



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

AGENDA

**TUESDAY, MAY 21, 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.

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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
- 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. ANNUAL PARS REVIEW

B. REVIEW THE RECOMMENDED FISCAL YEAR 2024-25 OPERATING
AND CAPITAL BUDGET

III. 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.

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 14, 2024
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

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M E M O

TO: Fiscal Policy and Insurance (FP&I) Committee
FROM: Jack Bebee, General Manager
 David Shank, Assistant General Manager/CFO
DATE: May 21, 2024
SUBJECT: Review the Recommended Fiscal Year 2024-25 Operating and Capital Budget

Purpose

Consider the District’s Recommended Fiscal Year 2024-25 Operating and Capital Budget (Budget) and recommend it for Board approval (Attachment A). Review the District’s Fiscal Year 2024-25 Draft Budget Resolution (Attachment B) which includes the appropriations for the District’s operations, debt service, capital improvement projects and the Community Benefit Program for the upcoming fiscal year.

Summary

The Fiscal Policy and Insurance Committee (Committee) has met and reviewed the Budget on April 10, 2024 and May 21, 2024. During these meetings, the Committee conducted a detailed line item review of the District’s budgeted expenditures and revenues and identified cost savings opportunities. On April 22, 2024, the Committee presented the Draft Budget to the Board for input.

Operating Budget Summary

The recommended Operating Budget is summarized in the table below.

	FY 2022-23	FY 2023-24			FY 2024-25	Amnd. Bgt to
	Actual	Recommended	Amended Budget	Projected	Recommended	Bgt % Change
Water Supply Costs	\$ 10,716,859	\$ 9,558,078	\$ 9,558,078	\$ 6,794,693	\$ 3,433,211	-64.1%
Debt Service	3,822,936	5,463,081	5,463,081	5,463,081	6,141,364	12.4%
Total Labor	6,500,369	6,813,579	7,069,662	7,069,662	7,318,240	3.5%
Total Non-Labor*	6,172,082	7,625,467	8,158,253	7,879,295	9,258,491	13.5%
Operating Expense Total	\$ 27,212,247	\$ 29,460,206	\$ 30,249,075	\$ 27,206,730	\$ 26,151,306	-13.5%
Benefits Expenditures (Ops)	4,279,809	4,400,781	4,400,781	4,400,781	4,835,681	9.9%
Total	\$ 31,492,056	\$ 33,860,987	\$ 34,649,856	\$ 31,607,511	\$ 30,986,987	-10.6%

*Total Non-Labor Includes \$542,367 for Community Benefit Program

Overall, the 10.6% decrease in the Operating Budget is being driven by a decrease in the cost of wholesale water due to the District’s detachment from the San Diego County Water Authority. In addition to now purchasing wholesale water from Eastern Municipal Water District (EMWD) at a lower cost, the District is also scheduled to receive a large volume of low cost local supply. Combined these factors are driving down the Water Supply Cost. The 12.4% increase in debt service is due to the issuance of the 2024 Revenue Bonds in 2024. Benefits are increasing by 9.9% due to increases in pension and healthcare costs.

Capital Budget Summary

The recommended Capital Budget is summarized in the table below.

	FY 2022-23	FY 2023-24			FY 2024-25
	Actual	Original Budget	Amended Budget	Projected	Recommended
Water CIP	\$ 3,561,544	\$ 7,379,500	\$6,590,632	\$5,857,146	\$ 8,508,750
Wastewater CIP	819,481	1,765,000	1,765,000	560,274	2,511,250
Recycled Water CIP	615,443	119,000	119,000	121,312	124,000
Admin CIP	834,727	966,000	966,000	516,746	582,000
Total CIP	\$ 5,831,196	\$ 10,229,500	\$9,440,632	\$7,055,478	\$ 11,726,000

For the FY 2024-25 Budget the focus will be on Water CIP, with continued emphasis on pipeline and valve replacements. This Budget cycle includes a \$2 million carry-over from FY 2023-24 for projects that were not completed due to long procurement times or unforeseen field conditions.

Next Steps

The District strives to make the Budget an understandable and transparent document in line with industry best management practices. Since Fiscal Year 2018-19, the District's reformatted Adopted Budgets have received the California Society of Municipal Finance Officers' Operating Budget Excellence Award and the Governmental Finance Officers Association's Distinguished Budget Presentation Award. The receipt of these awards illustrates the significant progress made by the District towards greater fiscal transparency and prudent financial management. The Adopted Budget will be submitted for these awards.

At the May Board meeting, staff will provide a presentation of the Budget and address any questions the Board has.

The May Board action includes:

- **Adopting the Budget Resolution** – This approves the Recommended Budget and authorizes the General Manager subject to the limitations provided in the resolution to execute the Budget and operate the District.

Recommended Action

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

Attachment A

Fallbrook Public Utility District

Fiscal Year 2024-2025 Recommended Annual Budget



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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

District #2 - Ken Endter

District #3 - Jennifer DeMeo, President

District #4 - Don McDougal, Vice-President

District #5 - Charley Wolk, 2023 CSDA Board Member of the Year

District Management:

General Manager - Jack Bebee

Assistant General Manager/CFO - David Shank

Acknowledgment: District Management would like to thank Jodi Brown, Aaron Cook, Annalece Bokma, Mickey Case, Devin Casteel, Isabel Casteran, Kevin Collins, Mick Cothran, Noelle Denke, Kyle Drake, Lauren Eckert, Jason Jared, Kelly Laughlin, John Marchetta, Donald Parker, Jesse Perez, Carl Quiram, Christi Ray, Eddie Rodriguez, Steve Stone, Veronica Tamzil and Steve Wuerth for their support in preparing this document.



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May 29, 2024

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

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General Manager

David Shank
*Assistant General Manager/
 Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
 Board Secretary*

General Counsel

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Budget Message

Enclosed is the Fiscal Year 2024-25 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's 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.

Operational Efficiency

Over the past year, the District's water operations has undergone a complete transformation. This transformation includes coordinating the delivery of Santa Margarita River (SMR) water from Camp Pendleton (the District's local water supply), the operation of the new Santa Margarita Groundwater Treatment Plant (SMGTP), and importing water from a new wholesale water provider, Eastern Municipal Water District (EMWD). Staff now have to balance customer water demands, water deliveries from Camp Pendleton and EMWD, water production at the SMGTP with draws from and deposits into the Red Mountain Reservoir. Fiscal Year 2024-25 will be focused on fine tuning operations and with an eye towards identifying operational efficiencies to minimize the District's cost of water.

The District is also focused on the efficient operations of the Water Reclamation Plant. The District has implemented several Key Performance Indicators (KPIs) to use as performance benchmarks ensuring treatment processes are optimized and costs minimized. In addition, the District also continues to look for opportunities to expand its recycled water service area.

Water Affordability

The District has faced a decade of escalating wholesale water costs driven by costly infrastructure investments made by the San Diego County Water Authority (SDCWA) in supply reliability. This year the District detached from SDCWA's service area and annexed into EMWD's service area. The result of this change is a significant decrease in the District's cost of imported water. As an EMWD customer, the District's monthly fixed charges decreased by approximately 87%. The cost of treated water deliveries also went down by approximately 20%. These savings allowed the District to hold water usage



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rates flat and reduce the fixed monthly fees paid by customers in calendar year 2024.

Going forward, the District expects, on average, more than half of its water supply will come from local supplies. For example, in Fiscal 2024-25, the District expects local water supply to provide more than 92% of District’s total water supplies. As the District optimizes system operations, cost savings will be passed through to customers.

The District’s detachment agreement with SDCWA required an \$8.5 million Detachment Fee to be paid to SDCWA. To manage the financial impact of the Detachment Fee in Fiscal Year 2023-24, the Board chose to debt fund the water Capital Improvement Program (CIP). By funding the CIP with debt proceeds, the District had sufficient cash reserves to pay the Detachment Fee and maintain its operating reserves. This approach also enabled the District to spread the financial impact of the Detachment Fee over time and minimize the immediate impact on water rates and charges.

The District still faces wholesale water rate increases by the Metropolitan Water District (MWD), which are passed through by EMWD. In calendar years 2025 and 2026, MWD is increasing water rates by 11% and 10%, respectively. However, the District will avoid SDCWA’s rate increases, which could be around 22% in calendar year 2025.

Asset Management

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 400 years, which means a significant number of assets in operation were well beyond their expected service life. With this replacement cycle, the frequency of asset failures is expected to increase significantly over the near-term resulting in an increasing number of emergency water disruptions and property damage claims. Over the past several years, the District has seen an increase in the frequency of emergency water pipeline repairs. In an attempt to mitigate this trend, The District is reviewing its asset management program and modifying business practices in an attempt to better determine both the asset’s condition and consequence of failure to support better asset renewal and replacement decisions. With the overall goal of driving the water system’s asset service life down from 400 years to 100 years, the District will continue to proactively manage the renewal and rehabilitation program targeting prioritized assets.

Continuous Improvement

The District is focused on leveraging its information management systems into the decision making process. Providing field crews and engineering with a mix of information critical to effectively planning and making asset repair and replacement decisions is central to this effort. As staff continue to implement changes to information management systems to support better decisions, the District will begin a review of Enterprise Resource Planning (ERP) systems to evaluate which one best supports the District’s goals.



Looking Forward



The District is committed to advocating for its ratepayers and securing a reliable and affordable water supply. To this end, the District is focused on optimizing water supply and operations to minimize its costs. This approach not only applies to the Water System operations but also the Wastewater and Recycled Water Systems' operations.

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A handwritten signature in black ink, appearing to read 'Jack Bebee', written over a horizontal line.

Jack Bebee
General Manager

A handwritten signature in black ink, appearing to read 'David Shank', written over a horizontal line.

David Shank
Assistant General Manager/CFO

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*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

General Counsel

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Budget in Brief

Fiscal Year 2023-24 Accomplishments

- The District's SMGTP was able to process 100% of local water supply available.
- The SMGTP was used to optimize water supply reliability and operating costs.
- Completed key pipeline replacement projects to maintain system reliability and improved the methodology for evaluating and prioritizing projects.
- Completed a new meter testing program that tests 400 meters a year.
- Completed the detachment from San Diego County Water Authority (SDCWA) and annexation into Eastern Municipal Water District's (EMWD) service area.
- Completed the first round of grant funding for the Community Benefit Program's selected regional projects.
- Received the inaugural credit rating of AA- from Standard and Poors for the Water System and issued the 2024 Water Revenue Bonds to fund water capital projects.
- Completed the transition to a new third party administrator for the District's deferred compensation plans and implemented a fiduciary oversight committee.
- Implemented and tracked new operational and financial performance indicators for water, recycled water and wastewater that can be used to benchmark performance.
- The District's Annual Comprehensive Financial Report (ACFR) and an annual budget documents received the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards

Fiscal Year 2024-25 Goals

The Key Goals for the upcoming year include:

- Operate the District's SMGTP with a goal of receiving 100% of the Santa Margarita River water allocation.
- Optimize SMGTP operations to minimize the District's water costs.
- Complete key pipeline replacement projects to maintain system reliability and improve the methodology for evaluating and prioritizing projects.
- Continue both SMGTP and Red Mountain UV facility operations and maintenance to deliver all available water supplies.
- Construct a new Toyon Pump Station at the site of the UV facility.
- Construct a De Luz Pump Station at the UV facility to move production water out to De Luz.
- Initiate the review and upgrade of the District's Enterprise Resource Planning system to better support operations and decision making.
- Advance asset management program by enhancing the computerized maintenance management system's functionality and utilization by field staff.
- Support the Community Benefit Program's activities and facilitate the execution of selected projects.
- 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

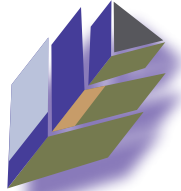
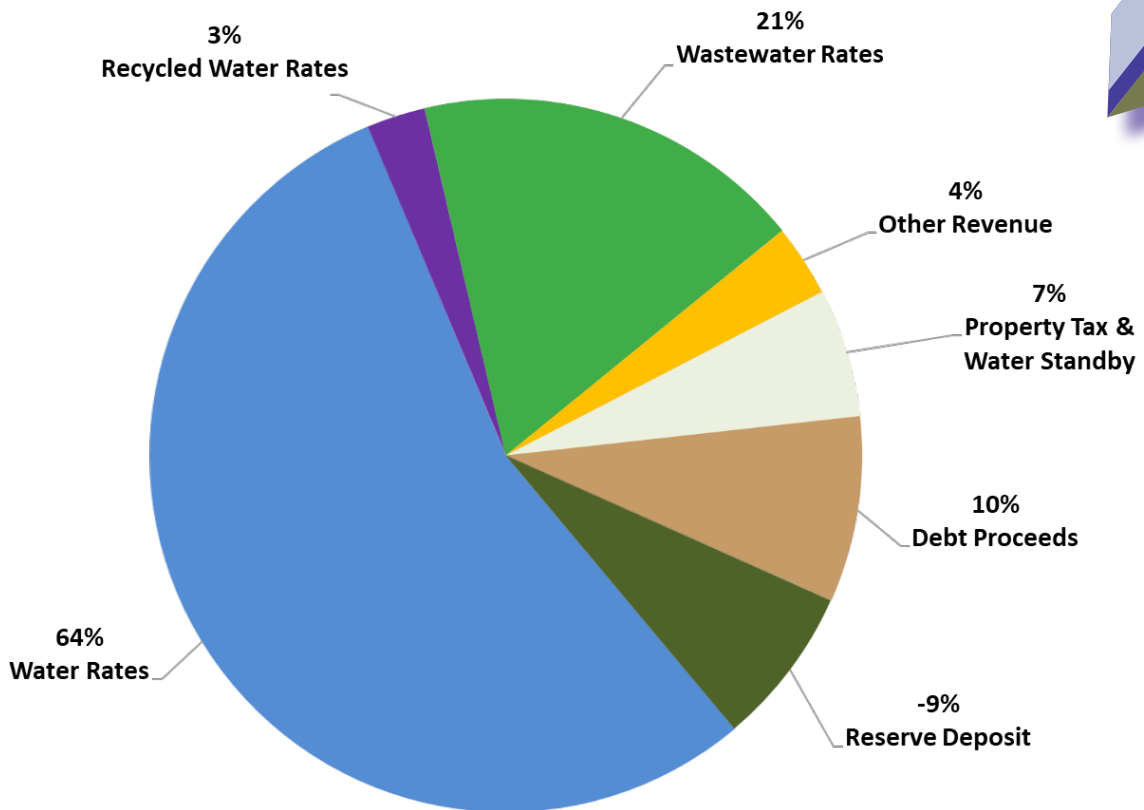
The water, recycled water and wastewater systems combined operating and non-operating revenues, debt proceeds and fund deposits are budgeted to meet the budgeted uses of funds and create a balanced budget. With Fiscal Year 2023-24 on track to set the District's lowest ever annual water sales level, the Budget projections for Fiscal Year 2023-24 use 6,500 AF for water sales, which is 1,000 AF below what was budgeted. This is approximately 12% below the long-term average of 7,400 AF and reflects the extreme wet and cool year the region has had. Based upon the District's Financial Plan Adopted in 2022, water, recycled water and wastewater rate increases for the Budget are projected at 3.5%, 2.5%, and 5%, respectively, for Calendar Year 2025. The Board will take action to adopt Calendar Year 2025 rates and charges in December of 2024 after it has reviewed the District's Fiscal 2023-24 financial performance. At that time, the Board may choose alternative rate increases.

Rate Relief

The cost savings from detachment allowed the Board to keep calendar year 2024 water consumption rates flat and reduced the monthly fixed charges in spite of increasing wholesale water rates and charges.

Chart 1 shows a breakdown of the District's \$42.7 million budgeted sources of funds. Rate and charge revenues make up 88% of the District's total budgeted sources of funds. The District plans to fund the Wastewater and Recycled Water Capital Improvement Program (CIP) with cash on a Pay-As-You-Go (PAYGO) basis. The District will fund the Water CIP with a mix of bond proceeds and cash. A net fund deposit to reserves is budgeted and will help replenish reserves drawn down this year to fund the Detachment Fee.

Chart #1 - Sources of Revenue Fiscal Year 2024-25 Total Revenue \$42,712,987



Use of Funds

Table 1 shows the dramatic decrease in Water Supply costs, in spite of the adopted 11% increase in EMWD’s wholesale water rates, highlights the District’s transition from total reliance on imported supplies to having a local water supply. The District expects to get approximately 92% of its budgeted water supply from the Santa Margarita River (SMR) this Budget cycle. The cost to deliver the SMR water to customers includes the payment to Camp Pendleton to pump the water to the SMGTP (included in Water Supply Costs) and the cost to treat the water to drinking water standards at the SMGTP, which is included in the Water Treatment Division’s budget. The 35% increase in that division’s non-labor costs are being driven by power and chemical costs to treat the SMR water. Because the SMGTP operations costs and EMWD’s wholesale water costs are budgeted differently, any changes in the water supply mix make year-over-year Budget comparisons more complex. However, the overall increase takes into account changes in the supply mix and cost structure to provide a good year-over-year budget comparison.

Lowering Water Supply Costs

Detachment and high levels of local supply availability are driving water supply costs down by 64%.

The 12.4% increase in debt service is due to the addition of the Water Revenue Bonds. Overall, the 10.6% decrease in the Operating Budget is being driven by a decrease in the cost of wholesale water due to the District’s detachment from SDCWA.

Table #1 - Overview of Total Services’ Operating Budget

Description	FY 2022-23	FY 2023-24			FY 2024-25	Budget to
	Actual	Original Budget	Amended Budget	Projected	Budget	Budget Change (%)
Water Supply Costs	\$ 10,716,859	\$ 9,558,078	\$ 9,558,078	\$ 6,794,693	\$ 3,433,211	-64.1%
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Total Services	\$ 31,492,056	\$ 33,860,987	\$ 34,649,856	\$ 31,607,511	\$ 30,986,987	-10.6%
Operating Budget						

* Total Labor does not include District’s Benefits

** Total Non-Labor includes \$542,367 for Community Benefit Program in FY 2024-25

(1) Does not include \$8,506,750 Detachment Fee



Table 2 shows the District’s total Cost of Water Production which includes Water Supply Costs and the Water Treatment Division’s Operating and Maintenance (O&M) Costs. The 26% reduction in the average cost of water production in Fiscal Year 2024-25 is due savings from detachment and the amount of low cost local water supply available to the District. Table 3 shows regional wholesale water rates against which the District’s average cost of water production can be compared.

Chart 2 shows the breakdown of the District’s total use of funds. Labor and benefits represent 28% of the District’s budgeted uses of funds. Seventy-two percent of the District’s uses of funds are for non-labor related expenditures. Non-labor costs represent the District’s single largest use of funds category. This Budget cycle, the share of Non-Labor uses of funds is elevated due to the cost to treat the high volume of local supply water that will be delivered to the District.

Table #2 - District’s Cost of Water Production

Description	FY 2023-24		FY 2024-25		Projection to Budget Change(%)
	Acre Feet	Projection	Acre Feet	Budget	
Water Supply Costs	SDCWA Wholesale Costs	2,080 \$ 3,937,505	0 \$ -	-100%	
	EMWD Wholesale Costs	424 862,141	679 772,590	-10%	
	MWD Pass Through Charges	N/A 512,489	N/A 537,156	5%	
	Camp Pendleton SMR Water Delivery Costs	4,523 1,185,026	5,990 1,600,288	35%	
	Red Mountain Inventory Withdrawal	0 -	899 240,177	100%	
	System Pumping	N/A 297,532	N/A 283,000	-5%	
Subtotal Water Supply Costs		\$ 6,794,693	\$ 3,433,211	-49%	
O&M Costs	Water Treatment Division Labor & Benefits Budget*	4,523 749,451	5,990 910,834	22%	
	Water Treatment Division Non-Labor Budget	4,523 1,550,860	5,990 2,280,088	47%	
	SMRCUP Debt	N/A 2,814,795	N/A 2,814,795	0%	
Subtotal O&M Costs		5,115,107	6,005,718	17%	
Total Cost of Water Production		\$11,909,799	\$ 9,438,929	-21%	
Subtotal Acre Feet Purchased	7,027		7,568	8%	
Total Cost of Water Production (\$/AF)		\$ 1,695	\$ 1,247	-26%	

* Treatment Division Labor & Benefits include \$264,658 and \$362,717 in benefits for FY 2024 and FY 2025 respectively.

