	-	-	-	20,269	10,173
Subscription Liability, Current Portion	-	-	-	-	-	37,290
Compensated Absences, Current Portion	516,850	586,045	560,892	569,086	581,242	648,132
Current Portion of Other Long-Term Debt	<u>1,839,651</u>	<u>1,893,596</u>	<u>1,949,162</u>	<u>1,784,693</u>	<u>1,819,356</u>	<u>3,455,524</u>
Total Current Liabilities	\$ 6,679,433	\$ 5,825,260	\$21,233,270	\$11,564,565	\$7,590,402	\$7,509,337
Non-Current Liabilities						
Health Retirement Account Liability	\$ 240,814	\$ 258,421	\$ 351,796	\$ 351,250	\$ 378,664	\$ 307,468
Net OPEB Liability (Asset)	283,769	135,077	109,213	205,001	(19,452)	247,383
Net Pension Liability	12,746,294	12,541,929	13,629,333	14,721,348	9,197,303	17,127,503
Lease Liability, Net of Current Portion	-	-	-	-	10,173	-
Retention Payable	84,693	30,098	-	-	-	-
Compensated Absences, Net of Current Portion	775,275	879,067	841,338	853,629	871,864	972,198
Long-Term Debt, Net of Current Portion	<u>33,474,377</u>	<u>31,580,781</u>	<u>56,963,337</u>	<u>86,493,784</u>	<u>89,718,605</u>	<u>85,881,118</u>
Total Non-Current Liabilities	47,605,222	45,425,373	71,895,017	102,625,012	100,157,157	104,535,670
Total Liabilities	54,284,655	51,250,633	93,128,287	114,189,577	107,747,559	112,045,007
Deferred Inflows of Resources						
Deferred Amounts From Pension	843,878	957,275	915,032	265,130	8,418,155	1,668,860
Deferred Amounts From OPEB	7,358	118,346	100,383	74,205	175,205	41,941
Deferred Amounts From Lease Receivable	-	-	-	-	2,747,528	2,337,411
Deferred Revenue	-	<u>114,851</u>	-	-	-	-
Total Deferred Inflows of Resources	\$ 851,236	\$ 1,190,472	\$ 1,015,415	\$ 339,335	\$11,340,888	\$ 4,048,212
Net Position						
Net Investment in Capital Assets	\$79,333,568	\$80,125,400	\$82,199,752	\$83,368,399	\$84,830,631	\$84,709,855
Restricted for:						
1958 Annex Project	1,213,780	1,213,780	1,213,780	1,213,780	1,213,780	1,213,780
Debt Service	2,108,959	2,162,451	2,162,512	316,687	316,687	317,358
Pension	1,388,748	6,101,463	6,811,910	8,810,388	8,100,614	9,176,661
Unrestricted	<u>2,038,252</u>	<u>6,465,333</u>	<u>6,316,800</u>	<u>10,112,885</u>	<u>8,260,270</u>	<u>12,879,884</u>
Total Net Position	\$86,083,307	\$96,068,427	\$98,704,754	\$103,822,139	\$102,721,982	\$108,297,538

Source: Fallbrook Public Utility District Audited Financial Statements, 2018-2023.

Water Fund Revenues, Expenses, Debt Service Coverage.

Table 14 sets forth the water fund revenues, expenses and debt service coverage for the dates below.

TABLE 14
Fallbrook Public Utility District
Water Fund Revenues, Expenses and Debt Service Coverage

<u>Fiscal Year Ending June 30,</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues:						
Water Sales	\$24,466,233	\$20,481,788	\$21,940,234	\$25,429,014	\$25,245,783	\$23,467,210
Sub-Total	\$24,466,233	\$20,481,788	\$21,940,234	\$25,429,014	\$25,245,783	\$23,467,210
Operating Expenses (excl depr):						
Cost of Water Sold	\$14,453,229	\$12,650,795	\$12,663,006	\$13,955,908	\$13,245,830	\$10,716,859
Operations & Maintenance	3,922,528	3,444,139	3,984,938	3,330,054	6,046,295	3,126,441
Administrative & General Expenses	2,868,610	3,807,921	3,985,541	4,036,546	4,322,980	4,642,717
Sub-Total	<u>\$21,244,367</u>	<u>\$19,902,855</u>	<u>\$20,633,485</u>	<u>\$21,322,508</u>	<u>\$23,615,105</u>	<u>\$18,486,017</u>
Net Operating Income	\$ 3,221,866	\$578,933	\$ 1,306,749	\$4,106,506	\$1,630,678	\$ 4,981,193
Non-Operating Revenues (Expenses):						
Property Taxes	\$ 646,575	\$ 1,099,256	\$ 1,146,897	\$ 1,214,791	\$ 1,245,229	\$ 809,239
Capital Improvement Charges	1,316,710	1,305,331	1,368,292	1,413,080	1,457,378	1,589,961
Investment Income	160,254	619,223	591,761	987,540	(1,174,671)	752,646
Connection Fees	120,870	47,237	8,526	110,071	97,257	112,859
Sub-Total	<u>\$ 2,244,409</u>	<u>\$ 3,071,047</u>	<u>\$ 3,115,476</u>	<u>\$3,725,482</u>	<u>\$1,625,193</u>	<u>\$ 3,264,705</u>
NET REVENUES	\$ 5,466,275	\$ 3,649,980	\$ 4,422,225	\$7,831,988	\$3,255,871	\$ 8,245,898
Debt Service Expense:						
2010 SRF Loan Principal	\$ 278,617	\$ 285,825	\$ 293,220	\$ 300,807	\$ 308,589	\$ 316,573
2010 SRF Loan Interest	117,233	110,025	102,631	95,044	87,261	79,277
Sub-Total	\$ 395,850	\$ 395,850	\$ 395,851	\$ 395,851	\$ 395,850	\$ 395,850
2018 SRF Loan Principal	n/a	n/a	0	0	0	0
2018 SRF Loan Interest	n/a	n/a	20	\$ 411,558	974,071	1,166,428
Sub-Total			<u>\$ 20</u>	<u>\$ 411,558</u>	<u>\$ 974,071</u>	<u>\$ 1,166,428</u>
Total Debt Service Expense	\$ 395,850	\$ 395,850	\$ 395,871	\$ 807,409	\$ 1,369,921	\$ 1,562,278
Debt Service Coverage (DSC)	13.8	9.2	11.2	9.7	2.4	5.3

Source: Fallbrook Public Utility District Audited Financial Statements, 2018-2023.

Parity Debt

Existing Parity Debt. The only Parity Debt currently outstanding is a State Revolving Fund construction loan and grant between the State Department of Public Health and the District, dated June 21, 2010 and a Construction Installment Sale Agreement No. SWRCB0000000000D 180202000, by and between the California State Water Resources Control Board and the District, dated August 28, 2019, as amended.

Pension and OPEB Plans

Pension Benefits. The District participates in CalPERS and has two benefit tiers. The Classic employees are eligible to receive 2.5% of their single highest annual salary for each year of service at the age of 55. An employee hired after January 1, 2013, and is new to CalPERS, or those that have had a break in service of more than six-months fall under the California Public Employees' Pension Reform Act of 2013 ("PEPRA"). PEPRA employees are eligible to receive 2.0% of the highest three-year average annual salary for each year of service at the age of 62. Both Classic and PEPRA employees are potentially subject to salary maximums when determining their benefit, see APPENDIX B – "ANNUAL COMPREHENSIVE FINANCIAL REPORT."

CalPERS Unfunded Actuarial Accrued Liability. The District contributes to the California Public Employees Retirement System ("CalPERS"), a cost-sharing multi-employer defined benefit pension plan (the "Plan"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The AUL is portion of the pension liability that has been earned but has not been fully funded. The liability is estimated by an actuary based upon many different underlying assumptions. CalPERS amortizes these existing liabilities over a 30-year period. The District's net pension liability in Fiscal Year 2020-21 was \$11.5 million. In Fiscal Year 2021-22, the latest CalPERS valuation date, the District's pension liability was 79.2% funded for Classic employees and 104.2% funded for PEPRAs employees. Overall, including the Pension Trust Funds, the District has funded 85% of its pension liabilities, see APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING."

The Normal Cost Rate ("NCR") is the percentage of payroll that is contributed to CalPERS to pay for the benefit earned by employees in the current year. This rate is expressed as a percent of payroll. The NCR for Classic employees for Fiscal Year 2023-24 is 14.92% of payroll, which is up from the Fiscal Year 2022-23 which was 13.02%. The NCR for PEPRAs employees is 8.0% of payroll in Fiscal Year 2023-24 and was 7.76% in Fiscal Year 2022-23.

Other Post-Employment Benefits ("OPEB") Benefits. Effective January 7, 2022, the District provides a retiree healthcare benefit to employees who were hired before July 1, 2022, have ten years of service and are 50 or older. Under the OPEB benefit the District pays for half of the employees' health insurance premium until the beneficiary is 65-years old. The employee must contribute the other half of the insurance premium. The District has established the Section 115 Pension and OPEB Trust Fund to fund the District's OPEB liabilities. The District's OPEB liability is almost fully funded based upon an actuarial valuation report as of June 30, 2021. As of March 31, 2023, the OPEB Trust Fund held \$1,122,669 .

Section 115 Pension and OPEB Trust Fund. The Section 115 Pension and OPEB Trust 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 beneficiaries. The fund is managed by Public Agency Retirement Services (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. The fund balance was \$9.8 million on March 31, 2023. The District OPEB obligation is nearly fully funded and no additional contributions will be made this budget. The District has developed a strategy to use returns from the fund to help off-set on-going OPEB costs.

For additional details on the District's pension liabilities, and the assumptions included therein, see APPENDIX B – "ANNUAL COMPREHENSIVE FINANCIAL REPORT."

RISK FACTORS

Accuracy of Assumptions

To estimate the revenues that will be available to pay debt service on the Bonds, the District has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected herein.

System Demand

There can be no assurance that the demand for potable or recycled water services will occur as described in this Official Statement. Reductions in demand could require an increase in rates or charges in order to comply

with the rate covenant. Demand for potable or recycled water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn or other factors.

Limited Recourse on Default

If the District defaults on its obligation to pay the principal of and interest on the Bonds, the Trustee has the right to declare the total unpaid principal of the Bonds, together with the accrued interest thereon to be immediately due and payable. However in the event of a default and such acceleration, there can be no assurance that the District will have sufficient funds to pay the accelerated amounts due on the Bonds from the Net Revenues.

Regulatory Requirements

The operations of the Water System are subject to state and federal laws and regulations, particularly with respect to water quality discharge requirements. The adoption of more stringent laws or regulations may cause the District to incur greater expenses for the operation of the Water System. No assurance can be given that the costs of complying with any such new laws or regulations will not adversely affect the District's ability to generate sufficient Net Revenues in the amounts or on the schedule required by the Indenture.

To the extent regulatory agencies or other governmental agencies impose more stringent requirements on the District's distribution of water, costs could increase.

Natural Disasters

General. From time to time, the service area of the District is subject to natural calamities that may adversely affect economic activity in the District, which could have a negative impact on Water System finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Water System, or that the District would have insurance or other resources available to make repairs to the Water System in order to generate sufficient Net Revenues to pay debt service on the Bonds when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the Water System due to earthquake, fire, flood or other natural calamities.

Seismic. Like most of California, the service area of the District is subject to unpredictable seismic events such as earthquakes. Potential hazards related to earthquakes include ground shaking, surface rupture along the fault zone, and related secondary ground failures. Typical seismically-induced ground failures include liquefaction, lateral spreading, ground lurching, landslides, inundation, and settlement. Seismic events could destroy or damage portions of the Water System, thereby increases the District's expenses, or reduce demand for its water service by damaging businesses and residential dwelling that are customers, thereby decreasing revenues.

Flooding. Portions of the service area of the District are subject to flooding from time to time, primarily as a result of large-scale winter rain events. Flooding may cause damage to the District's facilities or other structures within the District's service area and any such damage may be material.

Fire. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can further lead to the destruction of homes. Fires may cause damage to District facilities or other structures within the District's service area and any such damage may be material. To date, there have been no wildfires in the District's service area that have destroyed a significant amount of property or disrupted service for any significant period of time.

Drought. From time to time, areas of the State have experienced significant drought conditions that resulted in severe impacts to water supplies and restrictions on water use. On July 8, 2021, Governor Newsom issued Executive Order No. 10-21, which declared a drought state of emergency in 50 counties in northern and central California and requested that all water users voluntarily reduce water use by fifteen percent (15%). On October 19, 2021, the Governor extended the declaration to include the remaining counties, such that the drought

state of emergency is in effect Statewide. In the last ten years, the per capita water use in the system has been reduced due to conservation measures. The District does not believe that California's drought conditions would impact the District's finances. However, there can be no assurance that subsequent declarations will not result in mandatory restrictions on water use in the District's service area should dry conditions persist in future years. An increase in drought conditions could also lead to wildfires which may cause damage within the District. See "Fire" above.

Climate Change

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fifth National Climate Assessment, published by the U.S. Global Change Research Program, in November 14, 2023 (NCA5) finds that climate change is affecting agriculture, forests, rural communities, water, and natural resources across the United States, and will continue to over the next century through changing temperatures, precipitation patterns, drought, flooding, and increasingly more severe extreme events, such as wildfires.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private and other sensitive electronic information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The District has never had a major cyber breach that resulted in a financial loss or operational disruption. The District provides training to its staff on phishing and safe browsing and how to avoid potential cyber threats. However, no assurances can be given that the security and operational control measures of the District will be successful in guarding against any and each cyber threat or breach.

Limited Recourse on Default

If the District defaults on its obligation to make the debt service payments under the Indenture, the Trustee has the right to accelerate the total unpaid principal amount of such payments. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient funds to pay the accelerated payments.

Limitations on Remedies

The ability of the District to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "Constitutional Limitations on Appropriations and Fees" below. Furthermore, any remedies available to the Owners of the Bonds upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bond Owner remedies contained in the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the

powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Articles XIII C and XIII D

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIII D did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The District has complied with the notice and public hearing requirements of Article XIII D in establishing Water System rates and charges.

Article XIII C. Article XIII C provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIII C does not define the

terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce rates and charges for the water service in a manner which would be inconsistent with the contractual obligations of the District. On August 3, 2020, the Supreme Court issued an opinion in *Wilde v. City of Dunsmuir (2020) 9 Cal.5th 1105* holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum and the District does not believe that Article XIIC grants to the voters within the District the power (whether by initiative under Article XIIC or otherwise, or by referendum, which is not authorized under Article XIIC) to repeal or reduce rates and charges for water service in a manner that would interfere with the contractual obligations of the District to maintain and operate the Water System.

However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIIC and XIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The District believes its Water System rates and charges are not taxes under Proposition 26. The District is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIIB of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The District is of the opinion that the user charges of the Water System imposed by the District do not exceed the costs the District reasonably bears in providing the Water Service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIIB, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Water System's revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the District has covenanted in the Indenture to comply with the applicable requirement of the Internal Revenue Code of 1986, as amended (the "Code"), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Interest on the 2023 Bonds could become includable in gross income for purpose of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the District in violation of this or other covenants in the Indenture applicable to the Bonds. The Bonds are not subject to redemption or any other increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provision contained in the Indenture. See caption "TAX MATTERS."

Impact of Economic Conditions of the Development in the District

Certain events and factors which negatively affect the regional, State and national economies could have an adverse effect on Water System and its finances, such as the COVID-19 pandemic and global market instability caused by the war in Ukraine and in the Middle East. Any adverse impact of the foregoing and other economic factors on the Water System and its finances cannot be predicted.

CONTINUING DISCLOSURE

[The District has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District and the Water System by not later than March 1st following the end of each fiscal year (presently June 30), commencing with its report for the fiscal year ended June 30, 2024 (the "Annual Report"), due March 1, 2025, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed with the Municipal Securities Rulemaking Board (the "MSRB"). These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The specific nature of the information to be contained in the Annual Report and the enumerated events is summarized in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."]

LEGAL OPINIONS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Best Best & Krieger, LLP, Riverside, California, Bond Counsel, and certain other conditions. Best Best & Krieger LLP is also serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by the District's general counsel, Best Best & Krieger LLP. The compensation of Bond Counsel and Disclosure Counsel is contingent on the successful sale of the Bonds.

TAX MATTERS

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, for tax years beginning after

December 31, 2022, interest on the Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel notes that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals are announced from time to time which generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

A copy of the proposed form of Bond Counsel opinion is attached hereto as Appendix E.

NO LITIGATION

[There is no action, suit, or proceeding pending or, to the best knowledge of the District, threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the validity of the Bonds, the Indenture or the proceedings of the District taken with respect to the execution or delivery thereof.

Except as otherwise described herein, there is no action, suit or proceeding known to be pending or threatened against the District contesting or affecting the ability of the District to collect amounts from which debt service on the Bonds are payable, or which would have a material adverse effect on the District, including the District's ability to pay debt service on the Bonds.]

RATINGS

It is anticipated that S&P Global Ratings ("S&P") will assign its municipal bond rating of "___" to the Bonds. S&P has also assigned an underlying municipal bond rating of "___" to the Bonds. These ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P.

There is no assurance that any rating will continue for any given period of time for the Bonds or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. The District undertakes no responsibility to oppose any downward revision or withdrawal of any rating obtained. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The District has retained Wulff, Hansen & Co., San Rafael, California as municipal advisor (the "Municipal Advisor") in connection with the structuring, marketing and pricing of the Bonds. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting the accuracy and completeness of the information contained herein.

SALE OF THE BONDS

The Bonds were sold by competitive bid on _____, 2024. The Bonds were awarded to _____ (the "Underwriter"), who submitted the lowest true interest cost bid, at a purchase price of \$_____. Under the terms of its bid, the Underwriter will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Bond Counsel, and certain other conditions to be satisfied by the Bonds.

The Underwriter has provided the reoffering prices or yields for the Bonds set forth on the inside cover of this Official Statement, and the District undertakes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Bonds is \$_____ and the Underwriter's gross compensation (or "spread") is \$_____.

MISCELLANEOUS

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Holders of any of the Bonds.

The preparation and distribution of this Official Statement has been duly authorized by the District.

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____

APPENDIX A

GENERAL INFORMATION ABOUT FALLBROOK AND SAN DIEGO COUNTY

The following information is included only for the purpose of supplying general information regarding the unincorporated community of Fallbrook and the County of San Diego (the “County”). This information is provided only for general informational purposes and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of the State, the County or any of its political subdivisions, and neither the State, the County nor any of its political subdivisions is liable therefor.

The County. The County is the southern-most county in California. The County covers an area of approximately 4,280 square miles, about the size of the state of Connecticut. The County is bordered by the Pacific Ocean to the west, Orange and Riverside Counties to the north, Imperial County to the east, and the State of Baja California, Mexico to the south. The County includes 70 miles of the Pacific Ocean coastline, the Anza-Borrego Desert, which forms the eastern third of the county, the Laguna Mountains, the San Diego Bay, one of the world’s largest natural deep-water harbors, and the San Diego International Airport.

The County possesses a diverse economic base consisting of electronics manufacturing and shipbuilding, tourism, biotech and software development, and defense-related industries. The County is also growing as a center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County.

The County was incorporated on February 18, 1850 and functions under a charter adopted in 1933 and is amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. Elected officials include the Assessor/County Clerk/Recorder, District Attorney, Sheriff and Treasurer/Tax Collector.

Population

The following sets forth the County and the State population estimates as of January 1 for the years 2019 to 2023.

SAN DIEGO COUNTY AND STATE OF CALIFORNIA Estimated Population

Year (January 1)	San Diego County	State of California
2019	3,333,319	39,605,361
2020	3,298,634	39,538,223
2021	3,283,113	39,286,510
2022	3,275,435	39,078,674
2023	3,269,755	38,940,231

Source: State of California Department of Finance, Demographic Research Unit.

Industry and Employment

The District is included in the San Diego-Carlsbad Metropolitan Division, which includes all of the County. The unemployment rate in San Diego County was 4.2 percent in November 2023, unchanged from a revised 4.2 percent in October 2023, and above the year-ago estimate of 3.3 percent. This compares with an unadjusted unemployment rate of 4.9 percent for California and 3.5 percent for the nation during the same period.

Set forth below is data from 2018 to 2022, reflecting the County’s civilian labor force, employment and unemployment.

**SAN DIEGO-CARLSBAD MSA
(San Diego County)
Annual Average Labor Force, Employment and Unemployment,
Unemployment by Industry
(March 2022 Benchmark)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Civilian Labor Force ⁽¹⁾	1,579,800	1,583,600	1,547,300	1,547,800	1,589,600
Employment	1,526,600	1,532,200	1,401,900	1,447,500	1,534,800
Unemployment	53,200	51,400	145,400	100,300	54,700
<u>Unemployment Rate</u>	3.4%	3.2%	9.4%	6.5%	3.4%
Agriculture	9,300	9,700	9,200	9,000	9,500
Mining and Logging	400	400	300	300	400
Construction	83,700	84,000	81,300	83,800	87,400
Manufacturing	112,300	115,700	113,800	114,400	117,400
Wholesale Trade	43,800	44,000	41,300	42,100	43,800
Retail Trade	147,900	145,600	133,200	137,600	138,300
Transportation, Warehousing and Utilities	33,300	34,300	33,300	37,100	40,200
Information	23,600	23,500	22,100	21,500	22,000
Finance and Insurance	46,700	46,400	46,200	46,800	46,100
Real Estate and Rental and Leasing	29,300	30,200	28,600	29,400	30,900
Professional and Business Services	249,000	255,800	248,300	265,300	285,200
Private Educational and Health Services	208,900	216,600	210,900	216,700	227,600
Leisure and Hospitality	199,600	201,700	144,800	161,600	193,400
Other Services	55,500	56,400	44,800	47,500	54,500
Federal Government	47,100	47,600	48,600	47,700	47,000
State Government	50,700	50,400	48,200	51,000	55,500
Local Government	<u>150,300</u>	<u>150,600</u>	<u>140,200</u>	<u>139,200</u>	<u>144,300</u>
Total, All Industries ⁽²⁾	1,491,400	1,512,800	1,395,000	1,451,100	1,543,700

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The largest manufacturing and non-manufacturing employers as of December 2023 in the County are shown below, in alphabetical order.

SAN DIEGO COUNTY Largest Employers December 2023

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
32nd St Naval Station	San Diego	Federal Government-National Security
Collins Aerospace	Chula Vista	Aircraft Components-Manufacturers
General Dynamics Nassco	San Diego	Ship Builders & Repairers (mfrs)
Illumina Inc	San Diego	Biotechnology Products & Services
Kaiser Permanente Vandever Med	San Diego	Physicians & Surgeons
MCCS MCRD SN DIEGO-MRNE CORPS	San Diego	Military Bases
Merchants Building Maintenance	San Diego	Janitor Service
Page One Seo	San Diego	Mental Health Services
Rady Children's Hospital	San Diego	Hospitals
San Diego Community College	San Diego	Junior-Community College-Tech Institutes
San Diego County Sheriff	Santee	Police Departments
Scripps Mercy Hosp Sn Diego	San Diego	Hospitals
Scripps Research Institute	La Jolla	Laboratories-Research & Development
SDG & E	San Diego	Gas Companies
Seaworld San Diego	San Diego	Amusement & Theme Parks
Sharp Grossmont Hospital	La Mesa	Hospitals
Sharp Grossmont Rehab Ctr	La Mesa	Vocational Rehabilitation Services
Sharp Mary Birch Hosp	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics Inc	San Diego	Electronic Equipment & Supplies-Retail
UC San Diego Health	San Diego	Health Care Management
Ucsd-Neural Computation	La Jolla	University-College Dept/Facility/Office
University of California	La Jolla	University-College Dept/Facility/Office
University-California Sn Diego	La Jolla	Schools-Universities & Colleges Academic
VA San Diego Healthcare System	San Diego	Hospitals

Source: California State Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2024 1st Edition.

Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during 2022 in the County were reported to be \$80,699,960,953 a 11.92% increase over the total taxable sales of \$71,714,654,866 in 2021.

SAN DIEGO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	59836	\$41,886,824,903	100674	\$59,041,041,694
2019	59447	42,816,938,431	101901	61,365,277,203
2020	62897	41,336,898,119	109428	58,814,527,896
2021	55683	49,891,084,243	98392	71,714,654,866
2022	25590	55,405,593,930	101259	80,699,960,953

Source: State Department of Tax and Fee Administration.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles Area and points north. Interstate 15 runs inland, leading the Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 21 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County, including McClellan-Palomar Airport in Encinitas.

Public transit in the metropolitan area is provided by the Metropolitan Transit

Development Board. The San Diego Trolley, developed by the Metropolitan Transit

Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

APPENDIX B
ANNUAL COMPREHENSIVE FINANCIAL REPORT

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX D

BOOK-ENTRY SYSTEM

The information in this Appendix D concerning DTC and its book-entry system has been obtained from sources that the District believe to be reliable, but the District take no responsibility for the accuracy thereof.

General

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.org. The information on such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

APPENDIX E

FORM OF BOND COUNSEL OPINION

_____, 2024

Board of Directors
Fallbrook Public Utility District
990 E Mission Road
Fallbrook, California 92028

OPINION: \$_____ Fallbrook Public Utility District 2024 Water Revenue Bonds

Members of the Board of Directors:

We have acted as bond counsel to the Fallbrook Public Utility District (the “District”) in connection with the issuance by the District of its \$_____ Fallbrook Public Utility District 2024 Water Revenue Bonds (“Bonds”), under the provisions of Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code (the “Bond Law”) and under an Indenture of Trust dated as of _____ 1, 2024 (the “Indenture”), between the District and U.S. Bank Trust Company, National Association, as trustee, approved by a resolution of the Board of Directors of the District adopted on _____, 2024. We have examined the Bond Law, an executed copy of the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The District is a public utility district duly organized and existing under the Constitution and laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein, and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the District, and are legal, valid and binding obligations of the District, payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the District, and constitutes a legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms.
4. Under the Bond Law, the Indenture establishes a valid lien on and pledge of the Net Revenues of the Water System (as such terms are defined in the Indenture) for the security of the Bonds and any obligations issued on a parity therewith.
5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
FALLBROOK PUBLIC UTILITY DISTRICT
2024 Water Revenue Bonds

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Fallbrook Public Utility District (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”). The Bonds are being issued under the provisions of Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code and an Indenture of Trust, dated as of _____ 1, 2024 (the “Indenture”), between the District and U.S. Bank Trust Company, National Association, as trustee.

The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders or Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean U.S. Bank Trust Company, National Association, or any successor Dissemination Agent designated by the District.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the District.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated _____, 2024.

“Participating Underwriter” shall mean the original purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each March 1 after the end of each Fiscal Year (presently such Fiscal Year ends June 30) or the next succeeding business day if that day is not business day, commencing with the report for the fiscal year ending June 30, 2024, which shall be due March 1, 2025, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Beginning with the fiscal year ending June 30, 2024, and each fiscal year thereafter during which the Bonds are outstanding, the District shall include in its audited financial statements a “Schedule of Operating and Non-Operating Income and Expenses” for the Water Fund. The line items included in the “Schedule of Operating and Non-Operating Income and Expenses” shall correspond, to the extent applicable, to the line items included in the updates to Table 12 referred to below.

(b) An update as of the most recently ended Fiscal Year of the District to the information set forth in the following tables in the Official Statement for the most recently-completed Fiscal Year only, to the extent not included in the comprehensive annual financial report:

[to come]

(c) Any rate increases that became effective on January 1 of the preceding the filing of the Annual Report.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Indenture or its obligations in relation to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the District;
- (13) Consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) If a Listed Event occurs, the District shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event with the MSRB.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The District will serve as the initial Dissemination Agent hereunder. The District may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Bondholder or Beneficial Owner of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, suit, claim, cost, damages, judgment, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall be afforded the same rights, protections and immunities hereunder afforded to it as Trustee under the Indenture.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the District.

SECTION 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule, taking into account any subsequent change in or interpretation of the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the same manner as for a Listed Event under Section 5(b). The District shall obtain the consent of the Dissemination Agent for any amendment of the Disclosure Certificate that affects the duties, rights, protections or obligations of the Dissemination Agent.

SECTION 12. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. The provisions of this Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Dated: _____, 2024

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Fallbrook Public Utility District

Name of Bond Issue: \$_____ Fallbrook Public Utility District 2024 Water Revenue Bonds

Date of Issuance: _____, 2024

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the District by the date required in the Continuing Disclosure Certificate. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____

Attachment D

\$ _____
**FALLBROOK PUBLIC UTILITY DISTRICT
2024 WATER REVENUE BONDS**

BOND PURCHASE AGREEMENT

_____, 2024

Fallbrook Public Utility District
990 E Mission Road
Fallbrook, California 92028

Ladies and Gentlemen:

_____ (the “**Underwriter**”) offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with Fallbrook Public Utility District (the “**District**”). This offer is made subject to the District’s acceptance by execution of this Purchase Agreement and delivery of the same to the Underwriter on or before 11:59 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to such acceptance. Upon the District’s acceptance hereof, the Purchase Agreement will be binding upon the District and the Underwriter. Capitalized terms that are used in this Purchase District and not otherwise defined have the respective meanings given to such terms in the Indenture (as such term is defined below).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations that are set forth in this Purchase Agreement, the Underwriter agrees to purchase from the District, and the District agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$_____ Fallbrook Public Utility District 2024 Water Revenue Bonds (the “**Bonds**”), at a purchase price of \$_____ (being an amount equal to the principal amount of the Bonds, plus/minus an original issue premium/discount of \$_____, less an Underwriter’s discount of \$_____). The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the District to the Underwriter at Closing (as such term is defined herein). The Preliminary Official Statement with respect to the Bonds, dated _____, 2024 (the “**Preliminary Official Statement**”), as amended to conform to the terms of this Purchase Agreement, and dated the date hereof, and with such changes and amendments as are mutually agreed to by the District and the Underwriter, including the cover page, the appendices, and all information incorporated therein by reference, is herein collectively referred to as the “**Official Statement**.” The District represents that it has deemed the Preliminary Official Statement to be final as of its date, [except for information regarding the Insurer (defined below), the Policy and the Reserve Policy (defined below)], either revision or addition of the offering price(s), yield(s) to maturity, selling compensation, aggregate denominational amount and maturity value, denominational amount and maturity value per maturity, delivery date, rating(s), and other terms of the Bonds that depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “**Rule**”), by delivering a certificate to the Underwriter substantially in the form of Exhibit C attached

hereto.

The District and the Underwriter acknowledge and agree that: (1) the purchase and sale of the Bonds under this contract is an arm's-length commercial transaction between the District and the Underwriter; (2) in connection with the purchase and sale of the Bonds and with the discussions, undertakings, and procedures leading up to the consummation of the purchase and sale of the Bonds under this contract, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the District; (3) the Underwriter has not assumed a fiduciary responsibility in favor of the District with respect to (A) the offering of the Bonds contemplated by this contract or the process leading to this contract (whether or not the Underwriter or any affiliate of the Underwriter has advised or is currently advising the District on other matters), or (B) any other obligation to the District with respect to the offering contemplated by this contract except the obligations expressly set forth in this contract; and (4) the District and the Underwriter have consulted their own legal, financial, and other advisors to the extent they have deemed appropriate in connection with this transaction. This paragraph does not limit the Underwriter's obligations of fair dealing under Municipal Securities Rulemaking Board Rule G-17.

Section 2. Bond Terms; Authorizing Instruments; Prior Bonds.

(a) The Bonds shall be dated their date of delivery and shall mature and bear interest as set forth on Exhibit A. The Bonds shall be as described in, and shall be issued and secured under Articles 6 of Chapter 4 of Division 7 of the Public Utilities Code, commencing with Section 16575 of said Code (the "**Bond Law**"), a resolution adopted by the Board of Directors of the District on [January 22, 2024] (the "**Resolution of Issuance**"), an Indenture of Trust, dated as of _____ 1, 2024 (the "**Indenture**"), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**"). The Bonds are payable and subject to redemption as provided in the Indenture and as described in the Official Statement. Additionally, [the reserve fund for the Bonds shall be funded with a debt service reserve fund surety policy (the "**Reserve Policy**") to be issued by the _____, the insurer (the "**Insurer**"). Capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture.]

(b) The Bonds will be issued pursuant to the Bond Law. The Bonds are payable from and secured by the District's pledge of Net Revenues from the District's Water System under and as defined in the Indenture.

(c) The net proceeds of the sale of the Bonds will be used to: (i) finance capital improvements for the District's Water System (as defined in the Indenture), (ii) pay the costs of issuing the Bonds, and (iii) finance a reserve fund.

Section 3. Public Offering and Establishment of Issue Price. The Underwriter shall make a bona fide public offering of all the Bonds at not in excess of the respective initial public offering prices to be set forth on the inside cover page of the Official Statement. The Underwriter reserves the right to change such initial offering prices as the Underwriter deems necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing such bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the cover page of the Official Statement. The Underwriter also reserves the right to (i) overallocate or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time. "Public offering" shall include an offering to a Underwriter number of institutional investors or

registered investment companies, regardless of the number of such investors to which the Bonds are sold.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Bonds and each underwriter allotted Bonds shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Best Best & Krieger LLP, the District’s Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the District under this section to establish the issue price of the Bonds may be taken on behalf of the District by the District’s municipal advisor, Wulff, Hansen & Co., San Raphael, California (the “Municipal Advisor”) and any notice or report to be provided to the District may be provided to the District’s Municipal Advisor.

(b) The District will treat the first price at which 10% of each maturity of the Bonds (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the District the price or prices at which the Underwriter has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the District the prices at which Bonds of that maturity have been sold by the Underwriter to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, the District or Bond Counsel. For purposes of this section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Underwriter confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Underwriter is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating the Underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter and as set forth in the related pricing wires,

(B) to promptly notify the Underwriter of any sales of Bonds that,

to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(d) The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) the agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(e) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “*Public*” means any person other than an underwriter or a related party;

(ii) “*Underwriter*” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public); and

(iii) a purchaser of any of the Bonds is a “*Related Party*” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Section 4. Official Statement; Continuing Disclosure.

(a) The District hereby authorizes the use by the Underwriter of (i) the Indenture, (ii) the Continuing Disclosure Agreement, dated as of the Closing Date (the “Continuing Disclosure Certificate”), and (iii) the Official Statement, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Bonds. The District consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds.

(b) The District will deliver to the Underwriter, within seven (7) business days after the date of this Purchase Agreement and in sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, copies of the Official Statement in final form (including all documents incorporated by reference therein) and any amendment or supplement thereto in such quantities as the Underwriter may reasonably request in order to comply with the obligations of the Underwriter pursuant to the Rule and the rules of the Municipal Securities Rulemaking Board. As soon as practicable following receipt thereof from the District, the Underwriter shall deliver the Official Statement to the Municipal Securities Rulemaking Board.

Section 5. Representations, Warranties and Covenants of the District. The District hereby represents, warrants and agrees with the Underwriter that:

(a) The Board of Directors of the District has taken official action by resolution (the “**District Resolution**”) that was adopted by a majority of the members of the Board of Directors of the District at a regular meeting that was duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of: (i) the Indenture; (ii) the Continuing Disclosure Certificate; and (iii) this Purchase Agreement (collectively, the “**District Agreements**”) and the Official Statement, and the taking of any and all such action as

may be required on the part of the District to carry out, give effect to and consummate the transactions that are contemplated hereby.

(b) The District is a public utility district and existing under the laws of the State of California (the “**State**”) and has all necessary power and authority to adopt the District Resolution and to enter into and perform its duties under the District Agreements.

(c) By all necessary official action, the District has: (i) duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement; (ii) duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the District Agreements; and (iii) duly authorized the consummation by the District of all other transactions that are contemplated by the District Resolution, the District Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered, the District Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the District, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the District’s acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact that is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation is made with respect to information relating to DTC (as such term is defined herein) or DTC’s book-entry system).

(e) As of the date hereof, except as described in the Preliminary Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body that is pending against, and notice of which has been served on and received by, the District, or, to the best knowledge of the District, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of District, or the titles of their respective members or officers; (ii) in any way question or affect the validity or enforceability of the District Agreements, the Bonds or the exclusion of the interest on the Bonds from taxation; or (iii) in any way question or affect the Purchase Agreement or the transactions contemplated by the Purchase Agreement, the Official Statement, or any other agreement or instrument to which the District is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, filing or registration with, or certification by, any regulatory authority that has jurisdiction over the District that is required for the execution and delivery of this Purchase Agreement and the other District Agreements or the consummation by the District of the other transactions that are contemplated by the Official Statement or the District Agreements.

(g) Any certificate that is signed by any official of the District who is authorized to do so shall be deemed a representation and warranty by the District, as applicable, to the Underwriter as to the statements made therein.

(h) The District is not in default, and at no time has the District defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i) If any event occurs of which the District has knowledge between the date of this Purchase Agreement and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact that is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District will notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner that is approved by the Underwriter. All expenses that are thereby incurred will be paid by the District, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with the MSRB's Electronic Municipal Market Access database ("EMMA").

(j) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order: (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions. The District will not be required to execute a general or special consent to service of process or to qualify to do business in connection with any such qualification or determination in any jurisdiction.

(k) The District is not in any material respect in breach of or default under: (i) any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any District or instrumentality of either; (ii) any applicable judgment or decree; or (iii) any loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the District is a party, which breach or default has or may have an adverse effect on the ability of the District to perform its obligations under the District Agreements, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the District Agreements, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Agreements.

(l) Except as set forth in the Official Statement under the caption "CONTINUING DISCLOSURE," the District has complied in all material respects with its continuing disclosure undertakings in the past five years.

(m) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District

or in its respective operations since the June 30, 2023, and there has been no occurrence, circumstance or combination thereof that is reasonably expected to result in any such materially adverse change.

(n) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

Section 6. The Closing.

(a) At 8:00 A.M., California time, on _____, 2024, or on such earlier or later time or date as may be agreed upon by the Underwriter and the District (the “**Closing**”), the District shall deliver, or cause to be delivered, to the Trustee the Bonds in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“**DTC**”) (so that the Bonds may be authenticated by the Trustee and credited to the account that is specified by the Underwriter under DTC’s FAST procedures). Prior to the Closing, the District shall deliver, at the offices of Best Best & Krieger LLP (“**Bond Counsel**”), in Riverside, California, or at such other place as is mutually agreed upon by the Underwriter and the District, the other documents that are described in this Purchase Agreement. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds to the order of the Trustee.

(b) The Bonds shall be issued in fully registered form and shall be prepared and delivered as one Bond for each maturity registered in the name of a nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Agreement.

Section 7. Conditions to Underwriter’s Obligations. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the District contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the District of its obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter’s obligations under this Purchase Agreement are and shall also be subject to the following conditions:

(a) The representations and warranties of the District that are contained in this Purchase Agreement shall be true and correct in all material respects on the date of this Purchase Agreement and on and as of the date of the Closing as if made on the date of the Closing.

(b) As of the date of the Closing, the Official Statement shall not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter.

(c) As of the date of the Closing, (i) the District Resolution and the District Agreements shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the District and the Underwriter; and (ii) the District and the District shall perform or shall have performed all of their obligations that are required under or specified in the District Resolution and the District Agreements to be performed at or prior to the date of the Closing.

(d) As of the date of the Closing, all necessary official action of the District relating to the District Agreements, the District Resolution and the Official Statement shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(e) Subsequent to the date of this Purchase Agreement, up to and including the date of the Closing, there shall not have occurred any change in the financial affairs of the District, as described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds.

(f) As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents: the opinion of Bond Counsel, dated the Closing Date, in substantially the form included in the Official Statement as Appendix E, addressed to the District (and accompanied by a reliance letter to the Underwriter);

(1) a supplemental opinion of Bond Counsel, in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the Underwriter, to the effect that: (i) the Purchase Agreement has been duly executed and delivered by the District and (assuming due authorization, execution and delivery by and enforceability against the Underwriter) is valid and binding upon the District, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles; (ii) the Bonds are not subject to registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (iii) the statements contained in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCE," "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "TAX MATTERS," "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and "APPENDIX E—FORM OF OPINION OF BOND COUNSEL," insofar as such statements expressly summarize certain provisions of the Indenture, the Bonds, and the opinion of Bond Counsel concerning certain federal tax matters relating to the Bonds, are accurate in all material respects.

(2) an opinion of the Districts General Counsel, in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the District and the Underwriter, to the effect that: (i) to the General Counsel's current actual knowledge and except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or threatened, as to which the District is or would be a party, which would materially adversely affect the ability of the District to perform its obligations under the Bonds, the District Agreements, or which seeks to restrain or enjoin the issuance, sale and delivery of the Bonds or exclusion from gross income for federal income tax purposes or State of California personal income taxes of interest on the Bonds, or the application of the proceeds thereof in accordance with the Indenture, or the collection or application of the Net Revenues to pay the principal of and interest on the Bonds, or which in any way contests or affects the validity or enforceability of the Bonds, the District Agreements or the accuracy of the Official Statement, or any action of the District contemplated by any of said documents; (ii) the District is duly organized and validly existing as a public entity under the laws of the State of California and has full legal right, power and authority to issue the Bonds and to perform all of its obligations under the District Agreements; and (iii) the District has obtained all approvals, consents, authorizations, elections and orders of or filings or registrations with any State governmental authority, board, agency or commission having jurisdiction which constitute a condition precedent to the issuance of the Bonds or the performance by the District of its obligations thereunder or under the Indenture, except that no opinion need be expressed regarding compliance with blue sky or other securities laws or regulations, whatsoever; and (iv) the District has

duly authorized, executed and delivered the District Agreements and the Bonds and has duly authorized the preparation and delivery of the Official Statement.;

(3) a letter from Best Best & Krieger LLP, Riverside, California, disclosure counsel to the District (“Disclosure Counsel”), dated the Closing Date, addressed to the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement as counsel to the District and without having undertaken to determine independently the fairness, accuracy, or completeness of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel has no reason to believe that, as of their dates and as of the Closing Date, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, the information with respect to DTC and the book-entry system, [the information relating to the Insurer, its Policy and Reserve Policy], and the information included in the Appendices thereto, as to which no view need be expressed) contained or contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(4) a certificate, dated the date of the Preliminary Official Statement, from the District, in the form attached hereto as Exhibit C;

(5) a certificate of the District, in form and substance satisfactory to the Underwriter, dated the Closing Date, to the effect that; (i) the representations and warranties of the District contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; and (ii) there has been no material adverse change in the financial condition or results of operations of the District or the Water System from the date of the Official Statement to the Closing Date;

(6) an opinion of counsel to the Trustee, dated the Closing Date, addressed to the Underwriter and to the District, to the effect that:

(i) the Trustee is a national banking association and is validly existing, duly qualified to do business and in good standing under the laws of each jurisdiction in which the performance of its duties under the Indenture would require such qualification and has the requisite power and authority to execute, deliver and perform its obligations under the Indenture;

(ii) the Trustee is duly eligible and qualified to act as trustee under the Indenture;

(iii) the Trustee has all requisite power, authority and legal right to execute and deliver the Indenture and to perform its obligations under the Indenture, and has taken all necessary corporate action to authorize the execution and delivery of and the performance of its obligations under the Indenture;

(iv) the Trustee has duly executed and delivered the Indenture. Assuming the due authorization, execution and delivery thereof by the other parties thereto, the Indenture is the legal, valid, and binding agreements of the Trustee enforceable against the Trustee in accordance with their terms, except to the extent enforceability thereof may be subject to (A) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws

affecting creditors' rights and remedies heretofore or hereafter enacted, and (B) the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(v) the Bonds have been duly authenticated by the Trustee;

(vi) the execution, delivery and performance of the Indenture by the Trustee and the consummation of the transactions contemplated thereby do not and will not (a) to the knowledge of such counsel, conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, or other agreement or instrument to which the Trustee is a party or by which the Trustee is bound or to which any of the property or assets of the Trustee or any of its subsidiaries is subject, (b) result in any violation of the provisions of the charter, articles of association, by-laws, or applicable resolutions of the Trustee, or (c) to the knowledge of such counsel, result in any violation of any statute or any order, rule, or regulation of any court or government agency or body having jurisdiction over the Trustee or any of its properties or assets; and

(vii) to the knowledge of such counsel, there are no actions, proceedings or investigations pending or threatened against the Trustee before any court, administrative agency or tribunal (a) seeking to prevent the consummation of any of the transactions contemplated thereby, or (b) that might materially and adversely affect the performance by the Trustee of its obligations under, or the validity or enforceability of the Indenture;

(7) a certificate, dated the Closing Date, signed by a duly authorized officer of the Trustee to the effect that;

(i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the necessary power to enter into, accept, and administer the trusts created under the Indenture and to authenticate the Bonds;

(ii) the Indenture has been duly authorized, executed, and delivered by a duly authorized officer of the Trustee, and the execution, delivery, and performance of the Indenture has been duly authorized by all necessary action of the Trustee;

(iii) the Indenture constitute the legal, valid, and binding obligations of the Trustee enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(iv) the Bonds have been duly authenticated by a duly authorized officer of the Trustee;

(v) no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture or the performance by the Trustee of its duties and obligations under the Indenture;

(vi) the execution and delivery by the Trustee of the Indenture and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution, or any other

agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order, or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty, or agreement need be made with respect to any federal or State securities or blue sky laws or regulations);

(vii) the Trustee's action in executing and delivering the Indenture will not contravene the articles or bylaws of the Trustee and is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and such action does not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound; and

(viii) there is no action, suit, proceeding, or investigation, at law or in equity, before or by any court or governmental agency, public board, or body that has been served on the Trustee, or to the best knowledge of the Trustee, threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligations thereunder;

(8) a letter from _____, _____, California, counsel to the Underwriter ("Underwriter's Counsel"), dated the Closing Date, addressed to the Underwriter;

(9) certified copies of the District Resolution, and an incumbency resolution of the Trustee;

(10) copies each of the District Agreements, and the Official Statement, duly executed and delivered by the respective parties thereto;

(11) a tax certificate with respect to the Bonds of the District, in form satisfactory to Bond Counsel, signed by an appropriate officer of the District;

(12) evidence that the insured and underlying ratings on the Bonds of "___" and "___," respectively, by S&P are in full force and effect on the Closing Date;

(13) copies of the statements with respect to the sale of the Bonds required to be delivered to the California Debt and Investment Advisory Commission;

(14) a copy of the Blanket Letter of Representations to DTC relating to the Bonds signed by the District;

(15) evidence that the federal tax information form 8038-G has been prepared by Bond Counsel for filing;

(16) [evidence satisfactory to the Underwriter of the issuance of the Policy by the Insurer;]

(17) [evidence satisfactory to the Underwriter that the Trustee shall have received the Reserve Policy from the Insurer;]

(18) [an opinion of counsel to the Insurer, in form and substance satisfactory to the Underwriter, Bond Counsel and Underwriter’s Counsel, with respect to, among other matters, the Policy and the Reserve Policy, and disclosures relating thereto and to the Insurer in the Official Statement;]

(19) [a certificate of the Insurer, in form and substance satisfactory to the Underwriter, Bond Counsel, and Underwriter’s Counsel, with respect to, among other matters, the Policy and the Reserve Policy;]

(20) [a no-default certificate of the Insurer, in form and substance satisfactory to the Underwriter, Bond Counsel and Underwriter’s Counsel;] and

(21) such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter, Underwriter’s Counsel, or Bond Counsel may reasonably request to evidence compliance by the District with legal requirements, the accuracy, as of the time of Closing, of the District’s representations herein contained, and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

All of the opinions, letters, certificates, instruments and other documents that are mentioned in this Purchase Agreement shall be deemed to be in compliance with the provisions of this Purchase Agreement if, but only if, they are in form and substance satisfactory to the Underwriter. If the District is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds as set forth in this Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the District shall be under any further obligations hereunder, except that the respective obligations of the District and the Underwriter that are set forth in Section 11 of this Purchase Agreement shall continue in full force and effect.

Section 8. Conditions to District’s Obligations. The performance by the District of its obligations under this Purchase Agreement is conditioned upon: (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District of opinions addressed to the District, receipt by the Underwriter of opinions addressed to the Underwriter and the delivery of certificates on the date of the Closing by persons and entities other than the District.

Section 9. Termination Events. The Underwriter shall have the right to terminate the Underwriter’s obligations under this Purchase Agreement to purchase, accept delivery of and pay for the Bonds by notifying the District of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(a) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by any decision that is issued by a court of the United States (including the United States Tax Court) or of the State, by any ruling or regulation (final, temporary or proposed) that is issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental District of the United States, or any governmental agency of the State, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee

with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Underwriters or either House of the Legislature of the State, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State by the Governor of the State in an executive communication, affecting the tax status of the District or the District, their property or income, their debt or contractual obligations (including the Bonds) or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(b) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(c) there occurs a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York or State authorities;

(d) a stop order, ruling, regulation or Official Statement by, or on behalf of, the SEC is issued or made to the effect that the issuance, offering or sale of the Bonds or obligations similar to the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, the Securities Exchange Act of 1934, as then in effect, or the Trust Indenture Act of 1939, as then in effect;

(e) legislation is enacted by the House of Underwriters or the Senate of the Congress of the United States of America, a decision by a court of the United States of America is rendered or a ruling or regulation by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(f) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions that are not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(g) the Office of the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(h) a general banking moratorium is established by federal, New York or State authorities;

(i) any legislation, ordinance, rule or regulation is introduced in or enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the reasonable opinion of the Underwriter, after consultation with the District, materially adversely affects the market price of the Bonds;

(j) any federal or State court, authority or regulatory body takes action materially and adversely affecting the collection of revenues that are pledged under the Indenture;

(k) any rating of the Bonds is downgraded, suspended, withdrawn or placed on credit watch or similar status by a national rating service, which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds;

(l) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and: (i) the District refuses to prepare and furnish such supplement or amendment; or (ii) in the reasonable judgment of the Underwriter, the occurrence of such event materially and adversely affects the marketability of the Bonds or renders the enforcement of the sale contracts of the Bonds impracticable;

(m) an order, decree or injunction that is issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), Official Statement or other form of notice or communication that is issued or made by or on behalf of the SEC, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(n) additional material restrictions that are not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds.

Section 10. Changes in Official Statement. After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the “end of the underwriting period” (as such term is defined below), whichever occurs first, if any event relating to or affecting the Bonds, the Trustee, or the District occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time that it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time that the Official Statement is delivered to a purchaser, not misleading. The District will cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

As used herein, the term “**end of the underwriting period**” means the later of such time as: (i) the District delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the “end of the underwriting period” will be the date of the Closing. Any notice that is delivered pursuant to this provision will be written notice delivered to the District at or prior to the date of the Closing and will specify a date (other than the date of the Closing) to be deemed the “end of the underwriting period.”

Section 11. Payment of Expenses.

(a) The Underwriter shall be under no obligation to pay, and the District shall pay the following expenses incident to the performance of the District's obligations hereunder:

- (i) the fees and disbursements of Bond Counsel;
- (ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and Official Statement (and any amendment or supplement that is prepared pursuant to Section 10 of this Purchase Agreement);
- (iii) the fees and disbursements of accountants, advisors and any other experts or consultants retained by the District, including the District's General Counsel; and
- (iv) any other expenses and costs of the District that are incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, reimbursement to the Underwriter for any meals and travel for District employees or officers that were paid for by the Underwriter and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to:

- (i) all advertising expenses in connection with the offering of the Bonds; and
- (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including, without limitation, the fees and expenses of its counsel and MSRB, CUSIP Bureau, California Debt and Investment Advisory Commission and California Public Securities Association fees, if any), except as provided in clause (a) above or as otherwise agreed to by the Underwriter and the District.
- (iii) All expenses in connection with Underwriter's Counsel fees.

Section 12. Notices. Any notice or other communication to be given to the District under this Purchase Agreement may be given by delivering the same in writing to District at the address that is set forth on the first page of this Purchase Agreement, and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to:

[TO COME]

Section 13. Survival of Representations, Warranties, Agreements. All of the District's representations, warranties and agreements that are contained in this Purchase Agreement shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Agreement. The agreements contained in this Section and in Section 11 shall survive the termination of this Purchase Agreement.

Section 14. Benefit; No Assignment. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Agreement are not subject to assignment by the Underwriter or the District without the prior written consent of the other parties hereto.

Section 15. Severability. In the event that any provision of this Purchase Agreement is held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Agreement.

Section 16. Counterparts. This Purchase Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

Section 17. Governing Law. This Purchase Agreement shall be governed by the laws of the State.

(Signature Page to Follow)

Section 18. Effectiveness. This Purchase Agreement shall become effective upon the execution of the acceptance hereof by an authorized officer of the District, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

[UNDERWRITER]

By: _____
Title: Authorized Officer

Accepted:

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____
Title: Authorized Officer

EXHIBIT A

\$ _____
FALLBROOK PUBLIC UTILITY DISTRICT
2024 WATER REVENUE BONDS

MATURITY SCHEDULE

<i>Maturity Date (December 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
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(C) Priced to the optional redemption date of December 1, 20__, at par.

EXHIBIT B

\$ _____
**FALLBROOK PUBLIC UTILITY DISTRICT
2024 WATER REVENUE BONDS**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, _____ (“**Underwriter**”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “**Bonds**”).

1. ***Bond Purchase Agreement.*** On ____, 2024 (the “**Sale Date**”), Underwriter and the Issuer executed a Bond Purchase Agreement (the “**Purchase Agreement**”) in connection with the sale of the Bonds. Underwriter has not modified the Purchase Agreement since its execution on the Sale Date.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) Any Maturity of the 10% Test Maturities offered to the Public by the Underwriter on or before the Sale Date was offered at the interest rates listed on Schedule A. Schedule A lists the amount of each 10% Test Maturity allotted to the Underwriter and sold to the Public on the Sale Date.
 - (b) Neither the Underwriter nor any broker-dealer who is participating in the initial sale of the Bonds as a party to a retail distribution agreement with the Underwriter has offered or sold any unsold bonds within a Maturity of the Hold-the-Offering-Price Maturities listed on Schedule A allotted to it at a price that is higher than the respective initial offering prices listed on Schedule A for that Maturity of the Hold-the-Offering Price Maturities during the Holding Period..
3. ***Defined Terms.***
 - (a) *10% Test Maturities* means those unsold bonds within Maturities of the Bonds listed in Schedule A hereto as the “10% Test Maturities.”
 - (b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
 - (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (____, 2024), or (ii) the date on which the underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
 - (d) *Issuer* means Fallbrook Public Utility District.
 - (e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates or CUSIP identification numbers, are treated as separate maturities.
 - (f) *Related Party* means any entity that shares with another entity (i) more than 50%

common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2024.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

(i) “*Public*” means any person other than an Underwriter or a Related Party.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in its Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____
[Title]

Schedule A

SALE PRICES OF THE 10% TEST MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

10% Test Maturities Allotted:

<i>Maturity Date (December 1)</i>	<i>Principal Amount Allotted</i>	<i>Interest Rate</i>	<i>Initial Offering Price</i>	<i>Amount Sold by _____ to Public as of Sale Date at Initial Offering Price</i>
	\$	%		

Hold-the-Offering Price Maturities Allotted:

<i>Maturity Date (December 1)</i>	<i>Principal Amount Allotted</i>	<i>Interest Rate</i>	<i>Initial Offering Price</i>	<i>Amount Sold by _____ to Public as of Sale Date at Initial Offering Price</i>
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EXHIBIT C

\$ _____
**FALLBROOK PUBLIC UTILITY DISTRICT
2024 WATER REVENUE BONDS**

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting Underwriter of the Fallbrook Public Utility District (the “**District**”), and as such is duly authorized to execute and deliver this Certificate on behalf of the District, and further hereby certifies and reconfirms on behalf of the District as follows:

(1) This Certificate is delivered in connection with the offering and sale of the above captioned bonds (the “**Bonds**”) in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds and the District (the “**Preliminary Official Statement**”).

(3) As used herein, “**Permitted Omissions**” means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: _____

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____
General Manager

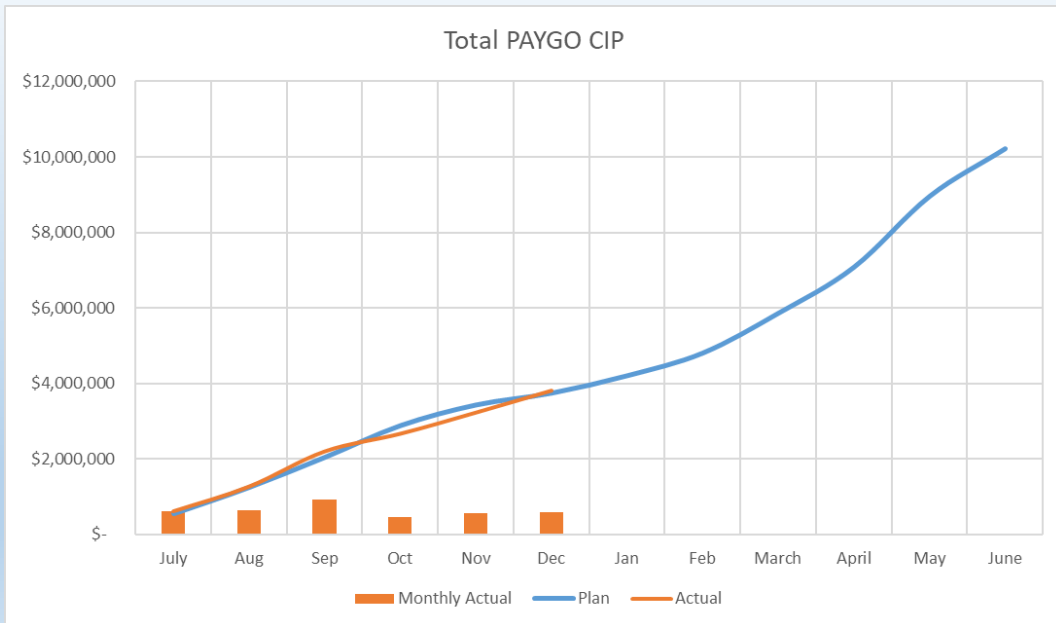


Fallbrook Public Utility District

Engineering and Operations

Board Meeting JAN 2024

Total CIP FY24



Wastewater Treatment

Reclamation Plant

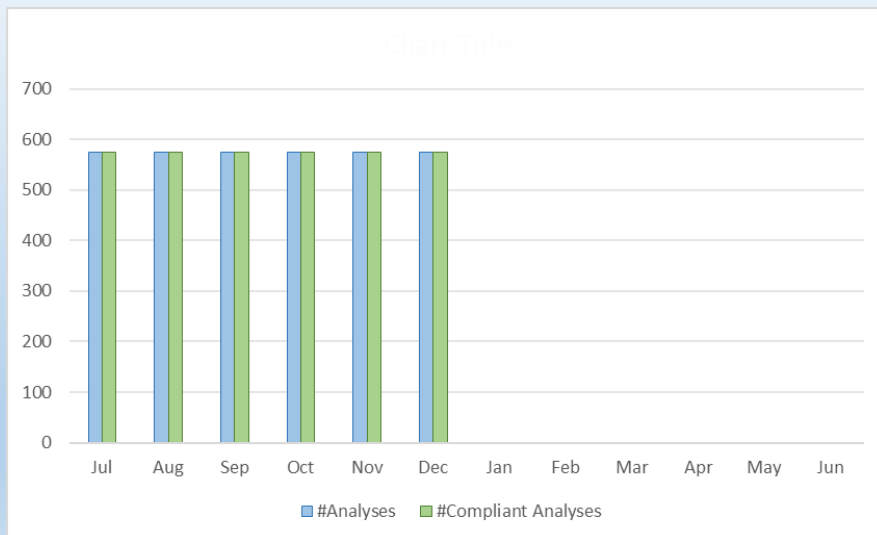
Recycled Water

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

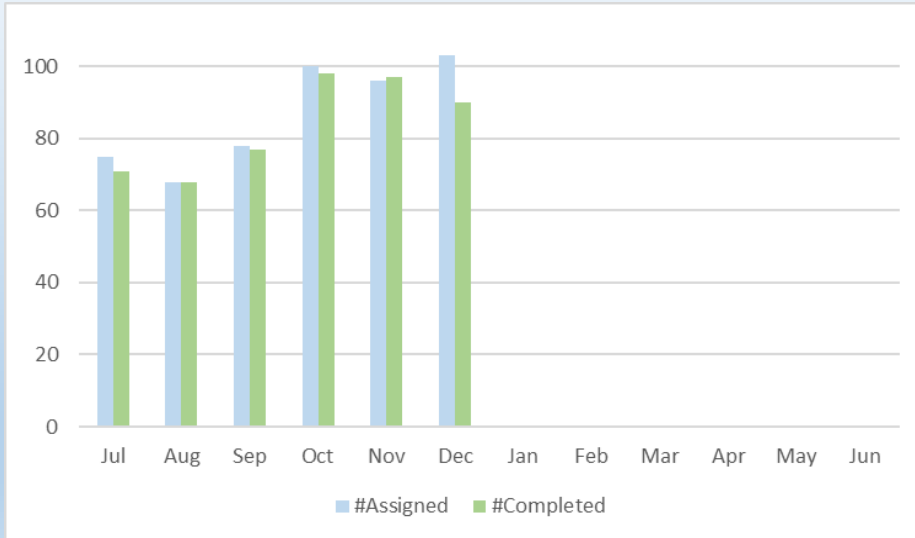
Wastewater Treatment System Regulatory Compliance

**SRWQCB
Compliance:**
NPDES
WDR

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



Reclamation Plant – Wastewater PMs

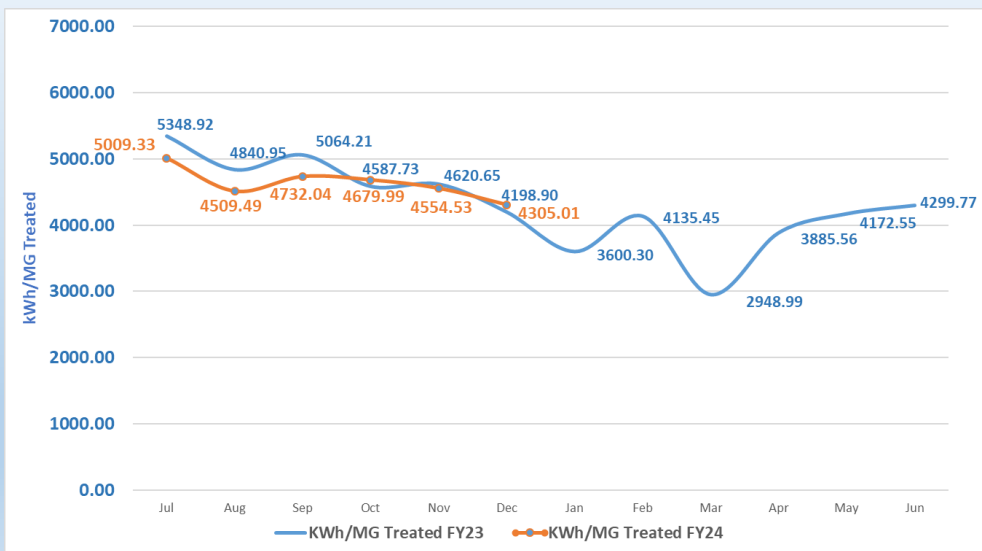


5

Formula =

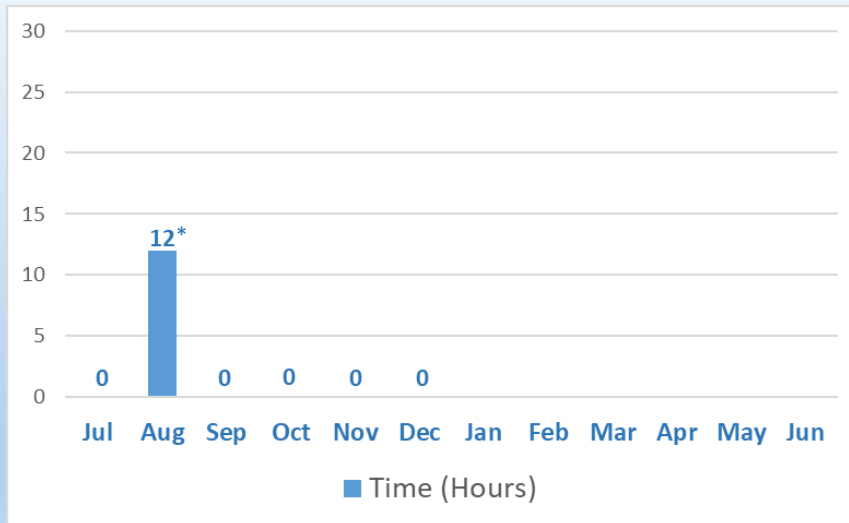
$$\frac{\text{Total Plant Energy Demand}}{\text{MG Treated Flow}}$$

Reclamation Plant – Energy Usage (KWh/MG Treated)



6

Recycled Water – Time out of Service (Hours)



*planned meter replacement work for two locations at Altman Nursey

7

Water Operations

Regulatory Compliance

Preventative Maintenance Work Orders

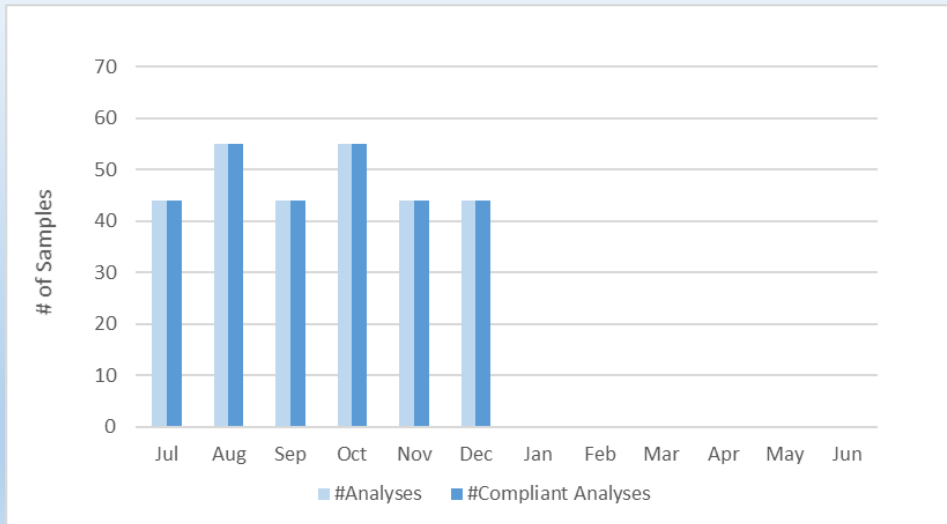
CUP Deliveries

SMGTP Flows

8

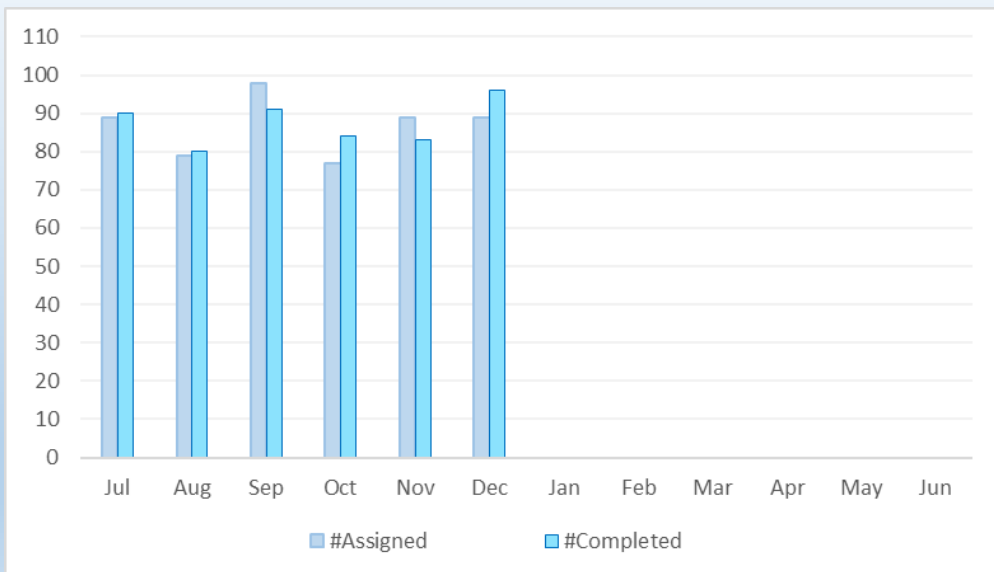
Water System Regulatory Compliance

- Facility Operation
- Routine Sampling



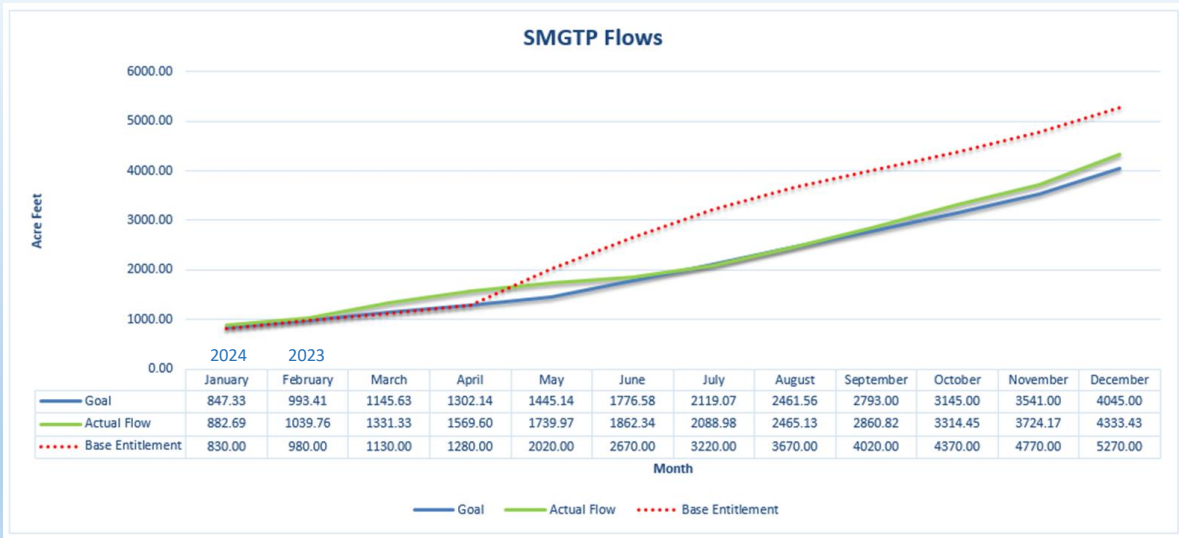
9

Water System PMs



10

SMGTP Flows



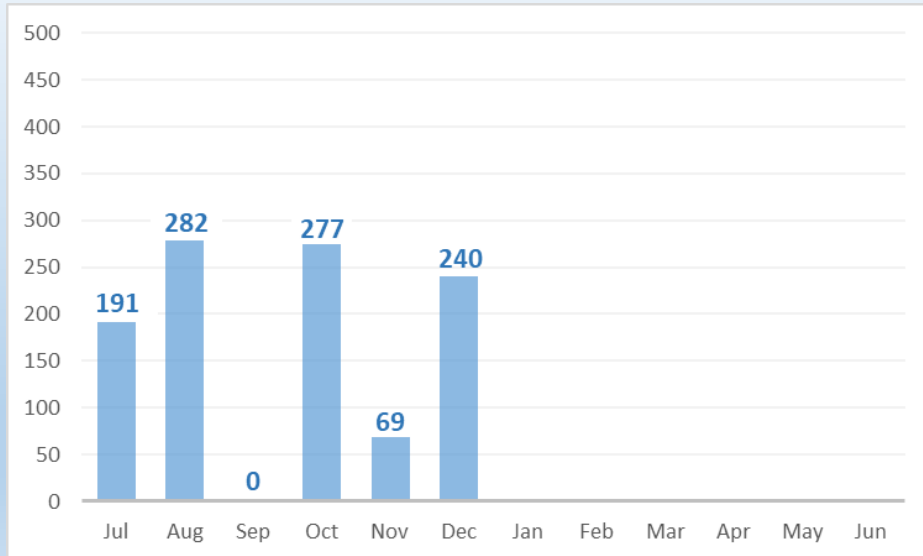
11

Meter Services

Meter Testing

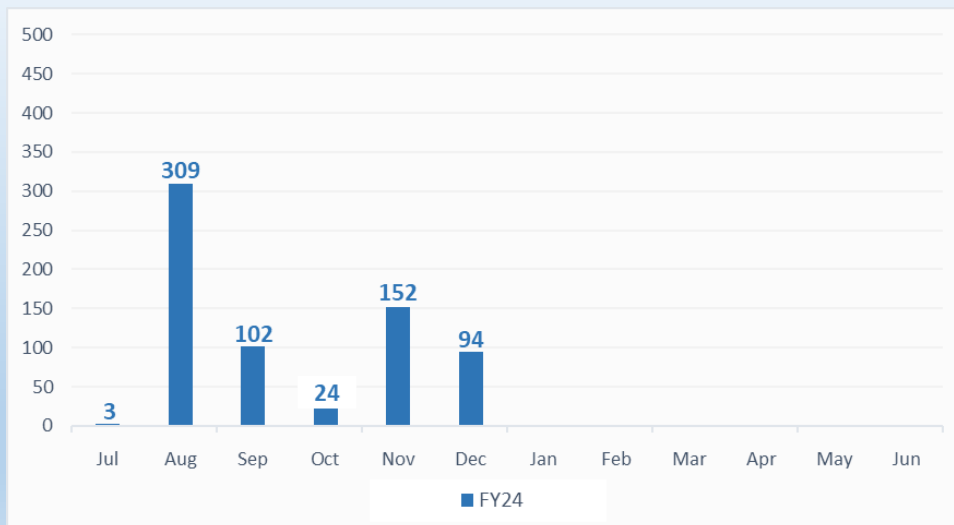
12

Planned Water Outages > 4 Hours # of Customers Affected



13

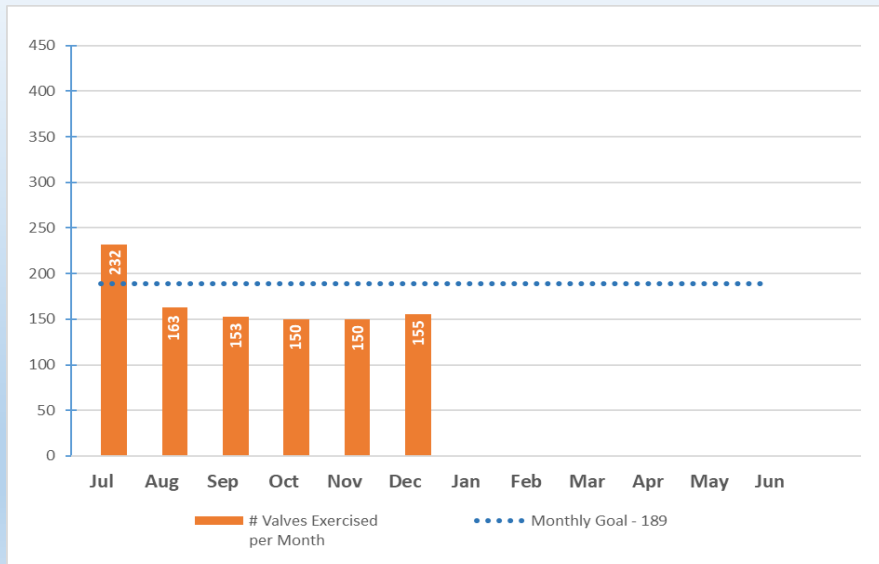
Unplanned Water Outages > 4 Hours # of Customers Affected



14

Main Line Valve Exercise Program

- Improve reliability
- Reduce impact of planned and emergency shutdowns
- **Total valves exercised FY23: 2,554**



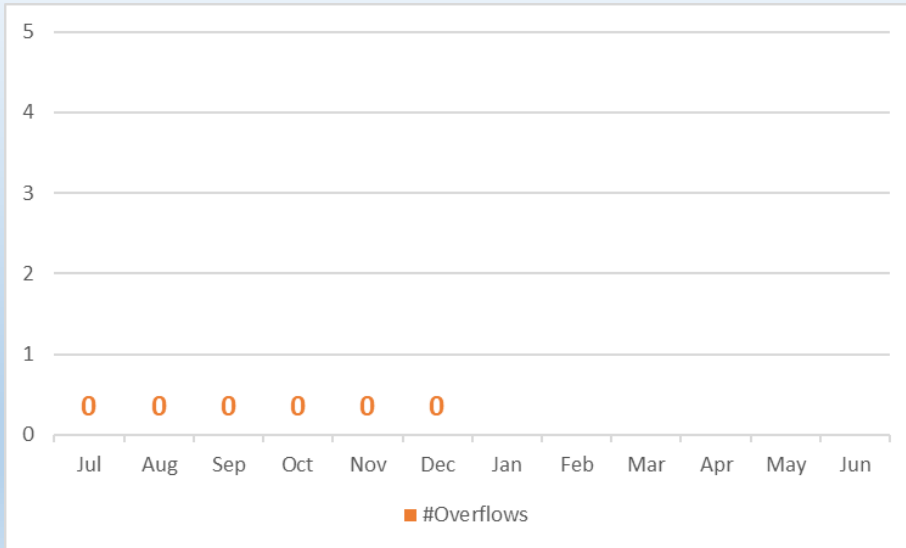
15

Wastewater Collections

Total Wastewater Spilled
Non-Recovered Wastewater Spilled
Odor Complaints

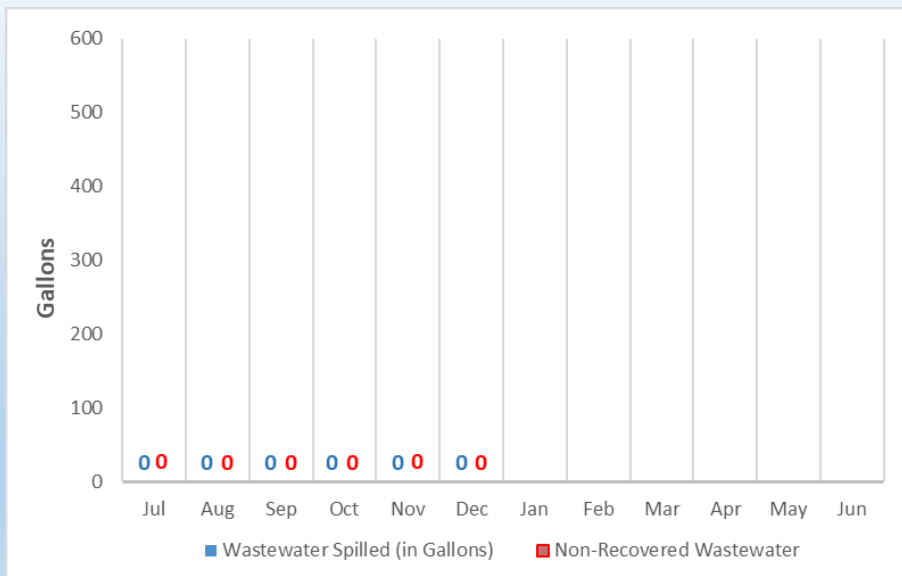
16

Wastewater Collections - Sewer Overflows



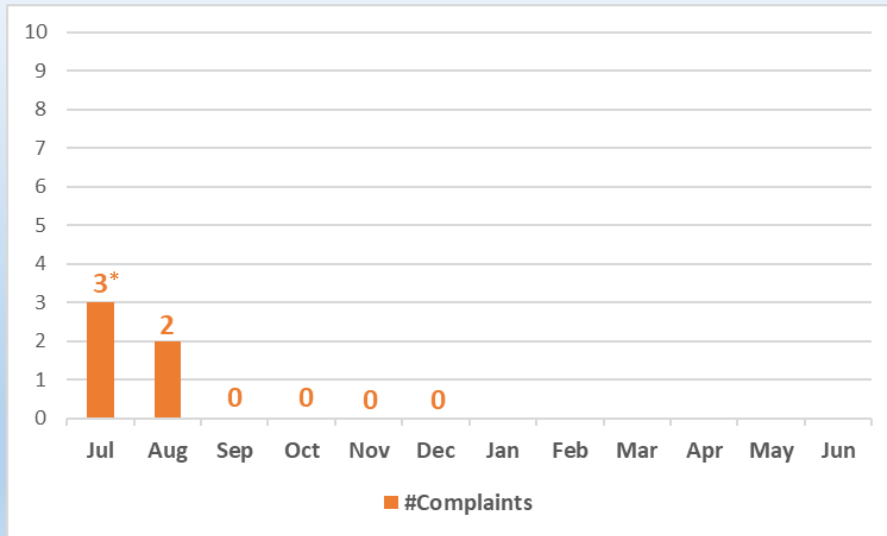
17

Wastewater Collections - Wastewater Spilled



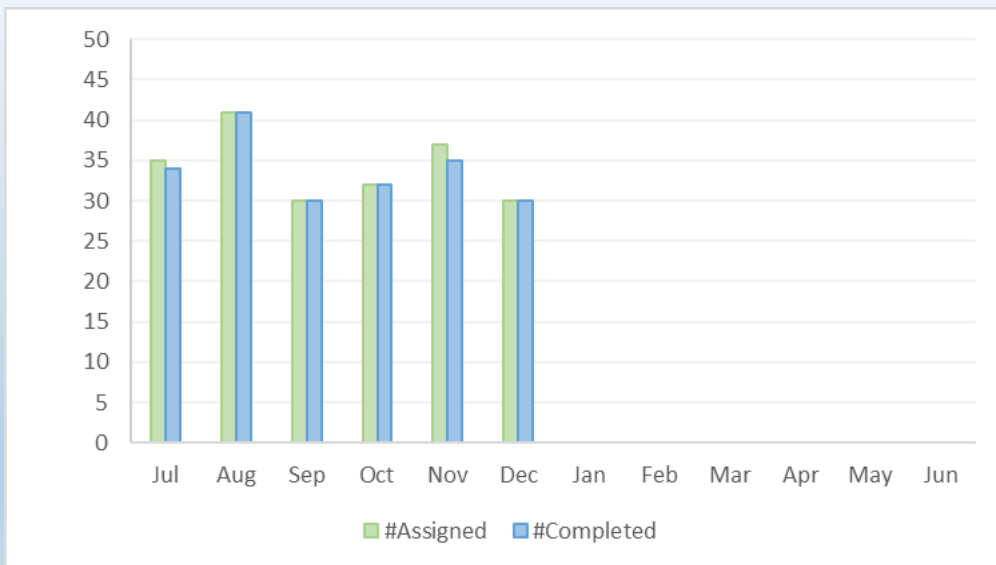
18

Reclamation Plant & Wastewater Collections Odor Complaints



* Determined to be on customer side

Wastewater - Collections PMs

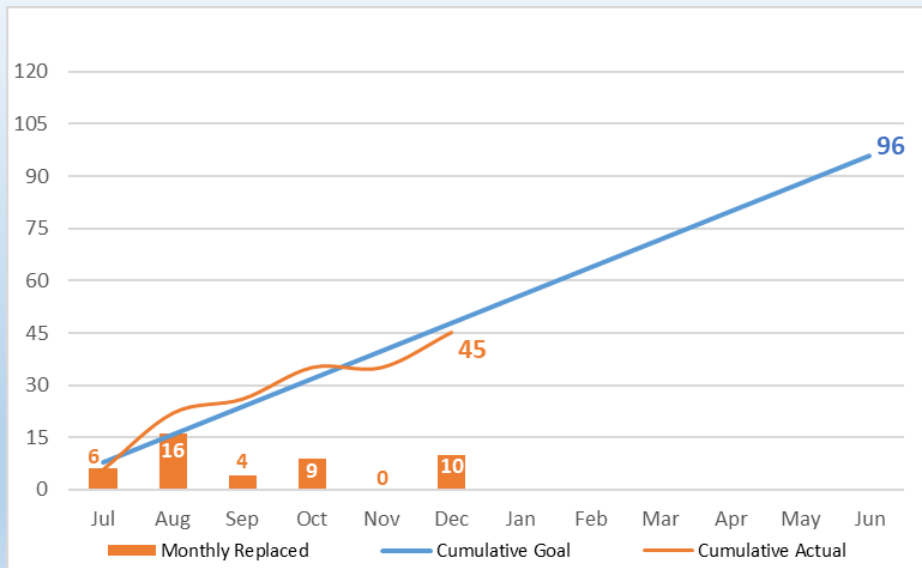


Construction/Maintenance

- Efforts continue in replacing valves with the greatest impact on water loss and customer outages during large main breaks.
- With new valves, crews will be capable of shutting down smaller controlled areas faster, impacting fewer customers while losing less water and completing repairs sooner.
- Our goal is to replace 100 valves per year. FY23, 109 valves were replaced. We currently have 6821 valves in the system with 377 known to be broken.
- We have a goal to perform maintenance on 3,000 linear feet of easement roads.

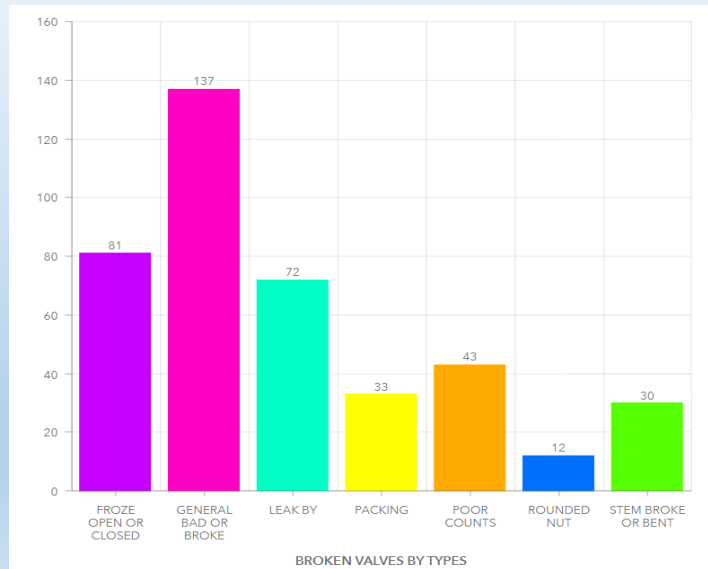
21

Main Line Valves Replaced



22

Rolling Total Broken Valves (all general problems)



23

M E M O

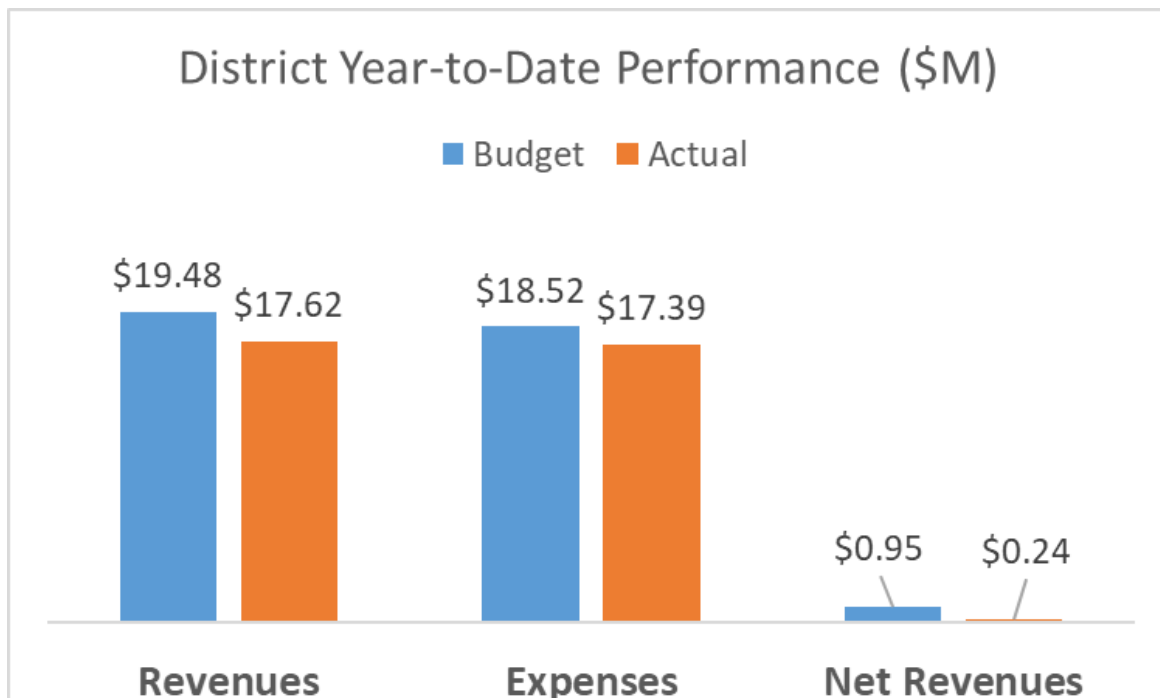
TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: January 22, 2024
SUBJECT: Financial Summary Report – November

Purpose

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

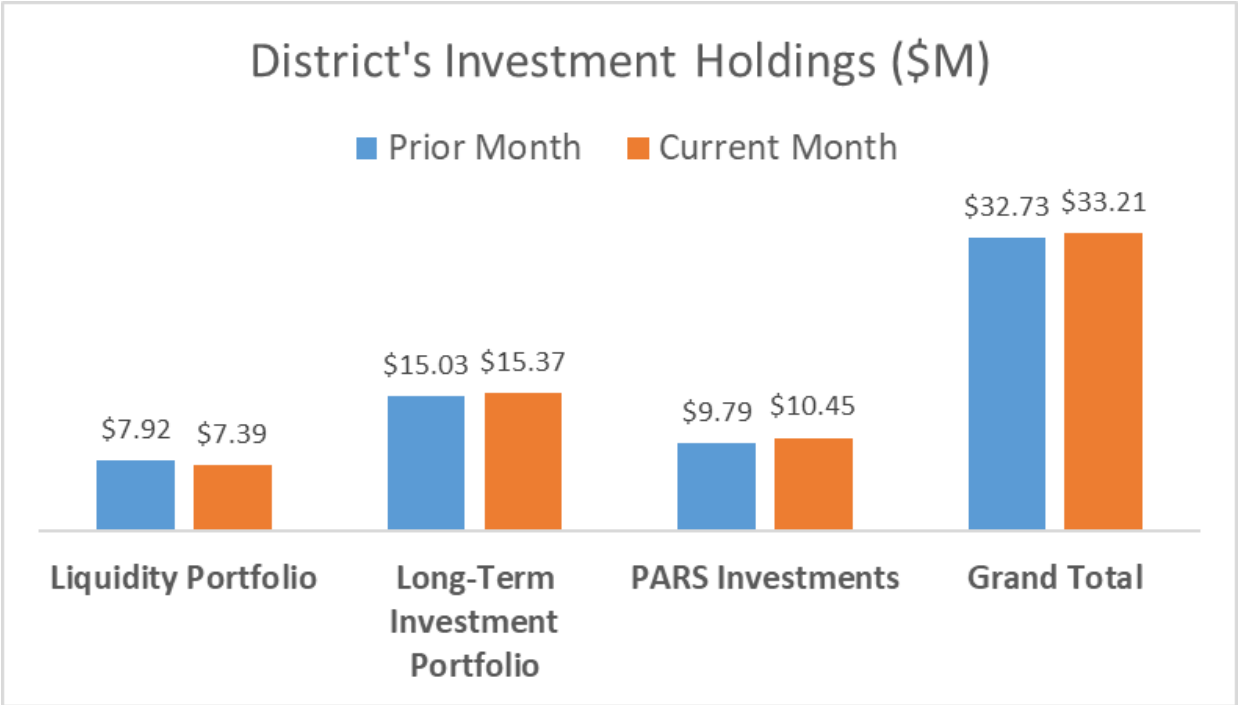
Summary

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



Revenues and expenditures are under budget levels. The Operating Revenue shortfall is due to persistent low water sales levels. Operating expenditures are under budget largely due to lower than budgeted water purchase and no Community Benefit Program expenditures. Staff are carefully tracking the District’s financial position to identify any budget shortfalls early.

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



Overall the District's financial holdings decreased slightly this month. Overall the Long-term Portfolio and PARS investments continue to perform in line with the capital markets.

Recommended Action

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

M E M O

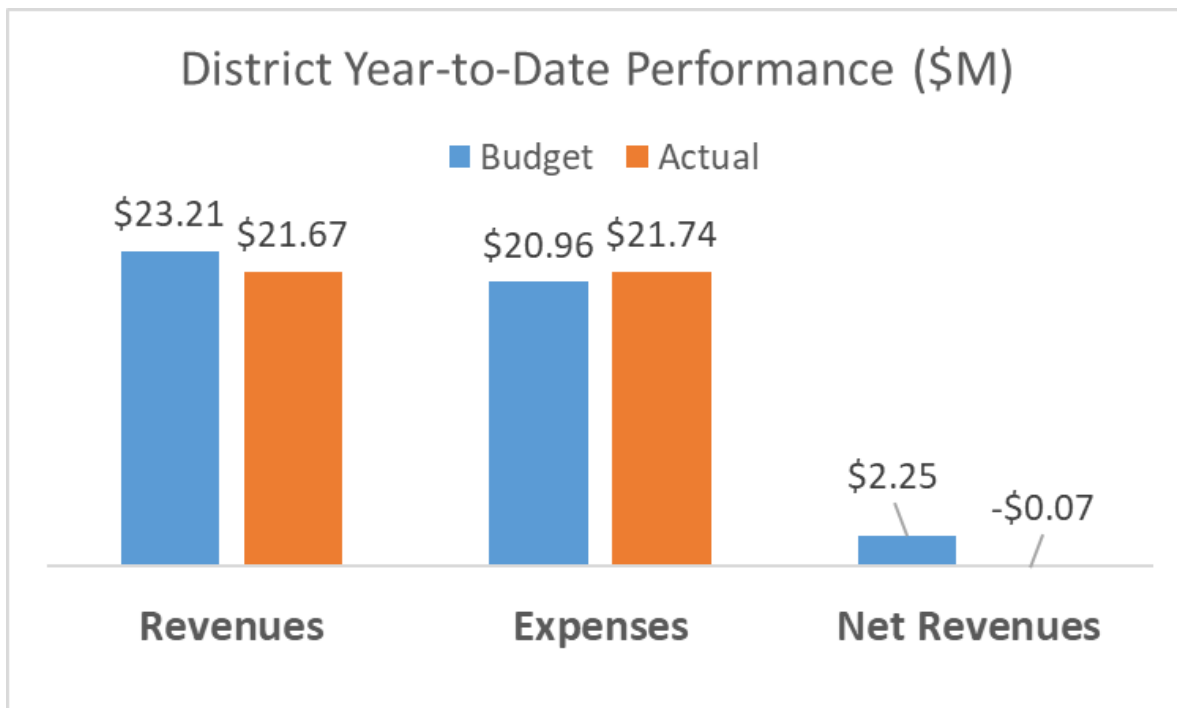
TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: January 22, 2024
SUBJECT: Financial Summary Report – December

Purpose

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

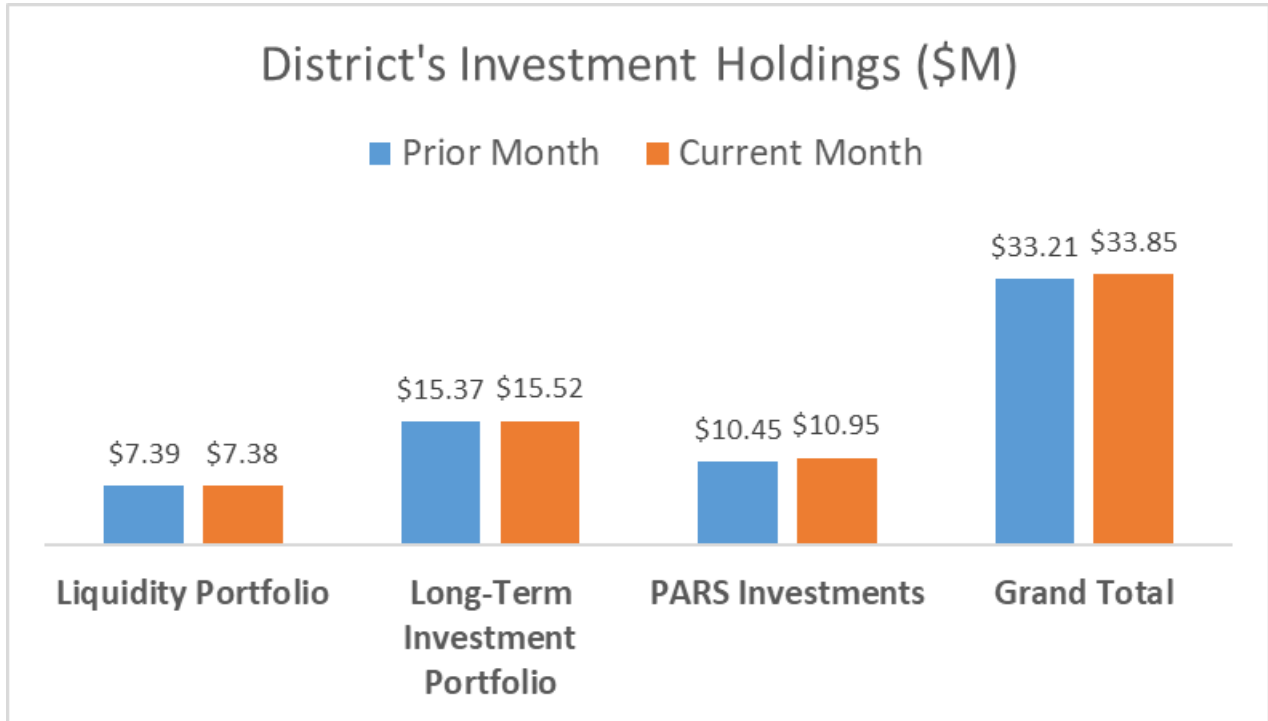
Summary

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



Revenues are under budget levels while expenditures are over budget. The increase in expenditures this month is due to the \$1.7 million payment to the San Diego County Water Authority. This is the first of two payments to be made to complete the detachment process. The Operating Revenue shortfall is due to persistent low water sales levels. Staff are carefully tracking the District’s financial position to identify any budget shortfalls early.

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



Overall the District's financial holdings increased slightly this month. Overall the Long-term Portfolio and PARS investments continue to perform in line with the capital markets.

Recommended Action

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

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: January 22, 2024
SUBJECT: Treasurer's Report

Purpose

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

Notes

Overall the District's financial holdings decreased slightly this month. Overall the Long-term Portfolio and PARS investments continue to perform in line with the capital markets. The District continues to carefully manage its working capital to ensure its ability to meet its financial commitments.

Summary

Treasurer's Report November 2023

Account	Beginning Balance	Ending Balance
Operating Fund	\$ 5,259	\$ 5,051
Money Market	\$ 1,004,007	\$ 1,050,577
CAMP Account	\$ 6,910,347	\$ 6,330,238
<i>District's Liquidity Portfolio</i>	\$ 7,919,613	\$ 7,385,866
PFM Managed Long-term Investment Portfolio*	\$ 15,020,202	\$ 15,360,228
LAIF (Long-term Reserves)	\$ 6,781	\$ 6,781
PARS (OPEB & Pension Trust)**	\$ 9,788,168	\$ 10,453,553
<i>District Accounts Total</i>	\$ 32,734,764	\$ 33,206,428

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

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



David Shank
January 22, 2024



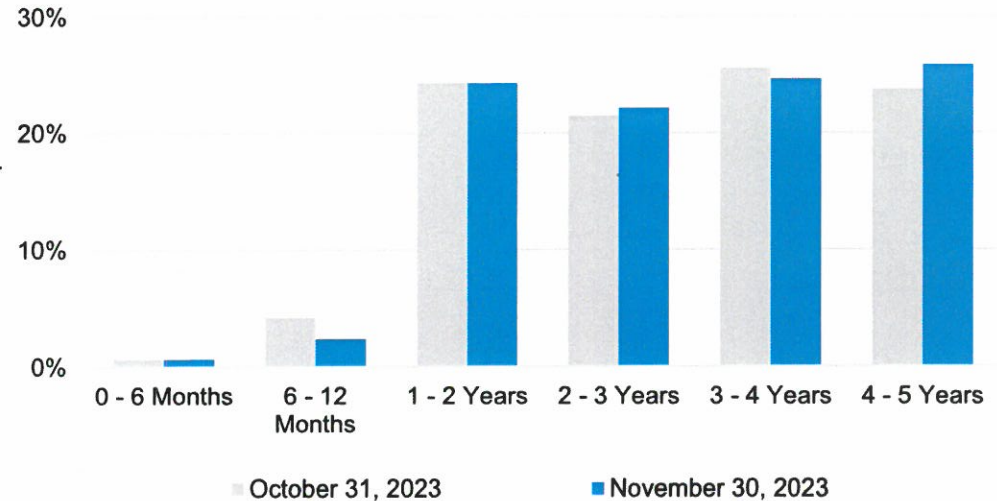
Fallbrook Public Utilities District - Holdings Summary

Security Type	October 31, 2023	November 30, 2023	Change (\$)	Change (%)
U.S. Treasury	\$6,279,675.79	\$6,235,323.37	(\$44,352.42)	-0.7%
Municipal	\$201,876.95	\$204,265.80	\$2,388.85	1.2%
Federal Agency CMBS	\$2,271,123.06	\$2,450,885.97	\$179,762.91	7.9%
Corporate Note	\$4,183,555.44	\$4,235,790.81	\$52,235.37	1.2%
Negotiable CD	\$99,186.00	\$100,860.00	\$1,674.00	1.7%
Asset-Backed Security	\$1,951,033.52	\$2,029,813.50	\$78,779.98	4.0%
Securities Total	\$14,986,450.76	\$15,256,939.45	\$270,488.69	1.8%
Money Market Fund	\$33,751.14	\$103,288.69	\$69,537.55	206.0%
Total Investments	\$15,020,201.90	\$15,360,228.14	\$340,026.24	2.3%

Summary

FY 23-24 Accrual Earnings	\$18,685.23
Yield to Maturity at Cost	3.49%
Weighted Average Maturity (Years)	2.94

Maturity Distribution



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

Managed Account Security Transactions & Interest

For the Month Ending November 30, 2023

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
BUY											
	10/30/23	11/02/23	ANALOG DEVICES INC (CALLABLE) CORPORATE DTD 10/05/2021 1.700% 10/01/2028	032654AU9	90,000.00	(75,511.80)	(131.75)	(75,643.55)			
	10/30/23	11/02/23	NATIONAL RURAL COOP CORPORATE NOTES (CAL DTD 11/02/2023 5.600% 11/13/2026	63743HFK3	10,000.00	(9,996.50)	0.00	(9,996.50)			
	10/30/23	11/02/23	BANK OF AMERICA CORP NOTES (CALLABLE) DTD 04/27/2022 4.376% 04/27/2028	06051GKP3	80,000.00	(74,745.60)	(48.62)	(74,794.22)			
	10/31/23	11/03/23	GENERAL DYNAMICS CORP NOTES (CALLABLE) DTD 05/10/2021 1.150% 06/01/2026	369550BN7	65,000.00	(58,332.95)	(315.61)	(58,648.56)			
	11/01/23	11/08/23	HAROT 2023-4 A3 DTD 11/08/2023 5.670% 06/21/2028	438123AC5	25,000.00	(24,995.60)	0.00	(24,995.60)			
	11/02/23	11/03/23	US TREASURY NOTES DTD 09/30/2021 1.250% 09/30/2028	91282CCY5	150,000.00	(127,605.47)	(174.18)	(127,779.65)			
	11/02/23	11/03/23	US TREASURY NOTES DTD 09/30/2020 0.375% 09/30/2027	91282CAL5	200,000.00	(169,359.38)	(69.67)	(169,429.05)			
	11/02/23	11/03/23	US TREASURY NOTES DTD 10/31/2019 1.625% 10/31/2026	912828YQ7	125,000.00	(114,130.86)	(16.74)	(114,147.60)			
	11/03/23	11/13/23	HART 2023-C A3 DTD 11/13/2023 5.540% 10/16/2028	44918CAD4	45,000.00	(44,994.08)	0.00	(44,994.08)			
	11/08/23	11/10/23	PEPSICO INC CORPORATE NOTES (CALLABLE) DTD 11/10/2023 5.125% 11/10/2026	713448FW3	20,000.00	(19,994.60)	0.00	(19,994.60)			
	11/09/23	11/15/23	ILLINOIS TOOL WORKS INC CORP NOTES (CALL DTD 11/07/2016 2.650% 11/15/2026	452308AX7	90,000.00	(83,674.80)	0.00	(83,674.80)			
	11/13/23	11/15/23	AMERICAN HONDA FINANCE CORPORATE NOTES DTD 11/15/2023 5.650% 11/15/2028	02665WEV9	60,000.00	(59,989.80)	0.00	(59,989.80)			
	11/14/23	11/21/23	FHMS K510 A2 DTD 11/01/2023 5.069% 10/01/2028	3137HB3D4	55,000.00	(54,841.00)	(154.89)	(54,995.89)			

Managed Account Security Transactions & Interest

For the Month Ending **November 30, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
BUY										
11/15/23	11/20/23	TOYOTA MOTOR CREDIT CORP CORPORATE NOTES DTD 11/20/2023 5.400% 11/20/2026	89236TLD5	70,000.00	(69,937.00)	0.00	(69,937.00)			
11/28/23	12/07/23	FHMS K511 A2 DTD 12/07/2023 4.860% 10/25/2028	3137HB3G7	85,000.00	(84,755.80)	(68.85)	(84,824.65)			
Transaction Type Sub-Total				1,170,000.00	(1,072,865.24)	(980.31)	(1,073,845.55)			
INTEREST										
11/01/23	11/01/23	MONEY MARKET FUND	MONEY0002	0.00	0.00	306.37	306.37			
11/01/23	11/01/23	PNC BANK NA CORP NOTES (CALLABLE) DTD 11/01/2019 2.200% 11/01/2024	693475AY1	100,000.00	0.00	1,100.00	1,100.00			
11/01/23	11/25/23	FHMS KJ46 A1 DTD 07/01/2023 4.777% 06/01/2028	3137HAD45	119,812.47	0.00	476.95	476.95			
11/01/23	11/25/23	FHMS K064 A2 DTD 05/15/2017 3.224% 03/01/2027	3137BXOY1	160,000.00	0.00	429.87	429.87			
11/01/23	11/25/23	FHMS K743 A2 DTD 06/30/2021 1.770% 05/01/2028	3137H14B9	170,000.00	0.00	250.75	250.75			
11/01/23	11/25/23	FHMS K733 A2 DTD 11/09/2018 3.750% 08/01/2025	3137FJXO7	154,146.68	0.00	481.71	481.71			
11/01/23	11/25/23	FHMS K506 A2 DTD 09/01/2023 4.650% 08/01/2028	3137HAMH6	150,000.00	0.00	581.25	581.25			
11/01/23	11/25/23	FNA 2023-M6 A2 DTD 07/01/2023 4.190% 07/01/2028	3136BODE6	150,000.00	0.00	523.75	523.75			
11/01/23	11/25/23	FHMS K734 A2 DTD 04/18/2019 3.208% 02/01/2026	3137FLN34	150,000.00	0.00	401.00	401.00			
11/01/23	11/25/23	FHMS K046 A2 DTD 06/17/2015 3.205% 03/01/2025	3137BJP64	100,000.00	0.00	267.08	267.08			
11/01/23	11/25/23	FHMS K508 A2 DTD 10/01/2023 4.740% 08/01/2028	3137HAO74	150,000.00	0.00	592.50	592.50			
11/01/23	11/25/23	FHLMC MULTIFAMILY STRUCTURED P DTD 07/01/2017 3.243% 04/01/2027	3137F1G44	155,000.00	0.00	418.89	418.89			

Managed Account Security Transactions & Interest

For the Month Ending November 30, 2023

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	11/01/23	11/25/23	FHLMC MULTIFAMILY STRUCTURED POOL DTD 11/01/2017 3.064% 08/01/2024	3137FBTA4	85,126.10	0.00	217.36	217.36			
	11/01/23	11/25/23	FHMS KJ47 A1 DTD 09/01/2023 5.272% 08/01/2028	3137HAMN3	84,884.60	0.00	372.93	372.93			
	11/01/23	11/25/23	FHMS K061 A2 DTD 01/30/2017 3.347% 11/01/2026	3137BTUM1	100,000.00	0.00	278.92	278.92			
	11/01/23	11/25/23	FHMS K505 A2 DTD 07/01/2023 4.819% 06/01/2028	3137HACX2	150,000.00	0.00	602.38	602.38			
	11/01/23	11/25/23	FHMS K058 A2 DTD 11/09/2016 2.653% 08/01/2026	3137BSP72	100,000.00	0.00	221.08	221.08			
	11/01/23	11/25/23	FHMS K063 A2 DTD 03/01/2017 3.430% 01/01/2027	3137BVZ82	145,000.00	0.00	414.46	414.46			
	11/01/23	11/25/23	FHMS K507 A2 DTD 09/01/2023 4.800% 09/01/2028	3137HAMS2	150,000.00	0.00	600.00	600.00			
	11/01/23	11/25/23	FHMS K509 A2 DTD 10/01/2023 4.850% 09/01/2028	3137HAST4	115,000.00	0.00	464.79	464.79			
	11/04/23	11/04/23	HERSHEY COMPANY CORP NOTES CALLABLE DTD 05/04/2023 4.250% 05/04/2028	427866BH0	30,000.00	0.00	637.50	637.50			
	11/05/23	11/05/23	UNILEVER CAPITAL CORP NOTES (CALLABLE) DTD 05/05/2017 2.900% 05/05/2027	904764AY3	120,000.00	0.00	1,740.00	1,740.00			
	11/10/23	11/10/23	NORTHERN TRUST CORP NOTE (CALLABLE) DTD 05/10/2022 4.000% 05/10/2027	665859AW4	60,000.00	0.00	1,200.00	1,200.00			
	11/15/23	11/15/23	DCENT 2023-A2 A DTD 06/28/2023 4.930% 06/15/2028	254683CZ6	100,000.00	0.00	410.83	410.83			
	11/15/23	11/15/23	US TREASURY NOTES DTD 05/15/2022 2.750% 05/15/2025	91282CEQ0	25,000.00	0.00	343.75	343.75			
	11/15/23	11/15/23	MBART 2022-1 A3 DTD 11/22/2022 5.210% 08/16/2027	58768PAC8	105,000.00	0.00	455.88	455.88			
	11/15/23	11/15/23	BACCT 2022-A2 A2 DTD 11/23/2022 5.000% 04/15/2028	05522RDF2	145,000.00	0.00	604.17	604.17			

Managed Account Security Transactions & Interest

For the Month Ending November 30, 2023

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	11/15/23	11/15/23	ALLYA 2023-1 A3 DTD 07/19/2023 5.460% 05/15/2028	02007WAC2	85,000.00	0.00	386.75	386.75			
	11/15/23	11/15/23	UNITEDHEALTH GROUP INC CORP NOTES (CALLA DTD 05/20/2022 3.700% 05/15/2027	91324PEG3	145,000.00	0.00	2,682.50	2,682.50			
	11/15/23	11/15/23	LOCKHEED MARTIN CORP NOTES (CALLABLE) DTD 05/25/2023 4.450% 05/15/2028	539830BZ1	45,000.00	0.00	945.63	945.63			
	11/15/23	11/15/23	HART 2022-A A3 DTD 03/16/2022 2.220% 10/15/2026	448977AD0	55,000.00	0.00	101.75	101.75			
	11/15/23	11/15/23	COMET 2023-A1 A DTD 05/24/2023 4.420% 05/15/2028	14041NGD7	145,000.00	0.00	534.08	534.08			
	11/15/23	11/15/23	DCENT 2022-A3 A3 DTD 08/09/2022 3.560% 07/15/2027	254683CW3	70,000.00	0.00	207.67	207.67			
	11/15/23	11/15/23	NAROT 2023-B A3 DTD 10/25/2023 5.930% 03/15/2028	65480MAD5	30,000.00	0.00	98.83	98.83			
	11/15/23	11/15/23	BACCT 2023-A1 A1 DTD 06/16/2023 4.790% 05/15/2028	05522RDG0	50,000.00	0.00	199.58	199.58			
	11/15/23	11/15/23	FORDO 2023-B A3 DTD 06/26/2023 5.230% 05/15/2028	344930AD4	45,000.00	0.00	196.13	196.13			
	11/15/23	11/15/23	FITAT 2023-1 A3 DTD 08/23/2023 5.530% 08/15/2028	31680EAD3	105,000.00	0.00	483.88	483.88			
	11/15/23	11/15/23	COPAR 2023-2 A3 DTD 10/11/2023 5.820% 06/15/2028	14044EAD0	110,000.00	0.00	604.63	604.63			
	11/15/23	11/15/23	CARMX 2022-3 A3 DTD 07/20/2022 3.970% 04/15/2027	14318MAD1	75,000.00	0.00	248.13	248.13			
	11/15/23	11/15/23	HART 2023-B A3 DTD 07/19/2023 5.480% 04/17/2028	44933XAD9	50,000.00	0.00	228.33	228.33			
	11/15/23	11/15/23	FORDO 2022-A A3 DTD 01/24/2022 1.290% 06/15/2026	345286AC2	34,165.90	0.00	36.73	36.73			
	11/15/23	11/15/23	CONNECTICUT ST-A-TXBL MUNICIPAL BONDS DTD 06/22/2023 4.506% 05/15/2028	20772KTK5	35,000.00	0.00	626.46	626.46			

Managed Account Security Transactions & Interest

For the Month Ending **November 30, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	11/15/23	11/15/23	META PLATFORMS INC COPR NOTES (CALLABLE) DTD 05/03/2023 4.600% 05/15/2028	30303M8L9	110,000.00	0.00	2,698.67	2,698.67			
	11/15/23	11/15/23	COMET 2021-A3 A3 DTD 11/30/2021 1.040% 11/15/2026	14041NFY2	70,000.00	0.00	60.67	60.67			
	11/15/23	11/15/23	DTRT 2023-1 A3 DTD 09/27/2023 5.900% 03/15/2027	233868AC2	85,000.00	0.00	417.92	417.92			
	11/15/23	11/15/23	CHAIT 2023-A1 A DTD 09/15/2023 5.160% 09/15/2028	161571HT4	120,000.00	0.00	516.00	516.00			
	11/15/23	11/15/23	WOART 2021-D A3 DTD 11/03/2021 0.810% 10/15/2026	98163KAC6	27,814.92	0.00	18.78	18.78			
	11/15/23	11/15/23	DCENT 2021-A1 A1 DTD 09/27/2021 0.580% 09/15/2026	254683CP8	70,000.00	0.00	33.83	33.83			
	11/15/23	11/15/23	CARMX 2021-3 A3 DTD 07/28/2021 0.550% 06/15/2026	14317DAC4	43,037.82	0.00	19.73	19.73			
	11/16/23	11/16/23	GMCAR 2023-3 A3 DTD 07/19/2023 5.450% 06/16/2028	36267KAD9	50,000.00	0.00	227.08	227.08			
	11/16/23	11/16/23	GMCAR 2021-4 A3 DTD 10/21/2021 0.680% 09/16/2026	362554AC1	24,383.85	0.00	13.82	13.82			
	11/16/23	11/16/23	GMCAR 2023-4 A3 DTD 10/11/2023 5.780% 08/16/2028	379930AD2	55,000.00	0.00	309.07	309.07			
	11/16/23	11/16/23	GMCAR 2022-1 A3 DTD 01/19/2022 1.260% 11/16/2026	380146AC4	18,732.56	0.00	19.67	19.67			
	11/18/23	11/18/23	HAROT 2023-3 A3 DTD 08/22/2023 5.410% 02/18/2028	43815OAC1	95,000.00	0.00	428.29	428.29			
	11/20/23	11/20/23	GMALT 2021-3 A4 DTD 08/18/2021 0.500% 07/21/2025	36262XAD6	25,000.00	0.00	10.42	10.42			
	11/21/23	11/21/23	HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	28,078.63	0.00	20.59	20.59			
	11/25/23	11/25/23	BMWOT 2022-A A3 DTD 05/18/2022 3.210% 08/25/2026	05602RAD3	30,000.00	0.00	80.25	80.25			
	11/25/23	11/25/23	BMWOT 2023-A A3 DTD 07/18/2023 5.470% 02/25/2028	05592XAD2	40,000.00	0.00	182.33	182.33			

Managed Account Security Transactions & Interest

For the Month Ending **November 30, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	11/28/23	11/28/23	ASTRAZENECA FINANCE LLC (CALLABLE) CORP DTD 05/28/2021 1.200% 05/28/2026	04636NAA1	100,000.00	0.00	600.00	600.00			
	11/30/23	11/30/23	US TREASURY NOTES DTD 11/30/2021 1.250% 11/30/2026	91282CDK4	250,000.00	0.00	1,562.50	1,562.50			
	11/30/23	11/30/23	US TREASURY NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	365,000.00	0.00	1,368.75	1,368.75			
	11/30/23	11/30/23	US TREASURY NOTES DTD 11/30/2019 1.500% 11/30/2024	912828YV6	200,000.00	0.00	1,500.00	1,500.00			

Transaction Type Sub-Total					5,960,183.53	0.00	32,063.62	32,063.62			
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PAYDOWNS											
	11/01/23	11/25/23	FHMS KJ46 A1 DTD 07/01/2023 4.777% 06/01/2028	3137HAD45	60.89	60.89	0.00	60.89	0.00	0.00	
	11/01/23	11/25/23	FHLMC MULTIFAMILY STRUCTURED POOL DTD 11/01/2017 3.064% 08/01/2024	3137FBTA4	139.61	139.61	0.00	139.61	(0.19)	0.00	
	11/01/23	11/25/23	FHMS K733 A2 DTD 11/09/2018 3.750% 08/01/2025	3137FJXO7	77.02	77.02	0.00	77.02	2.13	0.00	
	11/01/23	11/25/23	FHMS KJ47 A1 DTD 09/01/2023 5.272% 08/01/2028	3137HAMN3	91.05	91.05	0.00	91.05	0.00	0.00	
	11/15/23	11/15/23	CARMX 2021-3 A3 DTD 07/28/2021 0.550% 06/15/2026	14317DAC4	2,660.05	2,660.05	0.00	2,660.05	0.44	0.00	
	11/15/23	11/15/23	FORDO 2022-A A3 DTD 01/24/2022 1.290% 06/15/2026	345286AC2	2,279.70	2,279.70	0.00	2,279.70	0.27	0.00	
	11/15/23	11/15/23	WOART 2021-D A3 DTD 11/03/2021 0.810% 10/15/2026	98163KAC6	1,727.13	1,727.13	0.00	1,727.13	0.24	0.00	
	11/16/23	11/16/23	GMCAR 2021-4 A3 DTD 10/21/2021 0.680% 09/16/2026	362554AC1	1,413.29	1,413.29	0.00	1,413.29	0.04	0.00	
	11/16/23	11/16/23	GMCAR 2022-1 A3 DTD 01/19/2022 1.260% 11/16/2026	380146AC4	1,032.27	1,032.27	0.00	1,032.27	0.09	0.00	
	11/21/23	11/21/23	HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	1,902.28	1,902.28	0.00	1,902.28	0.40	0.00	

Managed Account Security Transactions & Interest

For the Month Ending **November 30, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type		Security Description	CUSIP	Par	Principal	Accrued	Total	Realized G/L	Realized G/L	Sale
Trade	Settle				Proceeds	Interest		Cost	Amort Cost	
Transaction Type Sub-Total				11,383.29	11,383.29	0.00	11,383.29	3.42	0.00	
SELL										
10/30/23	11/02/23	BANK OF AMERICA CORP CORP NOTES (CALLABL DTD 04/22/2021 1.734% 07/22/2027	06051GJS9	80,000.00	70,626.40	385.33	71,011.73	(772.80)	(1,623.18)	FIFO
10/30/23	11/02/23	INTEL CORP NOTES (CALLABLE) DTD 08/05/2022 3.750% 08/05/2027	458140BY5	85,000.00	79,797.15	770.31	80,567.46	(5,305.70)	(5,279.99)	FIFO
10/31/23	11/03/23	US TREASURY NOTES DTD 07/15/2021 0.375% 07/15/2024	91282CCL3	65,000.00	62,750.39	73.52	62,823.91	(2,076.95)	(2,209.44)	FIFO
11/02/23	11/03/23	US TREASURY NOTES DTD 08/15/2021 0.375% 08/15/2024	91282CCT6	250,000.00	240,371.09	203.80	240,574.89	(9,453.13)	(9,582.23)	FIFO
11/02/23	11/03/23	US TREASURY NOTES DTD 11/30/2019 1.500% 11/30/2024	912828YV6	50,000.00	48,011.72	319.67	48,331.39	(3,560.55)	(2,483.79)	FIFO
11/02/23	11/03/23	US TREASURY NOTES DTD 07/15/2021 0.375% 07/15/2024	91282CCL3	125,000.00	120,717.77	141.39	120,859.16	(3,950.20)	(4,204.98)	FIFO
11/03/23	11/08/23	US TREASURY NOTES DTD 11/15/2022 4.500% 11/15/2025	91282CFW6	55,000.00	54,654.10	1,190.42	55,844.52	(1,205.27)	(1,039.79)	FIFO
11/08/23	11/10/23	US TREASURY NOTES DTD 11/15/2022 4.500% 11/15/2025	91282CFW6	35,000.00	34,721.09	766.10	35,487.19	(825.79)	(719.29)	FIFO
11/09/23	11/13/23	WALMART INC CORP NOTES (CALLABLE) DTD 09/09/2022 3.950% 09/09/2027	931142EX7	80,000.00	77,370.40	561.78	77,932.18	(2,759.20)	(2,728.43)	FIFO
11/13/23	11/15/23	AMERICAN HONDA FINANCE CORPORATE NOTES DTD 07/07/2023 5.250% 07/07/2026	02665WEK3	60,000.00	59,637.00	1,120.00	60,757.00	(1,026.60)	(953.21)	FIFO
11/14/23	11/17/23	US TREASURY NOTES DTD 01/02/2018 2.250% 12/31/2024	9128283P3	25,000.00	24,200.20	213.99	24,414.19	(225.58)	(526.04)	FIFO
11/15/23	11/20/23	TOYOTA MOTOR CREDIT CORP CORPORATE NOTES DTD 01/13/2022 1.900% 01/13/2027	89236TJV8	150,000.00	135,502.50	1,005.42	136,507.92	(2,046.00)	(4,113.73)	FIFO
Transaction Type Sub-Total				1,060,000.00	1,008,359.81	6,751.73	1,015,111.54	(33,207.77)	(35,464.10)	
Managed Account Sub-Total					(53,122.14)	37,835.04	(15,287.10)	(33,204.35)	(35,464.10)	

California State Treasurer
Fiona Ma, CPA



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

December 13, 2023

[LAIF Home](#)
[PMIA Average Monthly Yields](#)

FALLBROOK PUBLIC UTILITY DISTRICT

TREASURER
990 E MISSION ROAD
FALLBROOK, CA 92028

[Tran Type Definitions](#)

Account Number: 85-37-001

November 2023 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	6,781.33
Total Withdrawal:	0.00	Ending Balance:	6,781.33



Account Statement - Transaction Summary

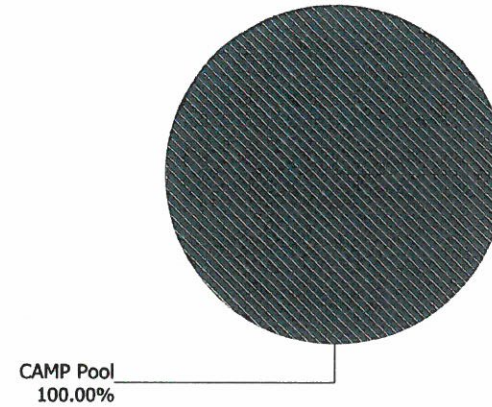
For the Month Ending **November 30, 2023**

Fallbrook Public Utility District - Liquidity - 6050-004

CAMP Pool	
Opening Market Value	6,910,346.76
Purchases	29,890.96
Redemptions	(610,000.00)
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$6,330,237.72
Cash Dividends and Income	29,890.96

Asset Summary		
	November 30, 2023	October 31, 2023
CAMP Pool	6,330,237.72	6,910,346.76
Total	\$6,330,237.72	\$6,910,346.76

Asset Allocation	
CAMP Pool	100.00%





Account Statement

For the Month Ending **November 30, 2023**

Fallbrook Public Utility District - Liquidity - 6050-004

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					6,910,346.76
11/02/23	11/02/23	Redemption - Outgoing Wires	1.00	(100,000.00)	6,810,346.76
11/10/23	11/10/23	Redemption - Outgoing Wires	1.00	(210,000.00)	6,600,346.76
11/16/23	11/16/23	Redemption - Outgoing Wires	1.00	(300,000.00)	6,300,346.76
11/30/23	12/01/23	Accrual Income Div Reinvestment - Distributions	1.00	29,890.96	6,330,237.72
Closing Balance					6,330,237.72

	Month of November	Fiscal YTD July-November	
Opening Balance	6,910,346.76	7,939,116.69	Closing Balance 6,330,237.72
Purchases	29,890.96	1,411,190.47	Average Monthly Balance 6,517,676.46
Redemptions (Excl. Checks)	(610,000.00)	(3,020,069.44)	Monthly Distribution Yield 5.58%
Check Disbursements	0.00	0.00	
Closing Balance	6,330,237.72	6,330,237.72	
Cash Dividends and Income	29,890.96	161,190.47	

**FALLBROOK PUBLIC UTILITY DISTRICT
PARS Post-Employment Benefits Trust**

**Account Report for the Period
11/1/2023 to 11/30/2023**

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

Account Summary

Source	Balance as of 11/1/2023	Contributions	Earnings	Expenses	Distributions	Transfers	Balance as of 11/30/2023
OPEB	\$1,109,638.94	\$0.00	\$75,942.16	\$510.58	\$0.00	\$0.00	\$1,185,070.52
PENSION	\$8,678,529.37	\$0.00	\$593,946.58	\$3,993.32	\$0.00	\$0.00	\$9,268,482.63
Totals	\$9,788,168.31	\$0.00	\$669,888.74	\$4,503.90	\$0.00	\$0.00	\$10,453,553.15

Investment Selection

Source

OPEB **Moderate HighMark PLUS**
PENSION **Moderate HighMark PLUS**

Investment Objective

Source

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

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

Investment Return

Source	1-Month	3-Months	1-Year	Annualized Return			Plan's Inception Date
				3-Years	5-Years	10-Years	
OPEB	6.84%	0.86%	5.99%	1.46%	5.25%	-	2/16/2017
PENSION	6.84%	0.86%	5.99%	1.46%	5.21%	-	2/16/2017

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

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

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: January 22, 2024
SUBJECT: Treasurer's Report

Purpose

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

Notes

Overall the District's financial holdings increased slightly this month. Overall the Long-term Portfolio and PARS investments continue to perform in line with the capital markets. The District continues to carefully manage its working capital to ensure its ability to meet its financial commitments.

Summary

Treasurer's Report December 2023

Account	Beginning Balance	Ending Balance
Operating Fund	\$ 5,051	\$ 5,102
Money Market	\$ 1,050,577	\$ 1,016,809
CAMP Account	\$ 6,330,238	\$ 6,360,088
<i>District's Liquidity Portfolio</i>	\$ 7,385,866	\$ 7,381,999
PFM Managed Long-term Investment Portfolio*	\$ 15,360,228	\$ 15,516,174
LAIF (Long-term Reserves)	\$ 6,781	\$ 6,781
PARS (OPEB & Pension Trust)**	\$ 10,453,553	\$ 10,949,192
<i>District Accounts Total</i>	\$ 33,206,428	\$ 33,854,146

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

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



David Shank
January 22, 2024



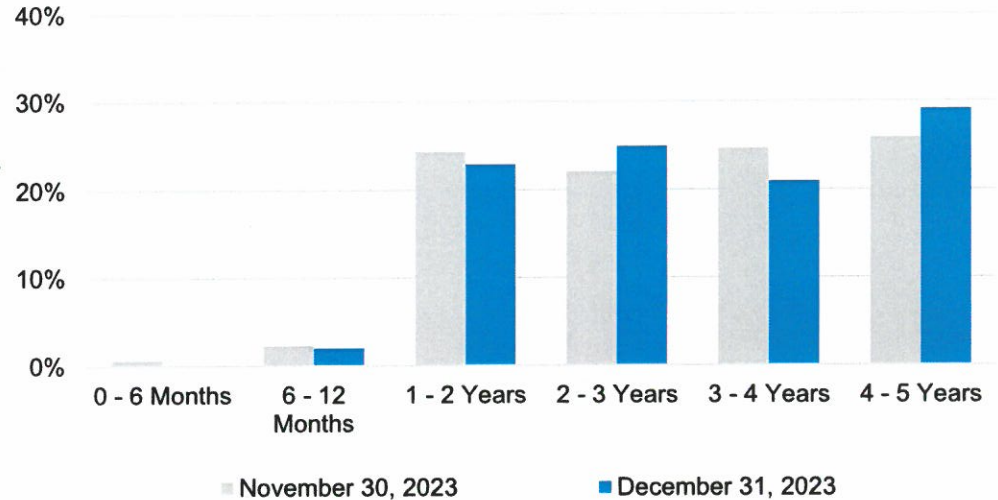
Fallbrook Public Utilities District - Holdings Summary

Security Type	November 30, 2023	December 31, 2023	Change (\$)	Change (%)
U.S. Treasury	\$6,235,323.37	\$6,828,889.07	\$593,565.70	9.5%
Municipal	\$204,265.80	\$207,962.90	\$3,697.10	1.8%
Federal Agency CMBS	\$2,450,885.97	\$2,621,406.01	\$170,520.04	7.0%
Corporate Note	\$4,235,790.81	\$3,679,803.73	(\$555,987.08)	-13.1%
Negotiable CD	\$100,860.00	\$102,182.00	\$1,322.00	1.3%
Asset-Backed Security	\$2,029,813.50	\$2,034,876.11	\$5,062.61	0.2%
Securities Total	\$15,256,939.45	\$15,475,119.82	\$218,180.37	1.4%
Money Market Fund	\$103,288.69	\$41,053.82	(\$62,234.87)	-60.3%
Total Investments	\$15,360,228.14	\$15,516,173.64	\$155,945.50	1.0%

Summary

FY 23-24 Accrual Earnings	\$68,921.04
Yield to Maturity at Cost	3.52%
Weighted Average Maturity (Years)	2.97

Maturity Distribution



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

Managed Account Security Transactions & Interest

For the Month Ending **December 31, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	12/01/23	12/25/23	FHMS K058 A2 DTD 11/09/2016 2.653% 08/01/2026	3137BSP72	100,000.00	0.00	221.08	221.08			
	12/01/23	12/25/23	FHMS K505 A2 DTD 07/01/2023 4.819% 06/01/2028	3137HACX2	150,000.00	0.00	602.38	602.38			
	12/01/23	12/25/23	FHLMC MULTIFAMILY STRUCTURED POOL DTD 11/01/2017 3.064% 08/01/2024	3137FBTA4	84,986.49	0.00	217.00	217.00			
	12/01/23	12/25/23	FHMS K063 A2 DTD 03/01/2017 3.430% 01/01/2027	3137BVZ82	145,000.00	0.00	414.46	414.46			
	12/01/23	12/25/23	FHMS K507 A2 DTD 09/01/2023 4.800% 09/01/2028	3137HAMS2	150,000.00	0.00	600.00	600.00			
	12/01/23	12/25/23	FHMS K743 A2 DTD 06/30/2021 1.770% 05/01/2028	3137H14B9	170,000.00	0.00	250.75	250.75			
	12/01/23	12/25/23	FHMS K509 A2 DTD 10/01/2023 4.850% 09/01/2028	3137HAST4	115,000.00	0.00	464.79	464.79			
	12/01/23	12/25/23	FHMS K510 A2 DTD 11/01/2023 5.069% 10/01/2028	3137HB3D4	55,000.00	0.00	232.33	232.33			
	12/01/23	12/25/23	FHLMC MULTIFAMILY STRUCTURED P DTD 07/01/2017 3.243% 04/01/2027	3137F1G44	155,000.00	0.00	418.89	418.89			
	12/01/23	12/25/23	FHMS K734 A2 DTD 04/18/2019 3.208% 02/01/2026	3137FLN34	150,000.00	0.00	401.00	401.00			
	12/01/23	12/25/23	FHMS K046 A2 DTD 06/17/2015 3.205% 03/01/2025	3137BJP64	100,000.00	0.00	267.08	267.08			
	12/10/23	12/10/23	MERCK & CO INC CORP NOTES (CALLABLE) DTD 12/10/2021 1.700% 06/10/2027	58933YBC8	50,000.00	0.00	425.00	425.00			
	12/11/23	12/11/23	GOLDMAN SACHS GROUP INC (CALLABLE) CORP DTD 06/10/2021 5.895% 09/10/2024	38141GYE8	40,000.00	0.00	592.07	592.07			
	12/15/23	12/15/23	DCENT 2023-A2 A DTD 06/28/2023 4.930% 06/15/2028	254683CZ6	100,000.00	0.00	410.83	410.83			
	12/15/23	12/15/23	CHAT 2023-A1 A DTD 09/15/2023 5.160% 09/15/2028	161571HT4	120,000.00	0.00	516.00	516.00			

Managed Account Security Transactions & Interest

For the Month Ending **December 31, 2023**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	12/15/23	12/15/23	BACCT 2023-A1 A1 DTD 06/16/2023 4.790% 05/15/2028	05522RDG0	50,000.00	0.00	199.58	199.58			
	12/15/23	12/15/23	COPAR 2023-2 A3 DTD 10/11/2023 5.820% 06/15/2028	14044EAD0	110,000.00	0.00	533.50	533.50			
	12/15/23	12/15/23	ALLYA 2023-1 A3 DTD 07/19/2023 5.460% 05/15/2028	02007WAC2	85,000.00	0.00	386.75	386.75			
	12/15/23	12/15/23	CARMX 2021-3 A3 DTD 07/28/2021 0.550% 06/15/2026	14317DAC4	40,377.77	0.00	18.51	18.51			
	12/15/23	12/15/23	COMET 2021-A3 A3 DTD 11/30/2021 1.040% 11/15/2026	14041NFY2	70,000.00	0.00	60.67	60.67			
	12/16/23	12/16/23	GMCAR 2023-3 A3 DTD 07/19/2023 5.450% 06/16/2028	36267KAD9	50,000.00	0.00	227.08	227.08			
	12/16/23	12/16/23	GMCAR 2022-1 A3 DTD 01/19/2022 1.260% 11/16/2026	380146AC4	17,700.29	0.00	18.59	18.59			
	12/16/23	12/16/23	GMCAR 2023-4 A3 DTD 10/11/2023 5.780% 08/16/2028	379930AD2	55,000.00	0.00	264.92	264.92			
	12/16/23	12/16/23	GMCAR 2021-4 A3 DTD 10/21/2021 0.680% 09/16/2026	362554AC1	22,970.56	0.00	13.02	13.02			
	12/18/23	12/18/23	HAROT 2023-3 A3 DTD 08/22/2023 5.410% 02/18/2028	43815OAC1	95,000.00	0.00	428.29	428.29			
	12/18/23	12/18/23	TOYOTA MOTOR CREDIT CORP CORPORATE NOTES DTD 06/18/2021 1.125% 06/18/2026	89236TJK2	50,000.00	0.00	281.25	281.25			
	12/20/23	12/20/23	GMALT 2021-3 A4 DTD 08/18/2021 0.500% 07/21/2025	36262XAD6	25,000.00	0.00	10.42	10.42			
	12/21/23	12/21/23	HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	26,176.35	0.00	19.20	19.20			
	12/21/23	12/21/23	HAROT 2023-4 A3 DTD 11/08/2023 5.670% 06/21/2028	438123AC5	25,000.00	0.00	169.32	169.32			
	12/25/23	12/25/23	BMWOT 2022-A A3 DTD 05/18/2022 3.210% 08/25/2026	05602RAD3	30,000.00	0.00	80.25	80.25			
	12/25/23	12/25/23	BMWOT 2023-A A3 DTD 07/18/2023 5.470% 02/25/2028	05592XAD2	40,000.00	0.00	182.33	182.33			

Managed Account Security Transactions & Interest

For the Month Ending December 31, 2023

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
PAYDOWNS											
	12/20/23	12/20/23	GMALT 2021-3 A4 DTD 08/18/2021 0.500% 07/21/2025	36262XAD6	82.89	82.89	0.00	82.89	0.00	0.00	
	12/21/23	12/21/23	HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	1,797.03	1,797.03	0.00	1,797.03	0.38	0.00	
	12/25/23	12/25/23	BMWOT 2022-A A3 DTD 05/18/2022 3.210% 08/25/2026	05602RAD3	711.40	711.40	0.00	711.40	0.04	0.00	
Transaction Type Sub-Total					13,438.57	13,438.57	0.00	13,438.57	8.20	0.00	
SELL											
	12/01/23	12/05/23	US BANCORP NOTES (CALLABLE) DTD 07/29/2019 2.400% 07/30/2024	91159HHX1	145,000.00	141,865.10	1,208.33	143,073.43	(3,005.85)	(3,118.07)	FIFO
	12/01/23	12/05/23	AMERICAN EXPRESS CO CORP NOTES (CALLED,O DTD 02/22/2019 3.400% 01/22/2024	025816CC1	100,000.00	99,472.00	972.78	100,444.78	(4,536.00)	(644.24)	FIFO
	12/01/23	12/05/23	PNC BANK NA CORP NOTES (CALLABLE) DTD 11/01/2019 2.200% 11/01/2024	693475AY1	100,000.00	96,798.00	207.78	97,005.78	(3,169.00)	(3,195.98)	FIFO
	12/06/23	12/08/23	VISA INC CORP NOTES (CALLABLE) DTD 04/02/2020 1.900% 04/15/2027	92826CAL6	50,000.00	46,050.50	139.86	46,190.36	1,601.50	1,417.34	FIFO
	12/06/23	12/08/23	BLACKROCK INC CORP NOTES DTD 03/28/2017 3.200% 03/15/2027	09247XAN1	120,000.00	115,089.60	885.33	115,974.93	3,049.20	2,625.95	FIFO
	12/06/23	12/08/23	VISA INC CORP NOTES (CALLABLE) DTD 04/02/2020 1.900% 04/15/2027	92826CAL6	130,000.00	119,731.30	363.64	120,094.94	4,400.50	3,891.47	FIFO
	12/15/23	12/19/23	NOVARTIS CAPITAL CORP (CALLABLE) DTD 02/14/2020 2.000% 02/14/2027	66989HAO1	60,000.00	56,023.80	416.67	56,440.47	2,182.20	1,901.81	FIFO
	12/15/23	12/19/23	GENERAL DYNAMICS CORP NOTES (CALLABLE) DTD 05/10/2021 1.150% 06/01/2026	369550BN7	65,000.00	59,881.90	37.38	59,919.28	1,548.95	1,223.04	FIFO
Transaction Type Sub-Total					770,000.00	734,912.20	4,231.77	739,143.97	2,071.50	4,101.32	
Managed Account Sub-Total						(90,141.68)	27,906.96	(62,234.72)	2,079.70	4,101.32	
Total Security Transactions						(\$90,141.68)	\$27,906.96	(\$62,234.72)	\$2,079.70	\$4,101.32	

California State Treasurer
Fiona Ma, CPA



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

January 16, 2024

[LAIF Home](#)
[PMIA Average Monthly Yields](#)

FALLBROOK PUBLIC UTILITY DISTRICT

TREASURER
990 E MISSION ROAD
FALLBROOK, CA 92028

[Tran Type Definitions](#)

Account Number: 85-37-001

December 2023 Statement

Account Summary.

Total Deposit:	0.00	Beginning Balance:	6,781.33
Total Withdrawal:	0.00	Ending Balance:	6,781.33



Account Statement - Transaction Summary

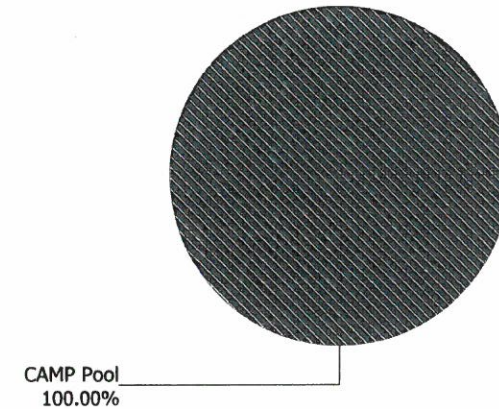
For the Month Ending December 31, 2023

Fallbrook Public Utility District - Liquidity - 6050-004

CAMP Pool	
Opening Market Value	6,330,237.72
Purchases	29,850.26
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$6,360,087.98
Cash Dividends and Income	29,850.26

Asset Summary		
	December 31, 2023	November 30, 2023
CAMP Pool	6,360,087.98	6,330,237.72
Total	\$6,360,087.98	\$6,330,237.72

Asset Allocation	
CAMP Pool	100.00%





Account Statement

For the Month Ending **December 31, 2023**

Fallbrook Public Utility District - Liquidity - 6050-004

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					6,330,237.72
12/29/23	01/02/24	Accrual Income Div Reinvestment - Distributions	1.00	29,850.26	6,360,087.98
Closing Balance					6,360,087.98

	Month of December	Fiscal YTD July-December		
Opening Balance	6,330,237.72	7,939,116.69	Closing Balance	6,360,087.98
Purchases	29,850.26	1,441,040.73	Average Monthly Balance	6,333,126.45
Redemptions (Excl. Checks)	0.00	(3,020,069.44)	Monthly Distribution Yield	5.55%
Check Disbursements	0.00	0.00		
Closing Balance	6,360,087.98	6,360,087.98		
Cash Dividends and Income	29,850.26	191,040.73		

FALLBROOK PUBLIC UTILITY DISTRICT
PARS Post-Employment Benefits Trust

Account Report for the Period
12/1/2023 to 12/31/2023

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

Account Summary

Source	Balance as of 12/1/2023	Contributions	Earnings	Expenses	Distributions	Transfers	Balance as of 12/31/2023
OPEB	\$1,185,070.52	\$0.00	\$56,705.91	\$517.68	\$0.00	\$0.00	\$1,241,258.75
PENSION	\$9,268,482.63	\$0.00	\$443,499.15	\$4,048.85	\$0.00	\$0.00	\$9,707,932.93
Totals	\$10,453,553.15	\$0.00	\$500,205.06	\$4,566.53	\$0.00	\$0.00	\$10,949,191.68

Investment Selection

Source

OPEB	Moderate HighMark PLUS
PENSION	Moderate HighMark PLUS

Investment Objective

Source

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

Investment Return

Source	1-Month	3-Months	1-Year	Annualized Return			Plan's Inception Date
				3-Years	5-Years	10-Years	
OPEB	4.79%	9.30%	14.13%	2.12%	6.35%	-	2/16/2017
PENSION	4.79%	9.30%	14.13%	2.12%	6.31%	-	2/16/2017

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

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

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: January 22, 2024
SUBJECT: Budget Status Report for Fiscal Year 2023-2024

Purpose

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

Summary

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

Total revenues are 10.4% under budget largely due to lower water sales driven by wet/cool weather. Year-to-date water sales are 28.72% under the budget water sales level. With sales well under budgeted levels, it is no surprise that water sales revenues are 17.8% below budget levels. Wastewater revenues are at the budgeted levels. Recycled water sales are 5.6% under budget, likely due to wet weather.

Non-operating revenues are slightly under budget largely due to the receipt of the District's Federal Interest Rate Subsidy payment. It has yet to be received. Other non-operating revenues is over performing helping keep non-revenues close to the budget levels. As the year progresses, non-operating revenues are expected to trend to budget.

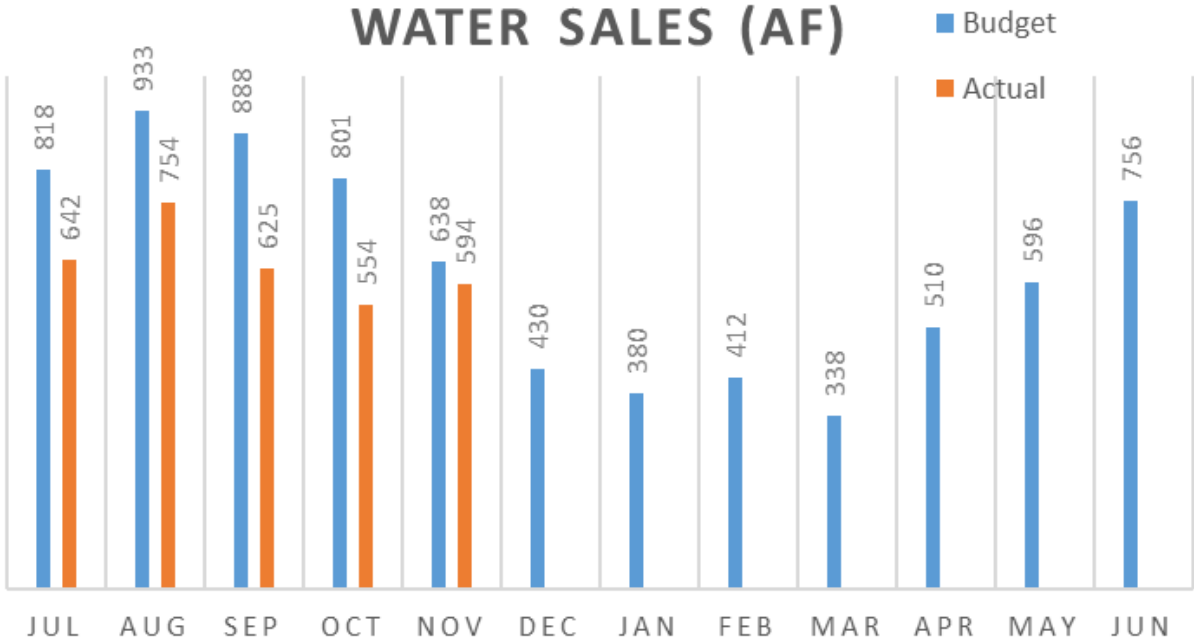
The District's monthly and year-to-date total expenditures are 5.9% under budget due to the lower than budgeted water purchases and the lack of Community Benefit Program expenditures. The overall the District's operating costs, excluding cost of water and the Community Benefit Program, are slightly over budget but expected to trend to budget as the year progresses. Administrative Services is over budget primarily due to expenditures related to detachment.

Total revenue is \$17,623,361 or 9.5% under budget and total expenditures are \$14,163,615 or 5.2% under budget. PAYGO CIP expenditures are under budget for the month and year-to-date. The District's net revenues are lower than budget due to lagging water sales revenues.

Recommended Action

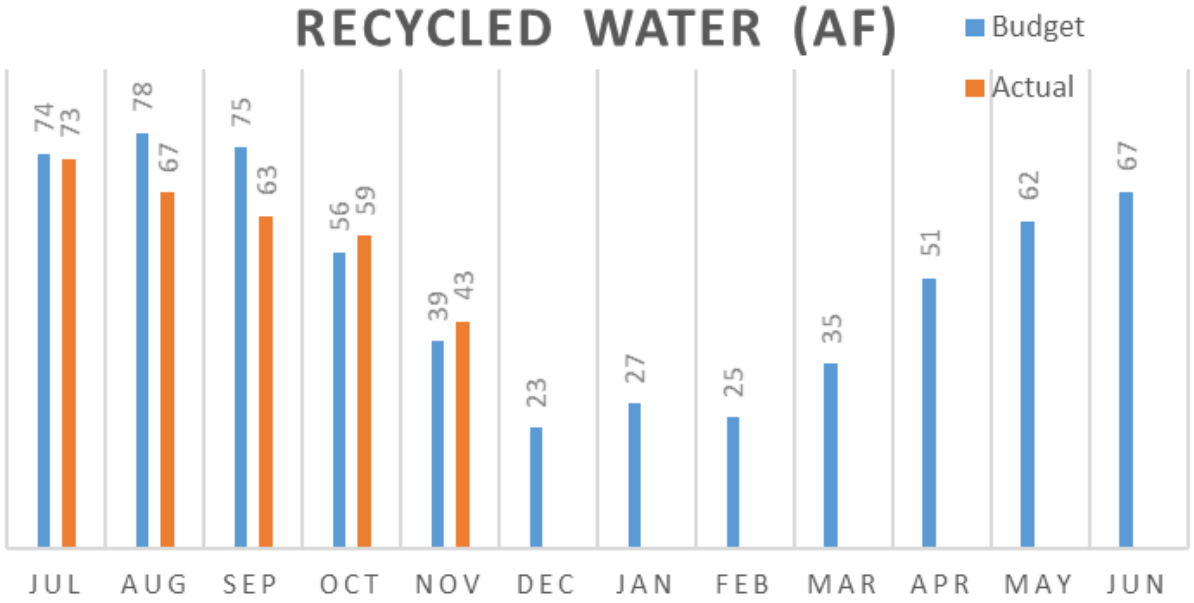
This item is for discussion only. No action is required.

WATER SALES (AF)



Year-to-Date Actual 3,169 AF Year-to-Date Budget 4,079 AF

RECYCLED WATER (AF)



Year-to-Date Actual 304 AF Year-to-Date Budget 322 AF

Monthly Budget Report for November

Favorable Variance Shown as a positive number

	Current Month		Year-To-Date				Annual Budget		
	Actual	Budget	Actual	Budget	Variance	%	Budget	Remaining Balance	%
Operating Revenues:								Year remaining	58.3%
Water Sales ⁽¹⁾	1,572,372	1,589,701	8,296,729	10,097,292	(1,800,563)	-17.8%	19,297,736	11,001,007	57.0%
Water Meter Service Charges	741,574	743,641	3,706,047	3,718,205	(12,158)	-0.3%	9,213,712	5,507,665	59.8%
Wastewater Service Charges	619,095	613,806	3,097,026	3,069,031	27,994	0.9%	6,971,339	3,874,313	55.6%
Recycled Water Revenues	89,684	82,963	632,990	670,455	(37,465)	-5.6%	1,299,770	666,780	51.3%
Other Operating Revenue	-	-	-	-	-	NA	-	-	NA
Total Operating Revenue	3,022,726	3,030,112	15,732,792	17,554,983	(1,822,192)	-10.4%	36,782,557	21,049,765	57.2%
Non Operating Revenues:									
Water Capital Improvement Charge	139,996	145,001	699,883	725,004	(25,122)	-3.5%	1,740,011	1,040,128	59.8%
Wastewater Capital Improvement Charge	107,375	110,683	536,775	553,416	(16,640)	-3.0%	1,328,198	791,423	59.6%
Property Taxes	111,767	100,884	203,533	213,680	(10,147)	-4.7%	2,700,000	2,496,467	92.5%
Water Standby/Availability Charge	8,920	8,631	8,920	11,587	(2,666)	-23.0%	200,000	191,080	95.5%
Water/Wastewater Capacity Charges	6,327	10,833	55,920	54,167	1,753	3.2%	130,000	74,080	57.0%
Portfolio Interest	35,167	33,410	162,547	167,051	(4,504)	-2.7%	400,923	238,376	59.5%
Federal Interest Rate Subsidy	-	35,833	-	35,833	(35,833)	-100.0%	70,261	70,261	100.0%
SDCWA Refund/Covid Relief Grant	-	-	-	-	-	NA	-	-	NA
Facility Rents	14,956	26,032	119,239	130,161	(10,922)	-8.4%	312,386	193,148	61.8%
Fire Hydrant Service Fees	1,048	-	12,530	-	12,530	NA	-	(12,530)	NA
Other Non-Operating Revenues	26,648	6,250	91,222	31,250	59,972	191.9%	75,000	(16,222)	-21.6%
Total Non Operating Revenues	452,204	477,558	1,890,569	1,922,149	(31,580)	-1.6%	6,956,779	5,066,210	72.8%
Total Revenues	3,474,930	3,507,670	17,623,361	19,477,132	(1,853,771)	-9.5%	43,739,336	26,115,975	59.7%
Expenditures									
Purchased Water Expense	674,846	700,352	4,425,622	5,242,664	817,041	15.6%	9,558,078	5,132,456	53.7%
Water Services	661,134	477,427	2,690,576	2,426,754	(263,821)	-10.9%	5,857,063	3,166,487	54.1%
Wastewater Services	264,574	314,532	1,383,788	1,598,761	214,974	13.4%	3,858,671	2,474,883	64.1%
Recycled Water Services	31,627	52,496	188,197	266,837	78,640	29.5%	644,021	455,824	70.8%
Administrative Services	720,358	646,731	3,587,771	3,287,321	(300,450)	-9.1%	7,934,072	4,346,301	54.8%
Community Benefit Program	-	44,506	-	226,224	226,224	100.0%	546,000	546,000	100.0%
Total Operating Expenses	2,352,538	2,236,045	12,275,953	13,048,561	772,608	5.9%	28,397,906	16,121,952	56.8%
Debt Service Expenses									
SMCUP SRF	-	-	-	-	-	NA	2,814,795	2,814,795	100.0%
Red Mountain SRF	-	-	197,925	197,925	-	0.0%	395,851	197,925	50.0%
WW Rev Refunding Bonds	-	-	1,426,904	1,426,904	-	0.0%	1,730,746	303,841	17.6%
QECB Solar Debt	262,832	262,832	262,832	262,832	-	0.0%	521,690	258,858	49.6%
Total Debt Service	262,832	262,832	1,887,662	1,887,662	-	0.0%	5,463,081	3,575,419	65.4%
Total Expenses	2,615,370	2,498,877	14,163,615	14,936,223	772,608	5.2%	33,860,987	19,697,372	58.2%
Net Revenue/(loss) From Operations and Debt Service	859,559	1,008,793	3,459,746	4,540,909	(1,081,163)	-23.8%	9,878,349	6,418,603	65.0%
Capital Investment									
Capital Investment ⁽²⁾									
Construction Expenditures-Admin	1,410	9,167	52,250	45,833	(6,416)	-14.0%	966,000	913,750	94.6%
Construction Expenditures-Water	527,485	492,042	2,912,869	2,901,208	(11,661)	-0.4%	7,379,500	4,466,631	60.5%
Construction Expenditures-Recycled	-	27,250	60,818	84,250	23,432	27.8%	119,000	58,182	48.9%
Construction Expenditures-Wastewater	30,949	139,667	196,473	555,833	359,360	64.7%	1,765,000	1,568,527	88.9%
Construction Expenditures-PAYGO TOTAL	559,844	668,125	3,222,410	3,587,125	364,715	10.2%	10,229,500	7,007,090	68.5%
Net Revenue/(Loss)	299,715	340,668	237,335	953,784	(716,449)	-75.1%	(351,151)	(588,486)	167.6%

(1) Includes Local Resource Credit of \$516,975.00

(1) Detailed CIP Summary Table attached

CIP Summary Table

FY24 PAYGO CIP Summary Table

Water Capital Projects	Annual Budget	November Expenditures	Year-to-Date
Pipelines and Valve Replacement Projects by District	\$ 680,000	\$ 91,882	\$ 547,582
Pipeline Replacement Projects by Contractors	\$ 5,760,000	\$ 283,684	\$ 2,513,912
Deluz ID Projects	\$ 100,000	\$ -	\$ 8,740
Pump Stations	\$ 100,000	\$ -	\$ -
Meter Replacement	\$ 20,000	\$ 3,889	\$ 29,058
Pressure Reducing Stations	\$ 40,000	\$ -	\$ -
Red Mountain Reservoir Improvements	\$ 24,000	\$ 19,350	\$ 19,350
Steel Reservoir Improvements	\$ 162,000	\$ 57,408	\$ 79,510
Treatment Plant R&R	\$ 200,000	\$ 7,107	\$ 102,352
SCADA Upgrades/ Security/Telemetry	\$ 150,000	\$ 11,919	\$ 60,557
Vehicles and Heavy Equipment	\$ 143,500	\$ 52,247	\$ 85,672
Total Water Capital Projects	\$ 7,379,500	\$ 527,485	\$ 3,446,734

Recycled Water Capital Projects

Recycled Water Improvements	\$ 119,000	\$ -	\$ 60,818
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Wastewater Capital Projects

WRP Improvements	\$ 855,000	\$ 6,189	\$ 115,046
Collection System Improvements	\$ 390,000	\$ 9,227	\$ 64,276
Outfall Improvements	\$ 25,000	\$ 15,533	\$ 31,355
Vehicles and Heavy Equipment	\$ 495,000	\$ -	\$ -
Total Wastewater Capital Projects	\$ 1,765,000	\$ 30,949	\$ 210,677

Administrative Capital Projects

Administrative Upgrades	\$ 50,000	\$ -	\$ 17,521
Engineering and Operations Information Systems	\$ -	\$ -	\$ -
Facility Improvements/Upgrades/Security	\$ 496,000	\$ 1,410	\$ 50,250
District Yard Improvements	\$ 420,000	\$ -	\$ 2,680
Total Administrative Capital Projects	\$ 966,000	\$ 1,410	\$ 70,452

Capital Projects Total	\$ 10,229,500	\$ 559,844	\$ 3,788,681
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M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: January 22, 2024
SUBJECT: Budget Status Report for Fiscal Year 2023-2024

Purpose

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

Summary

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

Total revenues are 6.6% under budget largely due to lower water sales driven by wet/cool weather. Year-to-date water sales are 24.2% under the budget water sales level. With sales well under budgeted levels, it is no surprise that water sales revenues are 14.0% below budget levels. Wastewater revenues are at the budgeted levels. Recycled water sales are 4.6% under budget, likely due to wet weather.

Non-operating revenues are slightly over budget. Other non-operating revenues and a gain on the sale of land are over budget keep non-revenues close to the budget levels. As the year progresses, non-operating revenues are expected to trend to budget.

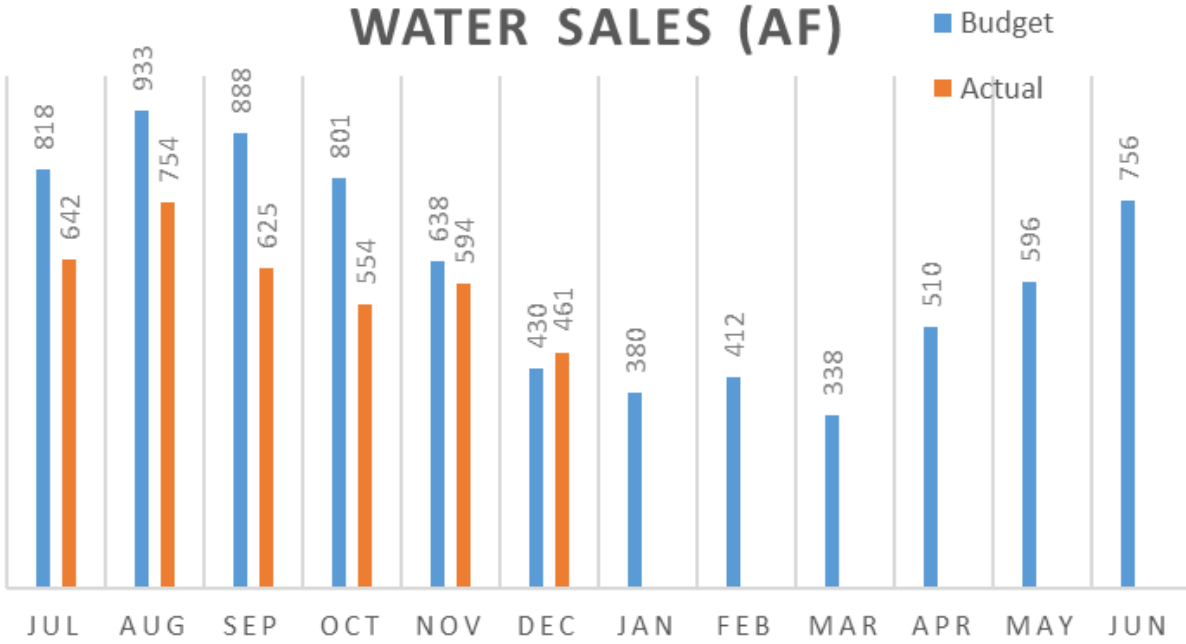
The District's monthly and year-to-date total expenditures are 6.4% over budget due to the detachment payment to San Diego County Water Authority. This is the first of two payments to be made to SDCWA this fiscal year. The overall the District's operating costs, excluding cost of water and the Community Benefit Program, are over budget and expected to remain over budget as the year progresses. Staff will be working on a budget amendment to increase appropriations. Administrative Services is over budget due to expenditures related to detachment.

Total revenue is \$21,666,549 or 6.6% under budget and total expenditures are \$17,940,805 or 6.4% over budget. PAYGO CIP expenditures are under budget for the month and year-to-date. After adjusting for the PAYGO expenditures year-to-date net revenues are lower than Budgeted.

Recommended Action

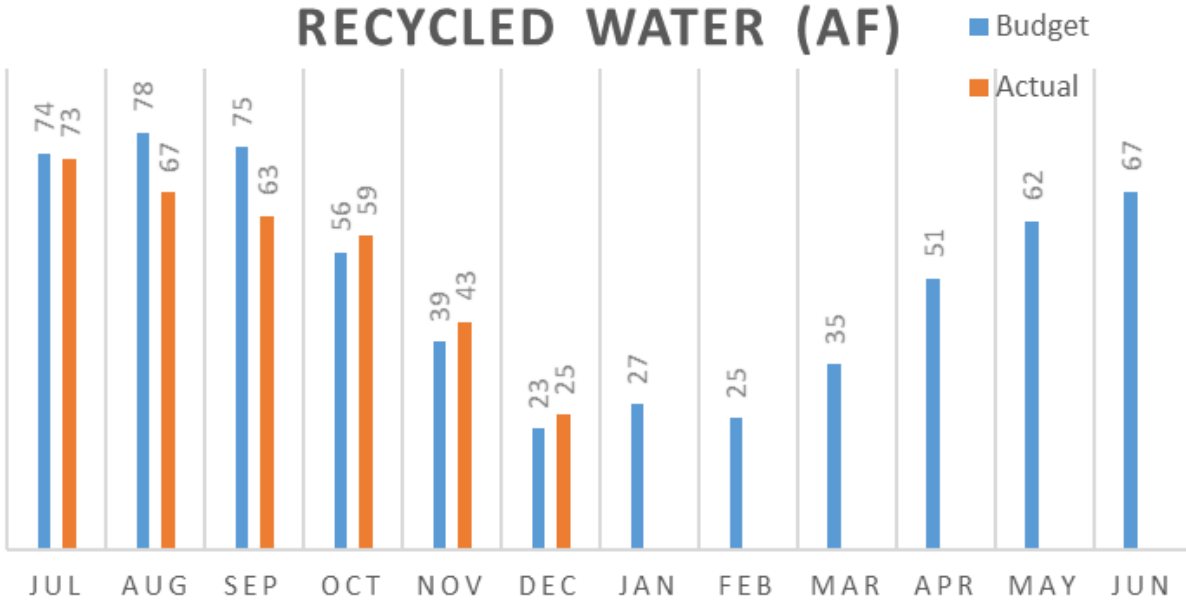
This item is for discussion only. No action is required.

WATER SALES (AF)



Year-to-Date Actual 3,630 AF Year-to-Date Budget 4,509 AF

RECYCLED WATER (AF)



Year-to-Date Actual 329 AF Year-to-Date Budget 344 AF

Monthly Budget Report for December

Favorable Variance Shown as a positive number

	Current Month		Year-To-Date				Annual Budget		
	Actual	Budget	Actual	Budget	Variance	%	Budget	Remaining Balance	%
Operating Revenues:								Year remaining	50.0%
Water Sales ⁽¹⁾	1,318,067	1,088,325	9,614,797	11,185,617	(1,570,820)	-14.0%	19,297,736	9,682,940	50.2%
Water Meter Service Charges	739,087	743,641	4,445,134	4,461,846	(16,712)	-0.4%	9,213,712	4,768,578	51.8%
Wastewater Service Charges	613,312	613,806	3,710,338	3,682,837	27,501	0.7%	6,971,339	3,261,001	46.8%
Recycled Water Revenues	54,664	50,393	687,654	720,848	(33,194)	-4.6%	1,299,770	612,116	47.1%
Other Operating Revenue	-	-	-	-	-	NA	-	-	NA
Total Operating Revenue	2,725,131	2,496,165	18,457,922	20,051,148	(1,593,226)	-7.9%	36,782,557	18,324,634	49.8%
Non Operating Revenues:									
Water Capital Improvement Charge	140,641	145,001	840,523	870,005	(29,482)	-3.4%	1,740,011	899,487	51.7%
Wastewater Capital Improvement Charge	107,561	110,683	644,337	664,099	(19,762)	-3.0%	1,328,198	683,861	51.5%
Property Taxes	900,303	857,569	1,103,836	1,071,249	32,586	3.0%	2,700,000	1,596,164	59.1%
Water Standby/Availability Charge	48,984	43,646	57,904	55,233	2,672	4.8%	200,000	142,096	71.0%
Water/Wastewater Capacity Charges	6,327	10,833	62,247	65,000	(2,753)	-4.2%	130,000	67,753	52.1%
Portfolio Interest	52,950	33,410	215,497	200,462	15,036	7.5%	400,923	185,426	46.2%
Federal Interest Rate Subsidy	-	-	-	35,833	(35,833)	-100.0%	70,261	70,261	100.0%
Detachment Fee Payment	-	-	-	-	-	NA	-	-	NA
Gain/(Loss) on Sale of Asset	21,959	-	21,959	-	21,959	NA	-	(21,959)	NA
Facility Rents	24,249	26,032	143,488	156,193	(12,706)	-8.1%	312,386	168,899	54.1%
Fire Hydrant Service Fees	-	-	12,530	-	12,530	NA	-	(12,530)	NA
Other Non-Operating Revenues	15,084	6,250	106,306	37,500	68,806	183.5%	75,000	(31,306)	-41.7%
Total Non Operating Revenues	1,318,058	1,233,425	3,208,627	3,155,574	53,053	1.7%	6,956,779	3,748,152	53.9%
Total Revenues	4,043,189	3,729,590	21,666,549	23,206,722	(1,540,173)	-6.6%	43,739,336	22,072,786	50.5%
Expenditures									
Purchased Water Expense	583,064	481,293	5,008,686	5,723,956	715,270	12.5%	9,558,078	4,549,393	47.6%
Water Services	537,840	448,700	3,228,416	2,875,454	(352,962)	-12.3%	5,857,063	2,628,647	44.9%
Wastewater Services	252,408	295,606	1,636,196	1,894,368	258,172	13.6%	3,858,671	2,222,475	57.6%
Recycled Water Services	33,487	49,337	221,684	316,174	94,491	29.9%	644,021	422,337	65.6%
Administrative Services	669,041	607,816	4,256,811	3,895,137	(361,675)	-9.3%	7,934,072	3,677,261	46.3%
Community Benefit Program	-	41,828	-	268,052	268,052	100.0%	546,000	546,000	100.0%
Total Operating Expenses	2,075,840	1,924,580	14,351,793	14,973,141	621,348	4.1%	28,397,906	14,046,113	49.5%
Debt Service & Extraordinary Expenses									
SMCUP SRF	-	-	-	-	-	NA	2,814,795	2,814,795	100.0%
Red Mountain SRF	-	-	197,925	197,925	-	0.0%	395,851	197,925	50.0%
WW Rev Refunding Bonds	-	-	1,426,904	1,426,904	-	0.0%	1,730,746	303,841	17.6%
QECB Solar Debt	-	-	262,832	262,832	-	0.0%	521,690	258,858	49.6%
Total Debt Service	-	-	1,887,662	1,887,662	-	0.0%	5,463,081	3,575,419	65.4%
Detachment Fee Payment	1,701,350	-	1,701,350	-	(1,701,350)	NA	-	-	-
Total Expenses	3,777,190	1,924,580	17,940,805	16,860,803	(1,080,002)	-6.4%	33,860,987	17,621,532	52.0%
Net Revenue/(loss) From Operations and Debt Service	265,999	1,805,010	3,725,745	6,345,919	(2,620,174)	-41.3%	9,878,349	6,152,605	62.3%
Capital Investment									
Capital Investment ⁽²⁾									
Construction Expenditures-Admin	-	27,167	52,250	73,000	20,750	28.4%	966,000	913,750	94.6%
Construction Expenditures-Water	561,962	443,542	3,474,831	3,344,750	(130,081)	-3.9%	7,379,500	3,904,669	52.9%
Construction Expenditures-Recycled	-	27,250	60,818	111,500	50,682	45.5%	119,000	58,182	48.9%
Construction Expenditures-Wastewater	14,204	14,167	210,677	570,000	359,323	63.0%	1,765,000	1,554,323	88.1%
Construction Expenditures-PAYGO TOTAL	576,165	512,125	3,798,575	4,099,250	300,675	7.3%	10,229,500	6,430,925	62.9%
Net Revenue/(Loss)	(310,166)	1,292,885	(72,831)	2,246,669	(2,319,500)	-103.2%	(351,151)	(278,320)	79.3%

(1) Includes Local Resource Credit of \$516,975.00

(1) Detailed CIP Summary Table attached

CIP Summary Table

FY24 PAYGO CIP Summary Table

Water Capital Projects	Annual Budget	December Expenditures	Year-to-Date
Pipelines and Valve Replacement Projects by District	\$ 680,000	\$ 62,133	\$ 553,159
Pipeline Replacement Projects by Contractors	\$ 5,760,000	\$ 451,434	\$ 2,513,912
Deluz ID Projects	\$ 100,000	\$ (24,000)	\$ 8,740
Pump Stations	\$ 100,000	\$ -	\$ -
Meter Replacement	\$ 20,000	\$ 8,972	\$ 29,058
Pressure Reducing Stations	\$ 40,000	\$ -	\$ -
Red Mountain Reservoir Improvements	\$ 24,000	\$ -	\$ 19,350
Steel Reservoir Improvements	\$ 162,000	\$ -	\$ 79,510
Treatment Plant R&R	\$ 200,000	\$ 37,777	\$ 102,352
SCADA Upgrades/ Security/Telemetry	\$ 150,000	\$ 1,137	\$ 60,557
Vehicles and Heavy Equipment	\$ 143,500	\$ 1,989	\$ 85,672
Total Water Capital Projects	\$ 7,379,500	\$ 539,441	\$ 3,452,311

Recycled Water Capital Projects

Recycled Water Improvements	\$ 119,000	\$ -	\$ 60,818
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Wastewater Capital Projects

WRP Improvements	\$ 855,000	\$ 4,393	\$ 115,046
Collection System Improvements	\$ 390,000	\$ 2,137	\$ 64,276
Outfall Improvements	\$ 25,000	\$ 7,673	\$ 31,355
Vehicles and Heavy Equipment	\$ 495,000	\$ -	\$ -
Total Wastewater Capital Projects	\$ 1,765,000	\$ 14,204	\$ 210,677

Administrative Capital Projects

Administrative Upgrades	\$ 50,000	\$ 14,962	\$ 17,521
Engineering and Operations Information Systems	\$ -	\$ -	\$ -
Facility Improvements/Upgrades/Security	\$ 496,000	\$ 9,547	\$ 50,250
District Yard Improvements	\$ 420,000	\$ -	\$ 8,987
Total Administrative Capital Projects	\$ 966,000	\$ 24,509	\$ 76,759

Capital Projects Total	\$ 10,229,500	\$ 578,154	\$ 3,800,564
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11/30/2023

Treasurer's Warrant No. November

TO: Treasurer of the Fallbrook Public Utility District

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

Payroll - 11/2023

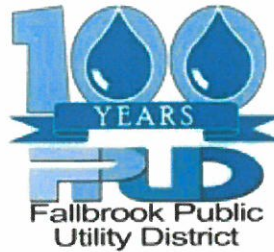
Computer Check Register

Payroll #1	\$195,368.58
Payroll #2	\$192,248.96
Payroll #3	<u>\$198,394.33</u>
	<u>\$586,011.87</u>

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
 Printed: 12/12/2023 3:05 PM



Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	00152	FPUD EMPL ASSOCIATION	11/02/2023	465.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	11/02/2023	4,125.00
ACH	06758	UNITED STATES TREASURY	11/02/2023	72,849.93
ACH	06759	STATE OF CA - PR TAXES	11/02/2023	12,158.92
ACH	06760	STATE OF CA - SDI	11/02/2023	2,369.22
ACH	06761	LINCOLN FINANCIAL GROUP	11/02/2023	15,611.85
ACH	06763	PERS - PAYROLL	11/02/2023	50,457.07
92863	00101	ACWA JPIA	11/02/2023	118,610.61
92864	00805	ACWA/JOINT POWERS INS.	11/02/2023	412,262.00
92865	01460	AFLAC	11/02/2023	446.72
92866	91286	AMAZON CAPITAL SERVICES, INC.	11/02/2023	536.79
92867	91608	AT&T MOBILITY LLC	11/02/2023	3,909.78
92868	02743	BEST BEST & KRIEGER	11/02/2023	21,497.70
92869	03134	CALIFORNIA WATER ENVIRONMENT.	11/02/2023	221.00
92870	06115	CDW GOVERNMENT INC.	11/02/2023	59.20
92871	91241	LISA CHAFFIN	11/02/2023	60.00
92872	05915	CHEM ONE LTD	11/02/2023	8,944.60
92873	91008	MICHAEL COTHRAN	11/02/2023	926.84
92874	02925	DATA NET SOLUTIONS	11/02/2023	776.25
92875	06422	DHK ENGINEERS, INC	11/02/2023	19,310.00
92876	04944	DLT SOLUTIONS LLC	11/02/2023	1,272.08
92877	91401	KENNETH ENDTER	11/02/2023	60.72
92878	09523	FALLBROOK EQUIP RENTALS	11/02/2023	500.00
92879	05987	FALLBROOK GARAGE & QWIK LUBE	11/02/2023	1,871.33
92880	91833	FAMILY SUPPORT REGISTRY	11/02/2023	100.15
92881	06497	FASTENAL COMPANY	11/02/2023	4,838.83
92882	04494	FEDERAL EXPRESS CORPORATION	11/02/2023	16.98
92883	91200	FIRST BANKCARD	11/02/2023	1,136.57
92884	91202	FIRST BANKCARD	11/02/2023	1,671.02
92885	91225	FIRST BANKCARD	11/02/2023	951.96
92886	91313	FIRST BANKCARD	11/02/2023	124.99
92887	91323	FIRST BANKCARD	11/02/2023	100.00
92888	91540	FIRST BANKCARD	11/02/2023	5,231.20
92889	91620	FIRST BANKCARD	11/02/2023	244.75
92890	91635	FIRST BANKCARD	11/02/2023	960.53
92891	91678	FIRST BANKCARD	11/02/2023	845.12
92892	91744	FIRST BANKCARD	11/02/2023	489.51
92893	05560	FRANCHISE TAX BOARD	11/02/2023	50.00
92894	00190	JCI JONES CHEMICALS INC.	11/02/2023	11,023.65
92895	05194	LESLIE'S SWIMMING POOL SUPPLIES	11/02/2023	4,740.88
92896	91815	MAIN ELECTRIC SUPPLY COMPANY L	11/02/2023	7,652.92
92897	02618	MC MASTER-CARR	11/02/2023	829.92
92898	91826	RS AMERICAS, INC.	11/02/2023	2,101.61
92899	06666	SAGINAW CONTROL & ENGINEERINC	11/02/2023	4,599.66
92900	00191	SAN DIEGO COUNTY TREASURER	11/02/2023	174.82
92901	00236	SCRAPPYS	11/02/2023	5,106.66
92902	91218	DAVID SHANK	11/02/2023	685.23

Check No	Vendor No	Vendor Name	Check Date	Check Amount
92903	91153	COLTER SHANNON	11/02/2023	73.23
92904	05656	SLOAN ELECTROMECHANICAL SERV	11/02/2023	10,062.46
92905	04434	SNAP ON TOOLS	11/02/2023	242.44
92906	91723	SPECIALTY MOWING SERVICES, INC	11/02/2023	6,670.00
92907	91588	SPRINGBROOK HOLDING COMPANY I	11/02/2023	1,705.00
92908	05415	STATE WATER RESOURCE CONTROL I	11/02/2023	90.00
92909	02206	STATE WATER RESOURCES CONTROL	11/02/2023	12,367.00
92910	91385	VERONICA TAMZIL	11/02/2023	180.00
92911	91703	UNIVAR SOLUTIONS	11/02/2023	14,717.30
Total for 11/2/2023:				849,087.00
ACH	02582	EMPLOYMENT DEVELOPMENT DEPT	11/09/2023	307.00
92912	00231	SAN DIEGO COUNTY WATER AUTH	11/09/2023	619,045.00
92913	91286	AMAZON CAPITAL SERVICES, INC.	11/09/2023	1,264.93
92914	91216	APGN INC	11/09/2023	70,365.00
92915	02805	ASBURY ENVIRONMENTAL SERVICES	11/09/2023	575.00
92916	91160	AVI SYSTEMS, INC.	11/09/2023	15,577.57
92917	06020	BABCOCK LABORATORIES, INC	11/09/2023	10,122.98
92918	91503	BACKGROUNDS ONLINE	11/09/2023	221.40
92919	06374	BOOT BARN INC.	11/09/2023	440.37
92920	05615	BOOT WORLD INC.	11/09/2023	208.45
92921	91069	BRENNTAG PACIFIC INC.	11/09/2023	1,748.47
92922	91595	CLIFTONLARSONALLEN LLP	11/09/2023	29,000.00
92923	06299	D & H WATER SYSTEMS, INC	11/09/2023	5,256.44
92924	02925	DATA NET SOLUTIONS	11/09/2023	2,783.00
92925	91689	DE NORA WATER TECHNOLOGIES, LL	11/09/2023	2,221.69
92926	04122	EVOQUA WATER TECHNOLOGIES LLC	11/09/2023	9,956.10
92927	91611	FALLBROOK ACE HARDWARE	11/09/2023	952.41
92928	09523	FALLBROOK EQUIP RENTALS	11/09/2023	480.00
92929	01099	FALLBROOK IRRIGATION INC	11/09/2023	133.44
92930	02411	FALLBROOK PRINTING CORP	11/09/2023	13,605.08
92931	00170	FALLBROOK WASTE & RECYCLING	11/09/2023	1,055.30
92932	06497	FASTENAL COMPANY	11/09/2023	539.46
92933	04494	FEDERAL EXPRESS CORPORATION	11/09/2023	88.71
92934	91870	GALLADE CHEMICAL, INC.	11/09/2023	3,496.70
92935	91837	GEOTAB USA, INC.	11/09/2023	10,244.08
92936	02170	GRAINGER, INC.	11/09/2023	1,746.90
92937	05380	HACH CO	11/09/2023	2,253.60
92938	03161	IDEXX DISTRIBUTION, INC.	11/09/2023	993.31
92939	06577	INFOSEND INC	11/09/2023	59.07
92940	90953	JR FILANC CONSTRUCTION CO., INC.	11/09/2023	191,033.72
92941	91304	LEARNSOFT ENTERPRISE TRAINING I	11/09/2023	510.00
92942	05194	LESLIE'S SWIMMING POOL SUPPLIES	11/09/2023	4,354.18
92943	90887	LLOYD PEST CONTROL	11/09/2023	163.00
92944	91815	MAIN ELECTRIC SUPPLY COMPANY L	11/09/2023	453.23
92945	91751	MANAGED MOBILE INC	11/09/2023	2,776.64
92946	02618	MC MASTER-CARR	11/09/2023	102.76
92947	91192	MISSION LINEN SUPPLY	11/09/2023	1,402.58
92948	UB*00514	PAUL OWENS	11/09/2023	67.68
92949	01267	PACIFIC PIPELINE	11/09/2023	3,231.53
92950	91779	RINGCENTRAL, INC.	11/09/2023	1,379.68
92951	00232	SAN DIEGO GAS & ELECTRIC	11/09/2023	92,530.18
92952	91644	HUGO SANTILLAN	11/09/2023	145.00
92953	05656	SLOAN ELECTROMECHANICAL SERV	11/09/2023	46,679.18
92954	05415	STATE WATER RESOURCE CONTROL I	11/09/2023	70.00
92955	06735	TCN, INC.	11/09/2023	76.25

Check No	Vendor No	Vendor Name	Check Date	Check Amount
92956	91703	UNIVAR SOLUTIONS	11/09/2023	6,794.28
92957	04290	VILLAGE NEWS, INC.	11/09/2023	545.00
92958	91294	VISTA FENCE COMPANY INCORPORA	11/09/2023	3,694.00
92959	01847	WATEREUSE ASSOCIATION	11/09/2023	775.00
92960	06231	WESTERN WATER WORKS SUPPLY CC	11/09/2023	14,753.13
92961	UB*00515	JOAN WILLSON	11/09/2023	9,054.26
92962	04995	AMERICAN MESSAGING	11/09/2023	296.51
92963	04494	FEDERAL EXPRESS CORPORATION	11/09/2023	197.52
92964	91806	SAN DIEGO CHAPTER CSDA TREASUI	11/09/2023	210.00
92965	04290	VILLAGE NEWS, INC.	11/09/2023	80.00
Total for 11/9/2023:				1,186,116.77
ACH	00152	FPUD EMPL ASSOCIATION	11/16/2023	474.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	11/16/2023	4,125.00
ACH	06758	UNITED STATES TREASURY	11/16/2023	68,943.28
ACH	06759	STATE OF CA - PR TAXES	11/16/2023	11,617.69
ACH	06760	STATE OF CA - SDI	11/16/2023	2,257.68
ACH	06761	LINCOLN FINANCIAL GROUP	11/16/2023	15,215.95
ACH	06763	PERS - PAYROLL	11/16/2023	50,603.14
ACH	91223	STERLING ADMINISTRATION	11/16/2023	1,485.00
92968	91490	AMAZON WEB SERVICES, INC.	11/16/2023	1,115.58
92969	05088	AT&T	11/16/2023	598.47
92970	06235	JACK BEBEE	11/16/2023	944.27
92971	03978	CAMERON WELDING SUPPLY	11/16/2023	770.86
92972	91594	CONCENTRA MEDICAL CENTERS	11/16/2023	130.00
92973	05953	CORODATA RECORDS MANAGEMENT	11/16/2023	899.41
92974	06675	CORODATA SHREDDING, INC	11/16/2023	67.32
92975	02925	DATA NET SOLUTIONS	11/16/2023	1,918.75
92976	04122	EVOQUA WATER TECHNOLOGIES LLC	11/16/2023	377.13
92977	91611	FALLBROOK ACE HARDWARE	11/16/2023	137.11
92978	09523	FALLBROOK EQUIP RENTALS	11/16/2023	1,082.16
92979	05987	FALLBROOK GARAGE & QWIK LUBE	11/16/2023	238.90
92980	00169	FALLBROOK OIL COMPANY	11/16/2023	9,615.03
92981	06497	FASTENAL COMPANY	11/16/2023	1,296.12
92982	02170	GRAINGER, INC.	11/16/2023	3,847.56
92983	06329	HILL BROTHERS CHEMICAL COMPAN	11/16/2023	1,644.19
92984	03276	HOME DEPOT CREDIT SERVICES	11/16/2023	52.80
92985	91666	HOT TAPS UNLIMITED	11/16/2023	585.00
92986	06577	INFOSEND INC	11/16/2023	1,450.59
92987	91304	LEARNSOFT ENTERPRISE TRAINING	11/16/2023	510.00
92988	91815	MAIN ELECTRIC SUPPLY COMPANY L	11/16/2023	760.70
92989	91751	MANAGED MOBILE INC	11/16/2023	5,401.01
92990	02618	MC MASTER-CARR	11/16/2023	502.86
92991	90932	NAPA AUTO PARTS	11/16/2023	18.85
92992	03201	NATIONAL SAFETY COMPLIANCE INC	11/16/2023	155.90
92993	00370	NUTRIEN AG SOLUTIONS, INC.	11/16/2023	4,911.41
92994	91674	O'REILLY AUTO ENTERPRISES, LLC	11/16/2023	344.06
92995	01267	PACIFIC PIPELINE	11/16/2023	7,767.05
92996	00215	PETTY CASH	11/16/2023	93.28
92997	00216	PINE TREE LUMBER	11/16/2023	57.61
92998	91538	PUDGIL & COMPANY	11/16/2023	5,000.00
92999	00232	SAN DIEGO GAS & ELECTRIC	11/16/2023	79,725.61
93000	05403	SAN DIEGO UNION-TRIBUNE CO.	11/16/2023	690.75
93001	00159	SUPERIOR READY MIX	11/16/2023	1,014.05
93002	05319	T.S. INDUSTRIAL SUPPLY	11/16/2023	94.78
93003	91768	THE ALCHEMY GROUP INC	11/16/2023	7,500.00

Check No	Vendor No	Vendor Name	Check Date	Check Amount
93004	91789	TSI	11/16/2023	1,600.00
93005	91703	UNIVAR SOLUTIONS	11/16/2023	1,362.04
93006	03358	US BANK TRUST NA	11/16/2023	2,340.00
93007	91667	ACE LOCK AND KEY	11/16/2023	80.81
93008	03223	AIR POLLUTION CONTROL DISTRICT	11/16/2023	620.00
93009	91286	AMAZON CAPITAL SERVICES, INC.	11/16/2023	366.64
93010	02713	AWWA CAL-NEV SECTION	11/16/2023	500.00
93011	91487	BADGER METER, INC.	11/16/2023	272.21
93012	06374	BOOT BARN INC.	11/16/2023	190.84
93013	06424	CAEATFA FUND	11/16/2023	2,168.10
93014	03134	CALIFORNIA WATER ENVIRONMENT.	11/16/2023	221.00
93015	01719	MICKEY M. CASE	11/16/2023	60.00
93016	91272	KEVIN COLLINS	11/16/2023	60.00
93017	00709	COUNTY OF SAN DIEGO	11/16/2023	4,376.00
93018	05192	DIAMOND ENVIRONMENTAL SERVIC	11/16/2023	573.05
93019	06303	EXECUTIVE LANDSCAPE INC.	11/16/2023	1,260.00
93020	05987	FALLBROOK GARAGE & QWIK LUBE	11/16/2023	2,844.89
93021	01099	FALLBROOK IRRIGATION INC	11/16/2023	19.54
93022	01155	FALLBROOK WASTE/RECYCLING	11/16/2023	80.00
93023	91833	FAMILY SUPPORT REGISTRY	11/16/2023	100.15
93024	04494	FEDERAL EXPRESS CORPORATION	11/16/2023	128.80
93025	91848	FERNANDEZ GOVERNMENT SOLUTIC	11/16/2023	8,000.00
93026	05560	FRANCHISE TAX BOARD	11/16/2023	50.00
93027	02767	GRANGETTO FARM & GARDEN SUPPI	11/16/2023	246.86
93028	05380	HACH CO	11/16/2023	12,050.71
93029	06577	INFOSEND INC	11/16/2023	2,666.22
93030	91652	IXOM WATERCARE, INC.	11/16/2023	8,000.00
93031	06380	JANI-KING OF CALIFORNIA, INC - SA	11/16/2023	3,440.56
93032	91648	KING LEE CHEMICAL COMPANY	11/16/2023	3,547.54
93033	06479	KNOCKOUT PEST CONTROL & TERMI	11/16/2023	200.00
93034	91130	LINCOLN NATIONAL LIFE INSURANC	11/16/2023	4,371.49
93035	01267	PACIFIC PIPELINE	11/16/2023	13,699.66
93036	02283	PETERS PAVING & GRADING	11/16/2023	19,350.00
93037	00215	PETTY CASH	11/16/2023	24.00
93038	91546	QUADIENT FINANCE USA, INC.	11/16/2023	800.00
93039	91660	R & R INDUSTRIES INC.	11/16/2023	711.19
93040	05064	RAINBOW MUNICIPAL WATER	11/16/2023	2,538.46
93041	04075	RAYNE WATER SYSTEMS	11/16/2023	180.00
93042	91077	RED WING BUSINESS ADVANTAGE AC	11/16/2023	1,484.85
93043	06643	SAN DIEGO LAFCO	11/16/2023	50,000.00
93044	91644	HUGO SANTILLAN	11/16/2023	349.99
93045	91486	SATELLITE PHONE STORE	11/16/2023	78.28
93046	90929	SOUTHWEST ANSWERING SERVICE, I	11/16/2023	802.00
93047	91723	SPECIALTY MOWING SERVICES, INC	11/16/2023	8,250.00
93048	91107	SPECTRUM BUSINESS	11/16/2023	147.44
93049	91860	SPECTRUM ENTERPRISE	11/16/2023	90.00
93050	91588	SPRINGBROOK HOLDING COMPANY I	11/16/2023	39,372.01
93051	05415	STATE WATER RESOURCE CONTROL I	11/16/2023	405.00
93052	02927	TIM STERGER	11/16/2023	60.00
93053	91082	TELETRAC, INC	11/16/2023	2,342.76
93054	91703	UNIVAR SOLUTIONS	11/16/2023	9,523.14
93055	03358	US BANK TRUST NA	11/16/2023	2,896.20
93056	91855	VALIN CORPORATION	11/16/2023	635.66
93057	00233	WAXIE SANITARY SUPPLY	11/16/2023	1,500.32
93058	91276	WOLFE DOOR INDUSTRIES, INC.	11/16/2023	1,527.85

Total for 11/16/2023:

514,607.67

Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	00152	FPUD EMPL ASSOCIATION	11/30/2023	474.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	11/30/2023	19,340.95
ACH	06758	UNITED STATES TREASURY	11/30/2023	71,563.78
ACH	06759	STATE OF CA - PR TAXES	11/30/2023	12,418.98
ACH	06760	STATE OF CA - SDI	11/30/2023	2,272.08
ACH	06763	PERS - PAYROLL	11/30/2023	50,843.57
93061	91567	ACC RAMCO	11/30/2023	7,770.00
93062	91286	AMAZON CAPITAL SERVICES, INC.	11/30/2023	1,234.05
93063	04166	AMERICAN WATER WORKS ASSOCIA	11/30/2023	2,594.00
93064	91708	B2B SECURITY	11/30/2023	3,000.00
93065	91487	BADGER METER, INC.	11/30/2023	272.17
93066	91680	BIWATER INC	11/30/2023	2,503.03
93067	03003	CALIFORNIA ASSOCIATION OF SANIT	11/30/2023	14,730.00
93068	04741	CALIFORNIA SPECIAL DISTRICT ASSC	11/30/2023	9,275.00
93069	03134	CALIFORNIA WATER ENVIRONMENT .	11/30/2023	334.00
93070	04178	CALOLYMPIC SAFETY CO., INC.	11/30/2023	3,389.67
93071	03978	CAMERON WELDING SUPPLY	11/30/2023	1,359.99
93072	91188	CDTFA	11/30/2023	1,388.91
93073	06115	CDW GOVERNMENT INC.	11/30/2023	725.91
93074	91594	CONCENTRA MEDICAL CENTERS	11/30/2023	130.00
93075	02176	CORELOGIC SOLUTIONS, LLC	11/30/2023	206.00
93076	91143	CULLY REPAIR LLC	11/30/2023	405.39
93077	06762	DENALI WATER SOLUTIONS LLC	11/30/2023	14,940.23
93078	05180	NOELLE DENKE	11/30/2023	72.38
93079	91874	FACTORY LOTSWEEPING SERVICE	11/30/2023	990.00
93080	00169	FALLBROOK OIL COMPANY	11/30/2023	3,768.11
93081	91833	FAMILY SUPPORT REGISTRY	11/30/2023	100.15
93082	04494	FEDERAL EXPRESS CORPORATION	11/30/2023	241.55
93083	01432	FERGUSON WATERWORKS #1083	11/30/2023	4,471.63
93084	91200	FIRST BANKCARD	11/30/2023	2,479.39
93085	91201	FIRST BANKCARD	11/30/2023	430.00
93086	91225	FIRST BANKCARD	11/30/2023	160.88
93087	91313	FIRST BANKCARD	11/30/2023	209.97
93088	91540	FIRST BANKCARD	11/30/2023	671.96
93089	91620	FIRST BANKCARD	11/30/2023	19.99
93090	91678	FIRST BANKCARD	11/30/2023	1,923.34
93091	91744	FIRST BANKCARD	11/30/2023	1,655.49
93092	05560	FRANCHISE TAX BOARD	11/30/2023	50.00
93093	91025	FRITTS FORD	11/30/2023	52,199.26
93094	91837	GEOTAB USA, INC.	11/30/2023	129.09
93095	02170	GRAINGER, INC.	11/30/2023	496.48
93096	05380	HACH CO	11/30/2023	14,678.60
93097	06561	HOWELLS GOVERNMENT RELATIONS	11/30/2023	7,500.00
93098	05901	KENNETH HUBBARD	11/30/2023	175.00
93099	06577	INFOSEND INC	11/30/2023	2,915.54
93100	00190	JCI JONES CHEMICALS INC.	11/30/2023	10,965.88
93101	90953	JR FILANC CONSTRUCTION CO., INC.	11/30/2023	175,391.86
93102	91648	KING LEE CHEMICAL COMPANY	11/30/2023	6,549.20
93103	04926	KONICA MINOLTA PREMIER FINANCE	11/30/2023	2,411.44
93104	90887	LLOYD PEST CONTROL	11/30/2023	368.00
93105	91751	MANAGED MOBILE INC	11/30/2023	539.29
93106	02618	MC MASTER-CARR	11/30/2023	265.43
93107	05942	MSDSONLINE, INC	11/30/2023	2,226.00
93108	91767	PALM ENGINEERING CONSTRUCTION	11/30/2023	72,338.42
93109	91535	PAYMENTUS CORPORATION	11/30/2023	5,652.56
93110	91007	PFM ASSET MANGEMENT LLC	11/30/2023	1,335.68

Check No	Vendor No	Vendor Name	Check Date	Check Amount
93111	91619	RED HAWK SERVICES INC	11/30/2023	57,091.62
93112	91779	RINGCENTRAL, INC.	11/30/2023	1,108.53
93113	00236	SCRAPPYS	11/30/2023	148.02
93114	06605	SOUTHLAND PIPE CORP.	11/30/2023	31,182.85
93115	05415	STATE WATER RESOURCE CONTROL I	11/30/2023	110.00
93116	05415	STATE WATER RESOURCE CONTROL I	11/30/2023	90.00
93117	91799	SUNBELT RENTALS, INC	11/30/2023	7,580.60
93118	00159	SUPERIOR READY MIX	11/30/2023	5,133.24
93119	05319	T.S. INDUSTRIAL SUPPLY	11/30/2023	168.27
93120	06512	ULINE SHIPPING SUPPLIES	11/30/2023	3,311.92
93121	00724	UNDERGROUND SERVICE ALERT	11/30/2023	483.43
Total for 11/30/2023:				700,963.26
Report Total (277 checks):				3,250,774.70



Jack Bebee

General Manager

12/31/2023

Treasurer's Warrant No. December

TO: Treasurer of the Fallbrook Public Utility District

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

Payroll - 12/2023

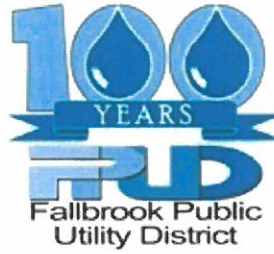
Computer Check Register

Payroll #1	\$216,265.39
Payroll #2	<u>\$193,755.98</u>
	<u>\$410,021.37</u>

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
 Printed: 1/16/2024 1:27 PM



Check No	Vendor No	Vendor Name	Check Date	Check Amount
93122	00231	SAN DIEGO COUNTY WATER AUTH	12/07/2023	461,768.00
93123	00101	ACWA JPIA	12/07/2023	127,327.85
93124	01460	AFLAC	12/07/2023	670.08
93125	03223	AIR POLLUTION CONTROL DISTRICT	12/07/2023	620.00
93126	05088	AT&T	12/07/2023	619.83
93127	91608	AT&T MOBILITY LLC	12/07/2023	3,891.85
93128	91819	COMPLETE OFFICE OF CALIFORNIA,	12/07/2023	547.78
93129	91594	CONCENTRA MEDICAL CENTERS	12/07/2023	260.00
93130	06299	D & H WATER SYSTEMS, INC	12/07/2023	2,036.11
93131	02925	DATA NET SOLUTIONS	12/07/2023	1,055.00
93132	06303	EXECUTIVE LANDSCAPE INC.	12/07/2023	1,020.00
93133	91611	FALLBROOK ACE HARDWARE	12/07/2023	991.75
93134	09523	FALLBROOK EQUIP RENTALS	12/07/2023	3,746.69
93135	01099	FALLBROOK IRRIGATION INC	12/07/2023	362.85
93136	00170	FALLBROOK WASTE & RECYCLING	12/07/2023	1,055.30
93137	04494	FEDERAL EXPRESS CORPORATION	12/07/2023	205.92
93138	01432	FERGUSON WATERWORKS #1083	12/07/2023	5,036.24
93139	05814	GEORGE PLUMBING COMPANY INC	12/07/2023	253.00
93140	02170	GRAINGER, INC.	12/07/2023	1,048.33
93141	05380	HACH CO	12/07/2023	328.65
93142	91192	MISSION LINEN SUPPLY	12/07/2023	1,284.05
93143	00370	NUTRIEN AG SOLUTIONS, INC.	12/07/2023	50.63
93144	01267	PACIFIC PIPELINE	12/07/2023	3,053.78
93145	02283	PETERS PAVING & GRADING	12/07/2023	95,800.00
93146	91426	PRINTING SOLUTIONS	12/07/2023	230.53
93147	00232	SAN DIEGO GAS & ELECTRIC	12/07/2023	78,421.00
93148	04434	SNAP ON TOOLS	12/07/2023	2,549.37
93149	91861	SOLARFLEXION, INC	12/07/2023	5,183.85
93150	91860	SPECTRUM ENTERPRISE	12/07/2023	1,831.87
93151	00159	SUPERIOR READY MIX	12/07/2023	1,021.23
93152	06735	TCN, INC.	12/07/2023	83.64
93153	91703	UNIVAR SOLUTIONS	12/07/2023	7,249.85
93154	04313	USA BLUEBOOK	12/07/2023	297.15
93155	04290	VILLAGE NEWS, INC.	12/07/2023	1,090.00
93156	04995	AMERICAN MESSAGING	12/07/2023	297.82
93157	UB*00516	DUSTIN LOGEE	12/07/2023	1.73
Total for 12/7/2023:				811,291.73
ACH	00152	FPUD EMPL ASSOCIATION	12/14/2023	470.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	12/14/2023	19,346.37
ACH	06758	UNITED STATES TREASURY	12/14/2023	80,423.22
ACH	06759	STATE OF CA - PR TAXES	12/14/2023	15,146.20
ACH	06760	STATE OF CA - SDI	12/14/2023	2,348.47
ACH	06763	PERS - PAYROLL	12/14/2023	50,821.40
ACH	91223	STERLING ADMINISTRATION	12/14/2023	26,135.00
ACH	06758	UNITED STATES TREASURY	12/14/2023	0.40

Check No	Vendor No	Vendor Name	Check Date	Check Amount
93161	91286	AMAZON CAPITAL SERVICES, INC.	12/14/2023	1,020.40
93162	91490	AMAZON WEB SERVICES, INC.	12/14/2023	1,081.09
93163	05778	AQUATIC BIOASSAY AND CONSULTIN	12/14/2023	815.00
93164	06020	BABCOCK LABORATORIES, INC	12/14/2023	13,540.47
93165	91503	BACKGROUNDS ONLINE	12/14/2023	39.00
93166	06374	BOOT BARN INC.	12/14/2023	190.85
93167	91440	BP BATTERY INC	12/14/2023	367.57
93168	91069	BRENNTAG PACIFIC INC.	12/14/2023	2,151.69
93169	04178	CALOLYMPIC SAFETY CO., INC.	12/14/2023	355.81
93170	03978	CAMERON WELDING SUPPLY	12/14/2023	746.30
93171	03205	CITY OF OCEANSIDE	12/14/2023	1,403.77
93172	91595	CLIFTONLARSONALLEN LLP	12/14/2023	2,435.00
93173	91594	CONCENTRA MEDICAL CENTERS	12/14/2023	130.00
93174	05953	CORODATA RECORDS MANAGEMENT	12/14/2023	870.56
93175	06675	CORODATA SHREDDING, INC	12/14/2023	67.32
93176	05714	COUNTY OF SD DEPT PUBLIC WORKS	12/14/2023	1,197.50
93177	06299	D & H WATER SYSTEMS, INC	12/14/2023	550.00
93178	02925	DATA NET SOLUTIONS	12/14/2023	3,754.45
93179	91129	JENNIFER DEMEO	12/14/2023	102.18
93180	91401	KENNETH ENDTER	12/14/2023	62.09
93181	91569	EUROFINS ENVIRONMENT TESTING &	12/14/2023	1,912.50
93182	04122	EVOQUA WATER TECHNOLOGIES LLC	12/14/2023	20,836.39
93183	00169	FALLBROOK OIL COMPANY	12/14/2023	7,234.83
93184	06497	FASTENAL COMPANY	12/14/2023	1,851.37
93185	91612	JESUS GARCIA	12/14/2023	324.00
93186	91837	GEOTAB USA, INC.	12/14/2023	471.69
93187	02170	GRAINGER, INC.	12/14/2023	1,248.45
93188	05970	GRISWOLD INDUSTRIES	12/14/2023	7,493.40
93189	05380	HACH CO	12/14/2023	4,923.10
93190	06329	HILL BROTHERS CHEMICAL COMPAN	12/14/2023	1,774.66
93191	03276	HOME DEPOT CREDIT SERVICES	12/14/2023	255.04
93192	91304	LEARNSOFT ENTERPRISE TRAINING I	12/14/2023	255.00
93193	02618	MC MASTER-CARR	12/14/2023	571.08
93194	90932	NAPA AUTO PARTS	12/14/2023	587.02
93195	03201	NATIONAL SAFETY COMPLIANCE INC	12/14/2023	58.40
93196	91674	O'REILLY AUTO ENTERPRISES, LLC	12/14/2023	231.42
93197	91538	PUDGIL & COMPANY	12/14/2023	5,000.00
93198	00232	SAN DIEGO GAS & ELECTRIC	12/14/2023	64,167.46
93199	90929	SOUTHWEST ANSWERING SERVICE, I	12/14/2023	817.00
93200	02206	STATE WATER RESOURCES CONTROL	12/14/2023	868.00
93201	05319	T.S. INDUSTRIAL SUPPLY	12/14/2023	905.75
93202	91768	THE ALCHEMY GROUP INC	12/14/2023	7,500.00
93203	02748	TREBOR SHORING RENTALS	12/14/2023	1,552.87
93204	06231	WESTERN WATER WORKS SUPPLY CC	12/14/2023	3,792.80
93205	91286	AMAZON CAPITAL SERVICES, INC.	12/14/2023	1,468.29
93206	01719	MICKEY M. CASE	12/14/2023	60.00
93207	02176	CORELOGIC SOLUTIONS, LLC	12/14/2023	206.00
93208	02925	DATA NET SOLUTIONS	12/14/2023	4,525.50
93209	05192	DIAMOND ENVIRONMENTAL SERVIC	12/14/2023	573.05
93210	06303	EXECUTIVE LANDSCAPE INC.	12/14/2023	1,260.00
93211	00161	FALLBROOK CHAMBER OF COMMER	12/14/2023	285.00
93212	91833	FAMILY SUPPORT REGISTRY	12/14/2023	100.15
93213	04494	FEDERAL EXPRESS CORPORATION	12/14/2023	45.28
93214	01432	FERGUSON WATERWORKS #1083	12/14/2023	8,108.19
93215	91848	FERNANDEZ GOVERNMENT SOLUTIC	12/14/2023	8,000.00
93216	05560	FRANCHISE TAX BOARD	12/14/2023	50.00
93217	06764	G & W TRUCK ACCESSORIES	12/14/2023	624.75


Check No	Vendor No	Vendor Name	Check Date	Check Amount
93218	02767	GRANGETTO FARM & GARDEN SUPPI	12/14/2023	54.48
93219	05380	HACH CO	12/14/2023	505.36
93220	UB*00517	DAVID & PEGGY HALL	12/14/2023	435.89
93221	91798	HYAS GROUP, LLC	12/14/2023	842.39
93222	06577	INFOSEND INC	12/14/2023	1,146.13
93223	UB*00518	ERIK & LAURA IRVINE	12/14/2023	145.24
93224	06380	JANI-KING OF CALIFORNIA, INC - SA	12/14/2023	3,440.56
93225	06479	KNOCKOUT PEST CONTROL & TERMI	12/14/2023	200.00
93226	91881	DAVID KUNZ	12/14/2023	341.25
93227	91130	LINCOLN NATIONAL LIFE INSURANC	12/14/2023	4,242.26
93228	91751	MANAGED MOBILE INC	12/14/2023	809.92
93229	UB*00519	EVERETT MCADOO	12/14/2023	151.95
93230	01267	PACIFIC PIPELINE	12/14/2023	5,572.69
93231	06688	ANDO PILVE	12/14/2023	975.00
93232	91155	QUALITY GATE COMPANY, INC	12/14/2023	725.00
93233	04075	RAYNE WATER SYSTEMS	12/14/2023	180.00
93234	03231	SAN DIEGO COUNTY WATER AUTH	12/14/2023	1,701,350.00
93235	91486	SATELLITE PHONE STORE	12/14/2023	78.28
93236	91097	SERVPRO OF FALLBROOK/SOUTH OC	12/14/2023	6,022.09
93237	91107	SPECTRUM BUSINESS	12/14/2023	147.44
93238	91860	SPECTRUM ENTERPRISE	12/14/2023	90.00
93239	91082	TELETRAC, INC	12/14/2023	2,342.76
93240	91703	UNIVAR SOLUTIONS	12/14/2023	10,921.58

Total for 12/14/2023:


2,126,231.32

ACH	91223	STERLING ADMINISTRATION	12/21/2023	125.00
93241	91286	AMAZON CAPITAL SERVICES, INC.	12/21/2023	3,090.58
93242	91216	APGN INC	12/21/2023	16,075.60
93243	06536	ARCADIS U.S., INC	12/21/2023	7,013.30
93244	02743	BEST BEST & KRIEGER	12/21/2023	47,617.09
93245	03134	CALIFORNIA WATER ENVIRONMENT.	12/21/2023	334.00
93246	91210	CORE & MAIN LP	12/21/2023	37,776.81
93247	91008	MICHAEL COTHRAN	12/21/2023	752.62
93248	02925	DATA NET SOLUTIONS	12/21/2023	506.25
93249	01432	FERGUSON WATERWORKS #1083	12/21/2023	2,390.70
93250	91200	FIRST BANKCARD	12/21/2023	901.64
93251	91202	FIRST BANKCARD	12/21/2023	2,383.33
93252	91225	FIRST BANKCARD	12/21/2023	683.98
93253	91313	FIRST BANKCARD	12/21/2023	19.99
93254	91323	FIRST BANKCARD	12/21/2023	194.91
93255	91540	FIRST BANKCARD	12/21/2023	1,902.84
93256	91620	FIRST BANKCARD	12/21/2023	527.88
93257	91635	FIRST BANKCARD	12/21/2023	250.00
93258	91678	FIRST BANKCARD	12/21/2023	19.59
93259	91744	FIRST BANKCARD	12/21/2023	63.00
93260	91847	FIRST BANKCARD	12/21/2023	83.23
93261	05995	GOVERNMENT FINANCE OFFICERS A	12/21/2023	160.00
93262	05970	GRISWOLD INDUSTRIES	12/21/2023	5,590.08
93263	UB*00521	AUDRA HAYES	12/21/2023	385.77
93264	00190	JCI JONES CHEMICALS INC.	12/21/2023	9,854.02
93265	90953	JR FILANC CONSTRUCTION CO., INC.	12/21/2023	175,312.00
93266	UB*00520	HORNE LLP CA LIHWAP	12/21/2023	672.87
93267	90932	NAPA AUTO PARTS	12/21/2023	61.99
93268	01267	PACIFIC PIPELINE	12/21/2023	3,719.93
93269	91767	PALM ENGINEERING CONSTRUCTION	12/21/2023	201,418.81
93270	91535	PAYMENTUS CORPORATION	12/21/2023	5,534.89

Check No	Vendor No	Vendor Name	Check Date	Check Amount
93271	91077	RED WING BUSINESS ADVANTAGE AC	12/21/2023	575.24
93272	91839	RENEWABLE ENERGY & DRIVES US, I	12/21/2023	5,285.00
93273	91636	SOLV - BUSINESS SOLUTIONS, CONNI	12/21/2023	98.82
93274	91723	SPECIALTY MOWING SERVICES, INC	12/21/2023	13,510.16
93275	91860	SPECTRUM ENTERPRISE	12/21/2023	56.80
93276	02927	TIM STERGER	12/21/2023	60.00
93277	01359	WATERMASTER	12/21/2023	31,176.00
Total for 12/21/2023:				576,184.72
ACH	00152	FPUD EMPL ASSOCIATION	12/28/2023	484.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	12/28/2023	19,346.37
ACH	06758	UNITED STATES TREASURY	12/28/2023	66,437.51
ACH	06759	STATE OF CA - PR TAXES	12/28/2023	11,533.80
ACH	06760	STATE OF CA - SDI	12/28/2023	2,152.44
ACH	06763	PERS - PAYROLL	12/28/2023	50,986.51
93280	06394	CALIFORNIA BANK & TRUST	12/28/2023	197,925.28
93281	91833	FAMILY SUPPORT REGISTRY	12/28/2023	100.15
93282	05560	FRANCHISE TAX BOARD	12/28/2023	50.00
Total for 12/28/2023:				349,016.06
Report Total (171 checks):				3,862,723.83



Jack Bebee
General Manager



FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Jennifer DeMeo

Name & Location of Function: ACWA JPIA Conference
HYATT CONFERENCE CENTER INDIAN WELLS CA

Date(s) of Attendance: MONDAY NOV 27 2023

Purpose of Function: EDUCATION

Sponsoring Organization: ACWA JPIA

Summary of Conference or Meeting: ARRIVED IN TIME FOR LUNCH

11:30-12:30 Pre Board Meeting Lunch

1PM-4:30 ACWA JPIA Board Meeting

4:30-6:00 ACWA JPIA Reception

Director Signature: Jennifer DeMeo

Date: 1/19/2024

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

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

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Jennifer DeMeo

Name & Location of Function: ACWA JPA Conference
Hyatt Conference Center Indian Wells CA

Date(s) of Attendance: Tues Nov 28

Purpose of Function: Education

Sponsoring Organization: ACWA JPA

Summary of Conference or Meeting:

930-1045 Groundwater Committee

145-3 Water Quality Committee

ACWA Dinner w/ Rainbow
Reception Exhibition Hall

Director Signature: Jennifer DeMeo

Date: 1/19/2024

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

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

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Jennifer DeMeo

Name & Location of Function: ACWA Convention + Exhibitor
Renaissance Esmeralda, Indian Wells CA

Date(s) of Attendance: Wed Nov 29 2023

Purpose of Function: Educator

Sponsoring Organization: ACWA

Summary of Conference or Meeting: Registration Exhibit Hall

7:30A Networking Breakfast

8:30 Keynote

10:30 Molokai Arroyo Water Projects

Networking Lunch

1:30 Water Talk on the Main Stage

3:45 Region 10 Membership Meeting

Dinner w/Horzer

Director Signature: Jennifer DeMeo

Date: 1/19 2024

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FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Jennifer DeMeo
Name & Location of Function: Renaissance Esmeralda
Indian Wells ACWA Conference
Date(s) of Attendance: THURSDAY November 30 2023
Purpose of Function: Education
Sponsoring Organization: ACWA

Summary of Conference or Meeting:

Networking Continental Breakfast
Exhibitor Hall Prize Drawings
10:15 Navigating PFAS Lawsuits
how to join class action
1145 Keynote Environmental
Closing Lunch Dave Egerton
+ Dave Reynolds

Director Signature: Jennifer DeMeo

Date: 1/19/2024

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