



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

AGENDA

WEDNESDAY, MARCH 13, 2024  
10:00 A.M.

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

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

**Join Zoom Meeting**

<https://us06web.zoom.us/j/82255513597?pwd=uda5fmtJqOCmcpHuyIbrPbPh5b9ocU.1>

MEETING ID: 822 5551 3597

AUDIO PASSCODE: 551823

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**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](mailto: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 Board Secretary at (760) 999-2704 for assistance.*

**I. PRELIMINARY FUNCTIONS**

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

**II. ACTION / DISCUSSION -----(ITEMS A-B)**

A. ISSUANCE OF WATER REVENUE BONDS

B. TRANSFER A PORTION OF THE DISTRICT'S ANNUAL APPROPRIATIONS FOR PAYGO CAPITAL IMPROVEMENTS TO ADMINISTRATION, OPERATIONS AND MAINTENANCE AND INCREASE THE TOTAL APPROPRIATIONS AND THE APPROPRIATIONS FOR ADMINISTRATION, OPERATIONS AND MAINTENANCE TO REFLECT THE DETACHMENT FEE PAYMENT

**III. ADJOURNMENT OF MEETING**

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**DECLARATION OF POSTING**

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

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

March 7, 2024  
Dated / Fallbrook, CA

/s/ Lauren Eckert  
Executive Assistant/Board Secretary

**M E M O**

**TO:** Fiscal Policy and Insurance (FP&I) Committee  
**FROM:** David Shank, Assistant General Manager/CFO  
**DATE:** March 13, 2024  
**SUBJECT:** Issuance of Water Revenue Bonds

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**Purpose**

Provide an overview of the District's February 27<sup>th</sup> Water Revenues Bond Sale.

**Summary**

The District executed a negotiated bond sale on February 27<sup>th</sup>. The decision to execute a negotiated sale was driven by the recent increase in interest rate volatility due to economic uncertainty and economic headlines. Stifel Public Finance was selected as the underwriter of the transaction based upon their pricing proposal and experience. It should be noted that they served as the underwriter of the District's Wastewater Revenue Refunding Bonds.

Stifel did an excellent job marketing the bonds, which was reflected in the wide range of investor interest. While there was one maturity that was not fully sold during the bidding period, almost all the other maturities were oversubscribed (more orders than bonds available). This allowed Stifel to slightly decrease in the interest rate on some of the bonds lowering the District's costs. The result was a 3.96% interest rate on the District's bonds. The average annual debt service for the bonds is \$676,474/year, which is below initial estimate of \$700,000/year.

**Recommended Action**

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

**M E M O**

**TO:** Fiscal Policy and Insurance (FP&I) Committee  
**FROM:** David Shank, Assistant General Manager/CFO  
**DATE:** March 13, 2024  
**SUBJECT:** Transfer a portion of the District’s Annual Appropriations for PAYGO Capital Improvements to Administration, Operations and Maintenance and increase the total appropriations and the appropriations for Administration, Operations and Maintenance to reflect the Detachment Fee Payment

Purpose

Amend the District’s annual budget and annual appropriations to reflect the year-end budget projections. In addition, amend the District’s annual appropriations to include the Detachment payment to San Diego County Water Authority (SDCWA), which was not included in the Fiscal Year 2023-24 Budget (Budget).

Summary

District’s Fiscal Year 2023-24 Operating Budget

In January, the staff met with the Committee and later with the Board to review the District’s mid-year budget projections. At that time, staff identified and discussed the main drivers of the projected budget overages. The main drivers were:

- Detachment related expenditures: This included non-labor related expenditures incurred as part of the effort to detach from SDCWA’s service area.
- Emergency repairs: System emergency repairs continue to impact expenditures driving up not only the cost of labor but also the cost of non-labor (i.e. paving costs).
- Water treatment costs: The cost of water treatment at the new groundwater treatment plant was updated to reflect higher levels of chemical input costs (Non-labor).

The table below shows the updated year-end budget projections (excluding the Detachment Fee). Benefits are projected to be at budget levels. Labor and non-labor are projected to be slightly over budget.

District Operating Budget Total								
	BENEFITS		LABOR		NON-LABOR		TOTAL	
	Budget	YE Projection	Budget	YE Projection	Budget	YE Projection	Budget	YE Projection
		<b>4,400,781</b>	<b>4,400,781</b>	<b>6,812,115</b>	<b>7,068,196</b>	<b>7,080,931</b>	<b>7,613,718</b>	<b>18,293,828</b>
Variance	-	0.0%	(256,082)	-3.8%	(532,786)	-7.5%	(788,868)	-4.3%

Staff recommend amending the District’s labor and non-labor budgets to reflect the updated projections and offsetting the increases by decreasing the District’s PAYGO Capital Improvement Projects (CIP) budget. The District’s CIP execution has been impacted by the emergency repairs and supply chain issues. As a result of these factors,

the District will underspend the PAYGO budget by at least the Operating Budget shortfall. The District's annual appropriations will be modified to reflect the \$788,868 being transferred from PAYGO Capital Improvements and Equipment to Administration, Operations and Maintenance.