Chart #2 - Uses of Funds Fiscal Year 2024-25
Total Uses of Funds \$42,712,987

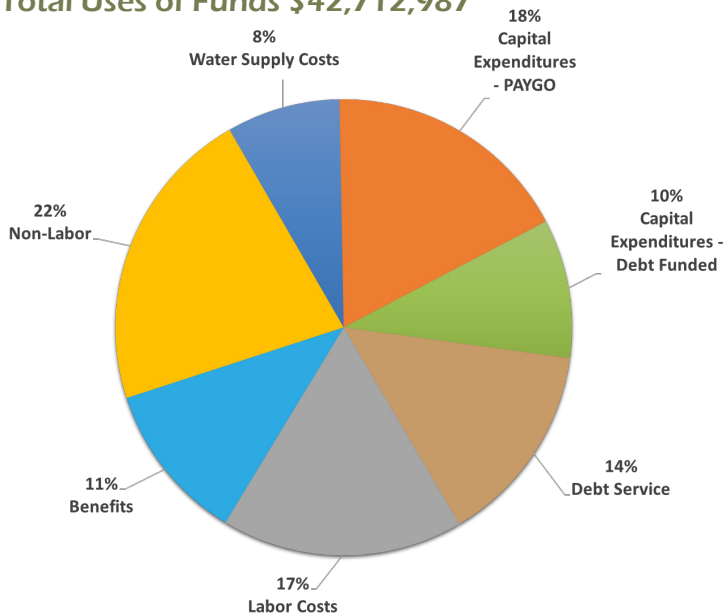


Table #3 - Regional Wholesale Water Rates (\$/AF)

Wholesale Supplier	CY 2024	CY 2025
EMWD ¹	1,267	1,406
SDCWA ²	1,997	2,436 ³

- (1) Actual and projected unit cost from EMWD.
- (2) Estimated unit cost if FPU D was still attached to SDCWA.
- (3) Based upon 22% increase in CY 2025.

The District’s average Cost of Water Production is below the Regional Wholesale Water Rates.

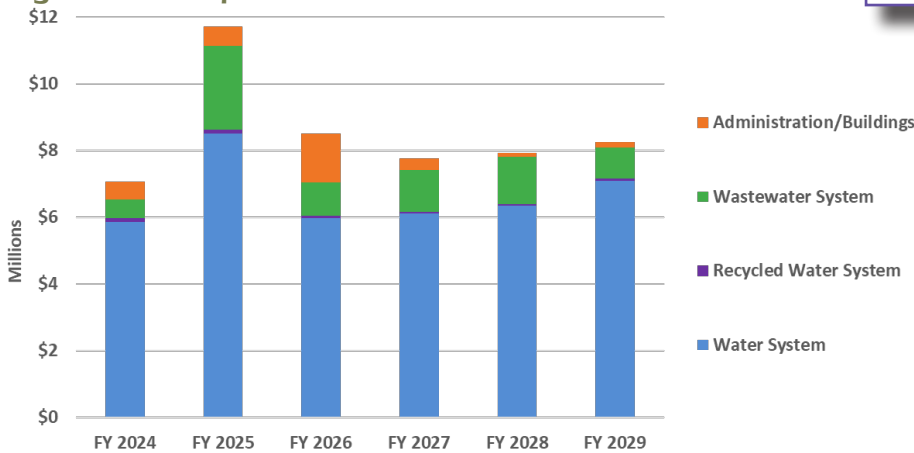
Capital Budget

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 2024-25 is \$11.7 million. The budgeted amount for FY 2025 is above average due to the \$2 million carryover from FY 2024 for projects that were planned but not executed in FY 2023-24.

Capital Improvement Program Funds

The District will fund the Wastewater and Recycled CIP projects with PAYGO funds while the Water CIP projects will be funded with a combination of Water Revenue Bond proceeds and PAYGO.

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 2024-25 in Table 4, the District is projecting a deposit to 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. The District's detachment from SDCWA and annexation into EMWD's service area has stabilized the District's financial position allowing inflationary level rate and charge increases in spite of the Water Services facing double digit wholesale water rate increases.

As shown in the financial projections in Table 4, a budgeted reserve deposit of \$3.6 million is planned for Fiscal Year 2024-25 followed by additional reserve deposits replenishing the reserves used to pay the Detachment Fee and bring reserves back in line with the reserve target established by the Board. Chart 4 shows the District's reserve balances are expected to remain relatively stable and trend towards the target fund levels. The chart also shows the 2024 Bond Proceeds balance as it is drawdown to fund Water CIP. The District is projected to maintain a debt service coverage level in excess of its required 1.2x.

Chart #4 - District's Fund Balances and Target Balance Level

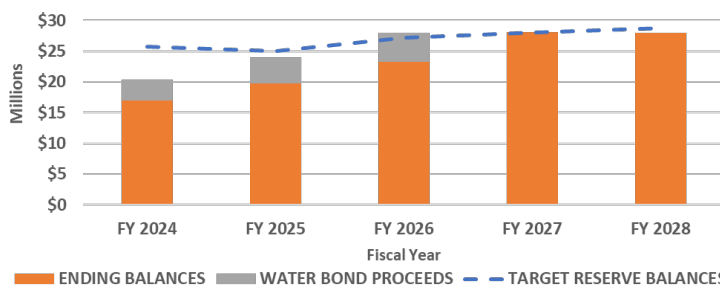


Table #4 - Fallbrook Public Utility District's Financial Summary

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenues					
Revenue from Rates					
Water	\$ 23,927,732	\$ 25,536,172	\$ 26,625,210	\$ 27,955,861	\$ 29,351,998
Recycled Water	1,300,047	1,332,131	1,365,039	1,398,983	1,433,840
Wastewater	7,188,621	7,480,829	7,776,732	8,076,396	8,316,439
Subtotal Revenue from Rates	\$ 32,416,401	\$ 34,349,132	\$ 35,766,981	\$ 37,431,240	\$ 39,102,277
Other Operating Revenue Subtotal	\$ 691,946	\$ 375,000	\$ 375,000	\$ 375,000	\$ 375,000
Non-Operating Revenue	\$ 6,928,630	\$ 7,388,181	\$ 7,497,028	\$ 7,814,640	\$ 7,719,456
Total Revenues	\$ 40,036,977	\$ 42,112,313	\$ 43,639,009	\$ 45,620,880	\$ 47,196,733
Total Operating Expenses					
	\$ 25,877,388	\$ 24,299,623	\$ 28,833,311	\$ 30,396,610	\$ 31,942,171
Net Operating Revenues	\$ 14,159,589	\$ 17,812,690	\$ 14,805,698	\$ 15,224,270	\$ 15,254,562
Total Non-Operating Expenses	\$ 8,773,791	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Total Debt Service	\$ 5,463,081	\$ 6,141,364	\$ 6,137,994	\$ 6,139,425	\$ 5,878,311
Total Capital Expenditures	\$ 7,055,478	\$ 11,726,000	\$ 8,842,600	\$ 8,385,644	\$ 8,920,172
Total Expenditures	\$ 47,169,739	\$ 42,712,987	\$ 44,359,905	\$ 45,467,678	\$ 47,286,654
Water Revenue Bond Proceeds	\$ 3,376,538	\$ 4,207,500	\$ 4,690,000	\$ -	\$ -
Change in Net Position*	\$ (3,756,224)	\$ 3,606,826	\$ 3,969,104	\$ 153,202	\$ (89,921)
<i>Beginning Balances</i>	\$ 24,135,872	\$ 20,379,648	\$ 23,986,474	\$ 27,955,578	\$ 28,108,779
<i>Ending Balances</i>	\$ 20,379,648	\$ 23,986,474	\$ 27,955,578	\$ 28,108,779	\$ 28,018,858

* Change in net position is Total Revenues minus Total Expenditures plus Water Revenue Bond Proceeds.

Monitoring District Performance

The District has added, as part of the District's efforts to optimize operations and monitor operational and financial performance, several Key Performance Metrics (KPIs) to its Performance score card. Each of the KPIs is tied to a District strategic objectives and is both meaningful and measurable. The KPIs were selected to provide a means to compare the District to peer agencies to evaluate the District's relative performance. Since this is the first year of implementation, there is not much historic information available. As time progresses, the KPI data will provide valuable information to managers and stakeholders.

Table #5 - District's Key Performance Indicators

Strategic Goal	Department	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Estimated	Target Met
Water Supply	Water	Cost/Acre Foot of SMGTP Product Water Supply	Below \$1,500/AF	\$1,640/AF ¹	\$1,062/AF	\$836/AF	Yes
Infrastructure	Wastewater	Cost/MGD of Wastewater Influent Flows	Below \$3,500/MGD	\$3,497/MGD	\$3,146/MGD	\$3,168/MGD	Yes
Fiscal Management	Finance	Debt Coverage	>1.20	2.05	4.19	2.59	Yes
Fiscal Management	Finance	Days Cash on hand	90 days or greater	109 days	113 days	100 days	Yes

(1) FY 2021-22 was the first year of SMGTP's operation which included additional startup costs that exceeded normal year expenditures.

Budget User Guidance*

The District's Fiscal Year 2024-25 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, 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.



DISTINGUISHED BUDGET PRESENTATION AWARD



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California**

For the Fiscal Year Beginning

July 01, 2023

Christopher P. Morill

Executive Director

OPERATING BUDGET EXCELLENCE AWARD



DISTRICT OF DISTINCTION-Special District Leadership Foundation



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.

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

Service Area / STATISTICS

- 44 square-mile service area
- Population: 35,000
- 9,300 water customers
- 5,000 sewer customers
- 30 recycled water customers
- 71 employees budgeted
- \$32 million operating revenues
- \$217 million in total assets
- 7,000 acre-feet sold annually

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.

After a decade of steeply rising wholesale water rates and continued increases on the horizon, the District began the process to detach from SDCWA and annex into Eastern Municipal Water District (EMWD). SDCWA's costly supply reliability investments were the driving force behind the high cost of water. However, these investments have not provided any meaningful water supply reliability benefits to SDCWA rate payers during the past two droughts.

With rate payers struggling to afford water in the District's service area and no hope or rate relief, the District took the bold step of detaching from SDCWA in an effort to lower the cost of water. On January 1, 2024, the District successfully completed the Detachment process and annexed into EMWD's service area. This change immediately reduced the District's cost of wholesale water by approximately 30%. In addition, since the District did not use any SDCWA infrastructure, the only cost to the District for detachment was a negotiated fee.

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 filed 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. However, due to environmental issues, new faces in leadership, and lack of funding it never came to fruition.

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 wholesale water purchases from EMWD, and is expected to provide just over half of the District's water needs on average.

Fiscal Year 2023-24 marks the first full year water deliveries from the SMRCUP will be delivered to the District's ratepayers. To treat SMRCUP water deliveries, the District has constructed a \$65.7 million Santa Margarita Groundwater Treatment Plant (SMGTP).



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.

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 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 EMWD by 40% or more and change the District's cost structure. The District's cost to treat and deliver the local water supply is less than the current cost of purchasing the same amount of water from EMWD. With a local supply available, the District's ratepayers are not only saving on the cost of water but also limiting the impact of future EMWD rate increases.

SANTA MARGARITA GROUNDWATER TREATMENT PLANT and PUMPING STATION / STATISTICS

Fallbrook Public Utility District completed this project in Fiscal Year 2022 and began 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



Aerial View of the SMGTP

The District's water distribution system is comprised of 270 miles of pipeline, 7,000 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 400-million-gallon treated water reservoir, seven pump stations and 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 three connections to the imported water system that are connected to MWD owned pipelines.

The District's five-year average annual water sales is 7,383 acre-feet. Residential and commercial customers represent 71% of sales, and agricultural customers make up the remaining 29%. 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 1,597 in Fiscal Year 2023 or down 77%.

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**
- District #2 - Ken Endter**
- District #3 - Jennifer DeMeo, President**
- District #4 - Don McDougal, Vice-President**
- District #5 - Charley Wolk, 2023 CSDA Board Member of the Year**

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,

Figure #1 - District Service Area Pipelines

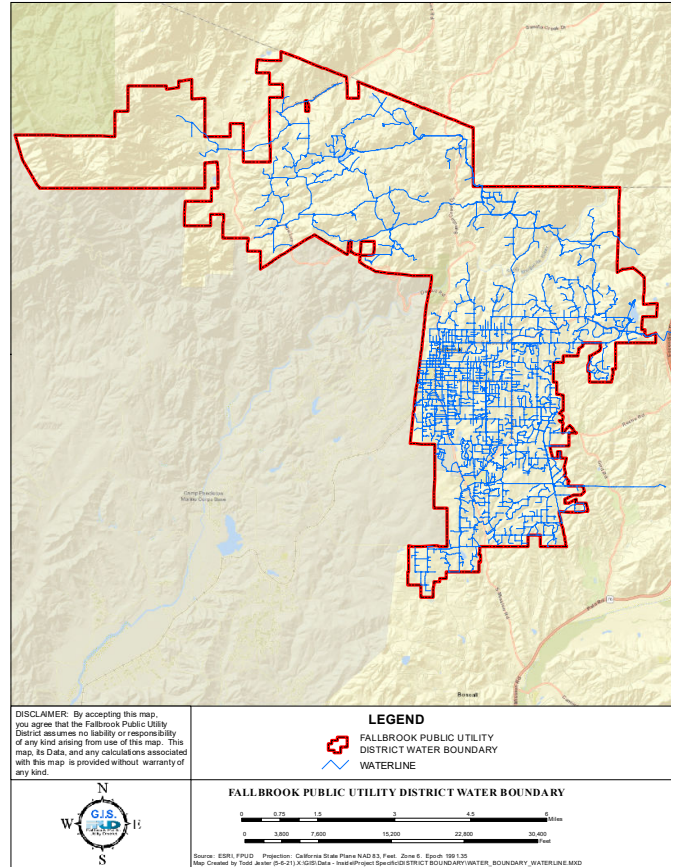
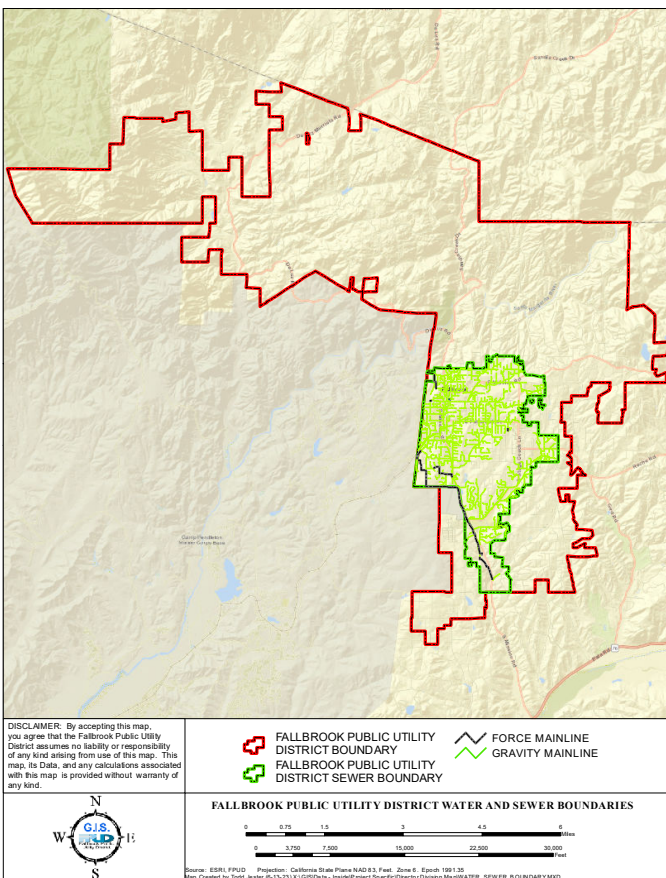


Figure #2 - District Sewer Boundary Mains



making the District’s service area a bedroom community for Camp Pendleton’s active military and civilian-service workers. The service area’s 2021 population is estimated to be 34,738 with 10,334 households. Fallbrook’s population has remained relatively unchanged over the past several years.

The median household income in Fallbrook was \$78,479, which is less than the state median of \$91,905 and slightly higher than the national average of \$74,580. As of March 2024, San Diego County’s unemployment rate was 4.4%, which is lower than the State’s 5.3%.

The San Diego Association of Governments (SANDAG) projects that the County’s population will approach 3.4 million residents in 2050, up from 3.3 million in 2021. 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 2024/2025

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 ensuring a cost effective source of imported water.

Fiscal Year 2024-25 District Objectives:

1. Maximize deliveries of local water by coordinating closely with Camp Pendleton on Santa Margarita water supply operations.
2. Support efforts to secure federal funding to help support additional dry year supplies for the SMRCUP in coordination with Camp Pendleton through implementation of an Indirect Potable Reuse (IPR) project.
3. Participate in regional water supply project to evaluate opportunities to expand recycled water service to increase utilization of existing recycled supplies.

#2 Strategic Focus Area | Infrastructure

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

Fiscal Year 2024-25 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 2024-25 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 Rainbow MWD, Rancho California Water District, Valley Center MWD and 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 2024-25 District Objectives:

1. Provide administrative support for the implementation of the community benefit program to ensure that funds are being used efficiently to provide value to the community through the enhancement of public spaces in the District.
2. Continue to improve customer engagement and promote District benefits to the Community through social media and quarterly newsletters.
3. Further improve the District Budget to identify clearly to the public how costs are allocated and how resources are being managed. Continue to produce an ACFR 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.
4. Involve the community in developing an updated vision and strategic plan for the District.

#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 2024-25 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. Look at opportunities to create a regional internship program with Riverside County agencies and expand the District's 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.

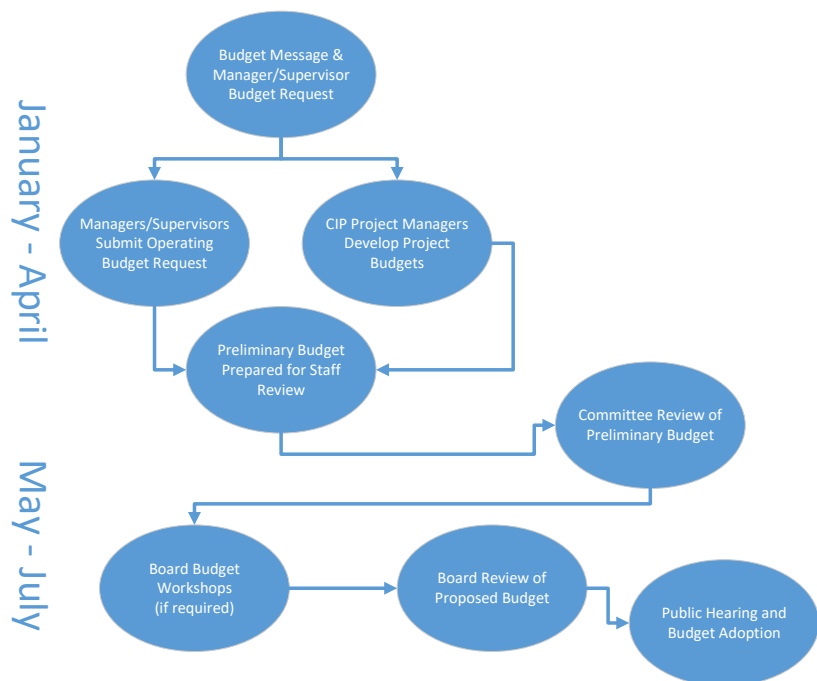
Budget adjustments are made if projects or expenditures are needed that fall outside the District’s adopted budget. These items are brought to the Board for approval and to appropriate the funds. A mid-year budget update is also provided to the Board each year to update spending trends and identify early 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.

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.

Figure #3 - Fallbrook District’s Annual Budget Process



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. **Appendix C provides the Board Resolution.**



DISTRICT ORGANIZATIONAL CHART

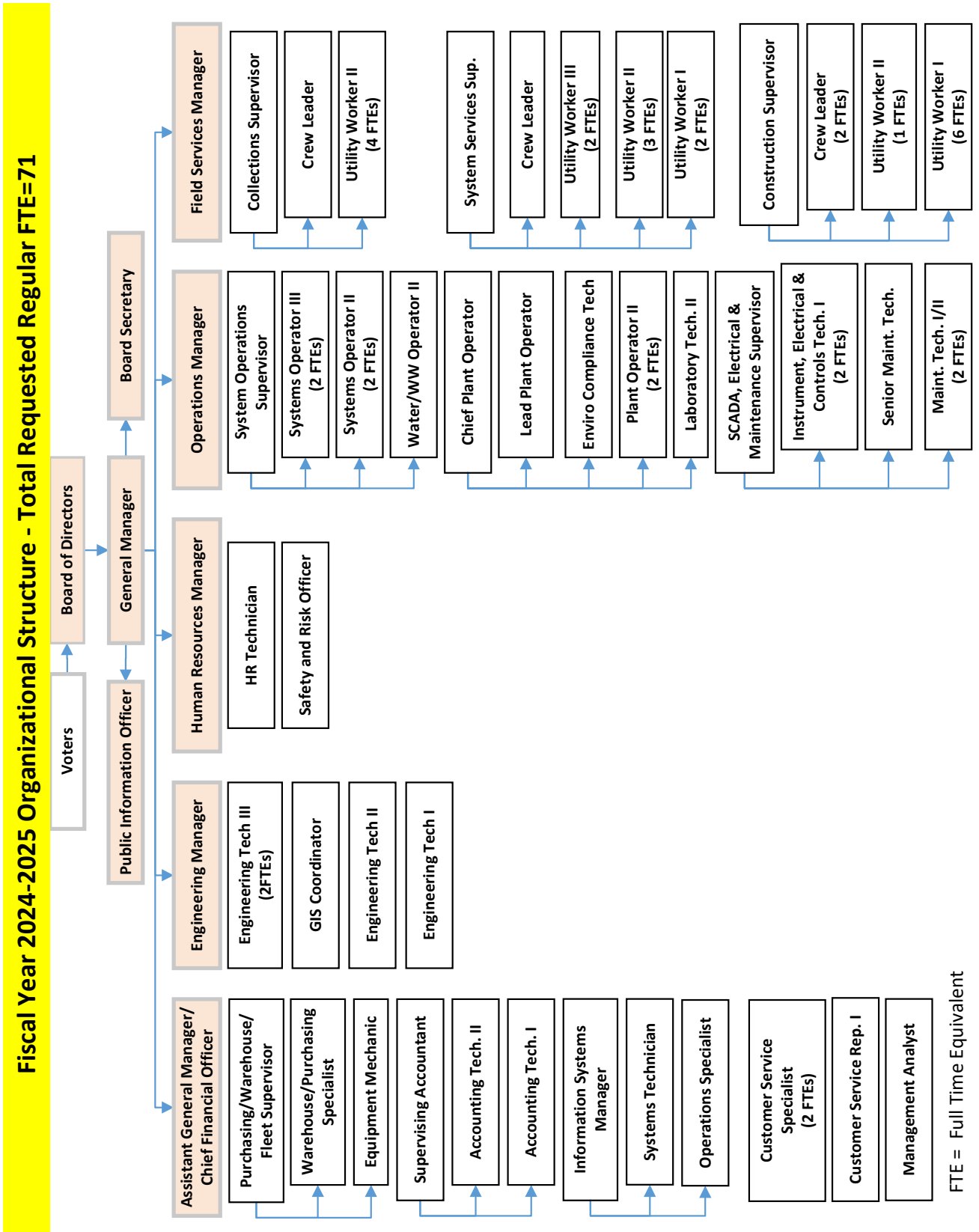
The District maintains an efficient level of staffing which requires an organizational structure that is very flat, with staff working across services and filling a variety of roles. The organizational chart provided is designed to illustrate the District’s structure and staffing levels. The Proposed Budget includes 71 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.

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. **Appendix B provides a summary of FTE counts.**

The District introduced the Community Benefit Program (CBP) in Fiscal Year 2022-23. In Fiscal Year 2024-25 the Administrative Services department will allocate .02 FTE from existing staff hours to be directed toward this activity.

Figure #4 - Proposed Fiscal Year 2024-25 Organizational Structure ¹



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

Fund Structure

The District’s fund structure is simple and set up to support the independent financial operation of the District’s Water, Wastewater and Recycled Water Services (the Services) and the Community Benefit Program (CBP). Each of the District’s Services has an Operating Fund and a Capital Fund that track sources and uses of funds as well as cash balances. The 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 (i.e. Capital Improvement Charges) and fund the District’s capital expenditures, including a portion of debt service. The recently created CBP only has an Operating Fund. The CBP Operating Fund tracks all transactions related to the CBP financial activity.

Overview of Fund Structure

Water Services		Recycled Water Services		Wastewater Services		Community Benefit Program
Operating Fund	Capital Fund	Operating Fund	Capital Fund	Operating Fund	Capital Fund	Operating Fund

The District’s reserves and target reserve amounts were restructured as part of the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report). The District’s current fund structure and a description of each fund and the fund’s reserve target balances are provided below:

Water Services Funds

Operating Fund

The primary source of funds for the Water Services Operating Fund are water sales, fixed monthly service charges and pass-through charge revenues. Expenditures that flow through the fund included water operations labor and non-labor, water purchases and a portion of the District’s Administrative Services costs.

Operating Fund Reserves: Established to maintain six months operating and maintenance expenses including water purchases. The Operating Fund Target for Fiscal Year 2024-25 is \$8.3 million.

Capital Fund

The primary source of funds are the Water Capital Improvement Charges, property tax and standby availability charge receipts, annexation fees, and capacity charges. Capital improvement expenditures and debt service expenditures flow through this fund.

Capital Fund Reserve: Established to maintain \$5 million to fund emergency repairs or replacements. The primary source of funds for the Capital Fund are Water Capital Improvement Charge, Water Standby Availability Charge, and Capacity Charge revenues. The Capital Fund Target for Fiscal Year 2024-25 is \$5 million. Funds related to the 1958 Annexation and the DeLuz Service Area bond proceeds are tracked separately in the fund.

Debt Service Reserve: This reserve was established to buffer the variability of water deliveries from the SMRCUP in dry years. In years that the SMRCUP does not produce water, the reserve will be available to fund debt service payments on the project. Therefore, the reserve target level is set equal to two years of debt service payments on the SMRCUP financing or \$5.6 million. The reserve has been prefunded with the \$6.2 million from the sale of the District's Santa Margarita Property in Fiscal Year 2018-19.

Recycled Water Services Funds

Operating Fund

The primary source of funds for the Recycled Water Operating Fund are sales and fixed service charge revenues. Expenditures include Recycled Operating labor and non-labor and a portion of the District's Administrative Services costs.

Operating Fund Reserve: Established to maintain six months operating and maintenance expenses. The Operating Fund Target for Fiscal Year 2024-25 is \$0.4 million.

Capital Fund

The primary source of funds for the Recycled Water Services Fund are Recycled Water Operating Fund transfers followed by a portion of the property tax receipts. Expenditures include CIP project expenditures and debt service.

Capital Fund Reserves: Established to maintain \$0.2 million to fund emergency repairs or replacements. The primary source of funds for the Capital Fund are transfers from the Operating Fund. The Capital Fund Target for Fiscal Year 2024-25 is \$0.2 million.

Wastewater Services Funds

Operating Fund

The primary source of funds for the Wastewater Operating Fund are wastewater monthly and flow service charges and investment earnings. Expenditures include Wastewater Operating labor and non-labor and a portion of the District's Administrative Services costs.

Operating Fund Reserve: Established to maintain six months operating and maintenance expenses. The Operating Fund Target for Fiscal Year 2024-25 is \$3.5 million.

Capital Fund

The primary source of funds are Wastewater Capital Improvement charges, connection fees, property tax receipts, and meter fees. Expenditures include CIP project expenditures and debt service.

Capital Fund Reserve: Established to maintain \$2 million to fund emergency repairs or replacements. The primary source of funds for the Capital Fund are Wastewater Capital Improvement Charge and Wastewater Capacity Charge revenues. The Capital Fund Target for Fiscal Year 2024-25 is \$2 million.

Community Benefit Program Fund

The sole source of funds for the Operating Fund are a portion of the District's property tax revenues. There is no reserve target for this fund.

Fund Summary

The Districts total water target fund balance (18.9 million) equals the water services operating fund (8.3 million), the water services capital fund (5 million) and the water debt services fund (5.6 million). The total recycled water target fund balance (0.6 million) equals the recycled services operating fund (0.4 million) and the recycled water services capital fund (0.2 million). The total wastewater target fund balance (5.5 million) equals the wastewater services operating fund (3.5 million) and the wastewater services capital fund (2 million). The District’s projected Fiscal Year 2024-25 year-end balances are shown in the table below.

Table #1 - Total Fund Balances

Service	Target Balance (Millions)	Projected Fiscal Year 2024-25 Ending Balance (Millions)
Water	\$ 18.9	\$ 17.3
Recycled Water	\$ 0.6	\$ 0.3
Wastewater	\$ 5.5	\$ 5.5
Community Benefit Program	N/A	\$ 0.8
Total	\$ 25.0	\$ 23.9

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 \$7.6 million on March 31, 2024. 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](#)

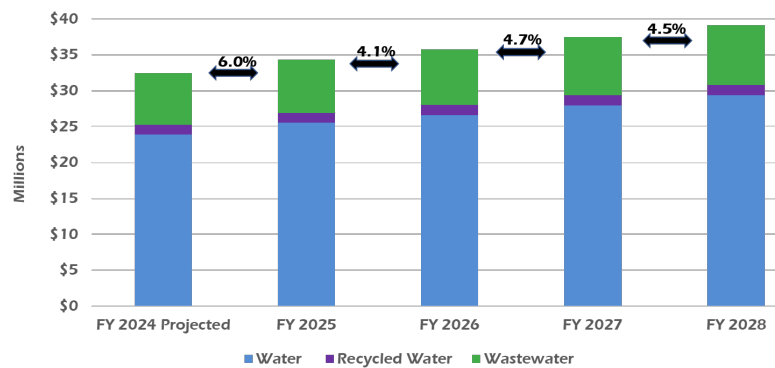
These policies can be found on the District’s website as standalone documents or as part of the District’s Administrative Code. **Appendix C also provides a copy of the District’s Capitalization Policy and other policies for ease of reference.**

Financial Summaries

The rate and charge increases included in the Budget projections are in line with the increases approved by the Board in December 2023 as part of the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report) and Proposition 218 process. The Report lays out the District’s Comprehensive Financial Plan (the Financial Plan) for Calendar Years 2024, 2025, 2026, 2027 and 2028. 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. While the Financial Plan provides guidance on the maximum permitted annual rate and charge increases, the Board adopts the rates and charges in December of each year based upon updated financial information. Since no decision on the Calendar Year 2025 rate and

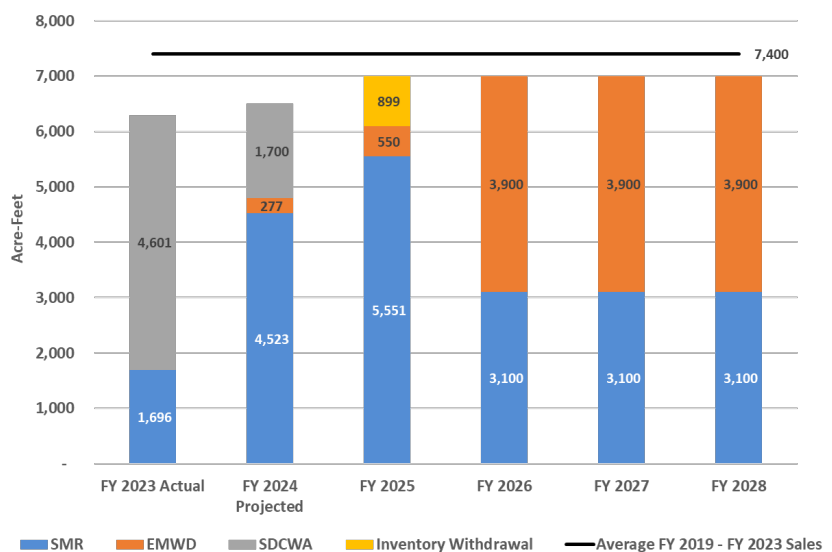
charge increases has been made at this time, the water, recycled water and wastewater rate increases for the Budget are projected to be 3.5%, 2.5%, and 5%, respectively. Chart 1 shows the projected increase in revenues due to the rate adjustments. The large increase in Fiscal Year 2024-2025 is driven 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



This section provides an overview of the District’s 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 Report. Wholesale water rates are projected to increase on average by 10% annually, in line with past averages, for the next three years and then increase at 5% annually. The Metropolitan Water District (MWD) has adopted an 11% and 10% water rate increase for calendar years 2025 and 2026, respectively, which will be passed through to the District by EMWD. The District is projecting 7,000 AF in sales for FY 2025 through FY 2028. As shown in Chart 2, in Fiscal Year 2024-25, the District is projecting 5,551 AF in SMR water deliveries from Camp Pendleton. The SMR Camp Pendleton deliveries are expected to return to the projected long-term average of 3,100

Chart #2 - Wholesale and Local Supply Mix



AF for the remainder of the projection period as shown in Chart 2. The 64.1% decrease in Fiscal Year 2024-25 Purchased Water Costs is being driven by reduced water sales and the reduction in wholesale water costs. Effective January 1, 2024, the District detached from SDCWA and annexed into EMWD’s

service area, which significantly reduced the District’s wholesale water costs. In addition, the District is projecting lower water sales and an increase in SMR water deliveries, which result in less water purchased from EMWD. 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 and go up and down with the amount of SMR water treated by the plant but are offset by lower wholesale water costs.

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

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenues					
Revenue from Rates					
Water	\$ 23,927,732	\$ 25,536,172	\$ 26,625,210	\$ 27,955,861	\$ 29,351,998
Recycled Water	1,300,047	1,332,131	1,365,039	1,398,983	1,433,840
Wastewater	7,188,621	7,480,829	7,776,732	8,076,396	8,316,439
Subtotal Revenue from Rates	\$ 32,416,401	\$ 34,349,132	\$ 35,766,981	\$ 37,431,240	\$ 39,102,277
Other Operating Revenue					
Pass-through Charges					
SDCWA IAC Charge ⁽¹⁾	\$ 316,946	\$ -	\$ -	\$ -	\$ -
Pumping Charge	100,000	100,000	100,000	100,000	100,000
Backflow Charge	200,000	200,000	200,000	200,000	200,000
Sundry ⁽²⁾	75,000	75,000	75,000	75,000	75,000
Other Revenue Subtotal	\$ 691,946	\$ 375,000	\$ 375,000	\$ 375,000	\$ 375,000
Non-Operating Revenue					
Water Availability Charge ⁽³⁾	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax	2,700,000	2,710,462	2,731,833	2,753,692	2,775,769
Investment Earnings	507,805	600,827	756,113	869,330	558,508
Water Capital Improvement Charge	1,701,258	1,820,346	1,947,771	2,084,115	2,230,003
Other Revenue	291,107	236,565	241,296	246,122	251,045
Power Your Drive for Fleets-SDG&E Grant	-	240,000	-	-	-
Water Capacity Fees	85,000	85,128	85,255	85,383	85,511
Wastewater Capital Improvement Charge	1,328,198	1,394,608	1,450,392	1,508,408	1,568,744
Wastewater Capacity fees	45,000	45,068	45,135	45,203	45,271
Federal Interest Rate Subsidy	70,261	55,178	39,233	22,388	4,606
Subtotal Non-Operating Revenue	\$ 6,928,630	\$ 7,388,181	\$ 7,497,028	\$ 7,814,640	\$ 7,719,456
Total Revenues	\$ 40,036,977	\$ 42,112,313	\$ 43,639,009	\$ 45,620,880	\$ 47,196,733

(1) Starting in FY 2023-2024, the IAC is discontinued due to Detachment from SDCWA on January 1, 2024.

(2) Sundry revenue is comprised of miscellaneous revenues that include revenues from sale of assets taken out of service which is sale of equipment and vehicles.

(3) Fee is charged on a per acre or parcel basis in service area, which is not expected to change.

Looking Forward

The District is projecting smooth and predictable rate and charge increases in line with inflation, even with 10% increases in wholesale water for the next three years. SDCWA rate payers are facing a 22% increase in FY 2025 followed by two annual increases around 10%.

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

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Total Revenues	\$ 40,036,977	\$ 42,112,313	\$ 43,639,009	\$ 45,620,880	\$ 47,196,733
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs ⁽¹⁾	\$ 4,747,526	\$ -	\$ -	\$ -	\$ -
EMWD Purchased Water Costs ⁽²⁾	862,141	1,832,923	7,025,735	7,685,582	8,308,664
SMR Water Delivery Costs	1,185,026	1,600,288	861,324	895,777	931,608
Subtotal Water Supply Costs	\$ 6,794,693	\$ 3,433,211	\$ 7,887,059	\$ 8,581,359	\$ 9,240,271
Labor Costs	4,108,663	4,157,399	4,362,859	4,552,780	4,751,068
Fringe Benefits	2,497,331	2,749,489	2,886,963	3,014,294	3,128,643
Services, Materials & Supplies	4,125,838	5,226,096	4,613,665	4,802,101	4,998,270
Administrative Expenses	8,350,863	8,733,428	9,082,765	9,446,076	9,823,919
Total Operating Expenses	\$ 25,877,388	\$ 24,299,623	\$ 28,833,311	\$ 30,396,610	\$ 31,942,171
Net Operating Revenues	\$ 14,159,589	\$ 17,812,690	\$ 14,805,698	\$ 15,224,270	\$ 15,254,562
Total Non-Operating Expenses	\$ 8,773,791	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Total Debt Service	\$ 5,463,081	\$ 6,141,364	\$ 6,137,994	\$ 6,139,425	\$ 5,878,311
Total Capital Expenditures	\$ 7,055,478	\$ 11,726,000	\$ 8,842,600	\$ 8,385,644	\$ 8,920,172
Total Expenditures	\$ 47,169,739	\$ 42,712,987	\$ 44,359,905	\$ 45,467,678	\$ 47,286,654
Water Revenue Bond Proceeds	\$ 3,376,538	\$ 4,207,500	\$ 4,690,000	\$ -	\$ -
Change in Net Position	\$ (3,756,224)	\$ 3,606,826	\$ 3,969,104	\$ 153,202	\$ (89,921)
<i>Beginning Balances</i>	\$ 24,135,872	\$ 20,379,648	\$ 23,986,474	\$ 27,955,578	\$ 28,108,779
<i>Ending Balance</i>	\$ 20,379,648	\$ 23,986,474	\$ 27,955,578	\$ 28,108,779	\$ 28,018,858

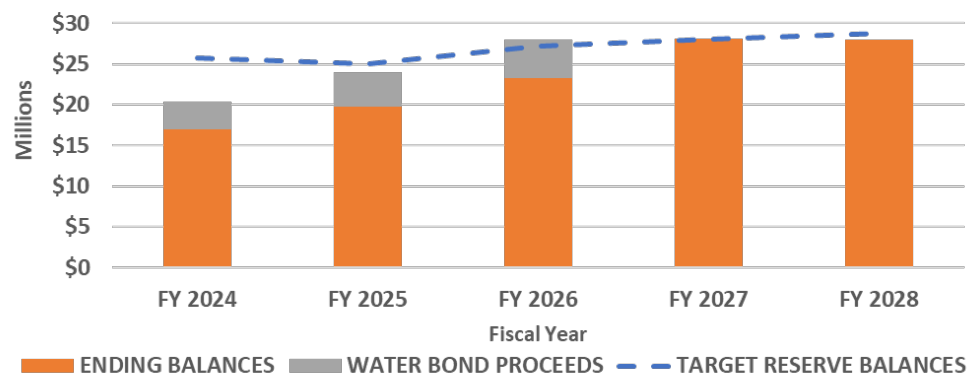
(1) Detail on purchased water costs provided on page 53. Purchased water costs include MWD RTS and Capacity Charges, SDCWA IAC Charge and Pumping Costs. The District Detached from SDCWA on January 1, 2024.

(2) Detail on purchased water costs provided on page 53. Purchased water costs include MWD RTS and Capacity Charges, and Pumping Costs.

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. The Fiscal Year 2024-25 Change in Net Position shows the District is depositing into reserves in that particular fiscal year. In Fiscal Year 2024-25, the District's projected deposit of \$3,606,826 to reserves is being driven by an increase in the Water Bond funded CIP expenditures.

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 2024-25 budget cycle, California’s water reservoir levels have recovered due to the record setting wet weather of the past two years. Overall California water reservoirs are well above their historical averages (see Figure 1). However, as a result of changes in water use behavior, water sales are projected recover but not return to the District’s long-term average sales level of 7,400 AF. The District is conservatively projecting the water sales levels to remain at 7,000 AF going forward, as shown in the table below.

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.

Figure #1 - State Reservoir Conditions

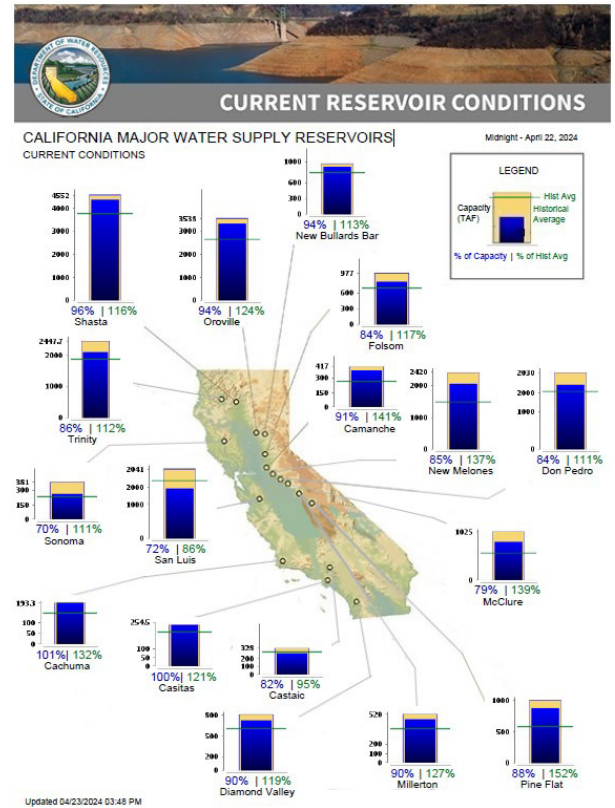
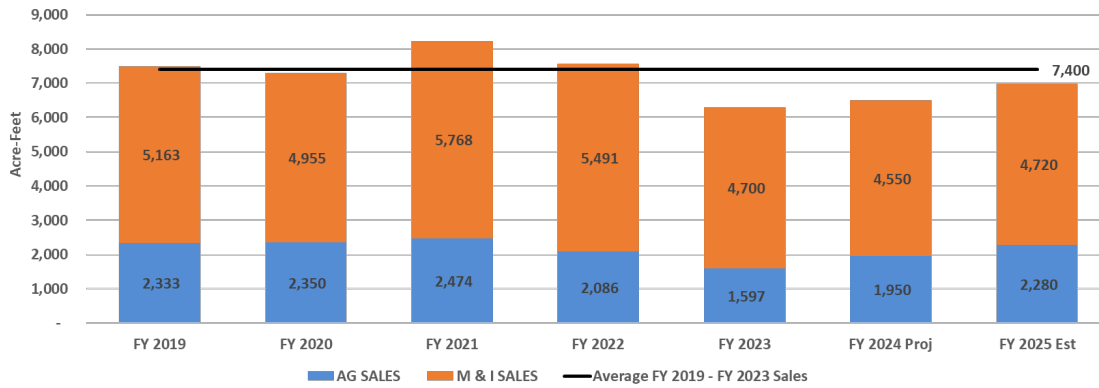


Table #1 - Five-Year Production and Sales History

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24 Estimated	FY 2024-25 Projected
Production	8,043	7,986	8,918	8,244	6,659	7,027	7,568
Total Sales (adjusted for system losses)	7,496	7,305	8,242	7,576	6,297	6,500	7,000
AG Sales	2,333	2,350	2,474	2,086	1,597	1,950	2,280
M&I Sales	5,163	4,955	5,768	5,491	4,700	4,550	4,720

As the table and chart shows, recent years have been impacted by wet weather and underlying changes in customer water use patterns, both of which have resulted in reduced water demands. While the District’s Fiscal Years 2018-19 and 2019-20 water demands were low, Fiscal Year 2022-23 set a new all-time low for District water sales. The persistent trend in lower water demands shown in the table is not just impacting the District. Many regional water agencies are experiencing the same trend in water sales. The projected Fiscal Year 2024-25 water sales are 5% under the average to reflect the trend in water sales and recent water sales levels.

Chart #1 - Water Sales Trends



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 revenue projection for Fiscal Year 2024-25 provided here include rate and charge increases in line with what was approved by the Board as part of the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report). The primary drivers of the 7.3% revenue decrease budget to budget are a budgeted decrease in water sales levels, lower water rates and charges and the elimination of SDCWA’s charges. The Water Capital Improvement Charge increase is being driven by inflation adjustments to that charge. The increase in investment earnings is due to higher interest rates and the increase in property tax revenues is due to escalating real estate values. Cell tower lease revenue is lower due to a reduction in the number of leases. Fiscal Year 2023-24 revenues are projected to be below budgeted levels.

Lower Revenues

The Budget to Budget comparison of water sales revenues shows a decrease of 8.9%. The driving factors are:

- A 500 AF reduction in water sales
- The adoption of a 0% increase in CY 2025 water consumption rates

As Chart 2 shows, water sales revenues represent 66% of the District’s water operating revenues with the remaining 34% 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 reserves to make up any unanticipated 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 investment earnings and other income.

Table #2 - Water Services Sources of Revenue

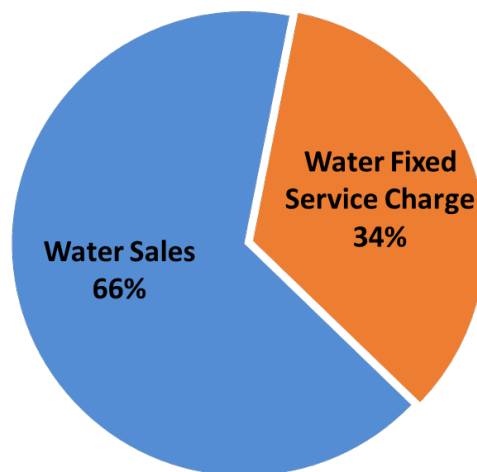
Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Operating Revenues:					
Water Sales	\$ 14,448,444	\$ 18,689,594	\$ 15,564,215	\$ 17,022,776	-8.9%
Water Fixed Service Charge	8,259,546	9,213,712	8,663,517	8,813,396	-4.3%
MWD Readiness-to-Service Charge ⁽¹⁾	120,763	-	-	-	N/A
SDCWA Infrastructure Access Charge ⁽²⁾	596,209	608,142	316,946	-	-100%
Total Operating Revenue	\$ 23,424,961	\$ 28,511,448	\$ 24,544,679	\$ 25,836,172	-9.4%
Non-Operating Revenues:					
Water Capital Improvement Charge	\$ 1,589,961	\$ 1,740,011	\$ 1,701,258	\$ 1,820,346	4.6%
Property Tax ⁽³⁾	809,239	854,000	854,000	862,540	1.0%
Water Availability Charge	200,106	200,000	200,000	200,000	0.0%
Water Capacity Charges	112,859	85,000	85,000	85,128	0.2%
Investment Earnings	248,842	381,762	363,511	454,199	19.0%
Pumping Capital Improvement Charge ⁽¹⁾	7,543	-	-	-	N/A
Gain/Loss on sale of assets/SDCWA Refund	178,748	-	-	-	N/A
MWD Local Resource Program	517,280	-	-	-	N/A
Power Your Drive for Fleets-SDG&E Grant	-	-	-	240,000	N/A
Other Revenue	42,249	60,000	60,000	60,000	0.0%
Cell Lease Revenue	347,502	312,386	291,107	236,565	-24.3%
Total Non-Operating Revenue	\$ 4,054,329	\$ 3,633,159	\$ 3,554,877	\$ 3,958,777	9.0%
Total Revenues	\$ 27,479,290	\$ 32,144,607	\$ 28,099,556	\$ 29,794,949	-7.3%

(1) Starting in FY 2023-2024, the RTS is not treated as a pass-through and the Pumping Capital Improvement Charge is discontinued.

(2) Starting in FY 2023-2024, the IAC is discontinued due to Detachment from SDCWA on January 1, 2024.

(3) Property tax revenue reduced by \$546,000 in Fiscal Years 2022-23, 2023-24 and 2024-25 for Community Benefit Program.

Chart #2 - Fiscal Year 2024-25 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 water use is adjusted to reflect some level of residential outdoor/landscape water use, which is not returned to the sewer. This methodology limits the impact weather has on billable sewer flows.

As part of the Report, the Board modified the wastewater bill methodology slightly to increase the fixed component of the wastewater bill. While there is still a use based variable component in the bill, the District is increasing the fixed component of the bill from approximately 35% of the average bill to 70% of the average bill over the next 5-years. This better reflects the cost of providing wastewater services which does not vary much from year to year. The revenue projection for Fiscal Year 2024-25 provided here includes rate and charge increases in line with what was approved by the Board and billable residential wastewater flows using the adopted phase-in of the new billing methodology. This explains the 7.3% increase in Wastewater Service Charges shown in Table 3.

Historic averages provide a good basis from which flows and revenue projections can be evaluated. The chart on the following page 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 2024-25 shows billable flows remain flat from the Fiscal Year 2023-24 flow levels. Prior to adopting rates and charges in December 2024, the Board will review current financial information and adopt rate and charge increases for Calendar Year 2025.

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 2022-23 Actual	FY 2023-24		FY 2024-25 Budget	Budget to Budget Change (%)
		Amended Budget	Projected		
Operating Revenue					
Wastewater Service Charges	\$ 7,048,717	\$ 6,971,339	\$ 7,188,621	\$ 7,480,829	7.3%
Sundry Other Revenue	11,073	10,000	10,000	10,000	0.0%
Total Operating Revenue	\$ 7,059,790	\$ 6,981,339	\$ 7,198,621	\$ 7,490,829	7.3%
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ 1,241,192	\$ 1,328,198	\$ 1,328,198	\$ 1,394,608	5.0%
Property Tax	1,199,210	1,235,000	1,235,000	1,247,350	1.0%
Wastewater Capacity Charges	74,087	45,000	45,000	45,068	0.2%
Investment Earnings	137,514	15,131	140,264	142,368	840.9%
Federal Interest Rate Subsidy	86,153	70,261	70,261	55,178	-21.5%
Total Non-Operating Revenue	\$ 2,738,156	\$ 2,693,590	\$ 2,818,723	\$ 2,884,572	7.1%
Total Revenues	\$ 9,797,946	\$ 9,674,929	\$ 10,017,345	\$ 10,375,401	7.2%

Chart #3 - Wastewater Services Annual Flows

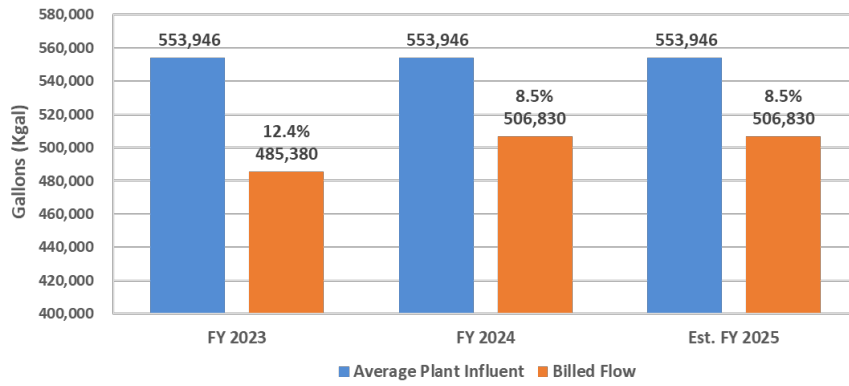
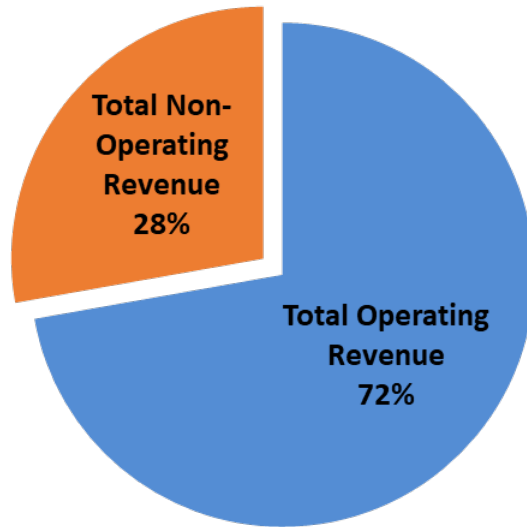


Chart #4 - Fiscal Year 2024-25 Wastewater Services Operating Revenues



Recycled Water Services Sources of Funds

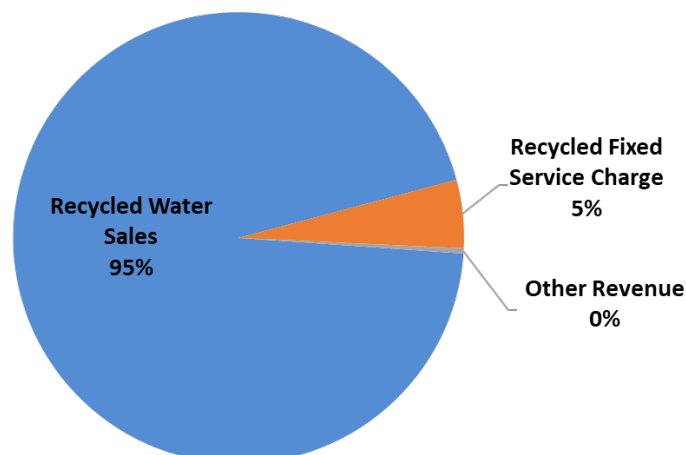
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively 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 2024-25 is 610 acre-feet, which is the same as the prior year's budget. The revenue projection for Fiscal Year 2024-25 provided here include rate and charge increases in line with what was approved by the Board. The Board will review and adopt Calendar Year 2025 rates in December 2024.

Recycled Water Services operating and non-operating revenues are shown in Table 4 and Chart 5. The reduction in the Recycled Fixed Service Charge is due to a true up of the meter count. 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 2022-23	FY 2023-24		FY 2024-25	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Increase (%)
Operating Revenues					
Recycled Water Sales	\$ 1,037,210	\$ 1,235,911	\$ 1,236,187	\$ 1,266,800	2.5%
Recycled Fixed Service Charge	60,283	63,859	63,860	65,331	2.3%
Other Revenue	5,000	5,000	5,000	5,000	0.0%
Total Operating Revenue	\$ 1,102,493	\$ 1,304,770	\$ 1,305,047	\$ 1,337,131	2.5%
Non-Operating Revenues					
Property Tax	\$ 63,115	\$ 65,000	\$ 65,000	\$ 54,572	-16.0%
Investment Earnings	3,876	4,030	4,030	4,260	5.7%
Grant Revenue	452,253	-	-	-	N/A
Total Non-Operating Revenue	\$ 519,244	\$ 69,030	\$ 69,030	\$ 58,831	-14.8%
Total Revenues	\$ 1,621,737	\$ 1,373,800	\$ 1,374,077	\$ 1,395,963	1.6%

Chart #5 - Fiscal Year 2024-25 Recycled Water Services Operating Revenues



Community Benefit Program Sources of Funds

The Community Benefit Program (CBP) maintains public spaces in the District’s service area. The primary source of revenue for the Community Benefit Program is a portion of the District’s water property tax revenues. Each year the Board will determine the amount that will be transferred into the CBP fund, and a Board appointed committee manages these funds.

Table #5 - Community Benefit Program Sources of Revenue

	FY 2022-23 Actual	FY 2023-24		FY 2024-25 Budget	Budget to Budget Increase (%)
		Amended Budget	Projected		
Non-Operating Revenues					
Property Tax	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	0.0%
Total Non-Operating Revenue	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	0.0%
Total Revenues	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	0.0%



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). In addition, the Community Benefit Program (CBP), that maintains public spaces in the District’s service area, has been added as a stand-alone program to maximize financial transparency.

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 2024-25 Budget includes a 10.6% decrease 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.**

Table #1 - Overview of Total Services’ Operating Budget

Description	FY 2022-23	FY 2023-24			FY 2024-25	Budget to
	Actual	Original Budget	Amended Budget	Projected	Budget	Change (%)
Water Supply Costs	\$ 10,716,859	\$ 9,558,078	\$ 9,558,078	\$ 6,794,693	\$ 3,433,211	-64.1%
Debt Service	3,822,936	5,463,081	5,463,081	5,463,081	6,141,364	12.4%
Total Labor*	6,500,369	6,813,579	7,069,662	7,069,662	7,318,240	3.5%
Total Non-Labor**	6,172,082	7,625,467	8,158,253 (1)	7,879,295 (1)	9,258,491	13.5%
Operating Total	\$ 27,212,247	\$ 29,460,206	\$30,249,075	\$27,206,730	\$ 26,151,306	-13.5%
Benefits Expenses	4,279,809	4,400,781	4,400,781	4,400,781	4,835,681	9.9%
Total Services Operating Budget	\$ 31,492,056	\$ 33,860,987	\$34,649,856	\$ 31,607,511	\$ 30,986,987	-10.6%

* Total Labor does not include District’s Benefits

** Total Non-Labor includes \$542,367 for Community Benefit Program

(1) Does not include \$8,506,750 Detachment Fee

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 22 shows the broad scope of functions captured in the Administrative Services budget. Administrative Service functions are listed on the following page:

- 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 2022-23	FY 2023-24	FY 2024-25
General Manager	1.0	1.0	1.0
Executive Assistant/ Board Secretary	1.0	1.0	0.98
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Human Resources Manager	1.0	1.0	1.0
Supervising Accountant	1.0	1.0	1.0
Accounting Technician I & II	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	0.08
IT Manager	-	-	0.92
Systems Tech	-	-	0.6
Engineering Manager	1.0	1.0	1.0
Human Resources Technician	1.0	1.0	1.0
Engineering Technician I, II & III	3.0	3.0	4.0
GIS Coordinator	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Public Affairs Specialist	1.0	-	-
Public Information Officer	-	1.0	1.0
Customer Service Specialist	1.0	1.0	2.0
Customer Service Representative I & II	2.0	2.0	1.0
Purchasing Warehouse Supervisor **	0.95	0.99	1.0
Warehouse Purchasing Specialist	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
TOTAL FTE	23.95	23.99	25.58

* FTE - Full-Time Equivalents

** Decreased Executive Assistant/Board Secretary FTE due to the reallocation of time to the Community Benefit Program for FY25.

The divisions and their activities are summarized below.

The Office of the General Manager

- Oversee all District operations
- Plan, organize and conduct Board of Directors activities and meetings in addition to supporting Board policy development and execution
- Manage legal activities including public hearing and other required notices
- Serve as public liaison to the Community and other entities and manages public relations
- Manage 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
- Maintain the District's Enterprise Resource Planning (ERP) and Computerized Maintenance Management (CMMS) systems
- 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

Overall the Administrative Services budget is increasing slightly more than inflation. The labor increase is due to the restructuring of the Information Management Division, the addition of an Engineering Services FTE and the annual cost of living adjustment set forth in the District’s most recent Memorandums of Understanding. Non-Labor is being driven by a large increase in the District’s insurance costs. The insurance increase is being driven by a combination of industry wide fee hikes and the increased frequency of claims paid.

Table #3 - Administrative Services Total Operating Budget Summary

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor*	\$ 2,693,092	\$ 2,947,047	\$ 2,959,534	\$ 3,157,209	7.1%
Total Non-Labor	3,030,424	3,416,362 (1)	3,487,879 (1)	3,490,027	2.2%
Services Operating Total	\$ 5,723,517	\$ 6,363,408	\$ 6,447,413	\$ 6,647,236	4.5%
Allocated Benefits Expenditures**	1,772,566	1,903,450	1,903,450	2,086,192	9.6%
Total Services Budget	\$ 7,496,083	\$ 8,266,858	\$ 8,350,863	\$ 8,733,428	5.6%

* Total Labor does not include District’s Benefits
 ** Includes transfer to Pension/OPEB Trusts
 (1) Does not include \$8,506,750 Detachment Fee

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

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Office of the General Manager					
Labor:					
Salaries	\$ 479,044	\$ 506,019	\$ 506,429	\$535,324	5.8%
Non-Labor:					
Director Expenses	33,307	40,000	38,693	41,500	3.8%
General & Administrative	10,940	14,500	24,315	88,600	511.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	81,685	83,800	95,300	79,800	-4.8%
Professional Services	511,706	677,535 (1)	677,535	412,000	-39.2%
Memberships/Training/Permits	89,296	91,000	91,425	91,200	0.2%
Santa Margarita Watermaster	125,188	131,447	131,447	138,020	5.0%
Total Non-Labor	\$ 852,122	\$ 1,038,283 (2)	\$ 1,058,715 (2)	\$ 851,120	-18.0%
Division Operating Total	\$ 1,331,166	\$ 1,544,302	\$ 1,565,144	\$ 1,386,444	-10.2%

(1) Budget Amendment increase of \$267,535 for professional services pertaining to detachment efforts.
 (2) Does not include Budget Amendment increase of \$8,506,750 for Detachment Fee.

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

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Finance & Customer Service					
Labor:					
Salaries	\$ 847,547	\$ 920,737	\$ 881,907	\$ 961,080	4.4%
Non-Labor:					
Contractor Services	27,401	24,000	29,589	36,500	52.1%
Equipment (Non Capital)	833	4,500	4,500	1,500	-66.7%
Materials/Services/Supplies	142,037	147,700	149,822	150,200	1.7%
Professional Services	180,515	123,500	119,401	122,500	-0.8%
Memberships/Training/Permits	1,752	2,700	2,080	2,700	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 352,538	\$ 302,400	\$ 305,391	\$ 313,400	3.6%
Division Operating Total	\$ 1,200,085	\$ 1,223,137	\$ 1,187,299	\$ 1,274,480	4.2%

Warehouse & Purchasing					
Labor:					
Salaries	\$ 197,685	\$ 213,567	\$ 207,590	\$ 228,071	6.8%
Non-Labor:					
Contractor Services	154,489	150,000	150,000	145,000	-3.3%
Equipment (Non Capital)	1,099	1,000	1,000	1,000	0.0%
Materials/Services/Supplies	156,201	139,500 (1)	144,663	133,500	-4.3%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	658	1,000	250	1,000	0.0%
Utilities *	70,535	45,000	68,107	75,000	66.7%
Total Non-Labor	\$ 382,981	\$ 336,500	\$ 364,020	\$ 355,500	5.6%
Division Operating Total	\$ 580,666	\$ 550,067	\$ 571,610	\$ 583,571	6.1%

(1) Budget Amendment increase of \$15,000 for materials and services required for emergency repairs.

*Utility cost increase driven by actual cost levels.

Human Resources					
Labor:					
Salaries	\$ 256,159	\$ 270,962	\$ 370,962	\$ 254,134	-6.2%
Non-Labor:					
Contractor Services	11,691	13,000	21,381	13,000	0.0%
Equipment (Non Capital)	72	-	-	350	NA
Materials/Services/Supplies	17,978	18,300	8,240	12,000	-34.4%
Professional Services	8,636	10,000	14,484	10,000	0.0%
Memberships/Training/Permits	72,736	102,450	90,164	92,400	-9.8%
Education Funding	6,315	5,000	2,262	17,000	240.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 117,428	\$ 148,750	\$ 136,532	\$ 144,750	-2.7%
Division Operating Total	\$ 373,587	\$ 419,712	\$ 507,494	\$ 398,884	-5.0%

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

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Information Management					
Labor:					
Salaries	\$ 102,208	\$ 107,306	\$ 114,822	\$ 329,935	207.5%
Non-Labor:					
Contractor Services	65,760	101,025	101,025	104,877	3.8%
Equipment (Non Capital)	25,381	30,000	30,000	30,000	0.0%
Materials/Services/Supplies	197,690	183,338	170,938	205,930	12.3%
Professional Services	-	50,000	50,000	50,000	0.0%
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 288,831	\$ 364,363	\$ 351,963	\$ 390,807	7.3%
Division Operating Total	\$ 391,039	\$ 471,669	\$ 466,785	\$ 720,743	52.8%

Engineering Services					
Labor:					
Salaries	\$ 544,594	\$ 585,757	\$ 544,875	\$ 497,023	-15.1%
Non-Labor:					
Contractor Services	17,210	55,000	75,819	25,000	-54.5%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	37,330	47,000	41,001	48,500	3.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	500	62	500	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 54,540	\$ 102,500	\$ 116,882	\$ 74,000	-27.8%
Division Operating Total	\$ 599,134	\$ 688,257	\$ 661,758	\$ 571,023	-17.0%

Safety & Risk					
Labor:					
Salaries	\$ 174,113	\$ 241,955	\$ 236,187	\$ 246,708	2.0%
Non-Labor:					
Contractor Services	21,944	40,000	66,584	55,000	37.5%
Equipment (Non Capital)	75,417	66,550	68,182	66,550	0.0%
Materials/Services/Supplies	31,707	30,200 *	29,741	30,200 *	0.0%
Professional Services	445,816	599,865	597,936	810,000	35.0%
Memberships/Training/Permits	1,297	2,700	1,933	2,700	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 576,181	\$ 739,315	\$ 764,376	\$ 964,450	30.5%
Division Operating Total	\$ 750,294	\$ 981,270	\$ 1,000,563	\$ 1,211,158	23.4%

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

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

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Vehicle Services & Shop					
Labor:					
Salaries	\$ 91,742	\$ 100,745	\$ 96,761	\$ 104,933	4.2%
Non-Labor:					
Contractor Services	36,514	45,000 (1)	45,000	40,000	-11.1%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	369,291	339,251 (1)	345,000	356,000	4.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 405,805	\$ 384,251	\$ 390,000	\$ 396,000	3.1%
Division Operating Total	\$ 497,548	\$ 484,996	\$ 486,761	\$ 500,933	3.3%

(1) Budget Amendment increase of \$11,000 for contract services (required fleet software). Budget Amendment increase of \$39,251 for fleet repairs and maintenance due to emergency repairs.

Fiscal Year 2023-24 Accomplishments

- Continued working with LAFCO on detachment efforts and successfully detached from SDCWA and annexed into EMWD’s service area on January 1, 2024
- Negotiated and paid the Detachment Fee to SDCWA
- Completed the process of changing billing and operational coordination to EMWD, the District’s new wholesale water provider
- Processed 7 new-hire employees
- Participated and finalized the Emergency Response Plan (ERP) for compliance with America’s Water Infrastructure Act of 2018 (AWIA)
- Updated training protocols to be in line with OSHA requirements
- Continued to revise and update critical safety policies identified by the safety program audit
- Conducted an emergency response drill at the Wastewater Treatment Plant and updated emergency response procedures accordingly
- Caught up on pipeline replacement contractor procurement process by planning for 2 years of projects in advance to resolve the ongoing supply-chain issues
- Executed Water, Recycled Water and Administrative CIP as planned
- Conducted multiple site inspections to ensure stores are properly represented in the District’s inventory
- Implemented new GPS and Work Order software to better assess and track the Fleet operations and maintenance
- Completed the review and selection of a third party administrator for the District’s deferred compensation plans and implement fiduciary oversight of the plans
- Secured an inaugural credit rating of AA- from Standard and Poors for the District’s Water System
- Executed a negotiated sale of Water Revenue Bonds to fund the District’s water CIP

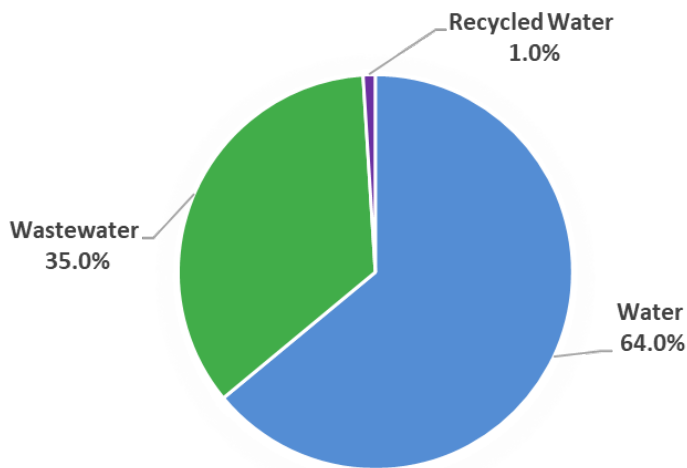
Fiscal Year 2024-25 Goals and Objectives

- Continue to revise and update critical safety policies identified by safety program audit
- Conduct an emergency response drill and update emergency response procedures accordingly
- Streamline procedures for obtaining base passes for Naval Weapons and Camp Pendleton
- Review and update approved job descriptions for compliance
- Further adjust the pipeline replacement contractor procurement process by planning for 2 years of projects in advance to resolve the ongoing supply-chain issues
- Execute planned CIP projects
- Create additional storage area to extend warehouse, allowing all outdoor inventory items to be secured and grouped together
- Create the District’s Information Management Systems Plan (IMSP) and evaluate the District’s ERP options that support the IMSP
- Implement enhancements to the District’s CMMS that support the IMSP and the District’s asset management plan
- Document finance policy and procedure guides

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: 14,382

Number of Accounts	
Water	9,299
Wastewater	5,053
Recycled Water	30
Total Accounts	14,382

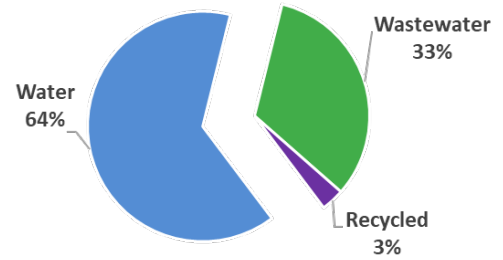
Table #5 - Administrative Services Key Performance Indicators

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Estimated	Target Met
Efficiency	Maintain a Workers Compensation Experience Modification Rate below 1%	Below 1%	0.89%	0.86%	0.69%	Yes
Efficiency	Maintain an inventory shrinkage rate of less than 1%	Below 1%	0.3%	0%	0%	Yes
Community	Maintain an average customer service call wait time of less than 3 minutes	Below 3 minutes	0:40 seconds	0:55 seconds	0:42 seconds	Yes
Community	Percentage of customers enrolled in Watersmart-AMI portal (as a % of total District customers)	60% by Fiscal Year 2026	31%	37%	39%	Yes
Workforce	Employee engagement survey results; percentage of employees rating their overall morale as "high".	Above 25%	N/A	47%	45%	Yes
Fiscal Management	Debt Coverage	>1.20	2.05	4.19	2.59	Yes
Fiscal Management	Days Cash on hand	90 days or greater	109 days	113 days	100 days	Yes

Water Services

The District provides Water Services to approximately 9,300 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. Chart 2 shows the Water System’s share of the District’s Systems’ costs. At 64% of the District’s Services costs, the Water System is the District’s largest System. The Water Supply Cost is reported separately. (Pg. 53). **Appendix A provides the detailed revenue, expense and fund balance projections for Water operations.**

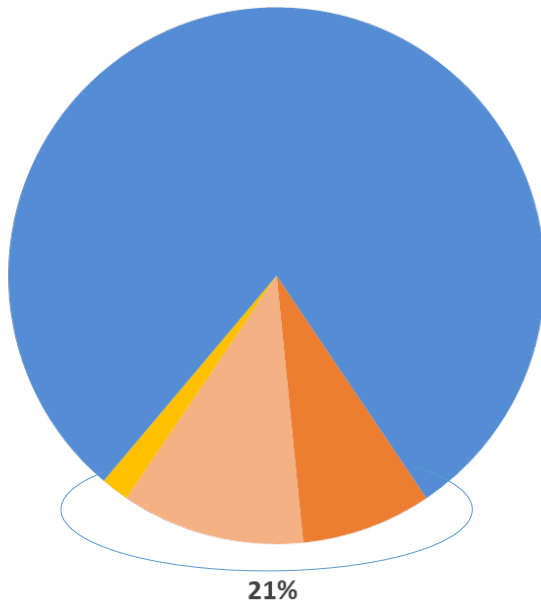
Chart #2 - Total Services’ Budget



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 #3 - Water Services Operating Costs \$16,671,573



- EMWD Water Supply Costs, 8%
- SMR Water Delivery Cost, 11%
- System Pumping, 2%
- Water Services Operating Budget, 79%

DISTRICT’S WATER SUPPLY COSTS

The District’s Water Supply Costs are 21% of the water services budget.

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 6.

Table #6 - Water Services Approved Positions

Position	Actual FTE* FY 2022-23	Actual FTE* FY 2023-24	Proposed FTE* FY 2024-25
Field Services Manager	1.0	1.0	1.0
Utility Technician	-	-	-
Crew Leader	4.5	2.8	2.8
Utility Worker I,II & III	11.5	12.8	13.8
System Services Supervisor	1.0	1.0	1.0
Construction Supervisor	-	1.0	1.0
Operations Manager	0.75	0.75	0.5
System Operations Supervisor	1.0	1.0	1.0
Systems Operator I, II & III	4.0	5.0	4.0
Water/Wastewater Operator I,II & III	-	-	0.75
SCADA/Electrical/Maintenance Supervisor	0.75	0.75	0.65
Systems Technician	-	-	0.4
Instrumentation, Electrical & Controls Tech I & II	1.5	1.5	1.5
Senior Maintenance Technician	0.2	0.2	0.5
Maintenance Technician I & II	0.2	0.2	0.3
TOTAL FTE	26.4	28.0	29.2

*FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Water Treatment

- Operate and maintain a new groundwater treatment plant to treat water delivered by Camp Pendleton
- Maximize SMGTP production to achieve lowest Water Supply Cost mix
- Schedule and manage wholesale water deliveries to the District to optimize SMGTP operations

Production and Distribution

- Schedule and manage the District’s distribution facilities
- Operate water system assets and monitors system conditions including water pressure, water flows, storage facilities 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, meter exchange programs and delinquent account lock/unlocking

As reflected in Table 7, overall the Water Services Budget is increasing 14.1%. This is largely due to the 35% increase in non-labor, which is due to the high volume of water that will be treated at the District’s SMGTP. The costs for SMGTP operations are mostly captured in the Non-Labor category and are related to power and treatment chemical costs. The FY 2023-24 Amended Budget benefit expenditure was not amended to reflect increases in Water Services labor allocations in the Amended Fiscal 2023-24 Budget. The 21.2% increase in the allocation of benefit expenditures is being driven by the continued increase in planned emergency repair labor (included in the Amended Fiscal Year 2023-24 Budget) and due to increases in employee benefit costs.

Table #7 - Water Services, Total Operating Budget Summary*

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor **	\$ 2,221,411	\$ 2,325,039	\$ 2,449,535	\$ 2,449,192	5.3%
Total Non-Labor	1,736,116	2,650,856	2,657,220	3,579,020	35.0%
Operating Total	\$ 3,957,527	\$ 4,975,895	\$ 5,106,755	\$ 6,028,212	21.1%
Allocated Benefits Expenditures	1,436,730	1,337,251	1,337,251	1,620,756	21.2%
Total Direct Water Costs	\$ 5,394,257	\$ 6,313,146	\$ 6,444,006	\$ 7,648,968	21.2%
Allocation of Administrative Services	4,797,493	5,290,789	5,344,552	5,589,394	5.6%
Total Services Budget	\$ 10,191,750	\$ 11,603,935	\$ 11,788,558	\$ 13,238,362	14.1%

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

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

Table #8 - Water Services, Division Budget to Budget Comparison

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Treatment					
Labor:					
Salaries	\$ 314,282	\$ 483,866 (1)	\$ 484,793	\$ 548,117	13.3%
Non-Labor:					
Contractor Services	67,009	136,000	125,000	140,000	2.9%
Equipment (Non Capital)	1,514	8,000	7,348	8,000	0.0%
Materials/Services/Supplies	402,845	495,121 (1)	612,500	929,088	87.6%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities *	412,070	939,454	806,012	1,203,000	28.1%
Total Non-Labor	\$ 883,438	\$ 1,578,575	\$ 1,550,860	\$ 2,280,088	44.4%
Division Operating Total	\$ 1,197,720	\$ 2,062,441	\$ 2,035,653	\$ 2,828,205	37.1%

(1) Budget Amendment increase of \$65,768 for labor allocated to SMGTP. Budget Amendment increase of \$100,000 for chemicals required for SMGTP.

* Utility cost increase driven by actual cost levels.

Table #8 - Water Services, Division Budget to Budget Comparison, cont.

Description	FY 2022-23 Actual	FY 2023-24		FY 2024-25 Budget	Budget to Budget Change (%)
		Amended Budget	Projected		
Production & Distribution					
Labor:					
Salaries	\$ 667,618	\$ 564,591	\$ 688,161	\$ 567,887	0.6%
Non-Labor:					
Contractor Services	103,410	192,581	191,275	215,732	12.0%
Equipment (Non Capital)	7,704	20,000	17,586	20,000	0.0%
Materials/Services/Supplies	190,178	259,700	294,980	345,200	32.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	80,384	90,000	90,000	90,000	0.0%
Utilities*	76,010	92,000	85,000	180,000	95.7%
Total Non-Labor	\$ 457,686	\$ 654,281	\$ 678,841	\$ 850,932	30.1%
Division Operating Total	\$ 1,125,304	\$ 1,218,872	\$ 1,367,002	\$ 1,418,819	16.4%

* Utility cost increase driven by actual cost levels.

Pipeline Maintenance & Construction					
Labor:					
Salaries	\$ 668,304	\$ 658,713 (1)	\$ 658,713	\$ 710,808	7.9%
Non-Labor:					
Contractor Services	59,896	46,000	46,000	46,000	0.0%
Equipment (Non Capital)	13,643	10,000	8,500	10,000	0.0%
Materials/Services/Supplies	88,499	45,000	54,356	50,000	11.1%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 162,038	\$ 101,000	\$ 108,856	\$ 106,000	5.0%
Division Operating Total	\$ 830,342	\$ 759,713	\$ 767,568	\$ 816,808	7.5%

(1) Budget Amendment increase of \$90,748 for labor allocated to emergency repairs.

System Services					
Labor:					
Salaries	\$ 571,207	\$ 617,868 (1)	\$ 617,868	\$ 622,380	0.7%
Non-Labor:					
Contractor Services	85,028	200,000	200,000	200,000	0.0%
Equipment (Non Capital)	2,439	-	625	5,000	NA
Materials/Services/Supplies	145,487	117,000	118,039	137,000	17.1%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 232,954	\$ 317,000	\$ 318,664	\$ 342,000	7.9%
Division Operating Total	\$ 804,161	\$ 934,868	\$ 936,532	\$ 964,380	3.2%

(1) Budget Amendment increase of \$99,567 for labor allocated to emergency repairs.
Budget Amendment increase of \$100,000 for paving relating to emergency repairs.

Fiscal Year 2023-24 Accomplishments

- Repaired 17 water main leaks, 14 water main breaks
- Repaired 35 water service leaks, 6 water service breaks
- Replaced 68 water main valves, 4" and above; replaced 3 valves, water A/V and drain valves 3" and below; by May 1
- Replaced 10 backflows
- Continued Right of Way maintenance program; 3,315 feet have been completed as of May 1
- Continued valve maintenance program; Average of 162 valves monthly exercised
- Continued fire hydrant maintenance program; 33 per month average
- Continued fire flow testing program; 17 fire hydrants tested this year
- Completed capital projects in accordance with approved budget and asset-management plan
- Added a protective seal coat layer on the asphalt on the access around the Red Mountain Secured the 2.8 Reservoir with security fencing and the access gate
- Maintained Red Mountain Reservoir and UV Treatment Facility to be operational for an emergency
- Deployed solar and battery backup systems at critical radio repeater sites to maintain SCADA communications during utility power outages
- Completed a 3-month predesign test on the 8.0 MG Tank to boost chloramine residual and maintain a high reservoir water level for increased fire protection
- Had a goal of maintaining 12 of the District's flow control facilities as determined by their service schedule. 20 valves were serviced and updated during the year
- Maintained and optimized operation of SMGTP to deliver all available water supplies
- Identified critical facility equipment and procure necessary spare parts
- Installed redundant analyzer feed pumps at the SMGTP facility
- Installed a new valve to control pumped SMGTP flow up the East Line at the Red Mountain site. This allow us to start the UV facility on SMGTP water and not purchased water off our imported connection
- Further expanded SMGTP preventative maintenance program, including construction and implementation of redundant process equipment and procurement of spare components for critical process systems.
- Installed multiple cellular signal boosters and Wi-Fi equipment at SMGTP in order to address limited signal problems.
- Developed and utilized new tablet-based CMMS inspection and testing forms for preventative maintenance tasks at the treatment plants and pump stations, in order to more efficiently capture data for predictive maintenance analysis.
- Completed all required annual calibrations of process control instrumentation, including flow, pressure, and level transducers.
- Developed additional client workstation and display screen for SMGTP SCADA system at main Operations office for remote monitoring and control of treatment process.
- Developed primary and backup servers for new potable and collections SCADA upgrade project.
- Installed and configured new Ethernet communications equipment at 8 separate water distribution facilities throughout the DeLuz and Fallbrook areas in order to facilitate SCADA Radio Transmission Unit upgrades and expansion.

Fiscal Year 2024-25 Goals and Objectives

- Replace 100 water main valves
- Continue meter testing program
- Continue Right of Way maintenance program
- Continue valve maintenance program
- Continue fire hydrant maintenance program
- Test all backflows in the system every calendar year. Repair and replace as needed
- Complete capital projects in accordance with approved budget
- Build materials bins at the 2.8 Million reservoir
- Build concrete pads in order to move four post truck lift and for additional warehouse storage
- Continue both SMGTP and the Red Mountain UV facilities operation and maintenance to deliver all available water supplies
- Continue to maintain/rebuild the Districts flow/pressure facilities as determined by their service schedule
- Construct a chloramination booster station at the 8.0 MG Tank, for increased reliability and emergency service, along with improved water quality.
- Bring Kauffman Flow Control Facility above ground and replace downstream valves
- Repair the slope that was damaged during this past winter near the Kauffman facility
- Continue to develop redundancy systems for the SMGTP process equipment to ensure sustained treatment
- Install a new valve after the De Luz connection to prevent the delivery of water to our system, during period when no flow is ordered
- Construct a new Toyon Pump Station at the site of the UV facility
- Construct a DeLuz Pump Station at the UV facility to move production water out to DeLuz
- Continue expansion of the Ethernet radio communications network to additional water distribution facilities and wastewater collection facilities throughout the District.
- Replace antiquated serial-based Radio Transmission Unit hardware with new Ethernet controllers at sites with upgraded Ethernet radio communications equipment.
- Continue building redundancy systems and procurement of critical spare equipment for SMGTP process control longevity.
- Continue expansion of video surveillance system to include remote FPUD distribution facilities over the new Ethernet radio communications network.

Table #9 - Water Services Key Performance Indicators

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Estimated	Target Met
Water Supply	Cost/Acre Foot of SMGTP Product Water Supply	Below \$1,500/AF	\$1,640/AF ¹	\$1,062/AF	\$836/AF	Yes
Water Supply	Sample 30 residents that meet the criteria for Lead and Copper**	30 residents ²	72 residents	73 residents	46 residents	Yes
Water Supply	Receive and treat all entitled deliveries to the SMGTP	100% of deliveries treated	N/A	105%	99%	No
Infrastructure	Cost/Valve	Below \$6,500/Valve	N/A	\$6,245/Valve	\$8,069/Valve	No
Infrastructure	Maintain 4,000 feet of right of ways/year	4,000 feet	1,608 feet	6,188 feet	4,000 feet	Yes
Infrastructure	Replace 100 water main valves/year	100 water main valves	73 water main valves	101 water main valves	100 water main valves	Yes
Infrastructure	100% regulatory compliance for water quality sampling	100% Compliance	100%	100%	100%	Yes
Infrastructure	Exercise 189 valves and 46 fire hydrants per month as part of a three year valve exercise program cycle	189 valves per month; 46 fire hydrants/month	159 valves/month Hydrants not exercised until FY 2023	205 valves/month 35 Hydrants/month	196 valves/month 46 fire Hydrants/month	Yes
Infrastructure	Test 400 meters per year	400 meters	N/A	N/A, testing began in May 2024	N/A, testing began in May 2024	No
Infrastructure	Fire flow test 5 hydrants per month	5 hydrants per month	N/A	1st year of testing, 2 tests were completed	17 hydrants total	No

(1) FY 2021-22 was the first year of SMGTP’s operation which included additional startup costs that exceeded normal year expenditures.

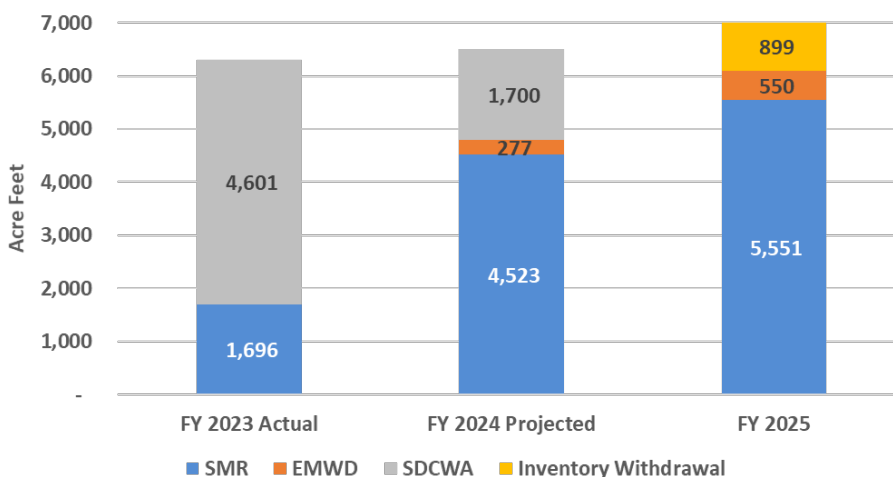
(2) This KPI changed from a target of 60 residents to 30 residents as of FY 2023-24.

Water Supply Costs

In January 2024, the District detached from the San Diego County Water Authority’s (SDCWA) service area and annexed into Eastern Municipal Water District’s (EMWD) service area. As a result of this change, the District’s Water Supply Cost structure changed dramatically. The fixed fees that the District pays for wholesale water regardless of the amount of water purchases decreased by 84% or \$2.9 million/year. This means that during a drought or a wet year, when water sales are low, the District is not faced with fixed costs that impact the District’s net revenues. In addition, the cost per AF of wholesale water decreased by 20% allowing savings to be passed on to rate payers.

The District’s Water Supply Cost is comprised of Purchased Water Costs and System Pumping costs. In Fiscal Year 2024-25, the District’s budget for Purchased Water Costs is comprised of the wholesale water costs from EMWD, Camp Pendleton’s water delivery costs for Santa Margarita River Water and inventory withdrawals. As shown in Chart 4, Camp Pendleton will pump an estimated 4,523 AF 7 miles from the Santa Margarita River (SMR) Aquifer to the SMGTP in Fiscal Year 2023-24 and 5,551 AF in Fiscal Year 2024-25. The cost of treating the SMR water and delivering it to customers is included in the District’s Water Services Treatment Division’s costs. (Pg. 48).

Chart #4 - Wholesale and Local Supply Mix



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. As shown in Table 10, the District’s fixed water costs are greatly decreased due to elimination of SDCWA’s fixed charges in the Fiscal Year 2024-25 Budget. MWD’s fixed charges are the only fixed charges that remain and are now passed through by EMWD. With lower fixed charges, the District’s average cost of water is not impacted by water sales volatility. The result is more stable net revenues. The reduction in Variable Water Cost budget is due to increased local water supply availability and the budgeted amount of wholesale water purchased from EMWD. The District’s variable and fixed water charges for this planning period are summarized on the following page. (Note: all SDCWA charges were discontinued effective January 1, 2024)

Variable Costs

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

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

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.

System Pumping – This is the rate the District pays for water that is pumped to Red Mountain.

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 EMWD. 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 EMWD.

Figure #1 - Fixed vs. Variable

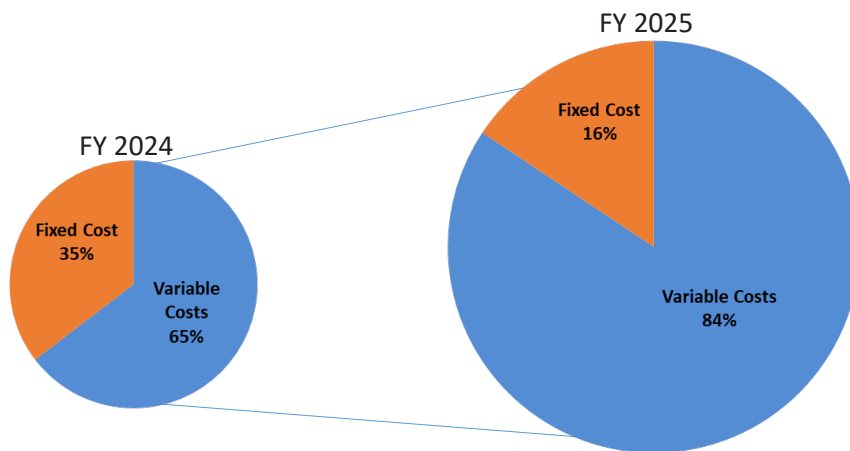
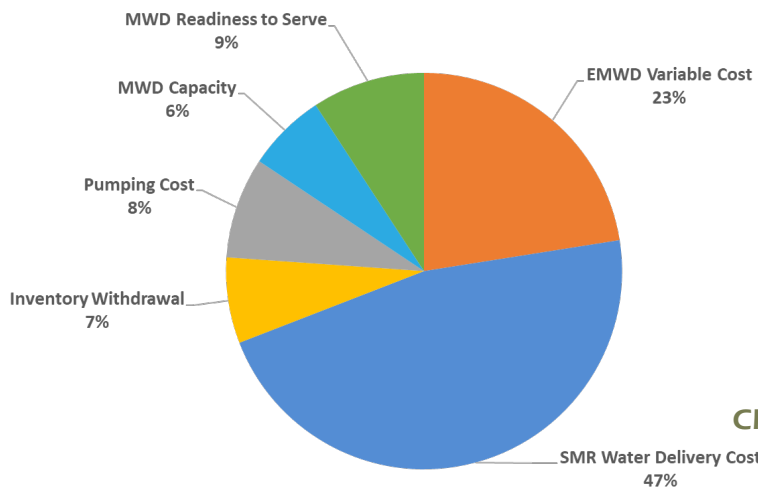


Table #10 - Variable and Fixed Charges Budget to Budget Comparison

	FY 2022-23 Actual	FY 2023-24		FY 2024-25 Budget	Budget to Budget Change (%)
		Amended Budget	Projected		
Variable Costs:					
SDCWA Variable Cost	\$ 6,511,543	\$ 4,814,288	\$ 2,485,367	\$ -	-100.0%
EMWD Variable Cost	-		862,141	772,590	N/A
SMR Water Delivery Cost*	477,678	1,219,265	1,185,026	1,600,288	31.3%
Inventory Withdrawal	-	-	-	240,177	N/A
System Pumping	339,098	140,904	297,532	283,000	100.8%
Subtotal Variable Costs	\$ 7,328,319	\$ 6,174,456	\$ 4,830,066	\$ 2,896,055	-53.1%
Fixed Costs:					
SDCWA Supply Reliability	\$ 684,190	\$ 726,804	\$ 353,568	\$ -	-100.0%
SDCWA Storage	1,048,485	1,048,920	522,204	-	-100.0%
SDCWA Customer service	555,891	547,662	275,004	-	-100.0%
MWD Capacity	237,025	209,694	208,365	220,867	5.3%
MWD Readiness to Serve	259,181	242,400	304,124	316,289	30.5%
SDCWA IAC	603,768	608,142	301,362	-	-100.0%
Subtotal Fixed Costs	\$ 3,388,540	\$ 3,383,622	\$ 1,964,627	\$ 537,156	-84.1%
Total Water Supply Costs	\$ 10,716,859	\$ 9,558,078	\$ 6,794,693	\$ 3,433,211	-64.1%

* This estimate does not include the SMGTP LRP credit of \$305/AF @ 3,100 estimated AF; \$945,500.

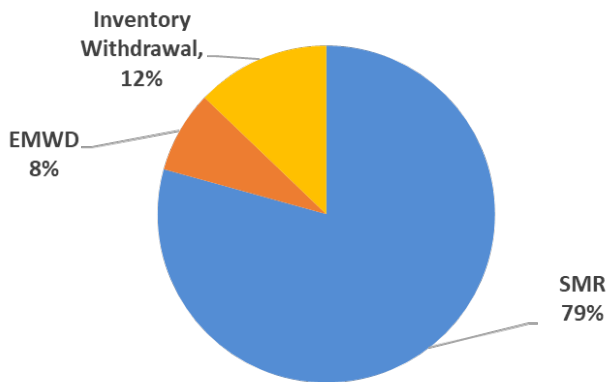
Chart #5 - Water Supply Costs Breakdown



REDUCED FIXED WATER COSTS IN CY 2024

Due to Detachment from SDCWA on January 1, 2024, fixed water costs were reduced in CY 2024 which allowed the District to keep variable rates flat and reduce the monthly fixed charges.

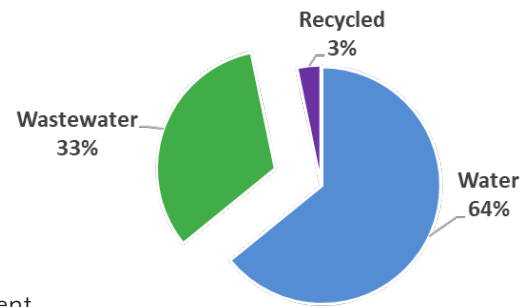
Chart #6 - Fiscal Year 2024-25 Water Supply Mix



Wastewater Services

The District provides Wastewater Services to approximately 5,000 service connections 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:

Chart #7 - Total Services’ Budget



- Operate a water reclamation plant that provides tertiary 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 11.

Table #11 - Wastewater Services Approved Positions

Position	Actual FTE*	Actual FTE*	Proposed FTE*
	FY 2022-23	FY 2023-24	FY 2024-25
Collections Supervisor	1.0	1.0	1.0
Crew Leader	2.0	2.0	1.0
Utility Worker I & II	5.0	5.0	4.0
Chief Plant Operator	0.85	0.7	0.7
Lead Plant Operator	1.7	1.7	0.7
Plant Operator I & II	1.7	1.7	1.4
Water/Wastewater Operator I, II & III	-	-	0.25
Operations Manager	0.25	0.25	0.4
Environmental Compliance Technician	0.5	0.7	0.95
Laboratory Technician I & II	0.85	0.7	0.5
Senior Maintenance Technician	0.6	0.6	0.45
Maintenance Technician I & II	0.6	0.6	1.6
SCADA/Electrical/Maintenance Supervisor	0.25	0.25	0.3
Instrumentation, Electrical & Controls Tech I & II	0.5	0.5	0.45
TOTAL FTE	15.8	15.7	13.7

* 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 and 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)
- Conduct laboratory analysis and reporting to meet the Regional Water Quality Control Board’s discharge permit requirements

As shown in Table 12, the Wastewater Services Budget is increasing 2.6%. This is being driven by an increase in non-labor costs due to increased utility and chemical costs. The labor cost allocation has decreased due to a staffing transfer, which has helped keep this Service mostly flat.

Table #12 - Wastewater Services Operating Budget Summary*

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor **	\$ 1,379,266	\$ 1,536,968	\$ 1,444,625	\$ 1,467,256	-4.5%
Total Non-Labor	1,193,544	1,329,000	1,278,346	1,434,076	7.9%
Operating Total	\$ 2,572,810	\$ 2,865,968	\$ 2,722,971	\$ 2,901,332	1.2%
Allocated Benefits Expenditures	916,553	992,703	992,703	969,520	-2.3%
Total Direct Wastewater Costs	\$ 3,489,363	\$ 3,858,671	\$ 3,715,674	\$ 3,870,852	0.3%
Allocation of Administrative Services	2,623,629	2,893,400	2,922,802	3,056,700	5.6%
Total Services Budget	\$ 6,112,992	\$ 6,752,071	\$ 6,638,476	\$ 6,927,552	2.6%

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

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

Table #13 - Wastewater Services, Division Budget to Budget Comparison

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Collections					
Labor:					
Salaries	\$ 540,269	\$ 624,127	\$ 595,573	\$ 570,918	-8.5%
Non-Labor:					
Contractor Services	26,856	93,500	93,500	65,000	-30.5%
Equipment (Non Capital)	4,810	5,000	1,381	5,000	0.0%
Materials/Services/Supplies	162,817	219,000	204,625	232,600	6.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	4,478	2,000	2,000	2,000	0.0%
Utilities *	180,954	118,000	206,040	226,476	91.9%
Total Non-Labor	\$ 379,915	\$ 437,500	\$ 507,545	\$ 531,076	21.4%
Division Operating Total	\$ 920,184	\$ 1,061,627	\$ 1,103,118	\$ 1,101,994	3.8%

* Utility cost increase driven by actual cost levels.

Table #13 - Wastewater Services, Division Budget to Budget Comparison, cont.

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Treatment					
Labor:					
Salaries	\$ 838,997	\$ 912,841	\$ 849,052	\$ 896,338	-1.8%
Non-Labor Expenses:					
Contractor Services	331,811	348,000	328,770	338,000	-2.9%
Equipment (Non Capital)	5,731	17,000	12,147	17,000	0.0%
Materials/Services/Supplies	262,736	287,500	214,884	313,500	9.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	75,444	95,000	95,000	90,500	-4.7%
Utilities *	137,907	144,000	120,000	144,000	0.0%
Total Non-Labor	\$ 813,629	\$ 891,500	\$ 770,801	\$ 903,000	1.3%
Division Operating Total	\$ 1,652,626	\$ 1,804,341	\$ 1,619,853	\$ 1,799,338	-0.3%

* Utility cost increase driven by actual cost levels.

Fiscal Year 2023-24 Accomplishments

- Successfully operated the Water Reclamation Plant to achieve an Energy costs saving of approximately 8% from the budgeted \$206,000. Total Energy costs are projected to end up at \$187,704.
- The projected chemical costs for the Bio solids Handling process will be approximately \$46,000 out of the budget \$70,000, accomplishing a 34% reduction.
- Reduced Total Overtime hours for Reclamation Plant by 26%.
- Completed monthly inspections of land outfall
- Completed weekly and monthly inspections on sewer lift stations
- Reduced 10-year average wastewater spills by 10%- Kept spills under 8,100 gallons
- Kept sewer spills under to 3 or less during the year
- On track to meet 240,000 foot goal for cleaning sewer mains
- On track to televise 96,000 feet of sewer mains this year
- Performed upgrades to secondary clarifier, including refurbishment of two scum pumps, replacement of drive unit and motor for skimmer and collector, and installation and commissioning of second refurbished RAS pump.
- Continued to upgrade level transmitters throughout the plant as needed to new Vega radar sensors and transmitters.
- Performed numerous electrical system upgrades to plant wiring, conduits, panels and enclosures, including the addition of multiple disconnect switches at various pump/motor locations to facilitate more enhanced lockout/tagout procedures.
- Received all backordered components required to complete Intermediate Pump Station (IPS) motor controls and Variable Frequency Drive (VFD) upgrade project for all four pumps- estimated completion by May 2024.
- Completed all required annual calibrations of process control instrumentation.
- Began assembly and construction of new VFD motor control equipment for Shady Lane Lift Station electrical system upgrade project.

- Performed annual testing and maintenance of the 1MW solar field, identified and procured critical spare componentry to expedite repair of inverters and limit solar production loss time.

Fiscal Year 2024-25 Goals and Objectives

- Maintain Wastewater Treatment process to achieve a compliance rating of >99% for each category pertaining to permit regulations
- Maintain energy consumption data to stay within the annual average target of 2,760,000 (kWh) or below
- Maintain critical equipment data for proper diagnostic/troubleshooting and predictive life expectancy to maintain tools/equipment budget deviation within 10%
- Accurately maintain/manage Bio solids system to reduce total operational costs by 5%.
- Reduce total Reclamation Plant hauling expenses by 5%.
- Reduce total overtime hours by 5% from previous Fiscal Year.
- Complete monthly inspections of the land outfall
- Complete weekly and monthly inspections on the sewer lift stations
- Reduce 10-year average wastewater spills by 10%. - Keeps spills under 8,167 gallons
- Keep common sewer spills to 3 or less during the year
- Clean 20,000 feet of regular sewer mains each month to total 240,000 feet a year
- Televis 8,000 feet a month of sewer mains to total 96,000 feet a year
- Complete construction of Shady Lane Lift Station electrical system upgrade and VFD motor control project, including commissioning of new SCADA Programmable Logic Controller (PLC) and Ethernet communications equipment.
- Remove and refurbish both Secondary Clarifier #1 Return Activated Sludge (RAS) pumps and motors and both scum pumps and 3-way valves and actuators.
- Continue electrical system upgrades throughout the Water Reclamation Plant and collections facilities, including motor controls equipment, enclosures, conduit and wiring.
- Continue identification and procurement of spare critical process control equipment
- Continue testing and preventative maintenance of the 1 MW solar field to reduce production downtime.

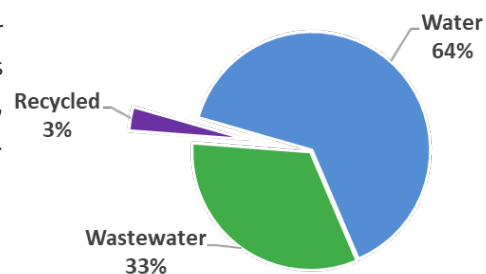
Table #14 - Wastewater Services Key Performance Indicators

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Estimated	Target Met
Infrastructure	Cost/MGD of Wastewater Influent Flows	Below \$3,500/MGD	\$3,497/MGD	\$3,146/MGD	\$3,168/MGD	Yes
Efficiency	Reduce 10-year average wastewater spills by 10% - Keep spills under 9,075 gallons	Below 9,075 gallons	N/A	3,010 gallons 10 year average	2,999 gallons 10 year average	Yes
Efficiency	Keep common sewer spills to 3 or less during the year	3 or less spills/year	5 spills; 2 contractor spills	1 spill	0 spills	Yes
Efficiency	Clean 20,000 feet of regular sewer mains each month to total 240,000 feet per year	240,000 feet/year	288,337 feet	272,751 feet	240,000 feet	Yes
Efficiency	Maintain energy consumption to stay within the annual average target	Below 1,932,000/kWh	1,941,136/kWh	1,792,487/kWh	1,932,000/kWh	Yes

Recycled Water Services

Chart #8 - Total Services' Budget

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 15.

Table #15 - Recycled Water Services Approved Positions

Position	Actual FTE* FY 2022-23	Actual FTE* FY 2023-24	Proposed FTE* FY 2024-25
Chief Plant Operator	0.15	0.3	0.3
Lead Plant Operator	0.3	0.3	0.3
Plant Operator I & II	0.3	0.3	0.6
Operations Manager	-	-	0.1
Environmental Compliance Technician	0.5	0.3	0.5
Laboratory Technician I & II	0.15	0.3	0.5
Senior Maintenance Technician	0.2	0.2	0.05
Maintenance Technician I & II	0.2	0.2	0.1
Crew Leader	0.5	0.2	0.2
Utility Worker I, II & III	0.5	0.2	0.2
SCADA/Electrical/Maintenance Supervisor	-	-	0.05
Instrumentation, Electrical & Controls Tech	-	-	0.05
TOTAL FTE	2.8	2.3	2.5

* 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 value, meter maintenance and meter replacement
- Operates and maintains a SCADA telemetry system
- Conducts site connection and system inspections
- Maintains right-of-way and interconnects with neighboring districts

As shown in Table 16, the Recycled Services Budget is decreasing by 3.6%. This is being driven by a decrease in labor cost allocation. The change in labor cost allocation was driven by the 2022 Water, Recycled Water and Wastewater Cost of Service Study. The changes better allocate the District’s labor costs to the Recycled Water Service.

Table #16 - Recycled Water Services Operating Budget Summary*

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor **	\$ 206,600	\$ 259,144	\$ 214,504	\$ 240,950	-7.0%
Total Non-Labor	211,902	217,500	190,272	213,000	-2.1%
Operating Total	\$ 418,502	\$ 476,644	\$ 404,776	\$ 453,950	-4.8%
Allocated Benefits Expenditures	153,960	167,377	167,377	159,213	-4.9%
Total Direct Recycled Water Costs	\$ 572,462	\$ 644,021	\$ 572,153	\$ 613,163	-4.8%
Allocation of Administrative Services	74,961	82,669	83,509	87,334	5.6%
Total Services Budget	\$ 647,423	\$ 726,690	\$ 655,662	\$ 700,497	-3.6%

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

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

Table #17 - Recycled Water Services, Division Budget to Budget Comparison

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Production					
Labor:					
Salaries	\$ 184,467	\$ 229,979	\$ 196,258	\$ 220,966	-3.9%
Non-Labor:					
Contractor Services	27,198	36,000	36,000	36,000	0.0%
Equipment (Non Capital)	1,252	4,000	4,000	4,000	0.0%
Materials/Services/Supplies	115,656	96,500	91,090	92,000	-4.7%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities *	59,103	62,000	50,000	62,000	0.0%
Total Non-Labor	\$ 203,209	\$ 198,500	\$ 181,090	\$ 194,000	-2.3%
Division Operating Total	\$ 387,676	\$ 428,479	\$ 377,348	\$ 414,966	-3.2%

*Utility cost increase driven by actual cost levels.

Table #17 - Recycled Water Services, Division Budget to Budget Comparison, cont.

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Distribution					
Labor:					
Salaries	\$ 22,133	\$ 29,165	\$ 18,246	\$ 19,984	-31.5%
Non-Labor:					
Contractor Services	1,622	-	-	-	NA
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	7,255	19,000	9,162	19,000	0.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities *	(184)	-	20	-	NA
Total Non-Labor	\$ 8,693	\$ 19,000	\$ 9,182	\$ 19,000	0.0%
Division Operating Total	\$ 30,826	\$ 48,165	\$ 27,428	\$ 38,984	-19.1%

*Utility cost increase driven by actual cost levels.

Fiscal Year 2023-24 Accomplishments

- All sampling requirements were successfully processed and found to have met permit regulations, achieving a 100% rating for the year and meeting the expected goal.
- The projected Energy totals for the Reclamation plant will be approximately 2,560,696 kWh, meeting the goal by staying below the annual average target of 2,760,000 kWh. (70% Wastewater/30% Recycled Water)
- The projected Chlorine chemical costs for the Recycled Water disinfection system will be approximately \$43,000, meeting the 5% reduction from the budgeted \$50,000.
- Reduced total overtime hours by 11%.
- Removal and refurbishment of two recycled water distribution pumps, including upgrades to premium efficient inverter duty motors for each and downsizing the flow capacity of one of the pumps to handle low recycled water usage demand more cost efficiently.
- Installed new permanent dewatering pump for recycled water pond.
- Completed all required annual calibrations of process control instrumentation.

Fiscal Year 2024-25 Goals and Objectives

- Maintain Reclamation Plant overall compliance rating at > 99% each month from all samples associated with the Title 22 and WDR Permit
- Reclamation Plant reduced the number of “Out of Service” hours to less than 10 hours.
- Maintain energy consumption data to stay within the annual average target of 2,760,000 (kWh) or below
- Maintain critical equipment data for proper diagnostic/troubleshooting and predictive life expectancy to maintain tools/equipment budget deviation within 10%
- Accurately maintain/manage Chlorine disinfection system to reduce total operational costs by 5%. The current annual operational cost for Chlorine disinfection process is \$79,000 (Chemicals-\$49,000 & Maintenance-\$30,000).

- Reduce total overtime hours by 5% from previous Fiscal Year.
- Accurately maintain/manage Chlorine disinfection system to reduce total operational
- Remove and refurbish another 100HP recycled water pump and motor
- Repair/replace motorized actuators and associated valves as necessary within filter system.

Table #18 - Recycled Water Services Key Performance Indicators

Strategic Goal	Department	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Estimated	Target Met
Efficiency	Recycled	Maintain an overall compliance of >99.9% each month from all samples associated with the Title 22 and WDR Permit	>99.9%	100%	99.9%	100%	Yes
Efficiency	Recycled	Maintain energy consumption data to stay within the annual average target	828,000/ kWh or below	831,915/kWh	768,209/kWh	828,000/kWh	Yes



Community Benefit Program

In response to the community’s request, the District has formed the Community Benefit Program (CBP). The CBP maintains 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 community. The funds will be managed by a Board appointed committee and require minimal staff support.

Table #19 - Community Benefit Program Approved Positions

Position	Actual FTE*	Actual FTE*	Proposed FTE*
	FY 2022-23	FY 2023-24	FY 2024-25
Purchasing Warehouse Supervisor	0.05	0.01	-
Executive Assistant/ Board Secretary	-	-	0.02
TOTAL FTE	0.05	0.01	0.02

* FTE - Full-Time Equivalents

Table #20 - Community Benefit Program Operating Budget Summary

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Total Labor	\$ -	\$ 1,464	\$ 1,464	\$ 3,633	148.1%
Total Non-Labor	96	544,536	265,577	542,367	-0.4%
Total Budget	\$ 96	\$ 546,000	\$ 267,041	\$ 546,000	0.0%

Fiscal Year 2023-24 Accomplishments

- Executed projects totaling \$267,000 that support the committee and community of Fallbrook

Fiscal Year 2024-25 Goals and Objectives

- To support the committee and execute selected projects for the benefit of the Fallbrook community

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 negotiated in 2022 and is set to expire in June 2027. The budget was developed based upon the terms of the MOU. Table 21 shows the breakdown of the District’s costs related to employee benefits.

Chart #9 - Fiscal Year 2024-25 Benefits Breakdown

STRATEGIC PLANNING
 The District’s proactive management of the district’s pension obligations has resulted in 80% funding of its pension obligations. This limits the potential for future rate and charge increases due to pension obligation funding needs.

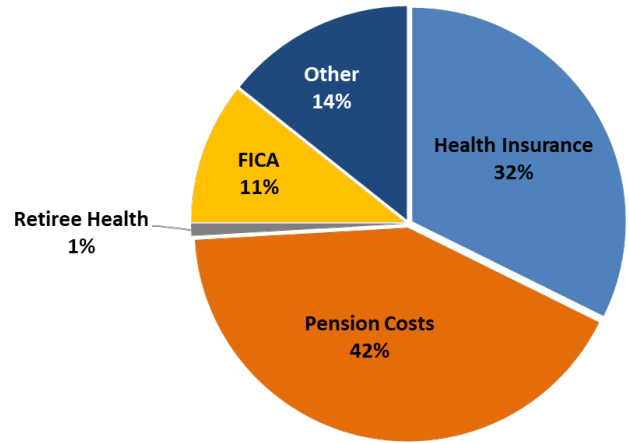
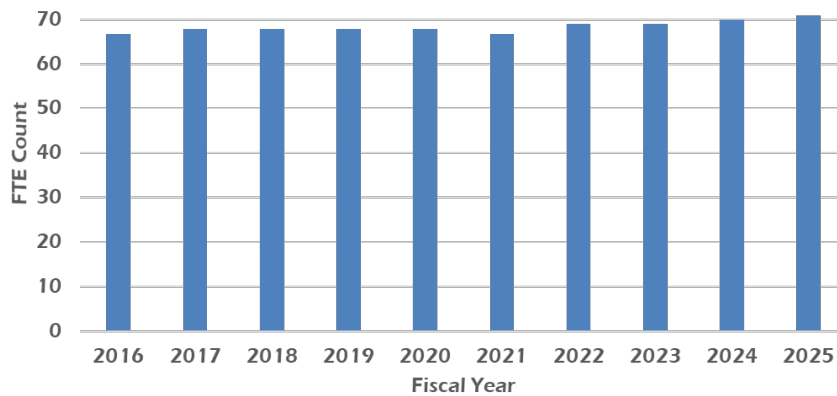


Table #21 - Breakdown of District’s Employee Benefit Costs

Description	FY 2022-23	FY 2023-24		FY 2024-25	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Auto Allowance	\$ 23,500	\$ 21,750	\$ 23,500	\$ 22,795	4.8%
Insurance - Dental	76,903	84,731	78,535	86,348	1.9%
Insurance - Vision	13,648	14,818	13,955	15,135	2.1%
Insurance - Health	1,143,203	1,310,890	1,258,622	1,500,314	14.5%
Insurance - Life and Disability	55,359	57,390	61,923	61,894	7.8%
Insurance - Worker’s Comp	134,287	153,532	117,359	129,207	-15.8%
FICA - Employer’s share	535,293	529,000	567,827	591,992	11.9%
CalPERS Annual Contribution	669,948	803,005	779,764	842,390	4.9%
CalPERS Unfunded Liability Payment	1,243,218	1,237,755	1,237,755	1,476,796	19.3%
Pension/OPEB Liability Trust Payment *	500,000	500,000	500,000	500,000	0.0%
Employer’s share (401 & 457)	81,680	125,489	119,041	138,038	10.0%
District Share of Retiree Medical Insurance	48,590	53,318	54,792	50,849	-4.6%
Merit Increase/Performance Bonus	47,000	33,000	48,061	83,771	55.7%
Uniforms & Boots	50,473	45,543	49,971	50,248	10.3%
Total	\$ 4,623,102	\$ 4,991,021	\$ 4,899,457	\$ 5,549,777	11.2%

*\$500,000 transferred to the District’s Section 115 Pension Trust.

Chart #10 - Fallbrook Public Utility District's Approved Full-Time Staffing Equivalents



The District's staffing levels shown in Chart 10 show the addition of a one FTE for a total of 71 FTEs. The District participates in the California Public Employees' Retirement System (CalPERS). While the calculations are complex, the District's pension costs can be split into the Annual Required Contribution (ARC) and the annual Unfunded Actuarial Accrued Liability (UAAL) Payment. The budget utilizes the latest CalPERS annual report that provides these costs. 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 UAAL.

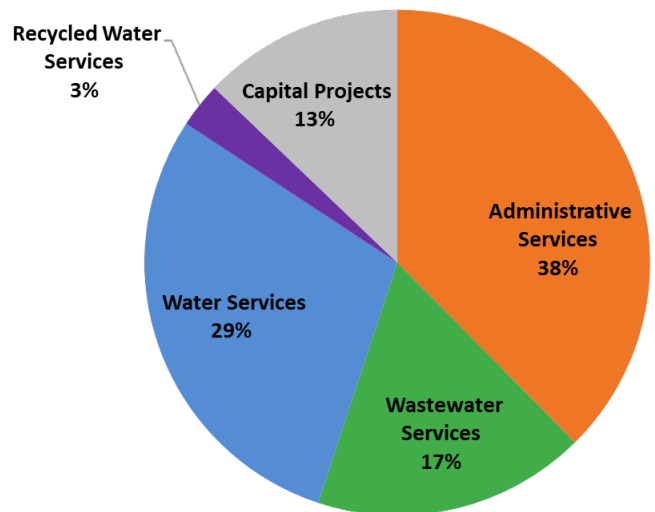
This year 60% of the District's staff fall under the Public Employees' Pensions Reform Act (PEPRA). The changes in pension benefits for PEPRA staff are expected to lower the District's future pension costs.

The District's healthcare insurance costs are up due to higher premiums, the addition of an FTE and the trend for new hires to elect family coverage under the District's healthcare plans. Under the new MOU the District is increasing the employee contribution match to 401 and 457 plans increasing the cost. The increase in Merit Bonus cost is a true up to actual. The last year's budget was estimated prior to MOU implementation. Changes to other benefits are shown on the table.

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.

Chart #11 - Fiscal Year 2024-25 Benefits Allocation



Debt Service

The District currently has five outstanding long-term debt obligations, the Red Mountain State Revolving Fund Loan (2011 SRF Loan), the 2021 Wastewater Refunding Revenue Bonds (2021 WWRRB), the 2024 Water Revenue Bonds (2024 WRB), 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. With construction completed and final amounts set, the 2018 SRF loan schedule is finalized. The 2024 WRBs funded Water System pipeline replacement and other capital projects. Chart 9 shows the annual debt service payments are relatively flat through 2027, and slowly decrease thereafter.

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

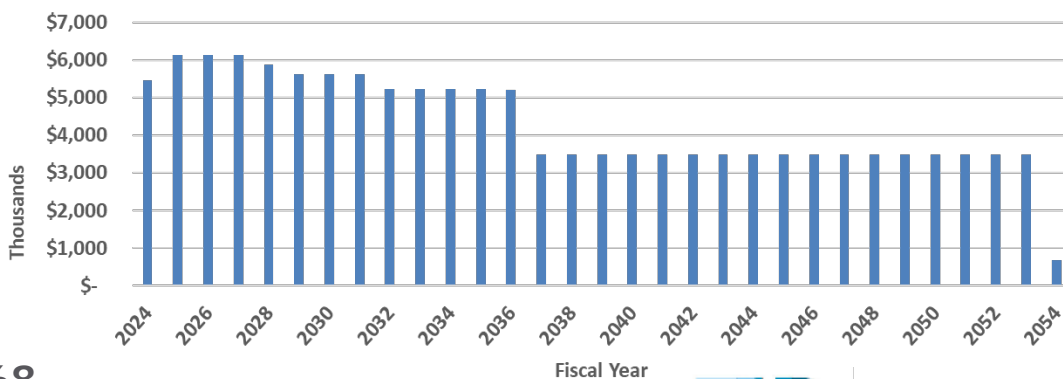
Each debt issuance is linked to the Service that it was used to fund. In some cases, the debt service can be allocated to more than one service. The table below shows the debt service payments for Fiscal Year 2024-25 and the amount allocated to each service.

Table #22 - Debt Service Budget Summary

Debt Issuance	Service			Total Debt Service
	Water	Wastewater	Recycled Water	
2018 SRF Loan	\$ 2,814,795	\$ -	\$ -	\$ 2,814,795
2011 SRF Loan	395,851	-	-	395,851
2021 WWRRB*	-	1,213,502	520,072	1,733,575
2024 WRB	675,782	-	-	675,782
2010 QECB	-	521,362	-	521,362
Total	\$ 3,886,428	\$ 1,734,864	\$ 520,072	\$ 6,141,364

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

Chart #12 - Annual Debt Service



The table below shows the debt service payment schedule for each debt issuance. The debt service in Fiscal Year 2024-25 increases significantly because of the 2024 WRB debt service payments.

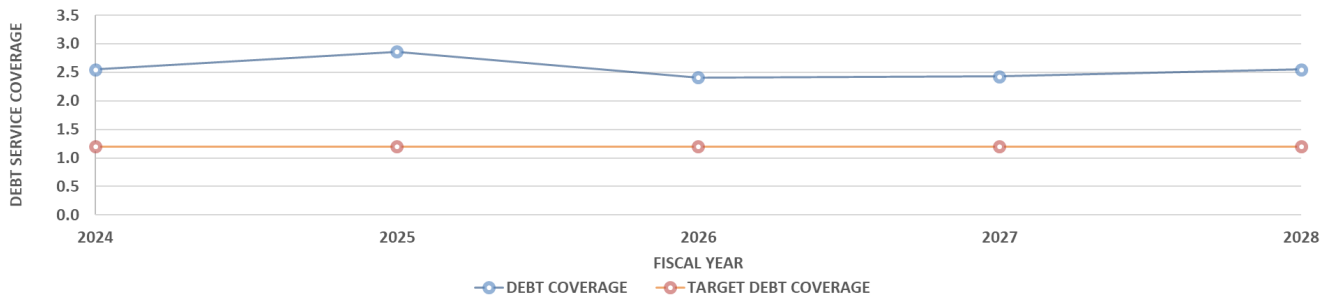
Table #23 - Fiscal Year 2024-25 Debt Service Schedule

Year Ending	Red Mountain State Revolving Fund Loan		Wastewater Revenue Refunding Bonds		QECP* Loan		SMRCUP State Revolving Funds		Water Revenue Bonds		District Annual Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 324,764	\$ 71,087	\$ 1,120,000	\$ 610,746	\$ 410,388	\$ 111,302	\$ 1,600,373	\$ 1,214,422	\$ -	\$ -	\$ 5,463,081
2025	333,166	62,685	1,130,000	603,575	433,953	87,409	1,630,780	1,184,015	65,000	610,782	\$ 6,141,364
2026	341,786	54,065	1,145,000	584,934	458,515	62,150	1,661,765	1,153,030	180,000	496,750	\$ 6,137,994
2027	350,628	45,222	1,185,000	546,700	484,114	35,465	1,693,339	1,121,456	190,000	487,500	\$ 6,139,425
2028	359,700	36,151	1,230,000	498,400	254,219	7,296	1,725,512	1,089,283	200,000	477,750	\$ 5,878,311
2029	369,006	26,844	1,280,000	448,200	-	-	1,758,297	1,056,498	210,000	467,500	\$ 5,616,346
2030	378,553	17,297	1,335,000	395,900	-	-	1,791,704	1,023,091	220,000	456,750	\$ 5,618,296
2031	388,347	7,503	1,390,000	341,400	-	-	1,825,747	989,048	230,000	445,500	\$ 5,617,546
2032	-	-	1,445,000	284,700	-	-	1,860,436	954,359	245,000	433,625	\$ 5,223,120
2033	-	-	1,505,000	225,700	-	-	1,895,784	919,011	255,000	421,125	\$ 5,221,620
2034	-	-	1,565,000	164,300	-	-	1,931,804	882,991	270,000	408,000	\$ 5,222,095
2035	-	-	1,630,000	100,400	-	-	1,968,509	846,287	280,000	394,250	\$ 5,219,445
2036	-	-	1,695,000	33,900	-	-	2,005,910	808,885	295,000	379,875	\$ 5,218,570
2037	-	-	-	-	-	-	2,044,022	770,773	310,000	364,750	\$ 3,489,545
2038	-	-	-	-	-	-	2,082,859	731,936	330,000	348,750	\$ 3,493,545
2039	-	-	-	-	-	-	2,122,433	692,362	345,000	331,875	\$ 3,491,670
2040	-	-	-	-	-	-	2,162,759	652,036	360,000	314,250	\$ 3,489,045
2041	-	-	-	-	-	-	2,203,852	610,943	380,000	295,750	\$ 3,490,545
2042	-	-	-	-	-	-	2,245,725	569,070	400,000	276,250	\$ 3,491,045
2043	-	-	-	-	-	-	2,288,394	526,401	420,000	255,750	\$ 3,490,545
2044	-	-	-	-	-	-	2,331,873	482,922	445,000	234,125	\$ 3,493,920
2045	-	-	-	-	-	-	2,376,179	438,616	465,000	213,700	\$ 3,493,495
2046	-	-	-	-	-	-	2,421,326	393,469	480,000	194,800	\$ 3,489,595
2047	-	-	-	-	-	-	2,467,332	347,464	500,000	175,200	\$ 3,489,995
2048	-	-	-	-	-	-	2,514,211	300,584	520,000	154,800	\$ 3,489,595
2049	-	-	-	-	-	-	2,561,981	252,814	545,000	133,500	\$ 3,493,295
2050	-	-	-	-	-	-	2,610,658	204,137	565,000	111,300	\$ 3,491,095
2051	-	-	-	-	-	-	2,660,261	154,534	590,000	88,200	\$ 3,492,995
2052	-	-	-	-	-	-	2,710,806	103,989	610,000	64,200	\$ 3,488,995
2053	-	-	-	-	-	-	2,762,311	52,484	635,000	39,300	\$ 3,489,095
2054	-	-	-	-	-	-	-	-	665,000	13,300	\$ 678,300

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

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 10 shows the projected debt service coverage above the target level of 1.2x. Currently the District has no subordinate debt outstanding.

