



January 14, 2022

Subject: 2021 Annual Continuing Disclosure Report

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We are pleased to present the Fallbrook Public Utility District's (District) Annual Continuing Disclosure Report (Report) for Fiscal Year ending June 30, 2021. On January 12, 2021, the District issued \$19,880,000 in 2021 Wastewater Revenue Refunding Bonds Series A and Series B (collectively 2021 Bonds). The 2021 Bonds were issued to refund the outstanding principal of a California State Water Resources Control Board loan. The 2021 Bonds are payable from and secured by a pledge of Wastewater System Net Revenues, as defined by the Official Statement dated January 12, 2021 (2021 Official Statement).

Board of Directors

Dave Baxter  
*Division 1*

Ken Endter  
*Division 2*

Jennifer DeMeo  
*Division 3*

Don McDougal  
*Division 4*

Charley Wolk  
*Division 5*

This Report has been produced pursuant to the District's 2021 Bonds Continuing Disclosure Certificate (Certificate) covenants, in order to provide required information to the marketplace as provided for under S.E.C. Rule 15c2-12(b)(5). This information is for the benefit of interested parties and includes the information specified in the Certificate. For further information and a more complete description of the District and the 2021 Bonds please refer to the 2021 Official Statement.

Staff

Jack Bebee  
*General Manager*

David Shank  
*Assistant General Manager/  
Chief Financial Officer*

Lauren Eckert  
*Executive Assistant/  
Board Secretary*

The information set forth herein has been furnished by the District and by other sources, which is believed to be accurate and reliable, but is not guaranteed as to accuracy or completeness. Statements contained in this Report that involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein speaks only as of its date and are subject to change without notice and neither the District, nor the Trustee have any obligation to update this Report, other than as expressly provided in the Certificate. The delivery of this Report will not, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein or to the information provided in any final official statement.

General Counsel

Paula de Sousa  
*Best Best & Krieger*

Jack Bebee  
General Manager

David Shank  
Assistant General Manager/CFO



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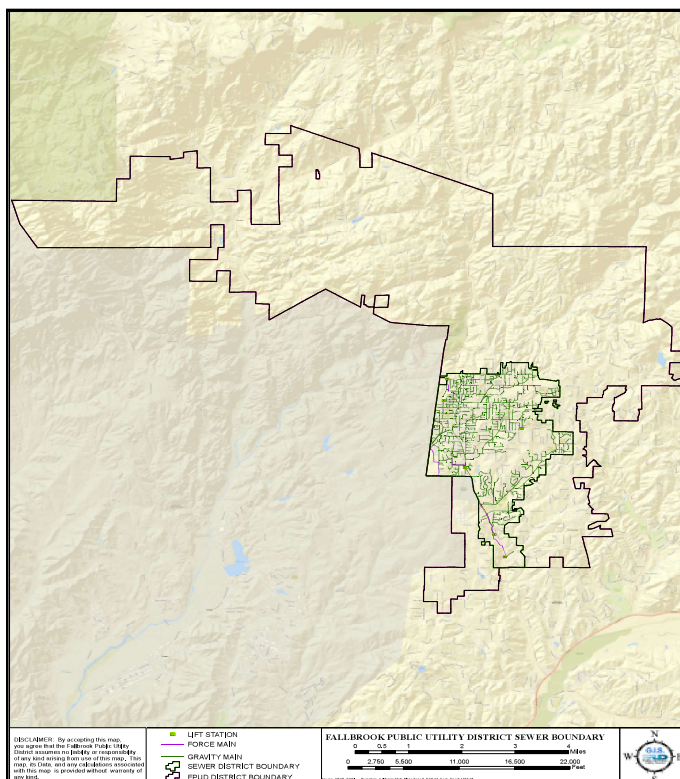
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### District Sewer Boundary



## I. Introduction

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

Fallbrook Public Utility District (District) was incorporated on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles).

The District’s scope of operations grew in 1994 when the Fallbrook Sanitary District merged with the District. It had provided parts of Fallbrook with recycled water and wastewater service within a 4,200-acre area of downtown (as shown in the figure to the left). The District took over those services, and the same year the playing fields at Fallbrook High School started receiving reclaimed water as its source of irrigation water and so did two new large nurseries. In 2015, the District completed a major overhaul, upgrade and expansion of the Plant. The \$27 million project took three years to complete, replacing aged and aging equipment, and allowed for a substantial expansion of the District’s recycled water distribution system. The overhaul involved upgrades to the existing Plant to improve reliability in operation and created much-needed storage space for recycled water.

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

### Wastewater System

The District’s wastewater system is comprised of 78 miles of buried sewer lines and force mains, a 2.7 million gallon per day water reclamation plant, a 1-megawatt solar facility and a 12-mile ocean outfall line.

## II. Bond Information

Principal Outstanding

Bond Issues	As of June 30, 2021
2021 Wastewater Revenue Refunding Bonds Series A	\$14,845,000
2021 Wastewater Revenue Refunding Bonds Series B	5,035,000

## III. Financial Information

The audited financial statements for the District for the fiscal year ended June 30, 2021 have been filed separately on EMMA and are hereby incorporated by reference into this Report.

## IV. Operating Information

The following table shows the number of residential and non-residential connections for the Wastewater System for the years shown.

**Table #1 - Number and Type of Wastewater Connections**

As of June 30,	Residential	Non-Residential	Total
2018	4,641	408	5,049
2019	4,621	383	5,004
2020	4,630	381	5,011
2021	4,654	375	5,029

Source: Fallbrook Public Utility District



The following table shows the ten largest customers of the Wastewater System as of June 30, 2021 based on charges billed.

**Table #2 - Ten Largest Wastewater Customers as of June 30, 2021**

No.	Customer	Type of Business	Revenues	% of Total Revenues <sup>(1)</sup>
1	VALLEY VIEW MOBILE LODGE	Residential	\$ 84,820	1.41%
2	SUMMER RIDGE APARTMENTS	Residential	46,862	0.78%
3	NORTHGATE MARKET	Commercial	46,781	0.78%
4	FALLBROOK UNION HIGH SCHOOL DISTRICT	High School	46,472	0.77%
5	FALLBROOK HILLS APARTMENTS	Residential	45,692	0.76%
6	REED & BROOKE APARTMENTS	Residential	43,595	0.72%
7	TURNAGAIN ARMS APARTMENTS	Residential	43,573	0.72%
8	CPI GV CRESTVIEW ESTATES OW LLC	Residential	43,519	0.72%
9	CORTEZ APARTMENTS	Residential	40,284	0.67%
10	SUNSET MEADOWS APARTMENTS	Residential	37,103	0.62%
	<b>Total, Top 10 Customers</b>		<b>\$ 478,701</b>	<b>7.94%</b>

(1) Based on total Service Charges and CIC Charges for Fiscal Year 2020-21 of \$7,127,282.

Source: Fallbrook Public Utility District

The following table sets forth the historical average daily wastewater flow to the WRP for the fiscal years shown.

**Table #3 - Historical Average Daily Flow at WRP**

As of June 30,	Average Daily Sewer Flow (MGD)	Average Daily Sewer Flow (AF)
2010	1.73	5.30
2011	1.74	5.35
2012	1.67	5.13
2013	1.53	4.69
2014	1.48	4.54
2015	1.54	4.73
2016	1.37	4.20
2017	1.39	4.26
2018	1.33	4.09
2019	1.52	4.68
2020	1.51	4.63
2021	1.51	4.63

Source: Fallbrook Public Utility District

The following table shows the current and projected sewer services charges of the District.

**Table #4 - Monthly Sewer Service Charges**

	Effective Jan. 1, 2018	Effective Jan. 1, 2019	Effective Jan. 1, 2020	Effective Jan. 1, 2021	Effective Jan. 1, 2022
<b>Monthly Fixed Charge Per EDU<sup>(1)</sup></b>					
Wastewater Charge	\$ 9.28	\$ 9.70	\$ 10.14	\$ 10.60	\$ 11.08
Capital Improvement Charge (CIC) <sup>(2)</sup>	11.16	11.53	11.62	11.63	11.68
<b>Monthly Variable Charge Per 1,000 Gallons<sup>(3)</sup></b>					
Single-Family, Multi-Family & Ag. Domestic	\$ 9.44	\$ 9.86	\$ 10.32	\$ 10.79	\$ 11.28
Gov't, Schools, Churches & Low-Strength Commercial	9.37	9.79	10.25	10.72	11.20
Medium-Strength Commercial	11.57	12.09	12.65	13.22	13.81
High-Strength Commercial	14.44	15.09	15.77	16.48	17.22

(1) See Fallbrook Public Utility District Administrative Code Article 11 Section 11.7 for the Schedule of Equivalent Dwelling Units (EDUs) Methodology based on EDUs became effective January 1, 2018.

(2) Each July 1, through and including July 1, 2022, the District is authorized to increase the Wastewater CIC in accordance with the Engineering News Record Construction Cost Index of February for Los Angeles of the preceding year ("ENR CCI"), not to exceed 10% annually.

(3) Residential variable charge based on 2-year adjusted average winter water usage. Commercial variable charge is based on adjusted monthly water usage.

Source: Fallbrook Public Utility District

The following table sets forth the historical assessed values for the fiscal years shown, for “Improvement District “S” which corresponds to the former geographic boundaries of the Fallbrook Sanitary District which was merged into the District and became the Wastewater System.

**Table #5 - Historical Assessed Valuations-Improvement District “S”**

Fiscal Year	Local Assessed	State Assessed	Unsecured Value	Total	% Change
2010	\$ 1,821,146,148	\$ 225,000	\$ 36,302,150	\$ 1,857,673,298	0.0%
2011	1,781,731,084	225,000	37,141,389	1,819,097,473	-2.1%
2012	1,783,734,000	225,000	33,883,225	1,817,842,225	-0.1%
2013	1,773,732,093	225,000	35,613,386	1,809,570,479	-0.5%
2014	1,811,990,591	-	34,916,821	1,846,907,412	2.1%
2015	1,928,060,834	-	35,184,912	1,963,245,746	6.3%
2016	2,021,437,198	-	32,152,307	2,053,589,505	4.6%
2017	2,098,501,032	-	31,163,876	2,129,664,908	3.7%
2018	2,220,524,962	-	31,902,804	2,252,427,766	5.8%
2019	2,337,209,037	-	35,075,356	2,372,284,393	5.3%
2020	2,463,512,540	-	35,305,514	2,498,818,054	5.3%
2021	2,560,166,231	-	37,819,020	2,597,985,251	4.0%

Source: Fallbrook Public Utility District; San Diego County Auditor-Controller





The following table sets forth the top 20 taxpayers within Improvement District “S” for Fiscal Year 2020-2021.

**Table #6 - Top Taxpayers in Improvement District “S”**

No.	Taxpayer	Primary Land Use	FY 2020-21 Assessed Valuation	% of Total
1	Fallbrook GR F2 LLC	Shopping Center	\$ 24,249,581	0.93%
2	Albertsons LLC	Supermarket	20,271,577	0.78%
3	Americare Health & Retirement LLC	Assisted Living Facility	19,604,487	0.75%
4	Pine View Preservation LP	Apartments	16,000,000	0.62%
5	CPI/GV Crestview Estates Owner LLC	Mobile Home Park	14,280,000	0.55%
6	Efren R. Cota Ltd.	Apartments	13,246,530	0.51%
7	Axelgaard Manufacturing Co. Ltd.	Industrial	12,969,989	0.50%
8	Sheryl A. Hailey	Residential Properties	12,948,177	0.50%
9	Fallbrook Medical Arts LLC	Medical Offices	11,284,353	0.43%
10	Hampton Family Trust	Residential Properties	10,198,336	0.39%
11	Amber Creek Associates Ltd.	Apartments	9,430,191	0.36%
12	BRCC Investments LLC	Shopping Center	9,363,600	0.36%
13	Fallbrook Village Apartments LLC	Apartments	8,797,620	0.34%
14	Fallbrook Plaza LLC	Shopping Center	8,411,388	0.32%
15	Rec Properties LLC	Apartments	8,297,671	0.32%
16	Ark Properties LLC	Public Storage	8,003,277	0.31%
17	Fallbrook Hills Apartments LLC	Apartments	7,975,654	0.31%
18	J. & V. Vozza No. 1 LLC	Apartments	7,646,970	0.29%
19	Sunset Views Apartments LLC	Apartments	7,577,023	0.29%
20	Felipe and Concepcion Jimenez	Apartments	7,158,106	0.28%
	<b>Total, Top 20 Customers</b>		<b>\$ 237,714,530</b>	<b>9.15%</b>
	<b>Total Assessed Value, All Taxpayers</b>		<b>\$ 2,597,985,251</b>	

Source: California Municipal Statistics

The following table presents historical Wastewater Fund revenues, expenses and debt service coverage for Fiscal Years 2017-18 to 2020-21.

**Table #7 - Wastewater Revenues, Expenses and Debt Service Coverage**

Fiscal Year Ending June 30,	2018	2019	2020	2021
<b>Operating Revenues:</b>				
Service Charges	\$ 5,258,183	\$ 5,453,590	\$ 5,924,878	\$ 5,993,042
Other Charges	(15,111)	10,230	6,590	1,382
<b>Sub-Total</b>	<b>\$ 5,243,072</b>	<b>\$ 5,463,820</b>	<b>\$ 5,931,468</b>	<b>\$ 5,994,424</b>
<b>Operating Expenses (Excludes Depreciation):</b>				
Operations & Maintenance	\$ 3,039,790	\$ 2,956,457	\$ 3,286,965	\$ 3,188,427
Administrative & General	2,316,954	2,090,222	2,178,369	2,207,487
<b>Sub-Total</b>	<b>\$ 5,356,744</b>	<b>\$ 5,046,679</b>	<b>\$ 5,465,334</b>	<b>\$ 5,395,914</b>
<b>Net Operating Income</b>	<b>\$ (113,672)</b>	<b>\$ 417,141</b>	<b>\$ 466,134</b>	<b>\$ 598,510</b>
<b>Non-Operating Revenues (Expenses)</b>				
Property Taxes	\$ 967,619	\$ 1,015,057	\$ 1,066,408	\$ 1,069,872
Capital Improvement Charges	1,149,667	1,162,117	1,168,350	1,171,245
Investment Income <sup>(1)</sup>	95	84,296	131,547	71,912
Connection Fees	290,904	133,729	123,762	39,579
<b>Sub-Total</b>	<b>\$ 2,408,285</b>	<b>\$ 2,395,199</b>	<b>\$ 2,490,067</b>	<b>\$ 2,352,608</b>
<b>NET REVENUES</b>	<b>\$ 2,294,613</b>	<b>\$ 2,812,340</b>	<b>\$ 2,956,201</b>	<b>\$ 2,951,118</b>
<b>Debt Service Expense:</b>				
2010 Agreement (net of subsidy) <sup>(2)</sup>	\$ 367,229	\$ 379,131	\$ 391,696	\$ 408,435
SRF Loan	1,845,746	1,845,746	1,845,746	1,750,772
2021 Refunding Bonds	-	-	-	22,271
<b>Sub-Total</b>	<b>\$ 2,212,975</b>	<b>\$ 2,224,877</b>	<b>\$ 2,237,442</b>	<b>\$ 2,181,478</b>
<b>Debt Service Coverage (DSC)</b>	<b>1.04</b>	<b>1.26</b>	<b>1.32</b>	<b>1.35</b>
<b>QEGB Loan Subsidy:</b>				
Gross Interest Subsidy Rate (%)	70.0%	70.0%	70.0%	70.0%
Sequestrian Rate (%)	6.6%	6.2%	5.9%	5.7%
Net Interest Subsidy Rate (%)	65.4%	65.7%	65.9%	66.0%

(1) Investment Income excludes the mark-to-market investment gain and investment earnings on the District's 115 Trust.

(2) Amount shown is net of the 70% interest rate subsidy, adjusted for a sequestrian rate of 5.70%.

Source: Fallbrook Public Utility District

## V. Significant Events

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Pursuant to the provisions of the Continuing Disclosure Certificate, the District shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Significant Event, notice of such Significant Event with the MSRB. No significant events were observed during the reporting period. For a list of Significant Events please refer to the 2021 Official Statement.