#### Detachment from San Diego County Water Authority

The Fiscal Year 2023-24 Budget did not include any payment to SDCWA for detachment. Therefore, it is necessary to amend the District's Budget and annual appropriations to include the \$8,506,750 detachment fee payment to SDCWA.

Staff recommend amending the District's budget to reflect the payment of the fee. The Office of General Manager's budget would be amended to reflect the payment. In addition, the District's annual appropriations would be increased as would the Administration, Operations and Maintenance appropriation to reflect this payment. This would increase the Administration, Operations and Maintenance appropriation to \$27,589,446 and the District's total annual appropriations to \$52,597,237.

#### Recommended Action

The Committee recommend adoption of the draft resolution to the Board.

**RESOLUTION NO. 50XX**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
FALLBROOK PUBLIC UTILITY DISTRICT APPROVING AND  
AMENDING THE DISTRICT'S FISCAL YEAR 2023-24 BUDGET FOR  
OPERATIONS, MAINTENANCE, WATER PURCHASES, CAPITAL  
IMPROVEMENTS, EQUIPMENT, AND DEBT SERVICE AND  
APPROPRIATING \$52,597,237 CONSISTENT WITH THE APPROVED  
AMENDED BUDGET**

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**WHEREAS**, the Fiscal Policy and Insurance Committee has reviewed and considered the Recommended Fiscal Year 2023-24 Budget during publicly noticed meetings on April 18, 2023, April 24, 2023 and June 1, 2023; and

**WHEREAS**, the Board has reviewed and considered the Recommended Fiscal Year 2023-24 Budget during a publicly noticed meeting on June 26, 2023; and

**WHEREAS**, the Board approved Resolution 5052 on June 26, 2023 establishing the District's Fiscal Year 2023-24 Budget; and

**WHEREAS**, the Board approved Resolution 4985 on December 9, 2019 requesting the San Diego Local Agency Formation Commission (LAFCO) to commence proceedings for a reorganization consisting of the concurrent detachment of the District from San Diego County Water Authority (SDCWA) and annexation of the District into Eastern Municipal Water District (EMWD); and

**WHEREAS**, on July 10, 2023, LAFCO approved Resolution 2023-11 approving the District's concurrent annexation to EMWD and detachment from SDCWA (the Reorganization); and

**WHEREAS**, LAFCO Resolution 2023-11 required the District to pay an exit fee in the amount of \$8,506,750 (Detachment Fee) to SDCWA in five annual installments of \$1,701,350; and

**WHEREAS**, the District executed a Settlement Agreement with SDCWA and LAFCO, which, in part, required the District to pay the Detachment Fee to SDCWA in two installments, the last of which is required to be paid 90 days following the recordation of the certificate of completion for the Reorganization in order to avoid paying SDCWA interest penalties as specified in the Settlement Agreement; and

**WHEREAS**, LAFCO recorded certificates of completion with the San Diego County Recorder and the Riverside County Recorder the last of which was recorded on December 29, 2023, and the effective date of the Reorganization is December 29, 2023; and

**WHEREAS**, the Fiscal Year 2023-24 budget did not include the Detachment Fee, so it is necessary to amend the Budget and increase the District’s annual appropriations, including its Administration, Operations and Maintenance appropriation, to reflect payment of the Detachment Fee; and

**WHEREAS**, the Board now seeks to adopt this Resolution to update and supersede Resolution 5052 establishing the District’s Fiscal Year 2023-24 Budget.

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

1. The District’s amended Fiscal Year 2023-24 Budget, as presented to the Board of Directors at the publicly noticed meeting on February 26, 2024 and March 25, 2024 is hereby approved.

2. Expenditure under the District’s amended Fiscal Year 2023-24 Budget is hereby appropriated as follows:

For administration, operations, and maintenance: .....	\$27,589,446
Community benefit program: .....	\$ 546,000
For water purchases: .....	\$ 9,558,078
For PAYGO capital improvements, and equipment: .....	\$ 9,440,632
For Revenue Bonds, State Revolving Fund, and interest and principal: .....	\$ 5,463,081
TOTAL .....	<u>\$52,597,237</u>

3. Expenditure of appropriated funds shall be consistent with the approved Budget. Except as provided in this Resolution, no increases or decreases to the Budget shall occur except upon prior approval by the Board.

4. Notwithstanding the total appropriations set forth herein, the General Manager is authorized, subject only to the total appropriations, to exceed the expenditure amount designated in the approved Budget for water purchases to meet the District’s water demands.

5. The annual Liquidity Fund Level target for Fiscal Year 2023-24 is kept at the current level and no draws from the District’s long-term investment portfolio is planned.

6. No deposit or withdrawal to the District's long-term investments is planned, and any unanticipated draws will go to the Board for approval.
7. Resolution 5052 approved by the Board on June 26, 2023 is hereby superseded by adoption of this Resolution 50XX.

**PASSED AND ADOPTED** by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 25<sup>th</sup> day of March, 2024, by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors