



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

AGENDA

**MONDAY, MAY 23, 2022
4:00 P.M.**

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

THIS MEETING WILL BE HELD PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1)(A), WHICH WAIVES CERTAIN BROWN ACT TELECONFERENCING REQUIREMENTS DURING A PROCLAIMED STATE OF EMERGENCY WHEN STATE OR LOCAL OFFICIALS HAVE IMPOSED OR RECOMMENDED MEASURES TO PROMOTE SOCIAL DISTANCING, AND ALLOWS SOME OR ALL OF THE MEMBERS OF THE FALLBROOK PUBLIC UTILITY DISTRICT BOARD OF DIRECTORS TO ATTEND THIS MEETING TELEPHONICALLY OR VIA VIDEO CONFERENCE. MEMBERS OF THE PUBLIC WHO DO NOT WISH TO ATTEND IN PERSON ARE ENCOURAGED TO PARTICIPATE IN THE MEETING VIA WEB CONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION. MEMBERS OF THE PUBLIC MAY ALSO PARTICIPATE IN THIS MEETING BY ATTENDING IN PERSON AT THE DISTRICT OFFICE LOCATED AT 990 E. MISSION RD., FALLBROOK, CA 92028.

Join Zoom Meeting

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Find your local number: <https://us06web.zoom.us/j/82003172211?pwd=UU10YWltMkVwWGVAUFNkQnA2bHA4Zz09>

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

SUBMIT COMMENTS BEFORE THE MEETING:

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

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

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

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

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

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

- A. CONSIDER FINDINGS TO CONTINUE HOLDING REMOTE/ TELECONFERENCE MEETINGS PURSUANT TO ASSEMBLY BILL 361

Recommendation:

1. *That the FPUD Board of Directors make the following findings by majority vote:*
 - a. *The Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and*
 - b. *State or local officials continue to impose or recommend measures to promote social distancing.*
2. *That the FPUD Board of Directors determine that, for the next thirty (30) days, the meetings of the Board and committees shall be held pursuant to the provisions of Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section.*

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.

- B. EMPLOYEE OF THE QUARTER FOR MAY 2022
1. Donald Parker
- C. YEARS OF SERVICE
1. Jason Jared – 5 years
 2. Christian Hernandez – 5 years
- D. NEW EMPLOYEE ANNOUNCEMENT
1. Jorge Lopez, Instrumentation, Electrical & Controls Technician I
- E. INTRODUCTION OF NEW OPERATIONS MANAGER
1. Carl Quiram
- F. JPIA PROFESSIONAL DEVELOPMENT PROGRAM COMPLETION

1. Chad Wodarczyk

II. CONSENT CALENDAR----- (ITEMS G – J)

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. April 25, 2022 Regular Board Meeting

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

- H. CONSIDER ADOPTION OF 2022-23 APPROPRIATION GROWTH RATE; RESOLUTION NO. 5027

Recommendation: *That the Board adopt attached Resolution No. 5027 setting the tax appropriation limit for 2022-23 at \$3,748,770, which includes the Fallbrook and DeLuz service areas and Improvement District "S".*

- I. CONSIDER ADVANCE APPROVAL (LAFCO PROTEST HEARING)

Recommendation: *That the Board authorize and approve, in advance, Directors' attendance to the Protest Hearing, noticed by SDLAFCO, scheduled for May 31, 2022 at the FPUD District office.*

- J. CONSIDER NOTICE OF COMPLETION – SANTA MARGARITA CONJUNCTIVE USE PROJECT

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

III. INFORMATION----- (ITEMS K – M)

- K. RATE STUDY UPDATE

Presented by: *Dave Shank, Assistant General Manager/CFO*

- L. REVIEW PRELIMINARY DRAFT FISCAL YEAR 2022-23 OPERATING AND CAPITAL BUDGET

Presented by: *Dave Shank, Assistant General Manager/CFO*

M. EMPLOYEE SATISFACTION SURVEY RESULTS

Presented by: Lisa Chaffin, Human Resources Manager

IV. **ACTION / DISCUSSION CALENDAR** ----- (ITEMS N – T)

N. CONSIDER REAPPOINTING THE GENERAL MANAGER TO SERVE AS THE DISTRICT’S REPRESENTATIVE TO THE SAN DIEGO COUNTY WATER AUTHORITY BOARD OF DIRECTORS, AND ADOPTING RESOLUTION NO. 5028

Recommendation: That the Board adopts Resolution No. 5028 reappointing General Manager Jack Bebee to serve as the District’s representative on the SDCWA Board of Directors.

O. CONSIDER SMRCUP CHANGE ORDER

Recommendation: That the Board approve of the change order for Filanc-Alberici to complete all additional work at a cost of \$758,582, and to approve the professional services agreement amendment for Terrapin Group to complete all Construction Management services.

P. CONSIDER UPDATE ON THE EMERGENCY DECLARATION FOR PIPELINE REPLACEMENTS

Recommendation: That the Board determine there is a need to continue the emergency action to replace failed pipelines and restore essential service to customers.

Q. CONSIDER DECLARING A “WATER SHORTAGE RESPONSE LEVEL 2 – WATER SHORTAGE WATCH”

Recommendation: That the Board declare of a “Water Shortage Response Level 2 – Water Shortage Watch”. Upon declaration, public announcement would be made on all FPUD water bills, physical posting in the District lobby, on the District website and social media outlets, and by publication in the Village News. Given the voluntary nature of the state’s order to reduce water use by 20 percent, and the District’s expanding educational approach to promoting water conservation, it is not recommended that drought rates would be implemented.

R. CONSIDER APPROVAL OF MEMORANDA OF UNDERSTANDING (MOUS) WITH FPUDEA AND FMEA (EFFECTIVE JULY 1, 2022-JUNE 30, 2027) BY ADOPTION OF RESOLUTION NO. 5029

Recommendation: That the Board adopt Resolution No. 5029 approving the Memoranda of Understanding (MOUs) with FPUDEA and FMEA for July 1, 2022-June 30, 2027.

S. CONSIDER INTERNSHIP PROGRAM

Recommendation: That the Board approve the addition of a second intern to the program.

T. CONSIDER REQUEST FOR APPROVAL TO AWARD ONE-TIME PAVING PROJECT TO ASPHALT & CONCRETE ENTERPRISES, INC.

Recommendation: The Board approve a one-time paving project to Asphalt & Concrete Enterprises, Inc. for \$52,800.00.

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

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

ADJOURN TO CLOSED SESSION

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

1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION PER GOVERNMENT CODE SECTION 54957:

Discuss Performance Evaluation of General Manager

2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION PER GOVERNMENT CODE SECTION 54957:

Discuss Performance Evaluation of General Counsel

RECONVENE TO OPEN SESSION

REPORT FROM CLOSED SESSION

VII. 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.

May 18, 2022
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

M E M O

TO: Board of Directors
FROM: Paula de Sousa, General Counsel
DATE: May 23, 2022
SUBJECT: Findings to Continue Holding Remote/Teleconference Committee Meetings Pursuant to Assembly Bill 361

Purpose

Consider findings necessary to continue holding remote/teleconference meetings pursuant to Assembly Bill 361.

Summary

As more fully described in the Board memo for the October 25, 2021 Board of Directors meeting related to AB 361, the State of California has adopted legislation (AB 361), which allows public agencies to hold fully or partially virtual meetings under certain circumstances without being required to follow certain standard Brown Act teleconferencing requirements.

Under AB 361, a legislative body holding a fully or partially virtual meeting pursuant to AB 361 must make certain findings at least every thirty (30) days in order to continue holding such meetings. Because the Board of Directors last made the required findings on behalf of the Board and all FPU D Committees more than 30 days ago, the Board of Directors is required to make the findings to proceed with holding this meeting pursuant to AB 361. The findings would remain in effect for the Board of Directors for the next 30 days.

If the Board of Directors desires to hold the meeting in a manner allowing remote participation pursuant to AB 361, the Board must reconsider the COVID-19 State of Emergency, find that the proclaimed COVID-19 State of Emergency still exists, and find either of the following: (1) that state or local officials continue to impose or recommend measures to promote social distancing, or (2) that as a result of the COVID-19 emergency, meeting in person would present imminent risks to the health or safety of attendees. Based on the continued COVID-19 State of Emergency and required or recommended social distancing measures, as further described in the October 25, 2021 Board memo, the Board can make the required findings.

If the Board does not make the required findings, any Board members participating remotely would not be able to participate in the rest of the meeting, which may deprive the Board of a quorum and result in meeting cancellation.

Recommended Actions

1. That the FPU D Board of Directors make the following findings by majority vote:

- a. The Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and
 - b. State or local officials continue to impose or recommend measures to promote social distancing.
2. That the FPUD Board of Directors determine that, for the next thirty (30) days, the meetings of the Board and Committees shall be held pursuant to the provisions of Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section.

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: May 23, 2022
SUBJECT: May 2022 Employee of the Quarter

Donald Parker was chosen as the May 2022 Employee of the Quarter for the following reasons:

“Donald is extremely knowledgeable, dependable, is always available after hours, and has earned the respect of the entire District. During the last outbreak of leaks, Donald and his department worked countless hours through the night on several different repairs to restore water to our customers. Many of these leak repairs require the knowledge only achieved through years of experience. Donald’s reputation for following District standards and safety practices allows for peace of mind that repairs are performed effectively and to District standards. Donald remains calm and communicates well with subordinates, fellow crew leaders, customers and supervisors. Donald’s clear communication allows a smooth transition of staff and work required to complete these repairs in a timely manner the following mornings.”

Donald received a Certificate of Appreciation and a monetary award of \$150. Additionally, Devin will have lunch with the General Manager, a member of the Board of Directors, and the previous Employee of the Quarter.

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M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: May 23, 2022
SUBJECT: Approval of Minutes

Recommended Action

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

1. April 25, 2022 Regular Meeting



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

MINUTES

**MONDAY, APRIL 25, 2022
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 Baxter called the April Regular Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 4:00 p.m. President Baxter deferred to General Counsel de Sousa to make the following statements on the record regarding the proceedings for this meeting:

General Counsel de Sousa announced, for the record that, pursuant to the state of emergency declared by Governor Newsom, and in order to promote social distancing during the evolving COVID-19 pandemic, this meeting was being conducted by web and teleconference pursuant to Government Code Section 54953(e)(1)(A), which waives certain teleconferencing requirements in certain circumstances. She noted the first item on the agenda pertained to Board action to make the required findings pursuant to Government Code Section 54953(e).

General Counsel de Sousa also announced the agenda provided notice that members of the public may participate in this meeting by attending in person, and that members of the public who do not wish to attend in person were encouraged to participate in the Board meeting electronically using the call-in and weblink information included on the agenda. Members of the public participating remotely may provide general public comments and comments on agenda items in real time by requesting to speak using the "Raise Hand" function on Zoom or, if they were participating by phone, by pressing *9 to raise their hand. In addition, the agenda provided notice to members of the public on how they may submit comments in advance of the meeting to be read at the appropriate portion of the meeting (up to a limit of 3 minutes per comment). There were no written public comments submitted in advance of the meeting, for general public comment or for any agenda items.

General Counsel de Sousa announced that President Baxter would ask the Board Secretary if there were any members of the public who wished to make comments on the item either in person or through Zoom webinar or Zoom teleconference. After public comments, President Baxter would then call on staff to make a presentation for the item on the agenda. After the presentation was made, to avoid everyone speaking at once, President Baxter would then call on each Director to see if there were questions for staff regarding their presentation. After the round of questions, President Baxter would then ask for a motion and request that each Director identify themselves when making a motion

or seconding a motion. Next, President Baxter would call on each Director to see if there were any comments. General Counsel de Sousa also announced there was a public hearing to be held during the meeting. General Counsel de Sousa announced, if there were any Directors participating remotely, which there were not, all votes would have had to be done by roll call. Because no Directors were participating remotely, there was no need to have votes done by roll call.

A quorum was established, and attendance was as follows:

Board of Directors

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

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager
Paula de Sousa, General Counsel
Dave Shank, Assistant General Manager/CFO
Devin Casteel, Systems Operations Supervisor
Aaron Cook, Engineering Manager
Mick Cothran, Engineering Technician
Noelle Denke, Public Affairs Specialist
Jodi Brown, Management Analyst
Steve Stone, Field Services Manager
Francisco Cardenas, Systems Operator I
Miguel Castellanos, Systems Operator I
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: Craig Balben, Ross Pike, and Diane Radack

- A. CONSIDER FINDINGS TO CONTINUE HOLDING REMOTE/ TELECONFERENCE MEETINGS PURSUANT TO ASSEMBLY BILL 361

Recommendation:

1. *That the FPUD Board of Directors make the following findings by majority vote:*
 - a. *The Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and*

- b. State or local officials continue to impose or recommend measures to promote social distancing.*
- 2. That the FPUD Board of Directors determine that, for the next thirty (30) days, the meetings of the Board and committees shall be held pursuant to the provisions of Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section.*

There were no public comments on agenda item A.

MOTION: Director McDougal moved to find that the Governor-declared COVID-19 State of Emergency remains in effect and the Board of Directors has reconsidered the circumstances of the COVID-19 State of Emergency; and State or local officials continue to impose or recommend measures to promote social distancing and that meetings of the Board of Directors and Committees shall be held pursuant to provisions of the Government Code section 54953(e), allowing legislative body members and members of the public to participate in meetings remotely in accordance with that section; Director Endter seconded. Motion passed; VOTE:

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

PLEDGE OF ALLEGIANCE

President Baxter led the Pledge of Allegiance.

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

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

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

PUBLIC COMMENT

There were no public comments for non-agenda items.

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.

- B. NEW EMPLOYEE ANNOUNCEMENTS
 - 1. Carl Quiram, Operations Manager
 - 2. Francisco Cardenas, Systems Operator I

There were no public comments on agenda item B.

The Board welcomed Carl Quiram as the new Operations Manager and Francisco Cardenas as the new Systems Operator I, noting Mr. Cardenas has been a temporary employee at the District and is now a permanent employee.

General Manager Bebee reported that Operations Manager Quiram was unable to attend this meeting and that he would bring him back for introduction at the May regular Board meeting.

- C. EMPLOYEE PROMOTION ANNOUNCEMENTS
 - 1. Jacob Hyink, Equipment Mechanic
 - 2. Miguel Castellanos, Systems Operator I

There were no public comments on agenda item C.

The Board recognized Jacob Hyink for his promotion to Equipment Mechanic and Miguel Castellanos for his promotion to Systems Operator I.

II. CONSENT CALENDAR----- (ITEMS D – 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.

There were no public comments on Consent Calendar items.

- D. CONSIDER APPROVAL OF MINUTES
 - 1. March 28, 2022 Regular Board Meeting/Public Hearing
 - 2. April 11, 2022 Special Board Meeting/Public Hearing

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

- E. CONSIDER ADVANCED APPROVAL TO ATTEND MEETINGS

Recommendation: That the Board authorize and approve, in advance, Directors' attendance to the Town Hall Meeting scheduled for May 2, 2022 at the FPUD District office.

General Manager Bebee announced that for Consent Calendar item E, only two Directors were allowed to attend the Town Hall meeting scheduled for May 2, 2022, unless the Board wished to treat the Town Hall as a special Board meeting.

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----- (ITEMS F – G)

F. REVIEW STRATEGIC PLAN FOR FISCAL YEAR 2022/2023

There were no public comments on agenda item F.

General Manager Bebee reported every year he updates the strategic plan, as the budget is prepared. He wanted the Board to be aware of what is in the plan, and where the District is currently with the latest document and also queue up conversation about any comments related to what is in the document.

Director Endter asked how the supply chain issues would affect the projects included in the strategic plan. General Manager Bebee explained the strategic objective would remain the same, but procurement process to achieve that would need to change moving forward.

G. BOARD NOTIFICATION OF EMERGENCY DECLARATION FOR PIPELINE REPLACEMENTS

There were no public comments on agenda item G.

General Manager Bebee explained there were a number of leaks due to a small surge in pressure in one of the pressures zones, unfortunately exposing pipe that was corroded and ready to be replaced. General Manager Bebee reported that in order to get this done right away and to prevent property damages or other issues, he declared an emergency.

General Manager Bebee explained the District was using an existing contractor to complete this work, and the District supplied the pipe. He noted our crews were busy with leaks at the same time. General Manager Bebee explained

if this emergency continues, it will come back to the Board to approve at the May meeting. He did note that the District had budgeted more for pipeline replacement, and that this was still within the overall budget.

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

**H. CONSIDER UPDATE OF EXPANSION OF LATENT POWERS
(COMMUNITY BENEFIT PROGRAM)**

Recommendation: That the Board establish an ad-hoc Board committee to develop the draft administrative requirements and framework for the Community Benefit Program with input from the community.

There were no public comments on agenda item H.

General Manager Bebee gave an update on the status of the District's application to LAFCO for the expansion of latent powers. He explained LAFCO has conditionally approved this, and the next step is a protest hearing, scheduled for May 31, 2022. General Manager Bebee reported there will be outreach to explain the process as well. He noted, if everything was successful, this program would be established around January. General Manager Bebee requested the Board consider forming an ad-hoc Board committee to assist in developing the administrative requirements for the program, as well as to engage the public for their input.

Director McDougal expressed his interest in continuing to serve on the ad-hoc Board committee. Director Endter also expressed his interest. President Baxter appointed Directors McDougal and Endter to serve on this ad-hoc Board committee.

MOTION: Director McDougal moved to establish an ad-hoc Board committee to develop the draft administrative requirements and framework for the Community Benefit Program with input from the community; Director DeMeo seconded. Motion carried; **VOTE:**

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

NOES: None

ABSTAIN: None

ABSENT: None

I. DISCUSSION ON WATER SHORTAGE CONTINGENCY PLAN

Recommendation: That the Board take the Governor's executive order under advisement as more detailed State guidance regarding non-functional turf, regulatory mandates and further developments in regional conservation program outreach and expansion comes to fruition. At this time the Board directs District

staff to prepare for a Board declaration of a “Water Shortage Response Level 2 – Water Shortage Watch”.

There were no public comments on agenda item I.

General Manager Bebee provided an update of the Governor’s executive order due to drought conditions, which required a level 2 water response. He reported the District had already seen a 9-10% drop in demand. General Manager Bebee announced the District would begin preparing for a level 2 response, which would include outreach to customers, however there was no formal action needed at this point.

President Baxter asked what high-level approach this would require. General Manager Bebee answered that it was mostly outreach. He did report this may affect the special agricultural rate depending on what actions were taken by MWD.

Director Endter asked if there was a conflict of interest if the Board does a “watch and wait.” General Counsel de Sousa explained that the way it is written, it is up to the State Board to decide, which is what the District will need to react to. The State Board will adopt emergency regulations at their May meeting and go through the administrative procedure. General Counsel de Sousa did note the supply and demand assessment was now due June 1st, instead of the usual July 1st. The guidelines for this were just released.

President Baxter asked if there were ways around this reduction since we have our own water sources. General Counsel de Sousa noted the District would still need to comply, or would face fines.

MOTION: Director McDougal moved to direct District staff to prepare for a Board declaration of “Water Shortage Response Level 2 – Water Shortage Watch,” Director DeMeo seconded. Motion carried; VOTE:

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

NOES: None

ABSTAIN: None

ABSENT: None

J. CONSIDER REQUEST FOR APPROVAL TO SELL SURPLUS PROPERTY (APNS 102-30-039, 105-49-215, AND 101-45-014)

Recommendation: That the Board adopt the attached resolution making findings and declaring the parcels surplus land and authorizing District staff to proceed with the sales process.

There were no public comments on agenda item J.

Engineering Manager Cook reported there were three parcels identified that the District owned that were not be used. He explained the recommendation was to go through the process to declare these parcels as surplus, which would allow the District to go through the steps to sell them. Engineering Manager Cook briefly detailed each parcel.

Director McDougal noted this went through the Engineering and Operations Committee, and it made sense to get rid of these parcels, as it would also save on maintenance costs.

Director Endter asked if we have already reached out to other public agencies regarding the sale of these parcels. General Counsel de Sousa then outlined the process of selling public agency owned parcels.

MOTION: Director McDougal moved to adopt Resolution No. 5026, making findings and declaring the parcels surplus land and authorizing District staff to proceed with the sales process; Director Endter seconded. Motion carried; VOTE:

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

NOES: None

ABSTAIN: None

ABSENT: None

K. CONSIDER GUM TREE PIPELINE REPLACEMENT PROJECT CHANGE ORDER

Recommendation: That the Board approve the pending change orders requests for work performed by SRK Engineering.

There were no public comments on agenda item K.

Engineering Manager Cook provided an overview of the project, as well as the pending change orders for the Gum Tree Pipeline Replacement project. He explained towards the end of this project, removal of existing pipeline was found to have asbestos, which required an additional cost for disposal. There was also an additional cost for erosion control. Engineering Manager Cook also reported SRK Engineering was the contractor helping with the emergency pipeline repairs mentioned earlier.

Vice President Wolk stated it would be beneficial to know which projects were under budget. General Manager Bebee stated this could be included going forward.

MOTION: Director Endter moved to approve the pending change orders requests for work performed by SRK Engineering for the Gum Tree Pipeline Replacement Project; Director McDougal 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)

There were no public comments on oral/written reports.

1. General Counsel
2. SDCWA Representative Report
 - General Manager Bebee provided an overview of the written report included in the agenda packet.
 - Vice President Wolk asked if there was a legal precedent for a wholesale agency to direct a retail agency how to allocate their water.
3. General Manager
 - a. Engineering and Operations Report
 - General Manager Bebee provided an overview of the written report included in the agenda packet.
4. 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 report included in the agenda packet.
 - AGM/CFO Shank reported there was almost \$4M outstanding from the state. A payment had not been received since January.
 - AGM/CFO Shank reported shutoffs were starting, which will start with accounts that are 120 days late. He also noted the District received funds for wastewater from the state arrearage program.
 - Vice President Wolk asked why \$595,000 was pulled out of LAIF. AGM/CFO Shank explained all money pulled out of LAIF was for CIP due to not receiving a check from the state for SMCUP.
5. Public Affairs Specialist
 - Public Affairs Specialist Denke reported that the District had a booth at the Avocado festival and will also have a booth at Arts in the Park on May 1, 2022.
 - Public Affairs Specialist Denke reported she was working on the 100th Anniversary event as well.

6. Notice of Approval of Per Diem for Meetings Attended
 - President Baxter and Director Endter both reported on the CSDA SDLA event in April.
7. Director Comments/Reports on Meetings Attended
8. Miscellaneous

ADJOURN TO CLOSED SESSION

General Counsel de Sousa announced the Board would be going into Closed Session and that members of the public participating via web or teleconference were welcome to continue to stay on the line while the Board was in Closed Session, however they would only hear silence. Following Closed Session and prior to adjournment, an oral announcement of reportable action, should there be any, would be made to the public on the teleconference line.

There were no public comments on Closed Session items.

The Board of Directors adjourned to Closed Session at 5:09 p.m. following an oral announcement by General Counsel de Sousa of Closed Session Items VI.1–3.

VI. **CLOSED SESSION** -----(ITEMS 1–3)

1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION PER GOVERNMENT CODE SECTION 54957:

Discuss Performance Evaluation of General Manager

2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION PER GOVERNMENT CODE SECTION 54957:

Discuss Performance Evaluation of General Counsel

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

One (1) Potential Case.

RECONVENE TO OPEN SESSION

The Board came out of Closed Session and reconvened to Open Session at 5:29 p.m.

REPORT FROM CLOSED SESSION (*As Necessary*)

There was no reportable action taken in Closed Session.

VII. ADJOURNMENT OF MEETING

There being no further business to discuss, the April Regular Meeting of the Board of Directors of the Fallbrook Public Utility District was adjourned at 5:30 p.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: May 23, 2022
SUBJECT: 2022-23 Appropriation Growth Rate - Resolution No. 5027

Purpose

To set the tax appropriation limitation for 2022-23.

Summary

In November 1979, the voters of California approved the addition of Article XIII B to the State Constitution. This amendment provided a maximum annual percentage that proceeds of taxes could increase. This calculation is what the County of San Diego uses when determining what portion of the County's taxes that Fallbrook Public Utility District will receive for the Fallbrook service area, De Luz service areas, and Improvement District "S".

The California Revenue and Taxation Code section 2227 mandates the Department of Finance transmit an estimate of the percentage change in population to local governments. Each jurisdiction uses their change in population factor for January 1, 2022, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for FY 22-23.

A certified copy of the attached Resolution must be sent to the State Controller's office by June 1, 2022.

Recommended Action

That the Board adopt attached Resolution No. 5027 setting the tax appropriation limit for 2022-23 at \$3,748,770, which includes the Fallbrook and DeLuz service areas and Improvement District "S".

RESOLUTION NO. 5027

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
FALLBROOK PUBLIC UTILITY DISTRICT ESTABLISHING THE LIMIT
FOR APPROPRIATION OF PROCEED OF TAX SUBJECT TO
LIMITATION FOR FISCAL YEAR 2022-23 IN COMPLIANCE WITH
ARTICLE XIII B OF THE CONSTITUTION OF THE STATE OF
CALIFORNIA**

* * * * *

WHEREAS, the determination of appropriation limitation documentation and the population and cost of living per capita income increase provided by the State of California Department of Finance used to determine the appropriation limitations under Article XIII B of the Constitution of the State of California is on file and available for public inspection and is attached as Exhibit "A" to this Resolution.

THEREFORE, BE IT RESOLVED THAT the calculated maximum limit applicable to the 2022-23 appropriations of proceeds of tax subject to limitation established in compliance with Article XIII B of the Constitution of the State of California, including Fallbrook and DeLuz services areas and Improvement District "S". The calculated maximum limit is as follows:

➤ **TOTAL MAXIMUM LIMIT APPLICABLE TO 2022-23: \$3,748,770**

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 23rd day of May, 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Exhibit "A"
FALLBROOK PUBLIC UTILITY DISTRICT

DETERMINATION OF PERMITTED GROWTH RATE IN APPROPRIATION

2022-23

Determination of Permitted Growth Rate Appropriations 2022-23

Given by Department of Finance:

Per Capita Income Change 7.55

Population Change -0.35

Per Capita Income Change Converted to a Factor: 1.0755

Population Change Converted to a Factor: 0.9965

2022-23 Growth Factor:

$$\boxed{1.0755} \times \boxed{0.9965} = \boxed{1.0717}$$

Appropriation Limit Adjustment Factor 2022-23 1.0717

2021-22 Appropriations for Proceeds to Tax Subject to Limitation per Resolution No. 4489 - FPUD: \$1,940,784.88

2021-22 Appropriations for Proceeds to Tax Subject to Limitation per Resolution No. 89-14 - DLHMWD:

Parent \$121,848

I.D. # 1&2 \$420,796

2021-22 Appropriation For Proceeds to Tax Subject to Limitation per Resolution No. 4400 - I.D. "S" \$1,014,544

2021-22 Total Appropriation Limit for Proceeds of Tax Subject to Limitation - All Districts \$3,497,966

2022-23 Total Appropriation Limit for Proceeds of Tax Subject to Limitation - Combined Districts

$$\$3,497,966 \times 1.0717 \quad \boxed{\$3,748,770}$$

|

M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: May 23, 2022
SUBJECT: Consider Advance Approval to Attend Meetings

Purpose

To authorize Directors' attendance, travel, and expenses to events requiring approval by the Board of Directors in advance.

Summary

Article 2 of the Administrative Code prescribes that compensation for attendance and reimbursement for expenses at occasions, events, or meetings related to District business, other than those listed in section 2.12, shall be determined by the Board of Directors, in advance, on a case-by-case basis.

The request is for advance approval to the following event:

1. Protest Hearing, noticed by San Diego Local Agency Formation Commission, on the conditional approval of the Fallbrook Public Utility District Latent Powers Activation on May 31, 2022 at the FPUD District office.

Recommended Action

That the Board authorize and approve, in advance, Directors' attendance to the Protest Hearing, noticed by SDLAFCO, scheduled for May 31, 2022 at the FPUD District office.

M E M O

TO: Board of Directors
FROM: Aaron Cook, Engineering Manager
DATE: May 23, 2022
SUBJECT: Notice of Completion – Santa Margarita Conjunctive Use Project

Purpose

To file a Notice of Completion for the Santa Margarita Conjunctive Use Project with the San Diego County Recorder.

Summary

The completion date for Santa Margarita Conjunctive Use Project, Job Number 3095-CUCX, is May 23, 2022. Filanc-Alberici Joint Venture completed the Contract. The final total contract amount was \$59,105,832. The original contract award date is July 22, 2019, in the amount of \$54,398,232. The final cost was higher than originally contracted due to the addition of the GAC treatment system, unforeseen site conditions, and necessary design changes.

Budgetary Impact

There is no budgetary impact to record the Notice of Completion. As noted, there were additional costs to complete the project, but the additional costs were approved in previous change orders and within the overall project budget.

Recommended Action

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

RECORDING REQUESTED BY:
Fallbrook Public Utility District

AND WHEN RECORDED MAIL TO:
Fallbrook Public Utility District
990 E. Mission Road
Fallbrook CA 92028

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN THAT:

1. The undersigned is the owner of the interest or estate stated below in the property hereinafter described.
2. The full name of the undersigned is Fallbrook Public Utility District.
3. The full address of the undersigned is 990 E Mission Road, Fallbrook CA 92028.
4. The nature of the title of the undersigned is public utility district in fee.
5. The full names and full addresses of all persons, if any, who hold title with the undersigned as joint tenants or as tenants in common are:

<u>NAMES</u>	<u>ADDRESSES</u>
Fallbrook Public Utility District	990 E. Mission Rd, Fallbrook CA 92028

6. The names of the predecessors in interest of the undersigned, if the property was transferred subsequent to the commencement of the work of improvement herein referred to are (OR IF NO TRANSFER WAS MADE INSERT THE WORD "None")

<u>NAMES</u>	<u>ADDRESSES</u>
None	None

7. The work of improvement on the property hereinafter described was completed on **May 23, 2022**.
8. The name of the original contractor, if any, for the work of improvement was: **Filanc-Alberici Joint Venture**
The kind of work done or material furnished was for the **Santa Margarita Conjunctive Use Project**
9. The property on which the work of improvement was completed is in the unincorporated area of Fallbrook, county of San Diego, state of California, and is described as follows: **7.6 acre parcel west of Alturas**
10. The street address of the said property is: **1641 Alturas Road, Fallbrook CA 92028**

DATED: May 10, 2022

Aaron Cook, Senior Engineer
Fallbrook Public Utility District

VERIFICATION

I, the undersigned, say:

I am the person who signed the foregoing notice. I have read the above notice and know its contents, and the facts stated therein are true of my own knowledge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 10, 2022, at Fallbrook, California.

Signature

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M E M O

TO: Board of Directors
FROM: Fiscal Policy and Insurance (FP&I) Committee
DATE: May 23, 2022
SUBJECT: Review Preliminary Draft Fiscal Year 2022-23 Operating and Capital Budget

Purpose

As laid out in the District's budget development process, the initial steps in developing an annual budget include staff and management developing and reviewing the preliminary operating and capital budgets. This is followed by the Fiscal Policy and Insurance Committee's (Committee) review and consideration. The review is intended to provide detailed cost data and solicit the Committee's feedback and comments. With the completion the Santa Margarita Groundwater Treatment Plant (SMGTP) in December 2021, the District has taken a significant step towards diversifying its water supplies. The SMGTP allows the District to take Santa Margarita River (SMR) water and deliver it to customers. This year the budget discussion will focus on the budgetary changes driven by the District's supply mix and water sales uncertainty.

Summary**Water Supply Challenges:**

With the State already in voluntary use restrictions and tighter restrictions anticipated, estimating next year's water sales and supplies is difficult. Not only is the drought impacting the State water supplies but also the hydrology of the SMR. This impacts the amount of SMR water available to the District. With reduced levels of SMR water available, the District is budgeting to purchasing more water from the San Diego County Water Authority (SDCWA). Developing a budget under these conditions requires assumptions that deviate from "normal" levels, this can cause temporary spikes in budget levels. This is highlighted by the increase in the District's budgeted Cost of Water shown in the table below. Under normal conditions this cost will be lower due to water production at SMGTP.

OPERATING BUDGET:

Attachment A provides the Preliminary Draft Fiscal Year 2021-22 Operating Budget's labor and non-labor expenses and benefit allocations for the District's Services. The attachment includes the District's Services which include Administrative (two pages), Water (two pages), Recycled Water and Wastewater Services and the new Community Benefit Program. The tables show the actual expenditures for Fiscal Year 2020-21, the budgeted and projected Fiscal Year 2021-22 expenditures and the Fiscal Year 2022-23 preliminary draft budget. Attachment E is a summary of significant (greater than 5%) change budget to budget in any line item. The code in red to the right in Attachment A corresponds to the description of the change provided in Attachment E. A full Draft Budget is included for Board review as Attachment F.

The total District operating expenditures are shown in the table below. A discussion of each category of the Operating Budget is discussed in detail below. Overall the total increase shown in this table is being driven by Water Supply Costs, which cannot be finalized until

SDCWA has set CY 2022 Rates and Charges. In addition, the expenditures related to the Community Benefit Program are also included in this budget.

Looking at Fiscal Year 2021-22 Projected expenditures, staff are currently projecting a surplus in the budget appropriations. At this point, staff is not asking for any changes to the budget appropriations.

	FY 2020-21	FY 2021-22		FY 2022-23	Bgt to Bgt
	Actuals	Budget	Projected	Recommended	% Change
Cost of Water	\$13,955,908	\$ 11,547,729	\$12,769,032	\$ 13,791,080	19.4%
Debt Service	3,101,093	3,685,471	3,621,118	3,730,508	1.2%
Total Labor	5,204,642	5,716,546	5,681,295	6,064,174	6.1%
Total Non-Labor*	4,288,444	6,667,765	5,161,755	6,309,478	-5.4%
Operating Expense Total	\$26,550,087	\$ 27,617,511	\$27,233,199	\$ 29,895,240	8.2%
Benefits Expenditures (Ops)	3,674,696	3,874,164	3,874,164	4,057,087	4.7%
Total	\$30,224,783	\$ 31,491,675	\$31,107,363	\$ 33,952,327	7.8%
*Total Non-Labor Includes \$539,039 for Community Benefit Program					

Cost of Water

The increase in the Cost of Water, which is what the District pays to other entities for its water, is being driven by a shift towards SDCWA supplies due to the reduced SMR water available to the District. While this is not ideal, this volatility in supplies is embedded in the mechanics of the SMR water rights agreement and expected. In addition to more supplies from SDCWA this budget cycle, in light of the water supply conditions sales are being projected at 7,800 AF. This is slightly below the expected sales level of 8,100, which has been used in prior years for the water sales forecast. With SDCWA's rates and charges for CY 2023 not yet set, staff are assuming an overall 5% increase on SDCWA rates. Attachment B shows a detailed breakdown of the District's budgeted Cost of Water.

Labor

Labor is showing an increase in line with the proposed cost of living increase and other changes in the most recent Memorandums of Understanding (MOUs). As shown in Attachment A, the increase varies depending on the impact of the MOUs on the Division staffing. Overall, the increase is under the actual level of regional inflation.

Non-labor

The non-labor expenses are broken into eight main categories to make the budget more reader friendly. The expense categories include Director Expenses, Contractor Services, Equipment (Non Capital), Materials/Services/Supplies, Professional Services, Membership/Training/Permit, Santa Margarita Water master and Utilities. Attachment E provides detail on the drivers behind the changes. Use the Reference Codes in Attachment A (on right in red) to find the details in Attachment E. Non-labor is down due to the reduction in variable operating costs for the SMGTPs. This is being driven by the reduced volume of water expected to be treated at this facility during the next budget cycle. Offsetting this decrease is \$539,039 in expenses for the Community Benefit Program, which is a new element in the Budget. This additional activity accounts for 1.7% of the overall increase of 7.8%.

Benefits

The increase in benefits is primarily due to the scheduled increase in pension payments. The District's total benefit budget, which includes both operating (87%) and capital (13%) portions and is shown in Attachment C, is increasing 4.7%. The increase in pension related costs are driven by CalPERS policies. The Board could elect to offset the Pension and or other increases by decreasing its voluntary contribution to the District's Pension/OPEB Liability Trust, which is currently budgeted at \$500,000.

Debt Service

The District's debt service schedule and payments for Fiscal Year 2022-23 are provided in Attachment D. The debt service payment for Fiscal Year 2022-23 is shown below the debt service schedules and is increased as the District begins paying full debt service on debt related to the Santa Margarita Conjunctive Use Project.

CAPITAL BUDGET:

Utility districts require long-term investments in extensive capital facilities. 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. It is critical to develop plans to reduce the overall cost of operating these facilities by completing pro-active capital projects to replace and rehabilitate these assets versus waiting for system failures. A well-planned Capital Program is critical to the long-term stability of the District.

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 prioritized needs verses available capital funds. Individual project costs are estimated based on current construction cost information. While some projects are well into the design phase and costs can be fairly accurately estimated, others are based on early stage planning estimates. Additionally, unforeseen changes to priorities can result from changing materials and construction costs, pipeline failures, extreme weather, etc. Changing conditions resulting from these complexities can alter the individual project priorities. Continuous capital project updates are provided throughout the year to provide key performance metrics and to inform the board and the public of any changes to priorities.

A summary of the CIP is provided below.

Water Capital Projects:

The most crucial component of the water capital plan is the pipeline and valve replacement program. The portion of the annual budget for these efforts is based on asset analysis performed in 2017, and routinely updated, with the intent to increase the annual budget in 20-year increments in order to achieve a 100-year replacement cycle. The Board also adopted a capital improvement charge and an escalation value to the charge to help make incremental progress towards reaching the 100 year replacement target. There are 6,872 total valves and 268 miles (1,415,040 feet) of water main in the

existing distribution system. Currently the goal is to replace 100 valves and 5,000 linear feet of water main per year. Because the pipeline replacement goal was not met in FY20-21, the goal for FY21-22 was increased to 7,680. However, due to longer than previously normal procurement times, current projections show the year will likely end with about 6,700 linear feet replaced. The goal for FY22-23 will be 7,500 linear feet of pipe replaced, again above the typical 5,000 linear feet, in order to gain on the overall pipeline replacement plan. Based on the favorable bid prices on the larger Winter Haven Pipeline Replacement project, staff intend to bid all planned pipeline replacement for the year as a single project with the expectation that the larger project will help mitigate cost increases and attract bids more experienced contractors.

The table below shows Budget vs Projected Actuals for FY 2021-22 and the proposed budget for FY 2022-23.

Water Capital Projects	Budget FY 2022	Projected FY 2022	Proposed FY 2023
Pipelines and Valve Replacement Projects by District	\$670,000	\$491,617	\$570,000
Pipeline Replacement Projects by Contractors	\$3,388,000	\$2,601,210	\$4,543,350
Deluz ID Projects	\$100,000	\$67,394	\$100,000
Pump Stations	\$412,500	\$57,834	\$300,000
Meter Replacement	\$275,000	\$127,170	\$25,000
Pressure Reducing Stations	\$0	\$0	\$65,000
Red Mountain Reservoir Improvements	\$112,000	\$101,595	\$175,000
Steel Reservoir Improvements	\$180,000	\$157,134	\$10,000
Santa Margarita Conjunctive Use Project (Construction)	\$8,450,000	\$7,280,290	\$0
SMGTP Improvements	\$0	\$0	\$200,000
SCADA Upgrades/ Security/Telemetry	\$95,000	\$77,409	\$90,000
Total PAYGO Water Capital Projects	\$5,232,500	\$3,681,363	\$6,078,350
Total Water Capital Projects (Including SMRCUP)	\$13,682,500	\$10,961,653	

The major pipeline projects for Fiscal Year 2022-23 include:

- Completion of the 2nd phase of the Winter Haven Pipeline Replacement Project. The project consists of the replacement of approximately 5,580 linear feet of 12-inch water main. The majority of this project will be completed by the end of FY21-22.
- Replacement of water mains on various streets around the downtown area. Approximately 7,500 linear feet of pipeline ranging in size from 6-inch diameter to 12-inch diameter.

Wastewater/Recycled Water Capital Projects:

As part of the long-term sewer system replacement plan, the focus will be on relining manholes and mainlines and installation of a new gravity sewer main enabling the decommissioning of the Hawthorn Lift Station.

At the Water Reclamation Plant (WRP), planned work includes the replacement of aging mechanical equipment, resealing the yard pavement, coating of concrete basins and equipment, and finishing the new storm water basins started in the current fiscal year.

For the recycled water system, the primary focus will be on replacement of small sections of mainline, as well as strategic planning to identify future expansions of service area. The water supply reliability project will be completed in the Fall. The remaining portion of this project is funded by an Integrated Regional Water Management Proposition 1 Grant.

The table below shows Budget vs Projected Actuals for FY 2021-22 and the proposed budget for FY 2022-23.

Recycled Water Capital Projects	Budget FY 2022	Projected FY 2022	Proposed FY 2023
Recycled Water Improvements	\$270,000	\$325,804	\$114,000
Total Recycled Water Capital Projects	\$270,000	\$325,804	\$114,000
Waste Water Capital Projects	Budget FY 2022	Budget FY 2022	Planned FY 2023
WRP Improvements	\$315,000	\$487,805	\$281,000
Collection System Improvements	\$595,000	\$593,992	\$275,000
Outfall Improvements	\$50,000	\$0	\$50,000
Total Waste Water Capital Projects	\$960,000	\$1,081,797	\$606,000

Administrative Capital Projects:

Administrative capital projects in the coming year will be focused on improved network/server reliability and security, and replacement of the main office roof. The table below shows Budget vs Projected Actuals for FY 2021-22 and the proposed budget for FY 2022-23.

Administrative Capital Projects	Budget FY 2022	Projected FY 2022	Proposed FY 2023
Administrative Upgrades	\$65,000	\$55,000	\$105,000
Engineering and Operations Information Systems	\$0	\$0	\$30,000
Facility Improvements/Upgrades/Security	\$120,000	\$119,057	\$290,000
District Yard Improvements	\$25,000	\$19,636	\$0
Vehicles and Heavy Equipment	\$615,500	\$564,082	\$255,000
Total Administrative Capital Projects	\$825,500	\$757,775	\$680,000

Total Capital Budget Summary:

	Budget FY 2022	Projecte d FY 2022	Propos ed FY 2023
Total all PAYGO Capital Budget Projects	\$7,288,00 0	\$5,846,73 9	\$7,478,3 50
Total all Capital Projects (Including SMRCUP)	\$15,738,0 00	\$13,127,0 29	\$7,478,3 50

Next steps:

It should be noted that the revenues and financial projections can only be developed once the SDCWA's rates and the District's fixed charge allocations are available. Staff anticipate having a Final Draft Fiscal Year 2021-22 Budget for the Committee to review in early June and then ready for the June Board meeting.

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

- Attachment A – Draft Fiscal Year 2022-23 Operating Budget for labor and non-labor expenses and benefit allocations for the District's Services
- Attachment B – Draft Fiscal Year 2022-23 Cost of Water
- Attachment C – Draft Fiscal Year 2022-23 benefit expenditures.
- Attachment D – Fiscal Year 2022-23 debt service schedule.
- Attachment E – Summary of Significant Percent Changes by Budget Category
- Attachment F – Draft Fiscal Year 2022-23 Recommended Annual Budget

Recommended Action

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

Attachment A

Draft Fiscal Year 2022-23 Operating Budget for Labor and Non-Labor Expenses and Benefit Allocations for the District's Services

FPUD Expense Summary
Fiscal Year 2022-23 Operating Budget

Description	Div	FY 2020-21	FY 2021-22	FY 2022-23	% Change	Reference
		Actual	Budget	Projected	Budget	Bgt to Bgt
Administrative Services						
Office of the General Manager	50					
Labor Expenses:						
Salaries		\$ 421,619	\$ 453,099	\$ 443,846	\$ 471,492	4.1%
Non-Labor Expenses:						
Director Expenses		22,311	40,000	32,164	40,000	0.0%
Contractor Services	C	14,765	12,700	12,983	14,500	14.2% 1-1
Materials/Services/Supplies	M	56,338	92,300	93,482	84,800	-8.1% 1-2
Equipment (Non Capital)	E			-	0	NA
Professional Services	P	502,742	400,000	433,437	410,000	2.5%
Memberships/Training/Permits	T	73,428	96,600	87,435	88,000	-8.9% 1-3
Santa Margarita Watermaster		116,402	128,412	128,412	135,073	5.2% 1-4
Total Non-Labor		<u>\$ 785,985</u>	<u>\$ 770,012</u>	<u>\$ 787,912</u>	<u>\$ 772,373</u>	0.3%
Division Operating Total		<u>\$ 1,207,603</u>	<u>\$ 1,223,111</u>	<u>\$ 1,231,759</u>	<u>\$ 1,243,865</u>	1.7%
Finance & Customer Service						
Labor Expenses:	53					
Salaries	54	\$ 766,698	\$ 793,026	\$ 728,528	\$ 856,036	7.9% 1-5
Non-Labor Expenses:						
Contractor Services	C	31,390	21,000	20,688	24,000	14.3% 1-6
Equipment (Non Capital)	E	0	4,000	4,121	4,500	12.5% 1-7
Materials/Services/Supplies	M	131,892	197,200	151,131	145,200	-26.4% 1-8
Professional Services	P	92,301	166,000	157,255	181,500	9.3% 1-9
Memberships/Training/Permits	T	790	2,700	1,837	2,700	0.0%
Utilities	U	-	-	-	-	NA
Total Non-Labor		<u>\$ 256,374</u>	<u>\$ 390,900</u>	<u>\$ 335,031</u>	<u>\$ 357,900</u>	-8.4%
Division Operating Total		<u>\$ 1,023,072</u>	<u>\$ 1,183,926</u>	<u>\$ 1,063,559</u>	<u>\$ 1,213,936</u>	2.5%
Warehouse & Purchasing						
Labor Expenses:	60					
Salaries		\$ 217,145	\$ 171,869	\$ 167,911	\$ 174,529	1.5%
Non-Labor Expenses:						
Contractor Services	C	124,588	120,000	140,000	135,000	12.5% 1-10
Equipment (Non Capital)	E	658	500	284	500	0.0%
Materials/Services/Supplies	M	123,734	106,800	104,863	119,500	11.9% 1-11
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	1,132	1,000	1,063	1,000	0.0%
Utilities	U	43,212	45,000	44,458	45,000	0.0%
Total Non-Labor		<u>\$ 293,323</u>	<u>\$ 273,300</u>	<u>\$ 290,668</u>	<u>\$ 301,000</u>	10.1%
Division Operating Total		<u>\$ 510,468</u>	<u>\$ 445,169</u>	<u>\$ 458,579</u>	<u>\$ 475,529</u>	6.8%
Human Resources						
Labor Expenses:	70					
Salaries		\$ 225,288	\$ 239,473	\$ 231,252	\$ 249,371	4.1%
Non-Labor Expenses:						
Contractor Services	C	16,729	61,325	61,325	20,000	-67.4% 1-12
Equipment (Non Capital)	E	-	-	-	-	NA
Materials/Services/Supplies	M	17,473	27,400	15,006	27,400	0.0%
Professional Services	P	7,651	10,000	7,398	10,000	0.0%
Memberships/Training/Permits	T	47,890	95,550	59,338	98,050	2.6%
Education Funding	NA	5,040	3,000	7,674	7,000	133.3% 1-13
Utilities	U	-	-	-	-	NA
Total Non-Labor		<u>\$ 94,783</u>	<u>\$ 197,275</u>	<u>\$ 150,740</u>	<u>\$ 162,450</u>	-17.7%
Division Operating Total		<u>\$ 320,071</u>	<u>\$ 436,748</u>	<u>\$ 381,992</u>	<u>\$ 411,821</u>	-5.7%

FPUD Expense Summary
Fiscal Year 2022-23 Operating Budget

Description	Div	FY 2020-21	FY 2021-22	FY 2022-23	% Change	Reference Code
		Actual	Budget	Projected	Budget	
Administrative Services						
Information Management	51					
Labor Expenses:						
Salaries		\$ 88,880	\$ 96,286	\$ 100,565	\$ 98,800	2.6%
Non-Labor Expenses:						
Contractor Services	C	59,681	62,150	62,380	65,150	4.8%
Equipment (Non Capital)	E	34,121	25,000	24,500	25,000	0.0%
Materials/Services/Supplies	M	162,109	185,728	175,695	193,068	4.0%
Professional Services	P	-	-	-	75,000	100.0% 1-14
Memberships/Training/Permits	T	-	-	-	-	NA
Utilities	U	-	-	-	-	NA
Total Non-Labor		<u>\$ 255,911</u>	<u>\$ 272,878</u>	<u>\$ 262,575</u>	<u>\$ 358,218</u>	31.3%
Division Operating Total		<u>\$ 344,791</u>	<u>\$ 369,164</u>	<u>\$ 363,140</u>	<u>\$ 457,018</u>	23.8%
Engineering Services	52					
Labor Expenses:						
Salaries		\$ 482,965	\$ 480,913	\$ 496,169	\$ 530,440	10.3% 1-15
Non-Labor Expenses:						
Contractor Services	C	29,838	10,000	-	10,000	0.0%
Equipment (Non Capital)	E	-	-	-	-	NA
Materials/Services/Supplies	M	37,912	42,000	42,565	42,000	0.0%
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	-	500	250	500	0.0%
Utilities	U	-	-	-	-	NA
Total Non-Labor		<u>\$ 67,750</u>	<u>\$ 52,500</u>	<u>\$ 42,815</u>	<u>\$ 52,500</u>	0.0%
Division Operating Total		<u>\$ 550,715</u>	<u>\$ 533,413</u>	<u>\$ 538,984</u>	<u>\$ 582,940</u>	9.3%
Safety & Risk	57					
Labor Expenses:						
Salaries		\$ 154,594	\$ 213,682	\$ 181,827	\$ 217,428	1.8%
Non-Labor Expenses:						
Contractor Services	C	21,119	19,000	19,171	25,000	31.6% 1-16
Equipment (Non Capital)	E	36,080	35,000	47,333	70,000	100.0% 1-17
Materials/Services/Supplies	M	10,418	29,500	22,367	30,200	2.4%
Professional Services	P	257,262	275,000	300,000	350,000	27.3% 1-18
Memberships/Training/Permits	T	-	-	3,550	3,000	100.0% 1-19
Utilities	U	-	-	-	-	NA
Total Non-Labor		<u>\$ 324,880</u>	<u>\$ 358,500</u>	<u>\$ 392,421</u>	<u>\$ 478,200</u>	33.4%
Division Operating Total		<u>\$ 479,474</u>	<u>\$ 572,182</u>	<u>\$ 574,248</u>	<u>\$ 695,628</u>	21.6%
Vehicle Services & Shop	65					
Labor Expenses:						
Salaries		\$ 84,136	\$ 107,811	\$ 69,843	\$ 114,913	6.6% 1-20
Non-Labor Expenses:						
Contractor Services	C	26,606	25,000	25,000	27,500	10.0% 1-21
Equipment (Non Capital)	E	-	-	107	-	NA
Materials/Services/Supplies	M	324,902	275,000	225,044	290,000	5.5% 1-22
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	-	-	-	-	NA
Utilities	U	-	-	-	-	NA
Total Non-Labor		<u>\$ 351,508</u>	<u>\$ 300,000</u>	<u>\$ 250,151</u>	<u>\$ 317,500</u>	5.8%
Division Operating Total		<u>\$ 435,644</u>	<u>\$ 407,811</u>	<u>\$ 319,994</u>	<u>\$ 432,413</u>	6.0%
Total Labor		\$ 2,441,325	\$ 2,556,158	\$ 2,419,940	\$ 2,713,010	6.1%
Total Non-Labor Expenses		2,430,513	2,615,365	2,512,314	2,800,141	7.1%
Operating Total		<u>\$ 4,871,838</u>	<u>\$ 5,171,523</u>	<u>\$ 4,932,255</u>	<u>\$ 5,513,151</u>	6.6%
Allocated Benefits Expenditures*		1,723,678	1,732,336	1,732,336	1,815,073	4.8%
Total Budget		<u>\$ 6,595,516</u>	<u>\$ 6,903,859</u>	<u>\$ 6,664,591</u>	<u>\$ 7,328,223</u>	6.1%

* Includes transfer to Pension/OPEB Trusts

FPUD Expense Summary
Fiscal Year 2022-23 Operating Budget

Description	Div	FY 2020-21		FY 2021-22		FY 2022-23	% Change	Reference Code
		Actual	Budget	Projected	Budget	Bgt to Bgt		
Water Services	30							
Treatment	30							
Labor Expenses:								
Salaries		\$ -	\$ 180,473	\$ 104,185	\$ 237,424		31.6%	2-1
Non-Labor Expenses:								
Contractor Services	C	-	80,000	135,389	80,000		0.0%	
Equipment (Non Capital)	E	-	5,000	3,632	5,000		0.0%	
Materials/Services/Supplies	M	-	158,000	219,937	278,498		76.3%	2-2
Professional Services	P	-	-	-	-		NA	
Memberships/Training/Permits	T	-	50,000	27,285	-		-100.0%	2-3
Utilities	U	-	1,327,000	232,479	285,000		-78.5%	2-4
Total Non-Labor		<u>\$ -</u>	<u>\$ 1,620,000</u>	<u>\$ 618,722</u>	<u>\$ 648,498</u>		-60.0%	
Division Operating Total		<u>\$ -</u>	<u>\$ 1,800,473</u>	<u>\$ 722,906</u>	<u>\$ 885,922</u>		-50.8%	
Production & Distribution	31							
Labor Expenses:								
Salaries		\$ 716,421	\$ 633,161	\$ 762,702	\$ 651,941		3.0%	
Non-Labor Expenses:								
Contractor Services	C	87,317	111,500	91,000	101,000		-9.4%	2-5
Equipment (Non Capital)	E	9,386	20,000	18,000	20,000		0.0%	
Materials/Services/Supplies	M	208,632	218,000	201,142	224,000		2.8%	
Professional Services	P	-	-	-	-		NA	
Memberships/Training/Permits	T	55,642	70,000	68,261	80,000		14.3%	2-6
Utilities	U	93,202	120,000	62,687	90,000		-25.0%	2-7
Total Non-Labor		<u>\$ 454,180</u>	<u>\$ 539,500</u>	<u>\$ 441,090</u>	<u>\$ 515,000</u>		-4.5%	
Division Operating Total		<u>\$ 1,170,601</u>	<u>\$ 1,172,661</u>	<u>\$ 1,203,791</u>	<u>\$ 1,166,941</u>		-0.5%	
Pipeline Maintenance & Construction	32							
Labor Expenses:								
Salaries		\$ 299,107	\$ 457,939	\$ 395,291	\$ 439,956		-3.9%	
Non-Labor Expenses:								
Contractor Services	C	19,280	30,000	30,000	40,000		33.3%	2-8
Equipment (Non Capital)	E	8,334	10,000	11,326	10,000		0.0%	
Materials/Services/Supplies	M	25,690	98,000	54,329	40,000		-59.2%	2-9
Professional Services	P	-	-	-	-		NA	
Memberships/Training/Permits	T	-	-	-	-		NA	
Utilities	U	-	-	-	-		NA	
Total Non-Labor		<u>\$ 53,304</u>	<u>\$ 138,000</u>	<u>\$ 95,655</u>	<u>\$ 90,000</u>		-34.8%	
Division Operating Total		<u>\$ 352,411</u>	<u>\$ 595,939</u>	<u>\$ 490,946</u>	<u>\$ 529,956</u>		-11.1%	

FPUD Expense Summary
Fiscal Year 2022-23 Operating Budget

Description	Div	FY 2020-21	FY 2021-22	FY 2022-23	% Change	Reference Code
		Actual	Budget	Projected	Budget	
Water Services		30				
System Services		42				
Labor Expenses:						
Salaries		\$ 353,661	\$ 431,604	\$ 521,790	\$ 479,262	11.0% 2-10
Non-Labor Expenses:						
Contractor Services	C	64,282	76,000	85,000	106,000	39.5% 2-11
Equipment (Non Capital)	E	866	-	1,423	-	NA
Materials/Services/Supplies	M	72,249	125,000	103,036	105,000	-16.0% 2-12
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	-	-	-	-	NA
Utilities	U	-	-	-	-	NA
Total Non-Labor		<u>\$ 137,396</u>	<u>\$ 201,000</u>	<u>\$ 189,459</u>	<u>\$ 211,000</u>	5.0%
Division Operating Total		<u>\$ 491,058</u>	<u>\$ 632,604</u>	<u>\$ 711,250</u>	<u>\$ 690,262</u>	9.1%
Total Labor		\$ 1,369,189	\$ 1,703,177	\$ 1,783,968	\$ 1,808,584	6.2%
Total Non-Labor		644,880	2,498,500	1,344,926	1,464,498	-41.4%
Operating Total		<u>\$ 2,014,069</u>	<u>\$ 4,201,677</u>	<u>\$ 3,128,893</u>	<u>\$ 3,273,082</u>	-22.1%
Allocated Benefits Expenditures		966,705	1,154,262	1,154,262	1,214,646	5.2%
Total Direct Water Costs		<u>\$ 2,980,774</u>	<u>\$ 5,355,939</u>	<u>\$ 4,283,155</u>	<u>\$ 4,487,727</u>	-16.2%
Allocation of Administrative Services		4,221,130	4,418,470	4,265,338	4,690,063	6.1%
Total Budget		<u>\$ 7,201,905</u>	<u>\$ 9,774,409</u>	<u>\$ 8,548,493</u>	<u>\$ 9,177,790</u>	-6.1%

FPUD Expense Summary
Fiscal Year 2022-23 Operating Budget

Description	Div	FY 2020-21	FY 2021-22	FY 2022-23	% Change	Reference Code
		Actual	Budget	Projected	Bgt to Bgt	
Wastewater Services	32					
Collections	31					
Labor Expenses:						
Salaries		\$ 533,233	\$ 450,525	\$ 547,952	\$ 479,842	6.5% 3-1
Non-Labor Expenses:						
Contractor Services	C	35,075	56,000	42,104	75,000	33.9% 3-2
Equipment (Non Capital)	E	1,070	5,000	54	5,000	0.0%
Materials/Services/Supplies	M	81,607	124,000	135,696	170,000	37.1% 3-3
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	-	900	900	900	0.0%
Utilities	U	53,060	100,000	114,000	122,300	22.3% 3-4
Total Non-Labor		<u>\$ 170,812</u>	<u>\$ 285,900</u>	<u>\$ 292,754</u>	<u>\$ 373,200</u>	30.5%
Division Operating Total		<u>\$ 704,044</u>	<u>\$ 736,425</u>	<u>\$ 840,706</u>	<u>\$ 853,042</u>	15.8%
Treatment	30					
Labor Expenses:						
Salaries		\$ 764,578	\$ 824,770	\$ 814,887	\$ 895,700	8.6% 3-5
Non-Labor Expenses:						
Contractor Services	C	292,872	433,000	289,576	353,000	-18.5% 3-6
Equipment (Non Capital)	E	9,433	9,000	5,473	7,000	-22.2% 3-7
Materials/Services/Supplies	M	249,226	312,000	246,801	297,500	-4.6%
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	86,914	95,000	108,173	95,000	0.0%
Utilities	U	214,951	197,000	178,717	157,600	-20.0% 3-8
Total Non-Labor		<u>\$ 853,397</u>	<u>\$ 1,046,000</u>	<u>\$ 828,739</u>	<u>\$ 910,100</u>	-13.0%
Division Operating Total		<u>\$ 1,617,975</u>	<u>\$ 1,870,770</u>	<u>\$ 1,643,626</u>	<u>\$ 1,805,800</u>	-3.5%
Total Labor		\$ 1,297,810	\$ 1,275,294	\$ 1,362,839	\$ 1,375,541	7.9%
Total Non-Labor		1,024,209	1,331,900	1,121,493	1,283,300	-3.6%
Operating Total		<u>\$ 2,322,019</u>	<u>\$ 2,607,194</u>	<u>\$ 2,484,332</u>	<u>\$ 2,658,841</u>	2.0%
Allocated Benefits Expenditures		916,309	864,281	864,281	920,272	6.5%
Total Direct Wastewater Costs		<u>\$ 3,238,328</u>	<u>\$ 3,471,475</u>	<u>\$ 3,348,612</u>	<u>\$ 3,579,114</u>	3.1%
Allocation of Administrative Services		2,308,431	2,416,351	2,332,607	2,564,878	6.1%
Total Budget		<u>\$ 5,546,758</u>	<u>\$ 5,887,826</u>	<u>\$ 5,681,219</u>	<u>\$ 6,143,992</u>	4.4%

FPUD Expense Summary
Fiscal Year 2022-23 Operating Budget

Description	Div	FY 2020-21	FY 2021-22	FY 2022-23	% Change	Reference Code
		Actual	Budget	Projected	Bgt to Bgt	
Recycled Water Services	31					
Production	30					
Labor Expenses:						
Salaries		\$ 89,456	\$ 145,595	\$ 91,822	\$ 149,640	2.8%
Non-Labor Expenses:						
Contractor Services	C	25,453	34,000	29,284	36,000	5.9% 4-1
Equipment (Non Capital)	E	3,616	4,000	3,178	4,000	0.0%
Materials/Services/Supplies	M	64,072	77,000	73,443	89,500	16.2% 4-2
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	-	-	-	-	NA
Utilities	U	91,854	85,000	76,593	68,000	-20.0% 4-3
Total Non-Labor		<u>\$ 184,995</u>	<u>\$ 200,000</u>	<u>\$ 182,498</u>	<u>\$ 197,500</u>	-1.3%
Division Operating Total		<u>\$ 274,451</u>	<u>\$ 345,595</u>	<u>\$ 274,319</u>	<u>\$ 347,140</u>	0.4%
Distribution	31					
Labor Expenses:						
Salaries		\$ 6,862	\$ 36,321	\$ 22,726	\$ 10,438	-71.3% 4-4
Non-Labor Expenses:						
Contractor Services	C	-	-	-	-	NA
Equipment (Non Capital)	E	-	-	-	-	NA
Materials/Services/Supplies	M	3,332	22,000	-	25,000	13.6% 4-5
Professional Services	P	-	-	-	-	NA
Memberships/Training/Permits	T	-	-	-	-	NA
Utilities	U	514	-	525	-	NA
Total Non-Labor		<u>\$ 3,846</u>	<u>\$ 22,000</u>	<u>\$ 525</u>	<u>\$ 25,000</u>	13.6%
Division Operating Total		<u>\$ 10,708</u>	<u>\$ 58,321</u>	<u>\$ 23,251</u>	<u>\$ 35,438</u>	-39.2%
Total Labor		\$ 96,318	\$ 181,916	\$ 114,548	\$ 160,078	-12.0%
Total Non-Labor		<u>188,841</u>	<u>222,000</u>	<u>183,022</u>	<u>222,500</u>	0.2%
Operating Total		<u>\$ 285,159</u>	<u>\$ 403,916</u>	<u>\$ 297,570</u>	<u>\$ 382,578</u>	-5.3%
Allocated Benefits Expenditures		68,004	123,286	123,286	107,097	-13.1%
Total Direct Recycled Water Costs		<u>\$ 353,163</u>	<u>\$ 527,202</u>	<u>\$ 420,857</u>	<u>\$ 489,675</u>	-7.1%
Allocation of Administrative Services		65,955	69,039	66,646	73,282	6.1%
Total Budget		<u>\$ 419,119</u>	<u>\$ 596,241</u>	<u>\$ 487,503</u>	<u>\$ 562,957</u>	-5.6%

**FPUD Expense Summary
Fiscal Year 2022-23 Operating Budget**

Description	Div	FY 2020-21	FY 2021-22	FY 2022-23	% Change	Reference Code
		Actual	Budget	Budget	Bgt to Bgt	
Community Benefit Program	New					
Community Benefit Program	New					
Labor Expenses:						
Salaries		\$ -	\$ -	\$ -	6,961	NA 5-1
Non-Labor Expenses:						
Contractor Services	C	-	-	-	539,039	NA
Equipment (Non Capital)	E	-	-	-		NA
Materials/Services/Supplies	M	-	-	-		NA
Professional Services	P	-	-	-		NA
Memberships/Training/Permits	T	-	-	-		NA
Utilities	U	-	-	-		NA
Total Non-Labor		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,039</u>	NA
Division Operating Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,000</u>	NA
Total Labor		\$ -	\$ -	\$ -	6,961	NA
Total Non-Labor		-	-	-	539,039	NA
Operating Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,000</u>	NA
Allocated Benefits Expenditures		-	-	-	-	NA
Total Direct Water Costs		\$ -	\$ -	\$ -	\$ 546,000	NA
Allocation of Administrative Services		-	-	-	-	NA
Total Budget		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,000</u>	NA

Attachment B

Draft Fiscal Year 2022-23 Cost of Water

	FY 2020-21 Actual	FY 2021-22 Budget Projected		FY 2022-23 Budget	Budget to Budget Change (%)
Variable Costs:					
SDCWA Variable Cost	\$ 10,552,116	\$ 7,043,180	\$ 9,010,564	\$ 9,753,119	38.5%
SMRCUP Supply Cost	-	1,117,081	371,000	513,240	-54.1%
Fixed Costs:					
SDCWA Supply Reliability	\$ 668,805	\$ 667,260	\$ 667,260	\$ 677,779	1.6%
SDCWA Storage	1,066,395	1,036,866	1,036,866	1,078,882	4.1%
SDCWA Customer service	570,301	559,854	559,854	575,714	2.8%
MWD Capacity	244,872	258,528	258,528	285,352	10.4%
MWD Readiness to Serve	291,010	260,964	260,964	287,060	10.0%
SDCWA IAC	562,410	603,996	603,996	619,932	2.6%
Total Cost of Water	\$ 13,955,908	\$ 11,547,729	\$ 12,769,032	\$ 13,791,080	19.4%

Attachment C

Draft Fiscal Year 2022-23 Benefit Expenditures

Breakdown of District's Employee Benefit Costs

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to
	Actual	Budget	Projected	Budget	Budget Change (%)
Auto Allowance	\$ 15,347	\$ 14,500	\$ 17,500	\$ 21,750	50.0%
Insurance - Dental	63,873	76,000	75,000	73,817	-2.9%
Insurance - Vision	12,613	14,606	14,606	14,606	0.0%
Insurance - Health	931,305	1,151,301	1,119,384	1,135,576	-1.4%
Insurance - Life and Disability	45,323	46,779	47,858	50,481	7.9%
Insurance - Worker's Comp	113,050	152,881	152,881	167,266	9.4%
Longevity/Performance Bonus	26,644	26,921	26,921	26,921	0.0%
FICA - Employer's share	427,652	480,601	460,000	478,138	-0.5%
CalPERS Annual Contribution	589,378	652,526	620,000	688,148	5.5%
CalPERS Unfunded Liability Payment	965,469	1,112,995	1,112,995	1,285,994	15.5%
Pension/OPEB Liability Trust Payment	500,000	500,000	500,000	500,000	0.0%
Employer's share (401 & 457)	51,451	54,187	48,882	95,095	75.5%
District Share of Retiree Medical Insurance	55,556	55,300	54,069	50,812	-8.1%
Retiree Compensated Absence Payout		20,000	-	-	-100.0%
Merit Increase Bonus	-	-	-	20,000	100.0%
Uniforms & Boots	48,016	31,851	40,000	43,607	36.9%
Total	\$ 3,845,678	\$ 4,390,448	\$ 4,290,095	\$ 4,652,210	6.0%

Attachment D

Fiscal Year 2022-23 Debt Service Schedule

Fiscal Year 2022-23 Debt Service Schedule

Year Ending June 30	Red Mountain State Revolving Fund Loan		Wastewater Revenue Refunding Bonds		QECB* Loan		SMRCUP State Revolving Funds**		District Annual Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
	2022	308,589	87,261	1,110,000	619,884	366,104	155,208	-	
2023	316,573	79,278	1,115,000	616,022	387,783	133,884	-	1,081,968	\$ 3,730,508
2024	324,764	71,087	1,120,000	610,746	410,388	111,302	1,425,825	1,081,968	\$ 5,156,079
2025	333,166	62,685	1,130,000	603,575	433,953	87,409	1,452,916	1,054,878	\$ 5,158,581
2026	341,786	54,065	1,145,000	584,934	458,515	62,150	1,480,521	1,027,272	\$ 5,154,242
2027	350,628	45,222	1,185,000	546,700	484,114	35,465	1,508,651	999,142	\$ 5,154,923
2028	359,700	36,151	1,230,000	498,400	254,219	7,296	1,537,315	970,478	\$ 4,893,559
2029	369,006	26,845	1,280,000	448,200	-	-	1,566,524	941,269	\$ 4,631,844
2030	378,553	17,298	1,335,000	395,900	-	-	1,596,288	911,505	\$ 4,634,544
2031	388,347	7,503	1,390,000	341,400	-	-	1,626,618	881,176	\$ 4,635,044
2032	-	-	1,445,000	284,700	-	-	1,657,523	850,270	\$ 4,237,493
2033	-	-	1,505,000	225,700	-	-	1,689,016	818,777	\$ 4,238,493
2034	-	-	1,565,000	164,300	-	-	1,721,108	786,686	\$ 4,237,093
2035	-	-	1,630,000	100,400	-	-	1,753,809	753,984	\$ 4,238,193
2036	-	-	1,695,000	33,900	-	-	1,787,131	720,662	\$ 4,236,693
2037	-	-	-	-	-	-	1,821,087	686,707	\$ 2,507,793
2038	-	-	-	-	-	-	1,855,687	652,106	\$ 2,507,793
2039	-	-	-	-	-	-	1,890,945	616,848	\$ 2,507,793
2040	-	-	-	-	-	-	1,926,873	580,920	\$ 2,507,793
2041	-	-	-	-	-	-	1,963,484	544,309	\$ 2,507,793
2042	-	-	-	-	-	-	2,000,790	507,003	\$ 2,507,793
2043	-	-	-	-	-	-	2,038,805	468,988	\$ 2,507,793
2044	-	-	-	-	-	-	2,077,542	430,251	\$ 2,507,793
2045	-	-	-	-	-	-	2,117,016	390,778	\$ 2,507,793
2046	-	-	-	-	-	-	2,157,239	350,554	\$ 2,507,793
2047	-	-	-	-	-	-	2,198,226	309,567	\$ 2,507,793
2048	-	-	-	-	-	-	2,239,993	267,800	\$ 2,507,793
2049	-	-	-	-	-	-	2,282,553	225,241	\$ 2,507,793
2050	-	-	-	-	-	-	2,325,921	181,872	\$ 2,507,793
2051	-	-	-	-	-	-	2,370,114	137,680	\$ 2,507,793
2052	-	-	-	-	-	-	2,415,146	92,647	\$ 2,507,793

*Qualified Energy Conservation Revenue Bonds. Debt service is not adjusted for interest rate subsidy payments.

** Debt service based upon approved loan amount and interest rate. Actual debt service will be calculated once the preliminary debt service schedule is updated.

Debt Service Budget Summary

Debt Issuance	Service			
	Water	Wastewater	Recycled Water	Total Debt Service
2018 SRF Loan*	\$ 1,081,968	\$ -	\$ -	\$ 1,081,968
2011 SRF Loan	395,851	-	-	395,851
2021 WWRRB**	-	1,211,715	519,307	1,731,022
2010 QECB	-	521,667	-	521,667
Total	\$ 1,477,819	\$ 1,733,382	\$ 519,307	\$ 3,730,508

* The preliminary debt service schedule has no principal payments due until FY 2024.

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

Attachment E

Summary of Significant Percent Changes by Budget Category

FY 2022-23 Operating Budget Justifications (+/- 5%)

Administration

- 1-1** Increased budget based on actual costs from County for tax analysis
- 1-2** Decreased budget for 100th anniversary expenses charged previous FY
- 1-3** Decreased budget to align with projections for memberships/training/permits
- 1-4** Increased budget based on court adopted Watermaster budget
- 1-5** Increased budget due to Salary Survey Increases and COLA
- 1-6** Increased budget for anticipated price increases
- 1-7** Increased budget for additional equipment necessary for Customer Service
- 1-8** Decreased budget due to elimination of FedEx charges
- 1-9** Increased budget for final rate study payment, expected to end in Fall 2022
- 1-10** Increased budget due to additional building service agreement contracts and increases to existing service contracts
- 1-11** Increased budget due to inflation and raw material costs
- 1-12** Decreased budget due to salary survey in previous Fiscal Year
- 1-13** Increased budget for additional FTE's utilizing Education Funding
- 1-14** Increased budget for IT Master Plan
- 1-15** Increased budget due to Salary Survey Increase and COLA
- 1-16** Increased budget due to safety gap analysis training requirements
- 1-17** Increased budget due to safety gap analysis equipment requirements
- 1-18** Increased budget due to Property Insurance for the SMGTP
- 1-19** Increased budget due to additional risk management memberships and safety publications
- 1-20** Increased budget due to Salary Survey Increase and COLA
- 1-21** Increased budget due to services used by Fleet
- 1-22** Increased budget due to rising gasoline/diesel prices

Water Services

- 2-1** Increased budget due to more labor hours budgeted this FY for full year of SMGTP
- 2-2** Increased budget due to more chemicals and lab supplies for SMGTP operations
- 2-3** Decreased budget due to Permit fees moved to Production and Distribution Division
- 2-4** Decreased budget due to reduced power based on projected deliveries
- 2-5** Decreased budget due to reduction in temporary labor
- 2-6** Increased budget due to Permit fees that were moved from Treatment
- 2-7** Decreased budget due to a reduction in power to move SMGTP water
- 2-8** Increased budget due to fire hydrant repair costs
- 2-9** Decreased budget to align with projections for System Materials
- 2-10** Increased budget due to Salary Survey Increase and COLA; Allocated labor hours to Meter Services
- 2-11** Increased budget to fund additional paving projects
- 2-12** Decreased budget to align with projections for stores inventory

Wastewater Services

- 3-1** Increased budget due to Salary Survey Increase and COLA
- 3-2** Increased budget for SCADA contracts and SCADA Integrations

- 3-3** Increased budget due to Anthony's Corner Lift Station staying online and an increase in material costs
- 3-4** Increased budget due to power consumption at Anthony's Corner Lift Station
- 3-5** Increased budget due to Salary Survey Increase/COLA; More hours allocated to Treatment
- 3-6** Decreased budget to align with projections for contract services
- 3-7** Decreased budget to align with projections for small equipment & tools
- 3-8** Decreased budget due to District energy savings from TESLA battery coming online

Recycled Water Services

- 4-1** Increased budget for SCADA related services for the Recycled Water treatment system
- 4-2** Increased budget due to price increases for chemicals and lab supplies
- 4-3** Decreased budget due to District energy savings from TESLA battery coming online
- 4-4** Decreased budget due to allocating less time to distribution to budget in line with actuals
- 4-5** Increased budget for general supplies for Recycled Electrical/Maintenance

Community Benefit Program

- 5-1** Added budget for Community Benefit Program

Attachment F

Draft Fiscal Year 2022-23 Recommended Annual Budget

Fallbrook Public Utility District

990 East Mission Road
Fallbrook, CA 92028
760-728-1125
www.fpud.com



Current Board of Directors:

- District #1 - Dave Baxter, President
- District #2 - Ken Endter
- District #3 - Jennifer DeMeo
- District #4 - Don McDougal
- District #5 - Charley Wolk, Vice-President

District Management:

- General Manager - Jack Bebee
- Assistant General Manager/CFO - David Shank

Acknowledgment: District Management would like to thank Jodi Brown, Aaron Cook, Mick Cothran, Noelle Denke, Kevin Collins, Mickey Case, Isabel Casteran, Kyle Drake, Owni Toma, Steve Stone, Devin Casteel, Steve Wuerth, Carl Quiram, Eddie Rodriguez, Veronica Tamzil, Annalece Bokma, Yelena Giannuzzi, Kelly Laughlin and Lisa Chaffin for their support in preparing this document.



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 Fallbrook, California
 92028-2232
www.fpub.com
 (760) 728-1125

Board of Directors

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Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
 Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
 Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

June XX, 2022

Board of Directors
 Fallbrook Public Utility District
 990 East Mission Road
 Fallbrook, California 92028

Budget Message

Enclosed is the Fiscal Year 2022-23 Recommended Operating and Capital Budget (Budget) for the Fallbrook Public Utility District (District). The District is focused on executing the Board of Directors' goals and objectives through the continued implementation of the District Strategic Plan, which is included at the beginning of the Budget document. These objectives help the District meet its overall objective, which is to benefit the community of Fallbrook by leveraging sound business practices to provide efficient and reliable services. The Budget presented here supports these goals and objectives.

Overcoming Challenges

This year the pandemic continued to challenge both the District and the World's ability to adapt to a rapidly changing operational environment. With operations adapted to the pandemic work environment, the supply chain disruptions due to material shortages and geopolitical conflict were added to the mix. As a result, the District's had to nimbly manage long lead times on materials and equipment to keep construction projects on schedule.

In addition to the pandemic, the State is entering into another period of drought. This makes sales and local supply availability difficult to project and introduces more volatility in the District's cost and revenue streams. As a result of the Board led enhancements to the District's financial management, staff are better able to report and manage the financial impacts brought by the drought conditions.

Water Affordability

The District has been faced in the past with escalating wholesale water costs driven by major infrastructure investments by the San Diego County Water Authority (SDCWA) in supply reliability. The SDCWA water purchase costs represent approximately 60% of the District's water enterprise operating costs. With SDCWA facing operational challenges from declining water demands and the additional costs from the potential construction of a more than \$4 billion dollar pipeline to the All-American Canal, the District is facing significant water cost increases from SDCWA. To address this, the District has initiated a process to change its water wholesaler to Eastern Municipal Water District (EMWD). This change would reduce the District's cost of water by approximately 30% and not impact water reliability. The



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92028-2232
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significant cost savings that would result from this change would help make the District’s water more affordable for the community and help revitalize the region’s agricultural industry.

In addition to the regional investments in San Diego County water supplies, there is a significant proposed statewide water project to fix the Bay-Delta State Water Project, also known as the WaterFix, which delivers our key water supplies from Northern California. While the impact of the WaterFix on the cost of water is not known, the original cost in 2017 was expected to be just over \$16 billion. Since this cost is to be recovered on water rates, the project will cause an ongoing increase to wholesale water costs. With the additional increases in water costs due to WaterFix on the horizon, local water supply development, which will reduce our dependence on costly imported water, is another way to mitigate continued wholesale water rate increases.

Having recently settled over 66 years of water rights litigation with Camp Pendleton Marine Corps Base, the Santa Margarita River Conjunctive Use Project (SMRCUP) has secured a local water supply for the District. This major achievement will provide all future District ratepayers long-term rate relief from increasing water costs at the wholesale and State levels. Construction of the Santa Margarita Groundwater Treatment Plant (SMGTP) was completed this year and it is currently fully operational. The District has secured local supply development incentives from the Metropolitan Water District that will offset some of the projects operating costs and is expected to make the supply cheaper on average than water purchased from SDCWA.

Asset Management

The District has implemented an asset management program that balances the cost of infrastructure rehabilitation with the cost of emergency repairs. Our critical buried infrastructure, such as water mains, have an average service life of 80 to 100 years. In the past, the District’s replacement cycle for buried assets was on a replacement cycle of 400 years. With this replacement cycle, the frequency of asset failures was expected to increase significantly over the near-term resulting in an increasing number of emergency water disruptions and property damage claims. In response, the District has proactively managed the renewal and rehabilitation program and is on a path to drive the system service life down from 400 years to 100 years. The recent decreased frequency of asset failures shows that some progress on this program has been made, but this is a long-term program to meet the future replacement needs.

Continuous Improvement

We understand that this pandemic has added an additional financial burden to our ratepayers, many of whom were already struggling with the increasing cost of water. This year the District was able to secure over \$180,000 in direct financial assistance for its customers. These funds were applied directly to customer accounts. In addition, the Board used funds refunded by SDCWA to reduce the debt funding of the SMGTP by \$1.5 million. This provides an





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annual debt service savings of approximately \$75,000/year for the next thirty years. The District also secured grant funding for the construction and operation of four Tesla battery power storage facilities worth \$4.6 million, which will save the District an estimated \$100,000 a year on power costs. These savings are included in this year’s budget.

The District realizes that while small, savings like these add up and help lessen the financial burden our ratepayers face. The District is also participating in the new Low-Income Water Rate Assistance Program, which provides direct financial assistance to customers by paying a portion of their bill directly to the District.

Looking Forward

The District is committed to supporting its rate payers by helping them access any available economic relief and get through these hard times. The District is also focused on lowering its wholesale water costs by changing the Districts wholesale provider. While this effort will be politically challenging, it has the potential to provide our customers with immediate and substantial rate relief.

The Fallbrook community has requested that the District take responsibility for improving and maintaining public spaces in the service area. These activities are reflected in this Budget. The District is in the final stages of securing approval from the Local Agency Formation Commission (LAFCO) to assume this responsibility and create the Community Benefit Program. The program would be funded annually with \$546,000 of property tax revenues, supported by existing District staff and managed by a Board approved committee.

As we head into the new fiscal year, California is again faced by drought. The District is preparing for potential water use restrictions to ensure the highest level of water supply reliability possible for rate payers.



Jack Bebee
General Manager



David Shank
Assistant General Manager/CFO

Budget in Brief

Fiscal Year 2021-22 Accomplishments

- Completed the Santa Margarita Groundwater Treatment Plant (SMGTP) Project construction. The SMGTP has received State permit to be fully operational.
- Developed and executed an operating plan for SMGTP that optimizes operations and minimizes operating costs.
- Key pipeline replacement projects to maintain system reliability and improve the methodology for evaluating and prioritizing projects have been completed.
- Continue progress on replacing meters with smart meters (Advanced Metering Infrastructure (AMI) meters) and continue outreach to customers on how these meters can help them better monitor and reduce water use and water costs.
- Executed a new 5-year Memorandum of Understanding (MOU) with District employees that reduces the District's future Other Post Employment Benefits (OPEB) costs.
- Continue to move the District's LAFCO initiatives forward and complete the detachment negotiations with the San Diego County Water Authority (SDCWA).
- Developed and implemented a plan to bring the District's delinquent accounts into current status now that the moratorium on water shut-offs has been lifted.
- Secured over \$180,000 in State funds to provide direct financial support for customers behind on bills due to the pandemic.
- The District's Annual Comprehensive Financial Report (ACFR) and an annual budget document that received the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Award and California Society of Municipal Finance Officers (CSMFO) Operating Budget Excellence Award.
- Reduced the loan payment amount for the SMGTP by using funds refunded to the District by SDCWA to pay a portion of the projects costs.

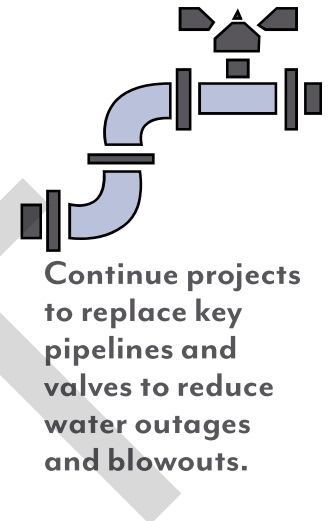
Fiscal Year 2022-23 Goals

The Key Goals for the upcoming year include:

- Operate the District's new SMGTP with a goal of producing approximately 50% of the District's treated water supply depending on available water.
- Optimize SMGTP operations to maximize supply reliability and minimize operating costs.
- Complete key pipeline replacement projects to maintain system reliability and improve the methodology for evaluating and prioritizing projects.
- Complete project of replacing meters with smart meters (Advanced Metering Infrastructure (AMI) meters) replacement project and continue outreach to customers on how these meters can help them better monitor and reduce water use and water costs.
- Update the District's comprehensive financial plan based upon a detailed cost of service study and stakeholder input. The plan update includes extensive public outreach and the completion of a Proposition 218 process setting the District's maximum rates and charges.
- Continue to move the District's LAFCO initiatives forward and complete the detachment negotiations with the San Diego County Water Authority (SDCWA).
- Produce an Annual Comprehensive Financial Report (ACFR) and an annual budget document that meet the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards

Sources of Funds

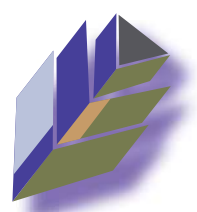
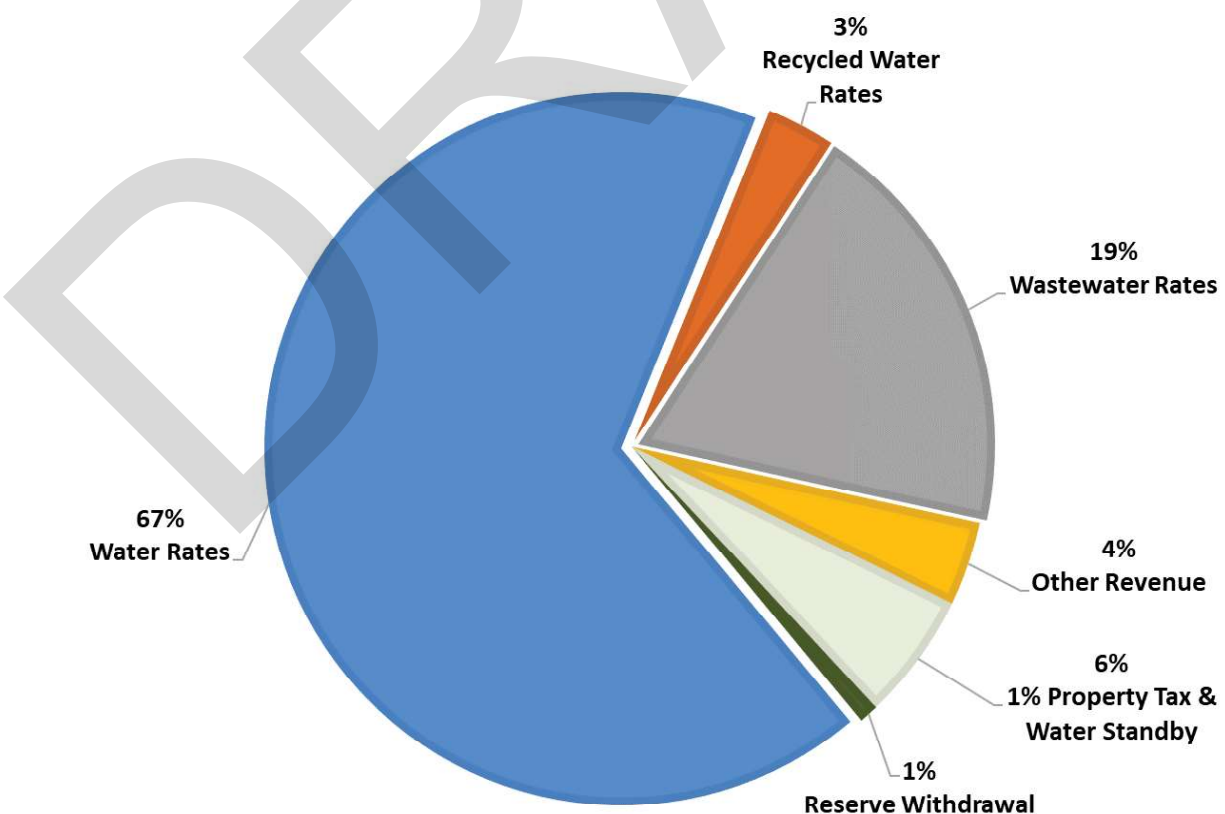
The water, recycled water and wastewater systems combined operating and non-operating revenues and net fund withdrawals are budgeted to be sufficient to fund the budgeted uses of funds. In Fiscal Year 2022-23, water sales are projected down from the previous year due to dry conditions. With current sales below the District’s projected long-term average water sales levels and supply challenges facing the State, the water sales level this budget cycle is projected to be approximately 4% below the long-term average of 8,100 AF at 7,800 AF. With a financial plan update under way, water, recycled water and wastewater rate increases for the Budget are projected at 6%, 6%, and 6%, respectively, for Calendar Year 2023. These increases are subject to change as the District updates its financial plan and completes the Proposition 218 process for CY2023 rates and charges. The Board will take action to adopt Calendar Year 2023 rates and charges in December of 2022. When the Board takes action on rates and charges, it will be based upon the input received on the Proposition 218 process and the outcome of the Detachment process.



Continue projects to replace key pipelines and valves to reduce water outages and blowouts.

Chart 1 shows a breakdown of the District’s \$41.7 million budgeted sources of funds. Rate and charge revenues make up 90% of the District’s total budgeted sources of funds. Net fund withdrawal from reserves are budgeted this year. The District plans to fund renewal and replacement Capital Improvement Program (CIP) with cash on a Pay-As-You-Go (PAYGO) basis.

Chart #1 - Sources of Revenue Fiscal Year 2022-23 Total Revenue \$41,725,677



Use of Funds

The increase in Water Purchase costs from the SDCWA is being driven by an increase in rates and the amount of water purchased. The increase is the result of less water being available to the District from the Santa Margarita River (SMR). The reduction in SMR water deliveries results in a reduction of the District's Water Treatment Division cost of 50% driven by a 60% decrease in non-labor costs. Overall the 7.8% increase in the Operating Budget is being driven by increases in the amount of wholesale water purchased and the cost of that water.

San Diego County Water Authority is increasing its treated water rate by 9.2% in CY 2023, pushing the District's water supply costs higher.

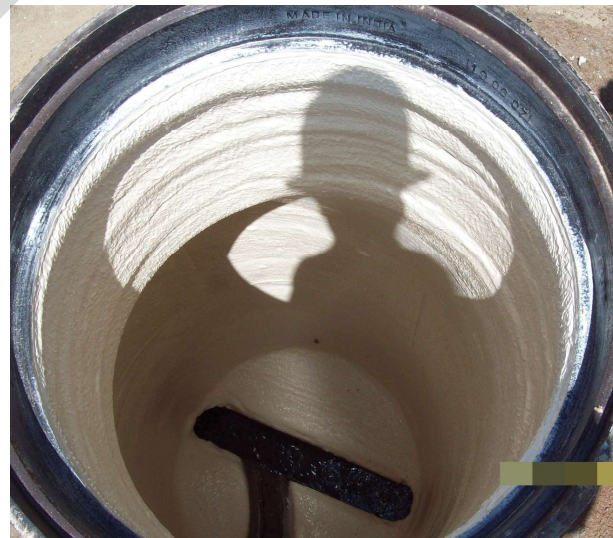
Table #1 - Overview of Total Services' Operating Budget

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Water Supply Costs	\$ 13,955,908	\$ 11,547,729	\$ 12,769,032	\$ 13,791,080	19.4%
Debt Service	3,101,093	3,685,471	3,621,118	3,730,508	1.2%
Total Labor *	5,204,642	5,716,546	5,681,295	6,064,174	6.1%
Total Non-Labor	4,288,444	6,667,765	5,161,755	6,309,478	-5.4%
Total Labor and Non-Labor Expenses	\$ 26,550,087	\$ 27,617,511	\$ 27,233,199	\$ 29,895,240	8.2%
Benefits Expenses	3,674,696	3,874,164	3,874,164	4,057,087	4.7%
Total Expenses	\$ 30,224,783	\$ 31,491,675	\$ 31,107,363	\$ 33,952,327	7.8%

* Total Labor does not include District's Benefits



Recycled water program



Pipeline relining program

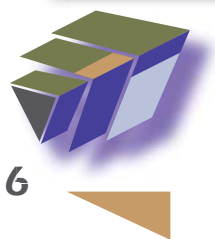
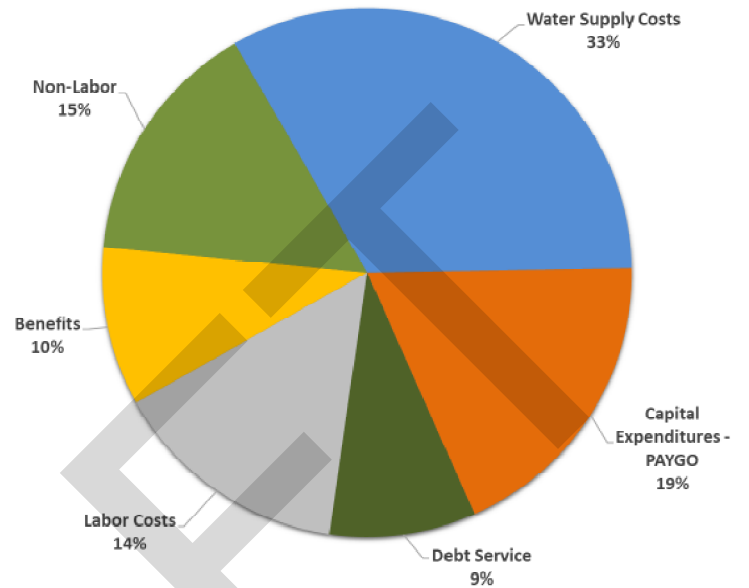


Chart 2 shows the breakdown of the District's total use of funds. Labor related uses of funds represent 24% of the District's budgeted uses of funds. Seventy-five percent of the District's uses of funds are for non-labor related expenditures. Water supply costs are the District's single largest ongoing use of funds.

Capital Budget

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The most significant on-going component of the capital program is the replacement of aging infrastructure. Chart 3 shows the annual CIP expenditures by project type. The Capital Budget for Fiscal Year 2022-23 is \$7.8 million. The budgeted amount for FY 2022 is above average due to the SMGTP costs that are reimbursed by the state loan funding project.

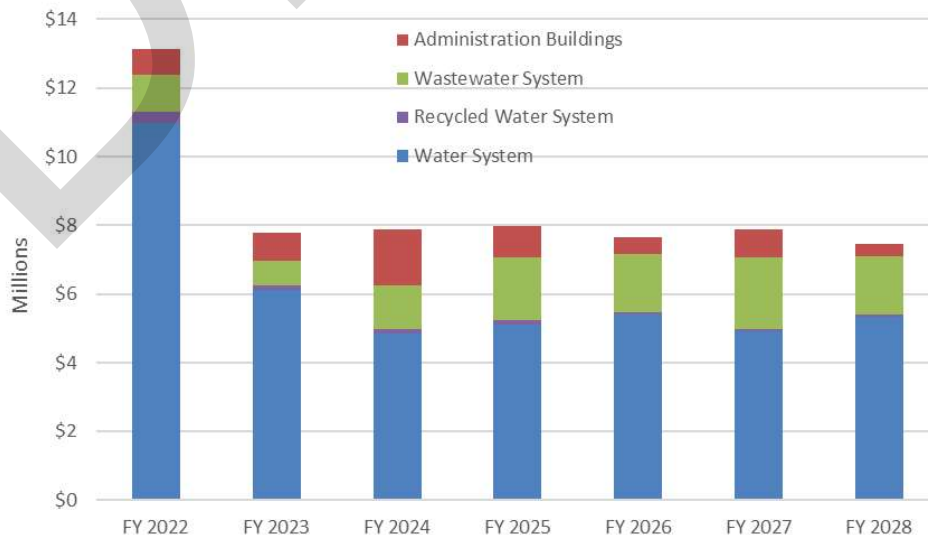
Chart #2 - Uses of Funds Fiscal Year 2022-23
Total Uses of Funds \$41,725,677



SDCWA Rate Lawsuit Rebate

The Board has elected to use the refunded overpayment from SDCWA to fund a portion of the SMGTP. The \$1,534,663.30 received reduces the loan amount for SMGTP, which saves water rate payers approximately \$275,000 over the life of the loan on interest payments.

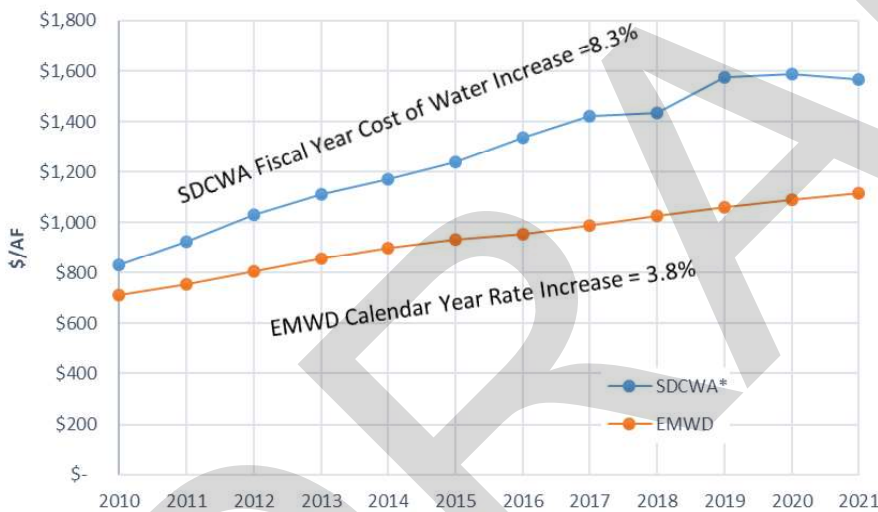
Chart #3 - Fallbrook Public Utility District's Annual Budgeted CIP Expenditures



Financial Summaries

This year, as shown in the updated financial projections for Fiscal Year 2022-23 in Table 2, the District is projecting a withdrawal from reserves. Looking forward, the District has made a significant reduction in the projected water sales level due to a persistent trend of lower annual water sales. SDCWA, the District’s water wholesaler, continues to increase the region’s cost of water due to its high cost water supply mix that is comprised of water transfer deliveries from the Imperial Irrigation District (IID) and its purchase contract with Poseidon Resources. The District is pursuing detachment from SDCWA and annexation into Eastern Municipal Water District (EMWD) to save the District water users over 30% on their water costs. EMWD offers the District a reliable alternative wholesaler to SDCWA at a significantly lower cost. Chart 4 illustrates the per unit savings that the District would realize by purchasing its water from EMWD and shows EMWD maintains a lower average annual increase. As shown in the financial projections in Table 2, a budgeted reserve withdrawal of \$0.3 million is planned. Chart 5 shows the District’s reserve balances are expected to remain relatively stable but below the target fund levels. The District is projected to maintain a debt service coverage level in excess of its required 1.2x.

Chart #4 - District’s Estimated Wholesale Water Costs



CHANGING WATER WHOLESALER
 The LAFCO decision on the District’s proposed detachment from SDCWA will determine if rate payers will see a 30% decrease in the wholesale cost of water or continued wholesale water rate increases as SDCWA pursues a high cost water reliability strategy.

*Based on total SDCWA charges paid by the District.

Chart #5 - District’s Fund Balances and Target Balance Level

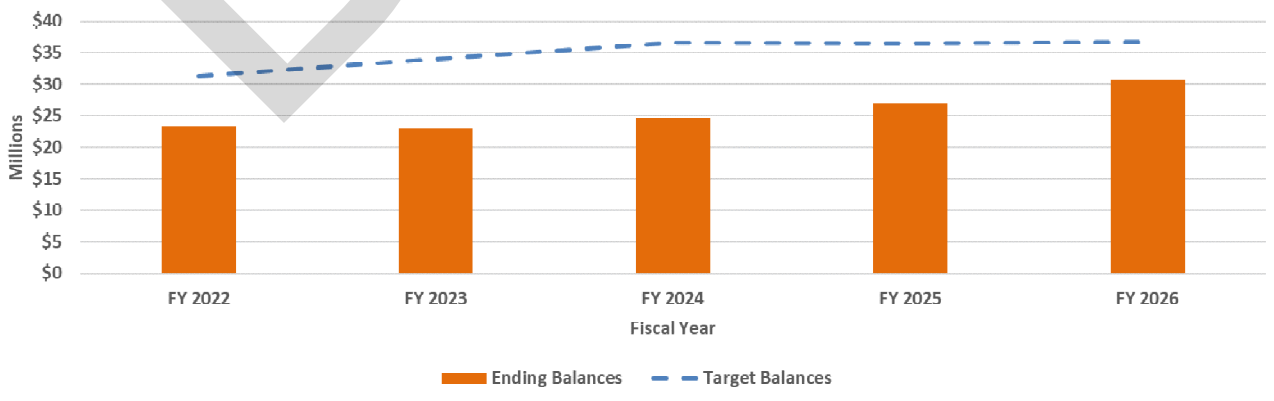


Table #2 - Fallbrook Public Utility District's Financial Summary

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenue from Rates					
Water	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Recycled Water	1,224,582	1,294,803	1,374,146	1,456,595	1,543,990
Wastewater	6,124,000	6,829,867	7,239,659	7,674,039	8,134,481
Subtotal Revenue from Rates	\$ 31,788,240	\$ 34,696,780	\$ 36,795,202	\$ 39,018,772	\$ 41,376,708
Other Operating Revenue Subtotal	\$ 872,132	\$ 925,021	\$ 968,976	\$ 1,044,396	\$ 1,109,440
Non-Operating Revenue	\$ 5,717,503	\$ 5,754,855	\$ 5,827,960	\$ 5,974,943	\$ 6,135,094
Total Revenues	\$ 38,377,874	\$ 41,376,656	\$ 43,592,138	\$ 46,038,111	\$ 48,621,242
Total Operating Expenses					
	\$ 27,486,247	\$ 30,221,819	\$ 28,952,150	\$ 30,489,097	\$ 31,909,820
Net Operating Revenues	\$ 10,891,628	\$ 11,154,837	\$ 14,639,988	\$ 15,549,014	\$ 16,711,422
Total Debt Service	\$ 3,621,118	\$ 3,730,508	\$ 5,156,080	\$ 5,158,581	\$ 5,154,243
Total Capital Expenditures					
	\$ 13,127,029	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864
Total Expenditures					
	\$ 44,234,394	\$ 41,725,677	\$ 41,980,170	\$ 43,627,410	\$ 44,726,927
SRF Loan Proceeds	\$ 7,280,290	\$ -	\$ -	\$ -	\$ -
Change in Net Position *	\$ 1,423,771	\$ (349,021)	\$ 1,611,969	\$ 2,410,701	\$ 3,894,315
Beginning Balances	\$ 21,764,977	\$ 23,188,748	\$ 22,839,727	\$ 24,451,695	\$ 26,862,396
Ending Balances	\$ 23,188,748	\$ 22,839,727	\$ 24,451,695	\$ 26,862,396	\$ 30,756,711

*Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds.

Budget User Guidance*

The District's Fiscal Year 2022-23 Recommended Budget is organized and presented in a manner to better communicate the District's financial operations. Through enhanced transparency stakeholders will be better able to understand the District's costs and cost structure. The budget sections and a summary of the information provided in them is provided below:

Introduction – This section provides basic information on the District including history, governance, location and community profile and organizational structure.

Fund Structure – This section provides a description of the District's fund structure and financial policies.

Financial Summaries – This is a high level summary of the District's financial performance. Summaries for the Water, Wastewater and Recycled Services are shown in Appendix A.

Sources of Funds – This provides the projected revenues the District will receive and the underlying assumptions driving changes in the revenues.

Operating Budget – This section outlines the District's operating expenditures in addition to providing staffing and descriptions of activities and goals of each component of the District's operations. The benefit costs, debt service costs and how the cost are allocated to different services is also included in this section.

Capital Budget – This section outlines the District's capital expenditures and provides a description of the project. The description includes a summary of the project in addition to the project's cost and schedule.

Appendices – These provide historical and additional information on the District's financial operations, service area and policies.

* Tables may not foot due to rounding.

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Executive Director

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Fiscal Year 2021-2022**

Presented to the

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For meeting the criteria established to achieve the CSMFO Excellence Award in Budgeting.

February 28, 2022



Marcus Pimentel

Marcus Pimentel
CSMFO President

Michael Manno

Michael Manno, Chair
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About the District

History

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



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

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

Service Area / STATISTICS

- 44 square-mile service area
- Population: 32,000
- 9,300 water customers
- 5,000 sewer customers
- 30 recycled water customers
- 69 employees budgeted
- \$33 million operating revenues
- \$215 million in total assets
- 7,800 acre-feet sold annually

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

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

Back when the District used to produce some of its water from the Santa Margarita River, it did so using a small pump in the river, under a direct diversion license from the state of California. In 1948, additional water permits were obtained for diversion facilities and construction of a proposed 150-foot dam that would store 30,000 acre-feet of river water. The diversion works for the small pump were destroyed in 1969 by floods and was not rebuilt. Subsequently the state canceled the small-diversion license for lack of use, but the 30,000 acre-foot storage permit remained in place while the dam was being planned. The proposed dam, and associated water supply, immediately hit some hurdles. In 1951, soon after the

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

In 1968, a Memorandum of Understanding and Agreement was signed with the Federal Government to develop a two-dam reservoir project on the river that would benefit both Camp Pendleton and the District. This agreement was the culmination of 17 years of litigation. The federally sponsored project was known as the Santa Margarita Project. It never came to fruition however, due to environmental issues, new faces in leadership, and lack of funding.

Then in January 2018, the District's Board of Directors signed an agreement with Camp Pendleton in a landmark settlement, resolving the U.S. v. Fallbrook case and in April 2019, the federal court adopted the settlement. 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 purchases from the SDCWA, and is expected to provide just over half of the District's water needs on average.

Fiscal Year 2022-23 marks the first full year water deliveries from the SMRCUP will be delivered to the District's rate payers. To treat SMRCUP water deliveries, the District has constructed a \$65.6 million Santa Margarita Groundwater Treatment Plant (SMGTP).

Wastewater and Recycled Water History and Mergers

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



Santa Margarita Groundwater Treatment Plant (SMGTP)

Services

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

Water System

In the past, the District imported 99% of its potable water from the SDCWA with the remaining 1% coming from a local well. With the Santa Margarita Groundwater Treatment Plant (SMGTP) now operational, a significant amount of the District's water supply will be provided through its Santa Margarita River Water Rights. This new local supply is expected to reduce the average annual amount of water purchased from SDCWA by 40% or more and change the District's cost structure. The District's cost to treat and deliver the local water supply is expected to be less than the current cost of purchasing the same amount of water from SDCWA. With a local supply available, the District's rate payers are not only saving on the cost of water but also limiting the impact of future SDCWA rate increases.

The District's water distribution system is comprised of 270 miles of pipeline, 6,800 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 300-million-gallon treated water reservoir, five pump stations and plans for a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District has nearly completed an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use. The District has 4 connections to the imported water system, three of the four are directed connected to MWD owned pipelines and the fourth which is currently not in use is connected to SDCWA's pipeline.

The District's five-year average annual water sales is 8,181 acre-feet. Residential and commercial customers represent 66% of sales, and agricultural customers make up the remaining 34%. The District's historic sales trend is down due to improved water efficiency for both residential and commercial indoor and outdoor use, combined with sharp decreases in agricultural water demands. The decrease in agricultural water demands is being driven by the economics of agriculture production and the fact that high wholesale water costs make only limited crops profitable. The District's agricultural water sales have reduced from 7,000 acre-feet in Fiscal Year 2008 to 2,474 in Fiscal Year 2021 or down 65%.

SANTA MARGARITA GROUNDWATER TREATMENT PLANT and PUMPING STATION / STATISTICS

Fallbrook Public Utility District anticipates having this project completed in 2021 and to begin having its own cost-effective supply that same year.

- Minimum Plant Capacity-1.2 Million Gallons per Day (MGD)
- Maximum Plant Capacity-7.8 MGD



Ribbon cutting of the new SMGTP

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.

Recycled Water System

The District's recycled water system includes 10.5 miles of buried pipe. Currently the District has 30 recycled water customers, and delivers an average of 0.6 million gallons per day to them. The District provides recycled water for nurseries, sports fields, home owners' associations, Fallbrook High School, street medians, and for freeway irrigation. In 2015, the District completed a \$27 million expansion and upgrade to the water reclamation plant to improve reliability of operation and provide storage for recycled water. The project was completed ahead of schedule and under budget.

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

The District has received grant funding to explore development of a joint Indirect Potable Reuse Project with Camp Pendleton Marine Corps Base.

Governance and Organizational Structure

The District's Board is made up of five community members who serve overlapping four-year terms. In March 2016, the Board unanimously approved a resolution to change the method of electing board members to "election by district" and approved a map identifying five territorial units within the District. Each director, therefore, is elected by the registered voters of the sub-district he or she resides in, within the District's service area. To run for office, a candidate must live in the area he or she is running to represent. Prior to 2016, directors would win a seat on the board by being the top vote-getters, regardless of where they lived within the District.

Current Board of Directors:

District #1 - Dave Baxter, President

District #2 - Ken Endter

District #3 - Jennifer DeMeo

District #4 - Don McDougal

District #5 - Charley Wolk, Vice-President

Service Area and Local Economy

San Diego 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 and is rural in character. The District's service area and pipeline is shown in the accompanying maps. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District's service area a bedroom community for Camp Pendleton's active military and civilian-service workers. The service area's 2020 population is estimated to be 34,432 with 9,913 households. Fallbrook's population has remained relatively unchanged over the past several years.

Figure #1 - District Service Area

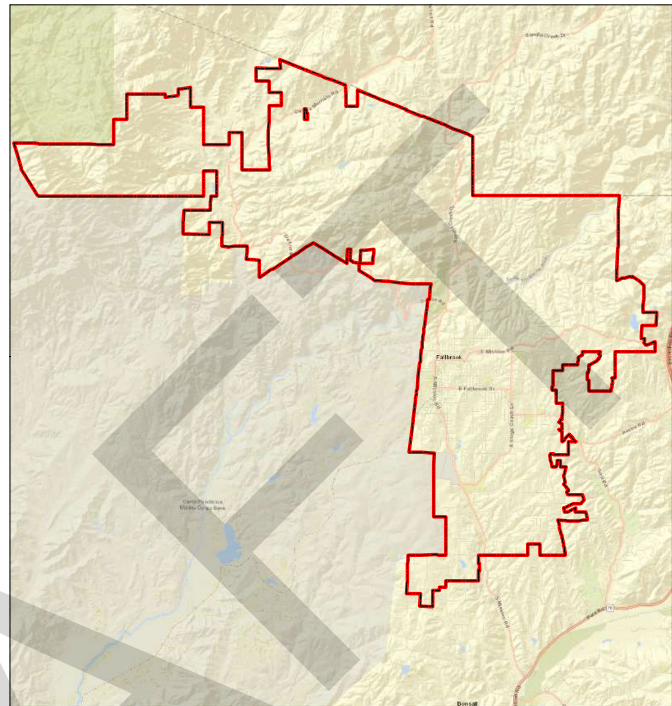
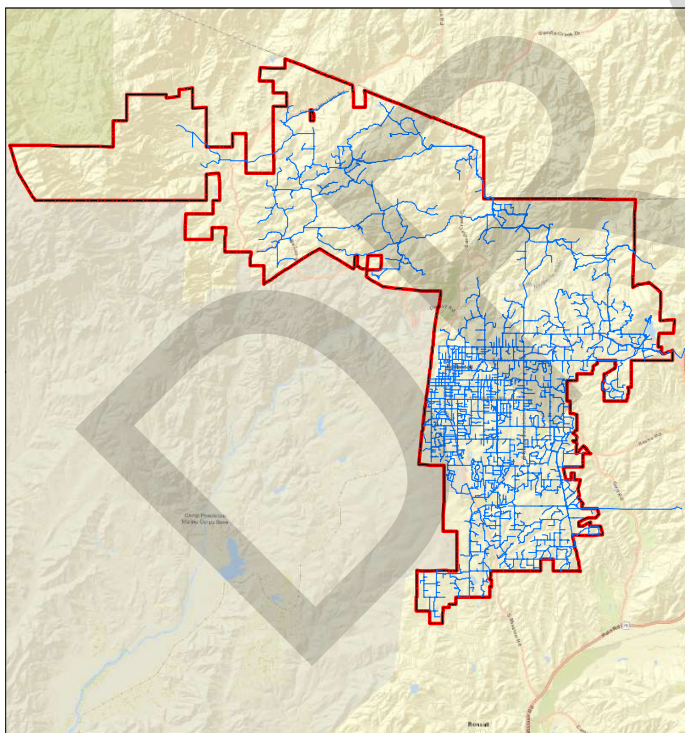


Figure #2 - District Pipelines



DISCLAIMER: By accepting this map, you agree that the Fallbrook Public Utility District assumes no liability or responsibility of any kind arising from use of this map. This map, its Data, and any calculations associated with this map is provided without warranty of any kind.	LEGEND FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY
	FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY
Source: ESRI, FPUID Projection: California State Plane NAD 83 Feet, Zone 6, Epoch 1911.20 Map Created by Todd Jester (6-6-21), X:\GIS\BData - Inks\Project Spec\ink\ESTR\T:BOUNDARY\WATER_BOUNDARY_Pipeline.MXD	

DISCLAIMER: By accepting this map, you agree that the Fallbrook Public Utility District assumes no liability or responsibility of any kind arising from use of this map. This map, its Data, and any calculations associated with this map is provided without warranty of any kind.	LEGEND FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY WATERLINE
	FALLBROOK PUBLIC UTILITY DISTRICT WATER BOUNDARY
Source: ESRI, FPUID Projection: California State Plane NAD 83 Feet, Zone 6, Epoch 1911.20 Map Created by Todd Jester (6-6-21), X:\GIS\BData - Inks\Project Spec\ink\ESTR\T:BOUNDARY\WATER_BOUNDARY_WaterLine.MXD	

The median household income in Fallbrook was \$69,250, which is less than the state median of \$78,672 and slightly higher than the national average of \$64,994. As of March 2022, San Diego County's unemployment rate was 3.4%, which is lower than the State's 4.2%.

The San Diego Association of Governments (SANDAG) projects that the County's population will approach 4.1 million residents in 2050, up from 3.3 million in 2020. The District's 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.

District's Strategic Plan for FY 2022/2023

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

#1 Strategic Focus Area | Water Supply

District Goal: Provide a reliable, cost-effective water supply through optimizing operation of local water supply projects and securing the most cost effective source of imported water.

Fiscal Year 2022-23 District Objectives:

1. Maximize deliveries of local water by coordinating closely with Camp Pendleton on Santa Margarita water supply operations.
2. Take all necessary steps to ensure the District's LAFCO application to switch water wholesalers and reduce water costs continues to move towards LAFCO approval and a vote of District ratepayers.
3. Continue to evaluate funding alternatives including additional grants to help support water quality treatment improvements to the SMRCUP in coordination with Camp Pendleton including implementation of an Indirect Potable Reuse (IDP) project.
4. Utilize an updated recycled water master plan expand recycled water service to increase utilization of existing supplies with the District service area.

#2 Strategic Focus Area | Infrastructure

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

Fiscal Year 2022-23 District Objectives:

1. Complete capital projects in accordance with approved budget and asset-management plan. Maintain utilization of District construction crews with proactive replacements versus reactive repairs. Make any necessary adjustments to meet pipeline and valve replacement targets to ensure long-term reliability of our water infrastructure.
2. Implement the asset-management plan to track project costs and help prioritize projects. Leverage this data to make continued improvements in determining the most effective project approaches.

#3 Strategic Focus Area | Efficiency

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

Fiscal Year 2022-23 District Objectives:

1. Continue implementation and reporting of Key Performance Indicators (KPIs) for engineering, operations, finance, customer service and public outreach. Tie KPIs to nationally recognized Effective Utility Management (EUM) goals and measure against applicable national bench-marks.
2. Improve the efficiency of operations by developing additional metrics and reporting using the recently implemented Enterprise Asset Management (EAM) System.

3. Build on recently implemented regional collaboration programs and new contract service opportunities with Camp Pendleton to evaluate new ways to reduce operating costs through shared resources without reducing the level of service.

#4 Strategic Focus Area | Community

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

Fiscal Year 2022-23 District Objectives:

1. Ensure the upcoming Proposition 218 rate setting process is clearly communicated and provide clear information to District ratepayers about needs for future water and sewer rate increases and steps the District is taking to minimize costs.
2. Provide administrative support for the approval and implementation of the community benefit program proposal submitted to LAFCO.
3. Continue to improve customer engagement and promote District benefits to the Community through social media and quarterly newsletters. Develop two additional short videos to highlight key aspects of the District.
4. Further improve the District budget to identify clearly to the public how costs are allocated and how resources are being managed. Continue to produce a CAFR and achieve a GFOA and California Society of Municipal Finance Officers (CSMFO) budget awards. Achieve District of Distinction from the California Special District's Association.

#5 Strategic Focus Area | Workforce

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

Fiscal Year 2022-23 District Objectives:

1. Expand implementation of the career development program that identifies future leaders in the organization and provides them training and a clear sense of future opportunities. Continue to leverage capabilities of existing staff and expand their responsibility when they show potential to develop a long-term pipeline for advancement of internal qualified candidates.
2. Continue to expand cross-training and external training program for staff, and provide new opportunities and challenges for motivated employees. Reconstitute programs and events to recognize employees and improve employee recognition program.
3. Continue to participate in the regional internship program and expand the District's high-school internship program.



4. Participate in regional efforts to improve local education, training and internship programs to bring more qualified applications into the industry. Lead efforts to help address existing regulatory bottlenecks in advancing the Water/Wastewater workforce.
5. Participate in key local and national organizations in the water/wastewater industry, including participating in presentations on District and trainings to improve recognition of the District as an effectively managed and forward-looking utility.

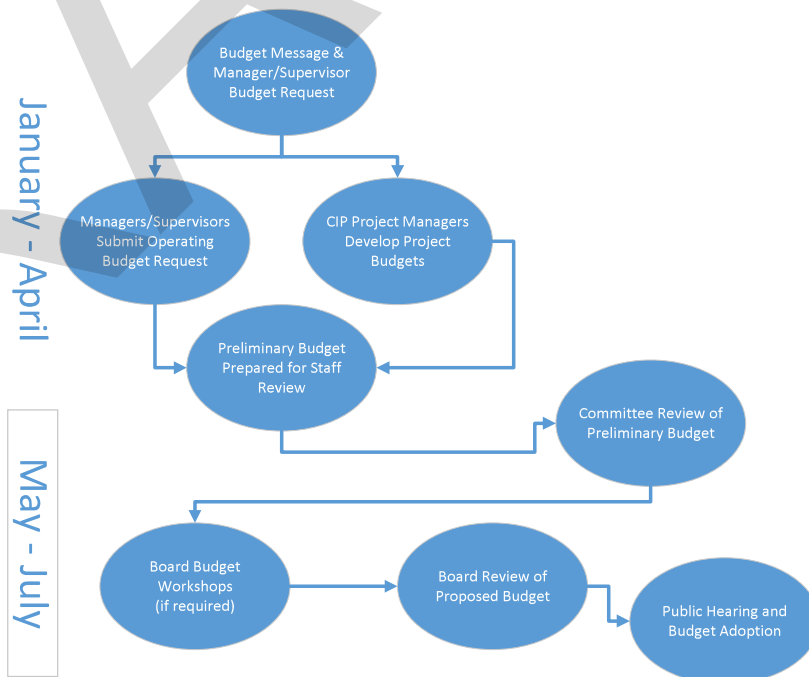
Budget Basis

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

Budget adjustments are made if projects or expenditures are needed that fall outside the District’s adopted budget. These items are brought to the Board for approval and to appropriate the funds. A mid-year budget update is also provided to the Board each year to update spending trends and identify early any potential shortfalls. The District maintains a balanced budget, which means that sources of funds equals uses of funds. Reserve fund withdrawals, if necessary, provide a source of funds. Likewise, deposits to reserves are a use of funds and are unappropriated balances.

Figure #3 - Fallbrook District’s Annual Budget Process



Budget Process

Each year, the District develops and adopts a new budget for the upcoming fiscal year. The budgeting process begins in January and starts with the budget message. The 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.

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

While the operating budget is being developed, the CIP managers meet with the General Manager to develop the CIP project budgets for the upcoming fiscal year as well as the next five years of budgets. The CIP budgets are submitted by the end of February along with the operating budget.

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

DISTRICT ORGANIZATIONAL CHART

The District maintains an efficient level of staffing which requires an organizational structure that is very flat, with staff working across services and filling a variety of roles. The organizational chart provided is designed to illustrate the District’s structure and staffing levels. The Proposed Budget includes 69 Full Time Equivalent (FTE). The boxes under Administrative, Water, Wastewater and Recycled Water Services represent functional groups called Divisions. However, in some cases (Human Resources & Engineering Services) a division of Administrative Services is identified separately. In these cases, the object is colored to illustrate that it is part of Administrative Services.

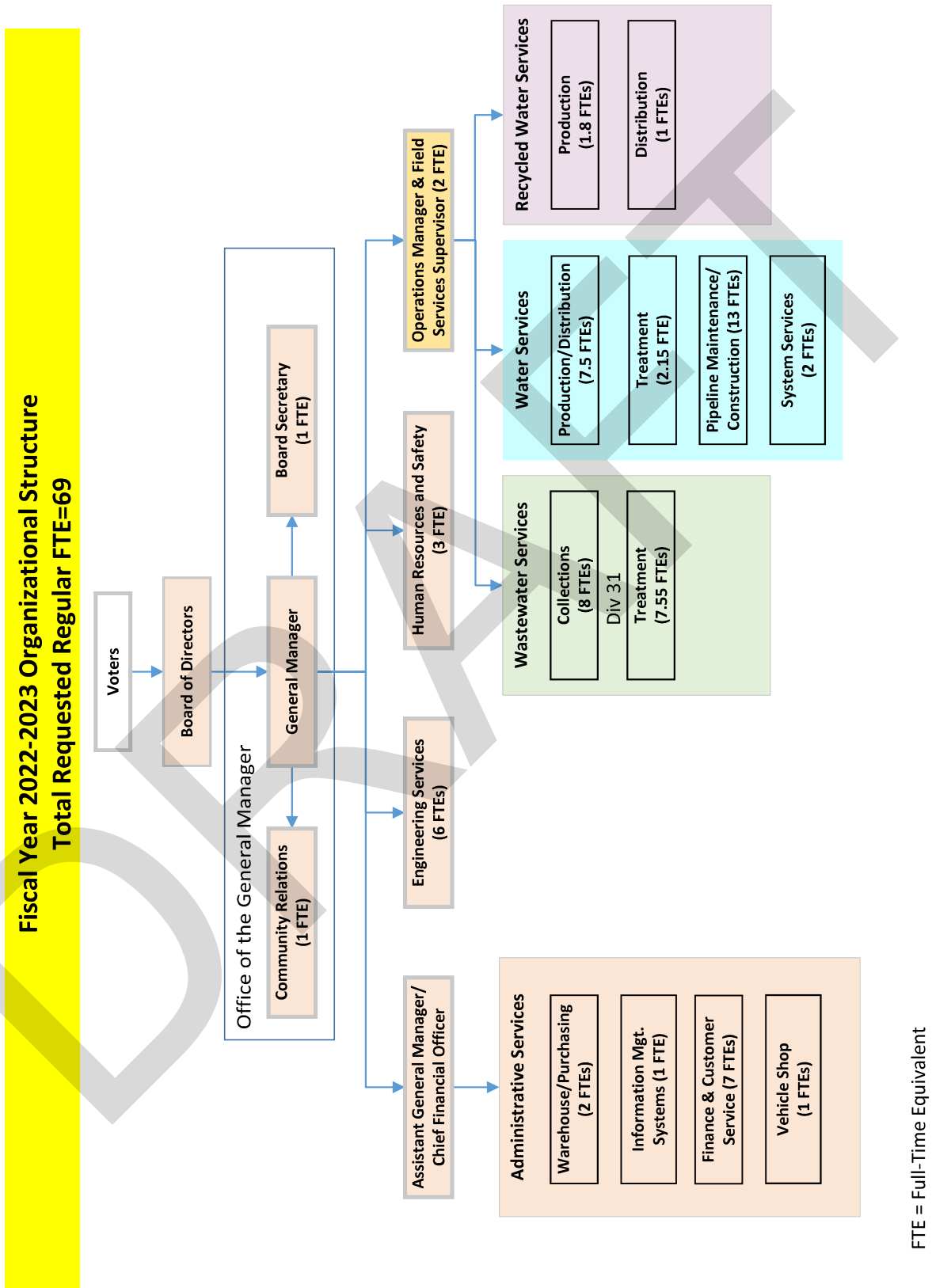
The Administrative Services department includes all functions that are necessary for the District to operate, but are not specific to Water, Wastewater or Recycled Water Services. While this includes a wide range of activities, these costs are recovered through water, wastewater and sewer rates. The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

Water, Wastewater and Recycled Water Services are the District’s other services. The Divisions within each of these services are shown on the organizational chart. Water services is comprised of four Divisions while the other services are broken into two Divisions. The organizational chart shows the Water, Wastewater and Recycled Water Services reporting to two managers that manage multiple services. The function of each division is discussed in the Operating Budget Section.

Beginning this Budget Cycle, the District is introducing the Community Benefit Program (CBP). The Administrative Services department will allocate .05 FTE from existing staff hours to be directed toward this activity.



Figure #4 - Proposed Fiscal Year 2022-23 Organizational Structure ¹



FTE = Full-Time Equivalent

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

Fund Structure

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

While the reserve structure and target amounts will be re-evaluated as part of the 2022 Financial Plan update, the District's 2017 Water, Recycled Water and Wastewater Rate Study Report (Report) fund structure and target fund balances are presented here. The District's current working capital/operating structure, and a description of each fund and the fund's target balance is provided below:

Water Services Funds

Working Capital/Operating Fund: To be established and maintained at a level of three months operating and maintenance expenses including water purchases. The primary source of funds for the Operating Fund are water sales, fixed service charge and pass-through charge revenues. The Operating Fund Target for Fiscal Year 2022-23 is \$5.7 million.

Rate Stabilization Fund: To prevent "spikes" and mid-year changes in rates because of net revenue shortfalls due to weather conditions, state or federal legislation or other future uncertainties. This fund was primarily established to buffer variability of water deliveries from the SMRCUP in dry years. The target level is set equal to two years of debt service payments on the SMRCUP financing. The Rate Stabilization Fund (RSF) Target for Fiscal Year 2022-23 is \$2.2 million. The RSF has been prefunded with the \$6.2 million from the sale of the District's Santa Margarita Property in Fiscal Year 2018-19.

Wastewater Services Funds

Working Capital/Operating Fund: To be established and maintained at a level of three months operating and maintenance expenses. The primary source of funds for the Operating Fund are wastewater service charges and investment earnings. The Operating Fund Target for Fiscal Year 2022-23 is \$1.5 million.

Rate Stabilization Fund: To promote smooth and predictable rates and charges, a Rate Stabilization Fund is established with a target level equal to 10% of annual revenues. The Rate Stabilization Fund Target for Fiscal Year 2022-23 is \$0.9 million.

Recycled Water Services Fund

Working Capital/Operating Fund: To be established at three months operating and maintenance expenses. The primary source of funds for the Operating Fund are water sales and fixed service charge revenues. The Operating Fund Target for Fiscal Year 2022-23 is \$0.1 million.

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

Water Services Capital Fund

The primary source of funds are the Water and Pumping Capital Improvement charges, property tax and standby availability charge receipts, annexation fees, connection fees and meter fees. Target fund balance is set to the equivalent of the sum of three years of expenditures on recurring capital projects (i.e. pipeline renewal/replacement). The Fiscal Year 2022-23 target balance for the Water Capital Fund is \$18.4 million.

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

Wastewater Services Capital Fund

The primary source of funds are Wastewater Capital Improvement charges, connection fees, property tax receipts, and meter fees. Target fund balance is set to the equivalent of the sum of three years of expenditures on recurring capital projects (i.e. pipeline renewal/replacement). The Fiscal Year 2022-23 target balance for the Wastewater Capital Fund is \$4.8 million.

Recycled Water Services Capital Fund

Target fund balance is set to the equivalent of the sum of three years of expenditures on recurring capital projects (i.e. pipeline renewal/replacement). Recycled Operating Fund transfers are the primary source of funds followed by a portion of the property tax receipts. The Fiscal Year 2022-23 target balance for the Water Capital Fund is \$0.4 million.

Fund Summary

The Districts total water target fund balance (26.3 million) equals the water working capital/operating fund (5.7 million), the rate stabilization fund (2.2 million) and the water services capital fund (18.4 million). The total recycled water target fund balance (0.5 million) equals the recycled working capital/operating fund (0.1 million) and the recycled water services capital fund (0.4 million). The total wastewater target fund balance (7.2 million) equals the wastewater working capital/operating fund (1.5 million), the rate stabilization fund (0.9 million) and the wastewater services capital fund (4.8 million). The District’s projected Fiscal Year 2022-23 year-end balances are shown in the table below.

Table #1 - Total Fund Balances

Service	Target Balance (Millions)	Projected Fiscal Year 2022-23 Ending Balance (Millions)
Water	\$ 26.3	\$ 20.2
Recycled Water	\$ 0.5	\$ 0.5
Wastewater	\$ 7.2	\$ 2.3
Total	\$ 34.0	\$ 23.0

Other Funds Maintained by the District

Section 115 Pension and OPEB Trust Fund

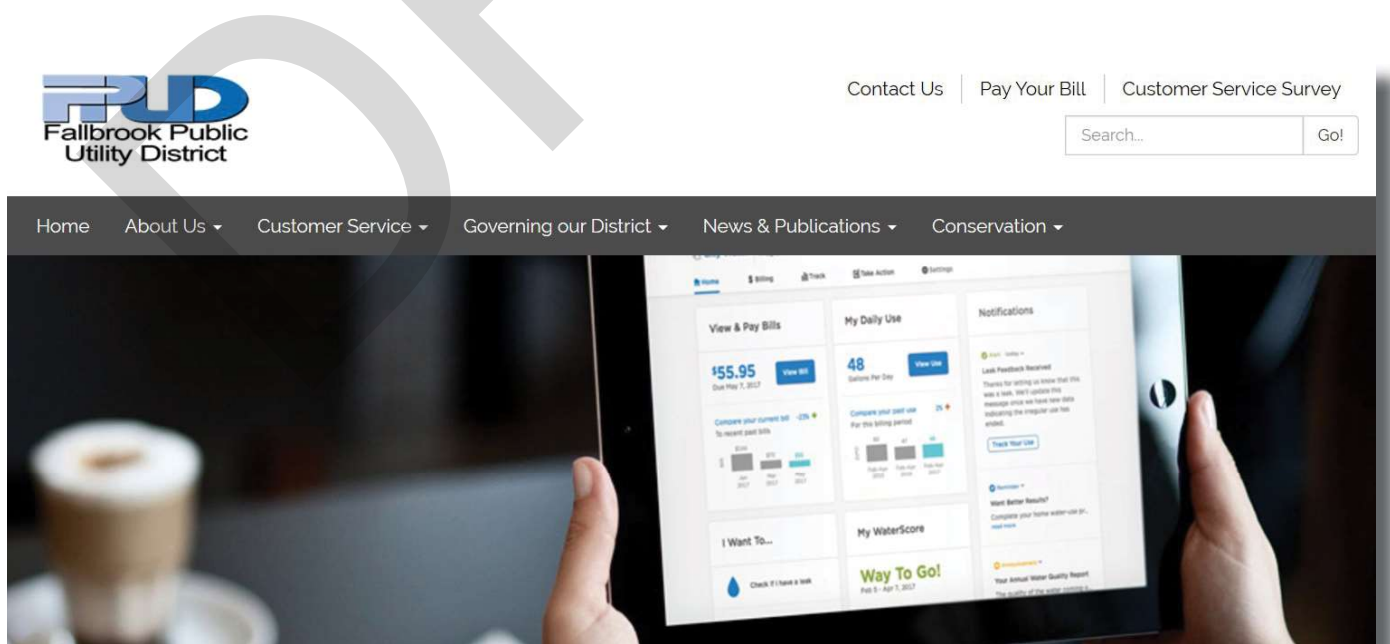
This fund was set up in Fiscal Year 2016-17 as an irrevocable trust established for the benefit of the pension and Other Post-Employment Benefits (OPEB) beneficiaries. The fund is managed by Public Agency Retirement Services (PARS) and is restricted in its use to funding pension and OPEB expenditures. The funds restricted for OPEB and pension costs are tracked in the fund. The fund balance was \$9.9 million on March 31, 2022. 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. Details on the District's pension and OPEB obligations are provided in Appendix D.

District's Financial Management Policies

The District maintains certain policies that govern aspects of the District's financial management. The District maintains the following policies:

- [Debt Management Policy – Defines the District's debt management \(available on website\)](#)
- [Investment Policy – Establishes permitted investments in compliance with State Code \(Article 18 of the District's Administrative Code\)](#)
- [Fund Balance Policies – Sets target balances for reserves and working capital \(Article 6 of the District's Administrative Code\)](#)
- [Capitalization Policy – Establishes the parameters for defining an operating or capital expenditure](#)

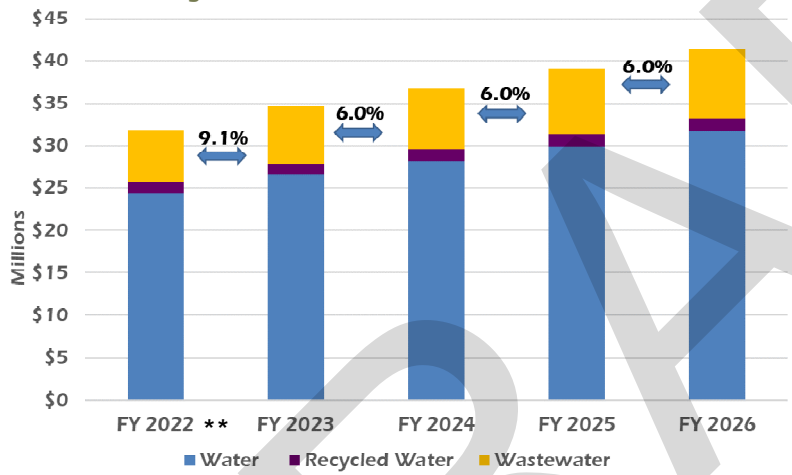
These policies can be found on the District's website as standalone documents or as part of the District's Administrative Code. Appendix C also provides a copy of the District's Capitalization Policy and other policies for ease of reference.



Financial Summaries

The rate and charge increases included in the 2023 projections are in line with the increases approved by the Board in December 2017 as part of the 2017 Water, Recycled Water and Wastewater Rate Study Report and Proposition 218 process. This year the Board will be updating the financial plan, conducting a Prop. 218 process and producing a rate and charge study for Calendar Years 2023, 2024, 2025, 2026 and 2027. Because the rate and charge increases are effective for a calendar year, the impact of a rate increase spans two fiscal years. The projections take this into account and show revenues on a fiscal year basis with the underlying rate increases. The Board will set the Calendar Year 2023 rates and charges in December 2022. Since no decision on the rate and charge increases has been made at this time, the Budget uses a flat 6% increase across Services to project revenues. Chart 1 shows the projected increase in revenues due to the rate adjustments. The large increase in Fiscal Year 2021-2022 is driven by a return to average water sales levels. **Appendix A provides the detailed revenue, expense and fund balance projections for Water, Recycled Water and Wastewater operations.**

Chart #1 - Projected Total Rate Revenues *



* Total Rate Revenue increases shown

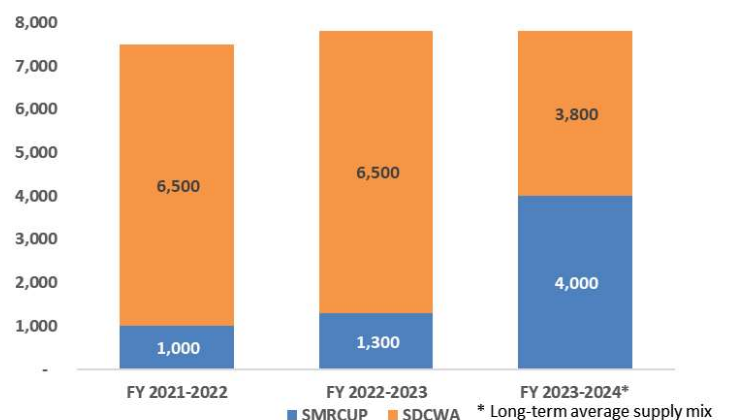
** Projected revenues based upon current District sales projections

Looking Forward

The economic impacts and duration of the pandemic are still unknown. While the Budget uses rate and charge increases in line with the Board's financial plan, the Board will take action to set rates in December 2022. At that time, both the economic impacts and duration of the pandemic will be more clear. The Board will take these factors into consideration when adopting rates and charges and may elect to defer projects to mitigate rate increases.

This section provides an overview of the Districts overall projected financial operations. Table 1 provides a detailed summary of the District's revenues and expenditures and the projected year-end fund balances. Revenues from the District's water, recycled water and wastewater services are projected to increase over the projection period driven by rate and charge increases. Non-operating revenues are projected to rise at rates of inflation in line with levels assumed in the 2017 Water, Recycled Water and Wastewater Rate Study Report. Wholesale water rates are projected to increase annually in line with past averages driven by State and regional water supply reliability related costs. As shown in Chart #2, In Fiscal Year 2022-23, the District is projecting deliveries from the SMRCUP and the related costs to be below the expected average

Chart #2 - Wholesale and Local Supply Mix



due to the drought and limited amount SMR water available. The SMRCUP deliveries are expected to return to the projected average of 4,000 AF for the remainder of the projection period as shown in Table 1. The 8% increase in Fiscal Year 2022-23 purchased water costs is driven by higher wholesale costs and increased water purchases due to the limited amount of SMR deliveries. Fluctuations in SMR water deliveries change the District’s non-labor costs significantly, this is the result of utility (power) and chemical operating cost of the SMGTP. Utility and chemical costs are directly related to the amount of water treated by the plant.

Table #1 - Fallbrook Public Utility District’s Financial Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenue from Rates					
Water	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Recycled Water	1,224,582	1,294,803	1,374,146	1,456,595	1,543,990
Wastewater	6,124,000	6,829,867	7,239,659	7,674,039	8,134,481
Subtotal Revenue from Rates	\$ 31,788,240	\$ 34,696,780	\$ 36,795,202	\$ 39,018,772	\$ 41,376,708
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$ 261,415	\$ 287,349	\$ 301,572	\$ 316,273	\$ 332,173
SDCWA IAC Charge	551,708	578,663	608,395	669,114	718,258
Sundry*	59,009	59,009	59,009	59,009	59,009
SDCWA Incentive	-	-	-	-	-
Other Revenue Subtotal	\$ 872,132	\$ 925,021	\$ 968,976	\$ 1,044,396	\$ 1,109,440
Non-Operating Revenue					
Water Availability Charge**	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842
1% Property Tax	2,184,459	2,195,381	2,206,358	2,217,390	2,228,476
Investment Earnings	134,861	138,085	141,874	153,942	172,857
Water CIP Charge	1,467,782	1,494,870	1,542,487	1,638,001	1,739,423
Pumping CIP Charge	32,756	32,756	32,756	32,756	32,756
Other Revenue	256,068	261,189	266,413	271,741	277,176
Water Capacity Fees	111,172	112,283	113,406	114,540	115,686
Wastewater CIP Charge	1,183,216	1,185,754	1,203,561	1,239,711	1,276,946
Wastewater Capacity fees	40,371	41,178	42,002	42,842	43,698
Federal Interest Rate Subsidy	97,977	84,516	70,261	55,178	39,233
Subtotal Non-Operating Revenue	\$ 5,717,503	\$ 5,754,855	\$ 5,827,960	\$ 5,974,943	\$ 6,135,094
Total Revenues	\$ 38,377,874	\$ 41,376,656	\$ 43,592,138	\$ 46,038,111	\$ 48,621,242

* Sundry revenue is comprised of miscellaneous revenues and includes revenues from sale of assets taken out of service, which includes sale of equipment and vehicles.

** Fee is charge on a per acre or parcel basis in service area, which is not expected to change.

Table #1 - Fallbrook Public Utility District's Financial Projections, cont.

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Total Revenues	\$ 38,377,874	\$ 41,376,656	\$ 43,592,138	\$ 46,038,111	\$ 48,621,242
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs***	\$ 12,398,032	\$ 13,277,840	\$ 10,225,371	\$ 11,011,398	\$ 11,714,358
SMRCUP Supply Costs	371,000	513,240	1,610,616	1,642,974	1,676,304
Subtotal Water Supply Costs	\$ 12,769,032	\$ 13,791,080	\$ 11,835,987	\$ 12,654,373	\$ 13,390,661
Labor Costs	3,261,355	3,344,204	3,511,414	3,686,984	3,871,334
Fringe Benefits	2,141,829	2,242,014	2,387,745	2,542,949	2,670,096
Services, Materials & Supplies	2,649,440	2,970,298	3,059,407	3,151,189	3,245,725
Administrative Expenses	6,664,591	7,328,223	7,611,597	7,907,602	8,186,004
Community Benefit Program	-	546,000	546,000	546,000	546,000
Total Operating Expenses	\$ 27,486,247	\$ 30,221,819	\$ 28,952,150	\$ 30,489,097	\$ 31,909,820
Net Operating Revenues	\$ 10,891,628	\$ 11,154,837	\$ 14,639,988	\$ 15,549,014	\$ 16,711,422
Total Debt Service	\$ 3,621,118	\$ 3,730,508	\$ 5,156,080	\$ 5,158,581	\$ 5,154,243
Total Capital Expenditures	\$ 13,127,029	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864
Total Expenditures	\$ 44,234,394	\$ 41,725,677	\$ 41,980,170	\$ 43,627,410	\$ 44,726,927
SRF Loan Proceeds	\$ 7,280,290	\$ -	\$ -	\$ -	\$ -
Change in Net Position ****	\$ 1,423,771	\$ (349,021)	\$ 1,611,969	\$ 2,410,701	\$ 3,894,315
<i>Beginning Balances</i>	\$ 21,764,977	\$ 23,188,748	\$ 22,839,727	\$ 24,451,695	\$ 26,862,396
<i>Ending Balance</i>	\$ 23,188,748	\$ 22,839,727	\$ 24,451,695	\$ 26,862,396	\$ 30,756,711

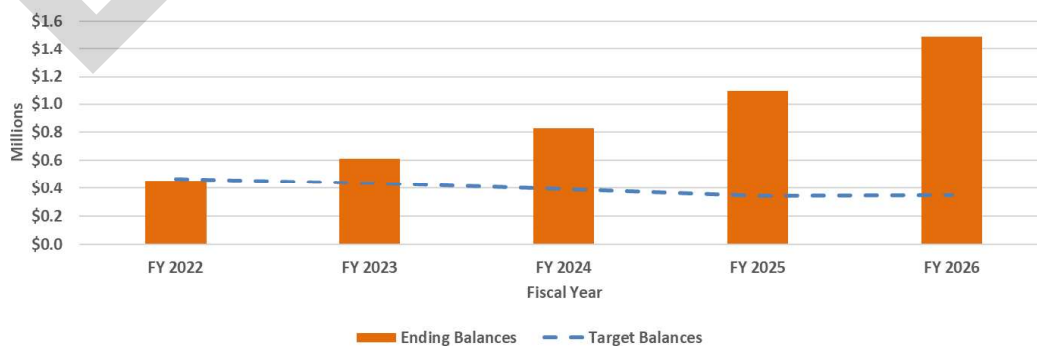
***Detail on purchased water costs provided on page 45. Purchased water costs include MWD RTS and Capacity Charges, SDCWA IAC Charge and Pumping Costs.

****Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds.

Debt service and capital expenditures are deducted from the District's Net Operating Revenues to determine the change in Net Position for the fiscal year. It is important to note that funds from the SRF Loan offsets the use of the District's financial resources as shown in the table above for Fiscal Year 2021-2022. The Fiscal Year 2022-23 Change in Net Position shows the District is withdrawing from reserves in that particular fiscal year. In Fiscal Year 2022-23, the District is projecting a withdrawal of \$349,021 from reserves.

The Beginning Balance shows the funds available at the start of the year and the Ending Balance shows the funds that are available after the year is over. The chart below shows the Target Reserve levels compared to the projected fund balances. **Appendix A provides the detailed revenue, expense and fund balance projections for Water, Recycled Water and Wastewater operations.**

Chart #3 - District Fund Balances and Target Level



Water Services Sources of Funds

The primary source of funds for water operations is water sales revenues. Water sales levels determine the District’s water sales revenues. Because Fallbrook is located in a semi-arid region of the United States and is subject to significant fluctuations in the level of water demands, each year careful attention is paid to the projected level of water sales. Heading into the Fiscal Year 2022-23 budget cycle, California is again facing drought conditions with most reservoir levels are below the historical average (see Figure 1). At this point in time, no mandatory water use restrictions are in place but it is possible that some restrictions will be in place this summer. As a result of expected dry conditions and the potential for some use restrictions, water sales are projected to be slightly under the District’s long-term expected average sales level at 7,800 AF.

The District’s sales over the last five years including the estimate for the current fiscal year and the projected water sales for the budget period are shown in Table 1. The table shows water production and total sales; production includes system losses, and water sales are units sold to customers. The sales are also split between Municipal & Industrial (M&I) customers and Agriculture (AG) customers. AG customers are eligible for a reduced water rate in exchange for a lower level of water supply reliability or put simply, agricultural customers have to cut back more than other customers when water restrictions are in place.

Table #1 - Five-Year Production and Sales History

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 Estimated	FY 2022-23 Projected
Production	9,193	10,090	8,043	7,986	8,918	8,100	8,300
Total Sales (adjusted for system losses)	8,592	9,269	7,496	7,305	8,242	7,500	7,800
AG Sales	3,242	3,412	2,333	2,350	2,474	2,100	2,300
M&I Sales	5,349	5,625	5,163	4,955	5,768	5,400	5,500

As the table and chart shows, recent years have been impacted by restrictions in use levels, wet weather and changes in customer use patterns all of which have resulted in reduced water demands. The District’s Fiscal Years 2018-19 and 2019-20 water demands were at or near the historic low levels due to wet weather. This persistent trend in lower water demands has caused the District to reevaluate how it projects future water demands. After looking at changes in the region’s agricultural industry and domestic water use patterns, the District has reduced the long-term average water sales it uses for planning purposes last year. The projected Fiscal Year 2022-23 water sales are 4% under this new long-term average due to the water supply outlook and the potential for use restrictions this year.

Chart#1 - Water Sales Trends

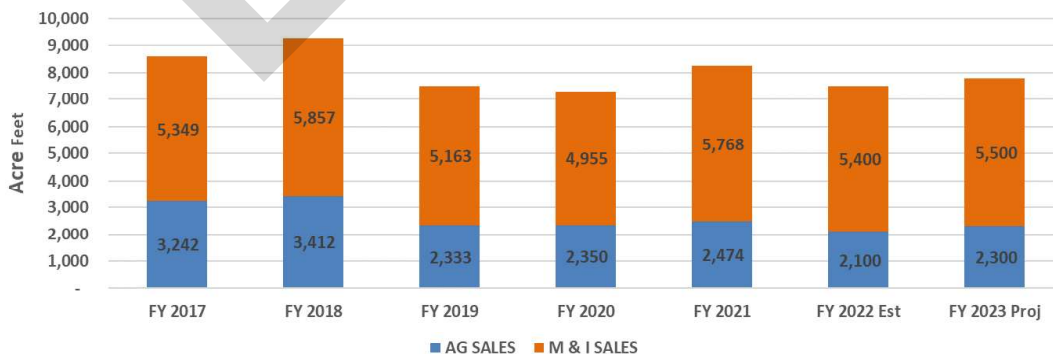
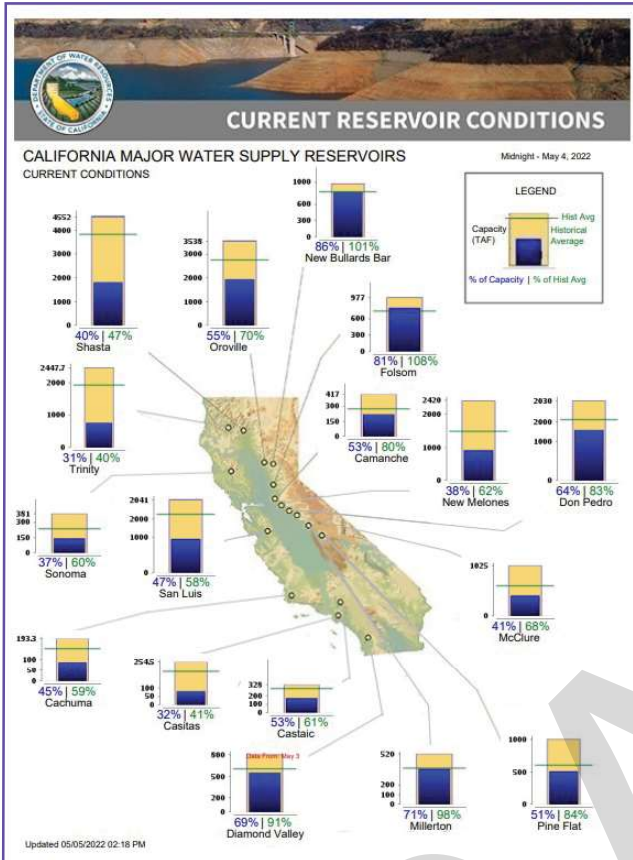


Figure #1 - State Reservoir Conditions



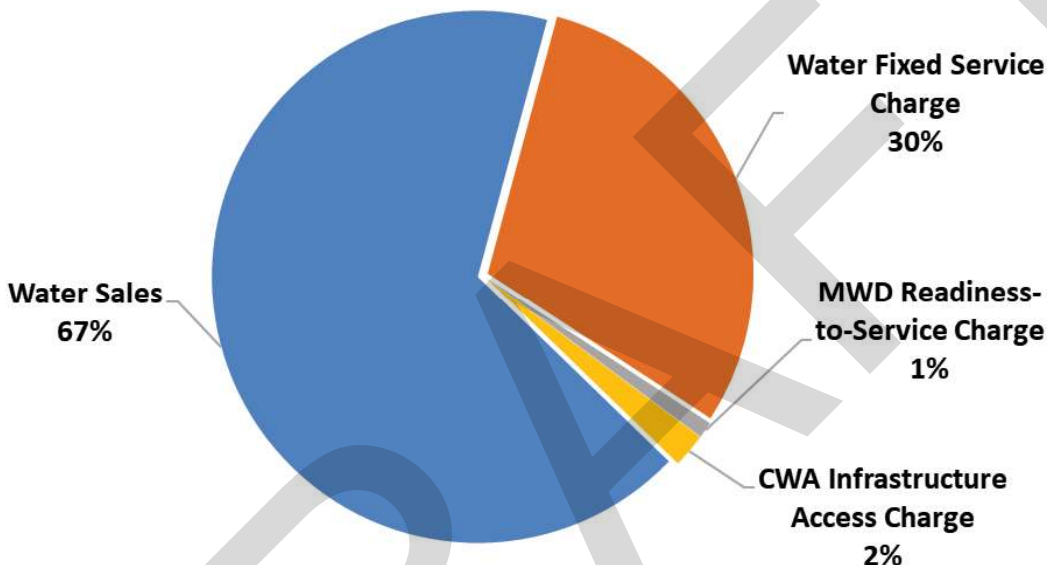
The Water Services operating and non-operating revenues are shown in Table 2. Water sales revenues are those collected by the District for water usage during a billing cycle. Each of the District’s customers are charged a fee based upon their user class and for water purchased in that billing period. The monthly water fixed service charge revenues are an important revenue stream for the District because they are not subject to volatility in water demands. The District also passes through certain fixed charges from the MWD and the SDCWA. The revenue projection for Fiscal Year 2022-23 provided here include rate and charge increases in line with what was approved by the Board as part of the 2017 Rate and Charge Study. The primary driver of the 3.7% revenue increase budget to budget is the increase in water rates and charges. Fiscal Year 2021-22 sales revenues are projected to be close to budgeted levels.

Table #2 - Water Services Sources of Revenue

Description	FY 2020-21		FY 2021-22		FY 2022-23 Budget	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget		
Operating Revenues:						
Water Sales	\$ 17,345,010	\$ 17,883,218	\$ 16,554,139	\$ 18,414,650	3.0%	
Water Fixed Service Charge	7,237,052	8,000,687	7,885,518	8,415,442	5.2%	
MWD Readiness-to-Service Charge	293,234	261,102	261,415	287,349	10.1%	
SDCWA Infrastructure Access Charge	500,709	551,466	551,708	578,663	4.9%	
Total Operating Revenue	\$ 25,376,005	\$ 26,696,472	\$ 25,252,780	\$ 27,696,103	3.7%	
Non-Operating Revenues:						
Water Capital Improvement Charge	\$ 1,413,080	\$ 1,443,359	\$ 1,467,782	\$ 1,494,870	3.6%	
Property Tax	1,214,791	1,055,476	1,055,476	1,060,754	0.5%	
Water Availability Charge	208,842	204,000	208,842	208,842	2.4%	
Water Capacity Charges	110,071	50,500	111,172	112,283	122.3%	
Investment Earnings	131,414	99,482	122,813	124,130	24.8%	
Pumping Capital Improvement Charge	19,736	32,756	32,756	32,756	0.0%	
Gain/Loss on sale of assets	947,513	-	-	-	N/A	
Other Revenue	53,009	5,000	53,009	53,009	960.2%	
Cell Phone Revenue	251,047	255,000	256,068	261,189	2.4%	
Total Non-Operating Revenue	\$ 4,349,503	\$ 3,145,573	\$ 3,307,918	\$ 3,347,833	6.4%	
Total Revenues	\$ 29,725,508	\$ 29,842,045	\$ 28,560,698	\$ 31,043,937	4.0%	

As Chart 2 shows, water sales revenues represent 67% of the District’s water operating revenues with the remaining 33% of revenues coming from other sources that are independent from water sales. This variable/fixed mix of revenue means that operating revenues are subject to volatility due to water sales levels. Managing this volatility requires good fiscal planning and the use of the Rate Stabilization Fund to make up shortfalls. The primary sources of non-operating revenues are the water Capital Improvement Charge, which is a fixed charge restricted to fund only capital projects, and property tax and Water Availability Charge revenues. Other revenues include pumping Capital Improvement Charge, investment earnings and other income.

Chart #2 - Fiscal Year 2022-23 Water Services Operating Revenues

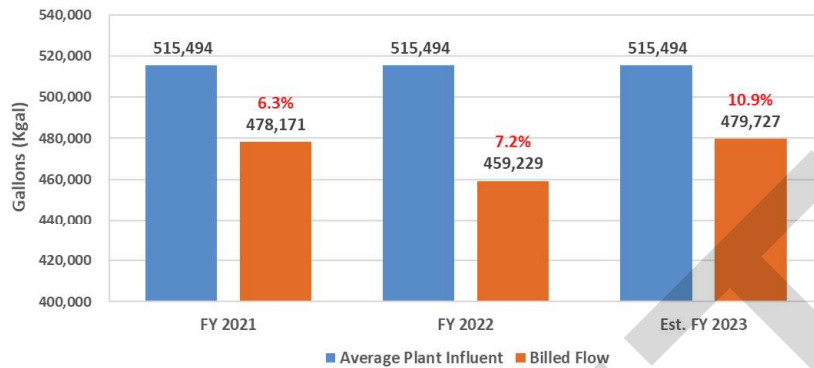


Wastewater Services Sources of Funds

Wastewater revenue is relatively stable since it is billed based upon indoor water used. To estimate the amount of water used indoors that is returned to the sewer, a return to sewer factor is applied to each user class. For residential users, the return to sewer factor is applied to their 3-month winter average. The winter months, which are typically wet, allow indoor use to be estimated since outdoor/landscape use is at a minimum. However, even the winter average use is adjusted to reflect some level of residential outdoor/landscape, which is not returned to the sewer. This methodology limits the impact weather has on billable sewer flows. As part of the Financial Plan update, the Board is considering different residential billing methodologies. The revenue projection for Fiscal Year 2022-23 provided here includes rate and charge increases in line with what was approved by the Board and billable residential wastewater flows using the current billing methodology.

Historic averages provide a good basis from which flows and revenue projections can be evaluated. The chart below shows the average annual flows at the plant (Plant Influent) and the billable wastewater flows projected for this budget period. The variance between Average Plant Influent and Billable Flows is shown in red. The projection for Fiscal Year 2022-23 shows billable flows below the Fiscal Year 2021-22 plant flow levels. Prior to adopting rates and charges in December 2022, staff will develop a recommendation for changes in the residential billable flow methodology.

Chart #3 - Wastewater Services Annual Flows

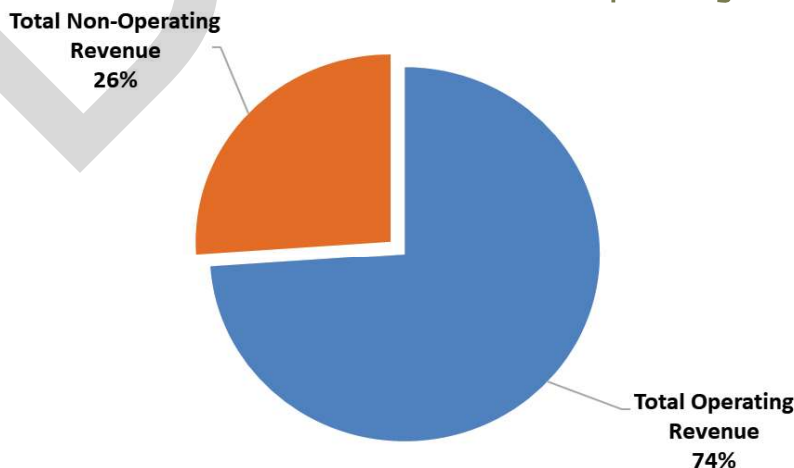


Wastewater Services operating and non-operating revenues are shown in Table 3 and Chart 4. The primary source of operating revenue for Wastewater Services is the Wastewater Service Charge. The primary non-operating revenues are the Wastewater Capital Improvement charge, which, like the Water Capital Improvement Charge, is restricted to fund only capital projects. Other non-operating revenues include property tax revenues.

Table #3 - Wastewater Services Sources of Revenue

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Operating Revenue					
Wastewater Service Charges	\$ 5,993,042	\$ 6,469,183	\$ 6,124,000	\$ 6,829,867	5.6%
Sundry Other Revenue	1,382	1,000	1,000	1,000	0.0%
Total Operating Revenue	\$ 5,994,424	\$ 6,470,183	\$ 6,125,000	\$ 6,830,867	5.6%
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ 1,171,245	\$ 1,180,678	\$ 1,183,216	\$ 1,185,754	0.4%
Property Tax	1,069,872	1,016,181	1,075,221	1,080,597	6.3%
Wastewater Capacity Charges	39,579	35,700	40,371	41,178	15.3%
Investment Earnings	71,912	20,736	9,195	10,758	-48.1%
Federal Interest Rate Subsidy	112,207	97,977	97,977	84,516	-13.7%
Total Non-Operating Revenue	\$ 2,464,815	\$ 2,351,272	\$ 2,405,980	\$ 2,402,803	2.2%
Total Revenues	\$ 8,459,239	\$ 8,821,455	\$ 8,530,980	\$ 9,233,670	4.7%

Chart #4 - Fiscal Year 2022-23 Wastewater Services Operating Revenues



Recycled Water Services Sources of Funds

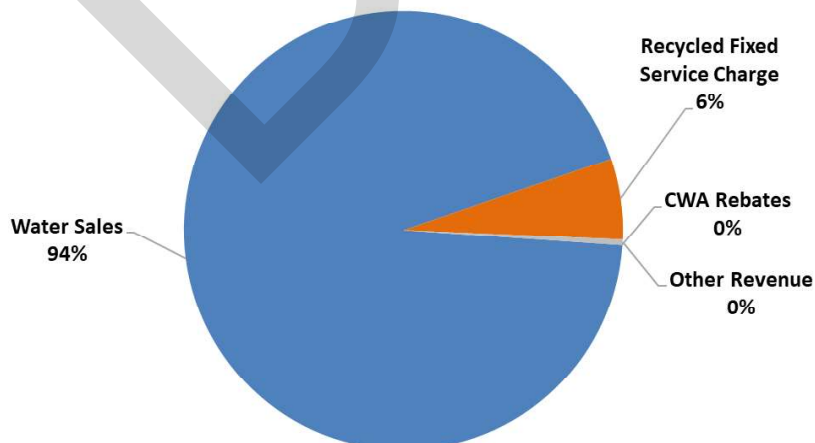
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively small and demands have remained static even with additional customers. Therefore, the historic average adjusted for a small level of growth provide a good basis from which revenues can be budgeted from. The projected recycled water sales for Fiscal Year 2022-23 is 610 acre-feet, which is a slight reduction from the prior year. The revenue projection for Fiscal Year 2022-23 provided here include rate and charge increases in line with what was approved by the Board. The Board will review and adopt CY 2023 rates in December 2022.

Recycled Water Services operating and non-operating revenues are shown in Table 4 and Chart 5. The primary source of operating revenue for Recycled Water Services is water sales revenue. Recycled Water Services customers pay a per unit rate for recycled water. The District is actively exploring opportunities to more fully utilize the recycled water available. This includes expanding retail sales and utilizing the recycled water as part of an indirect potable water supply. Other operating revenues include the Fixed Recycled Water Charge. Investment earnings and property tax make up the only non-operating revenues.

Table #4 - Recycled Water Services Sources of Revenue

	FY 2020-21 Actual	FY 2021-22 Budget Projected		FY 2022-23 Budget	Budget to Budget Increase (%)
Operating Revenues					
Water Sales	\$ 1,029,394	\$ 1,105,108	\$ 1,155,528	\$ 1,233,806	11.6%
Recycled Fixed Service Charge	53,769	70,066	69,055	73,568	5.0%
Other Revenue	5,000	5,000	5,000	5,000	0.0%
CWA Rebates	-	-	-	-	N/A
Total Operating Revenue	\$ 1,088,163	\$ 1,180,173	\$ 1,229,582	\$ 1,312,374	11.2%
Non-Operating Revenues					
Property Tax	\$ 55,522	\$ 50,809	\$ 53,761	\$ 54,030	6.3%
Investment Earnings	2,055	3,433	2,853	3,197	-6.9%
Total Non-Operating Revenue	\$ 57,577	\$ 54,242	\$ 56,614	\$ 57,227	5.5%
Total Revenues	\$ 1,145,740	\$ 1,234,415	\$ 1,286,197	\$ 1,369,601	11.0%

Chart #5 - Fiscal Year 2022-23 Recycled Water Services Operating Revenues



Operating Budget

Overview

The District, while relatively small, provides a wide range of services to residents. This section of the budget document provides a detailed description of the District’s budgeted use of funds (operating expenses) for each division/function. To make the budget easy to follow, the District’s Operating Budget is broken out into its main cost centers. The cost center breakdown is: Administrative Services, Water Services, Wastewater Services, Recycled Water Services (collectively the Services).

This section also provides a detailed breakdown of the District’s employer-paid employee benefits and debt-service costs. Each of the District’s Services are allocated a portion of the District’s benefits costs based upon the Services’ share of total labor costs. The allocation of the benefits’ costs is detailed in the benefit cost section and each of the Districts Services’ operating budgets. It is denoted as Allocated Benefits Expenditures on each Services’ Total Operating Budget Summary Table. The Recommended FY 2022-23 Budget includes a 7.8% increase in the total Operating Budget.

In addition to a detailed budget to fund day-to-day operations, this section also provides a description of the divisions within each of the Services. Each division performs a specific program or function. The Services budget’s are developed to support the long and short-term strategic goals of the District. Appendix A provides the detailed revenue, expense and fund balance projections for District operations.

In addition, the District, beginning this Budget Cycle, is implementing the Community Benefit Program (CBP). The CBP maintains public spaces in the District’s service area. To maximize financial transparency the annual budget for CBP is provided as a stand alone program.

Table #1 - Overview of Total Services’ Operating Budget

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Water Supply Costs	\$ 13,955,908	\$ 11,547,729	\$ 12,769,032	\$ 13,791,080	19.4%
Debt Service	3,101,093	3,685,471	3,621,118	3,730,508	1.2%
Total Labor *	5,204,642	5,716,546	5,681,295	6,064,174	6.1%
Total Non-Labor**	4,288,444	6,667,765	5,161,755	6,309,478	-5.4%
Operating Total	\$ 26,550,087	\$ 27,617,511	\$ 27,233,199	\$ 29,895,240	8.2%
Benefits Expenses	3,674,696	3,874,164	3,874,164	4,057,087	4.7%
Total Services Operating Budget	\$ 30,224,783	\$ 31,491,675	\$ 31,107,363	\$ 33,952,327	7.8%

* Total Labor does not include District’s Benefits

** Total Non-Labor includes \$539,039 for Community Benefit Program

Administrative Services

Administrative Services includes a wide range of functions that support the District’s core services: water, wastewater and recycled water. The Organizational Chart on page 21 shows the broad scope of functions captured in the Administrative Services budget. Administrative Service functions include:

- Manages District operations and capital projects
- Implements and maintains District policies and procedures

- Directs and maintains District documents and archives
- Supports activities of the Board of Directors
- Coordinates District legal activities
- Oversees the District’s financial management including debt management, budget, annual audit, treasury and other required financial reporting
- Maintains customer accounts and billing for water, wastewater and recycled water
- Oversees permit process, right of way and District Geographic Information System (GIS) data
- Manages District contracts, and service and construction services procurement
- Administers the District’s water conservation and agricultural water programs
- Creates and administers public outreach activities
- Provides human resources support to the District
- Coordinates and monitors District safety and risk management programs

Administrative Services is broken down into divisions that support a specific Administrative Service’s function. Administrative Services historic and proposed staffing levels are shown in Table 2.

Table #2 - Administrative Services Approved Positions

Position	Actual FTE*	Actual FTE	Proposed FTE
	FY 2020-21	FY 2021-22	FY 2022-23
General Manager	1.0	1.0	1.0
Executive Assistant/ Board Secretary	1.0	1.0	1.0
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Human Resources Manager	1.0	1.0	1.0
Senior Accountant	1.0	1.0	1.0
Accounting Technician	2.0	2.0	2.0
Management Analyst	1.0	1.0	1.0
Safety & Risk Officer	1.0	1.0	1.0
Information Systems Tech	1.0	1.0	1.0
Senior Engineer	1.0	-	-
Engineering Manager	-	1.0	1.0
Administrative Office Specialist	1.0	1.0	-
Human Resources Technician	-	-	1.0
Engineering Technician	3.0	3.0	3.0
GIS Specialist	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Public Affairs Specialist	0.8	1.0	1.0
Customer Service Specialist	2.0	2.0	2.0
Customer Service Representative	1.0	1.0	1.0
Purchasing Warehouse Supervisor	1.0	1.0	0.95
Warehouse Purchasing Specialist	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
TOTAL FTE	23.8	24.0	23.95

* FTE - Full-Time Equivalents

** Reduced Purchasing Warehouse Supervisor FTE by 0.05 FTE due to the addition of the Community Benefit Program.

The divisions and their activities are summarized below.

The Office of the General Manager

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

Finance and Customer Services

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

Warehouse and Purchasing

- Issue Requests for Proposals, and solicitations for equipment, supplies and materials
- Maintain and manage District equipment, supplies and materials inventory
- Manage purchasing contracts for materials, supplies, equipment and services
- Maintain and manage the District's Fleet Services vehicles

Human Resources

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

Information Management

- Maintain, troubleshoot and upgrade the District's network servers, workstations, copiers and printers, phone system and wireless services
- Create and maintains the District's information system's policies and procedures
- Manage the security of the District's information management systems

Engineering Services

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

Vehicle Services/Shop

- Service and repair small and large equipment and vehicles

Safety and Risk

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

Table #3 - Administrative Services Total Operating Budget Summary

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor*	\$ 2,441,325	\$ 2,556,158	\$ 2,419,940	\$ 2,713,010	6.1%
Total Non-Labor	2,430,513	2,615,365	2,512,314	2,800,141	7.1%
Services Operating Total	\$ 4,871,838	\$ 5,171,523	\$ 4,932,255	\$ 5,513,151	6.6%
Allocated Benefits Expenditures**	1,723,678	1,732,336	1,732,336	1,815,073	4.8%
Total Services Budget	\$ 6,595,516	\$ 6,903,859	\$ 6,664,591	\$ 7,328,223	6.1%

* Total Labor does not include District’s Benefits

** Includes transfer to Pension/OPEB Trusts

Table #4 - Administrative Services, Division Budget to Budget Comparison

Description	FY 2020-21 Actual	FY 2021-22		FY 2022-23 Budget	Budget to Budget Change (%)
		Budget	Projected		
Office of the General Manager					
Labor:					
Salaries	\$ 421,619	\$ 453,099	\$ 443,846	\$ 471,492	4.1%
Non-Labor:					
Director Expenses	22,311	40,000	32,164	40,000	0.0%
General & Administrative	14,765	12,700	12,983	14,500	14.2%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	56,338	92,300	93,482	84,800	-8.1%
Professional Services	502,742	400,000	433,437	410,000	2.5%
Memberships/Training/Permits	73,428	96,600	87,435	88,000	-8.9%
Santa Margarita Watermaster	116,402	128,412	128,412	135,073	5.2%
Total Non-Labor	\$ 785,985	\$ 770,012	\$ 787,912	\$ 772,373	0.3%
Division Operating Total	\$ 1,207,603	\$ 1,223,111	\$ 1,231,759	\$ 1,243,865	1.7%
Finance & Customer Service					
Labor:					
Salaries	\$ 766,698	\$ 793,026	\$ 728,528	\$ 856,036	7.9%
Non-Labor:					
Contractor Services	31,390	21,000	20,688	24,000	14.3%
Equipment (Non Capital)	-	4,000	4,121	4,500	12.5%
Materials/Services/Supplies	131,892	197,200	151,131	145,200	-26.4%
Professional Services	92,301	166,000	157,255	181,500	9.3%
Memberships/Training/Permits	790	2,700	1,837	2,700	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 256,374	\$ 390,900	\$ 335,031	\$ 357,900	-8.4%
Division Operating Total	\$ 1,023,072	\$ 1,183,926	\$ 1,063,559	\$ 1,213,936	2.5%
Warehouse & Purchasing					
Labor:					
Salaries	\$ 217,145	\$ 171,869	\$ 167,911	\$ 174,529	1.5%
Non-Labor:					
Contractor Services	124,588	120,000	140,000	135,000	12.5%
Equipment (Non Capital)	658	500	284	500	0.0%
Materials/Services/Supplies	123,734	106,800	104,863	119,500	11.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	1,132	1,000	1,063	1,000	0.0%
Utilities **	43,212	45,000	44,458	45,000	0.0%
Total Non-Labor	\$ 293,323	\$ 273,300	\$ 290,668	\$ 301,000	10.1%
Division Operating Total	\$ 510,468	\$ 445,169	\$ 458,579	\$ 475,529	6.8%

**Utility cost increase driven by actual cost levels.

Table #4 - Administrative Services, Division Budget to Budget Comparison, cont.

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget
	Actual	Budget	Projected	Budget	Change (%)
Human Resources					
Labor:					
Salaries	\$ 225,288	\$ 239,473	\$ 231,252	\$ 249,371	4.1%
Non-Labor:					
Contractor Services	16,729	61,325	61,325	20,000	-67.4%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	17,473	27,400	15,006	27,400	0.0%
Professional Services	7,651	10,000	7,398	10,000	0.0%
Memberships/Training/Permits	47,890	95,550	59,338	98,050	2.6%
Education Funding	5,040	3,000	7,674	7,000	133.3%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 94,783	\$ 197,275	\$ 150,740	\$ 162,450	-17.7%
Division Operating Total	\$ 320,071	\$ 436,748	\$ 381,992	\$ 411,821	-5.7%

Information Management					
Labor:					
Salaries	\$ 88,880	\$ 96,286	\$ 100,565	\$ 98,800	2.6%
Non-Labor:					
Contractor Services	59,681	62,150	62,380	65,150	4.8%
Equipment (Non Capital)	34,121	25,000	24,500	25,000	0.0%
Materials/Services/Supplies	162,109	185,728	175,695	193,068	4.0%
Professional Services	-	-	-	75,000	100.0%
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 255,911	\$ 272,878	\$ 262,575	\$ 358,218	31.3%
Division Operating Total	\$ 344,791	\$ 396,164	\$ 363,140	\$ 457,018	23.8%

Engineering Services					
Labor:					
Salaries	\$ 482,965	\$ 480,913	\$ 496,169	\$ 530,440	10.3%
Non-Labor:					
Contractor Services	29,838	10,000	-	10,000	0.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	37,912	42,000	42,565	42,000	0.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	170	500	250	500	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 67,750	\$ 52,500	\$ 42,815	\$ 52,500	0.0%
Division Operating Total	\$ 550,715	\$ 533,413	\$ 538,984	\$ 582,940	9.3%

Table #4 - Administrative Services, Division Budget to Budget Comparison, cont.

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Safety & Risk					
Labor:					
Salaries	\$ 154,594	\$ 213,682	\$ 181,827	\$ 217,428	1.8%
Non-Labor:					
Contractor Services	21,119	19,000	19,171	25,000	31.6%
Equipment (Non Capital)	36,080	35,000	47,333	70,000	100.0%
Materials/Services/Supplies	10,418	29,500 *	22,367	30,200 *	2.4%
Professional Services	257,262	275,000	300,000	350,000	27.3%
Memberships/Training/Permits	-	-	3,550	3,000	100.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 324,880	\$ 358,500	\$ 392,421	\$ 478,200	33.4%
Division Operating Total	\$ 479,474	\$ 572,182	\$ 574,248	\$ 695,628	21.6%

*Includes \$20,000 budget for potential small claims.

Vehicle Services & Shop					
Labor:					
Salaries	\$ 84,136	\$ 107,811	\$ 69,843	\$ 114,913	6.6%
Non-Labor:					
Contractor Services	26,606	25,000	25,000	27,500	10.0%
Equipment (Non Capital)	-	-	107	-	NA
Materials/Services/Supplies	324,902	275,000	225,044	290,000	5.5%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 351,508	\$ 300,000	\$ 250,151	\$ 317,500	5.8%
Division Operating Total	\$ 435,644	\$ 407,811	\$ 319,994	\$ 432,413	6.0%

Fiscal Year 2021-22 Accomplishments

- Continued working with LAFCO on detachment efforts
- Implemented use of Self-Service Employee Benefits Portal
- Safety checklist forms converted to paperless electronic Jot-Forms
- Coordinated awards and annual safety luncheon
- Submitted for ACWA JPIA H.R. LaBounty Award – 2 FPUD employees received awards
- Completed Total Compensation Study
- Completed labor negotiations and updated Memorandums of Understanding
- Coordinated development and updates of District’s COVID Response Plan and administered COVID-related policies and protocols
- Conducted 10 recruitments resulting in 3 internal promotions/transfers and 19 newly-hired employees
- Secured over \$180,000 in Direct Customer Financial Support

- Fleet services expanded Teletrek utilization to implement best management practices for fleet vehicles and life-cycle cost management
- Completed construction of the SMRCUP on schedule, and added GAC treatment facilities

Fiscal Year 2022-23 Goals and Objectives

- Participate and finalize Emergency Response Plan (ERP) for compliance with America's Water Infrastructure Act of 2018 (AWIA)
- Submit for annual ACWA JPIA H.R. LaBounty Award
- Revise and update critical safety policies identified by safety program audit
- Conduct multiple site inspections to ensure stores are properly represented in the District's inventory
- Develop fleet performance report that assesses the fleet's operations and maintenance.
- Document finance policy and procedure guides
- Solicit and select new independent auditors for the Fiscal Year 2022-23 financial reports
- Implement GASB 87
- Update the District's 5-year financial plan and complete a Prop 218 process for rates and charges
- Execute CIP and catch up on pipeline replacement projects
- Revise pipeline replacement project packaging to reduce costs and improve quality of contractors

Key Performance Indicators

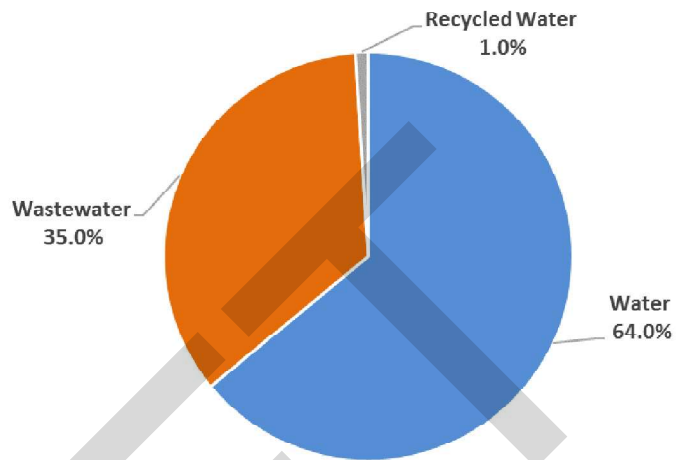
- Maintain a Workers Comp Experience Modification Rate below 1%; in FY 2022 rate was 0.89%
- Maintain an average customer service call wait time of less than 3 minutes; in FY 2022 wait time was approximately 0:40
- Maintain an inventory shrinkage rate of less than 1%; in FY 2022 shrinkage was 0.3%
- Reduce the number of audit findings from one year to the next. The District's last audit received an unmodified opinion with no findings



Cost Allocation of Administrative Services

Because Administrative Services acts like an internal service fund and supports the District’s revenue generating activities, the cost must be recovered through rates and charges levied by the core services; water, wastewater and recycled water. Administrative costs are allocated to water, wastewater and recycled water services operating budgets based upon the share of total accounts in each of the services. The accompanying chart shows the breakdown of accounts and the Administrative Service Allocations.

Chart #1 - Administrative Services Cost Allocation



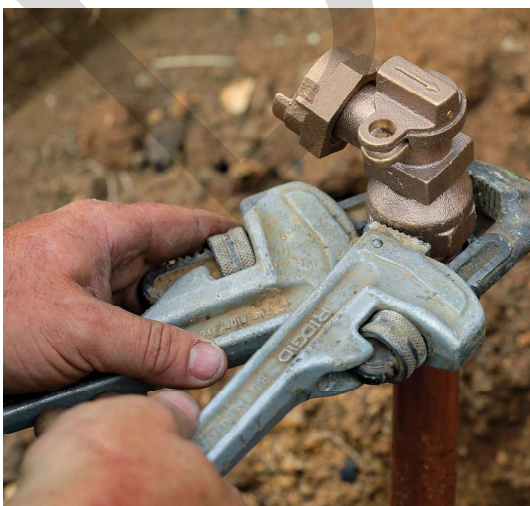
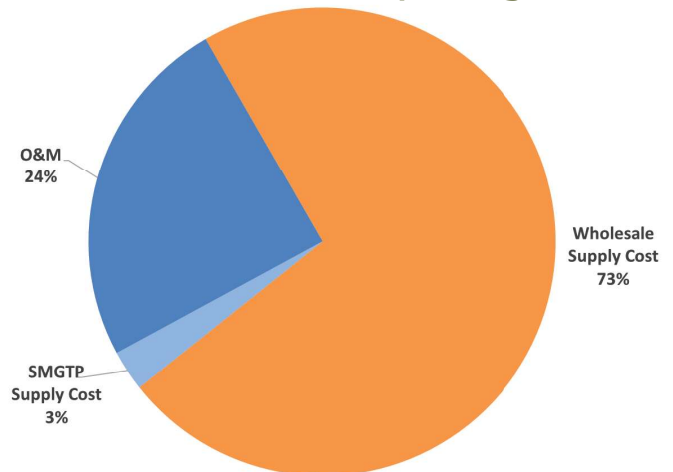
Total Number of Accounts: 14,353

Water Services

The District provides Water Services to approximately 9,200 meters within the District’s service area. The Water Services’ operating budget is comprised of the District’s water operations costs, which includes the cost to operate and maintain the District’s SMGTP. The Water Supply Cost is reported separately. (Pg. 45). Appendix A provides the detailed revenue, expense and fund balance projections for Water operations. Water Services provide the following functions:

- Operate and maintain an advanced membrane ground water treatment plant (SMGTP) to produce quality treated water for the District’s customers
- Manage the production of SMGTP water and the delivery of water from the District’s wholesale water supplier for delivery to the District’s customers
- Manage an asset management program that optimizes life-cycle costs and maintains, repairs and replaces system assets
- Operate water system assets including reservoirs, valves, pump stations, control facilities
- Maintain the District’s Water Service’s rights of way
- Manage the District’s water meters and Smart Meter replacement program

Chart #2 - Water Services Operating Costs



Water Services is broken down into divisions that support a specific function. Some changes to labor allocations have been made to align expenditures with cost of service principles given the addition of the Treatment Division. Water Services historic and proposed staffing levels are shown in Table 5.

Table #5 - Water Services Approved Positions

Position	Actual FTE*	Actual FTE	Proposed FTE
	FY 2020-21	FY 2021-22	FY 2022-23
Field Services Manager	1.0	1.0	1.0
Utility Technician	5.5	4.5	4.5
Utility Worker I & II	9.5	11.5	11.5
System Service/ Shop Supervisor	1.0	-	-
Meter Services/ Construction Supervisor	-	1.0	1.0
Operations Manager	1.0	0.75	0.75
System Operations Supervisor	1.0	1.0	1.0
Systems Operator I/II	3.0	4.0	4.0
Senior Instrumentation & Control Specialist	1.0	-	-
SCADA/Electrical/Maintenance Supervisor	-	0.75	0.75
Instrumentation, Electrical & Controls Tech	2.0	1.5	1.5
Senior Maintenance Technician	-	0.2	0.2
Maintenance Technician I/II	-	0.2	0.2
TOTAL FTE	25.0	26.4	26.4

*FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Treatment

- Operates and maintains a new groundwater treatment plant to treat water delivered by Camp Pendleton
- Maximize SMGTP production to achieve lowest Water Supply Cost mix

Production and Distribution

- Schedule and manage wholesale water deliveries to the District to optimize SMGTP operations
- Operate water system assets and monitors system conditions including water pressure and water quality
- Maintain crews to operate the system and respond to customer inquiries

Pipeline Maintenance and Construction

- Maintain the District’s Water Services assets
- Manage all Water Services repairs and asset replacements
- Replace aged water mains and valves
- Maintain 24-hour coverage of large water main breaks
- Maintain all right-of-way and interconnects with neighboring districts

System Services

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

**DISTRICT’S
NEW WATER
TREATMENT
PLANT**

Able to produce enough drinking water to fill 12 olympic size pools a day.

Table #6 - Water Services, Total Operating Budget Summary*

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor **	\$ 1,369,189	\$ 1,703,177	\$ 1,783,968	\$ 1,808,584	6.2%
Total Non-Labor	644,880	2,498,500	1,344,926	1,464,498	-41.4%
Operating Total	\$ 2,014,069	\$ 4,201,677	\$ 3,128,893	\$ 3,273,082	-22.1%
Allocated Benefits Expenditures	966,705	1,154,262	1,154,262	1,214,646	5.2%
Total Direct Water Costs	\$ 2,980,774	\$ 5,355,939	\$ 4,283,155	\$ 4,487,727	-16.2%
Allocation of Administrative Services	4,221,130	4,418,470	4,265,338	4,690,063	6.1%
Total Services Budget	\$ 7,201,905	\$ 9,774,409	\$ 8,548,493	\$ 9,177,790	-6.1%

* Appendix A provides the detailed revenue, expense and fund balance projections for Water operations.

** Total Labor does not include District's Benefits.

Table #7 - Water Services, Division Budget to Budget Comparison

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual *	Budget	Projected	Budget	
Treatment					
Labor:					
Salaries	\$ -	\$ 180,473	\$ 104,185	\$ 237,424	31.6%
Non-Labor:					
Contractor Services	-	80,000	135,389	80,000	0.0%
Equipment (Non Capital)	-	5,000	3,632	5,000	0.0%
Materials/Services/Supplies	-	158,000	219,937	278,498	76.3%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	50,000	27,285	-	-100.0%
Utilities **	-	1,327,000	232,479	285,000	-78.5%
Total Non-Labor	\$ -	\$ 1,620,000	\$ 618,722	\$ 648,498	-60.0%
Division Operating Total	\$ -	\$ 1,800,473	\$ 722,906	\$ 885,922	-50.8%

* SMGTP not yet operational

**Utility cost increase driven by actual cost levels.

Production & Distribution					
Labor:					
Salaries	\$ 716,421	\$ 633,161	\$ 762,702	\$ 651,941	3.0%
Non-Labor:					
Contractor Services	87,317	111,500	91,000	101,000	-9.4%
Equipment (Non Capital)	9,386	20,000	18,000	20,000	0.0%
Materials/Services/Supplies	208,632	218,000	201,142	224,000	2.8%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	55,642	70,000	68,261	80,000	14.3%
Utilities **	93,202	120,000	62,687	90,000	-25.0%
Total Non-Labor	\$ 454,180	\$ 539,500	\$ 441,090	\$ 515,000	-4.5%
Division Operating Total	\$ 1,170,601	\$ 1,172,661	\$ 1,203,791	\$ 1,166,941	-0.5%

**Utility cost increase driven by actual cost levels.

Table #7 - Water Services, Division Budget to Budget Comparison, cont.

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Pipeline Maintenance & Construction					
Labor:					
Salaries	\$ 299,107	\$ 457,939	\$ 395,291	\$ 439,956	-3.9%
Non-Labor:					
Contractor Services	19,280	30,000	30,000	40,000	33.3%
Equipment (Non Capital)	8,334	10,000	11,326	10,000	0.0%
Materials/Services/Supplies	25,690	98,000	54,329	40,000	-59.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 53,304	\$ 138,000	\$ 95,655	\$ 90,000	-34.8%
Division Operating Total	\$ 352,411	\$ 595,939	\$ 490,946	\$ 529,956	-11.1%
System Services					
Labor:					
Salaries	\$ 353,661	\$ 431,604	\$ 521,790	\$ 479,262	11.0%
Non-Labor:					
Contractor Services	64,282	76,000	85,000	106,000	39.5%
Equipment (Non Capital)	866	-	1,423	-	NA
Materials/Services/Supplies	72,249	125,000	103,036	105,000	-16.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 137,396	\$ 201,000	\$ 189,459	\$ 211,000	5.0%
Division Operating Total	\$ 491,058	\$ 632,604	\$ 711,250	\$ 690,262	9.1%

Fiscal Year 2021-22 Accomplishments

- Exchanged 224 meters and 32 back flow devices; Repaired 6 water main leaks and 10 water main breaks; Replaced 32 valves as of May 1
- Replaced/upgraded flow control facilities the UV Treatment Plant
- Installed new network firewalls at SMGTP, WWTP and the main office in order to securely extend the District's business network to the Reverse Osmosis (RO) Treatment Plant
- Maintained the CMMS preventative maintenance work order system at the UV Treatment Plant and the potable distribution system
- Maintained service request data collection, for water quality and pressure issues, from Excel to CMMS
- Successfully performed numerous planned shutdowns in support of the Santa Margarita project
- Completed construction of the SMGTP and started delivering water to the system
- Upgraded Lynda Ln. PRV Station with 2 new PRV, instead of the one that could not be maintained without putting customers out of water
- Installed a new PRV station at Ross Lake that will allow us to move water from the 2.8 Zone into the De luz Aqueduct Zone
- Added a new SolarBee Mixer in the Red Mountain Reservoir to improve water quality

Fiscal Year 2022-23 Goals and Objectives

- Rehabilitate Field Services Restroom/Locker-room
- Replace 100 water main valves
- Complete remaining meters in exchange program
- Begin meter testing program
- Demo dilapidated tank at Lange Reservoir
- Continue Right of Way maintenance program
- Continue valve maintenance program.
- Begin fire hydrant maintenance program
- Upgrade the SCADA system to improve communication between critical sites
- Upgraded pressure/flow control facilities to increase reliability and better track flow rates and water loss
- Develop advanced reporting/dashboards in CMMS
- Install solar at key SCADA communication sites to maintain communication during SDG&E PSPS events
- Maintain operation of SMGTP to deliver all available water supplies
- Optimize operation of SMGTP
- Add a flow control facility at the SMGTP to allow continuous operation during an offspec event that would have shut the process offline
- Complete capital projects in accordance with approved budget and asset-management plan

Key Performance Indicators

- Maintain 3,000 feet of right of ways/year; in FY 2022 maintained 1,608 feet of right of ways as of May 1
- Test 400 meters/year; FY 2022 will be our first year of testing, this metric will increase to AWWA testing recommendations as the program is finalized
- Replace 100 water main valves/year; in FY 2022 replaced 49 as of May 1 (backflow exchanges took precedence)
- 100% regulatory compliance for water quality sampling, in FY 2022 we are at 100% compliance
- Exercise 189 valves and 46 fire hydrants per month as part of a three year valve exercise program cycle, in FY 2022 we are at an average of 159 valves/month
- Fire Flow test 5 Hydrants per month; FY 2023 will be our first year of testing
- Receive and treat all entitled deliveries to the SMGTP

Water Supply Costs

The District’s Water Supply Costs are comprised of Purchased Water Costs and pumping costs. The District’s Purchased Water Costs are comprised of the of wholesale water costs from SDCWA and Camp Pendleton’s water delivery costs for Santa Margarita River Water (SMRw). As shown in Chart #4, this Fiscal Year Camp Pendleton will pump an estimated 1,300 AF 7 miles from the Santa Margarita River Aquifer to the SMGTP. The cost of treating the water and delivering it to customers is included in the District’s Water

LOCAL WATER SUPPLY

Local water supplies will reduce SDCWA water purchases by 1,300 AF or \$1.8 million this year.

Services Treatment Division's costs. Water Supply Costs are broken down into fixed and variable costs. Variable or Commodity costs vary depending on the amount of water purchased (this includes pumping costs). Fixed charges are set regardless of the water consumed during the billing period. The fixed water costs are comprised of the SDCWA's fixed charges and MWD's fixed charges that are pass through by SDCWA. SDCWA's recommended rates and charges are used for the Water Supply Cost estimate. The reduction in the Variable Water Cost is due to the reduced water purchases from SDCWA now that the District produces its own treated drinking water. The District's variable and fixed water charges are summarized below.

CHANGING WATER WHOLESALER

The LAFCO decision on the District's proposed detachment from SDCWA will determine if rate payers will see a 30% decrease in the wholesale cost of water or continued wholesale water rate increases as SDCWA pursues a high cost water reliability strategy.

Table #8 - Variable and Fixed Charges Budget to Budget Comparison*

	FY 2020-21 Actual	FY 2021-22 Budget Projected		FY 2022-23 Budget	Budget to Budget Change (%)
Variable Costs:					
SDCWA Variable Cost	\$ 10,552,116	\$ 7,043,180	\$ 9,010,564	\$ 9,753,119	38.5%
SMRCUP Supply Cost**	-	1,117,081	371,000	513,240	-54.1%
Fixed Costs:					
SDCWA Supply Reliability	\$ 668,805	\$ 667,260	\$ 667,260	\$ 677,779	1.6%
SDCWA Storage	1,066,395	1,036,866	1,036,866	1,078,882	4.1%
SDCWA Customer service	570,301	559,854	559,854	575,714	2.8%
MWD Capacity	244,872	258,528	258,528	285,352	10.4%
MWD Readiness to Serve	291,010	260,964	260,964	287,060	10.0%
SDCWA IAC	562,410	603,996	603,996	619,932	2.6%
Total Water Supply Costs	\$ 13,955,908	\$ 11,547,729	\$ 12,769,032	\$ 13,791,080	19.4%

* The SDCWA rates are not the final adopted rates.

** This estimate does not include the SMGTP LRP credit of \$305/AF @ 1,300 estimated AF; \$396,500.

Chart #3 - Water Supply Costs Breakdown

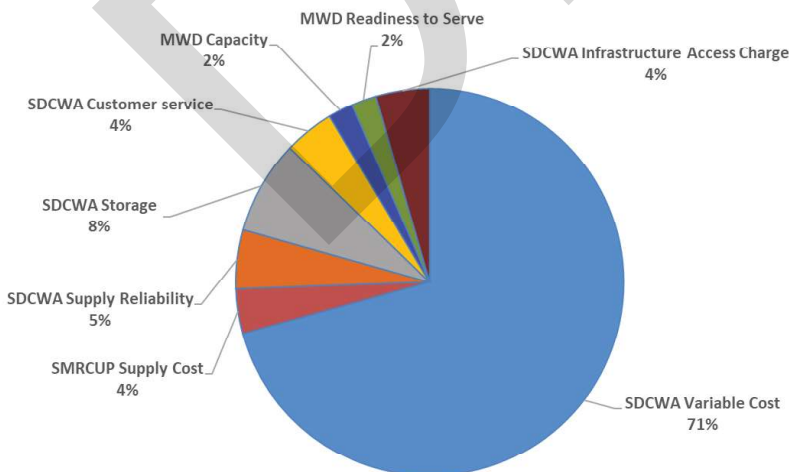
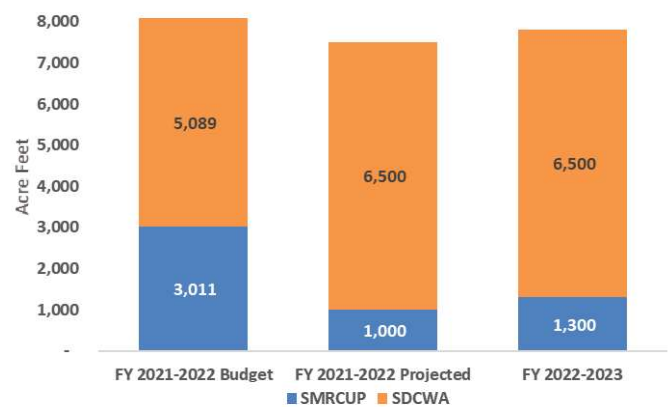


Chart #4 - Wholesale and Local Supply Mix



Variable Costs

Melded Supply – This is the \$/acre-foot rate the District pays for SDCWA water.

Melded Treatment – This is the \$/acre-foot rate the District pays for SDCWA water that is potable. The District only purchases treated water from SDCWA.

Transportation – This is the \$/acre-foot rate the District pays for water transported by the SDCWA.

Special Agricultural Water Rate (SAWR) – This is the \$/acre-foot rate the District pays for water that is in the SAWR program.

Santa Margritia Conjunctive Use Project Pumping Costs – This is the \$/acre-foot rate the District pays Camp Pendleton for SMR water that is pumped to the SMGTP.

Variable Costs are **74%** of the Total Cost of Water Purchased from SDCWA

Fixed Costs

Supply Reliability Charge – SDCWA charge to collect a portion of the costs associated with highly reliability water supplies (i.e. Desalination).

Infrastructure Access Charge (IAC) – Meter charge imposed by SDCWA to provide water capacity.

Customer Service Charge – SDCWA charge designed to recover costs associated with SDCWA’s customer service and functions.

Emergency Storage Charge – SDCWA charge to recover costs associated with the Emergency Storage Program.

MWD Capacity Charge – MWD charge passed-through by the SDCWA. The MWD charge collects costs associated with demand peak.

MWD Readiness-to-Serve Charge – MWD charge for State Water Project costs passed through by the SDCWA.

Fixed Costs are **26%** of the Total Cost of Water Purchased from SDCWA

Wastewater Services

The District provides Wastewater Services to approximately 5,000 meters within the District’s service area. The largest component of the Wastewater Services’ operating budget is the operating costs of the District’s water reclamation plant. Appendix A provides the detailed revenue, expense and fund balance projections for Wastewater operations. Wastewater Services includes the following functions:

- Operate a water reclamation plant that provides secondary treatment
- Manage an asset management program that optimizes lifecycle costs and maintains, repairs and replace plant and collections system assets
- Meet the Regional Water Quality Control Board’s discharge permit requirements
- Operate and maintain the District’s six collections system lift station and 100 miles of wastewater system piping

Wastewater Services is broken down into divisions that support a specific functions. Wastewater Services historic and proposed staffing levels are shown in Table 9.

Table #9 - Wastewater Services Approved Positions

Position	Actual FTE*	Actual FTE	Proposed FTE
	FY 2020-21	FY 2021-22	FY 2022-23
Collections Supervisor	1.0	1.0	1.0
Utility Technician	2.0	2.0	2.0
Utility Worker I & II	5.0	5.0	5.0
Chief Plant Operator	0.85	0.85	0.85
Lead Plant Operator	1.7	1.7	1.7
Plant Operator	1.7	1.7	1.7
Operations Manager	-	0.25	0.25
Environmental Compliance Technician	0.5	0.5	0.5
Laboratory Technician	0.85	0.85	0.85
Mechanical Technician	0.8	-	-
Senior Maintenance Technician	-	0.6	0.6
Plant Maintenance Worker	0.8	-	-
Maintenance Technician I/II	-	0.6	0.6
SCADA/Electrical/Maintenance Supervisor	-	0.25	0.25
Instrumentation, Electrical & Controls Tech	-	0.5	0.5
TOTAL FTE	15.2	15.8	15.8

* FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Collections

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

Treatment

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

Table #10 - Wastewater Services Operating Budget Summary*

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor **	\$ 1,297,810	\$ 1,275,294	\$ 1,362,839	\$ 1,375,541	7.9%
Total Non-Labor	1,024,209	1,331,900	1,121,493	1,283,300	-3.6%
Operating Total	\$ 2,322,019	\$ 2,607,194	\$ 2,484,332	\$ 2,658,841	2.0%
Allocated Benefits Expenditures	916,309	864,281	864,281	920,272	6.5%
Total Direct Wastewater Costs	\$ 3,238,328	\$ 3,471,475	\$ 3,348,612	\$ 3,579,114	3.1%
Allocation of Administrative Services	2,308,431	2,416,351	2,332,607	2,564,878	6.1%
Total Services Budget	\$ 5,546,758	\$ 5,887,826	\$ 5,681,219	\$ 6,143,992	4.4%

* Appendix A provides the detailed revenue, expense and fund balance projections for Wastewater operations.

** Total Labor does not include District's Benefits.

Table #11 - Wastewater Services, Division Budget to Budget Comparison

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Collections					
Labor:					
Salaries	\$ 533,233	\$ 450,525	\$ 547,952	\$ 479,842	6.5%
Non-Labor:					
Contractor Services	35,075	56,000	42,104	75,000	33.9%
Equipment (Non Capital)	1,070	5,000	54	5,000	0.0%
Materials/Services/Supplies	81,607	124,000	135,696	170,000	37.1%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	900	900	900	0.0%
Utilities **	53,060	100,000	114,000	122,300	22.3%
Total Non-Labor	\$ 170,812	\$ 285,900	\$ 292,754	\$ 373,200	30.5%
Division Operating Total	\$ 704,044	\$ 736,425	\$ 840,706	\$ 853,042	15.8%

**Utility cost increase driven by actual cost levels.

Treatment					
Labor:					
Salaries	\$ 764,578	\$ 824,770	\$ 814,887	\$ 895,700	8.6%
Non-Labor Expenses:					
Contractor Services	292,872	433,000	289,576	353,000	-18.5%
Equipment (Non Capital)	9,433	9,000	5,473	7,000	-22.2%
Materials/Services/Supplies	249,226	312,000	246,801	297,500	-4.6%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	86,914	95,000	108,173	95,000	0.0%
Utilities **	214,951	197,000	178,717	157,600	-20.0%
Total Non-Labor	\$ 853,397	\$ 1,046,000	\$ 828,739	\$ 910,100	-13.0%
Division Operating Total	\$ 1,617,975	\$ 1,870,770	\$ 1,643,626	\$ 1,805,800	-3.5%

**Utility cost increase driven by actual cost levels.

Fiscal Year 2021-22 Accomplishments

- Water Reclamation Plant stayed in compliance with state and federal regulations, including the new NPDES permit R9-2019-0169
- Maintained equipment from the headwork’s to the secondary, including solids handling equipment
- Maintained energy consumption +/- 5%; FY 2022 energy consumption had 0% change
- Maintained chlorine usage +/- 5%; FY 2022 chlorine usage increased by 0.2%

Fiscal Year 2022-23 Goals and Objectives

- Operate Water Reclamation Plant treatment units to stay in compliance with state and federal regulations
- Maintain Water Reclamation Plant equipment from the headwork’s to secondary, including solids handling equipment using preventative and predictive measures
- Maintain energy consumption +/- 5%
- Maintain chlorine usage +/- 5%

Key Performance Indicators

- Maintain energy consumption (kWh) within 5% of target annual average of 2,760,000 or below
- Reduce 10-year average wastewater spills by 10% - Keep spills under 9,075 gallons; in FY 2022 spills averaged 12,296 gallons due to 2 contractor caused spills that totaled over 50,000 gallons
- Keep common sewer spills to 3 or less during the year; in FY 2022 we had 5 spills, 2 of which were contractor spills

Recycled Water Services

The District provides Recycled Water Services to 30 meters within the District’s service area. The largest component of the Recycled Water Services’ operating budget is the operating costs of the District’s water reclamation plant. Appendix A provides the detailed revenue, expense and fund balance projections for Recycled Water operations. Recycled Water Services includes the following functions:

- Operate the Water Reclamation Plant, equipment and processes necessary to produce recycled water
- Liaise with recycled water customers to schedule deliveries and inspections of service connections
- Operate and maintain the District’s distribution system, which includes 10.5 miles of pipe and 14 customers in the Fallbrook service area



Recycled Water Services is broken down into Divisions that support a specific function. Recycled Water Services historic and proposed staffing levels are shown in Table 12.

Table #12 - Recycled Water Services Approved Positions

Position	Actual FTE*	Actual FTE	Proposed FTE
	FY 2020-21	FY 2021-22	FY 2022-23
Chief Plant Operator	0.15	0.15	0.15
Lead Plant Operator	0.3	0.3	0.3
Plant Operator	0.3	0.3	0.3
Environmental Compliance Technician	0.5	0.5	0.5
Laboratory Technician	0.15	0.15	0.15
Mechanical Technician	0.2	-	-
Senior Maintenance Technician	-	0.2	0.2
Plant Maintenance Worker	0.2	-	-
Maintenance Technician I/II	-	0.2	0.2
Utility Technician	0.5	0.5	0.5
Utility Worker I	0.5	0.5	0.5
TOTAL FTE	2.8	2.8	2.8

* FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Production

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

Distribution

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



Table #13 - Recycled Water Services Operating Budget Summary*

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor **	\$ 96,318	\$ 181,916	\$ 114,548	\$ 160,078	-12.0%
Total Non-Labor	188,841	222,000	183,022	222,500	0.2%
Operating Total	\$ 285,159	\$ 403,916	\$ 297,570	\$ 382,578	-5.3%
Allocated Benefits Expenditures	68,004	123,286	123,286	107,097	-13.1%
Total Direct Recycled Water Costs	\$ 353,163	\$ 527,202	\$ 420,857	\$ 489,675	-7.1%
Allocation of Administrative Services	65,955	69,039	66,646	73,282	6.1%
Total Services Budget	\$ 419,119	\$ 596,241	\$ 487,503	\$ 562,957	-5.6%

* Appendix A provides the detailed revenue, expense and fund balance projections for Recycled Water operations.

** Total Labor does not include District's Benefits.

Table #14 - Recycled Water Services, Division Budget to Budget Comparison

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Production					
Labor:					
Salaries	\$ 89,456	\$ 145,595	\$ 91,822	\$ 149,640	2.8%
Non-Labor:					
Contractor Services	25,453	34,000	29,284	36,000	5.9%
Equipment (Non Capital)	3,616	4,000	3,178	4,000	0.0%
Materials/Services/Supplies	64,072	77,000	73,443	89,500	16.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	91,854	85,000	76,593	68,000	-20.0%
Total Non-Labor	\$ 184,995	\$ 200,000	\$ 182,498	\$ 197,500	-1.3%
Division Operating Total	\$ 274,451	\$ 345,595	\$ 274,319	\$ 347,140	0.4%

**Utility cost increase driven by actual cost levels.

Distribution					
Labor:					
Salaries	\$ 6,862	\$ 36,321	\$ 22,726	\$ 10,438	-71.3%
Non-Labor:					
Contractor Services	-	-	-	-	NA
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	3,332	22,000	-	25,000	13.6%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	514	-	525	-	NA
Total Non-Labor	\$ 3,846	\$ 22,000	\$ 525	\$ 25,000	13.6%
Division Operating Total	\$ 10,708	\$ 58,321	\$ 23,251	\$ 35,438	-39.2%

**Utility cost increase driven by actual cost levels.

Fiscal Year 2021-22 Accomplishments

- Operated the Water Reclamation Plant tertiary treatment units while staying in compliance with applicable recycled water permits: Order No. 91-39, Title 22, State Recycled Water Permits and Policy
- Provided reliable recycled water production by maintaining the Water Reclamation Plant tertiary equipment from the filters to the reclaimed water pond, using preventative and predictive measures
- Maintained an overall compliance of > 99.9% each month from all samples associated with the Title 22 and WDR Permit

Fiscal Year 2022-23 Goals and Objectives

- Operate the Water Reclamation Plant tertiary treatment units while staying in compliance with the applicable recycled water permits: Order No. 91-39, Title 22, State Recycled Water Permits and Policy
- Maintain the Water Reclamation Plant tertiary equipment from the filters to the reclaimed water pond, using preventative and predictive measures, to reliably produce recycled water

Key Performance Indicators

- Maintain an overall compliance of > 99.9% each month from all samples associated with the Title 22 and WDR Permit
- Maintain a Time out of Service of less than 20 hours for the Recycled Water Distribution System



UV Plant

Community Benefit Program

This year in response to the community’s request, the District is forming the new Community Benefit Program (CBP). The CBP will maintain public spaces in the District’s service area. The CBP is funded by water property tax revenues. Each year the amount established by the Board will be transferred into the CBP fund and used for the benefit of the community. The funds will be managed by a Board appointed committee and require minimal staff support.

Table #15 - Community Benefit Program Approved Positions

Position	Actual FTE*	Actual FTE	Proposed FTE
	FY 2020-21	FY 2021-22	FY 2022-23
Purchasing Warehouse Supervisor	-	-	0.05
TOTAL FTE	0.0	0.0	0.05

* FTE - Full-Time Equivalents

Table #16 - Community Benefit Program Operating Budget Summary

Description	*FY 2020-21	*FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor	\$ -	\$ -	\$ -	\$ 6,961	NA
Total Non-Labor	-	-	-	539,039	NA
Total Budget	\$ -	\$ -	\$ -	\$ 546,000	NA

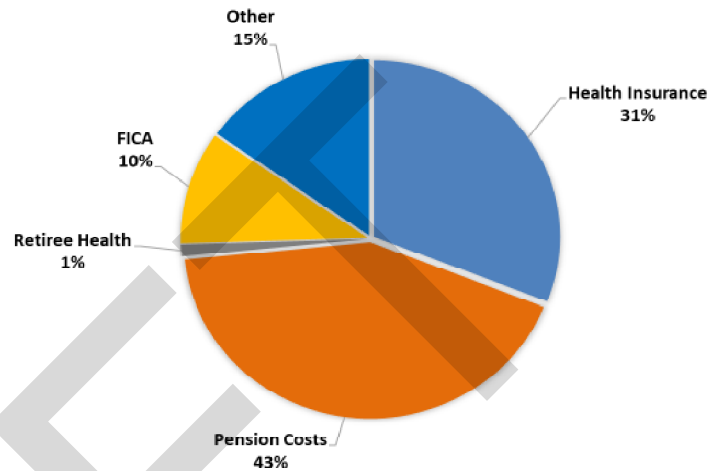
*Community Benefit Program not yet operational.



Employee Benefits

The District updates the cost of the benefits offered to District staff as part of the annual budget. A new Memorandum of Understanding (MOU) between the District and its employee associations was just negotiated and is set to expire in June 2027, the budget was developed based upon the terms of the MOU. Table 17 shows the breakdown of the District's costs related to employee benefits. These cost estimates include expected increases in costs due mainly to scheduled pension related cost increases. These cost estimates include expected increases in costs due mainly to scheduled pension related cost increases.

Chart #5 - Fiscal Year 2022-23 Benefits Breakdown



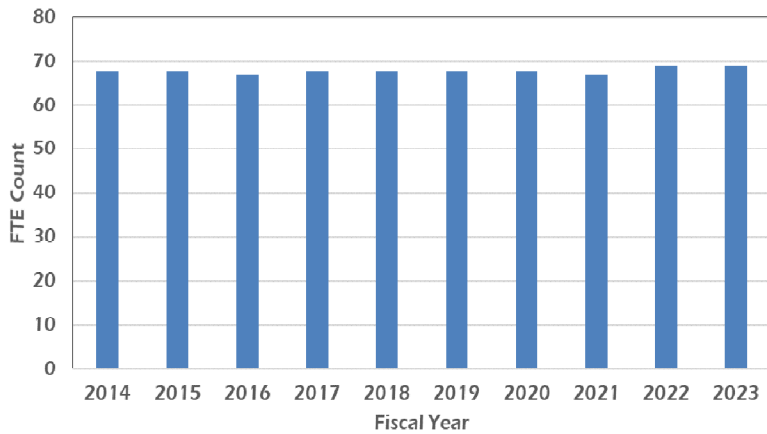
Strategic Planning

The District's proactive management of the district's pension obligations has resulted in approximately 84% funding of its pension obligations. This limits the potential for future rate and charge increases due to pension obligation funding needs.

Table #17 - Breakdown of District's Employee Benefit Costs

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Auto Allowance	\$ 15,347	\$ 14,500	\$ 17,500	\$ 21,750	50.0%
Insurance - Dental	63,873	76,000	75,000	73,817	-2.9%
Insurance - Vision	12,613	14,606	14,606	14,606	0.0%
Insurance - Health	931,305	1,151,301	1,119,384	1,135,576	-1.4%
Insurance - Life and Disability	45,323	46,779	47,858	50,481	7.9%
Insurance - Worker's Comp	113,050	152,881	152,881	167,266	9.4%
Longevity/Performance Bonus	26,644	26,921	26,921	26,921	0.0%
FICA - Employer's share	427,652	480,601	460,000	478,138	-0.5%
CalPERS Annual Contribution	589,378	652,526	620,000	688,148	5.5%
CalPERS Unfunded Liability Payment	965,469	1,112,995	1,112,995	1,285,994	15.5%
Pension/OPEB Liability Trust Payment	500,000	500,000	500,000	500,000	0.0%
Employer's share (401 & 457)	51,451	54,187	48,882	95,095	75.5%
District Share of Retiree Medical Insurance	55,556	55,300	54,069	50,812	-8.1%
Retiree Compensated Absence Payout	-	20,000	-	-	-100.0%
Merit Increase Bonus	-	-	-	20,000	100.0%
Uniforms & Boots	48,016	31,851	40,000	43,607	36.9%
Total	\$ 3,845,678	\$ 4,390,448	\$ 4,290,095	\$ 4,652,210	6.0%

Chart #6 - Fallbrook Public Utility District's Approved Full-Time Staffing Equivalent



The District's staffing levels shown in Chart 6 show no change in our FTE's. The District participates in the California Public Employees' Retirement System (CalPERS). Recent changes to CalPERS accounting practices have caused pension costs for participating agencies to increase. The District's pension cost budget incorporates the costs determined by CalPERS for the next fiscal year. The recent change to the discount rate used to calculate the current cost of

the pension benefits already earned by staff are driving up the 15.5% increase in this cost. The District has maintained its contribution to the Pension/OPEB Liability 115 Trust as part of the Board's strategy to mitigate the impacts of changing pension costs. Appendix D provides the District's CalPERS annual payment schedule for the Unfunded Actuarial Accrued Liability (UAAL).

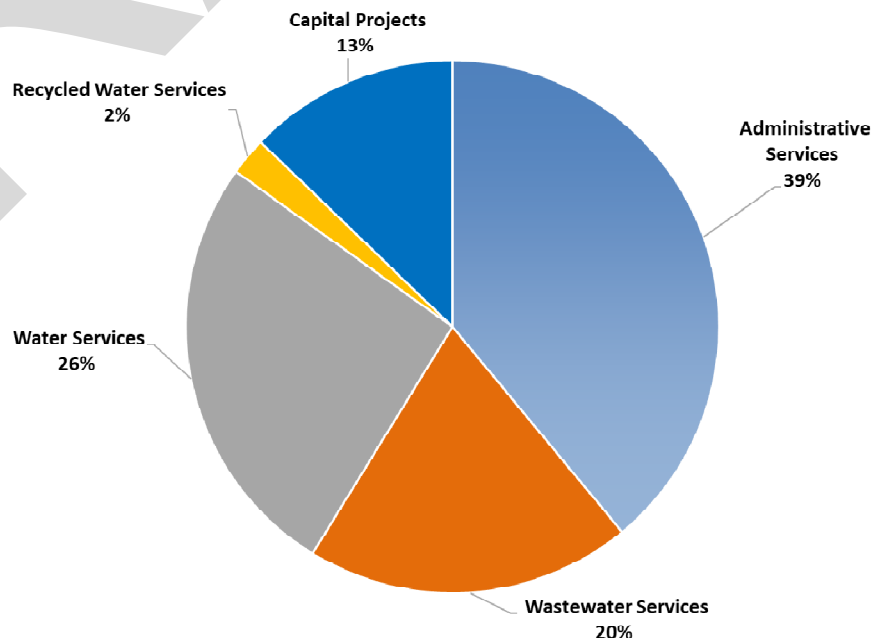
The District's healthcare insurance costs are held flat due to the unchanged FTE count. The District's 401a has increased due to the upcoming MOU contract. Changes to other benefits are shown on the table.

This year the District is represented by 55% PEPRA FTE's. This is a 12% increase from Fiscal Year 2019-2020.

Chart#7 - Fiscal Year 2022-23 Benefits Allocation

Benefit Allocation

The District's benefit costs are allocated to each of the District's Services based upon its share of the budgeted salary and wages. This allocation methodology aligns the benefit cost allocation with salary and wages, which are the primary determinants of the benefit costs. A portion of the Benefits cost is allocated to labor associated with Capital Projects and is integrated into the projects budget. This year the portion of benefits allocated to Capital Projects is 13%, an increase of 1% from last year.



Debt Service

The District currently has four outstanding long-term debt obligations, the Red Mountain State Revolving Fund Loan (2011 SRF Loan), the 2021 Wastewater Refunding Revenue Bonds (2021 WWRRB), the Qualified Energy Conservation Revenue Bonds (2010 QECB) and the State Revolving Fund Loans (2018 SRF Loan). The 2011 SRF Loan funded the construction of a water treatment facility serving the Red Mountain Reservoir. The 2021 Wastewater Refunding Revenue Bonds (2021 WWRRB), which refunded a SRF Loan that funded the rehabilitation and modernization of the District’s Water Reclamation Plant. The 2010 QECB loan funded the District’s 1 MW solar facility. The 2018 SRF loan funded the District’s SMGTP. While the District has requested an increase in the loan amount, the original debt service is shown here since the requested modification to the agreement has not yet been approved.

The District successfully executed a public debt offering. With a rating from Standard and Poor’s of A+, the District debt was well received by investors and highlights the recent improvements to the District’s financial disclosure.

Each debt issuance is linked to the Service that it was used to fund. In some cases, the debt service can be allocated to more than one service. The table below shows the debt service payments for Fiscal Year 2022-23 and the amount allocated to each service.

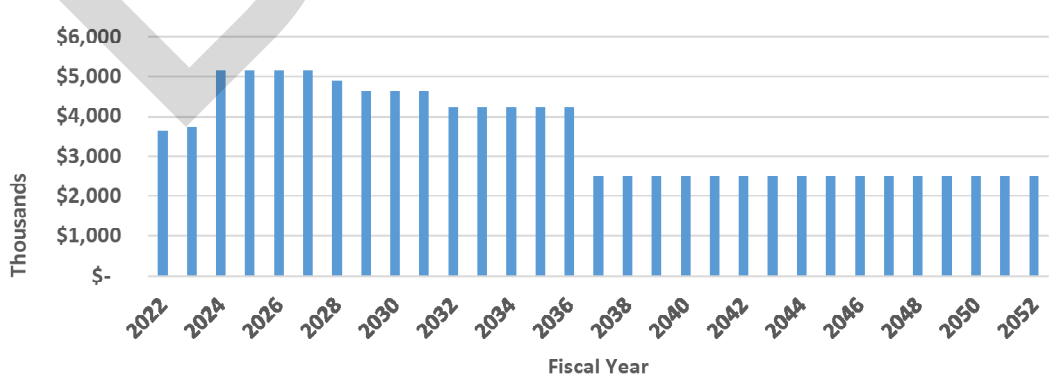
Table #18 - Debt Service Budget Summary

Debt Issuance	Service			Total Debt Service
	Water	Wastewater	Recycled Water	
2018 SRF Loan*	\$ 1,081,968	\$ -	\$ -	\$ 1,081,968
2011 SRF Loan	395,851	-	-	395,851
2021 WWRRB**	-	1,211,715	519,307	1,731,022
2010 QECB	-	521,667	-	521,667
Total	\$ 1,477,819	\$ 1,733,382	\$ 519,307	\$ 3,730,508

* The preliminary debt service schedule has no principal payments due until FY 2024.

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

Chart #8 - Annual Debt Service



The table below shows the debt service payment schedule for each debt issuance. The debt service in Fiscal Year 2023-24 increases significantly because full debt service payments for the SMRCUP loan begin.

The District expects to make an interest payment on the 2018 SRF Loan this budget period. The Full debt service for the 2018 SRF Loan is expected to begin in Fiscal Year 2023-24 and is shown in the summary table. The financial projections in this document include this debt service starting in Fiscal Year 2022-23.

Table #19 - Fiscal Year 2022-23 Debt Service Schedule

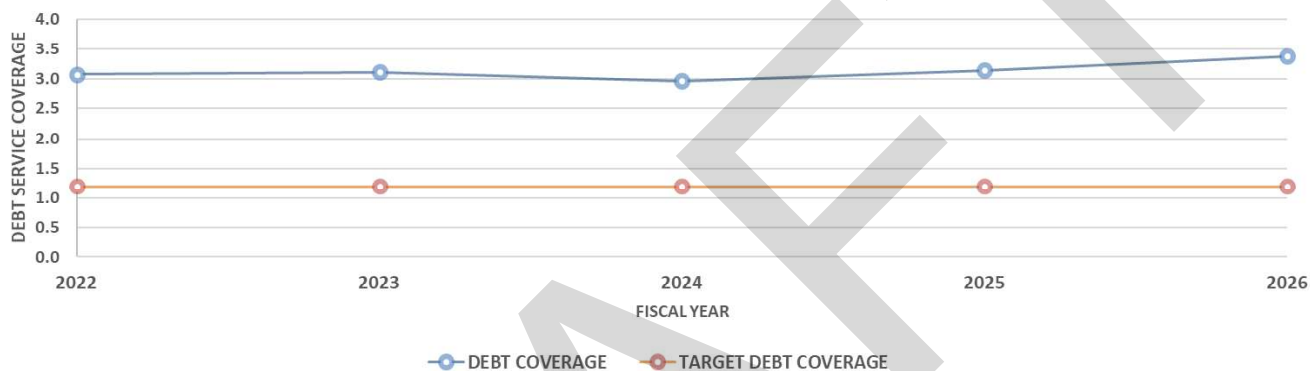
Year Ending June 30	Red Mountain State Revolving Fund Loan		Wastewater Revenue Refunding Bonds		QECB* Loan		SMRCUP State Revolving Funds**		District Annual Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	308,589	87,261	1,110,000	619,884	366,104	155,208	-	974,071	\$ 3,621,118
2023	316,573	79,278	1,115,000	616,022	387,783	133,884	-	1,081,968	\$ 3,730,508
2024	324,764	71,087	1,120,000	610,746	410,388	111,302	1,425,825	1,081,968	\$ 5,156,079
2025	333,166	62,685	1,130,000	603,575	433,953	87,409	1,452,916	1,054,878	\$ 5,158,581
2026	341,786	54,065	1,145,000	584,934	458,515	62,150	1,480,521	1,027,272	\$ 5,154,242
2027	350,628	45,222	1,185,000	546,700	484,114	35,465	1,508,651	999,142	\$ 5,154,923
2028	359,700	36,151	1,230,000	498,400	254,219	7,296	1,537,315	970,478	\$ 4,893,559
2029	369,006	26,845	1,280,000	448,200	-	-	1,566,524	941,269	\$ 4,631,844
2030	378,553	17,298	1,335,000	395,900	-	-	1,596,288	911,505	\$ 4,634,544
2031	388,347	7,503	1,390,000	341,400	-	-	1,626,618	881,176	\$ 4,635,044
2032	-	-	1,445,000	284,700	-	-	1,657,523	850,270	\$ 4,237,493
2033	-	-	1,505,000	225,700	-	-	1,689,016	818,777	\$ 4,238,493
2034	-	-	1,565,000	164,300	-	-	1,721,108	786,686	\$ 4,237,093
2035	-	-	1,630,000	100,400	-	-	1,753,809	753,984	\$ 4,238,193
2036	-	-	1,695,000	33,900	-	-	1,787,131	720,662	\$ 4,236,693
2037	-	-	-	-	-	-	1,821,087	686,707	\$ 2,507,793
2038	-	-	-	-	-	-	1,855,687	652,106	\$ 2,507,793
2039	-	-	-	-	-	-	1,890,945	616,848	\$ 2,507,793
2040	-	-	-	-	-	-	1,926,873	580,920	\$ 2,507,793
2041	-	-	-	-	-	-	1,963,484	544,309	\$ 2,507,793
2042	-	-	-	-	-	-	2,000,790	507,003	\$ 2,507,793
2043	-	-	-	-	-	-	2,038,805	468,988	\$ 2,507,793
2044	-	-	-	-	-	-	2,077,542	430,251	\$ 2,507,793
2045	-	-	-	-	-	-	2,117,016	390,778	\$ 2,507,793
2046	-	-	-	-	-	-	2,157,239	350,554	\$ 2,507,793
2047	-	-	-	-	-	-	2,198,226	309,567	\$ 2,507,793
2048	-	-	-	-	-	-	2,239,993	267,800	\$ 2,507,793
2049	-	-	-	-	-	-	2,282,553	225,241	\$ 2,507,793
2050	-	-	-	-	-	-	2,325,921	181,872	\$ 2,507,793
2051	-	-	-	-	-	-	2,370,114	137,680	\$ 2,507,793
2052	-	-	-	-	-	-	2,415,146	92,647	\$ 2,507,793

*Qualified Energy Conservation Revenue Bonds. Debt service is not adjusted for interest rate subsidy payments.

** Debt service based upon approved loan amount and interest rate. Actual debt service will be calculated once the preliminary debt service schedule is updated.

While there is no established legal debt limit for the District, the District has an adopted Debt Management Policy. The Debt Management Policy creates the framework for issuing debt. The District’s debt service indentures require that the debt service coverage ratio be maintained at or above 1.2x. Chart 9 shows the projected debt service coverage above the target level of 1.2x. Currently the District has no subordinate debt outstanding.

Chart #9 - Debt Service Coverage Ratio



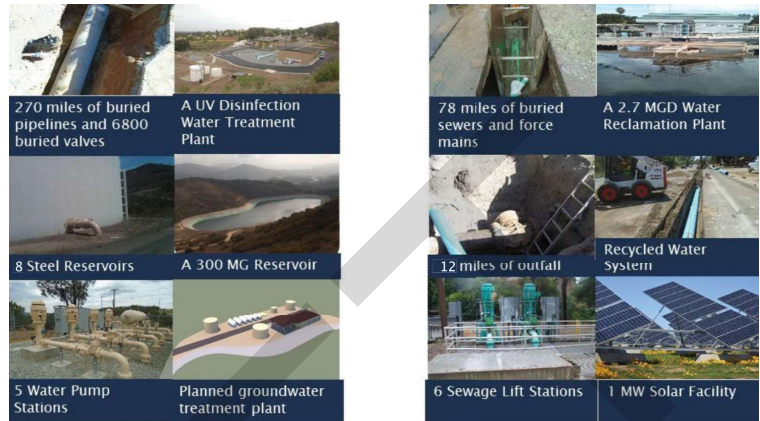
Santa Margarita Groundwater Treatment Plant Ribbon Cutting Ceremony

Project Summary for Fiscal Year 2022-23

District Capital Program

Utility districts require long-term investments in extensive capital facilities. 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. Figure 1 summarizes the facilities owned and operated by the District. It is critical to develop plans to reduce the overall cost of operating these facilities by completing pro-active capital projects to replace and rehabilitate these assets versus waiting for system failures. A well-planned Capital Program is critical to the long-term stability of the District.

Figure #1 - Fallbrook District Facilities



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 versus available capital funds. Individual project costs are estimated based on current construction cost information. While some projects are well into the design phase and costs can be fairly accurately estimated, others are based on early stage planning estimates. Additionally, unforeseen changes to priorities can result from changing materials and construction costs, pipeline failures, extreme weather, etc.

For Fiscal Year 2021-22, Table 1 shows budget versus projected actual expenses for each capital project category. Water Capital expenses are projected to end under budget for various reasons, including several projects being completed under budget, mainline replacement delays caused by longer than typical procurement times for engineered pipe, emergency repairs and COVID related absences impacting staff availability for the valve replacement program, and the postponement of the Toyon Pump Station replacement. The SMRCUP was completed under budget due to utilizing only about one third of the budgeted change order contingency. Recycled system capital expenses are projected to be over budget as a result of additional mainline replacement costs. Wastewater capital expenses are projected to be close to plan. And lastly, administrative capital expenses are projected to finish slightly under plan due to projects and capital purchases completed under budget.

Capital Project Summary for Fiscal Year 2022-23

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The most significant component of the capital program is replacement of aging infrastructure. With the SRMCUP complete and online, the primary focus in the coming year will be catching up on both installation and planning of water main replacements, wastewater lift station improvements, and identifying potential expansions for the recycled water system. The key capital projects scheduled for Fiscal Year 2022-23 are summarized on the following pages.

Water Capital Projects

District construction staff will continue with valve replacement projects to reduce outage impacts of breaks and failures. The District implemented an escalating capital improvement charge to ensure the District is meeting pipeline infrastructure replacement needs. In Fiscal Year 2020-21, the pipeline replacement goals were not met due to limitations on staff time caused by the construction of the SMRCUP as well as alignment complications on one of the planned projects. Because of this, the replacement goal in Fiscal Year 2021-22 was increased from 5,000 linear feet to 7,680 feet. However, due to continued challenges procuring materials, it is projected approximately 6,700 linear feet of main line will be replaced by year end. In an effort to continue to gain and exceed replacement goals, additional pipeline replacement efforts are planned for the coming year and will be approached differently than the past. A single pipeline replacement package with approximately 7,500 linear feet of pipe of various sizes will be bid together, to be constructed over the next year and a half. With this approach, we anticipate more flexibility to handle long lead times for certain materials and expect to attract more experienced contractors at better prices.

Wastewater/ Recycled Capital Projects

As part of the long-term sewer system replacement plan, the focus will be on replacing and relining aging collection mains, and improvements to multiple lift stations.

At the Water Reclamation Plant (WRP), aging mechanical equipment will be replaced, the site asphalt will be resealed, and the storm water improvements begun in the previous year will be completed.

For the recycled water system, work will be completed to replace targeted sections of main line, while also continuing to plan and strategize for expanding service. The biggest recycled system project is the continuation of the water supply reliability project currently underway. The Integrated Regional Water Management Proposition 1 Grant that funds 50 percent of that project was formally approved by the State Department of Water Resources in April of 2021. All costs incurred in Fiscal Year 2022-23 will be covered by the grant funds.

Table #1 - Capital Improvements Projects Summary Table

	Budget	Projected	FY 2021-22	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Water Capital Projects										
Pipelines & Valve Replacement Projects by District	\$ 670,000	\$ 491,617	\$ 570,000	\$ 676,700	\$ 581,457	\$ 587,272	\$ 593,144	\$ 599,076		
Pipeline Replacement Projects by Contractors	3,388,000	2,601,210	4,543,350	2,928,495	3,177,612	3,606,054	3,121,812	3,678,535		
Deluz ID Projects	100,000	67,394	100,000	101,000	102,010	103,030	104,060	105,101		
Pump Stations	412,500	57,834	300,000	171,700	51,005	51,515	52,030	52,551		
Meter Replacement	275,000	127,170	25,000	20,200	20,402	20,606	20,812	21,020		
Pressure Reducing Stations	-	-	65,000	111,100	20,402	-	-	-	-	
Red Mountain Reservoir Improvements	112,000	101,595	175,000	50,500	51,005	51,515	52,030	105,101		
Steel Reservoir Improvements	180,000	157,134	60,000	515,100	816,080	669,696	676,393	472,955		
Treatment Plant R&R	-	-	200,000	202,000	204,020	206,060	208,121	210,202		
SCADA Upgrades/ Security/Telemetry	95,000	77,409	90,000	85,850	107,111	108,182	88,451	110,356		
Total PAYGO Water Capital Projects	\$ 5,232,500	\$ 3,681,363	\$ 6,128,350	\$ 4,862,645	\$ 5,131,103	\$ 5,403,929	\$ 4,916,854	\$ 5,354,896		
Santa Margarita Conjunctive Use Project Construction	\$ 8,450,000	\$ 7,280,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Water Capital Projects	\$ 13,682,500	\$ 10,961,653	\$ 6,128,350	\$ 4,862,645	\$ 5,131,103	\$ 5,403,929	\$ 4,916,854	\$ 5,354,896		
Recycled Water Capital Projects										
Recycled Water Improvements	\$ 270,000	\$ 325,804	\$ 114,000	\$ 115,140	\$ 116,291	\$ 65,939	\$ 62,436	\$ 63,061		
Total Recycled Water Capital Projects	\$ 270,000	\$ 325,804	\$ 114,000	\$ 115,140	\$ 116,291	\$ 65,939	\$ 62,436	\$ 63,061		
Wastewater Capital Projects										
WRP Improvements	\$ 315,000	\$ 487,805	\$ 281,000	\$ 959,500	\$ 765,075	\$ 412,120	\$ 936,544	\$ 315,303		
Collection System Improvements	595,000	593,992	400,000	269,670	1,009,899	1,019,998	1,030,198	1,250,702		
Outfall Improvements	50,000	-	50,000	50,500	51,005	257,575	114,466	115,611		
Total Wastewater Capital Projects	\$ 960,000	\$ 1,081,797	\$ 731,000	\$ 1,279,670	\$ 1,825,979	\$ 1,689,694	\$ 2,081,208	\$ 1,681,616		
Administrative Capital Projects										
Administrative Upgrades	\$ 65,000	\$ 55,000	\$ 105,000	\$ 429,250	\$ 25,503	\$ 25,758	\$ 26,015	\$ 26,275		
Engineering & Operations Information Systems	-	-	30,000	30,300	30,603	30,909	31,218	31,530		
Facility Improvements/Upgrades/Security	120,000	119,057	410,000	328,250	66,307	66,970	234,136	68,316		
District Yard Improvements	25,000	19,636	-	50,500	306,030	-	52,030	-		
Vehicles and Heavy Equipment	615,500	564,082	255,000	776,185	477,917	379,666	471,914	229,646		
Total Administrative Capital Projects	\$ 825,500	\$ 757,775	\$ 800,000	\$ 1,614,485	\$ 906,359	\$ 503,302	\$ 815,313	\$ 355,767		
Total Capital Budget Projects	\$ 7,288,000	\$ 5,846,739	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864	\$ 7,875,811	\$ 7,455,340		
Total all Capital Projects (Including SMRCUP)	\$ 15,738,000	\$ 13,127,029	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864	\$ 7,875,811	\$ 7,455,340		

Capital Expenditure Carry-Over

As mentioned in the Water Capital Projects summary, additional pipeline replacement efforts are planned for the coming year to make up for delayed projects over the last two years. The unused portion of the planned budget, currently estimated to be approximately \$800,000, will be carried over to the coming year's budget to enable funding additional pipeline replacement efforts. The Pipeline replacement lines on Table 1 reflect this carry-over into Fiscal Year 2022-23.

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Pipeline and Valve Replacement Projects by District

Project Description:

Projects include replacing existing valves and pipelines by District staff based on identified priority areas to reduce service interruptions. The primary focus is on valve replacements with a target of replacing 100 valves per year.

The proposed purchases and costs for Fiscal Year 2022-23 also include:

- Valve Replacement Program – Goal to replace 100 valves. Well-functioning isolation valves are critical to minimize the number of customers impacted during planned or unplanned shutdowns.
- Miscellaneous Pipeline Replacements–Small segments of mainline identified as needing repaired/replaced throughout the year.
- Mainline Leak Detection Survey – Survey of selected segments of water main to identify existing small leaks to help prioritize the pipeline replacement program.
- Fire Hydrant Replacements – New program to replace fire hydrants in poor condition.
- Easement Rehabilitation – Restoration of easement roads to maintain access to District pipelines and facilities.



Valves Replaced by Year	
Year	Quantity
FY 2017-18	112
FY 2018-19	57
FY 2019-20	89
FY 2020-21	82
FY 2021-22	32 (as of 5/1/22)
FY 2022-23	100 (Target)

Supports Strategic Goals:

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

Operating Impacts:

The valve replacement program is critical in reducing the number of accounts effected by planned shutdowns and unplanned water outages. District pipeline and valve replacement projects do not require any additional operating budget funds, and are expected to reduce emergency repair costs.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Valve Replacement Program	Continuous Replacement Program	\$ 400,000
Miscellaneous Pipeline Replacements	Continuous Replacement Program	\$ 50,000
Mainline Leak Detection	Continuous Detection Program	\$ 20,000
Fire Hydrant Replacements	Continuous Rehabilitation Program	\$ 50,000
Easment Rehabilitation	Continuous Rehabilitation Program	\$ 50,000
Total		\$ 570,000



Pipeline Replacement Projects by Contractors

Project Description:

Significant pipeline replacement projects installed by contractors. Projects are prioritized based on the pipeline asset risk assessment model to minimize pipeline failures and unplanned service outages. Specific projects planned for Fiscal Year 2022-23 include:



- Winter Haven Road Pipeline Replacement Phase 2 and 3 – 5,580 linear feet of 12-inch water main. The second and third phases of the Winter Haven Road Pipeline Replacement will be completed together, replacing the existing water main from Havencrest Lane to the Yarnell PRV. The existing cement lined iron pipe was relined in 1968. The majority of this project is projected to be completed in FY21-22, but will not be finalized until September 2022.
- FY22-23 Pipeline Replacement Package – Approximately 7,500 linear feet of main line replacements on various streets. Pipe diameters range from 6-inches to 12-inches.

Supports Strategic Goals:

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

Operating Impacts:

These projects will reduce the cost of leak repair and potential property damage due to pipe failure, but do not require additional operating funds long term.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Winter Haven Road Pipeline Replacement Phases 2 & 3	\$ 1,953,000	\$ 500,000
FY22-23 Pipeline Replacements	\$ 4,043,350	\$ 4,043,350
Total		\$ 4,543,350



DeLuz ID Projects

Project Description:

Capital Projects in the DeLuz Improvement District using Deluz Improvement District Funds. Projects include pipeline extension to specified parcels per adopted policy and rehabilitation of existing infrastructure. Projects for Fiscal Year 2022-23 include:

- De Luz Area Valve and PRV Replacements – Strategic replacement of valves and rehabilitation of PRVs.



Supports Strategic Goals:

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

Operating Impacts:

The new pressure reducing station will help improve water reliability by providing operational flexibility in the Deluz service area. The project will have a negligible impact on operation costs.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
DeLuz Area Valve and PRV Replacements	\$ 100,000	\$ 100,000
Total		\$ 100,000



Pump Stations

Project Description:

The District has 5 pump stations that deliver water to higher elevation areas. In Fiscal Year 2022-23, the following Pump Station projects are planned:

- Toyon Pump Station Replacement – This pump station has been scheduled for replacement for some time now, but has been deferred due to other capital priorities and new planning complexities introduced by details of the SMRCUP and potential change of imported water supplier. The pump station serves 63 accounts in the Toyon Service Area above Red Mountain Reservoir. The existing facility, built in 1982, is housed in a wood structure adjacent to the narrow Toyon Heights Road and is in poor condition. The new station will be constructed at the Red Mountain site, near the UV Plant, making it easier for operators to access and away from public right-of-way. The project will include new pumps, improved SCADA capabilities, and approximately 550 linear feet of new 8-inch water main to connect it to the Toyon Service Area.
- De Luz Pump Station Construction – In order to deliver SMRCUP water to the De Luz Service Area, additional pumping capabilities will be needed. The new pump station will be constructed with the Toyon Pump Station.



Supports Strategic Goals:

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

Operating Impacts:

These projects will reduce operations and maintenance cost for the facilities by replacing the equipment that is at the end of its useful life. There will be additional SCADA controls added to help with remote operation and troubleshooting. The projects will improve water service reliability in their respective service areas.

Projects Budgets:

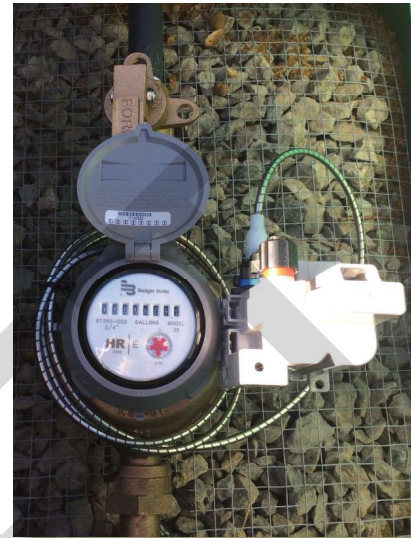
Project	Total Project Budget	FY 2022-23 Budget
Toyon Pump Station Replacement	\$ 150,000	\$ 150,000
DeLuz Pump Station	\$ 150,000	\$ 150,000
Total		\$ 300,000



Meter Replacement Program

Project Description:

The Meter Replacement Program that was started in 2015 and is nearing completion. There are fewer than 40 meters to replace that are being coordinated with valve replacements. The program replaced over 9,000 existing Automatic Meter Reading (AMR) meters with Advanced Metering Infrastructure (AMI) meters, which are able to provide real time data collection and alerts. New meters typically have a service life of 15 to 20 years, but some regular replacements will be necessary to keep all meters in working order. A small budget will be set aside on an ongoing basis for this purpose.



Supports Strategic Goals:

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

Operating Impacts:

This project ensures accurate billing of water use and reduces labor for reading meter by providing remote radio readings.

Project Budget:

Project	Total Project Budget	FY 2022-23 Budget
Meter Replacement Program	Ongoing Replacement Program	\$ 25,000
Total		\$ 25,000



Pressure Reducing Station Rehabilitation

Project Description:

Routine improvements and replacements of the District’s pressure reducing stations are needed to maintain reliable service. Projects planned for FY22-23 include installing two new pressure relief stations and adding a grid power connection to the Gum Tree PRV.

Supports Strategic Goals:

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

Operating Impacts:

This project will reduce operations and maintenance cost for the facility by replacing the equipment that is at the end of its useful life. There will be additional SCADA controls added for monitoring flow and pressure to optimize operation and reduce staffing needs for operating this facility.

Project Budget:

Project	Total Project Budget	FY 2022-23 Budget
Gum Tree Power	\$ 15,000	\$ 15,000
Pressure Relief Stations	\$ 50,000	\$ 50,000
Total		\$ 65,000



Red Mountain Reservoir Facility Improvements

Project Description:

Replacement and rehabilitation of equipment and facilities at the Red Mountain Site, including the reservoir and UV plant. Projects for Fiscal Year 2022-23 include:



- UPS Replacement – The uninterruptible power supply, which maintains power to the UV plant in the event of a power failure until the backup generator engages, will be replaced. It has exceeded its useful life and has components that are no longer available to purchase for replacements parts.
- Reactor Inlet Valve Replacements – the inlet valves to each reactor train have exceeded their useful life and require replacement. There are 3 reactor trains. One was replaced in FY21-22. The other two will be replaced in FY22-23.

Supports Strategic Goals:

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

Operating Impacts:

Proper reservoir mixing and functioning valves will improve operational efficiency.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Valve Replacements	\$ 25,000	\$ 25,000
UPS Replacement	\$ 150,000	\$ 150,000
Total		\$ 175,000



Steel Reservoir Improvements

Project Description:

Each existing reservoir has been recoated within the last ten years, protecting the existing reservoirs from corrosion and extending their useful life. The coatings typically last 10 to 15 years, so no recoating projects are anticipated for the next few years. Other projects planned in Fiscal Year 2022-23 include:



- Lang Reservoir Decommissioning – The Lang Reservoir has been out of service for several years. The site is used for District communications equipment and a cell tower lease. The reservoir itself will be removed to improve safety at the site. This project was initiated in FY21-22. Due to asbestos and lead abatement requirements and the relocation of the existing cell tower, only a portion of the decommissioning was complete. The remainder will be completed this budget year.
- Cathodic Protection Replacements – The steel reservoirs use sacrificial anodes to further prevent corrosion. The anodes are replaced regularly based on assessed condition at each tank.

Supports Strategic Goals:

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

Operating Impacts:

The projects will ensure the long-term integrity of these water supply tanks. There are no additional operating costs.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Lang Reservoir Decommissioning	\$ 80,000	\$ 50,000
Cathodic Protection Repair	Ongoing Replacement Program	\$ 10,000
Total		\$ 60,000



Santa Margarita Groundwater Treatment Plant Improvements

Project Description:

Construction of the Santa Margarita Groundwater Treatment Plant (SMGTP) was completed in FY21-22. The plant treats water delivered by Camp Pendleton per the executed settlement agreement of US v. FPUD. On average, it is expected to provide 4,600 acre-feet per year of local water. Each year’s actual quantity is determined by hydrologic conditions in the river basin. This year, due to dry conditions, the project is expected to yield 1,300 acre-feet.



With the construction complete, the plant will require routine equipment replacements and improvements. Two primary improvements scheduled for FY22-23 are:

- Automated Drain Valve
- Chemical Delivery and Storage Improvements

Supports Strategic Goals:

Provide a reliable, cost effective water supply through implementation of local water supply projects.

Operating Impacts:

The project will provide on average 50% of the District water needs and will help mitigate against future imported water cost increases. Without the project, the District would continue to rely on SDCWA for 99% of District potable water needs. The new facilities will result in significant additional operating costs, but the overall impact to the operating budget is more than offset by reduced expenditures on lower quantities of imported water.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Plant Improvements	Continuous Program	\$ 200,000
Total		\$ 200,000

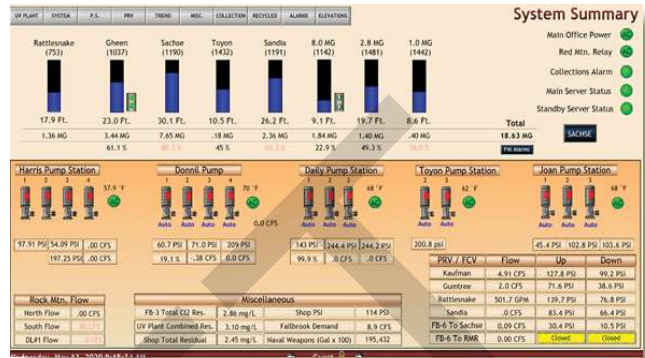


SCADA and Security

Project Description:

SCADA and security upgrades protect the District’s facilities and enable improved remote operations and controls. Projects for Fiscal Year 2022-23 include:

- Network Security/Firewall Improvements – Continued improvements to network security and data storage/backup capabilities.
- SCADA Upgrades – Replacement of outdated equipment with newer technology increases remote capabilities. The focus will be on backup power with batteries or solar at more communications sites.



Supports Strategic Goals:

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

Operating Impacts:

Reduces long-term operating costs of the system by improving ability to address and monitor system conditions remotely.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
SCADA Upgrades	\$ 90,000	\$ 90,000
Total		\$ 90,000

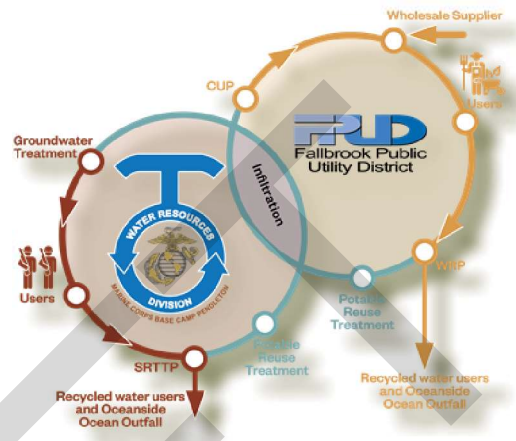


Recycled Water Improvements

Project Description:

The recycled system delivers water that has been treated to Title 22 tertiary standards for outdoor use. Projects for Fiscal Year 2022-23 include:

- Mainline Rehabilitation – Sections of the recycled distribution system have experienced multiple breaks and will be replaced.
- Distribution SCADA Improvements
- Water Supply Reliability Feasibility Study – This effort began in Fiscal Year 2019-20. Due to challenges identifying potential new users for recycled water within cost effective expansion areas, alternative uses for treated WRP effluent need to be explored. With the addition of the SMRCUP facilities, the infrastructure needed to extract and treat ground water from the Lower Santa Margarita River Aquifer will be in place. Staff have begun looking into the feasibility of using treated WRP effluent for ground water augmentation in the aquifer. Integrated Regional Water Management Grant funds covering 50% of the cost have been awarded, and will be used along with CIP matching funds to conduct pilot treatment studies to determine the feasibility for reuse. This pilot project will establish the parameters of a potential future full scale project, including additional treatment required, regulatory compliance, construction and operating costs and financial feasibility. The planning and majority of the piloting has been completed. After completion of the pilot project, staff and all involved stakeholders will have the information needed to make an informed decision as to whether and when to move forward with a full scale project. All costs incurred in FY22-23 will be reimbursed by the awarded grant funds.



Supports Strategic Goals:

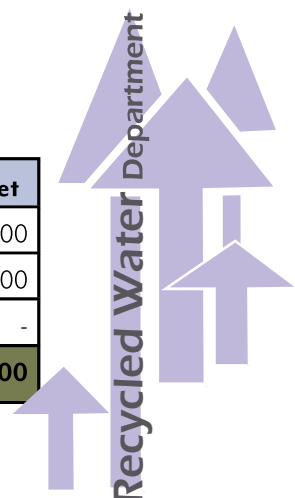
Provide a reliable, cost effective water supply through implementation of local water supply projects.

Operating Impacts:

There is no impact to the operating budget, but mainline replacements and pressure monitoring will simplify operations. The pilot study would not have any operating impacts. If groundwater augmentation is considered feasible, full scale implementation would increase local water supply, eliminate the majority of discharges to the ocean, and improve operations by increasing utilization of the SMRCUP infrastructure.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Mainline Rehabilitation	\$ 104,000	\$ 104,000
Distribution SCADA Improvements	Continuous Improvement Program	\$ 10,000
Water Supply Reliability Feasibility Study	\$ 700,000	\$ -
Total		\$ 114,000



Water Reclamation Plant Improvements

Project Description:

On-going repair and replacement of key components of the Water Reclamation Plant (WRP) are critical to maintaining this critical facility. The projects for Fiscal Year 2022-23 include:



- Capital Equipment Replacements – Several pieces of mechanical equipment have exceeded their useful life and are in need of replacement. These include air vacuum release valves, air conditioning units, pumps, etc.
- Pavement Replacement – The pavement around the plant site will be resealed.
- Coating Replacement – Concrete structures throughout the treatment plant have industrial strength coatings to prevent corrosion/deterioration and prolong useful life expectancy. Several areas of the coating system have failed and will be strategically patched to prevent damage to the structures.
- Storm Water Basins – in FY21-22, 2 new storm water basins were built to meet the requirements of the industrial storm water permit. Final improvements to these basins will be installed to properly treat the storm water before it is released from the basins.

Supports Strategic Goals:

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

Operating Impacts:

On-going replacement of equipment will ensure long-term reliability of the facility. The projects will not have any impact on operation costs, and in the case of the conveyor improvements, will simplify operations.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Capital Equipment Replacements	Continuous Replacement Program	\$ 136,000
Pavement Sealing	\$ 45,000	\$ 45,000
Coating Replacement	\$ 30,000	\$ 30,000
Storm Water Improvements	\$ 70,000	\$ 70,000
Total		\$ 281,000



Collections System Projects

Project Description:

Projects include replacements and major repairs to existing sewer infrastructure.

The proposed projects for Fiscal Year 2022-23 include:

- Hawthorne Lift Station Replacement – This lift station serves only 4 customers and is in need of repair. Instead of replacing the lift station itself, it can be decommissioned with the installation of approximately 500 linear feet of gravity sewer main, eliminating a maintenance need by reducing the number of operating lift stations. This project was scheduled for FY21-22, but was postponed to prioritize the storm water basin construction required at the WRP to comply with current storm water regulations.
- Mainline Replacement and Relining – Approximately 1,500 linear feet of sewer main line will be replaced or relined to like-new condition.
- SCADA/Telemetry Upgrades – Electrical and controls upgrades of Shady Lane Lift Station.
- Overland Trail Lift Station – This project was scheduled to be completed in FY21-22. However, due to the new pumps not performing as designed, the project is ongoing as the issues are resolved. The final task of the project is to decommission Anthony’s Corner Lift Station, which cannot be completed until the new upsized OTLS is functioning as designed.



Supports Strategic Goals:

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

Operating Impacts:

The collection systems capital program is critical in reducing the number of spills and potential fines. Operations will be simplified by the elimination of the Hawthorne Lift Station. The planned projects do not require any additional operating budget funds, and are expected to reduce emergency repair costs.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Hawthorne Lift Station Replacement	\$ 100,000	\$ 100,000
Mainline Replacement & Relining	\$ 125,000	\$ 125,000
Electrical & SCADA Upgrades	\$ 50,000	\$ 50,000
Overland Trail Lift Station	\$ 3,000,000	\$ 125,000
Total		\$ 400,000



Outfall Improvements

Project Description:

The project includes replacement of air/vac valves, drain valves, and connecting piping on the outfall. Replacement of these items is critical to preventing overflows and spills.



Supports Strategic Goals:

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

Operating Impacts:

On-going replacement of the items is critical to preventing spills and back-ups in the outfall. This project will reduce the cost of emergency repairs and maintenance, but does not require additional operating funds long term.

Project Budget:

Project	Total Project Budget	FY 2022-23 Budget
Outfall Improvements	Ongoing Improvement Program	\$ 50,000
Total		\$ 50,000



Facility Improvements/Upgrades/Security

Project Description:

The project includes capital projects for administration facilities, including staff offices, shop, and warehouse facilities to help maintain efficient operation of the District, as well as network and server improvements for the main office.



The projects include the following:

- Upgrade Network/Server Room – Replacement of servers for improved network speed and security.
- Total Station Replacement – Replacement of total station equipment for surveying.
- Alturas Property Security Fence Replacement – Replacement of the fence along the west side of Alturas Road on the property line of the District’s treatment plant properties. The new fence will meet Homeland Security recommended security measures and include landscaping and lighting enhancements to improve the appearance along Alturas Road..
- Minor Rehabilitation and Office Furniture – Miscellaneous office rehabilitation and furniture replacement.
- Building Roof Repair – Spot repairs as needed to keep the roof functional until it can be replaced.
- Facility Renovations – Continued renovation of the yard restroom facilities, door replacements, and electrical safety improvements in the yard offices.

Supports Strategic Goals:

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

Operating Impacts:

On-going investments in administrative facilities and systems is critical to maintain overall reliable and efficient operation.

Projects Budgets:

Project	Total Project Budget	FY 2022-23 Budget
Upgrade Network/Server Room	\$ 115,000	\$ 115,000
Total Station Replacement	\$ 30,000	\$ 30,000
Alturas Property Security Fence Replacement	\$ 300,000	\$ 300,000
Minor Rehabilitation and Office Furniture	Ongoing Rehabilitation	\$ 10,000
Building Roof Repair	\$ 20,000	\$ 20,000
Facility Renovations	\$ 75,000	\$ 75,000
Total		\$ 545,000



Vehicles and Heavy Equipment

Project Description:

The fleet consists of a combination of light duty vehicles, heavy equipment, and trailers. In addition, the department maintains the District’s refueling station, generators, and various hydraulic and gas powered tools.

During Fiscal Year 2020-21, the department updated its methodology for fleet replacement in combination with a new software program to better track how much is spent on each vehicle.



Supports Strategic Goals:

By reviewing various data points using the new software, staff can ensure ratepayers that funds are being spent prudently on vehicle replacements and repairs. This new method of evaluation helps guarantee an extremely reliable fleet. In turn, the fleet allows field operations to respond quickly to leaks, new installations, and infrastructure maintenance.

Operating Impacts:

Detailed documentation of repairs and inspections will allow the department to make better informed decisions about true needs. Long-term, this will lead to cost reduction as it will enable staff to focus on problematic vehicles and replace them while keeping reliable vehicles for an extended period of time.

Projects Budget:

Project	Total Project Budget	FY 2022-23 Budget
Fleet Vehicles	Ongoing Replacement Program	\$ 75,000
CCTV System	\$ 140,000	\$ 140,000
Miscellaneous Equipment	\$ 40,000	\$ 40,000
Total		\$ 255,000



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DRAFT

Accrual Basis of Accounting - The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements.

Acre-Foot (AF) - A unit of measure equivalent to 325,900 gallons of water.

AG - Agricultural Customers

AMI - Advanced Meter Infrastructure

AMR - Automatic Meter Reading

Appropriation - An amount of money in the budget authorized by the Board of Directors for expenditure or obligation within organizational units for specific purposes.

Assessed Valuation - An official government value placed upon real estate or other property as a basis for levying taxes.

Assets - Resources owned or held which have monetary and economic value.

AWIA – America’s Water Infrastructure Act of 2018.

Bay-Delta - Refers to an environmentally sensitive area of Sacramento/San Joaquin Rivers Delta through which State Water Project water must flow to reach Southern California and other areas.

Budget - A balanced financial plan for a given period of time, which includes expenditures and revenues funded through various funds. The budget serves as a financial plan as well as a policy guide, an operations guide and a communications medium.

CAFR - Comprehensive Annual Financial Report

CalPERS - California Public Employee Retirement System

Capital Equipment - Fixed assets such as vehicles, computers, furniture and technical instruments which have a life expectancy of more than three years and a value over five thousand dollars.

Capital Improvement Program (CIP) - A long-range plan for the construction, rehabilitation and modernization of the District-owned and operated infrastructure and assets.

Capital Outlay - Expenditures which result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery and equipment. Most equipment or machinery is included in the Capital Budget. Capital improvements such as acquisition of land, construction and engineering expenses are included in the Capital Budget.

Cash Management - A conscious effort to manage cash so that interest and penalties paid are minimized and interest earned is maximized. Funds received are deposited on the day of receipt and invested as soon as the funds are available. The District maximizes the return on all funds available for investment without sacrifice of safety.

CBP - Community Benefit Program

CEQA - California Environmental Quality Act

CFS - Cubic Feet per Second

CMMS - Computerized Maintenance Management System

CSMFO – California Society of Municipal Finance Officers

Debt Service - The current year portion of interest costs and current year principal payments incurred on long-term debt issued by the District.

Disbursements - Payments made on obligations.

District Services - The District's main cost centers are broken into Services, which include Administrative, Water, Recycled Water and Wastewater.

Division - Part of the District's organizational structure that performs a specific service or function.

DSCR - Debt Service Coverage Ratio

DWR - California Department of Water Resources

Each Parcel of Land - Shall mean each parcel of land assigned a parcel number by the San Diego County Assessor.

EAM - Enterprise Asset Management

EIR/EIS - Environmental Impact Report/Environmental Impact Statement

EMWD - Eastern Municipal Water District

EPA - Environmental Protection Agency

ERP - An Enterprise Resource Planning information management system integrate areas such as planning, purchasing, inventory, billing, customer accounts and human resources.

EUM - Effective Utility Management

Expenditure - An amount of money disbursed or obligated. Expenditures include current operating disbursements requiring the present or future use of net current assets, debt service and capital improvements.

FCF - Flow Control Facility

Fiscal Year (FY) - The timeframe in which the budget applies. This is the period from July 1 through June 30.

Fixed Assets - Long-term tangible assets that have a normal use expectancy of more than three years and do not lose their individual identity through use. Fixed assets include buildings, equipment and improvements other than buildings and land.

FPUD - Fallbrook Public Utility District

FTE - Full Time Equivalent

Generally Accepted Accounting Principles (GAAP) - Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative statement on the application of GAAP to state and local governments is Government Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements. GAAP provides a standard by which to measure financial presentations.

GFOA - Government Financial Officers Association

GIS - Geographic Information System. An organized collection of computer hardware, software and geographic data designed to efficiently capture, store, update, manipulate, analyze and display all forms of geographically referenced information.

GPS - Global Positioning System

HCF - Hundred Cubic Feet

IAC - Infrastructure Access Charge

IAWP - Interim Agricultural Water Program

IID - Imperial Irrigation District

IPR - Indirect Potable Reuse

IRWM - Integrated Regional Water Management Program

KPI - Key Performance Indicator

Leases and Rentals - This includes costs to rent equipment, copy machines, temporary easements and other items.

LRP - MWD's Local Resource Program

LWSD - SDCWA's Local Water Supply Development, which provides funds to support local supply development.

M&I - Municipal and Industrial

Master Plan - Regional Water Facilities Master Plan

ME - Meter Equivalent

MG - Million Gallon

MGD - Million Gallons per Day

MOU - Memorandum of Understanding

MW - Megawatt

MWD - Metropolitan Water District of Southern California

Non-Labor Expenditures - This includes professional services, services and other operating expenditure like materials, supplies and equipment but excludes the cost of water.

NPDES - National Pollutant Discharge Elimination System

OPEB - Other Post-Employment Benefits, which includes the District's retiree health care obligation.

Operating Budget - The normal, ongoing operating costs incurred to operate the District.

OTLS - Overland Trail Lift Station

PARS - Public Agency Retirement Services

PAYGO - Pay-as-you-go capital funding uses cash and reserves to fund Capital Outlays. .

PEPRA - Public Employees' Pension Reform Act.

Professional Services - The normal, ongoing operating costs incurred to operate the District that are procured from companies outside of the District. Examples include legal, auditing, appraisals, engineering, drafting and design.

PRV- Pressure Reducing Valve

Purchased Water Costs- These are the costs of the District's wholesale water purchases from SDCWA.

QECCB - Qualified Energy Conservation Revenue Bond

Reliability - Consistently providing a water supply that adequately supports the regional economy.

Revenue - Income generated by taxes, notes, bonds, investment income, land rental and user charges.

ROW - Right of Way

RSF - Rate Stabilization Fund

RTS - Readiness to Service charge

S&P - Standard and Poor's rating services

Salary - This is the cost of labor for 2,080 hours a year and does not include any employee benefits.

SANDAG - San Diego Association of Governments

SAWR - Transitional Special Agricultural Water Rate

SCADA - Supervisory Control and Data Acquisition

SD - San Diego

SDCWA - San Diego County Water Authority

Services - The normal, ongoing operating costs incurred to operate the District that are procured from companies outside of the District. Examples include repair, maintenance, custodial and security.

SMGTP - Santa Margarita Groundwater Treatment Plant

SMRCUP - Santa Margarita River Conjunctive Use Project

SMRw - Santa Margarita River water

SpringBrook - The District's ERP.

SR - State Route

SRF - State Revolving Fund

Sundry/Other Revenues - This includes disposal of assets and other miscellaneous revenues.

Total Capital Budget - The total budget requests for construction projects and associated expenses and equipment.

Total District Budget - The sum of the total Operating Budget, Debt Service, Cost of water and Capital Budget.

Treated Water - Water delivered to member agencies which has been treated by coagulation, sedimentation, filtration and chlorination.

Unfunded Actuarial Accrued Liability - The unfunded actuarial accrued liability (UAAL) is the difference between the value of benefits earned by employees and the value of assets held in the pension plan.

Utilities - This includes gas, electricity, water, and sewer.

UV - Ultraviolet

UWMP - Urban Water Management Plan

Water Supply Costs - Comprised of Purchased Water Costs and pumping costs.

WRP - Water Reclamation Plant

Table #1 - Fallbrook Public Utility District's Enterprise Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenue from Rates					
Water	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Recycled Water	1,224,582	1,294,803	1,374,146	1,456,595	1,543,990
Wastewater	6,124,000	6,829,867	7,239,659	7,674,039	8,134,481
Subtotal Revenue from Rates	\$ 31,788,240	\$ 34,696,780	\$ 36,795,202	\$ 39,018,772	\$ 41,376,708
Other Operating Revenue					
Pass-through Charges					
MWD RTS Charge	\$ 261,415	\$ 287,349	\$ 301,572	\$ 316,273	\$ 332,173
SDCWA IAC Charge	551,708	578,663	608,395	669,114	718,258
Sundry	59,009	59,009	59,009	59,009	59,009
MWD/CWA Incentive	-	-	-	-	-
Subtotal Other Operating Revenues	\$ 872,132	\$ 925,021	\$ 968,976	\$ 1,044,396	\$ 1,109,440
Non-Operating Revenue					
Water Availability Charge	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842
1% Property Tax	2,184,459	2,195,381	2,206,358	2,217,390	2,228,476
Investment Earnings	134,861	138,085	141,874	153,942	172,857
Water CIP Charge	1,467,782	1,494,870	1,542,487	1,638,001	1,739,423
Pumping Charge (Cap. Impr part)	32,756	32,756	32,756	32,756	32,756
Facility Rent	256,068	261,189	266,413	271,741	277,176
Water Capacity Fees	111,172	112,283	113,406	114,540	115,686
Wastewater CIP Charge	1,183,216	1,185,754	1,203,561	1,239,711	1,276,946
Wastewater Capacity Fees	40,371	41,178	42,002	42,842	43,698
Federal Interest Rate Subsidy	97,977	84,516	70,261	55,178	39,233
Subtotal Non-Operating Revenue	\$ 5,717,503	\$ 5,754,855	\$ 5,827,960	\$ 5,974,943	\$ 6,135,094
Total Revenues	\$ 38,377,874	\$ 41,376,656	\$ 43,592,138	\$ 46,038,111	\$ 48,621,242
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs	\$ 12,398,032	\$ 13,277,840	\$ 10,225,371	\$ 11,011,398	\$ 11,714,358
SMRCUP Supply Costs	371,000	513,240	1,610,616	1,642,974	1,676,304
Subtotal Water Supply Costs	\$ 12,769,032	\$ 13,791,080	\$ 11,835,987	\$ 12,654,373	\$ 13,390,661
Labor Costs	3,261,355	3,344,204	3,511,414	3,686,984	3,871,334
Fringe Benefits	2,141,829	2,242,014	2,387,745	2,542,949	2,670,096
Services, Materials & Supplies	2,649,440	2,970,298	3,059,407	3,151,189	3,245,725
Allocated Admin Expenses	6,664,591	7,328,223	7,611,597	7,907,602	8,186,004
Community Benefit Program	-	546,000	546,000	546,000	546,000
Total Operating Expenses	\$ 27,486,247	\$ 30,221,819	\$ 28,952,150	\$ 30,489,097	\$ 31,909,820
Net Operating Revenues	\$ 10,891,628	\$ 11,154,837	\$ 14,639,988	\$ 15,549,014	\$ 16,711,422
Debt Service					
Total Debt Service	\$ 3,621,118	\$ 3,730,508	\$ 5,156,080	\$ 5,158,581	\$ 5,154,243
Capital Expenditures					
Total Capital Expenditures	\$ 13,127,029	\$ 7,773,350	\$ 7,871,940	\$ 7,979,732	\$ 7,662,864
Total Expenditures	\$ 44,234,394	\$ 41,725,677	\$ 41,980,170	\$ 43,627,410	\$ 44,726,927
SRF Loan Proceeds	\$ 7,280,290	\$ -	\$ -	\$ -	\$ -
Change in Net Position *	\$ 1,423,771	\$ (349,021)	\$ 1,611,969	\$ 2,410,701	\$ 3,894,315
Beginning Balances	\$ 21,764,977	\$ 23,188,748	\$ 22,839,727	\$ 24,451,695	\$ 26,862,396
Ending Balances	\$ 23,188,748	\$ 22,839,727	\$ 24,451,695	\$ 26,862,396	\$ 30,756,711

*Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds.

Table #2 - Fallbrook Public Utility District's Water Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 24,439,657	\$ 25,798,165	\$ 25,811,868	\$ 25,825,570	\$ 25,839,273
Proposed Revenue Adjustments	-	773,945	2,369,529	4,062,569	5,858,964
Subtotal Operating Revenues	\$ 24,439,657	\$ 26,572,110	\$ 28,181,397	\$ 29,888,139	\$ 31,698,237
Other Operating Revenues					
Pass-through Charges					
MWD RTS Charge	\$ 261,415	\$ 287,349	\$ 301,572	\$ 316,273	\$ 332,173
SDCWD IAC Charge	551,708	578,663	608,395	669,114	718,258
Sundry	53,009	53,009	53,009	53,009	53,009
Subtotal Other Operating Revenues	\$ 866,132	\$ 919,021	\$ 962,976	\$ 1,038,396	\$ 1,103,440
Non-Operating Revenue					
Water Availability Charge	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842	\$ 208,842
1% Property Tax	1,055,476	514,754	520,057	525,388	530,744
Investment Earnings	122,813	124,130	124,636	134,941	151,584
Water Capital Improvement Charge	1,467,782	1,494,870	1,542,487	1,638,001	1,739,423
Pumping Charge (Cap. Impr part)	32,756	32,756	32,756	32,756	32,756
Other Revenue	256,068	261,189	266,413	271,741	277,176
Water Capacity Fees	111,172	112,283	113,406	114,540	115,686
Subtotal Non-Operating Rev	\$ 3,254,909	\$ 2,748,824	\$ 2,808,598	\$ 2,926,208	\$ 3,056,211
Total Revenues	\$ 28,560,698	\$ 30,239,955	\$ 31,952,971	\$ 33,852,744	\$ 35,857,888
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs	\$ 12,398,032	\$ 13,277,840	\$ 10,225,371	\$ 11,011,398	\$ 11,714,358
SMRCUP Supply Costs	371,000	513,240	1,610,616	1,642,974	1,676,304
Subtotal Water Supply Costs	\$ 12,769,032	\$ 13,791,080	\$ 11,835,987	\$ 12,654,373	\$ 13,390,661
Labor Costs	1,783,968	1,808,584	1,899,013	1,993,964	2,093,662
Fringe Benefits	1,154,262	1,214,646	1,293,597	1,377,681	1,446,565
Services, Materials & Supplies	1,344,926	1,464,498	1,508,433	1,553,686	1,600,297
Allocated Administrative Expenses	4,265,338	4,690,063	4,871,422	5,060,865	5,239,043
Total Operating Expenses	\$ 21,317,525	\$ 22,968,870	\$ 21,408,453	\$ 22,640,569	\$ 23,770,228
Net Operating Revenue	\$ 7,243,173	\$ 7,271,086	\$ 10,544,519	\$ 11,212,175	\$ 12,087,661
Debt Service					
Total Debt Service	\$ 1,369,922	\$ 1,477,819	\$ 2,903,644	\$ 2,903,644	\$ 2,903,644
Capital Expenditures					
Total Capital Expenditures	\$ 11,719,428	\$ 6,788,350	\$ 6,477,130	\$ 6,037,462	\$ 5,907,231
Total Expenditures	\$ 34,406,875	\$ 31,235,039	\$ 30,789,227	\$ 31,581,675	\$ 32,581,103
SRF Loan Proceeds	\$ 7,280,290	\$ -	\$ -	\$ -	\$ -
Change In Net Position *	\$ 1,434,113	\$ (995,084)	\$ 1,163,744	\$ 2,271,068	\$ 3,276,786
Beginning Balances	\$ 19,751,780	\$ 21,185,893	\$ 20,190,809	\$ 21,354,554	\$ 23,625,622
Ending Balances	\$ 21,185,893	\$ 20,190,809	\$ 21,354,554	\$ 23,625,622	\$ 26,902,408

*Change in net position is Total Revenues minus Total Expenditures plus SRF Loan Proceeds.

Chart #1 - Water Fund Balances and Change in Target Level

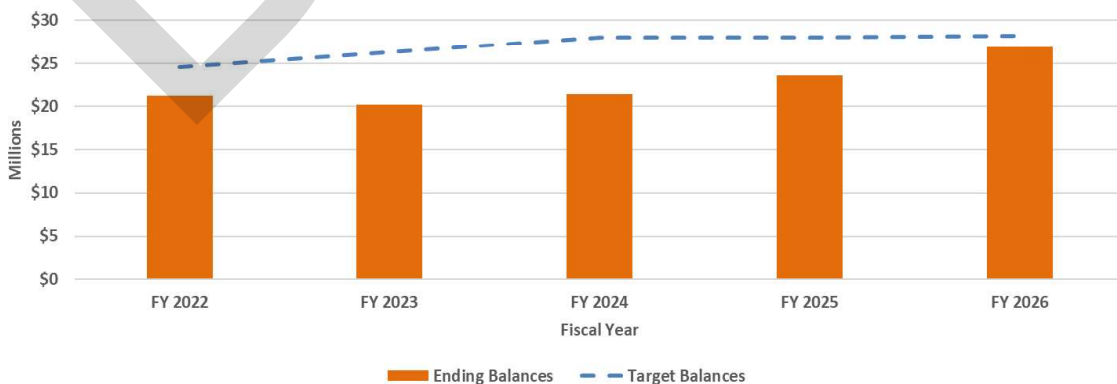


Table #3 - Fallbrook Public Utility District's Wastewater Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 6,124,000	\$ 6,630,939	\$ 6,630,939	\$ 6,630,939	\$ 6,630,939
Proposed Revenue Adjustments	-	198,928	608,720	1,043,100	1,503,542
Subtotal Operating Revenues	\$ 6,124,000	\$ 6,829,867	\$ 7,239,659	\$ 7,674,039	\$ 8,134,481
Other Operating Revenues					
Sundry	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Subtotal Other Operating Revenues	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ 1,183,216	\$ 1,185,754	\$ 1,203,561	\$ 1,239,711	\$ 1,276,946
Wastewater Capacity Fees	40,371	41,178	42,002	42,842	43,698
1% property Tax - IDS	1,075,221	1,080,597	1,086,000	1,091,430	1,096,888
Federal Interest Rate Subsidy	97,977	84,516	70,261	55,178	39,233
Investment Earnings	9,195	10,758	12,911	13,209	13,496
Subtotal Non-Operating Revenues	\$ 2,405,980	\$ 2,402,803	\$ 2,414,735	\$ 2,442,370	\$ 2,470,261
Total Revenues	\$ 8,530,980	\$ 9,233,670	\$ 9,655,394	\$ 10,117,409	\$ 10,605,742
Operating Expenses					
Labor Costs	\$ 1,362,839	\$ 1,375,541	\$ 1,444,318	\$ 1,516,534	\$ 1,592,361
Fringe Benefits	864,281	920,272	980,090	1,043,796	1,095,986
Services, Materials & Supplies	1,121,493	1,283,300	1,321,799	1,361,453	1,402,297
Allocated Administrative Expenses	2,332,607	2,564,878	2,664,059	2,767,661	2,865,101
Total Operating Expenses	\$ 5,681,219	\$ 6,143,992	\$ 6,410,266	\$ 6,689,444	\$ 6,955,745
Net Operating Revenue	\$ 2,849,760	\$ 3,089,679	\$ 3,245,127	\$ 3,427,965	\$ 3,649,997
Debt Service					
Total Debt Service	\$ 1,732,231	\$ 1,733,383	\$ 1,733,212	\$ 1,734,864	\$ 1,731,618
Capital Expenditures					
Total Capital Expenditures	\$ 1,081,797	\$ 871,000	\$ 1,279,670	\$ 1,825,979	\$ 1,689,694
Total Expenditures	\$ 8,495,247	\$ 8,748,374	\$ 9,423,148	\$ 10,250,287	\$ 10,377,057
Change in Net Position *	\$ 35,733	\$ 485,296	\$ 232,246	\$ (132,879)	\$ 228,685
Beginning Balances	\$ 1,514,652	\$ 1,550,385	\$ 2,035,681	\$ 2,267,927	\$ 2,135,048
Ending Balances	\$ 1,550,385	\$ 2,035,681	\$ 2,267,927	\$ 2,135,048	\$ 2,363,733

*Change in net position is Total Revenues minus Total Expenditures.

Chart #2 - Wastewater Fund Balances and Change in Target Level

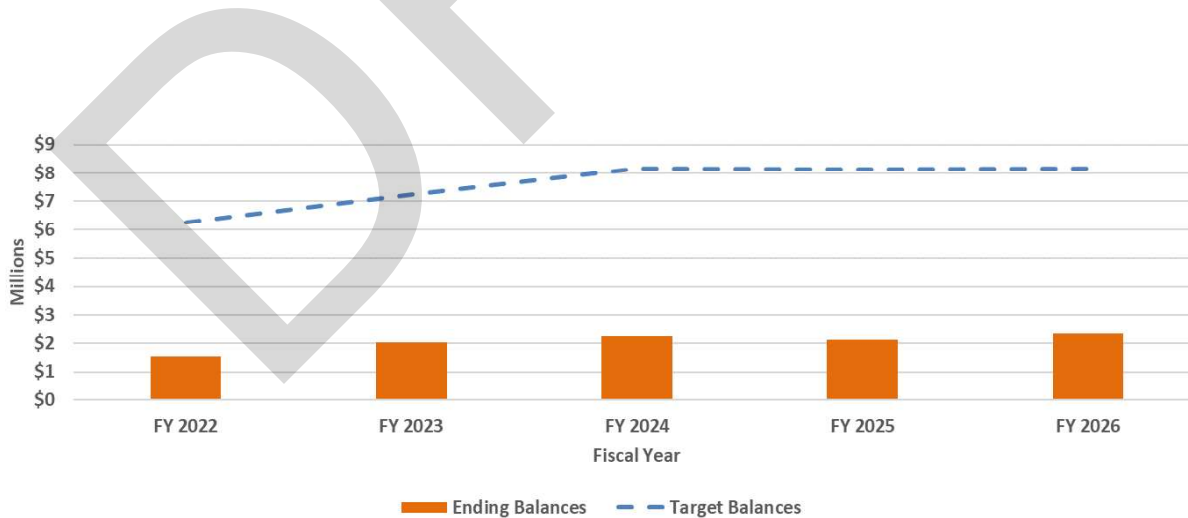


Table #4 Fallbrook Public Utility District’s Recycled Water Projections

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 1,224,582	\$ 1,257,091	\$ 1,258,606	\$ 1,258,606	\$ 1,258,606
Proposed Revenue Adjustments	-	37,713	115,540	197,989	285,384
Other Operating Revenues					
SDCWA Incentive	\$ -	\$ -	\$ -	\$ -	\$ -
Sundry	5,000	5,000	5,000	5,000	5,000
Subtotal Other Operating Revenues	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Non-Operating Revenue					
1% Property Tax	\$ 53,761	\$ 54,030	\$ 54,300	\$ 54,572	\$ 54,844
Investment Earnings	2,853	3,197	4,327	5,793	7,777
Subtotal Non-Operating Revenue	\$ 56,614	\$ 57,227	\$ 58,627	\$ 60,364	\$ 62,621
Total Revenue	\$ 1,286,197	\$ 1,357,030	\$ 1,437,773	\$ 1,521,959	\$ 1,611,612
Operating Expenses					
Labor Costs	\$ 114,548	\$ 160,078	\$ 168,082	\$ 176,486	\$ 185,311
Fringe Benefits	123,286	107,097	114,058	121,472	127,545
Services, Materials & Supplies	183,022	222,500	229,175	236,050	243,132
Allocated Administrative Expenses	66,646	73,282	76,116	79,076	81,860
Total Operating Expenses	\$ 487,502	\$ 562,957	\$ 587,431	\$ 613,084	\$ 637,848
Net Operating Revenue	\$ 798,694	\$ 794,073	\$ 850,342	\$ 908,875	\$ 973,764
Debt Service					
Total Debt Service	\$ 518,965	\$ 519,307	\$ 519,224	\$ 520,072	\$ 518,980
Capital Expenditures					
Total Capital Expenditures	\$ 325,804	\$ 114,000	\$ 115,140	\$ 116,291	\$ 65,939
Total Expenditures	\$ 1,332,271	\$ 1,196,264	\$ 1,221,795	\$ 1,249,448	\$ 1,222,767
Change in Net Position *	\$ (46,075)	\$ 160,767	\$ 215,978	\$ 272,511	\$ 388,844
Beginning Balances	\$ 498,545	\$ 452,470	\$ 613,237	\$ 829,215	\$ 1,101,726
Ending Balances	\$ 452,470	\$ 613,237	\$ 829,215	\$ 1,101,726	\$ 1,490,570

*Change in net position is Total Revenues minus Total Expenditures.

Chart #3 - Recycled Water Fund Balances and Change in Target Level

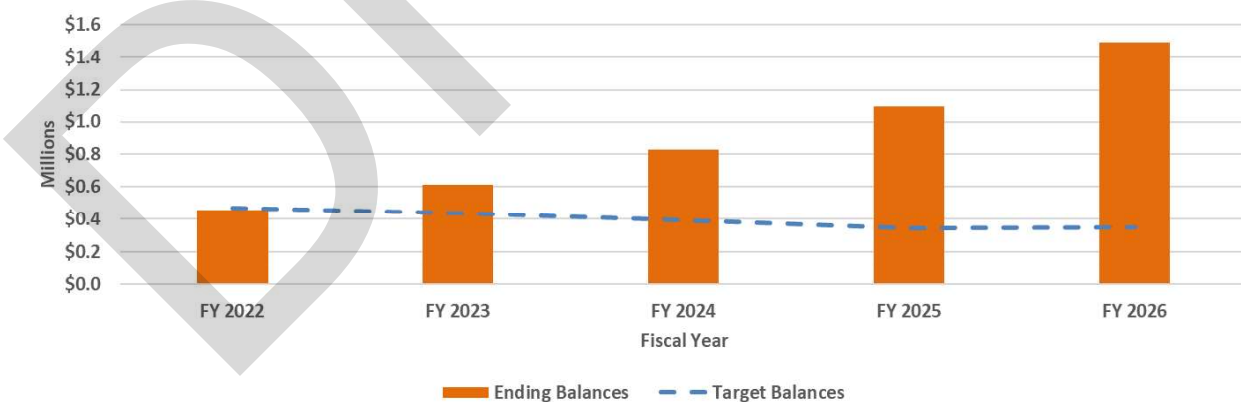


Table #5 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	FY 2011-12	FY 2012-13	FY 2013-14
Changes in Net Position:			
Operating Revenues	\$ 23,661,715	\$ 27,582,160	\$ 28,955,183
Operating Expenses	(26,140,572)	(28,007,733)	(33,062,764)
Other Operating Revenues	279,560	439,560	681,876
Operating Income (loss)	\$ (2,199,297)	\$ 13,987	\$ (3,425,705)
Non-Operating Revenues (expenses)			
Property Taxes Ad-Valorem	\$ 1,552,911	\$ 1,582,219	\$ 1,694,090
Capital Improvement Charges	414,910	1,252,501	1,981,822
California Solar Initiative Rebate	534,835	779,786	843,714
Investment income	87,217	30,507	209,175
Water Availability Charges	200,906	201,037	200,779
Lease Revenue	177,095	181,100	183,641
Intergovernmental Revenue - Federal Interest Subsidy	-	-	-
Connection Fees	190,932	247,607	118,581
Federal Grants	-	-	-
SDCWA Rate Refund	-	-	-
Gain on Impairment	-	-	-
Other Non-Operating Revenues	109,261	81,008	69,816
Other Non-Operating Expenses	(294,462)	(291,721)	(344,730)
Total Non-Operating Revenues(expenses), net	\$ 2,973,605	\$ 4,064,044	\$ 4,956,888
Net income Before Capital Contributions	\$ 774,308	\$ 4,078,031	\$ 1,531,183
Capital Contributions	273,825	595,205	76,746
Capital Grant - Proposition 50	338,331	-	828,598 ⁽¹⁾
Capital Grant - Proposition 84	-	-	-
Extraordinary Items	-	-	-
Changes in Net Position	\$ 1,386,464	\$ 4,673,236	\$ 2,436,527
Net Assets			
Beginning, as restated	\$ 70,773,038	\$ 72,159,502	\$ 76,678,353
Adjustments to restate balance	-	(154,385)	-
Ending, as restated	\$ 72,159,502	\$ 76,678,353	\$ 79,114,880

(1) Capital Grant of \$828,598 was received from State of California Wildlife Conservation Board Proposition 50 Funding.

(2) Accumulative effect of change in accounting principals.

(3) State Proposition 50 in the amount of \$874,040 and State Proposition 84 in the amount of \$68,428 was received.

Source: FPUD Finance Department

Table #5 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years, cont.

FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
\$ 27,483,881	\$ 25,356,017	\$ 27,256,065	\$ 29,882,022	\$ 26,944,550	\$ 28,931,007	\$32,511,601
(29,367,701)	(27,921,351)	(30,678,705)	(33,319,799)	(31,708,417)	(33,234,259)	(33,933,185)
-	-	-	-	-	-	-
\$ (1,883,820)	\$ (2,565,334)	\$ (3,422,640)	\$ (3,437,777)	\$ (4,763,867)	\$ (4,303,252)	\$ (1,421,584)
\$1,719,296	\$ 1,815,734	\$ 1,889,808	\$ 1,984,543	\$ 2,106,034	\$ 2,205,975	\$ 2,340,185
2,134,025	2,224,529	2,283,558	2,476,452	2,505,876	2,559,135	2,604,061
729,519	740,125	234,930	-	-	-	-
141,433	324,126	63,861	18,188	915,275	920,135	1,543,078
200,810	200,808	200,730	229,400	204,359	204,418	208,842
185,770	185,220	166,012	178,602	199,433	249,092	251,047
-	185,040	238,765	145,338	134,924	123,762	112,207
208,521	131,894	238,124	411,744	180,966	107,107	149,650
-	-	-	-	-	-	-
-	-	-	-	-	-	909,413
-	-	-	(273,396)	9,338,297	(31,450)	38,100
162,913	91,361	32,729	-	-	-	-
(321,941)	(690,409)	(385,483)	(959,015)	(909,966)	(910,224)	(1,665,457)
\$ 5,160,346	\$ 5,208,428	\$ 4,963,034	\$ 4,211,886	\$ 14,675,198	\$ 5,427,950	\$ 6,491,127
\$ 3,276,526	\$ 2,643,094	\$ 1,540,394	\$ 774,109	\$ 9,911,331	\$ 1,124,698	\$ 5,069,543
153,790	75,299	59,509	73,661	73,789	372,507	47,842
224,596 ⁽¹⁾	874,040 ⁽³⁾	773,163	-	-	-	-
-	682,428	-	67,100	-	-	-
-	-	-	-	-	-	-
\$ 3,654,912	\$ 4,274,861	\$ 2,373,066	\$ 914,870	\$ 9,985,120	\$ 1,497,205	\$ 5,117,385
\$ 79,114,880	\$ 75,034,991	\$ 79,309,852	\$ 85,168,437	\$ 86,083,307	\$ 97,207,549	\$ 98,704,754
(7,734,801) ⁽²⁾	-	3,485,519	-	1,139,122	-	-
\$ 75,034,991	\$ 79,309,852	\$ 85,168,437	\$ 86,083,307	\$ 97,207,549	\$ 98,704,754	\$ 103,822,139

Chart #1 - Operating Expenses by Activity

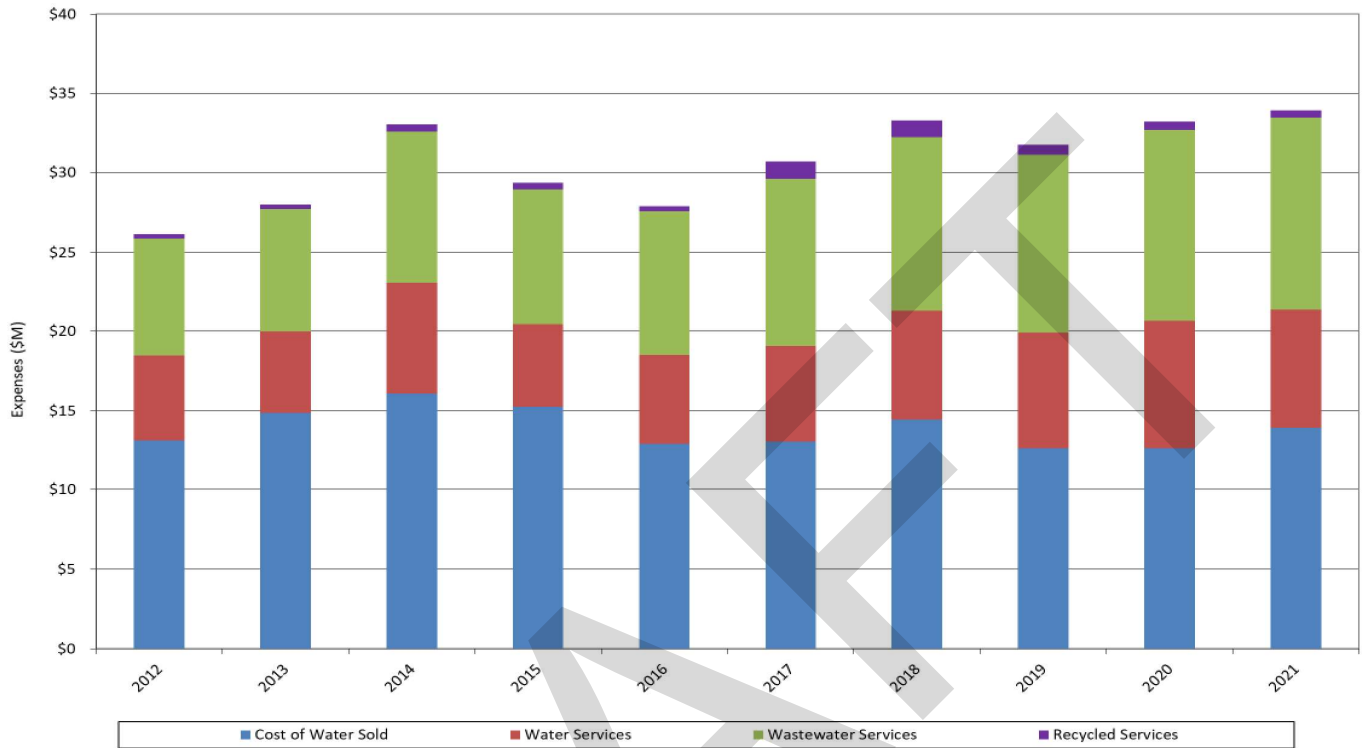
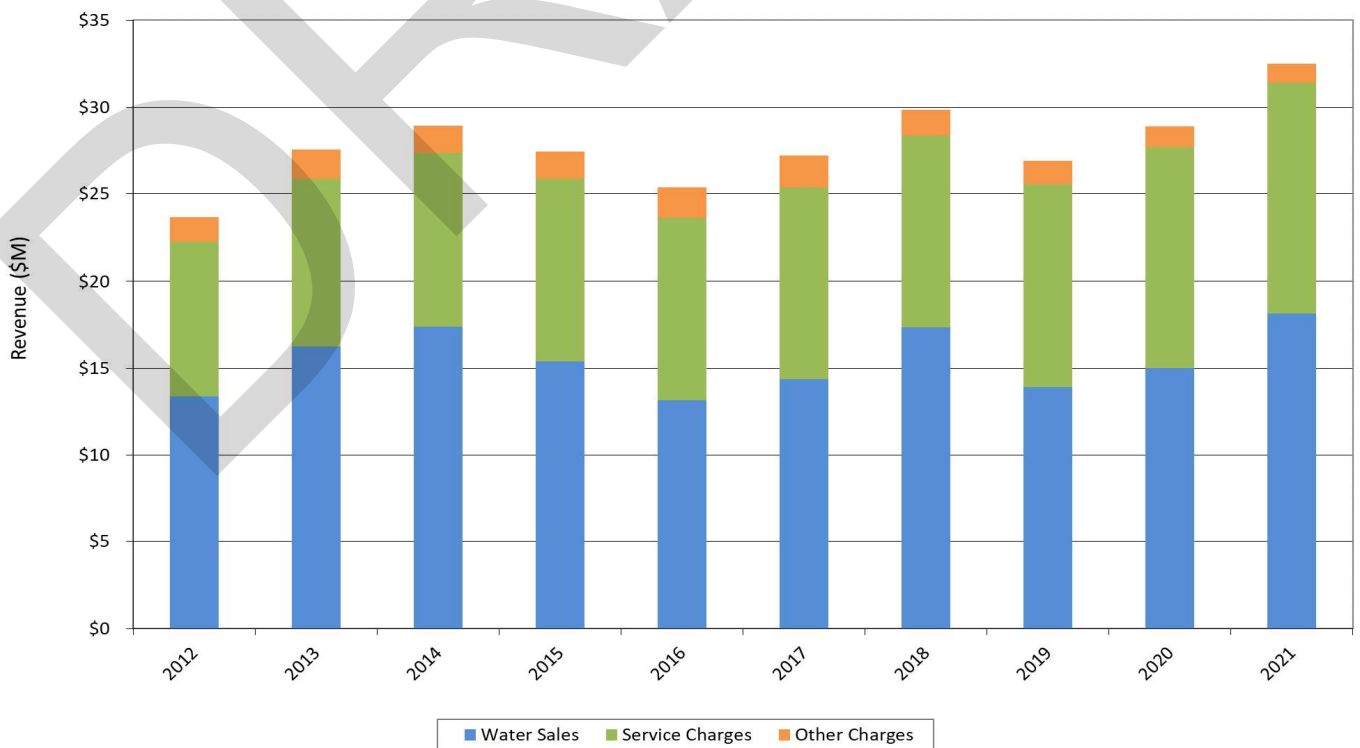


Chart #2 - Operating Revenues by Source



Fallbrook Public Utility District 's Capitalization Policy

FALLBROOK PUBLIC UTILITY DISTRICT	Standard Policy		
	Drafted by:	CFO/General Manager	
	Original Date:	4-10-2018	
	Revision Date:		
Capital Policy	Review by department:	1 _____ 2 _____ 3 _____	4 _____ 5 _____ 6 _____
	Approved by:	General Manager	

Purpose:

To identify standard process for establishing capital versus operating expenses and placing items in the operating and capital improvement budgets

Personnel:

Accounting and Supervisors

Policy:

General Policy

The capital policy is established to distinguish capital and operating expenses and placement of projects and items in the Operating or Capital Improvement Budget. Capital expenses are recorded as capital assets and a depreciation schedule is established for these assets. Capital expenses will generally be identified in the Capital Budget as part of the Capital Program (CIP), which identifies the District's capital projects. This budget includes large multi-year construction projects as well as acquisitions of capital equipment and materials. The operational budgets may also include some items that are capitalized based on the criteria identified below:

Definitions

Capital Budget: part of the annual budget adopted by the Board of Directors that identified all Capital Projects for a division including construction projects and acquisition of capital equipment.

Operating Budget: Part of the annual budget adopted by the Board of Directors that identifies all on-going annual operating costs for a division.

Construction Projects: Includes actual physical projects completed to build new facilities or rehabilitate existing facilities.

Plant Equipment: Includes actual physical equipment that may or may not be a part of a larger facility. May include mobile equipment utilized by that division.

Useful Life: The period of time it is anticipate that the piece of equipment would normally last before having to be replaced. The useful life of the equipment can be extended due to a significant rehabilitation project on the equipment.

Capital Projects

A. Construction Projects

All construction projects for construction of new facilities will be capitalized and included in the Capital Improvements Program. The costs to be capitalized include the costs of associated studies, design, construction, equipment, construction management, legal and administrative expenses. Construction projects related to rehabilitation of existing facilities will be capitalized if the project extends the useful life of the asset for three or more years and the cost of the project related to the asset exceeds \$5,000. Repairs to existing pipelines, valves, meters, etc. that maintain the existing service and repair a leak or failure and do not extending the life of the asset by three or more years and do not exceed \$5,000 are not capitalized. For example, repairing a leak with a leak repair coupling does not change the assets service life and will be expensed even if the project costs exceed \$5,000. If a valve is replaced or a full section of pipe is replaced and the value exceeds \$5,000 the project will be capitalized and the service life adjusted.

B. Plant Equipment

All Plant Equipment purchased with a value of \$5,000 or greater and a useful life of greater than three years will be capitalized. In general, these items will be included under the capital Improvement budget either as part of a larger capital improvement project or as an acquisition of capital equipment. Routine part replacement costs, such as air filters for the high efficiency blowers, are considered operating expense. Improvements to existing fixed assets may be capitalized and appear in the Capital Budget if they extend the useful life of the asset by three or more years and the cost of the improvement exceeds the \$5,000 threshold.

C. Office Equipment

Office equipment will be capitalized with a value of \$5,000 or greater and a useful life of greater than three years. Office equipment includes: Office furniture, cabinets, copiers, computer systems and other information technology system. This includes larger software system integrations including initial software costs and implementation costs. In general, these items will be included as a project in the Capital Improvement Program.



Fallbrook Public Utility District 's Fund Balance Policy

Article 6. Budget and Fund Management

Sec. 6.1 District's Annual Budget.

Preparation of the District Budget is directed by the Assistant General Manager/CFO. Working with the Fiscal Policy and Insurance Committee the General Managers develops annual financial goals and objectives for the budget in February. A first preliminary Budget is presented to the Committee/Board of Directors and public in April and a second preliminary Budget in May. The final Budget is presented in June for adoption, along with a resolution adopting a tax rate for Bonded Indebtedness.

The budgeting process is intended to create a transparent process that enables the Board of Directors to estimate the Districts revenues and expenses including employee compensation arising from negotiations and changes in other costs of operations.

6.1.1 Annual Budget Resolution.

The Board shall approve an annual budget resolution that establishes the total appropriation for the fiscal year based on the following budget categories:

1. Administration, operations, and maintenance
2. Water purchases and contingencies
3. Capital improvements and equipment
4. Revenue Bonds, State Revolving Fund, interest, and principal
5. Established annual Liquidity Fund level

In addition, the budget resolution shall identify any anticipated net withdrawal of District reserves for the Fiscal Year. Any unanticipated net withdrawal of District reserves shall be a separate board action. Any withdrawal of funds from long-term investments, as shown in the District's Treasurer's Report, shall require prior Board approval.

Any spending above the established appropriations or additional withdrawal of reserves shall require Board approval. As part of the annual budget process, the Board will review and approve the District's liquidity fund level.

Sec. 6.2 Treasurer's Fund.

The Treasurer's Fund is established primarily to account for all District cash and investments and also to record detailed accounting for fringe benefits. Revenues are obtained from a budgeted mark-up on District labor. Revenue and Expense accounts in this fund are closed to the Utility fund annually.

Sec. 6.3 General Fund.

The General Fund shall consist of accounts for property tax revenues and appropriations to other funds as determined by the Board.

Sec. 6.4 Utility Funds.

The Utility Funds consists of three separate funds reflecting the operating departments of Water, Wastewater and Recycled Water. The funds reflect the revenues from water sales, monthly service charges and other recurring fees and all expenses, including Operating and Maintenance (O&M) and General & Administrative (G&A).

Sec. 6.5 Capital Funds.

The Capital Funds consists of all Property, Plant and Equipment and the expenditures as well as revenues from Capital Improvement Charges that are dedicated/restricted to capital expenditures. All use of revenues in the Capital Funds is restricted to capital investments, which includes capital assets as defined by the District's accounting policy and debt service. Sources of funding and expenditures for capital assets are maintained in three separate funds:

Water – all capital assets associated with the water treatment and distribution system; all administrative buildings and equipment; and all construction equipment and vehicles.

Wastewater – all capital assets associated with treatment facilities and the wastewater collection system.

Recycled Water – all capital assets associated with the recycled water facilities and the recycled water distribution system.

Sec. 6.6 Equipment Fund.

The Equipment Fund consists of all expenses for field equipment operations, maintenance, repair and replacement. Revenues are obtained from a budgeted mark-up on District labor. Revenue and expenses are closed to the Utility fund annually.

Sec. 6.7 Debt Service Funds.

Debt Service funds shall be established to account for General Obligation Bonds, Certificates of Participation, or other indebtedness which the District may incur for construction, completion, or acquisition of works, for the treatment, storage and distribution of water and water rights, including dams, reservoirs, storage tanks, treatment facilities, pipes, pumping equipment, and all necessary equipment and property therefor. The funds shall record annual transactions showing source of revenue, and both interest and principal payments.

Sec. 6.8 Appropriated Fund Balances.

Appropriated Fund Balances shall be established to provide adequate funding to meet the District's short term and long term plans and commitments; to minimize adverse annual and multi-year budgetary impacts from unanticipated expenditures; and to preserve the financial stability of the District against present and future uncertainties in an ever-changing environment. The following Appropriated Fund Balances will be established and maintained.

6.8.1 Utility Funds Appropriated Fund Balances.

1. Water.

- a) Working Capital. To be established and maintained at a level of three months operating and maintenance expenses including water purchases.

- b) Santa Margarita Debt Payment Fund. To prevent “spikes” and mid-year changes in rates because of net revenue shortfalls due to weather conditions, state or federal legislation or other future uncertainties. The target level is set equal to 2-years of debt service payments on the Santa Margarita Conjunctive Use Project financing.

2. Wastewater.

- a) Working Capital. To be established and maintained at a level of three months operating and maintenance expenses.
- b) Rate Stabilization Fund. To promote smooth and predictable rates and charges a Rate Stabilization Fund is established with a target of level equal to 10% of annual revenues.

3. Recycled Water.

- a) Working Capital. To be established at three months operating and maintenance expenses.

6.8.2 Utility Capital Funds Appropriated Fund Balances.

1. Water Capital Fund.

The primary source of funds are the Water and Pumping Capital Improvement charges, annexation fees, connection fees and meter fees. Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

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

2. Wastewater Capital Fund.

The primary source of funds are Wastewater Capital Improvement Charges, connection fees and meter fees. Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

3. Recycled Water Capital Fund.

Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

6.8.3 Debt Service Funds.

Each borrowing activity is maintained within a separate Debt Service fund. Some indentures require the establishment of a reserve fund and the District must comply with any creditor imposed requirements. Since sources of funding to repay each debt instrument varies, the possibility of that inflow being interrupted is

likely/possible with different issues in differing circumstances. Because of the possibility of this interruption, each Debt Service Fund should establish an Appropriated Fund Balance equal to the next year's total debt service (principal and interest).

Sec. 6.9 Petty Cash.

The responsibility for and the accountability for the petty cash fund is assigned to the Assistant General Manager/CFO and/or the Accountant. The fund at all times will total \$400.00 in cash and disbursement receipts. When an employee requires reimbursement, not-to-exceed \$50.00, for an out-of-pocket District expense, a petty cash voucher is filled out and the receipts for purchases attached.

Reimbursement will not be made from the petty cash fund without the immediate supervisor's approval on the petty cash voucher and receipts attached thereto.

During the planned absence of either the Assistant General Manager/CFO or Accountant, the Supervising Accounting Assistant will be authorized to make petty cash reimbursements. Prior to assumption of these duties, cash in the fund will be counted and verified by both the Assistant General Manager/CFO and Accountant.

Periodic audits will be performed as required by District management or the Auditor. Checks drawn to replace the disbursement will be processed in the same manner as any other invoice paid by the District.

ARTICLE	15
(Renumbered	as
Article 6	by
Resolution 5006)	
Sec. 15.8 - Rev.74/97	
Sec. 15.4 & 15.5 – Rev. 4/03	
Sec. 15.8 added 4/03	
Sec. 15.1 & 15.9 – Rev. 6/06	
Sec. 15.9 – Rev. 8/08	
Sec. 15.6 – Rev. 9/09	
Sec. 15.8.1 – Rev. 12/09	
Secs. 15.1, 15.5, 15.8.1, 15.8.2, 15.8.4, 15.9 – Rev. 1/18	
Secs. 15.1.1, 15.8.1 – Rev. 2/19	
Sec. 15.1.1 – Rev. 4/19	
Sec. 15.1 – Rev. 7/19	

Fallbrook Public Utility District's Investment Policy

Article 18. Investment Policy

Sec. 18.1 General.

The District's Investment Policy and practices of the District Treasurer are based on prudent money management principles and California Government Code, specifically Sections 53600 and 53630 et. seq.

18.1.1 Delegation of Authority. The Board of Directors delegates the investment authority of the District to the Treasurer under the supervision of the General Manager. The Treasurer shall deposit money under the Treasurer's supervision and control in such institutions and upon such terms as the laws of the State of California and the Board of Directors may permit.

The Treasurer may delegate day-to-day investment decision making and execution authority to an investment advisor. Eligible investment advisors must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940. The advisor will follow the Policy and such other written instructions as are provided by the District.

18.1.2 Investment Objectives. The practices of this District will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws, allowing for the dynamics of the money markets, will be the focus of this Investment Policy. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the objectives of this District shall be:

1. The primary objective shall be to safeguard the principal of the funds under the Treasurer's control.
2. The secondary objective shall be to meet the liquidity needs of the District.
3. The third objective shall be to achieve a return on the funds under control of the Treasurer within the parameters of prudent risk management.

18.1.3 Prudent Investor Standard. The Board of Directors, General Manager, and Treasurer adhere to the guidance provided by the "prudent investor standard," California Government Code (Section 53600.3), which obligates a fiduciary to insure that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Sec. 18.2 Treasurer's Annual Statement of Investment Policy.

The following is the District's annual statement of investment policy rendered pursuant to Section 53646 (a) of the Government Code:

18.2.1 Security of Principal Policy. The policy issues directed to protecting the District are:

- a) Limiting exposure to each type of security.
- b) Limiting exposure to each issue and issuer of debt.
- c) Determining the minimum credit requirement for each type of security at the time of purchase.

18.2.2 Liquidity Policy. The policy issues directed to provide necessary liquidity are:

- a) Limiting the length of maturity for securities in the portfolio.
- b) Limiting exposure to illiquid securities.

18.2.3 Return Policy. The policy issues directed to achieving a return are:

- a) Attaining a market rate of return taking into account the investment risk constraints and liquidity needs.
- b) Return is of least importance compared to the safety and liquidity policies described above.
- c) Majority of the investments shall be limited to low risk securities in anticipation of earning a fair return relative to the risk being taken.
- d) The performance of the portfolio shall be compared to an industry benchmark established by the Fiscal Policy and Insurance Committee and shall be reported quarterly. The Fiscal Policy and Insurance Committee shall review the performance benchmark on an annual basis to ensure that it remains appropriate for the District's investment objectives. The Fiscal Policy and Insurance Committee will bring any recommended changes to the industry benchmark to the Board for approval.

18.2.4 Maturity Policy. The maximum maturity allowed by the California Government Code is five (5) years with shorter limitations specified for specific types of securities. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five-year maturity limit. Such approval must be issued no less than three (3) months prior to the purchase of any security exceeding the five-year maturity limit.

18.2.5 Prohibited Securities. The California Government Code does not authorize a local agency to invest in any of the following derivative notes:

- a) Inverse Floater
- b) Range Notes
- c) Interest-only strips derived from a pool of mortgages
- d) Any security that could result in zero interest accrual, except as authorized by Government Code Section 53601.6.

Sec. 18.3 Internal Controls.

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed benefits likely to be derived; and, 2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the Treasurer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

Control of Collusion: Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

Separation of Transaction Authority from Accounting and Record Keeping: By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.

Custodial Safekeeping: Securities purchased from any bank or dealer including appropriate collateral (as defined by Government Code) shall be placed with an independent third party for custodial safekeeping.

Avoidance of Physical Delivery Securities: Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

Clear Delegation of Authority to Subordinate Staff Members: Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

Written Confirmation of Telephone Transactions for Investments and/or Wire Transfers: Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.

Development of a Wire Transfer Agreement with the Lead Bank or Third Party Custodian: This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

Sec. 18.4 Permissible Investments.

Where this Policy specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Credit criteria listed in this Policy refers to the credit rating at the time the security is purchased. If an investment advisor is used and an investment's credit rating falls below the minimum rating required at the time of purchase, the investment advisor will immediately notify the Treasurer. The securities shall be reviewed and a plan of action shall be recommended by the Treasurer or investment advisor. The course of action to be followed will be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further drop, and market price of the security. The Fiscal Policy and Insurance Committee will be advised of the situation and intended course of action by e-mail or fax.

The District will limit investments in any one non-government issuer, except investment pools and money market funds, to no more than 5% regardless of security type.

Government Code 53601 addresses permissible investments. These investment categories are:

18.4.1 Government Obligations. Two categories of Government Obligations, U.S. Treasury and Agency obligations may be invested. Both are issued at the federal level. U.S. Treasury obligations are United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. Agency obligations are federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises..

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is unlimited.

- 1) Treasury: Unlimited.
- 2) Agencies: Unlimited. No more than 75% of the portfolio value shall be invested in any single issuer.

Minimum Credit Requirement: None.

18.4.2 Banker's Acceptance. This is a draft or bill of exchange, accepted by a bank or trust company and brokered to investors in a secondary market. The purpose of the banker's acceptance (BA) is to facilitate trade and provide liquidity to the import-export markets. Acceptances are collateralized by the pledge of documents such as invoices, trust receipts, and other documents evidencing ownership and insurance of the goods financed.

Maximum Maturity: The maximum maturity of an issue shall be 180 days.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 25%.

Minimum Credit Requirement: "A-1" or equivalent by a nationally recognized statistical rating organization (NRSRO)

18.4.3 Commercial Paper. These are short-term, unsecured, promissory notes issued by firms in the open market. Commercial paper (CP) is generally backed by a bank credit facility, guarantee/bond of indemnity, or some other support agreement. The entity that issues the commercial paper must meet all of the following conditions in either paragraph a or paragraph b:

- a. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of "A", the equivalent or higher by a NRSRO.
- b. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Maximum Maturity: The maximum maturity of an issue shall be 270 days.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 25%. The District may invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

Minimum Credit Requirements: "A-1", the equivalent or higher by a NRSRO.

18.4.4 Medium-Term Notes. Corporate and depository institution debt securities issued by corporations organized and operating within the United States, or by depository institutions licensed by the U.S. (or any state) and operating within the U.S.

Maximum Maturity: The maximum maturity of an issue shall be 5 years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 30%. The District may invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher by a NRSRO

18.4.5 Repurchase Agreements. A repurchase agreement (RP) consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the District), the other is the commitment by the seller (i.e., a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

Maximum Maturity: The maximum maturity of repurchase agreements shall be up to one year.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 10%.

Minimum Credit Requirements: None

18.4.6 Negotiable Certificates of Deposit. Certificates of deposit must be issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

Maximum Maturity: The maximum maturity of an issue shall be five (5) years.

Maximum Exposure to Portfolio: The maximum exposure to the portfolio for this category shall be 30%.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for CDs issued with a long-term rating and “A-1” or higher for CDs issued with a short-term rating or their equivalents by a NRSRO.

18.4.7 State Local Agency Investment Fund (LAIF). There is no limit by law on the amount of funds that can be placed in this account. Interest is paid directly into the account by the State Local Agency Investment Fund.

18.4.8 San Diego County Treasurer’s Fund. There is no limit by law on the amount of funds that can be placed in this account. Interest is paid directly into the account by the County Treasurer.

18.4.9 Passbook and Money Market Savings Accounts. Savings accounts and/or money market accounts shall be maintained for monies that are needed on a day-to-day basis.

18.4.10 State Obligations / State of California and Other States. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or by a department, board, agency or authority of the state.

Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for 18.4.10 and 18.4.11-California Local Agency Obligations, category shall be a combined 25% of the book value of the investment portfolio. No more than 5% of the book value of the portfolio at the time of purchase may be invested in bonds issued by any one agency.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for obligations issued with a long-term rating and “A-1” for obligations issued with a short-term rating or their equivalents by a NRSRO .

18.4.11 California Local Agency Obligations. Bonds, notes warrants or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for 18.4.10 and 18.4.11-California Local Agency Obligations, category shall be a combined 25% of the book value of the investment portfolio. No more than 5% of the book value of the portfolio at the time of purchase may be invested in bonds issued by any one agency.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for obligations issued with a long-term rating and “A-1” for obligations issued with a short-term rating or their equivalents by a NRSRO.

18.4.12 Joint Powers Authority Pool. The investment with a Joint Powers Authority Pool is mandated by that pool. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria: (1) The adviser is registered or exempt from registration with the

Securities and Exchange Commission; (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive; and (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is unlimited.

Minimum Credit Requirement: None.

18.4.13 Money Market Mutual Funds.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 20%.

Minimum Credit Requirements: A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.

A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.

18.4.14 Mortgage Pass-Through Securities and Asset-Backed Securities. A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 20%.

Minimum Credit Requirements: Rated in a rating category of “AA”, the equivalent or higher by a NRSRO.

18.4.15 Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 30%.

Minimum Credit Requirements: Rated in a rating category of “AA”, the equivalent or higher by a NRSRO.

Approval: Investments in supranational securities may only be made with prior approval of the Fiscal Policy and Insurance Committee.

Sec. 18.5 Maturity/Limit of Investments.

With the exception of U.S. Treasury and Federal Agency securities, the maturity of a give investment will not exceed five (5) years, without prior board approval per Section 18.2.4.

Sec. 18.6 Reporting Requirements.

The Treasurer shall prepare a quarterly investment report to the Board of Directors that provides an overview of the District’s investments and lists the investment transactions for the period. The report shall also (1) state the compliance of the portfolio with the statement of investment policy, or the manner in which the portfolio is not in compliance, and (2) the report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available. The Treasurer shall also provide the Board a summary report of investments on a monthly basis.

A subsidiary ledger of investments may be used in the report in accordance with accepted accounting practices.

In the event that an investment originally purchased within policy guidelines is downgraded by any one of the credit rating agencies, the Treasurer shall report it at the next regular scheduled meeting of the Board.

ARTICLE 27 (Renumbered as Article 18 by Resolution 5006)
 Revised in its entirety: 2/94
 Adopted in current form: 1/96, 1/97, 1/98, 1/99
 Sec. 27.2.4 – Rev. 1/00
 Adopted in current form: 1/01
 Sec. 27.4.7 – Rev. 10/01
 Sec. 27.6 – Rev. 1/03
 Sec. 27.2.4 – Rev. 1/07
 Sec. 27.4.4 – Rev. 3/07
 Secs. 27.2.3, 27.4.1(2), 27.4.2, 27.4.3, 27.4.4, & 27.4.6 – Rev. 9/07
 Sec. 27.2.1 – Rev. 1/10
 Secs. 27.4.10-12 – Rev. 1/12
 Secs. 27.2.4, 27.2.5, 27.4.5, 27.4.6, 27.4.7, 27.4.10, 27.4.11, 27.4.13, 27.4.14, 27.5 – Rev. 2/13
 Secs. 27.4.6, 27.4.11 – Rev. 1/14
 Secs. 27.1, 27.1.1, Attachment A – Rev. 3/15
 Secs. 27.1, 27.1.1, 27.1.2, 27.1.3, 27.2, 27.2.3, 27.2.4, 27.3, 27.4, 27.4.1, 27.4.2, 27.4.3, 27.4.4, 27.4.6, 27.4.10, 27.4.11, 27.4.12, 27.4.13, 27.4.14, 27.4.15, 27.5 – Rev. 2/16
 Secs. 27.2.4, 27.4, 27.4.3, 27.4.4, 27.4.6, 27.4.10, 27.4.11, 27.4.14, 27.4.15 – Rev. 3/17
 Sec. 27.2.3 – Rev. 6/18
 Sec. 27.6 – Rev. 7/18
 Sec. 27.4.14 – Rev. 2/19
 Sec. 18.2.5 – Rev. 6/21
 Sec. 18.4.3 – Rev. 6/21
 Sec. 18.4.4 – Rev. 6/21

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District's 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.

CalPERS Unfunded Actuarial Accrued Liability (UAAL):

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 payment schedule for the Unfunded Liability is shown below for both Classic and PEPRA. The District's net pension liability in Fiscal Year 2019-20 was \$16.0 million. In Fiscal Year 2019-20, the latest CalPERS valuation date, the District's pension liability was 70.1% funded for Classic employees and 89.9% funded for PEPRA employees.

Fiscal Year Ending (6/30)	Classic	PEPRA	Total
FY 2021-22	\$1,277,112	\$ 8,882	\$1,285,994
FY 2022-23	1,372,096	10,766	1,382,862
FY 2023-24	1,472,168	12,707	1,484,875
FY 2024-25	1,535,737	13,739	1,549,476
FY 2025-26	1,595,836	14,686	1,610,522
FY 2026-27	1,635,046	14,965	1,650,011
FY 2027-28	1,675,333	15,248	1,690,581
FY 2028-29	1,716,724	15,542	1,732,266
FY 2029-30	1,759,254	15,841	1,775,095
FY 2030-31	1,802,958	16,150	1,819,108

Current Normal Cost

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 2022-23 is 13.02% of payroll, which is up from the Fiscal Year 2021-22 which was 12.99%. The NCR for PEPRA employees is 7.76% of payroll in Fiscal Year 2022-23 and was 7.73% in Fiscal Year 2021-22.

District's 115 Pension Trust

As part of the District's commitment to fiscal sustainability, a Section 115 Pension Trust has been established. The trust holds assets pledged to pay for future pension related expenses. The Trust as of March 31st held \$8.7 million.

District's Other Post-Employment Benefits (OPEB)

The District provides a retiree healthcare benefit to employees who 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 (See Fund Structure Section) 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. Based upon planned contributions to the OPEB Trust Fund, the District expects to fully fund the OPEB liability over the next 3 years. As of March 31, 2022, the OPEB Trust Fund held \$1,222,681.

M E M O

TO: Board of Directors
FROM: Personnel Committee
DATE: May 23, 2022
SUBJECT: Employee Satisfaction Survey Results

Purpose

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

Summary

The District's annual employee satisfaction survey was sent out to all employees on April 6, 2022. Twenty-nine employees completed this year's survey, compared to twenty-eight employees in 2021 and 40 employees in 2020, which was the first year of the survey.

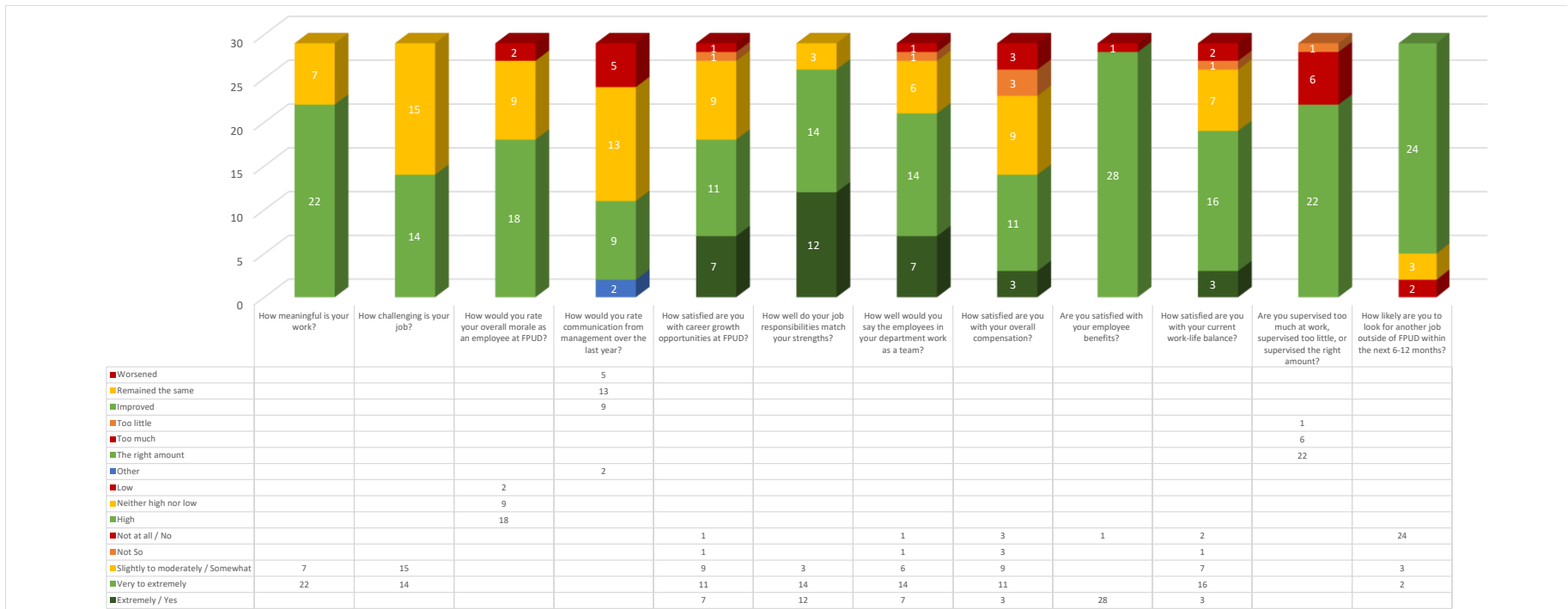
A summary of the results were shared, via email, with all employees on May 12, 2022.

Budgetary Impact

None

Recommended Action

None



Comments Summary

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

Management should be more receptive to new ideas/equipment and listen more to their staff

Management should have more management training

Great relationship with co-workers and good culture

Appreciate pay and benefits and

Good place to work, love the job and responsibilities

A few employees bring down morale

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

Back to in-person quarterly meetings

More communication/keep employees better informed

There is a disconnect between management and their staff

More department meetings

Communicate upcoming projects/goals

More support from management

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

Compensation

Appreciation

Better workload

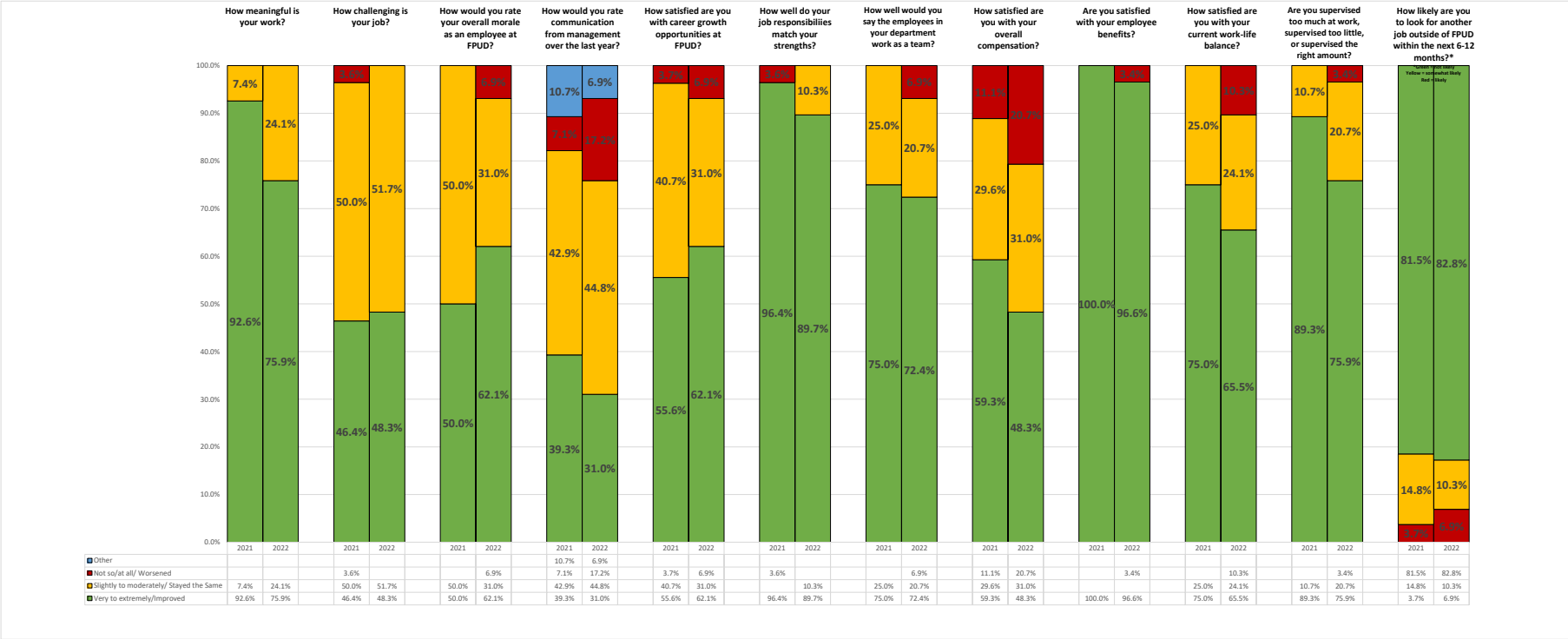
Please feel free to elaborate on any of your answers above and/or share any other comments you have:

Recruit/maintain quality employees

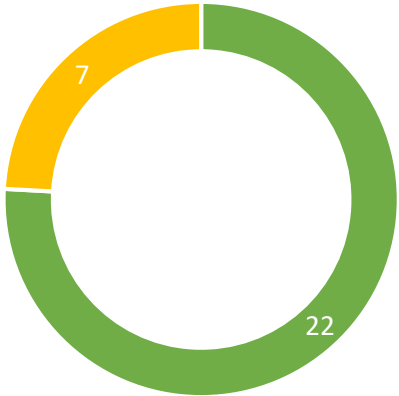
Too much micromanagement

Bring up pay/benefits to be more competitive

Needs to be better organized

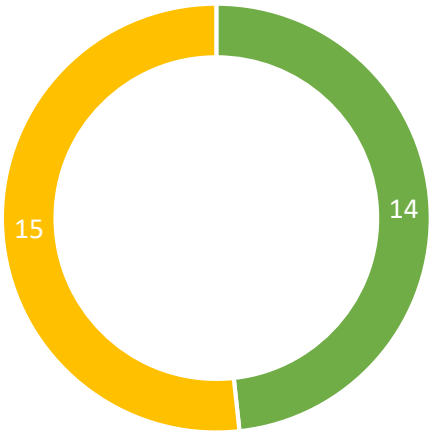


How meaningful is your work?



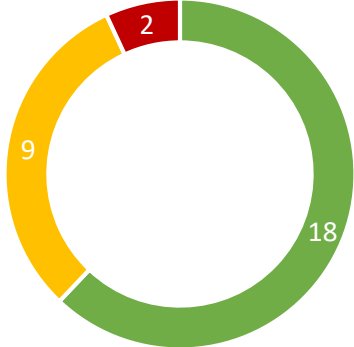
■ Very to extremely ■ Slightly to moderately ■ Not at all meaningful

How challenging is your job?



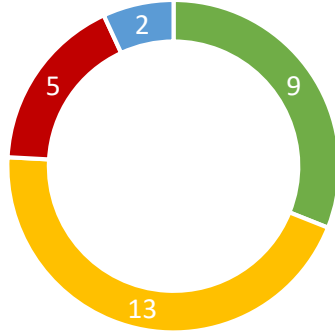
■ Very to extremely ■ Slight to moderately ■ Not at all challenging

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



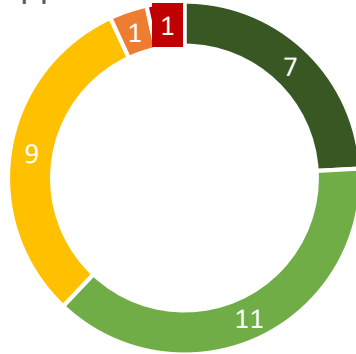
■ High - I love working at FPUD ■ Neither high nor low ■ Low - I hate working at FPUD

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



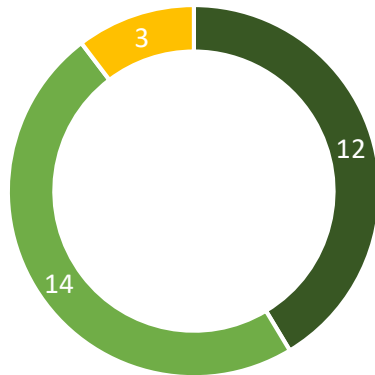
- Communication has improved
- Communication has remained the same
- Communication has worsened
- Other

How satisfied are you with career growth opportunities at FPUD?



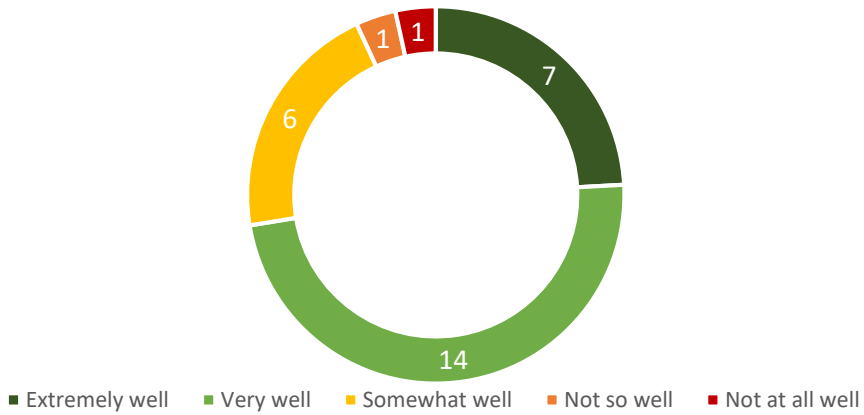
- Extremely satisfied
- Very satisfied
- Somewhat satisfied
- Not so satisfied
- Not at all satisfied

How well do your job responsibilities match your strengths?

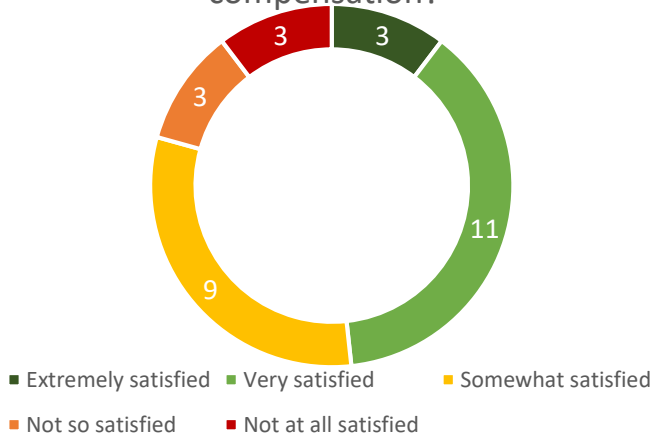


- Extremely well
- Very well
- Somewhat well
- Not so well
- Not at all well

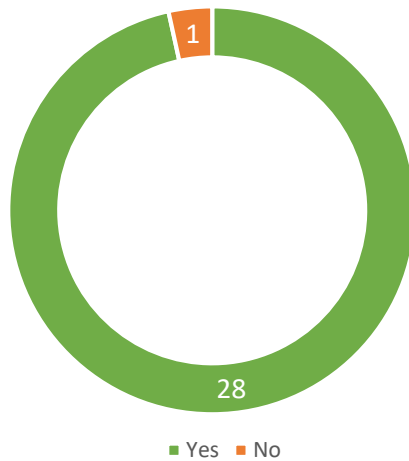
How well would you say the employees in your department work as a team?



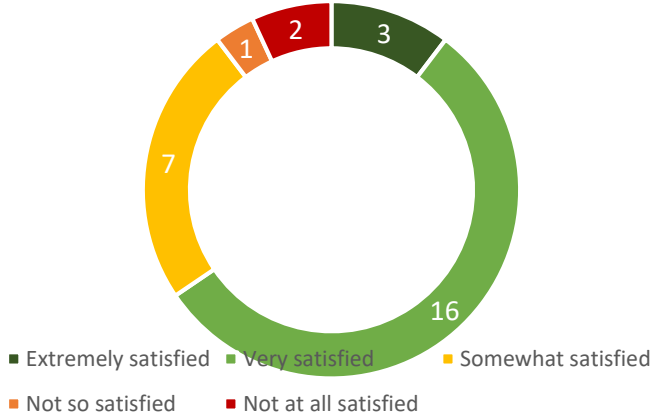
How satisfied are you with your overall compensation?



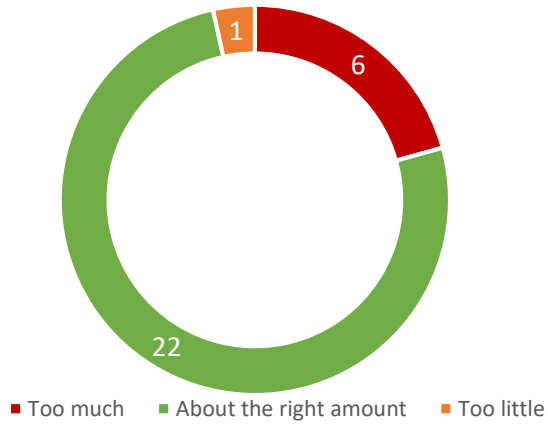
Are you satisfied with your employee benefits?



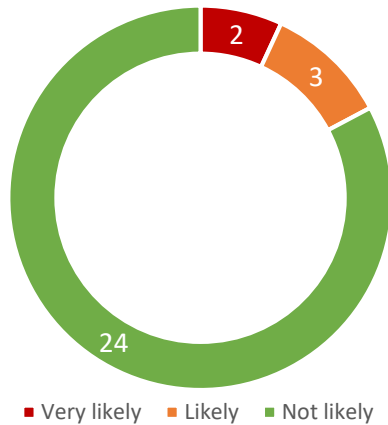
How satisfied are you with your current work-life balance?



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



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



M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: May 23, 2022
SUBJECT: Consider Reappointing the General Manager to serve as the District's Representative to the San Diego County Water Authority Board of Directors, and Adopting Resolution No. 5028

Purpose

To reappoint the District's representative on the San Diego County Water Authority's (SDCWA) Board of Directors.

Summary

Pursuant to the attached letter dated May 3, 2022, from the SDCWA Clerk of the Board, the term of office for Jack Bebee as the District's representative on the SDCWA Board of Directors will expire on July 14, 2022.

Under the terms of the County Water Authority Act, members of the Board of Directors hold office for a term of six years, and until their successors are appointed and qualified. The term of the District representative's appointment to the SDCWA Board of Directors would end on July 14, 2028.

Recommended Action

That the Board adopts Resolution No. 5028 reappointing General Manager Jack Bebee to serve as the District's representative on the SDCWA Board of Directors.

May 3, 2022

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER
REPRESENTATIVE

County of San Diego

Lauren Eckert, Board Secretary
Fallbrook Public Utility District
990 E. Mission Road
Fallbrook, CA 92028

Re: SDCWA Term of Office for Jack Bebee

Dear Lauren,

The San Diego County Water Authority records indicate the term of office for Jack Bebee, as your representative on the Water Authority's Board, will expire on July 14, 2022. Under the terms of the County Water Authority Act, members of the Board of Directors hold office for a term of six years or until their successors are appointed and qualified. The new term of your representative's appointment to the Water Authority Board would end on July 14, 2028.

Please make the necessary arrangements for this appointment and notify us of your appointment.

Thank you for your assistance with this matter and contact me at (858) 522-6614 if you have any questions.

Sincerely,



Melinda Nelson
Clerk of the Board

C: Jack Bebee
Sandy Kerl, General Manager, SDCWA
Mark Hattam, General Counsel, SDCWA
SDCWA Board Officers

RESOLUTION NO. 5028

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT APPOINTING THE DISTRICT REPRESENTATIVE
TO SERVE ON THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY
WATER AUTHORITY**

* * * * *

WHEREAS, the Fallbrook Public Utility District (District) is a member agency of the San Diego County Water Authority (SDCWA) and is entitled to one representative to serve as a member of the Board of Directors on the SDCWA; and

WHEREAS, the Board of Directors adopted Resolution No. 4921 on December 11, 2017, appointing Jack Bebee as the District's representative on the Board of Directors of the SDCWA beginning on January 12, 2018, and to complete the term of office of former General Manager Brian J. Brady, that began on July 15, 2016, and ending on July 14, 2022; and

WHEREAS, the term of office of Jack Bebee as the District's representative to the SDCWA Board of Directors will end of July 14, 2022, and the SDCWA has requested the District make a new representative appointment to the SDCWA Board of Directors with a term ending July 14, 2028.

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

SECTION 1: The President of the Board, with the approval and concurrence of the Board of Directors, does hereby appoint Jack Bebee as a member of the Board of Directors of the San Diego County Water Authority as a representative of this District on said Board beginning July 15, 2022, and ending July 14, 2028.

SECTION 2: The Board Secretary is hereby authorized and directed to provide a certified copy of this resolution to the San Diego County Water Authority.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 23rd day of May, 2022, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: Engineering & Operations Committee
DATE: May 23, 2022
SUBJECT: SMRCUP Change Order

Description

Final contractor change order and construction manager services amendment for the construction of the Santa Margarita River Conjunctive Use Project (SMRCUP) Facilities.

Purpose

The contract for the construction of the SMRCUP facilities was awarded to Filanc Alberici Joint Venture in July 2019 with a contract completion date of October 2021. After construction began, a Granular Activated Carbon (GAC) treatment system additional treatment on the RO bypass flows was added to the scope of work. Change orders for the installation of the GAC system yard piping was approved in December of 2020 and for the installation of the GAC feed pumps, vessels, and electrical was approved in February of 2021. The February 2021 change order also included additional costs for the installation of the 24-inch pipeline. The original scope of work was substantially completed in November 2021, and the treatment plant began delivering treated water in December, while work on the GAC treatment system continued. The GAC related work was substantially completed in March 2022. Because the GAC installation went beyond the original contract schedule, additional overhead funds as well as all additional construction costs to deliver the final treatment plant are incorporated into a final change order. A summary of contractor construction costs is shown in the following table:

Item	Value	Approval Date
Original Contract	\$54,398,232	July 2019
GAC Yard Pipe	\$559,145	Dec 2020
GAC Treatment System Install	\$3,064,873	Feb 2021
Pipeline Alignment Changes CO	\$325,000	Feb 2021
Final CO	\$758,582	Pending
Total Construction Contract	\$59,105,832	

A construction management (CM) professional services agreement was awarded to Terrapin Group, led by Franz Schauer, in August of 2018 to provide construction oversight. The approved value of the agreement was \$1,853,740, which covered CM time through November. An amendment to the service agreement valued at \$95,015 is needed to cover CM time since November.

Budgetary Impact

Costs for the construction of the SMRCUP facilities are funded by the Department of Water Resources State Revolving Fund loan approved in June of 2019 and amended to include the GAC facility costs in November of 2021. The loan agreement included \$3,440,000 contingency for potential change order costs. The final change order costs total \$1,083,582, so the full contingency will not be necessary.

Additionally, based on Board direction in April 2021 and January 2022, \$1,534,663 of funds received from SDCWA WSR Settlement have been applied to SMRCUP project costs. Total project costs and final SRF Loan balance, per the SRF loan agreement is shown in the table below:

SMRCUP SRF Loan Project Cost Table			
Type of Work	Approved Budget	Actual Cost	SRF Loan Balance*
A. Construction			
Filanc-Alberici as Joint Venture	\$ 54,398,232	\$ 54,398,232	\$ 54,398,232
GAC Equipment	\$ 1,260,493	\$ 1,290,487	\$ -
GAC Yard Pipe	\$ 559,145	\$ 559,145	\$ 559,145
GAC Installation	\$ 3,200,000	\$ 3,064,873	\$ 3,064,873
Subtotal - A	\$ 59,417,870	\$ 59,312,737	\$ 58,022,250
B. Pre-urchased Material/Equipment	\$ -		
C. Land Purchase	\$ -		
D. Change Order Contingency	\$ 3,440,000	\$ 1,083,582	\$ 943,565
E. Allowances			
Construction Management	\$ 4,161,308	\$ 3,877,021	\$ 3,877,021
Administration	\$ 70,000	\$ 141,574	\$ 37,415
Other Cost: SCADA Integration	\$ 400,000	\$ 376,618	\$ 376,618
Other Cost: GAC Design	\$ 811,333	\$ 811,333	\$ 811,333
Subtotal - E	\$ 5,442,641	\$ 5,206,547	\$ 5,102,388
TOTAL (Subtotal A+B+C+D+E)	\$ 68,300,511	\$ 65,602,866	\$ 64,068,203
*\$1,534,663.30 of funds from MWD/SDCWA WSR charge settlement used towards project expenses to reduce loan value.			

Recommended Action

That the Board approve of the change order for Filanc-Alberici to complete all additional work at a cost of \$758,582, and to approve the professional services agreement amendment for Terrapin Group to complete all Construction Management services.

M E M O

TO: Board of Directors
FROM: Engineering & Operations Committee
DATE: May 23, 2022
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.

Purpose

Due to numerous leaks in damaged pipeline disrupting essential service to customers on sections of Ivy St, Minnesota Ave, Alvarado St, Via Arroyo and Alta Vista, an agreement was made with SRK Engineering, the pipeline contractor already under contract for the Gum Tree Pipeline Replacement, to additionally replace these sections of pipeline. Catastrophic pipe failure at these locations has required temporary measures to maintain service, including abandonment of looped sections of pipe and high lined services. These temporary remedies need to be permanently replaced to maintain reliable water service. The typical design, bid, build process would take 10 to 15 months. By working with SRK Engineering, who is already mobilized for pipeline replacements in the District, this work can be completed in 2 to 4 months, minimizing the time the District is dependent on less reliable temporary remedies. The District has agreed to provide materials for the emergency replacements while the contractor charges for labor under the District's standard time and materials agreement. The total length of pipe to be replaced will be as much as 2,000 linear feet, with pipe sizes ranging from 6-inch to 12-inch diameter.

As of May 6, the Ivy St replacement is complete and the Alvarado St replacement is approximately 50% complete.

Budgetary Impact

The estimated installation cost of these repairs will be \$440,000. The costs will be covered by the capital budget pipeline replacement funds. Because of procurement delays on planned pipeline replacement projects, unused capital funds are available to

prioritize these emergency replacements within the approved budget. Year-end projections below include estimated emergency replacement costs.

	FY 2021/22 Budget	Projected Year End
Total PAYGO	\$7,388,000	\$5,615,000
Pipeline Replacement	\$3,488,000	\$2,900,000

Recommended Action

That the Board determine there is a need to continue the emergency action to replace failed pipelines and restore essential service to customers.

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager
DATE: May 23, 2022
SUBJECT: Consider Declaring a “Water Shortage Response Level 2 – Water Shortage Watch”

Description

After another year of below average winter precipitation, continued drought conditions throughout the western United States are continuing to stress regional water supplies, including the State Water Project and the Colorado River, two integral sources of water for the Southern California region. While regional investments in storage and supply diversification have secured water supplies in the short term, continued drought conditions may lead to mandatory restrictions if voluntary actions do not result in lower water demands.

On March 28th, 2022 the Governor of California signed *Executive Order N-7-22* declaring a regional state of emergency caused by current drought conditions that calls on Californians to voluntarily reduce water use by 20 percent to protect the State’s available water resources. The order urges “all Californians to strive to limit summertime water use and to use water more efficiently indoors and out”. The order also directs Department of Water Resources (DWR) staff to provide guidance and a platform for water purveyors to submit a preliminary “Annual Supply and Demand Assessment” by June 1st 2022. The final “Annual Supply and Demand Assessment” will be due to DWR July 1st, 2022, and every July 1st thereafter. In addition, the State Board is finalizing emergency regulations defining “non-functional turf”, and prioritizing the planning and development of water supply projects that will increase the State’s drought resiliency.

The District’s *Water Shortage Response Program (Administrative Code, Article 17)* identifies practical conservation measures that are in place at all times (*Normal Conditions*), and contains six levels to aid the District’s response to water shortage conditions. Prohibitions of end use are identified as well as other stipulations of shortage responses (sections 17.8.0-17.2 are attached to this memo).

A “Water Shortage Response Level 1 – Water Shortage Notice” (in place at this time) increases public education and outreach regarding conservation programs, practical conservation measures and provides the Board discretion to consider and implement drought rates. Together these measures are designed to promote a consumer demand reduction of up to ten percent (10%). A year to date demand reduction of 9% has been achieved by FPU ratepayers from July 2021 to March 2022 (relative to July 2020 to March 2021).

A “Water Shortage Response Level 2 – Water Shortage Watch” further increases public education and outreach regarding conservation programs. In addition, the District will suspend all annexations to the District service area, except under some circumstances. Together these measures are designed to promote a consumer demand reduction of up to twenty percent (20%).

District conservation programs include rebates for water saving irrigation devices and appliances through www.socalwatersmart.com, education resources available at saveourwater.com, and the District’s automated metering system, which enables ratepayers to track and review their water use through a web based customer portal. Common sense conservation measures include eliminating irrigation runoff onto hardscape or roadways and the timely repair of water leaks. When runoff or other violations of District code are observed or reported, District staff communicates directly with FPUD account holders to ensure that issues are addressed in a timely manner. If implemented, drought rates escalate normal rates based on factors established in the 2017 Rate Study.

Recommended Action

That the Board declare of a “Water Shortage Response Level 2 – Water Shortage Watch”. Upon declaration, public announcement would be made on all FPUD water bills, physical posting in the District lobby, on the District website and social media outlets, and by publication in the Village News. Given the voluntary nature of the state’s order to reduce water use by 20 percent, and the District’s expanding educational approach to promoting water conservation, it is not recommended that drought rates would be implemented.

If additional directives from the State Board regarding non-functional turf or other prohibitions of end use come to pass, District staff shall prepare an update for the Board at the subsequent Board meeting with details on compliance. Additional necessary Board action can be taken at that time.

Sec. 17.8.0 NORMAL CONDITIONS.

During a Normal Condition, customers are required to use water wisely and to practice water conservation measures so that water is not wasted. All water withdrawn from District facilities shall be put to reasonable beneficial use. District water users shall comply with the following water use prohibitions and conservation measures at all times:

1. Do not wash down paved surfaces, including but not limited to sidewalks, driveways, parking lots, tennis courts, or patios, except when it is necessary to alleviate safety or sanitation hazards.
2. Eliminate water waste resulting from inefficient landscape irrigation, such as runoff, low head drainage, or overspray, etc. Similarly, stop water flows onto non-targeted areas, such as adjacent property, non-irrigated areas, hardscapes, roadways, or structures.
3. Irrigate residential and commercial landscape before 10 a.m. and after 6 p.m. only, unless using drip irrigation.
4. Use a hand-held hose equipped with a positive shut-off nozzle or bucket to water landscaped areas, including trees and shrubs located on residential and commercial properties that are not irrigated by a landscape irrigation system.
5. Irrigate nursery and commercial grower's products before 10 a.m. and after 6 p.m. only. Watering is permitted at any time with a hand-held hose equipped with a positive shut-off nozzle, a bucket, or when a drip/micro-irrigation system/ equipment is used. Irrigation of nursery propagation beds is permitted at any time. Watering of livestock is permitted at any time.
6. Use re-circulated water to operate ornamental fountains.
7. Wash vehicles using a bucket and a hand-held hose with positive shut-off nozzle, mobile high pressure/low volume wash system, or at a commercial site that re-circulates (reclaims) water on-site. Avoid washing during hot conditions when additional water is required due to evaporation.
8. The irrigation with potable water of ornamental turf on public street medians is prohibited.
9. The application of potable water to outdoor landscapes during or within 48 hours of measurable rainfall is prohibited
10. The irrigation with potable water of landscapes outside of newly constructed homes and buildings in a manner inconsistent with

regulations or other requirements established by the County of San Diego's Landscape Ordinance.

11. Serve and refill water in restaurants and other food service establishments only upon request.
12. Offer guests in hotels, motels, and other commercial lodging establishments the option of not laundering towels and linens daily.
13. Repair all water leaks within five (5) days of notification by the Fallbrook Public Utility District unless other arrangements are made with the General Manager.
14. Use recycled or non-potable water for construction purposes when available.

During a Water Shortage Response Levels 1-6 condition, the water conservation measures and water use restrictions established by this Article 17 are mandatory and violations are subject to criminal, civil, and administrative penalties and remedies as specified in this Article."

Sec. 17.8.1 WATER SHORTAGE RESPONSE LEVEL 1 – WATER SHORTAGE NOTICE CONDITION.

During a Level 1 Water Shortage Notice condition, the District will increase its public education and outreach efforts to emphasize increased public awareness of the need to implement water conservation practices to ensure that no water is wasted, and increase enforcement of prohibitions of end use to promote a consumer demand reduction of up to ten percent (10%).

All persons using District water shall comply with Normal Conditions water conservation practices during a Level 1 Water Shortage Watch, as identified in Sec. 17.8.0.

Sec. 17.8.2 WATER SHORTAGE RESPONSE LEVEL 2 – WATER SHORTAGE WATCH CONDITION.

During a Level 2 Water Shortage Watch condition, the District will increase its public education and outreach efforts to emphasize increased public awareness of the need to implement water conservation practices to ensure that no water is wasted, and promote a consumer demand reduction of up to twenty percent (20%).

All persons using District water shall comply with Normal Conditions and Level 1 Water Shortage Notice water conservation practices during a Level 2 Water Shortage Watch, as identified in Sec. 17.8.0 and 17.8.1. Additionally, upon declaration of a Level 2 Water Shortage Watch condition, the District will suspend consideration of annexations to its service area except under the following circumstances:

1. The applicant provides substantial evidence of an enforceable commitment that water demands for the project will be offset prior to the provision of a new water meter(s) to the satisfaction of Fallbrook Public Utility District.

M E M O

TO: Board of Directors
FROM: Personnel Committee
DATE: May 23, 2022
SUBJECT: Consider Approval of Memoranda of Understanding (MOUs) with FPUDEA and FMEA (effective July 1, 2022-June 30, 2027) by adoption of Resolution No. 5029

Purpose

The Personnel Committee met with staff to review the proposed 2022-2027 MOUs, both of which include the terms as mutually agreed upon during the meet and confer process and other changes to existing language to help clarifying and/or ensure consistency with current practices.

Summary

Over the last several months the Board has engaged in negotiations with its two labor groups, Fallbrook Public Utility District Employees' Association (FPUDEA) and the Fallbrook Public Utility District Management Employees' Association (FMEA), pursuant to the provisions of the Meyers-Miliias-Brown Act, Government Code section 3500 et seq. Both FPUDEA and FMEA ratified the respective draft MOUs in April 2022. The draft MOUs are presented to the Board for approval.

The following is a summary of the material modifications to the two MOUs:

MOU with FPUDEA:

- **MOU Term** – Five years commencing on July 1, 2022 and ending on June 30, 2027
- **Position Adjustments** - Based on the total compensation survey data, all non-management employees employed in the pay period that includes July 1, 2022 shall be placed at the salary step of the salary range/grade and market median range of the new salary table that is closest to their salary in effect at the time. The Executive Assistant/Board Secretary, Lead Plant Operator, Purchasing/Warehouse/Fleet Supervisor, Maintenance Technician II and Utility Technician positions that are more than 15% below their respective market median shall also receive a one-step or 2.5% increase. Non-management employees who receive an additional 2.5% "Optional Certification Pay," which will be eliminated, shall have the additional 2.5% included in their salary that will be used to determine their appropriate step placement within the new pay range of the updated salary table.

- **Cost-of-Living Adjustments (COLA)** - effective on the beginning of the pay period which includes July 1 and as follows:
 - July 1, 2022 = 5.0%
 - Starting July 1, 2023, through the end of the contract term, annual COLAs shall be tied to the published Bureau of Labor Statistics, San Diego Region Consumer Price Index (CPI) for the 12-month period ending with March. The COLA will be no less than 1% and no more than 5%. This means that no COLA over the course of this contract shall be below 1% or above 5%, regardless of CPI data. For example, if the 2023 CPI data shows a .5% annual inflation rate, the COLA for July 2023 shall be 1%. However, if the 2023 CPI data shows a 6.3% annual inflation, the COLA for July 2023 shall be capped at 5%.

- **Health Reimbursement Account (HRA)** – New employees hired after July 1, 2022 will not be eligible to participate in the HRA.

- **Deferred Compensation Matching** – Effective July 1, 2022, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 1% of the employee's base salary. Effective July 1, 2023, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 1.5% of the employee's base salary. Effective July 1, 2024, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 2% of the employee's base salary. Effective July 1, 2025, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 2.5% of the employee's base salary.

- **Performance Evaluation Form & Process** – The “longevity bonus” has been removed and the District's performance evaluation form has been updated to include the following four rating dimensions: “Does Not Meet Expectations,” “Meets Expectations,” “Above Expectations,” and “Exceeds Expectations.” Merit increases tied to a non-management employee's annual performance evaluation overall rating shall be as follows:
 - Meets Expectations = 2.5%, one-step, increase
 - Above Expectations – 2.5%, one-step, increase, plus a one-time stipend annually of \$1,500
 - Exceeds Expectations – 5% two-step increase

- **Performance Bonus** - If a non-management employee is at their maximum salary step (J), they shall be eligible for a one-time payment (annually) for an overall performance evaluation rating of above or exceeds expectations, as follows:
 - \$2,500 bonus for above expectations
 - \$3,500 bonus for exceeds expectations
- **Bilingual Pay** – A bilingual (English/Spanish) employee shall receive \$75.00 per pay period if they utilize both languages to communicate with the public.
- **Certification Pay** – Replaced 2.5% increase in salary with a one-time payment upon receipt of certification.
- **Continuing Education Bonus** - When an employee receives an optional certification, based on the list, or receives a college degree for those positions that do not require one, a one-time stipend bonus of \$1,000 shall be paid to the employee, with GM approval.

The FPUDEA MOU for July 1, 2022-June 30, 2027 is attached as Exhibit “A” to Resolution No. 5029.

MOU with FMEA:

The MOU with FMEA will include the same material modifications, except as follows:

- **Deferred Compensation** - Effective July 1, 2022, the District’s matching contribution to a 401(a) plan for management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 2.9% of the employee’s base salary. Effective July 1, 2023, the District’s matching contribution to a 401(a) plan for management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 3.4% of the employee’s base salary for the remainder of the contract.
- **Performance Bonus** - If a management employee is at their maximum salary step (J), they shall be eligible for a one-time payment (annually) for an overall performance evaluation rating of above or exceeds expectations, as follows:
 - \$3,500 bonus for above expectations
 - \$4,500 bonus for exceeds expectations

The FMEA MOU for July 1, 2022-June 30, 2027 is attached as Exhibit “B” to Resolution No. 5029.

Budgetary Impact

The table below shows the budget for labor and benefits under the proposed MOUs included in the draft 2022-2023 operating budget. The overall increases in labor and benefits is 5.5% in fiscal year 2022-2023. The impact on subsequent years will depend on the cost of living adjustment as determined by the annual Consumer Price Index (CPI).

Overview of Labor and Benefits-Operating Budget

Description	FY 2020-21	FY 2021-22		FY 2022-23	Budget to Budget Change (%)
	Actual	Budget	Projected	Budget	
Total Labor*	\$ 5,204,642	\$ 5,716,546	\$ 5,681,295	\$ 6,064,174	6.1%
Total Benefits	3,674,696	3,874,164	3,874,164	4,057,087	4.7%
Total Expenses	\$ 8,879,338	\$ 9,590,710	\$ 9,555,459	\$ 10,121,261	5.5%

* Total Labor does not include District's Benefits

Recommended Action

That the Board adopt Resolution No. 5029 approving the Memoranda of Understanding (MOUs) with FPUDEA and FMEA for July 1, 2022-June 30, 2027.

RESOLUTION NO. 5029

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT APPROVING MEMORANDA OF UNDERSTANDING (MOUs) WITH FPUDEA AND FMEA FOR JULY 1, 2022–JUNE 30, 2027

* * * * *

WHEREAS, over the last several months the Board of Directors of the Fallbrook Public Utility District (District) has engaged in negotiations with its two labor groups, Fallbrook Public Utility District Employees' Association (FPUDEA) and the Fallbrook Public Utility District Management Employees' Association (FMEA), pursuant to the provisions of the Meyers-Milias-Brown Act, Government Code section 3500 et seq.; and

WHEREAS, the District and both FPUDEA and FMEA successfully completed negotiations of new Memoranda of Understanding (MOUs), which include modifications to wages and benefits for a period of 5 years, beginning July 1, 2022; and

WHEREAS, both FPUDEA and FMEA ratified the respective draft final MOUs in April 2022; and

WHEREAS, the draft MOUs are presented to the District Board of Directors for approval and/or adoption.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT THAT:

1. All the recitals set forth above are true.
2. The Memorandum of Understanding with the Fallbrook Public Utility District Employees' Association (FPUDEA) for July 1, 2022–June 30, 2027, attached to this Resolution as Exhibit "A," which exhibit is made part of this Resolution, is hereby approved.
3. The Memorandum of Understanding with the Fallbrook Public Utility District Management Employees' Association (FMEA) for July 1, 2022–June 30, 2027, attached to this Resolution as Exhibit "B," which exhibit is made part of this Resolution, is hereby approved.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 23rd day of May, 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

EXHIBIT A

MEMORANDUM OF UNDERSTANDING

between the

FALLBROOK PUBLIC UTILITY DISTRICT

and the

**FALLBROOK PUBLIC UTILITY DISTRICT
EMPLOYEES' ASSOCIATION**

July 1, 2022 through June 30, 2027

MOU BETWEEN FPUD AND FPUDEA

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MOU BETWEEN FPUD AND FPUDEA

ARTICLE 1. GENERAL

SECTION 1 – PURPOSE

This agreement recognizes the Fallbrook Public Utility District Employees' Association (FPUDEA) bargaining unit representatives as the majority representative of all regular, non-management, employees of the Fallbrook Public Utility District (FPUD) and represents the unit for matters within the scope of meet and confer. The bargaining unit representatives accept the duty of fair representation in meet and confer and under this agreement.

SECTION 2 – SCOPE

Meet and confer is limited to wages, hours, and other terms and conditions of employment, and shall not include any items not covered by this agreement or adopted by reference in this agreement or any subject preempted by federal or state law. Amendments to this agreement that are within the scope of meet and confer shall require prior meet and confer between the bargaining unit representatives and the District.

SECTION 3 – GENERAL PROVISIONS

A. ASSOCIATION RECOGNITION

1. FPUD formally recognizes FPUDEA as the representative for all employees in non-exempt classifications.
2. The Association may designate a maximum of 7 total representatives. The District will recognize as representatives only those persons designated on the most recent list furnished by the Association.
3. The District shall grant a representative reasonable release time when, at the request of an employee, the representative is investigating an alleged grievance and assisting in its written preparation and presentation.

B. CONSTRUCTION

In interpreting the language of this MOU, first the plain meaning of the language shall prevail. If the parties cannot agree on the plain meaning of the language, then the intent of the parties shall be considered; then the trade or industry usage of the language shall be considered.

C. DISTRICT RIGHTS

The rights of the District include, but are not limited to, the exclusive right to determine the mission of its departments, commissions, committees, and boards; set standards of service;

MOU BETWEEN FPUD AND FPUDEA

determine the procedures and standards of selection for employment and promotion; direct its employees; take disciplinary action; relieve its employees from duty because of lack of work or for other legitimate reasons; maintain the efficiency of operations; determine the methods, means and personnel by which operations are to be conducted; set work schedules; determine the content of job classifications; take all necessary actions to carry out its mission in emergencies; and exercise complete control and discretion over its organization and the technology of performing its work.

D. NEW EMPLOYEE NOTIFICATION

Pursuant to AB 119, the District will provide the Association with the name, job title, department, work location, personal email addresses, home address and work, home, and personal cell numbers of new employees within 30 days of hire or the first pay period of the month after hire.

The District will also provide the Association with this information for all employees it represents at least every 120 days; however, employees do have the ability to opt out, in writing, of the disclosure of their home address, home telephone number, personal cell number and personal email address on file.

Additionally, the District will provide the Association with 10 days' advance notice of any scheduled new-employee orientation.

ARTICLE 2. DURATION OF AGREEMENT

This MOU is entered into by Fallbrook Public Utility District (FPUD) and the Fallbrook Public Utility District Employees' Association (FPUDEA), as a mutual recommendation to the Board of Directors of FPUD of those wages, hours, and conditions of employment which are to be in effect at 12:00 a.m. on July 1, 2022 and will terminate at 11:59 p.m. on June 30, 2027.

At the expiration of this MOU, in whole or in part and in the absence of a new MOU, FPUDEA and the District agree to continue operating under the provisions of this MOU until such time as a new MOU is reached.

ARTICLE 3. WAGES

SECTION 1 – WAGE INCREASES

Cost of living adjustments (COLA) during the five-year term shall be as follows:

- A. 5% effective the first pay period which includes July 1, 2022
- B. Starting July 1, 2023, through the end of the contract term, annual COLAs shall be tied to the

MOU BETWEEN FPUD AND FPUDEA

published Bureau of Labor Statistics, San Diego Region Consumer Price Index (CPI) for the 12-month period ending with March. The COLA will be no less than 1% and no more than 5%. This means that no COLA over the course of this contract shall be below 1% or above 5%, regardless of CPI data. For example, if the 2023 CPI data shows a .5% annual inflation rate, the COLA for July 2023 shall be 1%. However, if the 2023 CPI data shows a 6.3% annual inflation, the COLA for July 2023 shall be capped at 5%.

SECTION 2 – ADJUSTMENTS

Based on the total compensation survey data, all non-management employees employed in the pay period that includes July 1, 2022 shall be placed at the salary step of the salary range/grade and market median range of the new salary table that is closest to their salary in effect at the time.

The Executive Assistant/Board Secretary, Lead Plant Operator, Purchasing/Warehouse/Fleet Supervisor, and Utility Technician positions that are more than 15% below their respective market median shall also receive a one-step or 2.5% increase. The Maintenance Technician II position, which is 35.3% below the market median, shall receive a minimum two-step, or 5% salary increase to get to step A of new range.

Non-management employees who receive an additional 2.5% “Optional Certification Pay,” which will be eliminated, shall have the additional 2.5% included in their salary that will be used to determine their appropriate step placement within the new pay range of the updated salary table.

SECTION 3 – SALARY SCHEDULE

- A. The District’s salary schedule includes 10 steps (A-J) within each range.
- B. Employees are eligible for their first salary step increase upon completion of 1 year of employment and an overall rating of at least a “meets expectations” on their first annual performance evaluation. Employees are eligible to receive subsequent step increases with each of their annual performance evaluations until they reach the top step of their position’s range.
 1. An employee who receives an overall rating of “does not meet” on their annual performance evaluation is not eligible for a salary-step increase.
 2. Merit increases tied to a non-management employee’s annual performance evaluation overall rating shall be as follows:
 - Meets Expectations – 2.5%, one-step, increase
 - Above Expectations – 2.5%, one-step, increase, plus a one-time performance bonus annually of \$1,500

MOU BETWEEN FPUD AND FPUDEA

- Exceeds Expectations – 5%, two-step, increase
3. The General Manager must authorize an employee’s two-step salary increase for an overall annual performance evaluation rating of “exceeds expectations” before the performance evaluation is finalized and given to the employee.
 4. If a non-management employee is at their maximum salary step (J), they shall be eligible for a one-time payment (annually) for an overall performance evaluation rating of above or exceeds expectations, as follows:
 - \$2,500 performance bonus for above expectations
 - \$3,500 performance bonus for exceeds expectations
 5. A performance bonus is considered reportable compensation to CalPERS for Classic employees only; PEPRAs employees may still receive the performance bonus, but it will not be reported to CalPERS.

ARTICLE 4. SERVICE

SECTION 1 – FILLING OF VACANT POSITIONS

Whenever a vacancy in a new or existing position occurs, preference in filling it shall be given to existing qualified District employees whenever possible.

- A. An employee promoted to a position with a higher pay range, but not within a position series (i.e., designated by “I/II/III”, such as utility worker I/II)) shall be placed at the salary step within the higher pay range that results in the employee receiving no less than a 5% increase in the employee’s base hourly rate.
 1. For example, an employee promoted from a position at pay range 30, step B, to a position at pay range 31, shall be placed at step C of pay range 31, which is a 5% increase.
- B. An employee is eligible for promotion within a position series (e.g. utility worker I to utility worker II) upon achieving the necessary certification/education/experience requirements as stated in the position’s job description.
 1. These types of promotions occur with an employee’s annual performance evaluation and their placement in the higher pay range shall be granted as described in Article 3. Section 4-B.

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SECTION 2 – PROBATIONARY PERIOD

- A. All new-hires shall serve an initial probationary period of 6 months; however, a supervisor may, with approval of the General Manager, require an extension of an employee's initial or promotional probationary period not to exceed 12 months total.
- B. During the initial probationary period, the employee may be rejected at any time, without the right to appeal. Upon successfully completing the initial probationary period, employees achieve regular employment status.
- C. Current District employees promoted to another position outside of their current position series (i.e., promotion to a different position altogether, not from a I to II level in the same position, such as a utility worker I to utility worker II) shall serve a promotional probationary period of not less than 6 months. A promoted employee rejected during their promotional probationary period shall be reinstated to the position from which he/she was promoted, unless he/she is terminated for cause from the District.

SECTION 3 – NEPOTISM

The hiring of a current District employee's relative is not permitted without the approval of the General Manager. A relative may only be hired if they do not work in the same department, they are not under the direct or indirect supervision of the other, and neither occupies a position which has influence over the other's employment, promotions, or salary administration. A relative is defined as a spouse, parent, child, sibling, grandparent, aunt/uncle, niece/nephew, cousin, mother/father-in-law, brother/sister-in-law, and domestic partners.

SECTION 4 – PERFORMANCE EVALUATIONS

- A. New employees will receive their first performance evaluation at 6 months; the second at the completion of 1 year; and each year thereafter on their employment anniversary date.
- B. If an employee is promoted to a job outside of their current position series (i.e., promotion to a different position altogether, not from a I to II level in the same position, such as a utility worker I to utility worker II), their performance evaluation date will become the date of their promotion.
- C. An employee may appeal an overall performance rating of "does not meet expectations" to the General Manager. This appeal is not part of the grievance process and the decision of the General Manager is final.
- D. If an employee's performance evaluation is more than 30 days overdue, the employee's step increase, if applicable, shall be granted, retroactive to the date following the end of the evaluation rating period, pending their supervisor's completion of the performance

MOU BETWEEN FPUD AND FPUDEA

evaluation; however, it is also the employee's responsibility to notify human resources if/when they do not receive their performance evaluation by the due date.

- E. If an employee is on a leave of absence in excess of four continuous weeks, their performance evaluation date will be extended for the same amount of time as the leave that was in excess of four weeks and that date will remain the annual performance evaluations date.

SECTION 5 – CERTIFICATIONS & PROFESSIONAL MEMBERSHIPS

A. REQUIRED CERTIFICATIONS

Certification requirements are shown at the end of each job description.

1. If an employee is initially hired at a "no certification" range as indicated in their job description, they will not be allowed to remain at the "no certification" range indefinitely.
 - a. Upon hire, an employee hired at a "no certification" range will be provided with an employment agreement that clearly outlines the specific certification requirements of their position.
 - b. The employee's supervisor shall provide the employee with the information and training to prepare for the necessary certification exam/s.
 - c. If the employee does not successfully achieve the minimum level of certification, beyond the "no certification" range, as required of their position, they will be subject to disciplinary action.
2. Once an employee receives a required certification of a higher range, as indicated in their job description, they will be moved to their same step within the higher range, resulting in a 2.5% increase.
 - a. For example, an employee who is at range 16, step A, of the utility worker I position currently possesses a D1 certification, as required for range 16. Once this employee receives a class A driver's license, as required, along with a D1 certification, for range 17, they will be moved to step A of range 17.
 - b. If an employee receives a required certification of a higher series position (e.g., utility worker II), they will be eligible to move to the higher position at their next scheduled annual performance evaluation.
3. If an employee fails to maintain the required certification/s for their position, they will be subject to disciplinary action.

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4. The District will reimburse employees for the cost of exams for certifications required of their position, as specifically stated in their job description.
5. The District will reimburse employees for the cost of exam for certifications that are not required of their but are determined by the General Manager to be relative to their job duties/responsibilities.
6. If an employee does not successfully pass a certification exam within the first 2 attempts, the employee will be responsible for covering the cost/s for any additional attempts at passing the exam.
7. Certification renewal fees will be paid by the District; however, employees are responsible for any late fees incurred.

B. OPTIONAL CERTIFICATIONS

The 2.5% “Optional Certification Pay” shall be eliminated. The District will work with the association to develop a list of all possible qualifying additional certifications based on certain job descriptions. The District’s non-management job descriptions shall be updated to reflect the removal of all “other” certifications from the positions’ respective pay range.

1. Membership fees for certification and/or professional associations, as approved by the General Manager, will be paid by the District.
2. Continuing education unit fees will be paid by the District and District time will be made available for the training of employees whose classifications require distribution and treatment certification. In-house training required by the State for continuing education units will be on District time and paid by the District for all certifications.
3. District approved training required by the State for continuing education units will be on District time and paid by the District for required certifications (e.g., D1 or D2), as stated specifically in their job descriptions or as determined by the General Manager to be related to their job duties/responsibilities.

C. CONTINUING EDUCATION BONUS

When an employee receives an additional certification, based on the list of all possible qualifying additional certifications for their respective job description, or receives a college degree for those positions that do not require one, a one-time stipend bonus of \$1,000 shall be paid to the employee, upon General Manager approval.

D. DRIVER’S LICENSE REQUIREMENT

MOU BETWEEN FPUD AND FPUDEA

The District shall reimburse employees for the difference in cost between a Class A or Class B driver's license and a Class C driver's license which the employee is required to obtain or renew during his/her term of employment.

The District will provide reasonable time to train for and obtain a Class A or Class B driver's license which is over and above what is necessary to obtain a Class C license.

Failure to pass a required Class A or Class B driver's license examination may result in reclassification, or if no other position is available, termination. The District shall also pay for the cost of mandatory physicals which are an employment requirement.

SECTION 6 – BILINGUAL PAY

A non-management employee shall receive \$75.00 per pay period if they are bilingual (English/Spanish) and utilize both languages to communicate with the public.

SECTION 7 – OUT-OF-CLASS (OOC) PAY

When a supervisor/manager is going to be away from the office and unavailable for more than one day, he or she may request approval from the General Manager to have a qualified employee serve in an out-of-class assignment in the supervisor's/manager's absence.

The employee approved for an OOC assignment shall receive an additional 15% out-of-class pay.

An employee serving in a partial out-of-class assignment is only eligible to receive the additional 15% out-of-class pay for time actually worked, not while on paid time off (e.g. vacation or sick leave) and/or for a District-observed paid holiday, unless they are called into work on a District-observed paid holiday.

Pursuant to Gov. Code 20630, an employee serving in a full out-of-class pay assignment shall receive the additional 15% out-of-class pay for all hours of compensation, including District-observed holidays, sick or vacation leave, industrial disability leave, and compensatory time off.

ARTICLE 5. HOURS OF WORK

SECTION 1 – 9/80 SCHEDULE

The District's 9/80 work schedule has two alternating teams, "blue" and "gold" Supervisors will assign the employee to the team. All team changes will be approved by the General Manager.

Under the 9/80 schedule, assigned staff shall work, in any two week pay period, 8 weekdays (Monday - Thursday) for 9 hours each day, and 1 day (Friday) for 8 hours and off on the alternate Friday.

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Some employees may not be eligible for the 9/80 work schedule due to District operational considerations, as determined by the supervisor and approved by the General Manager.

An alternate work schedule may be considered by the General Manager for employees who prefer not to work the 9/80 schedule.

SECTION 2 – HOURS OF WORK

- A. Employee time from 1 to 7 minutes shall be rounded down, and thus not counted as hours worked, but employee time from 8 to 14 minutes must be rounded up and counted as a quarter hour of work time.
- B. Customer service (i.e. front counter) will be staffed accordingly to accommodate the hours open to the public, Monday through Friday, 8:00 a.m. - 5:00 p.m.

SECTION 3 – OVERTIME

- A. No employee may work non-emergency overtime without advance approval from their supervisor.
- B. Employees shall be paid one and one half times (1.5) their hourly rate of pay for all hours worked beyond their regularly scheduled hours in one work day.
 - 1. For example, an employee on a standard 9/80 schedule will receive overtime for hours worked beyond their regularly scheduled 9 hours on Monday through Thursday.
- C. An employee **not on standby** that is required to report to work to assist in emergency repairs after their regularly scheduled work hours shall receive a minimum of 3 hours of pay at 1.5 their hourly rate.
- D. An employee who is **not on standby** and is contacted by telephone for assistance between 6:00 a.m. and 9:00 p.m. shall be eligible for a minimum of 15 minutes or the actual length of the telephone call of overtime pay for each response. If the employee called is required to physically respond, there will be no compensation for the telephone call and regular call-out overtime rules shall apply.
- E. An employee who is **not on standby** and is contacted by telephone for assistance between 9 p.m. and 6 a.m. shall be eligible for a minimum of 30 minutes or the actual length of the telephone call of overtime pay for each response. If the employee called is required to physically respond, there will be no compensation for the telephone call and regular call-out overtime rules shall apply.

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- F. Employee time from 1 to 7 minutes shall be rounded down, and thus not counted as hours worked, but employee time from 8 to 14 minutes must be rounded up and counted as a quarter hour of work time.
- G. Vacation time, compensatory time (comp. time) and sick leave shall be included as time worked for the purpose of calculating overtime pay.
- H. An employee's time on "rest leave" does not count as time worked for the purpose of calculating overtime pay.

SECTION 4 – DOUBLE TIME

- A. An employee, required to report to work to assist in emergency repairs on an actual holiday date, as listed in **Article 8.A HOLIDAYS**, shall receive a minimum of 2 hours of double time.
- B. An employee will be paid at a rate of double their regular rate of pay for all authorized hours worked in excess of twelve hours per day or in excess of eight hours on the seventh straight day in any given week.
 - 1. An employee will receive double time for hours worked over 12, which do not need to be worked consecutively within a 24-hour period.
 - a. For example, if an employee that is **not on standby** works their normal 9-hour day on Wednesday and is called back at midnight for an emergency and works until 9:30 a.m. Thursday:
 - Employee receives regular overtime (1.5) for 3 hours (midnight-3 a.m.), pursuant to section 3.C Overtime; and
 - Employee receives double time for 6.5 hours (3 a.m. to 9:30 a.m.)

SECTION 5 – COMPENSATORY TIME (COMP. TIME)

- A. When an employee works overtime, the employee may elect to accrue comp. time in lieu of receiving overtime payment at a rate of 1.5 hours for each overtime hour worked.
- B. Comp. time may accrue up to a maximum of 40 hours.
- C. Comp. time usage shall not be reasonably denied if operations will not be adversely affected.
- D. Upon separation from the District, employees shall be paid 100% of their accrued comp. time balance at their then base hourly rate of pay.

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ARTICLE 6. SPECIAL PAY

SECTION 1 – ON-CALL/STANDBY

- A. A non-management employee shall be given a flat 2 hours nightly rate of their current, regular hourly rate for each day of on-call/standby pay. Employees who are on standby shall not be eligible for additional payments for weekends or holidays. Employees will still accrue overtime or double time if called out to be physically present on a job site as described below.
 - 1. In addition to the flat rate, when an employee on standby duty is called to report to work, he will receive a minimum of 2 hours of overtime pay at 1.5 their hourly rate.
 - 2. In addition to the flat rate, an employee on standby duty that is called to work on an actual holiday date, as listed in **Article 8.A HOLIDAYS**, shall be paid double time for all hours worked.
 - 3. An employee who is out on a work-related or personal injury/illness is not eligible to receive the flat daily amount of standby duty pay.
- B. Hours spent on standby shall not be considered hours worked.
- C. Employees serving on standby duty are bound by the District's Drug-Free Workplace Policy while on standby duty.
- D. An employee assigned to standby duty who fails, refuses, or is unable to respond to an emergency call is subject to disciplinary action.
- E. An employee assigned to standby duty may arrange to be replaced by a substitute, provided he/she receives approval from department supervision before the standby duty is scheduled to begin.

SECTION 2 – TRAVEL TIME PAY

The District agrees to pay non-exempt employees for travel time in accordance with the Fair Labor Standards Act (FLSA).

A. Travel Time – To/From Home and Work

Normal travel to/from home and work is not considered hours worked.

B. Single-Day Travel

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Time spent by the employee in travel as part of his or her normal work activities – such as travel from the job site to an off-site training/seminar during regular working hours is considered hours worked.

If the employee is required to travel to another city and return home the same day, the travel time to and from the other city is considered hours worked. If the employee takes a lunch break, it is not considered hours worked. If the employee uses public transportation, the travel time between the employee’s home and the point (i.e. bus station, airport, etc.) where he or she obtains this transportation is not considered hours worked.

Regular Work Hours	Single Travel Day	Travel Time	Travel Time Paid
8 a.m. to 5 p.m., Monday - Friday	Friday	Leave at 6:30 a.m. - arrive at 8:30 a.m. Attend seminar. Take an hour lunch. Leave at 4:30 p.m. - arrive back at 6:30 p.m.	Employee is paid for 11 hours, with hours in excess of their regular work day paid as overtime. Not paid for lunch hour.
8 a.m. to 5 p.m., Monday - Friday	Sunday	Leave at 2:00 p.m. – arrive at 6 p.m.	Employee is paid for 4 hours.
11:00 a.m. to 8 p.m. Monday – Friday	Wednesday	Leave at 9 a.m. - arrive at noon.	Employee is paid for 3 hours – since the travel is in the same day.

C. Travel Away From Home Overnight on a Regularly Scheduled Work Day

Travel time involving a required overnight stay is considered hours worked only when it is during the employee’s regular workday. The employee is simply substituting travel for his or her regular work hours.

Travel time that is outside of normal work hours is not considered hours worked.

Regular Work Hours	Overnight Travel	Travel Time	Travel Time Paid
8 a.m. to 5 p.m., Monday - Friday	Friday	Leave at 7 a.m. – arrive at 1:00 p.m. Took an hour lunch.	Employee is paid for 4 hours – not paid for time outside regular hours or for lunch.
8 a.m. to 5 p.m., Monday - Friday	Sunday	Leave at 2:00 p.m. – arrive at 6 p.m.	Employee is paid for 3 hours – not paid for time outside of regular hours.

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11:00 a.m. to 8 p.m., Monday – Friday	Wednesday	Leave at 11:00 a.m. – arrive at 2 p.m. Took an hour lunch.	Employee is paid 2 hours. Not paid for lunch.
11:00 a.m. to 8 p.m., Monday – Friday	Sunday	Leave at 10:00 a.m. – arrive at 3:00 p.m. Took an hour lunch.	Employee is paid 3 hours. – not paid for the time outside of regular hours or for lunch.

D. Travel on a Non-Work Day

If the employee regularly works from 8 a.m. to 5 p.m., Monday through Friday, traveling during the same hours on Saturday and/or Sunday is considered hours worked; however, the employee’s usual lunch break is not considered hours worked.

Time spent in travel away from home outside of regular work hours is not considered hours worked.

Any work that the employee performs while traveling is considered hours worked even if these hours are outside his or her normal work schedule.

SECTION 3 – RESIGNATIONS & RETIREMENTS

A. NOTIFICATION

An employee wishing to resign or retire in good standing shall submit a written resignation at least 2 weeks prior to the effective date of resignation. The District will pay an employee for all hours worked and any applicable and available leave balances on the next regular payday following their resignation/retirement.

B. NOTIFICATION BONUS

A one-time payment of \$500 shall be made to an employee upon receipt of their written notification of their pending resignation/retirement date if they provide the District with a 30-day notice. A one-time payment of \$1,000 shall be made to an employee upon receipt of their written notification of their pending resignation/retirement date if they provide the District with a minimum 90-day written notice of their pending resignation/retirement date. In either case, if the employee provides said notice, but resigns/retires before the end of the 30 or 90 days or if the rescind their notice of resignation/retirement, they will be required to directly repay the District for the bonus.

C. RETIREMENT BONUS

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All employees having 10 or more years of continuous service with the District, upon retirement after age 62, shall be granted an additional one-month's pay.

ARTICLE 7. LEAVES

SECTION 1 – VACATION

A. Each regular and probationary employee will accrue vacation leave as follows:

1 through 5 years = 4.00 hours per pay period

After 5 years = 4.62 hours per pay period effective on 5th anniversary

After 10 years = 6.15 hours per pay period effective on 10th anniversary

After 15 years = 7.69 hours per pay period effective on 15th anniversary

After 19 years = 8.00 hours per pay period effective on the 20th anniversary

B. If an employee's last day of employment with the District falls within the middle of a pay period, their vacation leave hours accrued for that pay period will be prorated accordingly.

C. Employees are allowed to accrue vacation leave up to a maximum of 248 hours.

1. On December 31 of each year, an employee with vacation hour balance that exceeds 248 hours will stop accruing until vacation leave is used and their balance is below 248 hours.

2. When circumstances created by the District are beyond the control of the employee and make it impossible for the employee to use vacation leave as described above to reduce their maximum accrued vacation hours, the General Manager may grant an extension to the maximum accrued hours allowed until such time that the employee is able to take the necessary vacation time off to reduce their balance.

D. Use of Vacation Time

1. Any planned leave (vacation or comp time off) must be requested with as much notice as possible. Supervisors will grant requests based on the needs of the District. Requests shall not unreasonably be withheld or denied.

2. An employee may elect to use accrued vacation for scheduled medical, dental or vision appointments, evaluations or associated activities if they have exhausted their sick leave balance.

E. Payout of Vacation Leave

Employees who terminate their employment with the District shall be paid for all accrued and available vacation leave.

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F. Sell Back of Unused Vacation Leave Hours

Employees may sell back unused vacation time under the following conditions:

1. A minimum of 40 hours can be requested;
2. The maximum of 80 hours can be requested;
3. The employee must have taken at least 80 hours of vacation (the use of comp. time counts toward this requirement);
4. The employee must have a remaining balance of at least 80 hours of accrued vacation time after the sell back; and
5. Employees must complete and submit to human resources a vacation leave sell back request form by the December deadline as established by human resources each year.
 - The sell back will occur in the following December.
 - Once an employee submits a request form, it cannot be modified for revoked, per the IRS regulations.

SECTION 2 – SICK LEAVE

A. Sick Leave Accrual

Regular and probationary employees will accrue 3.69 hours of sick leave per pay period.

B. Sick Leave Use

Sick leave usage shall be allowed for the following qualifying reasons:

1. For the employee's own illness or injury.
2. For the employee's own diagnosis, care, or treatment of an existing health condition; or preventative care, including medical and dental appointments.
3. For the diagnosis, care, or treatment of an existing health condition or preventative care for an employee's family member, including: parent, parent-in-law, child, spouse, domestic partner, grandparent, grandchild, or sibling.
4. To obtain relief or services related to being the victim of domestic violence, sexual assault, or stalking, including the following, with appropriate certification of the need for such services:

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- A temporary restraining order or restraining order.
 - Other injunctive relief to help ensure the health, safety or welfare of themselves or their children.
 - To seek medical attention for injuries caused by domestic violence, sexual assault or stalking.
 - To obtain services from a domestic violence shelter, program, or rape crisis center as the result of an act of domestic violence, sexual assault, or stalking.
 - To obtain psychological counseling related to an experience of domestic violence, sexual assault, or stalking.
 - To participate in safety planning and other actions to increase safety from future domestic violence, sexual assault, or stalking, including temporary or permanent relocation.
5. In accordance with California Kin Care Law, regular full-time employees may use up to ½ of their annual accrued total sick leave to care for a family member.
 6. Employees who terminate their employment with the District will be paid for 50% of unused sick leave, not to exceed payment for 400 hours.
 7. If an employee's sick leave balance is exhausted, another paid leave (e.g. vacation, comp. time) will be used.
 8. A sick leave absence of more than 40 hours resulting from an employee's non-work-related injury or illness will require that the employee submit a doctor's note to human resources upon their return to work.
 9. Any suspected abuse of sick leave usage is subject to discipline, up to and including termination.
- C. Worker's Compensation Illness or Injury
1. Pursuant to California Labor Code 4600, workers' comp will pay for time off for doctors' appointments that are required by the District or its insurance carrier as a result of a work-related illness or injury.
 2. When an employee is injured on the job and, according to their physician, is able to return to work with temporary modifications to their job duties, the District will make every effort to place the employee in a modified assignment until he or she is released back to full duty. The nature of the assignment will depend on the physical restrictions of the employee as stated by the treating physician and the availability of a modified position in the employee's normal department or another department that is consistent with the

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physical restrictions. An employee's acceptance of a modified duty assignment, if available, will be mandatory.

SECTION 3 – REST LEAVE

- A. If an employee has to work between the hours of 10:00 p.m. and 7:00 a.m. for a minimum of three hours, after having already worked their regularly scheduled workday, the employee will receive one hour of paid rest leave for each hour worked between 10:00 p.m. and 7:00 a.m., providing the next day is a regularly scheduled workday.
1. If an employee works beyond their regular start time the next day, he shall be allowed to leave work early, by the amount of rest-leave hours earned.
 - a. For example, an employee begins work at 3 a.m. and finishes work at 7 a.m. and earns 4 hours of rest leave for the next day, providing the next day is a regularly scheduled workday. The employee would continue to work and leave work 4 hours earlier than their regular quitting time.
 2. Employees that complete their work prior to 6 a.m. will report to work later than their regular start time by the amount of rest hours earned.
 - a. For example, an employee begins work at 10 p.m. and finishes work at 2 a.m., earning 4 hours of rest leave for the following day, providing the next day is a regularly scheduled workday. The employee would report to work at 11 a.m. if their regularly scheduled start time is 7 a.m.
- B. Rest leave will not count as time worked for the purposes of calculating overtime.
- C. In the event of an unexpected catastrophic emergency or natural disaster, the General Manager may, by necessity, suspend or modify the use or means of rest leave.
- D. The federal regulations pertaining to commercial drivers' working hour limits shall take precedence over this policy for District personnel using a commercial license.
- E. The District will either reimburse employees or provide a meal after twelve continuous hours of work. The District retains the right to provide meals in lieu of reimbursing employees for meals.

SECTION 4 – BEREAVEMENT LEAVE

In the event of a death in the family, regular and probationary employees shall be eligible for up to 3 working days off with pay to attend the funeral or make funeral arrangements, subject to the following provisions:

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1. The relatives designated shall include child, parent, spouse, sibling, grandparent, grandchild, aunt/uncle, niece/nephew, cousin, and domestic partner. It shall also include "in-law" relatives and those relationships generally called "step."
2. Bereavement leave is not compensable for days falling outside an employee's regular work schedule.
3. All requests for bereavement leave shall be made in writing as soon as practical but in no event later than the first day back to work, and shall be subject to approval of the human resources manager.

SECTION 5 – JURY DUTY LEAVE

Employees shall be compensated at their base hourly rate of pay for serving jury duty during the employee's regularly scheduled work hours. In order to be compensated for jury duty leave, the employee must submit to human resources a copy of their jury duty summons, along with their time-in/time-out tracking sheet as provided by the court.

SECTION 6 – MILITARY LEAVE

The administration of military leave shall conform to both state and federal laws including, but not limited to, the requirements of the California Military & Veterans Code and the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

Such employee shall be entitled to the applicable leaves of absence and employment and reemployment rights and privileges provided by the Military & Veterans Code of the State of California and USERRA. The employee must provide reasonable advance notice of the need for Military Leave and must provide the District with a copy of all military orders.

An employee ordered to active duty for training purposes in the U.S. armed forces, will be paid the difference between their District salary and the basic pay received for active military duty for a maximum of 10 working days per year.

SECTION 7 – SCHOOL OR CHILD CARE PROVIDER ACTIVITIES LEAVE

School or child care provider activities leave is the allowable use of the employee's existing leave credits to attend school or child care provider activities; to enroll or reenroll a child in a school or with a licensed child care provider; or to address a school or child care provider emergency.

A regular employee who is a parent, guardian, stepparent, foster parent or grandparent with custody, or who stands in loco parentis, of a child enrolled in grades K through 12 of a public or private school, or in a licensed child day care facility, is eligible for school or child care provider activities leave.

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An employee may use up to 40 hours of his/her existing vacation, sick leave, or compensatory time hours per calendar year, but not more than 8 hours in any single calendar month, regardless of the number of children the employee may have. The 8 hour per month limitation does not apply for leave to address a school or childcare provider emergency.

- A. If the employee does not have sufficient paid leave available, he/she shall be allowed to take unpaid personal leave.
- B. Employees are required to give 48 hours advance notice, unless it is a school or childcare provider emergency as indicated in below, of their desire to take school or childcare provider activities leave. Advance notice of less than 48 hours may only be given with approval by the District.
- C. The District may also require that the employee provide documentation verifying participation in school or childcare provider activities.
- D. An emergency means that an employee's child cannot remain in school or with a child care provider due to one of the following:
 - The school or child care provider has requested that the child be picked up, or has an attendance policy, excluding planned holidays, that prohibits the child from attending or requires the child be picked up from the school or child care provider;
 - Behavioral or discipline problems;
 - Closure or unexpected unavailability of the school or child care provider, excluding planned holidays; and/or
 - A natural disaster, including, but not limited to, fire, earthquake or flood.

SECTION 8 – FAILURE TO RETURN FROM LEAVE/JOB ABANDONMENT

Except as otherwise provided by law including, but not limited to, federal and state provisions related to return from military leave, failure by an employee to return to duty or notify the District of their intent to return to duty within 48 hours of the date he/she is scheduled to return from any type of leave shall be considered an automatic resignation and the employee shall be notified of his/her automatic resignation from District employment. The District will consider evidence of extenuating circumstances if it is submitted by the employee to the District within ten (10) calendar days of the postmark of the District notice.

ARTICLE 8. HOLIDAYS

A. ACTUAL HOLIDAY DATES

Following are the actual holiday dates, which may differ from the District's observed holiday date, as described below in "B":

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New Year's Day – January 1
Martin Luther King, Jr. Day – 3rd Monday in January
Presidents' Birthday – 3rd Monday in February
Memorial Day – Last Monday in May
Independence Day – July 4
Labor Day – 1st Monday in September
Veterans Day – November 11
Thanksgiving Day – 4th Thursday in November
Day after Thanksgiving – 4th Friday in November
Christmas Eve – December 24
Christmas Day – December 25
New Year's Eve Day – December 31

B. DISTRICT OBSERVED HOLIDAYS

Any of the actual holiday dates listed in "A" above that fall on a Saturday shall be observed (i.e., District offices will be closed) on the preceding Friday. Any of the above holidays that fall on a Sunday shall be observed on the following Monday.

C. HOLIDAY PAY

An employee whose regularly scheduled workday falls on an actual holiday date as listed above in "A", **not** the date that a holiday is observed, shall be paid for their actual hours worked, plus holiday pay for their regular hours for that day.

1. For example, an employee on a 9/80 work schedule will receive 9 hours of holiday pay for an actual holiday date that falls on a Monday through Thursday, or 8 hours of holiday pay an actual holiday date that falls on their working Friday. An employee that regularly works a 4/10 schedule shall receive 10 hours of holiday pay for an actual holiday date that falls on their regularly scheduled workday.
2. Plant Operators and Systems Operators required to work their regularly scheduled shift on an actual holiday, as listed in "A" above, shall be paid "holiday pay" for the number of hours they normally work and they shall be paid time and one-half pay for all hours actually worked.
3. An employee contacted outside of their regular work hours to assist in emergency repairs on an actual holiday, as listed in "A" above, shall be paid double-time for hours worked, with a guaranteed minimum of two hours of double time.
 - a. For example, if an employee only works for one hour they will receive 2 hours at double time. If an employee works for 4 hours, they will receive the full 4 hours at double time.

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4. For an employee on a 9/80 work schedule, when a holiday falls on their regular Friday off, the holiday will be observed and the employee will have the following Monday off.
5. To be eligible for holiday pay, an employee must be in paid status in the in the pay period that includes the holiday.

ARTICLE 9. UNIFORMS

Uniform allowance as defined by the California Public Employees' Retirement System (CalPERS) is a form of compensation for "classic" CalPERS members for CalPERS purposes only. As such, any uniform allowance or the value of uniforms provided by the District will be reported to CalPERS as part of the employee's annual gross income for purposes of computing the employee's and District's CalPERS' contribution.

Under the California Public Employees' Pension Reform Act (PEPRA), a uniform allowance or the value of uniforms is not considered pensionable compensation for "new members" of CalPERS.

- A. All employees for whom uniforms are provided are required to wear a complete uniform when working unless otherwise authorized by their supervisor.
- B. Safety shoes shall be worn by employees as required by the District. The District will replace safety shoes on an as-needed basis.
- C. Upon termination, all uniforms issued to an employee must be returned to the District. The cost of any uniforms not returned may be pursued through legal means.

ARTICLE 10. BENEFITS

SECTION 1 – HEALTH/MEDICAL

A. ELIGIBILITY

New regular full-time employees are eligible for health, dental and vision benefits on the first day of the month following their date of hire and upon proper application and acceptance, as set forth in the agreement between the District and ACWA/JPIA for the benefit plan year that begins January 1 and ends December 31 of each year. For the purpose of these benefits, full-time is defined as an employee who works at least 24 work hours per workweek.

B. COVERAGE

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The cost of coverage for each health plan offered is provided in a premium rate sheet that is updated ahead of the start of each benefit plan year and provided to all employees during open enrollment.

1. The District pays 100% of the Kaiser plus Chiropractic plan for each coverage level: employee only, employee plus one, employee plus family. The District also pays these same amounts towards the cost of any other plan and coverage level an employee selects.
 - a. For example, if the Kaiser plus Chiropractic plan for employee-only coverage is \$600 per month and an employee selects a PPO option for employee-only coverage at a monthly cost of \$900, the District would pay \$600 and the employee would be responsible for the additional \$300 per month.

C. COVERAGE TERMINATION

An employee's medical/dental/vision coverage will end on the last day of the month in which they are no longer employed by the District. For example, if an employee resigns on May 11, their coverage will end on May 31.

Depending on the employee's medical coverage and their last day of employment, additional premium deductions may be taken from their last paycheck in order to cover any remaining monthly "employee cost."

D. WAIVER OF HEALTH/MEDICAL COVERAGE

Eligible employees who provide proof of coverage under another group health insurance plan may elect to waive District-provided health coverage and will receive \$250 per month in lieu of health coverage.

SECTION 2 – DENTAL & VISION

The District provides dental and vision insurance and pays the full amount of the monthly premiums for all regular full-time employees and their eligible dependents. All eligible employees are required to enroll in the dental and vision plans for employee-only coverage. For the purpose of these benefits, full-time is defined as an employee who works at least 24 work hours per workweek.

SECTION 3 – LIFE INSURANCE & ACCIDENTAL DEATH & DISMEMBERMENT (AD&D)

The first day of the month following date of hire, an employee, upon proper application and acceptance by the insurance carrier, shall be covered under a group life insurance and AD&D plan. The District shall pay the full monthly premium costs for coverage.

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- A. The benefit is equal to two times an employee's base annual salary, rounded to the next higher \$1,000, up to a maximum of \$300,000.
1. At age 65, but not age 70, benefit is 67% of the amount shown in "A" above.
 2. At age 70 or more, the amount of the insurance will be 45% of the amount shown in "A" above.

SECTION 4 – LONG TERM DISABILITY (LTD) INSURANCE

The District shall pay the full monthly premium costs for employees' LTD insurance coverage. Beginning on or as near to July 1, 2019 as is administratively possible and for the term of this agreement, the District-paid LTD benefit will change from a 66^{2/3} % pre-tax benefit to a 60% post-tax benefit, resulting in the District-paid monthly premiums being made after-tax and making the actual LTD benefit tax-free. To accomplish this, each employee's salary will be "grossed up" approximately 20% to off-set the amount of taxes the District will be paying for each employee.

SECTION 5 – FLEXIBLE SPENDING ACCOUNTS (FSA)

The District will maintain a voluntary FSA program in accordance with applicable IRS statutes to allow employees to pay for covered expenses using pre-tax dollars.

SECTION 6 – STATE DISABILITY INSURANCE (SDI) & PAID FAMILY LEAVE

Employees requested and the District implemented State Disability Insurance (SDI) at the employees' expense. Participation is mandatory. The coordination of SDI or PFL (Paid Family Leave) payments with sick leave cannot exceed the employee's regular weekly wage. Coordinating SDI payments with vacation leave does not affect your benefits. The District requires that employees use two weeks of vacation prior to receiving PFL.

SECTION 7 – DEFERRED COMPENSATION

Effective July 1, 2022, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 1% of the employee's base salary.

Effective July 1, 2023, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 1.5% of the employee's base salary.

Effective July 1, 2024, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 2% of the employee's base salary.

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Effective July 1, 2025, the District's matching contribution to a 401(a) plan for non-management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 2.5% of the employee's base salary.

SECTION 8 – RETIREMENT & SOCIAL SECURITY

A. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

The District participates in the California Public Employees' Retirement System (CalPERS).

1. Employees hired at the District before January 1, 2013 are considered "classic members" and contribute 8% of their salary, with the following provisions under the District's contract with CalPERS:
 - a. Pre-Retirement Option 2W Benefit;
 - b. Retirement Benefit Formula of 2.5% at age 55; and
 - c. Single Highest Year Final Compensation Option.
2. Employees hired on or after January 1, 2013 who are also "new members" will contribute 50% of the normal cost established by CalPERS pursuant to the Public Employees' Pension Reform Act (PEPRA), with the following provisions under the District's contract with CalPERS:
 - a. Pre-Retirement Option 2W Benefit;
 - b. Retirement Benefit Formula of 2% at age 62; and
 - c. Average of Three Highest Years' Compensation.

B. SOCIAL SECURITY

All employees of the District participate in the Federal Social Security Program. Payroll deductions are taken from each employee's pay and matching contributions are made by the District.

C. HEALTH REIMBURSEMENT ACCOUNT (HRA)

An employee hired before July 1, 2022 and retiring after age 50, with 10 or more years of continuous employment, has the option of continuing on the District's medical, dental and/or vision insurance plans using an HRA account that is funded with conversion of their sick leave hours as follows:

1. Using the current benefit plan year's premium rates and a 5% projection for possible cost increases in subsequent years, the District estimates the projected cost for the employee to pay 50% of the employee-only monthly premium for dental and/or vision coverage and 50% of the employee-only monthly medical premium/s, with the District paying the remaining 50% of the employee-only dental and/or vision and employee-only monthly medical premium/s.

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Following is an example of how the medical premium costs are shared between the retiree and District:

	TOTAL MONTHLY PREMIUM FOR KAISER MEDICAL	RETIREE PAYS MONTHLY	DISTRICT PAYS MONTHLY
RETIREE Only Coverage	\$ 623.16	\$ 311.58	\$ 311.58
RETIREE + One	\$ 1,236.43	\$ 924.85	\$ 311.58
RETIREE + Family	\$ 1,745.45	\$ 1,433.87	\$ 311.58

- The full amount as calculated in "1" above is the amount that will be transferred from the employee's final sick leave balance to their HRA account, which will be used to make the monthly premium payments until the HRA account balance is depleted or the retiree or their covered spouse, if applicable, reaches Medicare eligibility.

The following is an HRA example for an employee that retires in 2019 at age 60 with 1500 hours of sick leave on the books and typical Medicare eligibility at age 65:

1. Value of Total 1500 Sick Leave Hours at Retirement	\$67,500	1500 Hours x \$45.00 (Employee's Hourly Wage)
2. Premium Cost of Retiree + Spouse Coverage for Medical, Dental & Vision		NOTE: Premium costs provided for example only, they do not represent actual rates
2019 benefit year	\$10,000	
+5% in 2020	\$10,500	
+5% in 2021	\$11,025	
+5% in 2022	\$11,567.25	
+5% in 2023	\$12,155.06	
3. Amount Deposited to HRA	\$55,256.31	Estimated total cost for coverage to Medicare eligibility in 2023
4. Amount of Sick Leave Remaining After Amount Deposited to HRA	\$12,243.69	Calculation: \$67,500-\$55,256.31
5. Hours Equivalent of Remaining Sick Leave	272.08 Hours	Calculation: \$12,243.69/\$45.00. *Eligible to cash out or convert to CalPERS service credit full remaining balance since less than 600 hours max. in effect for 7/1/19-6/30/20
6. Cash out value or amount to be converted to CalPERS service credit	\$12,243.60	Calculation: 272.08*\$45.00

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3. If a retiree's HRA account balance is depleted before they become eligible for Medicare, he/she can instead begin paying their share of the monthly premiums directly to the District in order to continue coverage under the District's medical, vision and/or dental insurance plans until the retiree or their spouse, if applicable, is eligible for Medicare.
4. Once a retiree and/or their covered spouse becomes eligible for Medicare, which makes them ineligible to continue on the District's medical coverage, they are also no longer eligible to continue on the District's dental and/or vision coverage. Instead, they will receive information on continuing their coverage/s using COBRA.
5. Actual premium rates to be deducted from each retiree's HRA will be updated as the actual rates are provided for each new plan year (January 1 – December 31).
6. If applicable, any balance in the account when the retiree becomes eligible for Medicare or if they should die prior to becoming eligible for Medicare, will be available for the same use to the retiree's covered eligible dependent(s) until they become eligible for Medicare or COBRA rights are exhausted, whichever comes first. If there is no covered eligible dependent(s), any unused balance shall be forfeited.
7. If an employee has sick leave hours remaining after the mandatory contribution to the HRA account as described above, OR if the employee chooses to not participate in the HRA, the employee has the choice of:
 - a. Cashing out half of their remaining sick leave hours balance, up to 400 hours, whichever is less.
 - b. Converting half of their remaining sick leave hours balance, up to the maximum of 400 hour, to CalPERS service credit. If an employee wishes to elect this option, they must inform human resources before their final date of employment with the District.

ARTICLE 11. EDUCATIONAL PLAN

Unit members seeking participation in the educational plan must first obtain approval from the General Manager. The General Manager shall have the authorization to increase District contribution to the fund, at his/her discretion, throughout the remainder of the agreement.

If, at any time, the education fund is depleted, the District shall inform the Association immediately, in writing, that funds are no longer available, to help employees prepare for the following semester.

The funds set aside for the educational plan will not be used to replace existing funds for unit member certification and other job-related training.

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An employee participating in the educational plan must receive a grade of "C" or better in each class in order to receive reimbursement.

ARTICLE 12. LAYOFF PROCEDURES

The District agrees to meet with the bargaining unit representatives at least 30 days prior to issuance of any layoff notices for the purpose of conferring over the impact and implementation of said layoffs and to discuss alternatives and options; however, the General Manager shall retain the final decision with respect to the classifications and number of employees to be laid off.

A. The layoff process shall be administered and employees selected for layoff as follows:

<u>First:</u>	Temporary employees
<u>Second:</u>	Probationary employees
<u>Third:</u>	Part-time employees
<u>Fourth:</u>	Regular employees

1. Regular employees in classifications identified to be laid off will be laid off in order of seniority, with the employee with the least seniority laid off first.
2. Whenever two or more employees have identical seniority in the affected classification, the order of layoff shall be determined by the General Manager on the basis of performance.
3. In lieu of being laid off, regular employees have the right to demote to a lower vacant position with the District and for which the employee meets the minimum qualifications and is capable of performing the essential functions of the position.

ARTICLE 13. USE OF DISTRICT VEHICLES

Except as provided in this section, District vehicles may be used by employees only for conducting District business. Violations may result in disciplinary action, up to and including termination.

- A. An employee who is assigned a District vehicle shall not allow any other individual, including District employees, to drive the vehicle for personal use.
- B. An employee may be granted limited personal use of a District vehicle upon first receiving approval by the General Manager or his designee.

ARTICLE 14. DISCIPLINARY ACTION

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Violations of FPUD'S Personnel Regulations, safety rules, criminal law, and/or actions which are insubordinate, flagrantly careless and/or incompetent, or otherwise prejudicial to the best interests of the District, will be subject to disciplinary action, up to and including termination.

While it is the District's intent to take a progressive approach to disciplinary matters, progressive discipline is not required depending on the severity of the employee's misconduct.

SECTION 1 – DISCIPLINARY ACTIONS NOT SUBJECT TO NOTICE AND APPEAL PROCEDURES

A. The following disciplinary actions may be taken to address an employee's performance deficiencies and/or to address a violation as stated above:

1. Verbal counseling/warning
2. Written warning
3. Reassignment
4. Suspension without pay for up to 3 days

SECTION 2 – DISCIPLINARY ACTIONS SUBJECT TO NOTICE AND APPEAL PROCEDURES

A. The following disciplinary actions require that written notice of intent to discipline be given to the employee, with an opportunity for the employee to appeal the proposed discipline:

1. Suspension from duty without pay for 4 or more days
2. Salary step reduction
3. Demotion
4. Termination from District employment

B. A written notice of intent to discipline shall be provided to the employee not less than 10 business days prior to the effective date of the proposed disciplinary action and shall contain:

1. Specific charges upon which action is based;
2. The reasons why such action is being taken;
3. Copies of the materials upon which the action is based;
4. Information essential to give the employee a fair opportunity to answer the charges made;

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5. A time and date no less than 5 business days after the notice of intent to discipline was provided to the employee by which the employee must submit a written response, including their intent to appeal the proposed discipline either in writing or at a Skelly meeting with the General Manager; and
 6. A tentative date and time for a Skelly meeting.
- C. Failure of the employee to respond to the notice of intent to discipline shall constitute a waiver by the employee of any right to appeal the proposed discipline and will result in the discipline being imposed as originally presented.
- D. If the employee or former employee is dissatisfied with the decision made by the General Manager or his designee, he may appeal in writing, to the President of the Board of Directors. This written notice of appeal shall be filed with the Secretary of the District no later than fifteen calendar days after the date of service of the notice of the General Manager's or his designee's decision, whichever is earlier. Either party may also request a no-cost mediation through the State Mediation and Conciliation Service prior to the appeal hearing. Such request must be made by the employee within the same fifteen calendar day period noted above, or by the District within 15 calendar days of receiving notice of the employee's written appeal.
1. The Secretary shall schedule a hearing within thirty calendar days of the date of filing of the notice of appeal, and the Secretary shall notify the employee of the time and date fixed for the hearing. This time can be extended for good cause.
 2. Upon conclusion of the hearing, the Board of Directors shall inform the employee, in writing, of their determination within 5 business days. This time can be extended for good cause.
 3. The Board of Directors has the power to reinstate a discharged employee and/or to impose less severe discipline on the employee. The decision of the Board of Directors is final and cannot be appealed.

ARTICLE 15. GRIEVANCE PROCEDURE

A grievance shall be considered as any matter for which appeal is not elsewhere provided concerning a dispute about the interpretation or application of the terms or conditions contained in an MOU, the Personnel Rules, or a District policy or procedure regarding the same. Timeframes, as set forth throughout the grievance procedure, may be extended by mutual agreement between the parties.

MOU BETWEEN FPUD AND FPUDEA

SECTION 1 – PURPOSE

To provide employees, either individually or through their association representative, with a means of obtaining further consideration of a complaint or issue after every reasonable effort has failed to resolve them through less formal discussion.

SECTION 2 – PROCEDURE

STEP 1. FIRST LEVEL OF REVIEW – IMMEDIATE SUPERVISOR

An employee should first try to get their complaint/issue settled informally through discussion with their immediate supervisor within 15 business days of the occurrence of the event resulting in the grievance. If the employee is not in agreement with the outcome of the discussion, they have the right to file a formal grievance, in writing, to the Operations Manager or Human Resources Manager within 10 business days after receiving the informal decision of their immediate supervisor.

STEP 2. SECOND LEVEL OF REVIEW – OPERATIONS MANAGER OR HUMAN RESOURCES MANAGER

If an employee does not receive a satisfactory answer or resolution from their immediate supervisor, he will be allowed 10 business days to refer the grievance, in writing, to the Operations Manager, in the case of field personnel, or to the Human Resources Manager in the case of office personnel. The written grievance shall detail the facts upon which the grievance is based and be dated and signed by the employee. After receiving the written grievance, the Operations Manager or Human Resources Manager will promptly schedule a meeting to provide the employee an opportunity to present his appeal personally. The manager who met with the employee will provide a written response within 15 business days. If the employee does not agree with the decision reached, he/she may present the appeal in writing to the General Manager.

STEP 3. THIRD LEVEL OF REVIEW – GENERAL MANAGER

The General Manager or his/her designated representative should discuss the grievance with the employee, his/her representative, if any, and with other appropriate persons. The General Manager may designate any person or persons to advise them concerning the appeal. The General Manager shall render their decision in writing to the employee within 10 business days after receiving the appeal. The decision at this step shall be final and conclusive for all parties.

SECTION 3 – GRIEVANCE AGAINST GENERAL MANAGER

A grievance in which the General Manager is a party may be submitted to the President of the Board of Directors. The written grievance shall detail the facts upon which the grievance is based and be dated and signed by the employee. The grievance shall be submitted to the President of the Board of Directors within 15 business days of the event resulting in the grievance. The Board of Directors will investigate the grievance and may hold a formal or informal hearing at its discretion, unless waived by the employee. The Board of Directors shall submit its written decision within 10 business days. The decision of the Board of Directors is final.

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Following submission of the General Manager's answer, and before going to Section 4, Advisory Arbitration, matters which are unresolved shall be discussed at a meeting between the parties during which all pertinent facts and information will be reviewed in an effort to resolve the matter.

STEP 4. ADVISORY ARBITRATION.

Any dispute or grievance which has not been resolved by the grievance procedure may be submitted to advisory arbitration by the Association Representative or the District within ten working days, following its termination in the grievance procedure. The following Advisory Arbitration procedures shall be followed:

- A. The requesting party will notify the other party in writing of the matter to be arbitrated and the contract provision(s) allegedly violated. Within 5 working days of the receipt of this notice, the parties may agree upon an arbitrator, or a panel of 3 arbitrators trained in conducting grievance hearings. If agreement on an arbitrator cannot be reached, the State Department of Industrial Relations shall be requested by either or both parties to provide a list of 5 arbitrators. Both the District and the Association shall have the right to strike 2 names from the list. The party requesting the arbitration shall strike the first name; the other party shall then strike one name. The process will be repeated and the remaining person shall be the arbitrator.
- B. The arbitrator shall hear the case within 20 working days after the arbitrator has been selected. The arbitrator may make a written report of their findings to the Association and the District within 15 working days after the hearing is concluded. The arbitrator shall make rules of procedure. The decision of the arbitrator shall be advisory to the General Manager who shall render a final decision within 10 working days. The arbitrator shall have no authority to amend, alter, or modify this agreement or its terms and shall limit recommendations solely to the interpretation and application of this agreement.
- C. Each grievance or dispute will be submitted to a separately convened arbitration proceeding except when the District and the Association mutually agree to have more than one grievance or dispute submitted to the same arbitrator.
- D. The District and the Association shall share the expense of arbitrators and witnesses and shall share equally any other expenses, including those of a stenographer, if required by either party. If either party elects not to follow the advisory decision rendered by the arbitrator, that party shall pay the entire cost of the arbitration process, including the expense of the arbitrator, witnesses, and/or stenographer.

SECTION 4 – GRIEVANCE POLICY EXCLUSIONS

This grievance procedure shall not apply to:

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1. The content of employee evaluations;
2. Verbal warnings or counseling;
3. Employee recognition programs; or
4. Any other subject unless covered in the expressed terms of this MOU.

ARTICLE 16. HOLIDAY PARTY

The District agrees to contribute \$4,000 towards each Association-sponsored annual holiday party in each year of the current MOU; however, the District is not liable for any damages that may result from an employee’s voluntary attendance at the party.

ARTICLE 17. ENTIRE AGREEMENT & SIGNATURES

If any of this MOU is declared by legislative or judicial authority to be unlawful, unenforceable, or not in accordance with applicable provisions of Federal, State or Local laws or regulations, such part or provisions shall be suspended and superseded by such applicable law or regulations and the remainder of this MOU shall remain in full force and effect for the duration of this MOU.

It is acknowledged that during negotiations which resulted in this MOU, FPUDEA had the unlimited right and opportunity to make demands and proposals with respect to all proper subjects within the scope of representation. Therefore, for the term of this agreement, FPUDEA agrees that FPUD shall not be obligated to meet and confer with respect to any subject or matter not specifically referred to or covered in this MOU. All terms and conditions of employment not covered in this MOU shall continue to be subject to FPUD’s direction and control.

Except as specifically restricted by an express provision of this MOU, FPUD retains and may exercise all management rights and prerogatives in its discretion.

The terms and conditions of this MOU shall remain in effect during negotiations if the negotiations extend beyond June 30, 2027 until a new MOU is agreed upon or impasse is reached, whichever occurs first.

It is agreed that the Personnel Regulations shall be changed to reflect the changes contained herein.

President, Board of Directors

FPUDEA

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Date

Date

MEMORANDUM OF UNDERSTANDING

between the

FALLBROOK PUBLIC UTILITY DISTRICT

and the

**FALLBROOK PUBLIC UTILITY DISTRICT
MANAGEMENT EMPLOYEES' ASSOCIATION**

July 1, 2022 through June 30, 2027

MOU BETWEEN FPUD AND FMEA

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ARTICLE 1. GENERAL

SECTION 1 – PURPOSE

This agreement recognizes the Fallbrook Public Utility District Management Employees' Association (FMEA) bargaining unit representatives as the majority representative of all regular, management, employees of the Fallbrook Public Utility District (FPUD) and represents the unit for matters within the scope of meet and confer. The bargaining unit representatives accept the duty of fair representation in meet and confer and under this agreement.

SECTION 2 – SCOPE

Meet and confer is limited to wages, hours, and other terms and conditions of employment, and shall not include any items not covered by this agreement or adopted by reference in this agreement or any subject preempted by federal or state law. Amendments to this agreement that are within the scope of meet and confer shall require prior meet and confer between the bargaining unit representatives and the District.

SECTION 3 – GENERAL PROVISIONS

A. ASSOCIATION RECOGNITION

1. FPUD formally recognizes FMEA as the representative for all employees in exempt classifications.
2. The Association may designate a maximum of 7 total representatives. The District will recognize as representatives only those persons designated on the most recent list furnished by the Association.
3. The District shall grant a representative reasonable release time when, at the request of an employee, the representative is investigating an alleged grievance and assisting in its written preparation and presentation.

B. CONSTRUCTION

In interpreting the language of this MOU, first the plain meaning of the language shall prevail. If the parties cannot agree on the plain meaning of the language, then the intent of the parties shall be considered; then the trade or industry usage of the language shall be considered.

C. DISTRICT RIGHTS

The rights of the District include, but are not limited to the exclusive right to determine the mission of its departments, commissions, committees, and boards; set standards of service; determine the procedures and standards of selection for employment and promotion; direct its

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employees; take disciplinary action; relieve its employees from duty because of lack of work or for other legitimate reasons; maintain the efficiency of operations; determine the methods, means and personnel by which operations are to be conducted; set work schedules; determine the content of job classifications; take all necessary actions to carry out its mission in emergencies; and exercise complete control and discretion over its organization and the technology of performing its work.

ARTICLE 2. DURATION OF AGREEMENT

This MOU is entered into by Fallbrook Public Utility District (FPUD) and the Fallbrook Public Utility District Management Employees' Association (FMEA), as a mutual recommendation to the Board of Directors of FPUD of those wages, hours, and conditions of employment which are to be in effect at 12:00 a.m. on July 1, 2022 and will terminate at 11:59 p.m. on June 30, 2027.

At the expiration of this MOU, in whole or in part and in the absence of a new MOU, FMEA and the District agree to continue operating under the provisions of this MOU until such time as a new MOU is reached.

ARTICLE 3. WAGES

SECTION 1 – WAGE INCREASES

Cost of living adjustments (COLA) during the five-year term shall be as follows:

- A. 5% effective the first pay period which includes July 1, 2022
- B. Starting July 1, 2023, through the end of the contract term, annual COLAs shall be tied to the published Bureau of Labor Statistics, San Diego Region Consumer Price Index (CPI) for the 12-month period ending with March. The COLA will be no less than 1% and no more than 5%. This means that no COLA over the course of this contract shall be below 1% or above 5%, regardless of CPI data. For example, if the 2023 CPI data shows a .5% annual inflation rate, the COLA for July 2023 shall be 1%. However, if the 2023 CPI data shows a 6.3% annual inflation, the COLA for July 2023 shall be capped at 5%.

SECTION 2 – ADJUSTMENTS

Based on the total compensation survey data, all management employees employed in the pay period that includes July 1, 2022 shall be placed at the salary step of the salary range/grade and market median range of the new salary table that is closest to their salary in effect at the time.

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The Assistant General Manager/CFO, Engineering Manager and Field Services Manager positions that are more than 15% below their respective market median shall also receive a one-step or 2.5% increase.

SECTION 3 – SALARY SCHEDULE

- A. The District’s salary schedule includes 10 steps (A-J) within each range.
- B. Employees are eligible for their first salary step increase upon completion of 1 year of employment and an overall rating of at least a “meets expectations” on their first annual performance evaluation. Employees are eligible to receive subsequent step increases with each of their annual performance evaluations until they reach the top step of their position’s range.
 1. An employee who receives an overall rating of “does not meets” on their annual performance evaluation is not eligible for a salary-step increase.
 2. Merit increases tied to a management employee’s annual performance evaluation overall rating shall be as follows:
 - Meets Expectations = 2.5%, one-step, increase
 - Above Expectations – 2.5%, one-step, increase, plus a one-time performance bonus annually of \$1,500
 - Exceeds Expectations – 5%, two-step, increase
 3. The General Manager must authorize an employee’s two-step salary increase for an overall annual performance evaluation rating of “exceeds expectations” before the performance evaluation is finalized and given to the employee.
 4. If a management employee is at their maximum salary step (J), they shall be eligible for a one-time payment (annually) for an overall performance evaluation rating of above or exceeds expectations, as follows:
 - \$3,500 performance bonus for above expectations
 - \$4,500 performance bonus for exceeds expectations
 5. A performance bonus is considered reportable compensation to CalPERS for Classic employees only; PEPRAs employees may still receive the performance bonus, but it will not be reported to CalPERS.

ARTICLE 4. SERVICE

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SECTION 1 – FILLING OF VACANT POSITIONS

Whenever a vacancy in a new or existing position occurs, preference in filling it shall be given to existing qualified District employees whenever possible.

- A. An employee promoted to a position with a higher pay range, but not within a position series (i.e., designated by “I/II/III”) shall be placed at the salary step within the higher pay range that results in the employee receiving no less than a 5% increase in the employee’s base hourly rate.
 - 1. For example, an employee promoted from a position at pay range 42, step B, to a position at pay range 43, shall be placed at step C of pay range 43, which is a 5% increase.
- B. An employee is eligible for promotion within a position series upon achieving the necessary certification/education/experience requirements as stated in the position’s job description.
 - 1. These types of promotions occur with an employee’s annual performance evaluation and their placement in the higher pay range shall be granted as described in Article 3. Section 4-B.

SECTION 2 – PROBATIONARY PERIOD

- A. All new-hires shall serve an initial probationary period of 6 months; however, a supervisor may, with approval of the General Manager, require an extension of an employee’s initial or promotional probationary period not to exceed 12 months total.
- B. During the initial probationary period, the employee may be rejected at any time, without the right to appeal. Upon successfully completing the initial probationary period, employees achieve regular employment status.
- C. Current District employees promoted to another position outside of their current position series (i.e., promotion to a different position altogether, not from a I to II level in the same position) shall serve a promotional probationary period of not less than 6 months. A promoted employee rejected during their promotional probationary period shall be reinstated to the position from which he/she was promoted, unless he/she is terminated for cause from the District.

SECTION 3 – NEPOTISM

The hiring of a current District employee’s relative is not permitted without the approval of the General Manager. A relative may only be hired if they do not work in the same department, they are not under the direct or indirect supervision of the other, and neither occupies a position which has influence over the other's employment, promotions, or salary administration. A

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relative is defined as a spouse, parent, child, sibling, grandparent, aunt/uncle, niece/nephew, cousin, mother/father-in-law, brother/sister-in-law, and domestic partners.

SECTION 4 – PERFORMANCE EVALUATIONS

- A. New employees will receive their first performance evaluation at 6 months; the second at the completion of 1 year; and each year thereafter on their employment anniversary date.
- B. If an employee is promoted to a job outside of their current position series (i.e., promotion to a different position altogether, not from a I to II level in the same position, such as a utility worker I to utility worker II), their performance evaluation date will become the date of their promotion.
- C. An employee may appeal an overall performance rating of “does not meet expectations” to the General Manager. This appeal is not part of the grievance process and the decision of the General Manager is final.
- D. If an employee’s performance evaluation is more than 30 days overdue, the employee’s step increase, if applicable, shall be granted, retroactive to the date following the end of the evaluation rating period, pending their supervisor’s completion of the performance evaluation; however, it is also the employee’s responsibility to notify human resources if/when they do not receive their performance evaluation by the due date.
- E. If an employee is on a leave of absence in excess of four continuous weeks, their performance evaluation date will be extended for the same amount of time as the leave that was in excess of four weeks and that date will remain the annual performance evaluations date.

SECTION 5 – CERTIFICATIONS/EDUCATION & PROFESSIONAL MEMBERSHIPS

A. REQUIRED CERTIFICATIONS/EDUCATION

Certification/education requirements are shown at the end of each job description.

- 1. If an employee is initially hired at a “no certification/education” range as indicated in their job description, they will not be allowed to remain at the “no certification/education” range indefinitely.
 - a. Upon hire, an employee hired at a “no certification/education” range will be provided with an employment agreement that clearly outlines the specific certification/education requirements of their position.
 - b. The employee’s supervisor shall provide the employee with the information and training to prepare for the necessary certification exam/s or educational pursuits.

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- c. If the employee does not successfully achieve the minimum level of certification/education, beyond the “no certification/education” range, as required of their position, they will be subject to disciplinary action.
2. Once an employee receives a required certification/education of a higher range, as indicated in their job description, they will be moved to their same step within the higher range, resulting in a 2.5% increase.
3. If an employee fails to maintain the certification/education requirements for their position, they will be subject to disciplinary action.
4. The District will reimburse employees for the cost of exams for certifications required of their position, as specifically stated in their job description.
5. The District will reimburse employees for the cost of exam for certifications that are not required of their position but are determined by the General Manager to be relative to their job duties/responsibilities.
6. If an employee does not successfully pass a certification exam within the first 2 attempts, the employee will be responsible for covering the cost/s for any additional attempts at passing the exam.
7. Certification renewal fees will be paid by the District; however, employees are responsible for any late fees incurred.

B. OPTIONAL CERTIFICATIONS

The 2.5% “Optional Certification Pay” shall be eliminated. The District will work with the association to develop a list of all possible qualifying additional certifications based on certain job descriptions. The District’s management job descriptions shall be updated to reflect the removal of all “other” certifications from the positions’ respective pay range.

1. Membership fees for certification and/or professional associations, as approved by the General Manager, will be paid by the District.
2. Continuing education unit fees will be paid by the District and District time will be made available for the training of employees whose classifications require distribution and treatment certification. In-house training required by the State for continuing education units will be on District time and paid by the District for all certifications.
3. District approved training required by the State for continuing education units will be on District time and paid by the District for required certifications, as stated specifically in their job descriptions, or as determined by the General Manager to be related to their job duties/responsibilities.

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C. CONTINUING EDUCATION BONUS

When an employee receives an additional certification, based on the list of all possible qualifying additional certifications for their respective job description, or receives a college degree for those positions that do not require one, a one-time stipend bonus of \$1,000 shall be paid to the employee, upon General Manager approval.

SECTION 6 – BILINGUAL PAY

A management employee shall receive \$75.00 per pay period if they are bilingual (English/Spanish) and utilize both languages to communicate with the public.

SECTION 7 – OUT-OF-CLASS (OOC) PAY

When a supervisor/manager is going to be away from the office and unavailable for more than one day, he or she may request approval from the General Manager to have a qualified employee serve in an out-of-class assignment in the supervisor's/manager's absence.

The employee approved for an OOC assignment shall receive an additional 15% out-of-class pay.

An employee serving in a partial out-of-class assignment is only eligible to receive the additional 15% out-of-class pay for time actually worked, not while on paid time off (e.g. vacation or sick leave) and/or for a District-observed paid holiday, unless they are called into work on a District-observed paid holiday.

Pursuant to Gov. Code 20630, an employee serving in a full out-of-class pay assignment shall receive the additional 15% out-of-class pay for all hours of compensation, including District-observed holidays, sick or vacation leave, industrial disability leave, and compensatory time off.

SECTION 8 – CAR ALLOWANCE

The General Manager may provide certain management positions with a car allowance or use of a District vehicle.

SECTION 9 – ANNUAL PHYSICAL REIMBURSEMENT

Management employees are eligible to receive reimbursement for up to \$500 each fiscal year for the cost of an annual physical that is not covered by the employee's medical insurance.

ARTICLE 5. HOURS OF WORK

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SECTION 1 – 9/80 SCHEDULE

The District's 9/80 work schedule has two alternating teams, "blue" and "gold" Supervisors will assign the employee to the team. All team changes will be approved by the General Manager.

Under the 9/80 schedule, assigned staff shall work, in any two week pay period, 8 weekdays (Monday - Thursday) for 9 hours each day, and 1 day (Friday) for 8 hours and off on the alternate Friday.

Some employees may not be eligible for the 9/80 work schedule due to District operational considerations, as determined by the supervisor and approved by the General Manager.

An alternate work schedule may be considered by the General Manager for employees who prefer not to work the 9/80 schedule.

ARTICLE 6. RESIGNATIONS & RETIREMENTS

SECTION 1 – NOTIFICATION

An employee wishing to resign or retire in good standing shall submit a written resignation at least 2 weeks prior to the effective date of resignation. The District will pay an employee for all hours worked and any applicable and available leave balances on the next regular payday following their resignation/retirement.

SECTION 2 – NOTIFICATION BONUS

A one-time payment of \$500 shall be made to an employee upon receipt of their written notification of their pending resignation/retirement date if they provide the District with a 30-day notice. A one-time payment of \$1,000 shall be made to an employee upon receipt of their written notification of their pending resignation/retirement date if they provide the District with a minimum 90-day written notice of their pending resignation/retirement date. In either case, if the employee provides said notice, but resigns/retires before the end of the 30 or 90 days or if the rescind their notice of resignation/retirement, they will be required to directly repay the District for the bonus.

SECTION 3 – RETIREMENT BONUS

All employees having 10 or more years of continuous service with the District, upon retirement after age 62, shall be granted an additional one-month's pay.

ARTICLE 7. LEAVES

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SECTION 1 – EXECUTIVE LEAVE

- A. Management employees accrue 1.54 hours of executive leave per pay period, up to a maximum of 120 hours.
- B. Once an employee reaches the maximum accrual of 120 hours, they will stop accruing executive leave until their balance is below 120 hours.
- C. Half (½) of an employee’s executive leave balance shall be cashed out upon voluntary termination or retirement; OR
 - 1. Upon retirement, an employee may elect to contribute up to their entire executive leave balance to an HRA, pursuant to Article 9, Section 8-C.

SECTION 2 – VACATION

- A. Each regular and probationary employee will accrue vacation leave as follows:
 - 1 through 5 years = 4.00 hours per pay period
 - After 5 years = 4.62 hours per pay period effective on 5th anniversary
 - After 10 years = 6.15 hours per pay period effective on 10th anniversary
 - After 15 years = 7.69 hours per pay period effective on 15th anniversary
 - After 19 years = 8.00 hours per pay period effective on the 20th anniversary
- B. The General Manager may grant a newly hired management employee a higher vacation accrual rate, up to a maximum of 8 hours per pay period.
- C. If an employee’s last day of employment with the District falls within the middle of a pay period, their vacation leave hours accrued for that pay period will be prorated accordingly.
- D. Employees are allowed to accrue vacation leave up to a maximum of 248 hours.
 - 1. On December 31 of each year, an employee with vacation hour balance that exceeds 248 hours will stop accruing until vacation leave is used and their balance is below 248 hours.
 - 2. When circumstances created by the District are beyond the control of the employee and make it impossible for the employee to use vacation leave as described above to reduce their maximum accrued vacation hours, the General Manager may grant an extension to the maximum accrued hours allowed until such time that the employee is able to take the necessary vacation time off to reduce their balance.
- E. Use of Vacation Time

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Any planned leave (vacation or comp time off) must be requested with as much notice as possible. Supervisors will grant requests based on the needs of the District. Requests shall not unreasonably be withheld or denied.

An employee may elect to use accrued vacation for scheduled medical, dental or vision appointments, evaluations or associated activities if they have exhausted their sick leave balance.

F. Payout of Vacation Leave

Employees who terminate their employment with the District shall be paid for all accrued and available vacation leave.

G. Sell Back of Unused Vacation Leave Hours

Employees may sell back unused vacation time under the following conditions:

1. A minimum of 40 hours can be requested;
2. The maximum of 80 hours can be requested;
3. The employee must have taken at least 100 hours of vacation and/or executive leave within the previous 12 months.
4. The employee must have a remaining balance of at least 80 hours of accrued vacation and/or executive leave after the sell back; and
5. Employees must complete and submit to human resources a vacation leave sell back request form by the December deadline as established by human resources each year.
 - The sell back will occur in the following December.
 - Once an employee submits a request form, it cannot be modified for revoked, per the IRS regulations.

SECTION 3 – SICK LEAVE

A. Sick Leave Accrual

Regular and probationary employees will accrue 3.69 hours of sick leave per pay period.

B. Sick Leave Use

Sick leave usage shall be allowed for the following qualifying reasons:

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1. For the employee's own illness or injury.
2. For the employee's own diagnosis, care, or treatment of an existing health condition; or preventative care, including medical and dental appointments.
3. For the diagnosis, care, or treatment of an existing health condition or preventative care for an employee's family member, including: parent, parent-in-law, child, spouse, domestic partner, grandparent, grandchild, or sibling.
4. To obtain relief or services related to being the victim of domestic violence, sexual assault, or stalking, including the following, with appropriate certification of the need for such services:
 - A temporary restraining order or restraining order.
 - Other injunctive relief to help ensure the health, safety or welfare of themselves or their children.
 - To seek medical attention for injuries caused by domestic violence, sexual assault or stalking.
 - To obtain services from a domestic violence shelter, program, or rape crisis center as the result of an act of domestic violence, sexual assault, or stalking.
 - To obtain psychological counseling related to an experience of domestic violence, sexual assault, or stalking.
 - To participate in safety planning and other actions to increase safety from future domestic violence, sexual assault, or stalking, including temporary or permanent relocation.
5. In accordance with California Kin Care Law, regular full-time employees may use up to ½ of their annual accrued total sick leave to care for a family member.
6. Employees who terminate their employment with the District will be paid for 50% of unused sick leave, not to exceed payment for 400 hours.
7. If an employee's sick leave balance is exhausted, another paid leave (e.g. vacation, comp. time) will be used.
8. A sick leave absence of more than 40 hours resulting from an employee's non-work-related injury or illness will require that the employee submit a doctor's note to human resources upon their return to work.
9. Any suspected abuse of sick leave usage is subject to discipline, up to and including termination.

C. Worker's Compensation Illness or Injury

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1. Pursuant to California Labor Code 4600, workers' comp will pay for time off for doctors' appointments that are required by the District or its insurance carrier as a result of a work-related illness or injury.
2. When an employee is injured on the job and, according to their physician, is able to return to work with temporary modifications to their job duties, the District will make every effort to place the employee in a modified assignment until he or she is released back to full duty. The nature of the assignment will depend on the physical restrictions of the employee as stated by the treating physician and the availability of a modified position in the employee's normal department or another department that is consistent with the physical restrictions. An employee's acceptance of a modified duty assignment, if available, will be mandatory.

SECTION 4 – BEREAVEMENT LEAVE

In the event of a death in the family, regular and probationary employees shall be eligible for up to 3 working days off with pay to attend the funeral or make funeral arrangements, subject to the following provisions:

1. The relatives designated shall include child, parent, spouse, sibling, grandparent, grandchild, aunt/uncle, niece/nephew, cousin, and domestic partner. It shall also include "in-law" relatives and those relationships generally called "step."
2. Bereavement leave is not compensable for days falling outside an employee's regular work schedule.
3. All requests for bereavement leave shall be made in writing as soon as practical but in no event later than the first day back to work, and shall be subject to approval of the human resources manager.

SECTION 5 – JURY DUTY LEAVE

Employees shall be compensated at their base hourly rate of pay for serving jury duty during the employee's regularly scheduled work hours. In order to be compensated for jury duty leave, the employee must submit to human resources a copy of their jury duty summons, along with their time-in/time-out tracking sheet as provided by the court.

SECTION 6 – MILITARY LEAVE

The administration of military leave shall conform to both state and federal laws including, but not limited to, the requirements of the California Military & Veterans Code and the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

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Such employee shall be entitled to the applicable leaves of absence and employment and reemployment rights and privileges provided by the Military & Veterans Code of the State of California and USERRA. The employee must provide reasonable advance notice of the need for Military Leave and must provide the District with a copy of all military orders.

An employee ordered to active duty for training purposes in the U.S. armed forces, will be paid the difference between their District salary and the basic pay received for active military duty for a maximum of 10 working days per year.

SECTION 7 – SCHOOL OR CHILD CARE PROVIDER ACTIVITIES LEAVE

School or child care provider activities leave is the allowable use of the employee's existing leave credits to attend school or child care provider activities; to enroll or reenroll a child in a school or with a licensed child care provider; or to address a school or child care provider emergency.

A regular employee who is a parent, guardian, stepparent, foster parent or grandparent with custody, or who stands in loco parentis, of a child enrolled in grades K through 12 of a public or private school, or in a licensed child day care facility, is eligible for school or child care provider activities leave.

An employee may use up to 40 hours of his/her existing vacation, sick leave, or compensatory time hours per calendar year, but not more than 8 hours in any single calendar month, regardless of the number of children the employee may have. The 8 hour per month limitation does not apply for leave to address a school or childcare provider emergency.

- A. If the employee does not have sufficient paid leave available, he/she shall be allowed to take unpaid personal leave.
- B. Employees are required to give 48 hours advance notice, unless it is a school or childcare provider emergency as indicated in below, of their desire to take school or child care provider activities leave. Advance notice of less than 48 hours may only be given with approval by the District.
- C. The District may also require that the employee provide documentation verifying participation in school or childcare provider activities.
- D. An emergency means that an employee's child cannot remain in school or with a child care provider due to one of the following:
 - The school or child care provider has requested that the child be picked up, or has an attendance policy, excluding planned holidays, that prohibits the child from attending or requires the child be picked up from the school or child care provider;
 - Behavioral or discipline problems;
 - Closure or unexpected unavailability of the school or child care provider, excluding

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- planned holidays; and/or
- A natural disaster, including, but not limited to, fire, earthquake or flood.

SECTION 8 – FAILURE TO RETURN FROM LEAVE/JOB ABANDONMENT

Except as otherwise provided by law including, but not limited to, federal and state provisions related to return from military leave, failure by an employee to return to duty or notify the District of their intent to return to duty within 48 hours of the date he/she is scheduled to return from any type of leave shall be considered an automatic resignation and the employee shall be notified of his/her automatic resignation from District employment. The District will consider evidence of extenuating circumstances if it is submitted by the employee to the District within ten (10) calendar days of the postmark of the District notice.

ARTICLE 8. HOLIDAYS

A. ACTUAL HOLIDAY DATES

Following are the actual holiday dates, which may differ from the District’s observed holiday date, as described below in “B”:

New Year’s Day – January 1
Martin Luther King, Jr. Day – 3rd Monday in January
Presidents' Birthday – 3rd Monday in February
Memorial Day – Last Monday in May
Independence Day – July 4
Labor Day – 1st Monday in September
Veterans Day – November 11
Thanksgiving Day – 4th Thursday in November
Day after Thanksgiving – 4th Friday in November
Christmas Eve - December 24
Christmas Day – December 25
New Year’s Eve Day – December 31

B. DISTRICT OBSERVED HOLIDAYS

Any of the actual holiday dates listed in “A” above that fall on a Saturday shall be observed (i.e., District offices will be closed) on the preceding Friday. Any of the above holidays that fall on a Sunday shall be observed on the following Monday.

C. HOLIDAY PAY

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An employee whose regularly scheduled workday falls on an actual holiday date as listed above in "A", **not** the date that a holiday is observed, shall be paid for their actual hours worked, plus holiday pay for their regular hours for that day.

1. For example, an employee on a 9/80 work schedule will receive 9 hours of holiday pay for an actual holiday date that falls on a Monday through Thursday, or 8 hours of holiday pay an actual holiday date that falls on their working Friday. An employee that regularly works a 4/10 schedule shall receive 10 hours of holiday pay for an actual holiday date that falls on their regularly scheduled workday.
2. For an employee on a 9/80 work schedule, when a holiday falls on their regular Friday off, the holiday will be observed and the employee will have the following Monday off.
3. To be eligible for holiday pay, an employee must be in paid status in the in the pay period that includes the holiday.

ARTICLE 9. BENEFITS

SECTION 1 – HEALTH/MEDICAL

A. ELIGIBILITY

New regular full-time employees are eligible for health, dental and vision benefits on the first day of the month following their date of hire and upon proper application and acceptance, as set forth in the agreement between the District and ACWA/JPIA for the benefit plan year that begins January 1 and ends December 31 of each year. For the purpose of these benefits, full-time is defined as an employee who works at least 24 work hours per workweek.

B. COVERAGE

The cost of coverage for each health plan offered is provided in a premium rate sheet that is updated ahead of the start of each benefit plan year and provided to all employees during open enrollment.

1. The District pays 100% of the Kaiser plus Chiropractic plan for each coverage level: employee only, employee plus one, employee plus family. The District also pays these same amounts towards the cost of any other plan and coverage level an employee selects.
 - a. For example, if the Kaiser plus Chiropractic plan for employee-only coverage is \$600 per month and an employee selects a PPO option for employee-only coverage at a monthly cost of \$900, the District would pay \$600 and the employee would be responsible for the additional \$300 per month.

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C. COVERAGE TERMINATION

An employee's medical/dental/vision coverage will end on the last day of the month in which they are no longer employed by the District. For example, if an employee resigns on May 11, their coverage will end on May 31.

Depending on the employee's medical coverage and their last day of employment, additional premium deductions may be taken from their last paycheck in order to cover any remaining monthly "employee cost."

D. WAIVER OF HEALTH/MEDICAL COVERAGE

Eligible employees who provide proof of coverage under another group health insurance plan may elect to waive District-provided health coverage and will receive \$250 per month in lieu of health coverage.

SECTION 2 – DENTAL & VISION

The District provides dental and vision insurance and pays the full amount of the monthly premiums for all regular full-time employees and their eligible dependents. All eligible employees are required to enroll in the dental and vision plans for employee-only coverage. For the purpose of these benefits, full-time is defined as an employee who works at least 24 work hours per workweek.

SECTION 3 – LIFE INSURANCE & ACCIDENTAL DEATH & DISMEMBERMENT (AD&D)

The first day of the month following date of hire, an employee, upon proper application and acceptance by the insurance carrier, shall be covered under a group life insurance and AD&D plan. The District shall pay the full monthly premium costs for coverage.

- A. The benefit is equal to two times an employee's base annual salary, rounded to the next higher \$1,000, up to a maximum of \$300,000.
 - 1. At age 65, but not age 70, benefit is 67% of the amount shown in "A" above.
 - 2. At age 70 or more, the amount of the insurance will be 45% of the amount shown in "A" above.

SECTION 4 – LONG TERM DISABILITY (LTD) INSURANCE

The District shall pay the full monthly premium costs for employees' LTD insurance coverage. Beginning on or as near to July 1, 2019 as is administratively possible and for the term of this agreement, the District-paid LTD benefit will change from a 66^{2/3} % pre-tax benefit to a 60% post-tax benefit, resulting in the District-paid monthly premiums being made after-tax and making the

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actual LTD benefit tax-free. To accomplish this, each employee's salary will be "grossed up" approximately 20% to off-set the amount of taxes the District will be paying for each employee.

SECTION 5 – FLEXIBLE SPENDING ACCOUNTS (FSA)

The District will maintain a voluntary FSA program in accordance with applicable IRS statutes to allow employees to pay for covered expenses using pre-tax dollars.

SECTION 6 – STATE DISABILITY INSURANCE (SDI) & PAID FAMILY LEAVE

Employees requested and the District implemented State Disability Insurance (SDI) at the employees' expense. Participation is mandatory. The coordination of SDI or PFL (Paid Family Leave) payments with sick leave cannot exceed the employee's regular weekly wage. Coordinating SDI payments with vacation leave does not affect your benefits. The District requires that employees use two weeks of vacation prior to receiving PFL.

SECTION 7 – DEFERRED COMPENSATION

Effective July 1, 2022, the District's matching contribution to a 401(a) plan for management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 2.9% of the employee's base salary.

Effective July 1, 2023, the District's matching contribution to a 401(a) plan for management employees who contribute at least an equal percentage to their individual 457(b) deferred compensation plan shall increase by .5% to 3.4% of the employee's base salary for the remainder of the contract.

SECTION 8 – RETIREMENT & SOCIAL SECURITY

A. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

The District participates in the California Public Employees' Retirement System (CalPERS).

1. Employees hired at the District before January 1, 2013 are considered "classic members" and contribute 8% of their salary, with the following provisions under the District's contract with CalPERS:
 - a. Pre-Retirement Option 2W Benefit;
 - b. Retirement Benefit Formula of 2.5% at age 55; and
 - c. Single Highest Year Final Compensation Option.
2. Employees hired on or after January 1, 2013 who are also "new members" will contribute 50% of the normal cost established by CalPERS pursuant to the Public Employees' Pension Reform Act (PEPRA), with the following provisions under the District's contract with CalPERS:

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- a. Pre-Retirement Option 2W Benefit;
- b. Retirement Benefit Formula of 2% at age 62; and
- c. Average of Three Highest Years' Compensation.

B. SOCIAL SECURITY

All employees of the District participate in the Federal Social Security Program. Payroll deductions are taken from each employee's pay and matching contributions are made by the District.

C. HEALTH REIMBURSEMENT ACCOUNT (HRA)

An employee hired before July 1, 2022 and retiring after age 50, with 10 or more years of continuous employment, has the option of continuing on the District's medical, dental and/or vision insurance plans using an HRA account that is funded with conversion of their sick leave hours as follows:

1. Using the current benefit plan year's premium rates and a 5% projection for possible cost increases in subsequent years, the District estimates the projected cost for the employee to pay 50% of the employee-only monthly premium for dental and/or vision coverage and 50% of the employee-only monthly medical premium/s, with the District paying the remaining 50% of the employee-only dental and/or vision and employee-only monthly medical premium/s.

Following is an example of how the medical premium costs are shared between the retiree and District:

	TOTAL MONTHLY PREMIUM FOR KAISER MEDICAL	RETIREE PAYS MONTHLY	DISTRICT PAYS MONTHLY
RETIREE Only Coverage	\$ 623.16	\$ 311.58	\$ 311.58
RETIREE + One	\$ 1,236.43	\$ 924.85	\$ 311.58
RETIREE + Family	\$ 1,745.45	\$ 1,433.87	\$ 311.58

2. The full amount as calculated in "1" above is the amount that will be transferred from the employee's final sick leave balance to their HRA account, which will be used to make the monthly premium payments until the HRA account balance is depleted or the retiree or their covered spouse, if applicable, reaches Medicare eligibility.

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The following is an HRA example for an employee that retires in 2019 at age 60 with 1500 hours of sick leave on the books and typical Medicare eligibility at age 65:

1. Value of Total 1500 Sick Leave Hours at Retirement	\$67,500	1500 Hours x \$45.00 (Employee's Hourly Wage)
2. Premium Cost of Retiree + Spouse Coverage for Medical, Dental & Vision		NOTE: Premium costs provided for example only, they do not represent actual rates
2019 benefit year	\$10,000	
+5% in 2020	\$10,500	
+5% in 2021	\$11,025	
+5% in 2022	\$11,567.25	
+5% in 2023	\$12,155.06	
3. Amount Deposited to HRA	\$55,256.31	Estimated total cost for coverage to Medicare eligibility in 2023
4. Amount of Sick Leave Remaining After Amount Deposited to HRA	\$12,243.69	Calculation: \$67,500-\$55,256.31
5. Hours Equivalent of Remaining Sick Leave	272.08 Hours	Calculation: \$12,243.69/\$45.00. *Eligible to cash out or convert to CalPERS service credit full remaining balance since less than 600 hours max. in effect for 7/1/19-6/30/20
6. Cash out value or amount to be converted to CalPERS service credit	\$12,243.60	Calculation: 272.08*\$45.00

3. If a retiree's HRA account balance is depleted before they become eligible for Medicare, he/she can instead begin paying their share of the monthly premiums directly to the District in order to continue coverage under the District's medical, vision and/or dental insurance plans until the retiree or their spouse, if applicable, is eligible for Medicare.
4. Once a retiree and/or their covered spouse becomes eligible for Medicare, which makes them ineligible to continue on the District's medical coverage, they are also no longer eligible to continue on the District's dental and/or vision coverage. Instead, they will receive information on continuing their coverage/s using COBRA.
5. Actual premium rates to be deducted from each retiree's HRA will be updated as the actual rates are provided for each new plan year (January 1 – December 31).
6. If applicable, any balance in the account when the retiree becomes eligible for Medicare or if they should die prior to becoming eligible for Medicare, will be available for the same use to the retiree's covered eligible dependent(s) until they become eligible for Medicare or COBRA rights are exhausted, whichever comes first. If there is no covered eligible dependent(s), any unused balance shall be forfeited.

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- 7. If an employee has sick leave hours remaining after the mandatory contribution to the HRA account as described above, OR if the employee chooses to not participate in the HRA, the employee has the choice of:
 - a. Cashing out half of their remaining sick leave hours balance, up to the maximum of 400 hours, or all of their remaining balance, whichever is less.
 - b. Converting half of their remaining sick leave hours balance, up to the maximum of 400 hours to CalPERS service credit. If an employee wishes to elect this option, they must inform human resources before their final date of employment with the District.

ARTICLE 10. EDUCATIONAL PLAN

Unit members seeking participation in the educational plan must first obtain approval from the General Manager. The General Manager shall have the authorization to increase District contribution to the fund, at his/her discretion, throughout the remainder of the agreement.

If, at any time, the education fund is depleted, the District shall inform the Association immediately, in writing, that funds are no longer available, to help employees prepare for the following semester.

The funds set aside for the educational plan will not be used to replace existing funds for unit member certification and other job-related training.

An employee participating in the educational plan must receive a grade of "C" or better in each class in order to receive reimbursement.

ARTICLE 11. LAYOFF PROCEDURES

The District agrees to meet with the bargaining unit representatives at least 30 days prior to issuance of any layoff notices for the purpose of conferring over the impact and implementation of said layoffs and to discuss alternatives and options; however, the General Manager shall retain the final decision with respect to the classifications and number of employees to be laid off.

A. The layoff process shall be administered and employees selected for layoff as follows:

- | | |
|----------------|------------------------|
| <u>First:</u> | Temporary employees |
| <u>Second:</u> | Probationary employees |
| <u>Third:</u> | Part-time employees |
| <u>Fourth:</u> | Regular employees |

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1. Regular employees in classifications identified to be laid off will be laid off in order of seniority, with the employee with the least seniority laid off first.
2. Whenever two or more employees have identical seniority in the affected classification, the order of layoff shall be determined by the General Manager on the basis of performance.
3. In lieu of being laid off, regular employees have the right to demote to a lower vacant position with the District and for which the employee meets the minimum qualifications and is capable of performing the essential functions of the position.

ARTICLE 12. USE OF DISTRICT VEHICLES

Except as provided in this section, District vehicles may be used by employees only for conducting District business. Violations may result in disciplinary action, up to and including termination.

- A. An employee who is assigned a District vehicle shall not allow any other individual, including District employees, to drive the vehicle for personal use.
- B. An employee may be granted limited personal use of a District vehicle upon first receiving approval by the General Manager or his designee.

ARTICLE 13. DISCIPLINARY ACTION

Violations of FPUD'S Personnel Regulations, safety rules, criminal law, and/or actions which are insubordinate, flagrantly careless and/or incompetent, or otherwise prejudicial to the best interests of the District, will be subject to disciplinary action, up to and including termination.

While it is the District's intent to take a progressive approach to disciplinary matters, progressive discipline is not required depending on the severity of the employee's misconduct.

SECTION 1 – DISCIPLINARY ACTIONS NOT SUBJECT TO NOTICE AND APPEAL PROCEDURES

- A. The following disciplinary actions may be taken to address an employee's performance deficiencies and/or to address a violation as stated above:
 1. Verbal counseling/warning
 2. Written warning
 3. Reassignment

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4. Suspension without pay for up to 3 days

SECTION 2 – DISCIPLINARY ACTIONS SUBJECT TO NOTICE AND APPEAL PROCEDURES

- A. The following disciplinary actions require that written notice of intent to discipline be given to the employee, with an opportunity for the employee to appeal the proposed discipline:
 1. Suspension from duty without pay for 4 or more days
 2. Salary step reduction
 3. Demotion
 4. Termination from District employment
- B. A written notice of intent to discipline shall be provided to the employee not less than 10 business days prior to the effective date of the proposed disciplinary action and shall contain:
 1. Specific charges upon which action is based;
 2. The reasons why such action is being taken;
 3. Copies of the materials upon which the action is based;
 4. Information essential to give the employee a fair opportunity to answer the charges made;
 5. A time and date no less than 5 business days after the notice of intent to discipline was provided to the employee by which the employee must submit a written response, including their intent to appeal the proposed discipline either in writing or at a Skelly meeting with the General Manager; and
 6. A tentative date and time for a Skelly meeting.
- C. Failure of the employee to respond to the notice of intent to discipline shall constitute a waiver by the employee of any right to appeal the proposed discipline and will result in the discipline being imposed as originally presented.
- D. If the employee or former employee is dissatisfied with the decision made by the General Manager or his designee, he may appeal in writing, to the President of the Board of Directors. This written notice of appeal shall be filed with the Secretary of the District no later than fifteen calendar days after the date of service of the notice of the General Manager's or his designee's decision, whichever is earlier. Either party may also request a no-cost mediation through the State Mediation and Conciliation Service prior to the appeal hearing. Such

MOU BETWEEN FPUD AND FMEA

request must be made by the employee within the same fifteen calendar day period noted above, or by the District within 15 calendar days of receiving notice of the employee's written appeal.

1. The Secretary shall schedule a hearing within thirty calendar days of the date of filing of the notice of appeal, and the Secretary shall notify the employee of the time and date fixed for the hearing. This time can be extended for good cause.
2. Upon conclusion of the hearing, the Board of Directors shall inform the employee, in writing, of their determination within 5 business days. This time can be extended for good cause.
3. The Board of Directors has the power to reinstate a discharged employee and/or to impose less severe discipline on the employee. The decision of the Board of Directors is final and cannot be appealed.

ARTICLE 14. GRIEVANCE PROCEDURE

A grievance shall be considered as any matter for which appeal is not elsewhere provided concerning a dispute about the interpretation or application of the terms or conditions contained in an MOU, the Personnel Rules, or a District policy or procedure regarding the same. Timeframes, as set forth throughout the grievance procedure, may be extended by mutual agreement between the parties.

SECTION 1 – PURPOSE

To provide employees, either individually or through their association representative, with a means of obtaining further consideration of a complaint or issue after every reasonable effort has failed to resolve them through less formal discussion.

SECTION 2 – PROCEDURE

STEP 1. FIRST LEVEL OF REVIEW - IMMEDIATE SUPERVISOR

An employee should first try to get their complaint/issue settled informally through discussion with their immediate supervisor within 15 business days of the occurrence of the event resulting in the grievance. If the employee is not in agreement with the outcome of the discussion, they have the right to file a formal grievance, in writing, to the Operations Manager or Human Resources Manager within 10 business days after receiving the informal decision of their immediate supervisor.

STEP 2. SECOND LEVEL OF REVIEW – OPERATIONS MANAGER OR HUMAN RESOURCES MANAGER

MOU BETWEEN FPUD AND FMEA

If an employee does not receive a satisfactory answer or resolution from their immediate supervisor, he will be allowed 10 business days to refer the grievance, in writing, to the Operations Manager, in the case of field personnel, or to the Human Resources Manager in the case of office personnel. The written grievance shall detail the facts upon which the grievance is based and be dated and signed by the employee. After receiving the written grievance, the Operations Manager or Human Resources Manager will promptly schedule a meeting to provide the employee an opportunity to present his appeal personally. The manager who met with the employee will provide a written response within 15 business days. If the employee does not agree with the decision reached, he/she may present the appeal in writing to the General Manager.

STEP 3. THIRD LEVEL OF REVIEW - GENERAL MANAGER

The General Manager or his/her designated representative should discuss the grievance with the employee, his/her representative, if any, and with other appropriate persons. The General Manager may designate any person or persons to advise them concerning the appeal. The General Manager shall render their decision in writing to the employee within 10 business days after receiving the appeal. The decision at this step shall be final and conclusive for all parties.

SECTION 3 – GRIEVANCE AGAINST GENERAL MANAGER

A grievance in which the General Manager is a party may be submitted to the President of the Board of Directors. The written grievance shall detail the facts upon which the grievance is based and be dated and signed by the employee. The grievance shall be submitted to the President of the Board of Directors within 15 business days of the event resulting in the grievance. The Board of Directors will investigate the grievance and may hold a formal or informal hearing at its discretion, unless waived by the employee. The Board of Directors shall submit its written decision within 10 business days. The decision of the Board of Directors is final.

Following submission of the General Manager's answer, and before going to Section 4, Advisory Arbitration, matters which are unresolved shall be discussed at a meeting between the parties during which all pertinent facts and information will be reviewed in an effort to resolve the matter.

STEP 4. ADVISORY ARBITRATION.

Any dispute or grievance which has not been resolved by the grievance procedure may be submitted to advisory arbitration by the Association Representative or the District within ten working days, following its termination in the grievance procedure. The following Advisory Arbitration procedures shall be followed:

- A. The requesting party will notify the other party in writing of the matter to be arbitrated and the contract provision(s) allegedly violated. Within 5 working days of the receipt of this notice, the parties may agree upon an arbitrator, or a panel of 3 arbitrators trained in conducting grievance hearings. If agreement on an arbitrator cannot be reached, the State Department of Industrial Relations shall be requested by either or both parties to provide a list of 5 arbitrators. Both the District and the Association shall have the right to strike 2 names

MOU BETWEEN FPUD AND FMEA

from the list. The party requesting the arbitration shall strike the first name; the other party shall then strike one name. The process will be repeated and the remaining person shall be the arbitrator.

- B. The arbitrator shall hear the case within 20 working days after the arbitrator has been selected. The arbitrator may make a written report of their findings to the Association and the District within 15 working days after the hearing is concluded. The arbitrator shall make rules of procedure. The decision of the arbitrator shall be advisory to the General Manager who shall render a final decision within 10 working days. The arbitrator shall have no authority to amend, alter, or modify this agreement or its terms and shall limit recommendations solely to the interpretation and application of this agreement.
- C. Each grievance or dispute will be submitted to a separately convened arbitration proceeding except when the District and the Association mutually agree to have more than one grievance or dispute submitted to the same arbitrator.
- D. The District and the Association shall share the expense of arbitrators and witnesses and shall share equally any other expenses, including those of a stenographer, if required by either party. If either party elects not to follow the advisory decision rendered by the arbitrator, that party shall pay the entire cost of the arbitration process, including the expense of the arbitrator, witnesses, and/or stenographer.

SECTION 4 – GRIEVANCE POLICY EXCLUSIONS

This grievance procedure shall not apply to:

- 1. The content of employee evaluations;
- 2. Verbal warnings or counseling;
- 3. Employee recognition programs; or
- 4. Any other subject unless covered in the expressed terms of this MOU.

ARTICLE 15. ENTIRE AGREEMENT & SIGNATURES

If any of this MOU is declared by legislative or judicial authority to be unlawful, unenforceable, or not in accordance with applicable provisions of Federal, State or Local laws or regulations, such part or provisions shall be suspended and superseded by such applicable law or regulations and the remainder of this MOU shall remain in full force and effect for the duration of this MOU.

It is acknowledged that during negotiations which resulted in this MOU, FMEA had the unlimited right and opportunity to make demands and proposals with respect to all proper subjects within the scope of representation. Therefore, for the term of this agreement, FMEA agrees that FPUD shall not be obligated to meet and confer with respect to any subject or matter not specifically

MOU BETWEEN FPUD AND FMEA

referred to or covered in this MOU. All terms and conditions of employment not covered in this MOU shall continue to be subject to FPUD’s direction and control.

Except as specifically restricted by an express provision of this MOU, FPUD retains and may exercise all management rights and prerogatives in its discretion.

The terms and conditions of this MOU shall remain in effect during negotiations if the negotiations extend beyond June 30, 2027 until a new MOU is agreed upon or impasse is reached, whichever occurs first.

It is agreed that the Personnel Regulations shall be changed to reflect the changes contained herein.

President, Board of Directors

FMEA

Date

Date

M E M O

TO: Board of Directors
FROM: Personnel Committee
DATE: May 23, 2022
SUBJECT: Internship Program

Purpose

To obtain approval to add a second paid intern to the District's program.

Summary

Given the success of the internship program, we would like to expand it to also include a college intern, preferably a Fallbrook resident, to help increase the District's community exposure.

While the District's current local high school intern will remain focused on supporting social media efforts, it is anticipated that the college intern position could potentially assist with a variety of projects and programs and provide support across different departments.

Budgetary Impact

The college intern would earn \$16 - \$21 per hour, depending on previous work experience, in order to remain competitive with other agencies that have similar programs in place.

Recommendation

That the Board approve the addition of a second intern to the program.

M E M O

TO: Board of Directors
FROM: Kevin Collins, Purchasing/Warehouse/Fleet Supervisor
DATE: May 23, 2022
SUBJECT: Request for Approval to award one-time paving project to Asphalt & Concrete Enterprises, Inc.

Description

This request is for the Board to approve a one-time paving project to Asphalt & Concrete Enterprises, Inc.

Since July 2021, numerous valve replacements and leak repairs have occurred in various areas, all requiring a permanent paving solution. Currently a total of 22 patches require permanent paving. An RFP was issued for a total lump sum one-time paving job. Asphalt & Concrete Enterprises, Inc. was the lowest responsive and responsible bidder.

Purpose

As a result of leak repairs and valve replacements throughout our service area, a total of 22 sites have been temporarily patched with cold mix asphalt. In order to fully complete the repairs, the cold mix will need to be replaced with permanent hot mix. The expectation was for FPUD staff to complete smaller site repairs internally to help alleviate the rising cost of paving; however, this has not been possible due to additional obligations throughout the year and staffing shortages.

On April 21st, 2022, an RFP was submitted to 10 paving contractors and staff received 2 responses.

Budgetary Impact

Paving costs for leak repairs are budgeted out of operating expenses, with a total budget of \$100,000. Paving for valve replacements is budgeted out of the valve replacement CIP, which has a total budget of \$500,000.

Of the \$100,000 in operating expenses, a total of \$80,000 has been spent, leaving a balance of \$20,000. Of the \$500,000 in the valve replacement CIP, a total of \$340,000 has been spent year-to-date, leaving a balance of \$160,000.

For this paving project, of the \$52,800 bid by Asphalt & Concrete Enterprises, Inc., \$34,000 will be charged to CIP and \$18,800 will be charged to operating expenses, leaving a balance of \$126,000 in the valve replacement CIP and \$1,200 in the operating budget.

Recommended Action

That the Board approve a one-time paving project to Asphalt & Concrete Enterprises, Inc. for \$52,800.00

1. **MWD Issues**

MWD recently had a state audit completed relative to specific ethics and Equal Employment Opportunity Commission (EEOC). The audit identified some areas that needed to be addressed in the organization. The audit is available at:

<https://www.auditor.ca.gov/reports/2021-104/index.html>

There were some key findings in the report that could be applicable to public agencies and especially large public agencies with large governing boards.

I wrote the attached letter to SDCWA to suggest we review some of the findings as they could pertain to SDCWA and ensure we have safeguards in place. The response I received is also attached, but it was not in favor of my suggestions.

2. **Special Agricultural Water Rates (SAWR)**

SDCWA has indicated they will further review the current methodology they use in which we must allocate our local supply to SAWR customers as part of the rate setting process.

3. **Detachment**

LAFCO had made an assessment that the detachment process would be exempt under CEQA. SDCWA did not agree with this assessment. They wrote the attached letters to LAFCO on this subject. LAFCO's responses are also attached.

4. **Key Upcoming Issues**

Some key issues for the upcoming year include:

- Drought messaging and implementation of governor's drought restrictions.
- Fully understanding the use of consultants and lobbyist within San Diego County.
- Continuing the evaluation of potential changes to the existing rate structure
- Getting an update on the next phase of the regional conveyance study that was approved by the Board and developing a plan to fund millions in additional project work if the project continues to be pursued.



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

Board of Directors

Dave Baxter
Division 1

Ken Endter
Division 2

Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

May 12, 2022

Dear Chair Croucher,

I appreciate your willingness to serve in a leadership role at San Diego County Water Authority (SDCWA). I understand the role is very time consuming and has multiple competing challenges with limited resources. I also appreciate you putting together the Board workshop and preparing the summary that was presented at the April 20th, 2022 regular Board meeting. One of the items listed for evaluation by the ad-hoc committee to be led by Director Hogan was:

“Process for the review of complaints of ethical violations by staff and/or Board members”

I think the inclusion of this item by the Board Chair is very insightful to ensure the organization has safeguards in place to proactively address potential ethics or Equal Employment Opportunity Commission (EEOC) issues. The recent state audit of the Metropolitan Water District of Southern California (MWD), which came about in a large part from efforts by SDCWA delegates highlights some of the potential failures that can happen without proper application of ethics and organizational safeguards in a large public organization.

Many of the issues that were discovered through the independent state audit of MWD would likely never have been documented publically without the efforts of the SDCWA delegates. There are some important take-always from this audit that we may want to consider as it pertains to SDCWA. While it may be none of the types of issues that were identified in the MWD audit also have occurred at SDCWA, the structures and functions of the organizations are similar so there is a strong potential for future similar issues without similar safeguards in place.

It is also important to identify that even with an ethics office there were some challenges with independent investigations due to the strong role of the General Counsel and Board Chair relative to the collective oversight role of the Board. If we don't look at addressing how the fundamental organizational structure led to some of the problems at MWD then we are instead just hoping that the individuals involved in the leadership of SDCWA will always just be naturally more ethical than those at MWD and that these same issue will never occur at SDCWA.

I'm hopeful that the committee assigned to address this item can take a broader look at the ethics concerns as identified by the SDCWA Board Chair. Some questions that I have as a Board member relative to this topic I was hoping the committee could help answer are:

- Who is the lead in investigating ethics complaints at SDCWA for both internal and external complaints? Is it the General Counsel?
- What if there is an ethics complaint about the General Counsel or General Manager? Who addresses it?
- Does SDCWA have a documented ethics policy?
- Is staff aware of the ethics policy and how to file an ethics complaint?
- How does the Board ensure there is no retaliation against staff or individual Board members for ethics or EEOC complaints?
- Have there been any internal or external ethics or EEOC complaints filed with SDCWA over the last year?
- Does staff regularly report ethics or EEOC complaints to the Board?
- What safeguards are in place to ensure activities conducted by consultants under the umbrella of closed session are within ethical norms of a public agency?

Thanks for your consideration on this important topic.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Bebee". The signature is fluid and cursive, with the first name "Jack" being more prominent than the last name "Bebee".

Jack Bebee

Cc: Director Mike Hogan

May 13, 2022

Jack Bebee, General Manager
Fallbrook Public Utility District
990 E Mission Road
Fallbrook, CA 92028

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER
REPRESENTATIVE

County of San Diego

Dear Director Bebee,

Thank you for your May 12, 2022, letter regarding the process for review of complaints of ethical violations by staff and/or board members. Mike has a copy of your letter and will be working with the board officers, staff and the General Counsel's office both to provide background information and help organize the discussion as it goes forward to ensure all questions are addressed.

Given the current attention to the state audit report on Metropolitan, and with a concern that your letter might be misconstrued as suggesting similar problems exist at the Water Authority (they do not), I wanted to briefly reiterate that the history and factual situations involving Metropolitan and the Water Authority are quite different.

First, as background, Metropolitan and Water Authority staff and board members – including Fallbrook's staff and board members, and indeed, all elected municipal officials – are subject to numerous state laws governing ethics, including reporting requirements and oversight by the Fair Political Practices Commission. State law requires board members receive training about these laws addressing the fiduciary duties of directors, conflicts of interest, financial issues and other compliance measures. The Water Authority strictly adheres to these requirements, as do most water suppliers and other public agencies.

The case of Metropolitan is somewhat if not entirely unique in that "organizational safeguards" (as you call them) were deemed necessary by the state Legislature and put in place in 1999, when *SB 60 (Hayden) was signed into law requiring that Metropolitan establish an independent ethics office*. The legislation was introduced in direct response to Metropolitan's covert activities involving the Water Authority's proposed water conservation and transfer agreement with IID, including its use of public funds to conduct opposition research on the state Legislature and Governor (as well as on Water Authority board members). The Water Authority and its MWD delegates did not initiate the effort to create Metropolitan's ethics office, it was created by the state Legislature.

Similarly, the recent review of Metropolitan by the state auditor was prompted not by the Water Authority's Metropolitan board representatives, but by extensive testimony presented to the Metropolitan Board of Directors over several months by *multiple employees and their union representatives*.

Thus, however complimentary it may be, your letter is inaccurate to suggest that the Water Authority or its Metropolitan board representatives have played an outsized role regarding either the initial establishment of Metropolitan's ethics office, or the recent complaints by the Metropolitan employees, union representatives and elected officials which are the subject of the state audit.

The Water Authority has no such history or record of ethical violations and there is no basis to suggest that there is a "strong potential" as your letter states for the Water Authority to have similar problems simply because it is a wholesale regional water supplier. The Water Authority's successful track record isn't based on "hoping" to comply with ethical standards, but on organizational safeguards diligently applied by management and historically subject to appropriate board oversight.

The General Counsel has assisted me in drafting this letter, however, it is based on personal knowledge and my more than 20+ years of experience on the Water Authority's Board of Directors.

Thank you again for your letter and I look forward to the upcoming discussion that will occur as part of Director Hogan's working group.

Sincerely,



Gary Croucher

cc: SDCWA Board of Directors
General Manager Sandy Kerl
General Counsel Mark Hattam



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

May 5, 2022

Delivered by Electronic Mail:

Mark J. Hattam, General Counsel
 San Diego County Water Authority
 4677 Overland Avenue
 San Diego, California 92123-1233
mark.hattam@sdewa.org

SUBJECT: Response to April 27, 2022 Letter

Mr. Hattam:

I write in response to your letter dated April 27, 2022 letter regarding my April 15, 2022 e-mail to Fallbrook Public Utility District and Rainbow Municipal Water District related to steps remaining to complete the administrative reviews of their detachment applications. You take expanded issue with my statement that it initially appears the Class 20 exemption determined and filed by Fallbrook and Rainbow as the lead agencies under the California Environmental Quality Act (CEQA) applies. Your arguments are misplaced.

Consider the following.

- San Diego County Water Authority did not challenge the two notices of exemption that Fallbrook and Rainbow filed in conjunction with initiating the detachment applications with LAFCO.
- Otay Water District did challenge the two notices of exemption, but LAFCO was not a party to either action. LAFCO was also not a signatory to the stipulated judgments. LAFCO has not acquiesced to their enforceability to alter the Commission’s duties and discretions as a responsible agency under CEQA. Staff is aware of no authority that a stipulated judgment in an action to which LAFCO was not a party could, by its express terms, purport to limit LAFCO’s discretion. If you have authority to the contrary, please share and staff will consider it.

Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103-6624 T 619.321.3380 F 619.404.6508 www.sdlafco.org lafco@sdcounty.ca.gov	Chair Jim Desmond County of San Diego Joel Anderson County of San Diego Nora Vargas, Alt. County of San Diego	Vice Chair Paul McNamara City of Escondido Mary Casillas Salas City of Chula Vista Kristi Becker, Alt. City of Solana Beach	Chris Cate City of San Diego Marni von Wilpert, Alt. City of San Diego	Jo MacKenzie Vista Irrigation Barry Willis Alpine Fire Protection David A. Drake, Alt. Rincon del Diablo	Andy Vanderlaan General Public Harry Mathis, Alt. General Public
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- Regardless of whether, as CEQA permits, LAFCO as a responsible agency relies on the Class 20 exemption found by the two applying agencies, I made it clear staff remains open to revisiting the initial position as the administrative review process continues.

Your letter's strident tone and misstatements of the facts and law are counterproductive.

Proceeding forward, LAFCO staff will continue to process the applications and fully consider all public comments, including those from County Water Authority. However, that staff may disagree with some of County Water Authority's comments or positions does not mean we are ignoring them. To the contrary, we have gone to great lengths to ensure all affected agencies and other interested parties have ample opportunity to communicate their concerns and comments to inform staff's evaluation and ultimate report to the Commission, your accusatory tone notwithstanding.

Respectfully,



Keene Simonds
Executive Officer

cc via email:

Commissioners
Holly Whatley, Commission Counsel
Aleks Giragosian, Deputy Commission Counsel
Priscilla Allen, Analyst
Adam Wilson, Consultant and Ad Hoc Moderator
Sandra L. Kerl, General Manager, County Water Authority
Claire Collins, Counsel, San Diego County Water Authority
Jack Bebee, General Manager, Fallbrook PUD
Paula C. P. de Sousa, Counsel, Fallbrook PUD
Nick Kanetis, Deputy General Manager, Eastern MWD
Tom Kennedy, General Manager, Rainbow MWD
Alfred Smith, Counsel, Rainbow MWD
Bill Pellman, Special Counsel, Rainbow MWD
County Water Authority Board of Directors

enclosures:

1. Mark Hattman Letter, Dated April 27, 2022
2. Keene Simonds Email, Dated April 15, 2022

April 27, 2022

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

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Lakeside Water District

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Camp Pendleton
Marine Corps Base

Rainbow
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Ramona
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Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER
REPRESENTATIVE

County of San Diego

VIA EMAIL

Keene Simonds, Executive Officer
San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Re: CEQA Compliance

Dear Executive Officer Simonds:

We are in receipt of the e-mail of April 15 from you to Rainbow and Fallbrook. In this e-mail you raise various issues LAFCO staff are working on, and then you make some comments regarding CEQA. We address all briefly here.

Here are the points you raised in the e-mail before your CEQA remarks, and we comment briefly on each, in italics:

- “Identify ratepayer impacts should one or both proposals proceed forward within three specific jurisdictions: City of San Diego; Valley Center MWD; and City of Poway. This work will be led by an Ad Hoc working group (Kim, Brian, Keith, and Lydia) and is currently underway.” *We have previously noted that our September 2020 Response denoted the estimated financial impacts on each of our member agencies. See Response, pp.48 et seq. We of course we will provide any additional information that is necessary or helpful to the review process you plan to conduct.*
- “Evaluate existing ‘roll off’ impacts on the County Water Authority. This work will be led by the Ad Hoc working group and is currently underway.” *The ups and downs of water orders by our member agencies are not the subject of any applications or issues pending before LAFCO, are not relevant and therefore should not guide any LAFCO decision-making here. Rainbow and Fallbrook simply make the “roll-off” argument as a straw man to deflect attention from the real issue which is the financial impacts of their own applications. We have repeatedly described to LAFCO the substantive differences between “roll off” and detachment in the context of real-world water management and financial planning, and would appreciate understanding the premise upon which your LAFCO process will be based. We will of course provide any additional information that is necessary or helpful to the review process you plan to conduct.*

- “Verify/disclose any material “voting” changes at MET with respect to the two subject agency wholesalers (County Water Authority and Eastern MWD) should one or both proposals proceed. A related request was emailed to MET earlier this week.” *We have already provided information to LAFCO describing how the MWD voting rights will be changed as between the Water Authority and Eastern. See Response, pp. 68 et seq. We will also double-check any information MWD provides, although we have no reason to believe it will be different or inconsistent with the information we have already provided. However, your inquiry does not address the real issue, which is the dynamic political situation at MWD, one part of which is the longstanding direct adversity of Eastern’s leadership on the MWD Board against San Diego County interests.¹*
- “Address any material impacts on the Bay Delta should one or both proposals proceed. An email to the Delta Watermaster was sent earlier this week and among other items seeks clarification on his earlier “observations” made on the proposals in September 2020.” *Our Response provided extensive detail on this subject, also addressed in numerous letters we have written subsequently. We look forward to the Watermaster’s comments, and we will provide any additional information that is necessary or helpful to your review process. In addition, here is further updated data showing many months in 2021-22 where QSA treated water was provided to Rainbow and Fallbrook, all of which – if detached – would have been extra demand on MWD, and thus on the State Water Project:*

Jan. 2021 -- CWA bought 297 AF of MWD treated water, Fallbrook/Rainbow bought 1,189 AF of CWA QSA water, meaning 892 AF of extra demand on MWD if detached.

Feb. 2021 -- CWA bought 368 AF of MWD treated water, Fallbrook/Rainbow bought 1,203 AF of CWA QSA water, meaning 835 AF of extra demand on MWD if detached.

March 2021 -- CWA bought 8 AF of MWD treated water, Fallbrook/Rainbow bought 1,255 AF of CWA QSA water, meaning 1,247 AF of extra demand on MWD if detached.

December 2021 -- CWA bought 2 AF of MWD treated water, Fallbrook/Rainbow bought 1,036 AF of CWA QSA water, meaning 1,034 AF of extra demand on MWD if detached.

¹ On April 21, 2022, the California State Auditor issued a scathing report on MWD, finding that its leadership has failed to promote transparency or ensure a fair and equitable workplace ([Report 2021-104 \(ca.gov\)](#) (Audit Report)). Among many other findings, the state auditor determined that, “our review of the ethics office identified instances of interference by high-ranking MWD officials in two cases that occurred in 2017, *and the opportunity for additional interference still exists.*” (Audit Report at p. 55). Specifically, the Audit Report found that while state law requires the ethics office to operate independently and free of political influence, MWD’s General Counsel and its former chair, Randy Record, *the MWD board member representing Eastern*, “inappropriately” interfered with and influenced the ethics office’s work on two claims, one of which is public and involved a representative of San Diego County, Keith Lewinger. Mr. Record, consistent with Eastern’s consistent adversity to San Diego County interests as detailed in our Response, filed a complaint against Mr. Lewinger, claiming he had leaked confidential information to a newspaper’s attorney. The ethics officer found that the claim was not substantiated, but Mr. Record and the General Counsel improperly “involved themselves heavily” to try to change the ethics officer’s conclusion. (Audit Report at p. 56). As stated repeatedly to LAFCO, important decisions involving many billions of ratepayer dollars in coming years are being debated right now at MWD, with many turning on a very small share of the vote. These are the *practical issues* LAFCO needs to consider when assessing the impact of a handover to Eastern of San Diego County’s voting rights at MWD should detachment be approved.

January 2022 -- CWA bought 320 AF of MWD treated water, Fallbrook/Rainbow bought 1,037 AF of CWA QSA water, meaning 717 AF of extra demand on MWD if detached.

February 2022 -- CWA bought 287 AF of MWD treated water, Fallbrook/Rainbow bought 1,593 AF of CWA QSA water, meaning 1,306 AF of extra demand on MWD if detached.

March 2022 -- CWA bought 379 AF of MWD treated water, Fallbrook/Rainbow bought 1,234 AF of CWA QSA water, meaning 855 AF of extra demand on MWD if detached.

- *“Confirmation USMC Camp Pendleton will not be materially impacted in continuing to receive their wholesale supply from County Water Authority should Fallbrook PUD detach.” The Water Authority recently learned a fact that we do not believe Fallbrook ever disclosed to LAFCO: that the binding and judicially approved settlement agreement between Fallbrook and Camp Pendleton requires – in certain circumstances – for Camp Pendleton to provide Fallbrook with Water Authority water. Attached is a copy of the federal court order and settlement printed off the web, with highlighting we added, which specifies our water going (via Pendleton) to Fallbrook in certain circumstances. See settlement sections 2.6.2, 3.23, 3.24, and 3.25. This would be a non-issue if both agencies remain members of the Water Authority, but would not be allowed should Fallbrook be outside our agency’s service area. Perhaps this agreement was later changed; we do not know. LAFCO should immediately ask Fallbrook to provide LAFCO and the parties with all effective settlement agreement documents and court decisions regarding this settlement so we all know the facts. We have told LAFCO many times that these applications are far more complex than Rainbow and Fallbrook have told LAFCO, and this is just one example. Similarly, we do not believe, despite our many requests, that LAFCO has yet asked Rainbow to provide all the detail on what needs to be done in the southern portion of its service area, which apparently requires major construction for it to even be served by MWD pipes. We are very concerned that LAFCO staff is ignoring the acquisition of relevant facts that directly bear on the application.*
- *“Complete an addendum to Riverside LAFCO’s MSR on Eastern MWD.” We will of course provide further input necessary or helpful to the review process you plan to conduct.*

You then go on to state the following as to CEQA:

“One topic you don’t see above relates to CEQA. At this point, I do not believe there is anything in the record identifying/suggesting a substantive impact warrants LAFCO deviating from its responsible agency role and related concurrence with your agencies’ findings as lead agencies that a Class 20 exemption appropriately applies under CEQA. I will revisit this position with Commission Counsel should a substantive impact reveal itself through the remainder of the administrative reviews.”

This is a statement that is completely belied by the actual record. Here are the actual facts, from the record, regarding CEQA, all of which your statement ignores²:

1. We submitted extensive information in our Response, and in many letters, explaining how the sought reorganizations would increase water demands on the environmentally sensitive Bay Delta – all contrary to the Legislature’s instructions in statutes such as Water Code Section 85001 *et seq.* See Response, pp. 95 *et seq.* and 170 *et seq.* None of this has been reviewed for environmental purposes, in clear violation of CEQA.
2. The CEQA “findings” you cite from Rainbow and Fallbrook ignore the Orders from Judges Frazier and Medel of the San Diego Superior Court that the CEQA findings and the Notices of Exemption “may not be utilized or relied upon by the San Diego LAFCO or any other agency for the purpose of that agency’s CEQA compliance in connection with any potential detachment by Respondent from the San Diego County Water Authority, or for any potential annexation by Respondent into Eastern Municipal Water District.”³ Are you telling your Commissioners that they can violate two orders from the San Diego Superior Court by using the findings and NOE in LAFCO’s actions? Do the Commissioners even know about these two Orders?
3. Even if LAFCO were able to use the Fallbrook/Rainbow CEQA actions, which it cannot do per judicial Orders, neither Fallbrook nor Rainbow took any action that reviewed the combined effects of their joint actions. Yet CEQA requires such environmental review. September 2020 Response (“Response”), pp. 174 *et seq.*
4. There is no CEQA exemption applicable here, as detailed in the Response at pp. 174 *et seq.*
5. Rainbow must perform major construction to be able to serve its southern service area if its application is granted. It has not provided any factual information on which LAFCO can intelligently act, which we have pointed out many times. See, for example, Response, pp. 137 and 147. No environmental review of such changes have been done by anyone, to our knowledge.
6. Air quality may be affected. Rainbow’s Supplemental Information Package for its application (at pp. 5-6) reveals that if the detachment and annexation are approved, Rainbow will need to construct a range of large-scale infrastructure projects to service “higher elevation areas in [Rainbow’s] southern service area” during peak summertime demand periods. This new infrastructure includes new pipelines, pumping facilities, and water mains, among other new facilities, all of which may affect air quality.
7. Increased reliance on imported water from the State Water Project by both Rainbow and Fallbrook could potentially exacerbate impacts to certain fish species that will occur from hydrological changes that are caused by transporting water through the State Water Project. (2020 Initial Study for State Water Project at pp. 3-21 to 3-25 [disclosing potentially significant impacts to aquatic species].) Also, construction of new

² And all of which you have been informed of in writing, repeatedly, both in our September 2020 Response and in numerous letters to LAFCO.

³ Exhibits 66 and 67 to our September 2020 Response.

infrastructure may also impact protected species.

8. Increased reliance on water from Northern California delivered via the State Water Project may, in turn, lead to increased generation of greenhouse gasses. There is a significant difference between the amount of energy required to pump water from Northern California (delivered via the State Water Project) and water from the Colorado River (delivered via the Colorado River Aqueduct). None of this has been reviewed.
9. LAFCO must determine whether increased reliance on imported water from the State Water Project could have hydrological and water quality impacts. (*See* 2020 Initial Study for State Water Project at pp. 3-79 to 3-101 [disclosing potentially significant impacts to hydrology and water quality].)
10. Analysis must be done to determine whether a project will cause a significant environmental impact due to a conflict with any land use plan, policy, or regulation adopted for the purpose of avoiding or mitigating an environmental effect. Here, the proposed detachment and annexation potentially conflict with a range of plans, policies, and regulations.
11. Numerous other required analyses under CEQA have not been performed, all as detailed in our Response.

It is startling that you have apparently already made a CEQA determination for your agency that there is not “anything in the record identifying/suggesting a substantive impact warrants LAFCO deviating from its responsible agency role and related concurrence with your agencies’ findings as lead agencies that a Class 20 exemption appropriately applies under CEQA.” Once again, we implore LAFCO to perform its required CEQA duties under the law.

We respectfully ask that you, LAFCO staff, and the Commissioners carefully consider the issues stated above. Thank you.

Sincerely,



Mark J. Hattam
General Counsel

Enclosure (*Omitted in this correspondence*)

Keene Simonds

April 27, 2022

Page 6 of 6

cc via email:

Holly Whatley, LAFCO General Counsel

Adam Wilson, Ad Hoc Committee Moderator

All LAFCO Commissioners

Sandra L. Kerl, General Manager, San Diego County Water Authority

Claire Collins, Counsel, San Diego County Water Authority

Jack Bebee, General Manager, Fallbrook PUD

Paula C. P. de Sousa, Counsel, Fallbrook PUD

Nick Kanetis, Deputy General Manager, Eastern MWD

Tom Kennedy, General Manager, Rainbow MWD

Alfred Smith, Counsel, Rainbow MWD

Water Authority Board of Directors

From: [Simonds,Keene](#)
To: [Jack Bebee](#); [Tom Kennedy](#)
Cc: [Lauren Eckert](#); [Holly O. Whatley](#); [Aleks R. Giragosian](#); [Allen, Priscilla](#); [Adam Wilson](#)
Bcc: [Simonds,Keene](#)
Subject: RE: Correspondence Sent on Behalf of Jack Bebee and Tom Kennedy
Date: Friday, April 15, 2022 10:13:00 AM
Attachments:

Hi Tom and Jack –

Thank you for the joint-letter from yesterday confirming you will be providing payments for the final invoice from Dr. Hanemann in completing his assigned work from the Ad Hoc Committee. I am sure Dr. Hanemann appreciates it too.

I also want to respond to your requests for more specifics on next steps needed to complete the administrative reviews of your agencies' respective proposals to detach from the County Water Authority and annex to Eastern MWD. With the qualifier that things can come up, I nonetheless offer up the following outline of remaining and unique tasks that need to be addressed to complete the administrative reviews of these two proposals:

- Identify ratepayer impacts should one or both proposals proceed forward within three specific jurisdictions: City of San Diego; Valley Center MWD; and City of Poway. This work will be led by an Ad Hoc working group (Kim, Brian, Keith, and Lydia) and is currently underway.
- Evaluate existing “roll off” impacts on the County Water Authority. This work will be led by the Ad Hoc working group and is currently underway.
- Verify/disclose any material “voting” changes at MET with respect to the two subject agency wholesalers (County Water Authority and Eastern MWD) should one or both proposals proceed. A related request was emailed to MET earlier this week.
- Address any material impacts on the Bay Delta should one or both proposals proceed. An email to the Delta Watermaster was sent earlier this week and among other items seeks clarification on his earlier “observations” made on the proposals in September 2020.
- Confirmation USMC Camp Pendleton will not be materially impacted in continuing to receive their wholesale supply from County Water Authority should Fallbrook PUD detach.

- Complete an addendum to Riverside LAFCO’s MSR on Eastern MWD.
- Presentation of a draft EO report on the reorganizations to the Ad Hoc for feedback before the document is finalized and sent to the Cities and Special Districts Advisory Committees (presumably sometime in September-October 2022).

One topic you don’t see above relates to CEQA. At this point, I do not believe there is anything in the record identifying/suggesting a substantive impact warrants LAFCO deviating from its responsible agency role and related concurrence with your agencies’ findings as lead agencies that a Class 20 exemption appropriately applies under CEQA. I will revisit this position with Commission Counsel should a substantive impact reveal itself through the remainder of the administrative reviews.

I hope this email is helpful and please follow up with me with any general items or observations. Should you have more specific questions on the Ad Hoc and its working group please direct these to Adam Wilson. Specific questions on the proposals’ processing should separately be directed to Priscilla Allen.

Keene

Keene Simonds, Executive Officer

San Diego County

Local Agency Formation Commission (LAFCO)

Subdivision of the State of California | Regional Service Planning

2550 Fifth Avenue, Suite 725

San Diego, California 92103



T | 619.321.3380 Main

619.321.3381 Direct

E | keene.simonds@sdcounty.ca.gov

May 12, 2022

VIA EMAIL

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER
REPRESENTATIVE

County of San Diego

Keene Simonds, Executive Officer
San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103
(Keene.Simonds@sdcounty.ca.gov)

Re: CEQA Compliance

Dear Executive Officer Simonds:

We are in receipt of your letter of May 5 responding to our letter of April 27, 2022. We appreciate that you have reviewed our correspondence and responded to us.

Though your letter says that our correspondence contained “misstatements of the facts and law,” you only address a single issue: the Superior Court Judgments. You point to no other issues at all, and you provide no information how anything we outlined in our detailed letter constituted “misstatements.” If you believe we are presenting facts that are in error, you should explain to us what facts are wrong and why. Simply making a blanket allegation of “misstatements” serves no productive purpose.

In regards to the Superior Court Judgments, the sole stated basis for LAFCO’s position that it can ignore the Judgments is that it was not a party to the cases. However, there are errors in this premise:

- The LAFCO *applicants* stipulated that their CEQA findings and Notices of Exemption “may not be utilized or relied upon by the San Diego LAFCO or any other agency for the purpose of that agency’s CEQA compliance in connection with any potential detachment by Respondent from the San Diego County Water Authority, or for any potential annexation by Respondent into Eastern Municipal Water District.” While LAFCO itself was not a party to the lawsuits, the LAFCO applicants were parties and they agreed that their CEQA documents could not be used in the LAFCO process. They are therefore barred from having them as part of their applications to LAFCO. LAFCO cannot simply “rubber-stamp” exemptions and findings that were expressly stipulated *not to be usable in this proceeding* by the agencies that prepared them.
- Even if one were to seek to use the actions by Rainbow and Fallbrook, they simply evaluated the effects of *submitting applications to LAFCO*, not the effects of the actual detachments and reorganizations, which must be reviewed by LAFCO.

We are pleased that you state that in your letter that “staff remains open to revisiting the initial position [on CEQA exemption] as the administrative review process continues.” Your comment is directly relevant to the letter LAFCO just recently received from the Delta Watermaster, Michael George, who informed LAFCO that (emphases added):

- “Fallbrook and Rainbow’s proposed combined de-annexation from SDCWA is directly counter the State’s policy of reduced reliance on the Delta as a water supply source.”
- [T]he two agencies would be increasing reliance on the Delta because they would abandon a less Delta-dependent supply mix (available through their SDCWA membership) in favor of a more Delta-reliant supply mix (available under the contract with Eastern MWD).”
- “SDCWA’s decades-long diversification of its water supply portfolio to include “E-water” (based on IID’s senior Colorado River allocation status) as well as desalination, reservoir expansion, and other drought-resistant sources demonstrates the long-term wisdom of adhering to the State policy of reduced reliance on the Delta. The combined de-annexation petitions, in contrast, appear to be expedients which trade away the greater reliability of SDCWA, primarily to escape the immediate and near-term costs associated with that reliability.”

When evaluating the environmental effects of the proposed detachment and annexation, LAFCO cannot limit its analysis to the evidentiary record that Rainbow and Fallbrook supposedly reviewed before approving their CEQA exemptions. Instead, LAFCO must consider all evidence presented prior to the close of its public hearing on the proposed detachment and annexation. (Pub. Resources Code, § 21177, subd. (b); Guidelines, § 15202, subd. (b); and *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1201 [new environmental objections could be made until close of this hearing].) If LAFCO ignores substantial evidence of significant environmental effects, “it does so at its own risk.” (*Bakersfield Citizens, supra*, 124 Cal.App.4th at p. 1201.)

Also, LAFCO seems to be under the mistaken assumption that it is a “responsible agency.” It is not. For one thing, an agency can only assume the role of a “responsible agency” after an environmental impact report (EIR) or negative declaration has been prepared by a lead agency. (CEQA Guidelines, §§ 15096, subd. (a); 15381.) There is no equivalent “responsible agency” process following the approval of a CEQA exemption. (Cf. CEQA Guidelines, § 15052 [process for other agencies to assume the role of lead agency when another agency prepares an inadequate exemption].) Also, we note that even if one were to accept Fallbrook and Rainbow’s alleged exemptions, they cover only the actions of Rainbow and Fallbrook – not the acts of LAFCO, which must make its own decisions as to the overall reorganizations, and for which there is no applicable exemption (as we have detailed before).

LAFCO must independently disclose, analyze, and mitigate the environmental impacts associated with the proposed detachment of Rainbow and Fallbrook from San Diego County Water Authority and the annexation of these entities into Eastern Municipal Water District.

(*Fullerton Joint Union High School Dist. v. State Board of Ed.* (1982) 32 Cal.3d 779, 796-797 [a Local Agency Formation Commission’s approval of an annexation or de-annexation is a “project” that must be evaluated in an appropriate CEQA document when the annexation or de-annexation “may affect the environment.”].) In other words, LAFCO will be the lead agency.

Here, LAFCO must prepare an Environmental Impact Report ("EIR") to disclose, analyze, and mitigate significant environmental impacts of the proposed detachment and annexation. (Pub. Resources Code, § 21083, subd. (b)(2), (3); Guidelines, § 15065, subd. (a)(3), (4).) As stated by the Delta Watermaster, and as you know because we have explained it many times, the proposed detachments and annexations would result in increased reliance on water from the Bay Delta. Rainbow and Fallbrook would be forced to obtain a greater quantity of water from the Metropolitan Water District of Southern California, which imports a significant portion of its supply from the Delta through the State Water Project. LAFCO has an obligation to independently evaluate the potential environmental effects of the detachment and reorganization. (See Pub. Resources Code, § 21082.2 [“The lead agency shall determine whether a project may have a significant effect on the environment based on substantial evidence in light of the whole record.”]; *see also* Guidelines, § 15064.)

LAFCO's analysis must also disclose, analyze, and mitigate whether the detachments and annexations will have impacts that are individually limited, but cumulatively considerable. (Guidelines, Appendix G, subd. XXI [“ ‘Cumulatively considerable’ means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects”]; *see also* (Pub. Resources Code, § 21083, subd. (b); Guidelines, § 15065, subd. (a)(3).) Here, the cumulative effect of successive detachments and annexations, as well as the cumulative effects of successive infrastructure enhancement and replacement projects, will have potentially significant environmental effects and those effects have not yet been reviewed or considered by any agency.

We again urge LAFCO to not rely on an inapplicable CEQA exemption, and alleged “findings” by Rainbow and Fallbrook that were ordered not to be used in this proceeding, while ignoring the many detailed filings with LAFCO showing the numerous CEQA issues which exist. This includes the increase in dependence of water from the Bay-Delta that the applications would entail, just as stated by the Delta Watermaster.

We respectfully ask that you, LAFCO staff, and the Commissioners carefully consider the issues stated above. Thank you.

Sincerely,



Mark J. Hattam
General Counsel



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

May 13, 2022

Delivered by Electronic Mail:

Mark J. Hattam, General Counsel
 San Diego County Water Authority
 4677 Overland Avenue
 San Diego, California 92123-1233
mark.hattam@sdcwa.org

SUBJECT: Response to May 12, 2022 Letter

Mr. Hattam:

Thank you for your letter dated May 12, 2022.

I remain content with my referenced position on CEQA at this time as it relates to processing the detachment proposals filed by Rainbow Municipal Water District and Fallbrook Public Utility District. I will – nonetheless – continue to consider your comments on the topic as LAFCO staff proceeds in the administrative reviews.

Respectfully,

Keene Simonds
 Executive Officer

Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103-6624 T 619.321.3380 F 619.404.6508 www.sdlafco.org lafco@sdcounty.ca.gov	Chair Jim Desmond County of San Diego Joel Anderson County of San Diego Nora Vargas, Alt. County of San Diego	Vice Chair Paul McNamara City of Escondido Mary Casillas Salas City of Chula Vista Kristi Becker, Alt. City of Solana Beach	Chris Cate City of San Diego Marni von Wilpert, Alt. City of San Diego	Jo MacKenzie Vista Irrigation Barry Willis Alpine Fire Protection David A. Drake, Alt. Rincon del Diablo	Andy Vanderlaan General Public Harry Mathis, Alt. General Public
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San Diego LAFCO

May 13, 2022

Letter to Mark Hattam

cc via email:

Commissioners

Holly Whatley, Commission Counsel

Aleks Giragosian, Deputy Commission Counsel

Priscilla Allen, Analyst

Adam Wilson, Consultant and Ad Hoc Moderator

Sandra L. Kerl, General Manager, County Water Authority

Claire Collins, Counsel, San Diego County Water Authority

Jack Bebee, General Manager, Fallbrook PUD

Paula C. P. de Sousa, Counsel, Fallbrook PUD

Nick Kanetis, Deputy General Manager, Eastern MWD

Tom Kennedy, General Manager, Rainbow MWD

Alfred Smith, Counsel, Rainbow MWD

Bill Pellman, Special Counsel, Rainbow MWD

County Water Authority Board of Directors

Enclosures: none

Keene Simonds

May 12, 2022

Page 4 of 4

cc via email:

Holly Whatley, LAFCO General Counsel

Adam Wilson, Ad Hoc Committee Moderator

All LAFCO Commissioners

Sandra L. Kerl, General Manager, San Diego County Water Authority

Claire Collins, Counsel, San Diego County Water Authority

Jack Bebee, General Manager, Fallbrook PUD

Paula C. P. de Sousa, Counsel, Fallbrook PUD

Nick Kanetis, Deputy General Manager, Eastern MWD

Tom Kennedy, General Manager, Rainbow MWD

Alfred Smith, Counsel, Rainbow MWD

Water Authority Board of Directors

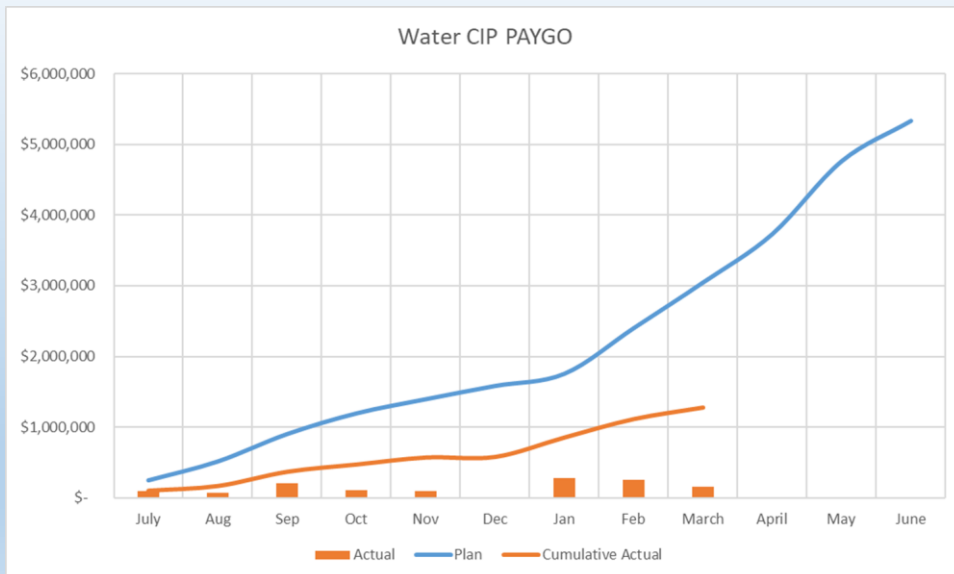


Fallbrook Public Utility District

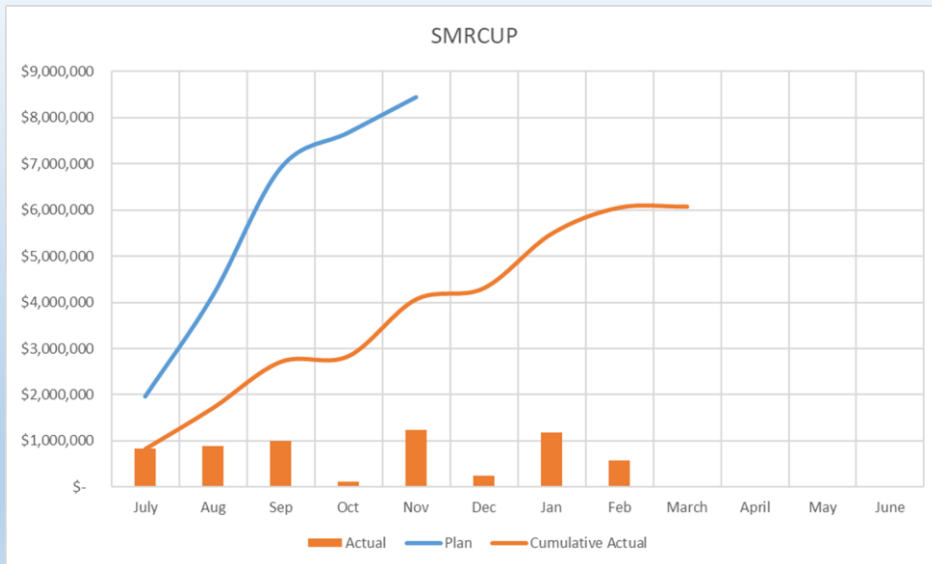
Engineering and Operations FY22

Board Meeting May 2022

Water PAYGO CIP FY22

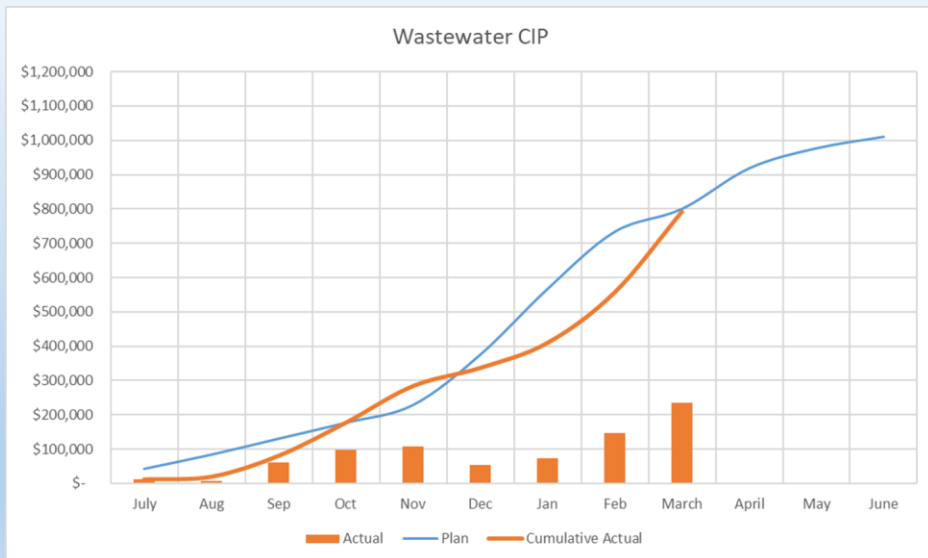


Water SMRCUP CIP FY22



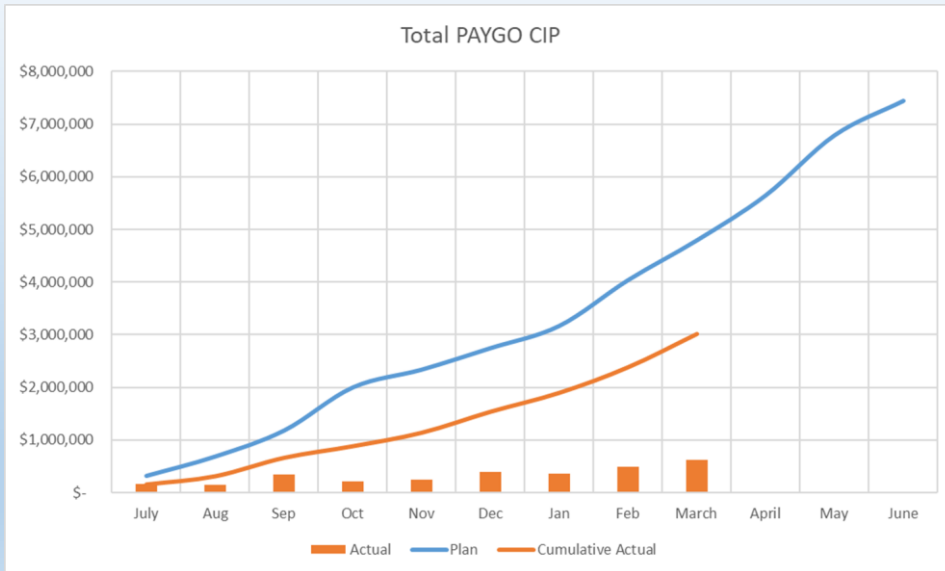
3

Wastewater System CIP FY22



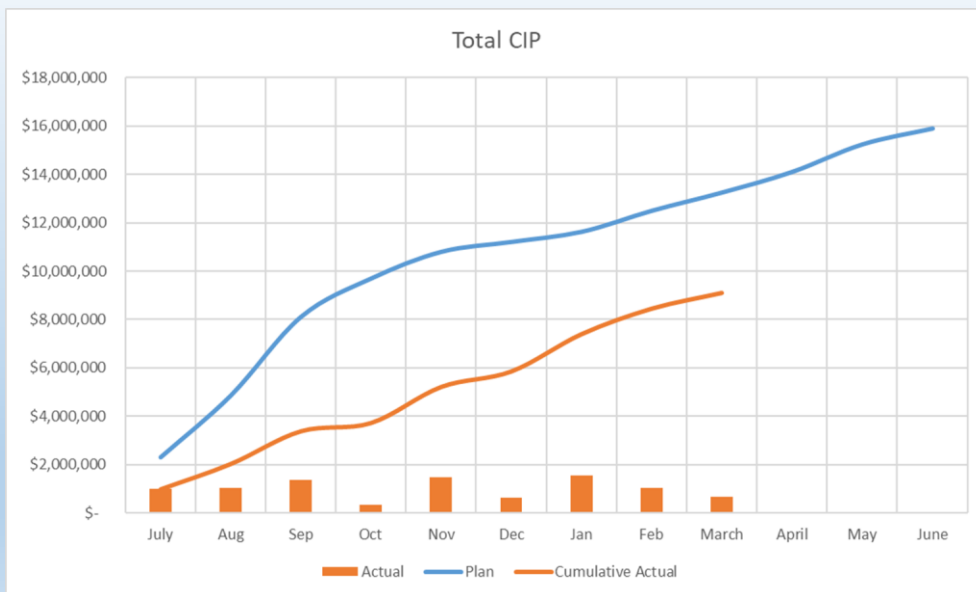
4

Total PAYGO CIP FY22



5

Total CIP FY22



6

Wastewater Treatment

Reclamation Plant

Recycled Water

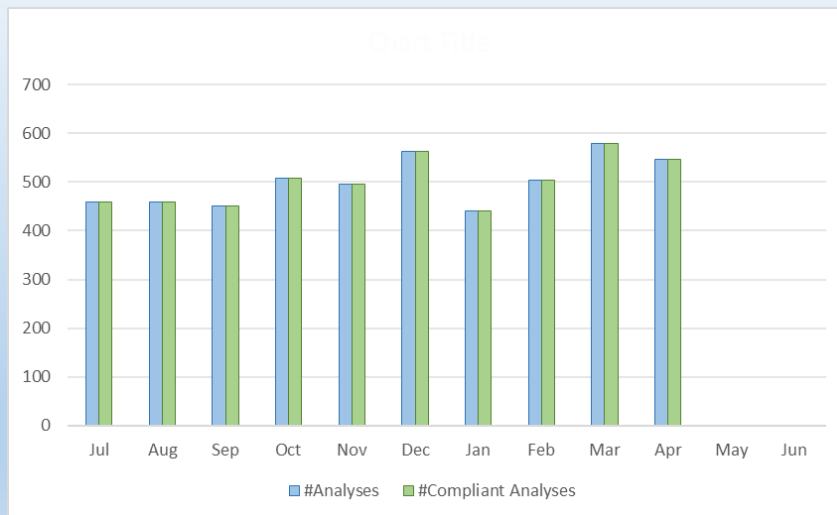
- Wastewater System Violations
- Reclamation Plant PMs Completed
- Energy Cost per MG
- Recycled Water – Time Out of Service

7

Wastewater Treatment System Regulatory Compliance

**SRWQCB
Compliance:**
NPDES
WDR

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

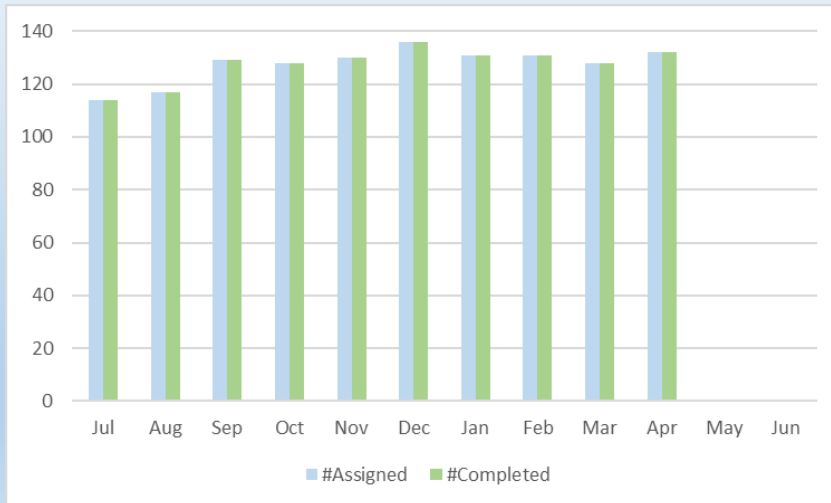


8

Reclamation Plant – Preventative Maintenance Work Orders

Equipment Service/Inspection

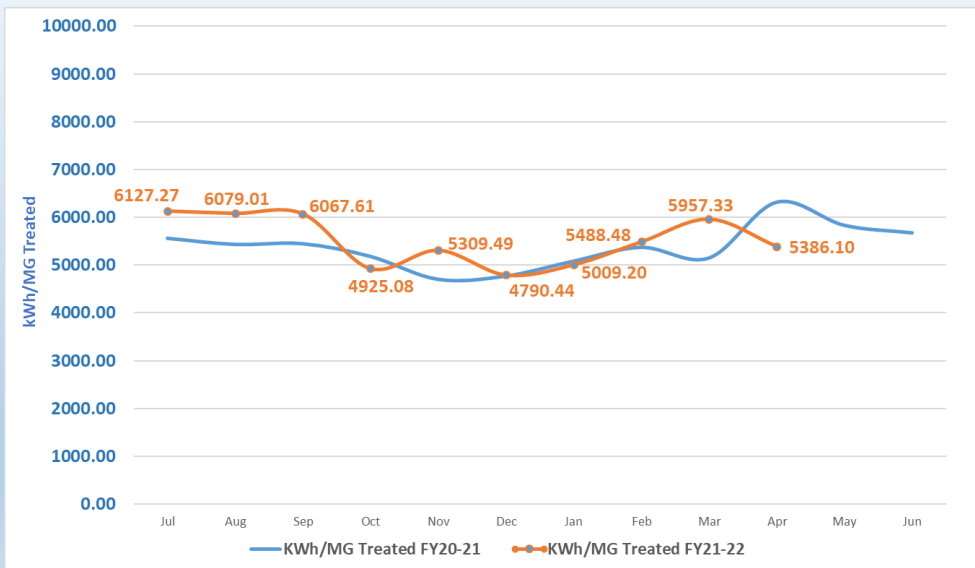
Site Maintenance



9

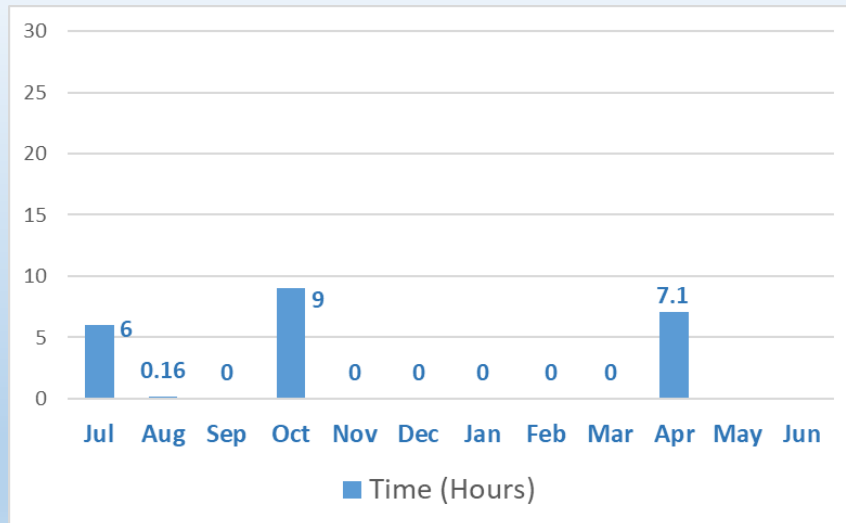
Formula =
 $\frac{\text{Total Plant Energy Demand}}{\text{MG Treated Flow}}$

Reclamation Plant – Energy Usage (KWh/MG Treated)



10

Recycled Water – Time out of Service (Hours)



11

Water Operations

Regulatory Compliance

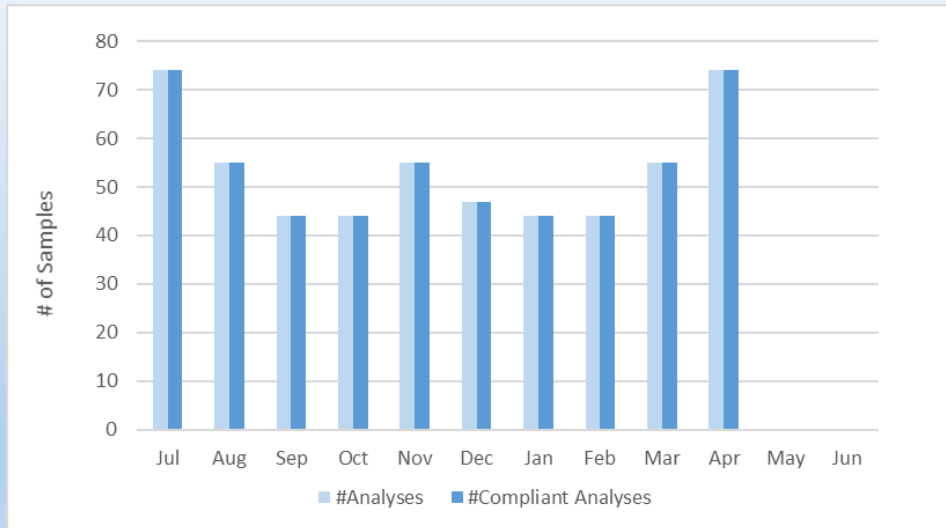
Preventative Maintenance Work Orders

CUP Deliveries

12

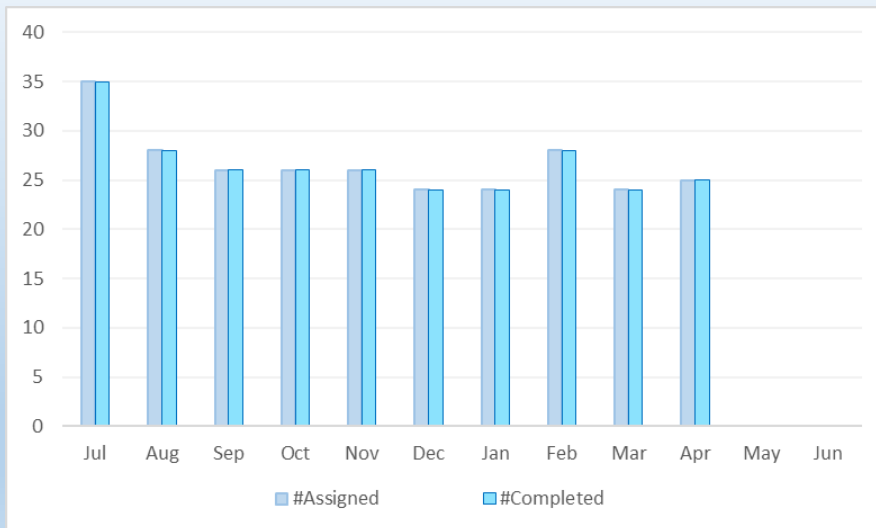
Water System Regulatory Compliance

- UV Plant Operation
- Routine Sampling



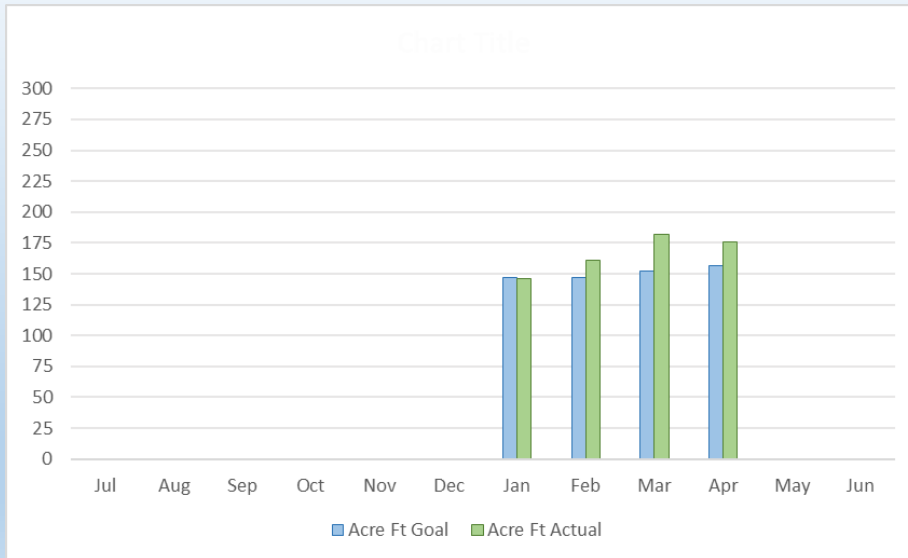
13

Water Preventative Maintenance Work Orders



14

CUP Deliveries



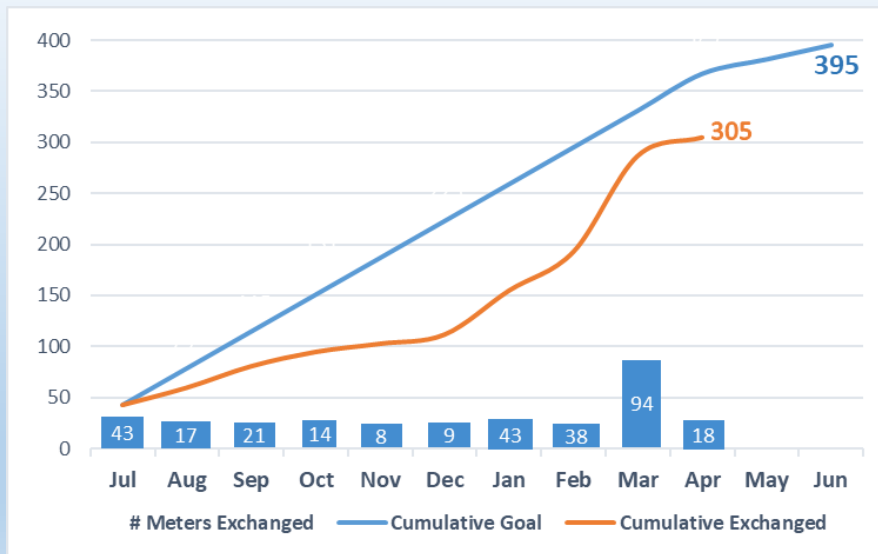
15

Meter Services

Meter Exchange Program

16

Meter Exchange



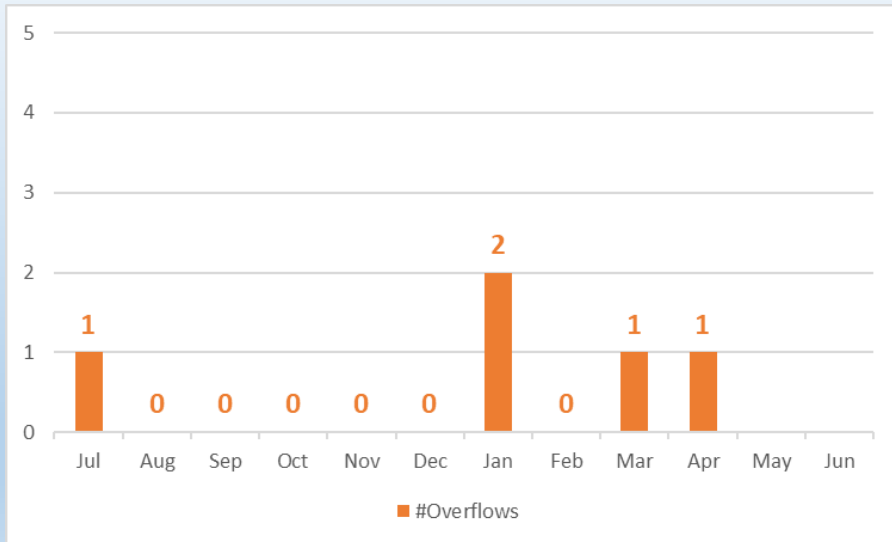
17

Wastewater Collections

Total Wastewater Spilled
Non-Recovered Wastewater Spilled
Odor Complaints

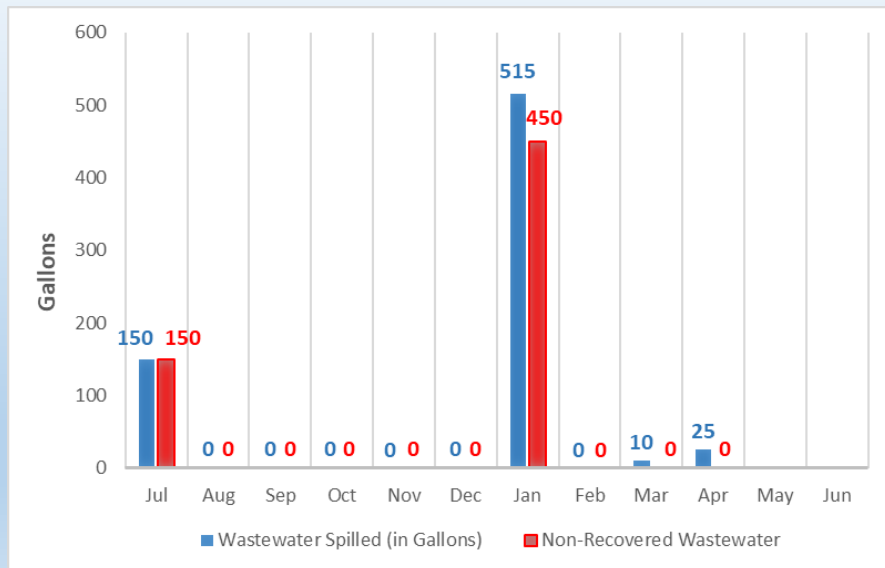
18

Wastewater Collections Sewer Overflows



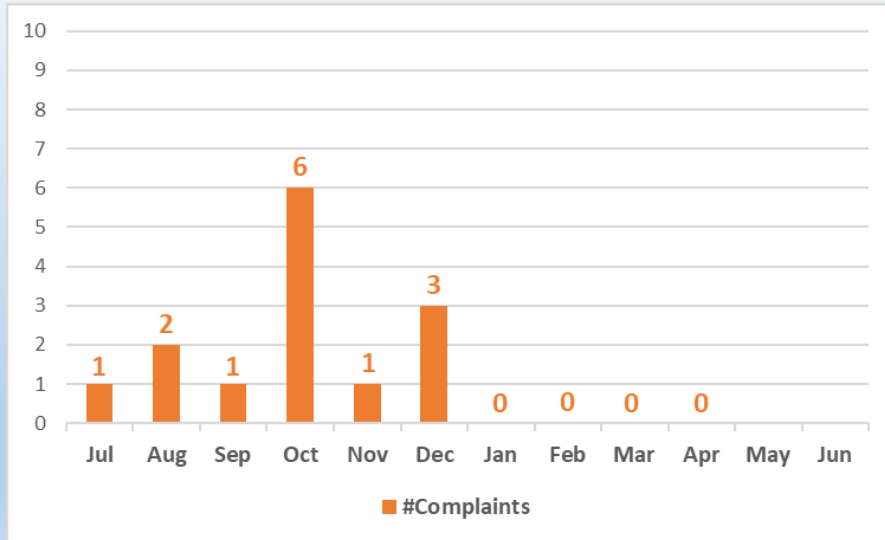
19

Wastewater Collections Wastewater Spilled



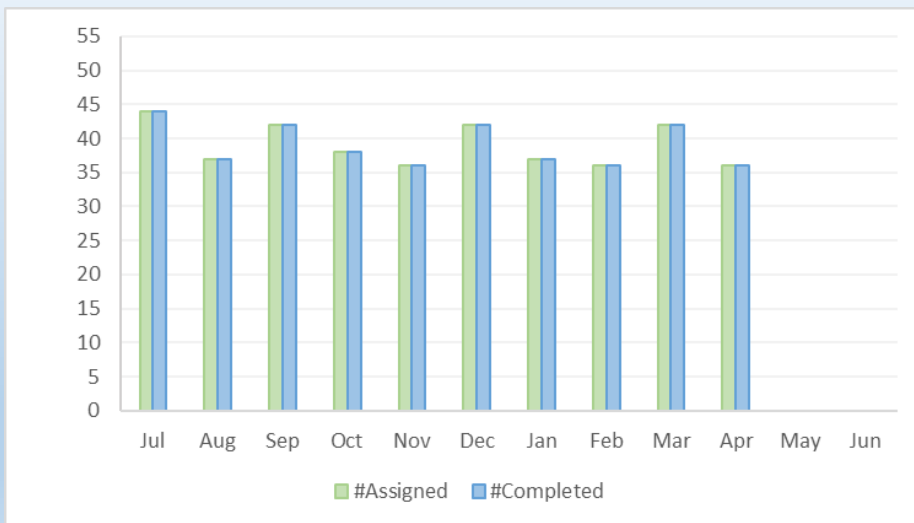
20

Reclamation Plant & Wastewater Collections Odor Complaints



21

Wastewater Collections – Preventative Maintenance Work Orders



22

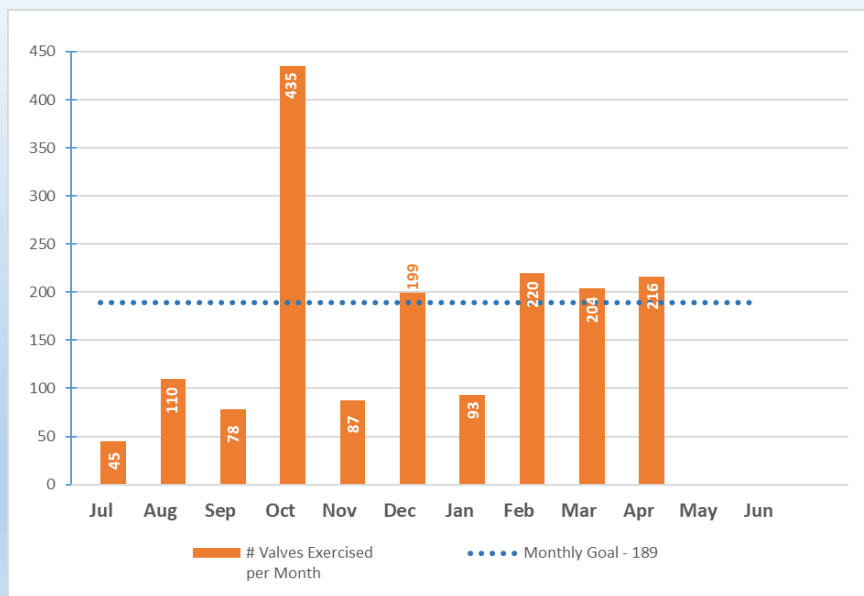
Construction/Maintenance

- 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. FY22, 32 valves have been replaced through March 2022. We currently have 6821 valves in the system with 165 known to be broken.

23

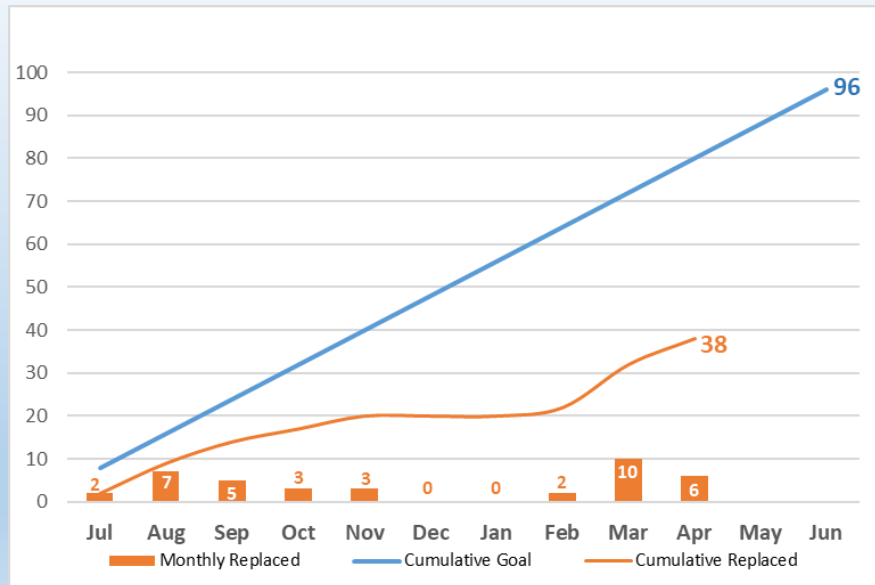
Main Line Valve Exercise Program

- Improve reliability
- Reduce impact of planned and emergency shutdowns



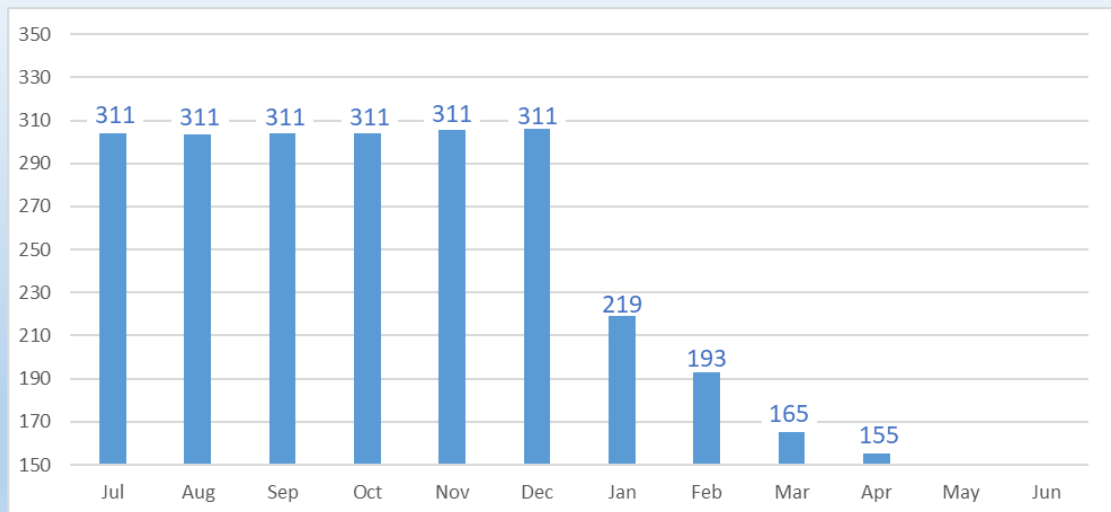
24

Main Line Valves Replaced



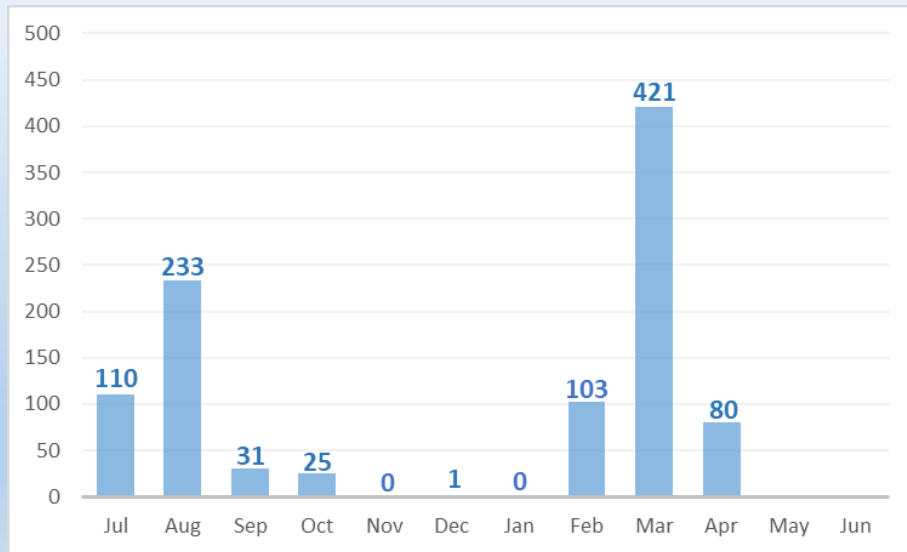
25

Rolling Total Broken Valves (4" and above)



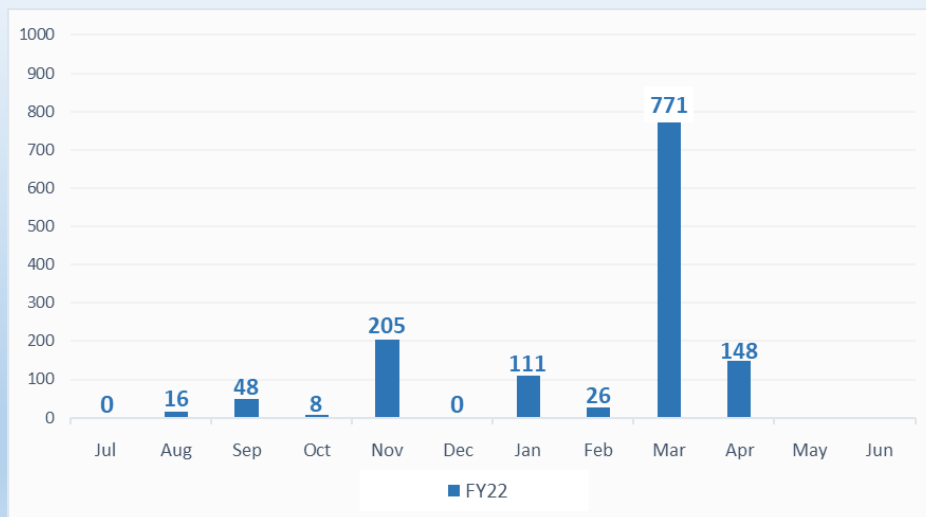
26

Planned Water Outages > 4 Hours # of Customers Affected



27

Unplanned Water Outages > 4 Hours # of Customers Affected



28

M E M O

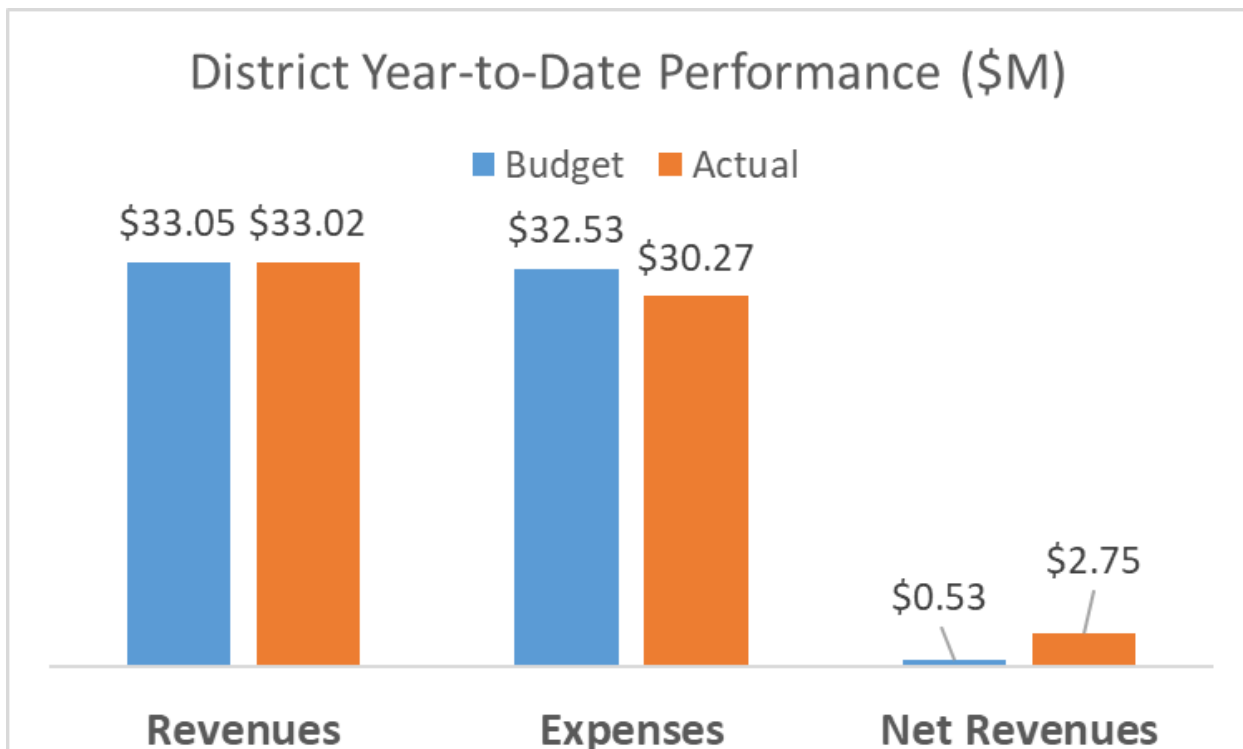
TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: May 23, 2022
SUBJECT: Financial Summary Report – April

Purpose

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

Summary

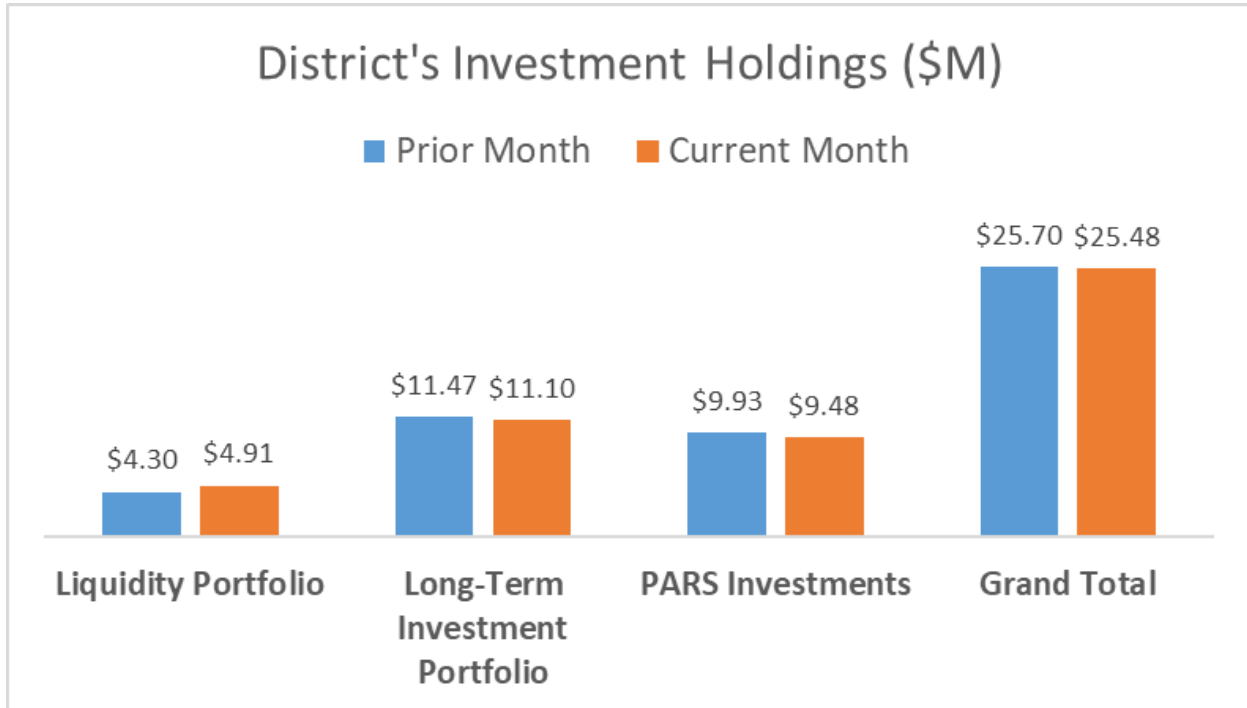
The graph below shows the District’s year-to-date Revenues, Expenditures and Net revenues.



Revenues are on budget while expenditures continue to diverge from the Budget levels. These trends are driving net revenues to be slightly better than budgeted. Non-operating revenues are higher than budget driven by the receipt of the second refund check issued by the San Diego County Water Authority (SDCWA) and grant funds from the State Arrearages Program. With PayGo CIP expected to ramp up this spring, net revenues are expected to trend towards budget levels. Water sales are expected to continue to trend under budgeted levels. Staff are carefully tracking the District’s financial position. After

adjusting for expected State reimbursement, Net Revenue is trending better than Budget largely due to CIP underspending.

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 remained relatively flat. The Long-term Investment Portfolio beginning balance was adjusted for the prior month's reporting error that omitted \$29.9k in Money Market funds. The Long-term Investment Portfolio balance remains low due to the lack of State reimbursements for the SMCUP costs. The amount due is over \$4 million. The District's PARS investments reflect recent market volatility. Overall, these investments continue to perform in line with the capital markets.

Recommended Action

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

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: May 23, 2022
SUBJECT: Treasurer's Report

Purpose

Provide the April 2022 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

The outstanding reimbursements due from the State increased this month. With the SMCUP project nearing completion, the monthly expenditures have dropped to a more manageable level but reimbursement continues to lag significantly. The District deposited \$100,000 into the Pension Trust. The District continues to carefully manage its working capital to ensure its ability to meet its financial commitments.

Summary

Treasurer's Report April 30, 2022

Account	Beginning Balance	Ending Balance
Operating Fund	\$ 6,003	\$ 5,000
Money Market	\$ 2,482,563	\$ 3,089,192
CAMP Account	\$ 1,816,386	\$ 1,817,131
<i>District's Liquidity Portfolio</i>	\$ 4,304,952	\$ 4,911,323
PFM Managed Long-term Investment Portfolio*	\$ 10,866,561	\$ 10,796,271
LAIF (Long-term Reserves)	\$ 603,809	\$ 298,769
PARS (OPEB & Pension Trust)**	\$ 9,929,199	\$ 9,475,551
<i>District Accounts Total</i>	\$ 25,704,521	\$ 25,481,915

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

Beginning balance adjusted by \$ 29,911.85 to reflect the correct ending balance for March 2022

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



Dave Shank
May 23, 2022

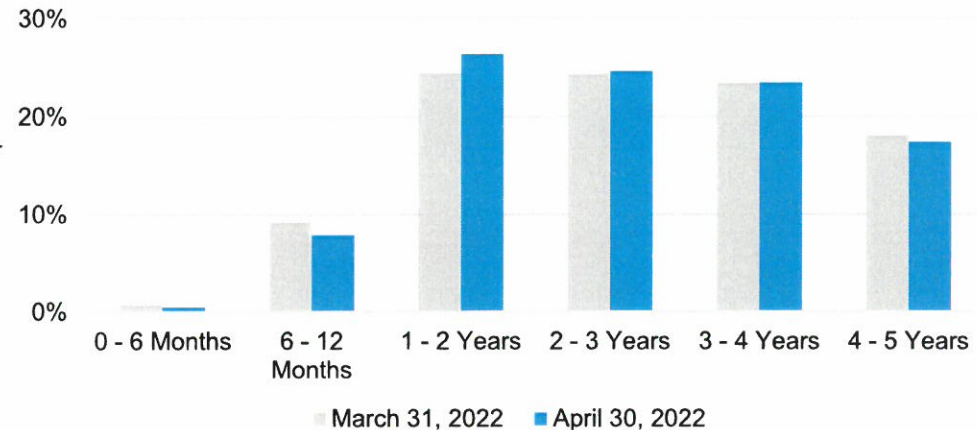
Fallbrook Public Utilities District - Holdings Summary

Security Type	March 31, 2022	April 30, 2022	Change (\$)	Change (%)
U.S. Treasury	\$7,882,175.76	\$7,837,878.10	(\$44,297.66)	-0.6%
Municipal	\$107,255.90	\$105,881.65	(\$1,374.25)	-1.3%
Federal Agency CMO	\$80,554.60	\$51,085.06	(\$29,469.54)	-36.6%
Corporate Note	\$2,291,153.30	\$2,280,896.41	(\$10,256.89)	-0.4%
Asset-Backed Security	\$475,509.67	\$463,854.58	(\$11,655.09)	-2.5%
Securities Total	\$10,836,649.23	\$10,739,595.80	(\$97,053.43)	< 0.1%
Money Market Fund	\$29,911.85	\$56,675.58	\$26,763.73	89.5%
Total Investments	\$10,866,561.08	\$10,796,271.38	(\$70,289.70)	-0.6%

Summary

FY 21-22 Accrual Earnings	\$164,082.82
Yield to Maturity at Cost	1.31%
Weighted Average Maturity (Years)	2.60

Maturity Distribution



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

California State Treasurer
Fiona Ma, CPA



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

May 09, 2022

[LAIF Home](#)
[PMIA Average Monthly Yields](#)

FALLBROOK PUBLIC UTILITY DISTRICT

TREASURER
P.O. BOX 2290
FALLBROOK, CA 92088

[Tran Type Definitions](#)

Account Number: 85-37-001

April 2022 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
4/6/2022	4/1/2022	RW	1700056	N/A	DAVID SHANK	-204,000.00
4/15/2022	4/14/2022	QRD	1701977	N/A	SYSTEM	959.59
4/28/2022	4/27/2022	RW	1703669	N/A	DAVID SHANK	-102,000.00

Account Summary

Total Deposit:	959.59	Beginning Balance:	603,809.40
Total Withdrawal:	-306,000.00	Ending Balance:	298,768.99



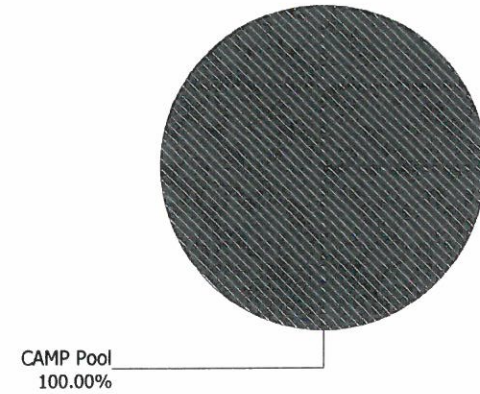
Account Statement - Transaction Summary

For the Month Ending **April 30, 2022**

Fallbrook Public Utility District - Liquidity - 6050-004

CAMP Pool	
Opening Market Value	1,816,386.10
Purchases	745.07
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$1,817,131.17
Cash Dividends and Income	745.07

Asset Summary		
	April 30, 2022	March 31, 2022
CAMP Pool	1,817,131.17	1,816,386.10
Total	\$1,817,131.17	\$1,816,386.10
Asset Allocation		





Account Statement

For the Month Ending **April 30, 2022**

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					1,816,386.10
04/29/22	05/02/22	Accrual Income Div Reinvestment - Distributions	1.00	745.07	1,817,131.17
Closing Balance					1,817,131.17

	Month of April	Fiscal YTD July-April		
Opening Balance	1,816,386.10	1,815,365.76	Closing Balance	1,817,131.17
Purchases	745.07	1,765.41	Average Monthly Balance	1,816,435.77
Redemptions (Excl. Checks)	0.00	0.00	Monthly Distribution Yield	0.50%
Check Disbursements	0.00	0.00		
Closing Balance	1,817,131.17	1,817,131.17		
Cash Dividends and Income	745.07	1,765.41		

Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2022**

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											
	04/01/22	04/05/22	US TREASURY N/B NOTES DTD 06/30/2021 0.875% 06/30/2026	91282CCJ8	185,000.00	(171,992.19)	(424.81)	(172,417.00)			
	04/27/22	05/04/22	NATIONAL RURAL UTIL COOP CORPORATE NOTES DTD 05/04/2022 3.450% 06/15/2025	63743HFE7	20,000.00	(19,994.60)	0.00	(19,994.60)			
Transaction Type Sub-Total					205,000.00	(191,986.79)	(424.81)	(192,411.60)			
INTEREST											
	04/01/22	04/01/22	MONEY MARKET FUND	MONEY0002	0.00	0.00	1.13	1.13			
	04/01/22	04/25/22	FHLMC SERIES K721 A2 DTD 12/01/2015 3.090% 08/01/2022	3137BM6P6	80,404.47	0.00	207.04	207.04			
	04/15/22	04/15/22	FORDO 2022-A A3 DTD 01/24/2022 1.290% 06/15/2026	345286AC2	40,000.00	0.00	43.00	43.00			
	04/15/22	04/15/22	CARMX 2021-3 A3 DTD 07/28/2021 0.550% 06/15/2026	14317DAC4	65,000.00	0.00	29.79	29.79			
	04/15/22	04/15/22	WOART 2021-D A3 DTD 11/03/2021 0.810% 10/15/2026	98163KAC6	35,000.00	0.00	23.63	23.63			
	04/15/22	04/15/22	COMET 2021-A3 A3 DTD 11/30/2021 1.040% 11/16/2026	14041NFY2	70,000.00	0.00	60.67	60.67			
	04/15/22	04/15/22	DCENT 2021-A1 A1 DTD 09/27/2021 0.580% 09/15/2026	254683CP8	70,000.00	0.00	33.83	33.83			
	04/15/22	04/15/22	JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	7,741.09	0.00	14.26	14.26			
	04/15/22	04/15/22	HART 2022-A A3 DTD 03/16/2022 2.220% 10/15/2026	448977AD0	55,000.00	0.00	98.36	98.36			
	04/15/22	04/15/22	COPAR 2019-1 A3 DTD 05/30/2019 2.510% 11/15/2023	14042WAC4	7,960.32	0.00	16.65	16.65			
	04/16/22	04/16/22	GMCAR 2022-1 A3 DTD 01/19/2022 1.260% 11/16/2026	380146AC4	20,000.00	0.00	21.00	21.00			
	04/16/22	04/16/22	GM FINANCIAL SECURITIZED TERM DTD 07/24/2019 2.180% 04/16/2024	36257PAD0	14,382.82	0.00	26.13	26.13			
	04/16/22	04/16/22	GMCAR 2021-4 A3 DTD 10/21/2021 0.680% 09/16/2026	362554AC1	30,000.00	0.00	17.00	17.00			

Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2022**

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											
	04/20/22	04/20/22	GMALT 2021-3 A4 DTD 08/18/2021 0.500% 07/21/2025	36262XAD6	25,000.00	0.00	10.42	10.42			
	04/21/22	04/21/22	HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	16,549.07	0.00	34.75	34.75			
	04/21/22	04/21/22	HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	35,000.00	0.00	25.67	25.67			
	04/21/22	04/21/22	MORGAN STANLEY CORP NOTES (CALLABLE) DTD 10/19/2021 1.164% 10/21/2025	61747YEG6	70,000.00	0.00	411.93	411.93			
	04/23/22	04/23/22	MORGAN STANLEY CORP NOTES DTD 10/23/2014 3.700% 10/23/2024	61761JVL0	40,000.00	0.00	740.00	740.00			
	04/29/22	04/29/22	MORGAN STANLEY CORP NOTES DTD 04/28/2014 3.875% 04/29/2024	61746BD06	150,000.00	0.00	2,906.25	2,906.25			
	04/30/22	04/30/22	US TREASURY NOTES DTD 04/30/2019 2.250% 04/30/2024	9128286R6	180,000.00	0.00	2,025.00	2,025.00			
	04/30/22	04/30/22	US TREASURY NOTES DTD 04/30/2020 0.375% 04/30/2025	912828ZL7	300,000.00	0.00	562.50	562.50			
	04/30/22	04/30/22	US TREASURY NOTES DTD 10/31/2016 1.625% 10/31/2023	912828T91	400,000.00	0.00	3,250.00	3,250.00			
	04/30/22	04/30/22	US TREASURY N/B NOTES DTD 10/31/2021 0.375% 10/31/2023	91282CDD0	310,000.00	0.00	581.25	581.25			
	04/30/22	04/30/22	US TREASURY NOTES DTD 10/31/2020 0.250% 10/31/2025	91282CAT8	225,000.00	0.00	281.25	281.25			
Transaction Type Sub-Total					2,247,037.77	0.00	11,421.51	11,421.51			
PAYDOWNS											
	04/01/22	04/25/22	FHLMC SERIES K721 A2 DTD 12/01/2015 3.090% 08/01/2022	3137BM6P6	29,312.11	29,312.11	0.00	29,312.11	(249.61)	0.00	
	04/15/22	04/15/22	JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	1,522.21	1,522.21	0.00	1,522.21	0.32	0.00	
	04/15/22	04/15/22	COPAR 2019-1 A3 DTD 05/30/2019 2.510% 11/15/2023	14042WAC4	1,739.38	1,739.38	0.00	1,739.38	0.35	0.00	
	04/16/22	04/16/22	GM FINANCIAL SECURITIZED TERM DTD 07/24/2019 2.180% 04/16/2024	36257PAD0	2,203.32	2,203.32	0.00	2,203.32	0.27	0.00	

Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2022**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
PAYDOWNS										
04/21/22	04/21/22	HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	3,390.91	3,390.91	0.00	3,390.91	0.13	0.00	
Transaction Type Sub-Total				38,167.93	38,167.93	0.00	38,167.93	(248.54)	0.00	
SELL										
04/01/22	04/05/22	US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828O29	150,000.00	149,560.55	30.74	149,591.29	3,832.03	637.39	FIFO
Transaction Type Sub-Total				150,000.00	149,560.55	30.74	149,591.29	3,832.03	637.39	
Managed Account Sub-Total					(4,258.31)	11,027.44	6,769.13	3,583.49	637.39	
Total Security Transactions					(\$4,258.31)	\$11,027.44	\$6,769.13	\$3,583.49	\$637.39	

Bolded items are forward settling trades.

FALLBROOK PUBLIC UTILITY DISTRICT
PARS Post-Employment Benefits Trust

Account Report for the Period
4/1/2022 to 4/30/2022

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

Account Summary

Source	Balance as of 4/1/2022	Contributions	Earnings	Expenses	Distributions	Transfers	Balance as of 4/30/2022
OPEB	\$1,222,680.56	\$0.00	-\$67,625.95	\$553.22	\$0.00	\$0.00	\$1,154,501.39
PENSION	\$8,706,518.25	\$100,000.00	-\$481,553.36	\$3,915.09	\$0.00	\$0.00	\$8,321,049.80
Totals	\$9,929,198.81	\$100,000.00	-\$549,179.31	\$4,468.31	\$0.00	\$0.00	\$9,475,551.19

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	-5.53%	-7.19%	-6.66%	5.62%	5.79%	-	2/16/2017
PENSION	-5.53%	-7.19%	-6.66%	5.61%	5.66%	-	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: May 23, 2022
SUBJECT: Budget Status Report for Fiscal Year 2021-2022

Purpose

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

Summary

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

Total revenues year-to-date are under budget by 0.1%. Water sales remain below budget due to lower than budgeted water demands. This month water sales were at budgeted levels. Despite this month, the year to date water sales are 6.8% below budget. Spring weather and potential for water supply restrictions will be the driving forces behind water demands this spring. With only a few remaining months in the current fiscal year, water sales are not expected to recover keeping sales projections under budgeted levels. Recycled water sales have been adjusted to reflect a billing issues identified for a major user. The issue was related to the account settings in software that put the decimal place in the wrong position causing a significant under read for a prolonged period. The adjustment brings sales and revenues to just over budget levels.

Non-operating revenues are over budget driven by the receipt of the second refund check issued by the San Diego County Water Authority (SDCWA) and the grant funds from the State Arrearages Programs. These one-time funds are pushing the District's non-operating revenues higher than budget levels, while the recurring revenues are in line with the Budget. Year-end total non-operating revenues are expected to be higher than budget levels.

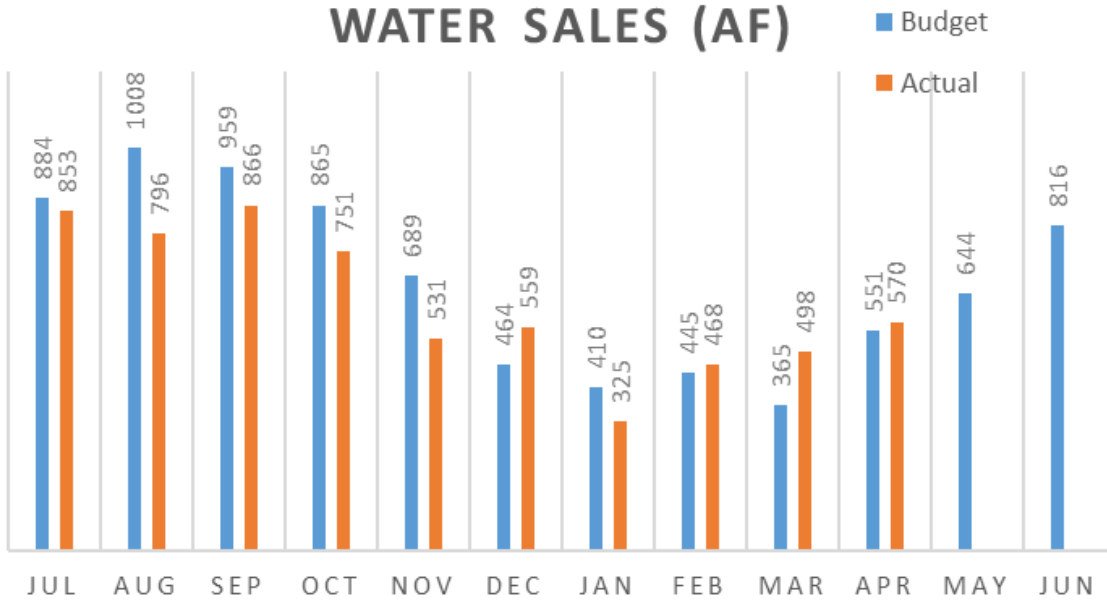
The District's year-to-date total expenditures are under budget due to the lower than budgeted water purchases and operating expenses. Water operating expenses are expected to remain under budget due to the lower than budgeted production at the Santa Margarita Groundwater Treatment Plant. Wastewater and administrative services are expected to trend towards budget as the year progresses.

Total revenue is \$33,021,994 or 0.1% under budget and total expenditures are \$26,694,986 or 1.7% under budget. PAYGO CIP expenditures are 35.1% under budget but are expected to trend towards Budget levels. Adjusting for expected State Loan proceeds, the District's financial results are above Budget levels.

Recommended Action

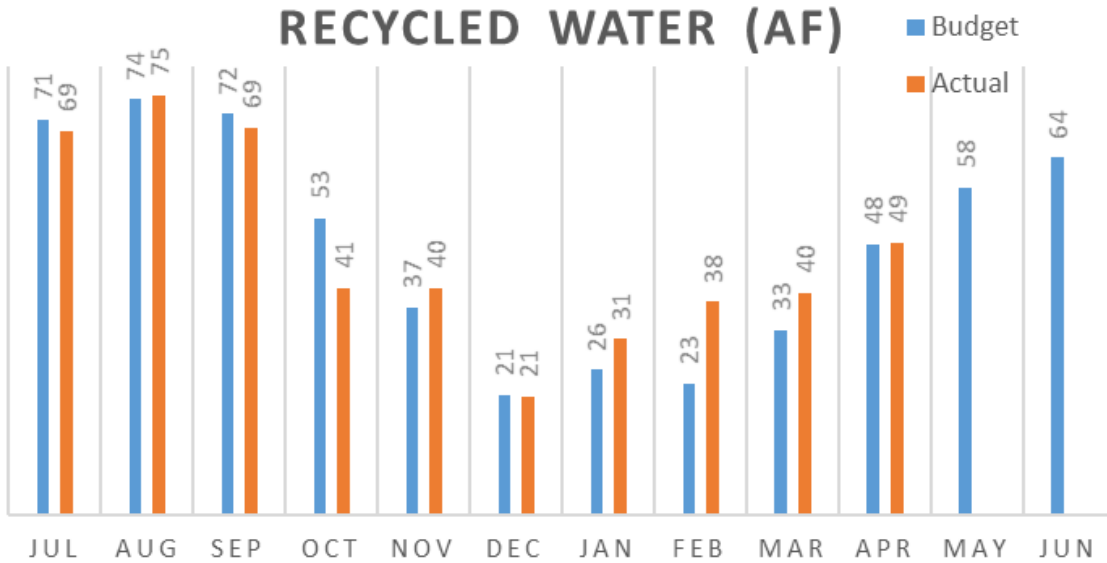
This item is for discussion only. No action is required.

WATER SALES (AF)



Year-to-Date Actual 6,217 AF Year-to-Date Budget 6,640 AF

RECYCLED WATER (AF)



Year-to-Date Actual 472 AF Year-to-Date Budget 458 AF

*Includes Adjusted Figures for July through March

Monthly Budget Report for April

	Current Month		Favorable Variance Shown as a positive number				Annual Budget		
	Actual	Budget	Actual	Budget	Variance	%	Budget	Remaining Balance	%
Operating Revenues:									
Water Sales	1,403,982	1,354,724	14,239,103	15,150,007	(910,904)	-6.0%	18,695,785	4,456,682	23.8%
Water Meter Service Charges	673,926	692,367	6,541,609	6,615,953	(74,344)	-1.1%	8,000,687	1,459,078	18.2%
Wastewater Service Charges	527,246	508,783	5,178,468	5,451,618	(273,150)	-5.0%	6,469,183	1,290,715	20.0%
Recycled Water Revenues	386,138	102,480	930,447	918,624	11,823	1.3%	1,175,173	244,726	20.8%
Other Operating Revenue	-	917	-	9,167	(9,167)	-100.0%	11,000	11,000	100.0%
Total Operating Revenue	2,991,293	2,659,270	26,889,627	28,145,370	(1,255,742)	-4.5%	34,351,829	7,462,201	21.7%
Non Operating Revenues:									
Water Capital Improvement Charge	124,197	120,280	1,207,209	1,202,799	4,410	0.4%	1,443,359	236,150	16.4%
Wastewater Capital Improvement Charge	94,044	98,390	981,054	983,898	(2,844)	-0.3%	1,180,678	199,623	16.9%
Property Taxes	725,267	208,265	2,205,933	2,066,320	139,613	6.8%	2,122,467	(83,467)	-3.9%
Water Standby/Availability Charge	49,269	50,030	177,802	189,781	(11,979)	-6.3%	204,000	26,198	12.8%
Water/Wastewater Capacity Charges	11,214	7,183	151,136	71,833	79,303	110.4%	86,200	(64,936)	-75.3%
Portfolio Interest	9,621	10,304	190,626	103,042	87,584	85.0%	123,651	(66,976)	-54.2%
Pumping Capital Improvement Charge	946	2,730	11,083	27,297	(16,214)	-59.4%	32,756	21,673	66.2%
Federal Interest Rate Subsidy	-	-	51,292	49,968	1,324	2.6%	97,977	46,685	47.6%
SDCWA Refund/Covid Relief Grant*	38,811	-	815,405	-	815,405	NA	-	(815,405)	NA
Facility Rents	30,606	18,750	221,383	187,500	33,883	18.1%	225,000	3,617	1.6%
Fire Hydrant Service Fees	-	-	18,313	-	18,313	NA	-	(18,313)	NA
Other Non-Operating Revenues	(2,500)	2,500	101,130	25,000	76,130	304.5%	30,000	(71,130)	-237.1%
Total Non Operating Revenues	1,081,473	518,432	6,132,366	4,907,439	1,224,927	25.0%	5,546,087	(586,279)	-10.6%
Total Revenues	4,072,766	3,177,702	33,021,994	33,052,809	(30,815)	-0.1%	39,897,916	6,875,922	17.2%
Expenditures									
Purchased Water Expense	1,187,666	697,967	10,640,159	9,693,671	(946,489)	-9.8%	11,547,729	907,569	7.9%
Water Services**	474,082	473,550	3,604,069	4,408,839	804,770	18.3%	5,355,939	1,751,870	32.7%
Wastewater Services**	318,655	267,037	2,907,893	2,937,402	29,509	1.0%	3,471,475	563,582	16.2%
Recycled Water Services**	38,102	40,554	343,447	446,094	102,647	23.0%	527,202	183,755	34.9%
Administrative Services**	668,562	531,066	5,578,300	5,841,727	263,427	4.5%	6,903,859	1,325,559	19.2%
Total Operating Expenses	2,687,068	2,010,173	23,073,869	23,327,732	253,864	1.1%	27,806,204	4,732,335	17.0%
Debt Service Expenses									
SMCUP SRF	-	-	974,071	1,038,424	64,353	6.2%	1,038,424	64,353	6.2%
Red Mountain SRF	-	-	395,851	395,851	-	0.0%	395,851	-	0.0%
WW Rev Refunding Bonds	-	-	1,729,884	1,729,884	-	0.0%	1,729,884	-	0.0%
QECB Solar Debt	258,883	258,883	521,312	521,312	-	0.0%	521,312	-	0.0%
Total Debt Service	258,883	258,883	3,621,118	3,685,471	64,353	1.7%	3,685,471	64,353	1.7%
Total Expenses	2,945,951	2,269,056	26,694,986	27,013,203	318,217	1.2%	31,491,674	4,796,688	15.2%
Net Revenue/(loss) From Operations and Debt Service	1,126,815	908,646	6,327,008	6,039,606	287,402	4.8%	8,406,242	2,079,234	24.7%
Capital Investment									
Capital Investment									
Construction Expenditures	583,326	794,409	3,577,212	5,513,682	1,936,469	35.1%	7,288,000	3,710,788	50.9%
SMRCUP Expenditures***	7,972	-	6,088,262	8,450,000	2,361,738	27.9%	8,450,000	2,361,738	27.9%
SRF Loan Proceeds Draw (Capital Project Funds)****	(7,972)	-	(4,767,874)	(8,450,000)	(3,682,126)	43.6%	(8,450,000)	(3,682,126)	43.6%
Net Revenue/(Loss)	543,489	114,237	1,429,407	525,924	903,483	171.8%	1,118,242	(311,165)	-27.8%

*Includes SDCWA Refund of \$625,250.63, California Water Arrearage Payment Program grant of \$151,343.14 and California Wastewater Arrearage Payment Program grant of \$38,811.01

**Includes share of \$300,000 PARS transfer.

***CIP expenditures related to the SMRCUP have been updated based upon contractor draw scheduled and are funded by SRF Loan proceeds.

****YTD Actual amount adjusted to reflect expected State Reimbursement for reporting purposes.

04/30/2022

Treasurer's Warrant No. April

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 - 04/2022

Computer Check Register

Payroll #1	\$161,034.21
Payroll #2	<u>\$157,059.81</u>
	<u>\$318,094.02</u>

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
Printed: 5/4/2022 9:52 AM



Fallbrook Public Utility District
990 E Mission Rd Fallbrook CA 92028
(760) 728-1125

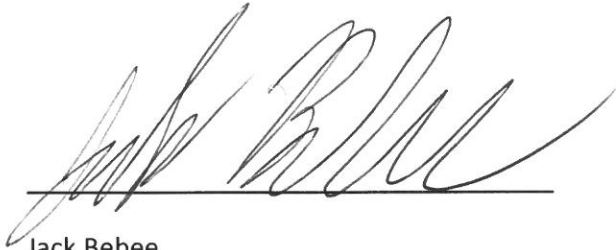
Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	00152	FPUD EMPL ASSOCIATION	04/07/2022	457.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	04/07/2022	2,962.06
ACH	06758	US TREASURY - PAYROLL TAXES	04/07/2022	61,368.23
ACH	06759	STATE OF CA - PR TAXES	04/07/2022	9,490.66
ACH	06760	STATE OF CA - SDI	04/07/2022	2,679.41
ACH	06761	LINCOLN FINANCIAL GROUP	04/07/2022	7,613.23
ACH	06763	PERS - PAYROLL	04/07/2022	40,478.59
ACH	06758	US TREASURY - PAYROLL TAXES	04/07/2022	270.62
ACH	06760	STATE OF CA - SDI	04/07/2022	19.46
88232	91499	FILANC ALBERICI A JOINT VENTURE	04/07/2022	194,072.99
88233	91500	US BANK NATIONAL ASSOCIATION	04/07/2022	10,214.37
88234	91184	4IMPRINT INC	04/07/2022	676.12
88235	06597	AIRGAS USA, LLC	04/07/2022	358.96
88236	91163	AM Diesel INC.	04/07/2022	1,853.13
88237	91286	AMAZON CAPITAL SERVICES, INC.	04/07/2022	170.85
88238	91490	AMAZON WEB SERVICES, INC.	04/07/2022	1,115.08
88239	05088	AT&T	04/07/2022	485.77
88240	91503	BACKGROUNDS ONLINE	04/07/2022	232.98
88241	06374	BOOT BARN INC.	04/07/2022	1,239.14
88242	91440	BP BATTERY INC	04/07/2022	2,345.45
88243	04741	CALIFORNIA SPECIAL DISTRICT ASSC	04/07/2022	675.00
88244	05949	CALIFORNIA WATER EFFICIENCY PAR	04/07/2022	500.52
88245	03134	CALIFORNIA WATER ENVIRONMENT	04/07/2022	192.00
88246	03978	CAMERON WELDING SUPPLY	04/07/2022	653.73
88247	91241	LISA CHAFFIN	04/07/2022	60.00
88248	03205	CITY OF OCEANSIDE	04/07/2022	334.62
88249	91210	CORE & MAIN LP	04/07/2022	5,096.58
88250	05192	DIAMOND ENVIRONMENTAL SERVIC	04/07/2022	419.66
88251	00170	FALLBROOK WASTE & RECYCLING	04/07/2022	890.42
88252	04494	FEDERAL EXPRESS CORPORATION	04/07/2022	98.19
88253	01432	FERGUSON WATERWORKS #1083	04/07/2022	890.28
88254	00182	GLENNIE'S OFFICE PRODUCTS, INC	04/07/2022	340.33
88255	02974	GOLDEN BELL PRODUCTS, INC.	04/07/2022	2,101.13
88256	02170	GRAINGER, INC.	04/07/2022	672.17
88257	05380	HACH CO	04/07/2022	3,174.13
88258	91615	CHRISTIAN HERNANDEZ	04/07/2022	44.42
88259	06577	INFOSEND INC	04/07/2022	1,231.04
88260	06243	JIM'S SIGN SHOP	04/07/2022	95.00
88261	91130	LINCOLN NATIONAL LIFE INSURANC	04/07/2022	3,556.47
88262	06156	LOMACK SERVICE CORPORATION	04/07/2022	1,687.00
88263	91192	MISSION LINEN SUPPLY	04/07/2022	1,730.83
88264	01267	PACIFIC PIPELINE	04/07/2022	790.17
88265	UB*00431	KELLY PHILIPPS	04/07/2022	5.58
88266	00216	PINE TREE LUMBER	04/07/2022	71.05
88267	06717	RDO EQUIPMENT CO	04/07/2022	63.79
88268	UB*00432	RUDY REYES	04/07/2022	4.39
88269	91707	EDUARDO RODRIGUEZ	04/07/2022	87.89

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88270	06608	ROTARY CLUB OF FALLBROOK	04/07/2022	172.00
88271	91482	S & R TOWING	04/07/2022	525.00
88272	03231	SAN DIEGO COUNTY WATER AUTH	04/07/2022	19,717.00
88273	00232	SAN DIEGO GAS & ELECTRIC	04/07/2022	30,999.07
88274	06401	SONSRAY MACHINERY LLC	04/07/2022	232.81
88275	06046	SOUTHWEST BOULDER & STONE INC	04/07/2022	1,428.18
88276	00159	SUPERIOR READY MIX	04/07/2022	3,758.57
88277	05904	RICHARD TANNER	04/07/2022	412.00
88278	06735	TCN, INC.	04/07/2022	131.93
88279	00724	UNDERGROUND SERVICE ALERT	04/07/2022	332.45
88280	91294	VISTA FENCE COMPANY INCORPORA	04/07/2022	19,636.00
88281	91310	VOLT WORKFORCE SOLUTIONS	04/07/2022	767.52
88282	00233	WAXIE SANITARY SUPPLY	04/07/2022	306.92
88283	06231	WESTERN WATER WORKS SUPPLY CC	04/07/2022	5,991.11
88284	90934	CHARLIE WOLK	04/07/2022	63.83
88285	04995	AMERICAN MESSAGING	04/07/2022	84.96
88286	01719	MICKEY M. CASE	04/07/2022	60.00
88287	06303	EXECUTIVE LANDSCAPE INC.	04/07/2022	1,020.00
88288	05560	FRANCHISE TAX BOARD	04/07/2022	50.00
88289	05380	HACH CO	04/07/2022	350.70
88290	06380	JANI-KING OF CALIFORNIA, INC - SA	04/07/2022	3,419.69
88291	91130	LINCOLN NATIONAL LIFE INSURANC	04/07/2022	3,440.62
88292	UB*00434	CARTER MOE	04/07/2022	144.57
88293	06338	MYTHOS TECHNOLOGY INC	04/07/2022	1,809.63
88294	04075	RAYNE WATER SYSTEMS	04/07/2022	170.00
88295	UB*00433	SLOAN SONKSEN	04/07/2022	4.44
88296	91123	STREAMLINE	04/07/2022	550.00
88297	06231	WESTERN WATER WORKS SUPPLY CC	04/07/2022	3,501.88
88298	91709	RACHELLE WOLF	04/07/2022	2,500.00
Total for 4/7/2022:				465,151.37
ACH	06763	PERS - PAYROLL	04/13/2022	558.09
88299	00231	SAN DIEGO COUNTY WATER AUTH	04/13/2022	796,820.76
88300	91256	AFP	04/13/2022	2,025.67
88301	06597	AIRGAS USA, LLC	04/13/2022	98.14
88302	91286	AMAZON CAPITAL SERVICES, INC.	04/13/2022	159.79
88303	91711	ASPEN RISK MANAGEMENT GROUP	04/13/2022	16,250.00
88304	91686	BLUE PACIFIC ENGINEERING & CONS	04/13/2022	208,050.00
88305	91687	CHI CONSTRUCTION	04/13/2022	80,512.50
88306	05953	CORODATA RECORDS MANAGEMENI	04/13/2022	903.25
88307	02925	DATA NET SOLUTIONS	04/13/2022	11,316.75
88308	91702	DeZURIK APCO HILTON	04/13/2022	2,465.32
88309	04122	EVOQUA WATER TECHNOLOGIES LLC	04/13/2022	5,442.74
88310	91611	FALLBROOK ACE HARDWARE	04/13/2022	1,550.57
88311	05987	FALLBROOK GARAGE & QWIK LUBE	04/13/2022	1,074.28
88312	00169	FALLBROOK OIL COMPANY	04/13/2022	8,814.21
88313	01155	FALLBROOK WASTE/RECYCLING	04/13/2022	58.00
88314	04494	FEDERAL EXPRESS CORPORATION	04/13/2022	37.13
88315	05380	HACH CO	04/13/2022	62.45
88316	91544	HAZEN AND SAWYER, D.P.C.	04/13/2022	13,414.95
88317	06429	HEALTHPOINTE MEDICAL GROUP,INC	04/13/2022	150.00
88318	06577	INFOSEND INC	04/13/2022	1,044.01
88319	91683	INTUITECH, INC.	04/13/2022	73,673.28
88320	05871	ITRON INC	04/13/2022	23,015.64
88321	90932	NAPA AUTO PARTS	04/13/2022	151.35
88322	03201	NATIONAL SAFETY COMPLIANCE INC	04/13/2022	47.50

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88323	00370	NUTRIEN AG SOLUTIONS, INC.	04/13/2022	98.64
88324	91674	O'REILLY AUTO ENTERPRISES, LLC	04/13/2022	1,004.74
88325	00216	PINE TREE LUMBER	04/13/2022	74.07
88326	91546	QUADIENT FINANCE USA, INC.	04/13/2022	800.00
88327	00232	SAN DIEGO GAS & ELECTRIC	04/13/2022	62,970.06
88328	06737	SIMPSON SANDBLASTING & SPECIAL	04/13/2022	3,800.00
88329	91269	SRK ENGINEERING INC.	04/13/2022	48,070.00
88330	91385	VERONICA TAMZIL	04/13/2022	60.00
88331	06512	ULINE SHIPPING SUPPLIES	04/13/2022	822.47
88332	04290	VILLAGE NEWS, INC.	04/13/2022	1,400.00
88333	91284	WM CORPORATE SERVICES, INC	04/13/2022	2,158.37
88334	00805	ACWA/JOINT POWERS INS.	04/13/2022	27,311.94
88335	91286	AMAZON CAPITAL SERVICES, INC.	04/13/2022	120.81
88336	05958	BAMM! PROMOTIONAL PRODUCTS, I	04/13/2022	3,596.36
88337	91129	JENNIFER DEMEO	04/13/2022	78.62
88338	91427	MITEL CLOUD SERVICES, INC	04/13/2022	1,508.19
88339	91710	PREFERRED AERIAL & CRANE TECHN	04/13/2022	575.00
88340	91107	SPECTRUM BUSINESS	04/13/2022	143.10
88341	02927	TIM STERGER	04/13/2022	60.00
88342	91276	WOLFE DOOR INDUSTRIES, INC.	04/13/2022	1,791.82
Total for 4/13/2022:				1,404,140.57
ACH	00152	FPUD EMPL ASSOCIATION	04/21/2022	457.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	04/21/2022	2,962.06
ACH	06758	US TREASURY - PAYROLL TAXES	04/21/2022	61,465.10
ACH	06759	STATE OF CA - PR TAXES	04/21/2022	9,466.10
ACH	06760	STATE OF CA - SDI	04/21/2022	2,637.68
ACH	06761	LINCOLN FINANCIAL GROUP	04/21/2022	7,548.89
ACH	06763	PERS - PAYROLL	04/21/2022	40,418.21
88346	UB*00436	SPRUCE TITLE COMPANY TRUST ACC	04/21/2022	69.55
88347	91714	AGOSTINO CREATIVE PHOTOGRAPH	04/21/2022	7,675.00
88348	06597	AIRGAS USA, LLC	04/21/2022	1,017.73
88349	91286	AMAZON CAPITAL SERVICES, INC.	04/21/2022	4,634.85
88350	02805	ASBURY ENVIRONMENTAL SERVICES	04/21/2022	913.75
88351	91708	B2B SECURITY	04/21/2022	2,600.00
88352	91487	BADGER METER, INC.	04/21/2022	3,846.76
88353	06235	JACK BEBEE	04/21/2022	455.16
88354	02743	BEST BEST & KRIEGER	04/21/2022	26,534.37
88355	UB*00442	BRAD BROM	04/21/2022	112.52
88356	91049	CALIFORNIA HAZARDOUS SERVICES	04/21/2022	3,375.00
88357	03134	CALIFORNIA WATER ENVIRONMENT	04/21/2022	283.00
88358	03978	CAMERON WELDING SUPPLY	04/21/2022	1,922.69
88359	UB*00439	CHRIS CATALDO	04/21/2022	2.37
88360	UB*00440	JACK D & TIFFANY COATES	04/21/2022	119.00
88361	91272	KEVIN COLLINS	04/21/2022	60.00
88362	02176	CORELOGIC SOLUTIONS, LLC	04/21/2022	225.00
88363	06675	CORODATA SHREDDING, INC	04/21/2022	67.32
88364	04128	CUES, INC	04/21/2022	5,551.58
88365	06299	D & H WATER SYSTEMS, INC	04/21/2022	554.85
88366	02925	DATA NET SOLUTIONS	04/21/2022	27,185.33
88367	00143	DEPARTMENT OF WATER RESOURCE	04/21/2022	28,954.00
88368	05192	DIAMOND ENVIRONMENTAL SERVIC	04/21/2022	261.03
88369	05177	DOWNEY BRAND, LLP	04/21/2022	160.00
88370	09523	FALLBROOK EQUIP RENTALS	04/21/2022	6,699.25
88371	05987	FALLBROOK GARAGE & QWIK LUBE	04/21/2022	1,612.61
88372	02411	FALLBROOK PRINTING CORP	04/21/2022	8,065.61

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88373	01432	FERGUSON WATERWORKS #1083	04/21/2022	9,167.78
88374	02972	FISHER SCIENTIFIC COMPANY LLC	04/21/2022	28.93
88375	05560	FRANCHISE TAX BOARD	04/21/2022	50.00
88376	02170	GRAINGER, INC.	04/21/2022	2,526.18
88377	05380	HACH CO	04/21/2022	301.36
88378	06062	HARRINGTON INDUSTRIAL PLASTICS	04/21/2022	76.27
88379	91083	NIKOLAY ILIEV	04/21/2022	90.00
88380	UB*00435	GOLDEN CITIES MANAGEMENT COM	04/21/2022	7.04
88381	06577	INFOSEND INC	04/21/2022	1,370.83
88382	UB*00438	ANTHONY KOERT	04/21/2022	12.00
88383	04926	KONICA MINOLTA PREMIER FINANCE	04/21/2022	2,064.59
88384	91029	MALLORY SAFETY AND SUPPLY CO	04/21/2022	1,331.68
88385	01267	PACIFIC PIPELINE	04/21/2022	125.93
88386	91535	PAYMENTUS GROUP, INC	04/21/2022	3,781.37
88387	UB*00437	SARAH QUINTARA	04/21/2022	212.83
88388	91717	CARL QUIRAM	04/21/2022	300.00
88389	05064	RAINBOW MUNICIPAL WATER	04/21/2022	2,547.00
88390	91077	RED WING BUSINESS ADVANTAGE AC	04/21/2022	1,113.26
88391	UB*00441	JETSADA & EMILY ROSENGARTEN	04/21/2022	129.92
88392	06643	SAN DIEGO LAFCO	04/21/2022	16,500.00
88393	91486	SATELLITE PHONE STORE	04/21/2022	67.08
88394	05861	SOUTHERN CALIFORNIA ALLIANCE C	04/21/2022	1,686.00
88395	02206	STATE WATER RESOURCES CONTROL	04/21/2022	1,738.00
88396	91082	TELETRAC, INC	04/21/2022	2,453.10
88397	06512	ULINE SHIPPING SUPPLIES	04/21/2022	6,439.55
88398	91703	UNIVAR SOLUTIONS	04/21/2022	2,183.74
88399	03358	US BANK TRUST NA	04/21/2022	258,883.14
88400	91310	VOLT WORKFORCE SOLUTIONS	04/21/2022	447.72
88401	06231	WESTERN WATER WORKS SUPPLY CC	04/21/2022	7,911.01
88402	02773	WHITE CAP L.P	04/21/2022	1,525.61
Total for 4/21/2022:				582,985.29
88403	06359	INFRASTRUCTURE ENGINEERING CO	04/28/2022	65,280.30
88404	91574	TRUSSELL TECHNOLOGIES, INC.	04/28/2022	37,347.50
88405	00101	ACWA JPIA	04/28/2022	108,143.10
88406	01460	AFLAC	04/28/2022	482.24
88407	91286	AMAZON CAPITAL SERVICES, INC.	04/28/2022	628.84
88408	91608	AT&T MOBILITY LLC	04/28/2022	3,698.94
88409	91487	BADGER METER, INC.	04/28/2022	5,390.34
88410	91684	BARTLE WELLS ASSOCIATES	04/28/2022	12,205.00
88411	03134	CALIFORNIA WATER ENVIRONMENT.	04/28/2022	192.00
88412	06115	CDW GOVERNMENT INC.	04/28/2022	50.53
88413	91698	CM CRANE & TRAINING SERVICES	04/28/2022	14,090.00
88414	91129	JENNIFER DEMEO	04/28/2022	65.17
88415	05180	NOELLE DENKE	04/28/2022	84.56
88416	05192	DIAMOND ENVIRONMENTAL SERVIC	04/28/2022	431.05
88417	06144	DUPERON CORPORATION	04/28/2022	20,494.33
88418	91401	KENNETH ENDTER	04/28/2022	95.45
88419	09523	FALLBROOK EQUIP RENTALS	04/28/2022	2,329.02
88420	01099	FALLBROOK IRRIGATION INC	04/28/2022	115.76
88421	00169	FALLBROOK OIL COMPANY	04/28/2022	5,756.05
88422	04494	FEDERAL EXPRESS CORPORATION	04/28/2022	200.58
88423	91200	FIRST BANKCARD	04/28/2022	3,433.05
88424	91202	FIRST BANKCARD	04/28/2022	58.12
88425	91225	FIRST BANKCARD	04/28/2022	1,263.86
88426	91313	FIRST BANKCARD	04/28/2022	4,019.16

Check No	Vendor No	Vendor Name	Check Date	Check Amount
88427	91323	FIRST BANKCARD	04/28/2022	409.73
88428	91540	FIRST BANKCARD	04/28/2022	2,361.92
88429	91620	FIRST BANKCARD	04/28/2022	1,901.42
88430	91635	FIRST BANKCARD	04/28/2022	285.69
88431	91678	FIRST BANKCARD	04/28/2022	854.30
88432	02972	FISHER SCIENTIFIC COMPANY LLC	04/28/2022	5,091.81
88433	00182	GLENNIE'S OFFICE PRODUCTS, INC	04/28/2022	2,303.62
88434	03174	HAAKER EQUIPMENT COMPANY	04/28/2022	1,821.43
88435	05380	HACH CO	04/28/2022	4,731.33
88436	91693	HAZZARD BACKFLOW, INC	04/28/2022	6,240.00
88437	91666	HOT TAPS UNLIMITED	04/28/2022	485.00
88438	06577	INFOSEND INC	04/28/2022	2,537.82
88439	06699	INTER-LINGUA, LLC	04/28/2022	70.00
88440	91713	JACK DOHENY COMPANY	04/28/2022	1,280.05
88441	91648	KING LEE CHEMICAL COMPANY	04/28/2022	8,097.98
88442	06555	LIEBERT CASSIDY WHITMORE	04/28/2022	184.00
88443	90887	LLOYD PEST CONTROL	04/28/2022	142.00
88444	91029	MALLORY SAFETY AND SUPPLY CO	04/28/2022	537.65
88445	05655	DON MCDUGAL	04/28/2022	229.31
88446	03944	MISSION RESOURCE CONSV DISTRICT	04/28/2022	325.00
88447	91661	MUNICIPAL MAINTENANCE EQUIPMENT	04/28/2022	79,157.46
88448	91718	MYRON L COMPANY	04/28/2022	1,808.71
88449	91151	OCEAN DATA SYSTEMS INC	04/28/2022	1,026.00
88450	91591	OPERATIONAL TECHNICAL SERVICES	04/28/2022	16,305.24
88451	91007	PFM ASSET MANGEMENT LLC	04/28/2022	4,794.80
88452	91710	PREFERRED AERIAL & CRANE TECHN	04/28/2022	1,475.00
88453	91599	RUSH TRUCK CENTERS OF CALIFORNIA	04/28/2022	11,228.98
88454	03231	SAN DIEGO COUNTY WATER AUTH	04/28/2022	55.00
88455	06401	SONSRAY MACHINERY LLC	04/28/2022	36.16
88456	90929	SOUTHWEST ANSWERING SERVICE, INC	04/28/2022	862.84
88457	05415	STATE WATER RESOURCE CONTROL I	04/28/2022	90.00
88458	05415	STATE WATER RESOURCE CONTROL I	04/28/2022	105.00
88459	05415	STATE WATER RESOURCE CONTROL I	04/28/2022	55.00
88460	91223	STERLING ADMINISTRATION	04/28/2022	125.00
88461	91310	VOLT WORKFORCE SOLUTIONS	04/28/2022	447.72
88462	00233	WAXIE SANITARY SUPPLY	04/28/2022	714.68
88463	90934	CHARLIE WOLK	04/28/2022	300.68
Total for 4/28/2022:				444,333.28
Report Total (246 checks):				2,896,610.51

A handwritten signature in black ink, appearing to read 'Jack Bebee', written over a horizontal line.

Jack Bebee

General Manager



Rally for Children

P.O. Box 2575
Fallbrook, CA 92088-2575
www.rallyforchildren.org

May 7, 2022.

Dear Noelle & Fallbrook Public Utility District,

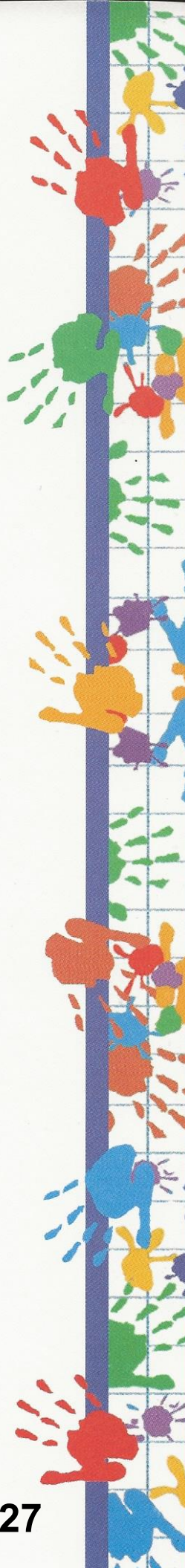
On behalf of Rally for Children, I would like to thank you for your participation in this year's Arts in the Park on May 1, 2022. The event was a wonderful success thanks to organizations like yours who gave of your time to plan a great craft for the kids (Wonderful water conservation pins!), provide volunteers and even provide materials. We saw many happy faces on children and their parents/grandparents as they worked their way through the park's 25+ activities!

Please extend a thank you to all of your volunteers who gave willingly of their time during the day to help with set up, hands on instruction to kids and cleanup.

Thank you again for choosing to be a part of this very special day for kids! We're hoping you will want to join us again next year. If your contact information changes, please don't hesitate to let me know. If you have suggestions for ways to improve our event, please let us know that as well.

With Appreciation,

Donna Reisbeck-Stoewer, Participants Chair, Arts in the Park



FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Charley Wolk

Name & Location of Function: Quarterly Lunch SCWC

Date(s) of Attendance: 4/22/22

Purpose of Function: Water strategy

Sponsoring Organization: SCWC

Summary of Conference or Meeting:

There was a panel to discuss CA future water strategy. Not really well balanced. The panel in general believed we can solve the water challenge through conservation

Director Signature: C. Wolk

Date: 4/28/22

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.