Chart #13 - Debt Service Coverage Ratio



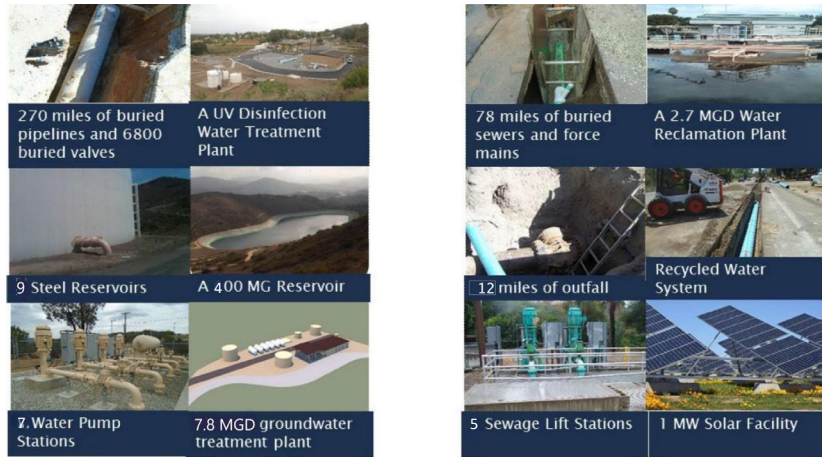
Santa Margarita Groundwater Treatment Plant

Project Summary for Fiscal Year 2024-25

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

Figure #1 - Fallbrook District Facilities



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 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 2023-24, Table 1 shows budget versus projected actual expenses for each capital project category. The primary drivers of the expenditure shortfall are:

- Removing a phase of pipeline replacement from an existing contract. This phase will be part of a future pipeline replacement project.
- Deferring work at the Kaufman Pressure Reducing Station for a more comprehensive replacement in the upcoming year.
- Delayed Procurement for the WRP Scrubber
- Delayed Procurement for the Replacement Vector Truck
- Redesign of Main Ave Sewer Replacement due to unknown utility conflicts

These projects are included in the FY25 budget in addition to the planned work for the year.

Capital Budget Project Summary for Fiscal Year 2024-25

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The key capital projects scheduled for Fiscal Year 2024-25 are summarized on the following pages.

Water Capital Projects

District construction staff will continue with valve replacement projects to reduce the impacts of outages from breaks and failures. Since 2021, supply chain challenges have caused projects to take more time requiring more advanced planning than in the past. As a result, the capital program fell behind on pipeline replacement targets. During the past year, approximately 9,000 linear feet of pipe were replaced, putting the pipeline replacement program back in line with the goals. Even with this accomplishment, the rate of water main breaks has increased so the District will continue to focus on pipeline replacements pushing to exceed previous goals. Approximately 8,000 linear feet of pipeline replacement work has already been awarded for completion in FY25, and another large project will be awarded and initiated before the end of the year. Other significant components of the Water CIP include the replacement of the Kaufman Pressure Reducing Station, Construction of the De Luz Pump Station, Rattlesnake Tank Site Improvements, and a chlorination system for the 8MG Tank.

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 manholes, and creek crossing replacements.

At the Water Reclamation Plant (WRP), aging mechanical equipment will be replaced, including components of the centrifuge and chlorine gas scrubber.

For the recycled water system, the remaining system pumps will be rebuilt.

Table #1 - Capital Improvements Projects Summary Table

	FY 2023-24	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
	Amended Budget	Projected						
Water Capital Projects								
Pipelines & Valve Replacement Projects by District	\$ 680,000	\$ 1,066,816	\$ 630,000	\$ 620,000	\$ 620,000	\$ 620,000	\$ 720,000	\$ 620,000
Pipeline Replacement Projects by Contractors	4,971,132	3,896,201	4,725,000	3,535,000	3,884,500	4,040,000	4,540,000	4,500,000
DeLuz ID Projects	100,000	185,266	100,000	100,000	100,000	100,000	100,000	100,000
Pump Stations	100,000	39,246	1,250,000	50,000	120,000	50,000	50,000	50,000
Meter Replacement	20,000	51,031	-	-	-	-	-	-
Pressure Reducing Station Rehabilitation	40,000	4,500	250,000	20,000	20,000	20,000	20,000	20,000
Red Mountain Reservoir Facility Improvements	24,000	19,350	90,000	50,000	50,000	100,000	50,000	50,000
Steel Reservoir Improvements	162,000	129,314	840,000	800,000	650,000	650,000	750,000	650,000
Santa Margarita Groundwater Treatment Plant	200,000	193,396	310,000	200,000	200,000	200,000	200,000	200,000
SCADA and Security	150,000	133,478	150,000	150,000	150,000	150,000	150,000	150,000
Vehicles and Heavy Equipment	143,500	138,546	163,750	452,625	306,375	412,500	510,000	300,000
Total PAYGO Water Capital Projects	\$ 6,590,632	\$ 5,857,146	\$ 8,508,750	\$ 5,977,625	\$ 6,100,875	\$ 6,342,500	\$ 7,090,000	\$ 6,640,000
Recycled Water Capital Projects								
Recycled Water Improvements	\$ 119,000	\$ 121,312	\$ 124,000	\$ 64,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Total Recycled Water Capital Projects	\$ 119,000	\$ 121,312	\$ 124,000	\$ 64,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Wastewater Capital Projects								
Water Reclamation Plant Improvements	\$ 855,000	\$ 226,437	\$ 1,280,000	\$ 400,000	\$ 650,000	\$ 900,000	\$ 400,000	\$ 200,000
Collections System Projects	390,000	298,582	690,000	390,000	260,000	260,000	260,000	560,000
Outfall Improvements	25,000	35,255	50,000	50,000	250,000	110,000	110,000	110,000
Vehicles and Heavy Equipment	495,000	-	491,250	150,875	102,125	137,500	170,000	100,000
Total Wastewater Capital Projects	\$ 1,765,000	\$ 560,274	\$ 2,511,250	\$ 990,875	\$ 1,262,125	\$ 1,407,500	\$ 940,000	\$ 970,000
Administrative Capital Projects								
Administrative Upgrades	\$ 50,000	\$ 43,589	\$ 205,000	\$ 1,375,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Engineering & Operations Information Systems	-	-	-	30,000	30,000	30,000	30,000	30,000
Facility Improvements/Upgrades/Security	496,000	469,427	65,000	65,000	225,000	65,000	65,000	65,000
District Yard Improvements	420,000	3,731	312,000	-	50,000	-	50,000	50,000
Total Administrative Capital Projects	\$ 966,000	\$ 516,746	\$ 582,000	\$ 1,470,000	\$ 330,000	\$ 120,000	\$ 170,000	\$ 170,000
Total Capital Budget Projects	\$ 9,440,632	\$ 7,055,479	\$ 11,726,000	\$ 8,502,500	\$ 7,753,000	\$ 7,930,000	\$ 8,260,000	\$ 7,840,000

Capital Expenditure Carry-Over

As mentioned in the District Capital Program introduction on page 70, there were some projects initiated in FY24 that were not completed due to long procurement times or unforeseen field conditions. To ensure they are completed along with the planned FY25 projects, the remaining estimated expense to complete these projects is being carried over to the new fiscal year. These include the following:

Table #2 - Capital Expenditure Carry-Over Summary Table

Incomplete Project	CIP Budget Category	CIP Budget Line Item	Carry Over Value
Hawthorne Pipeline Replacement	Water	Pipeline Replacement Projects by Contractors	\$ 800,000
Kaufman PRS	Water	Pressure Reducing Station Rehabilitation	\$ 35,500
WRP Scrubber Replacement	Wastewater	Water Reclamation Plant Improvements	\$ 300,000
WRP Creek Crossing	Wastewater	Water Reclamation Plant Improvements	\$ 130,000
Main Ave Sewer Replacement	Wastewater	Collections System Projects	\$ 100,000
Vactor Truck Replacement	Wastewater	Vehicles and Heavy Equipment	\$ 400,000
EV Charging Facilities	Administrative	District Yard Improvements	\$ 300,000
TOTAL CARRY-OVER			\$ 2,065,500

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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 2024-25 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 – Replacement of 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	73
FY 2022-23	109
FY 2023-24	80 as of May 1
FY 2024-25	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 2024-25 Budget
Valve Replacement Program	Continuous Replacement Program	\$ 450,000
Miscellaneous Pipeline Replacements	Continuous Replacement Program	100,000
Mainline Leak Detection	Continuous Detection Program	30,000
Fire Hydrant Replacements	Continuous Replacement Program	25,000
Easement Rehabilitation	Continuous Rehabilitation Program	25,000
Total		\$ 630,000



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 2024-25 include:



- Via Arroyo/Alta Vista Pipeline Replacement – 5,500 linear feet of 12-inch water main. The original installation date of the existing cement lined iron pipe is unknown, but it was relined in 1968. There have been multiple breaks over the past year and the pipe is in poor condition. This project was awarded in fall 2023 with construction expected between June and December 2024.
- Ross Lake Pipeline Replacement – 2,600 linear feet of 8-inch and 12-inch water main. These pipelines were installed in the 1970’s but, due to high groundwater issues, have had multiple significant leaks and breaks in recent years. The replacement water main will be PVC, a pipe material that performs better in high groundwater conditions. This project was awarded in January 2024 with construction expected between May and September 2024.
- Downtown Primary Pipeline Replacement – 9,000 linear feet of main line replacements on various streets. Pipe diameters range from 6-inches to 12-inches. The existing pipe was installed in the 1950s and has had multiple breaks over the past year. This will be a multi-year project.

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 2024-25 Budget
Via Arroyo/Alta Vista Pipeline Replacement	\$ 2,700,000	\$ 2,300,000
Ross Lake Pipeline Replacement	1,000,000	825,000
Downtown Primary Pipeline Replacement	4,050,000	1,600,000
Total		\$ 4,725,000



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 replacement of existing infrastructure. Projects for Fiscal Year 2024-25 include:

- De Luz Aqueduct Connection Flow Control Facility: The existing DeLuz connection to the MWD Aqueduct does not have a flow control facility. With the recent wholesale supplier changes, this flow control facility is needed to better control imported water deliveries to the DeLuz service area.



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 flow control facility will improve water quality and delivery schedules by better controlling deliveries to the DeLuz service area. The project will reduce operation costs and improve water delivery capabilities.

Project Budget:

Project	Total Project Budget	FY 2024-25 Budget
DeLuz Aqueduct Connection Flow Control Facility	\$ 100,000	\$ 100,000
Total		\$ 100,000



Pump Stations

Project Description:

The District has 7 pump stations that deliver water to higher elevation areas. In Fiscal Year 2024-25, 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. 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. Construction is expected to start in FY25 but may not be complete until the following fiscal year.
- De Luz Pump Station – A new pump station is needed in order to deliver SMRCUP water to the De Luz Service Area. This will enable SMRCUP water to be used throughout the entire District. The new pump station will be constructed with the Toyon Pump Station, and may not be completed until the following fiscal year.

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 2024-25 Budget
Toyon Pump Station Replacement	\$ 700,000	\$ 600,000
DeLuz Pump Station	700,000	600,000
Miscellaneous Pump Replacements	Ongoing	50,000
Total		\$ 1,250,000



Pressure Reducing Station Rehabilitation

Project Description:

Routine improvements and replacements of the District’s pressure reducing stations are needed to maintain reliable service. The one project planned for FY24-25 entails a complete replacement of the Kaufman Pressure Reducing Station. The existing station is in a below grade vault originally installed in the 1960’s. The replacement will bring the facility above grade to match the other modern pressure reducing stations in the District, and address erosion issues around the site.

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.

Project Budget:

Project	Total Project Budget	FY 2024-25 Budget
Kaufman PRS Replacement	\$ 250,000	\$ 250,000
Total		\$ 250,000



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 2023-24 include:

- Replacement of UV facility isolation valves
- Rehabilitation of the UV facility Uninterruptable Power Supply



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:

Replacing the facility valves and rehabilitating the UPS will improve ensure operational efficiency.

Projects Budgets:

Project	Total Project Budget	FY 2024-25 Budget
UV Facility Isolation Valves	\$ 50,000	\$ 50,000
Uninterruptable Power Supply	40,000	40,000
Total		\$ 90,000



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 planned for the coming year. Other projects planned in Fiscal Year 2024-25 include:



- Cathodic Protection Replacements and Dive Inspection – The steel reservoirs use sacrificial anodes to further prevent corrosion. The anodes are replaced regularly based on assessed condition at each tank. Routine dive inspections are also conducted to check the condition of the interior of the tanks and stay compliant with state regulations.
- Rattlesnake Tank Site Improvements – The tank site is in need of rehabilitation due to erosion and storm water management issues. The perimeter will be regraded and resurfaced with stabilization added around the edges of the slope and storm water facilities added.
- 8MG Tank Chlorination System – Due to reduced demands in the De Luz Area, a chlorination booster system is needed to maintain water quality standards more efficiently. The new system will improve operations efficiency and reduce wasted water.
- 2.8MG Tank Site Improvements – Material storage capacity will be added to the site for quicker access to materials when crews are working in the De Luz Area.

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. The operating costs for the chlorination system at the 8MG Tank are expected to be lower than costs for the current operators’ time dosing tanks and reduce the need for flushing the distribution system.

Projects Budgets:

Project	Total Project Budget	FY 2024-25 Budget
Rattlesnake Tank Site Development	\$ 500,000	\$ 500,000
Cathodic Protection Repair & Dive Inspection	Ongoing Program	20,000
8 MG Tank Chlorination System	300,000	300,000
2.8 MG Tank Site Improvements	20,000	20,000
Total		\$ 840,000



Santa Margarita Groundwater Treatment Plant

Project Description:

Construction of the Santa Margarita Groundwater Treatment Plant (SMGTP) was brought online in December 2021. The plant treats water delivered by Camp Pendleton per the executed settlement agreement of US v. FPUD. On average, it is expected to provide 3,100 acre-feet per year of local water. Each year’s actual quantity is determined by hydrologic conditions in the river basin. This year the project is expected to yield 5,120 acre-feet.



The plant requires routine equipment replacements and improvements. Capital Budget funds have been allocated for that purpose. The largest anticipated expense in the coming year is for Granular Activated Carbon System Media Replacement.

Supports Strategic Goals:

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

Operating Impacts:

The project is providing on average about 40% of the District’s water needs and is helping mitigate against imported water costs. The ongoing plant improvement program increases operational efficiency and ensures water quality requirements are met.

Project Budget:

Project	Total Project Budget	FY 2024-25 Budget
Plant Improvements	Continuous Program	\$ 310,000
Total		\$ 310,000

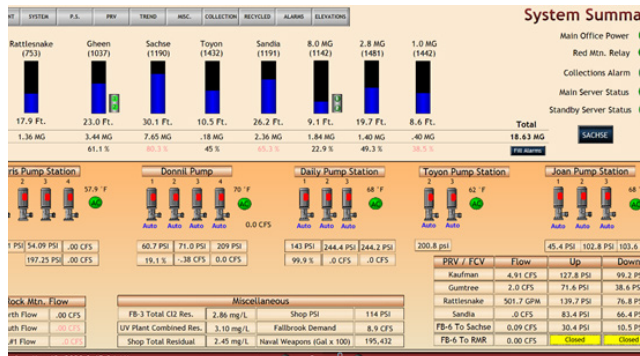


SCADA and Security

Project Description:

SCADA and security upgrades protect the District’s facilities and enable improved remote operations and controls. Projects for Fiscal Year 2024-25 include:

- SCADA Upgrades – Replacement of outdated equipment with newer technology increases remote capabilities. The focus will be on replacing outdated RTUs and 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.

Project Budget:

Project	Total Project Budget	FY 2024-25 Budget
SCADA Upgrades	Ongoing Replacement Program	\$ 150,000
Total		\$ 150,000



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 2024-25 include:

- Recycled Water Pumps Rebuild – the primary pumps have exceeded their recommended run time and will be rebuilt to maintain reliable service. Two pumps were rebuilt in FY24, and another will be rebuilt in FY25.
- Tertiary Filter Outlet Valve Replacements



Supports Strategic Goals:

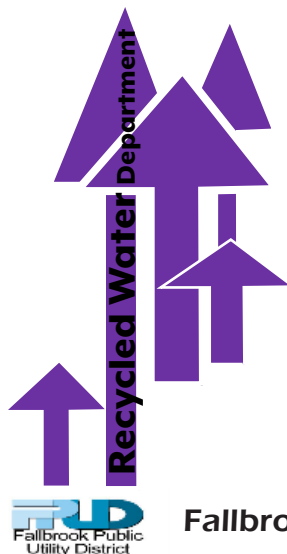
Provide a reliable, cost effective water supply through implementation of local water supply projects.

Operating Impacts:

There is no impact to the operating budget.

Projects Budgets:

Project	Total Project Budget	FY 2024-25 Budget
Recycled Water Pumps Rebuild	\$ 74,000	\$ 74,000
Tertiary Filter Outlet Valve Replacements	50,000	\$ 50,000
Total		\$ 124,000



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 facility. The projects for Fiscal Year 2024-25 include:

- Capital Equipment Replacements – Several pieces of mechanical equipment have exceeded their useful life and are in need of replacement.
- Chlorine Gas Scrubber Replacement
- Centrifuge Replacement
- Chlorine Yard Piping Condition Assessment



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.

Projects Budgets:

Project	Total Project Budget	FY 2024-25 Budget
Capital Equipment Replacements	Continuous Replacement Program	\$ 135,000
Scrubber Replacement	\$ 380,000	380,000
Centrifuge Replacement	750,000	750,000
Chlorine Yard Piping Assessment	15,000	15,000
Total		\$ 1,280,000



Collections System Projects

Project Description:

Projects include replacements and major repairs to existing sewer infrastructure.

The proposed projects for Fiscal Year 2024-25 include:

- Mainline Replacement and Relining – Approximately 2,000 linear feet of sewer main line will be replaced or relined to like-new condition.
- Creek and Culvert Crossing Replacement – Replace aging main lines crossing creeks to preemptively prevent any spills into sensitive habitat.
- Shady Lane Lift Station – Completion of electrical and controls upgrades of Shady Lane Lift Station.
- Anthony’s Corner Lift Station – Replace pumps and odor control system tank.
- Main Ave Sewer Main Replacement – Replacement and realignment of a section of mainline in Main Ave that is difficult to access for maintenance and partially under existing buildings.
- SCADA & Controls Upgrades – General improvements to the communications and controls network for the collections system.



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. 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 2024-25 Budget
Mainline Replacement & Relining	\$ 170,000	\$ 170,000
Creek and Culvert Crossing Replacement	200,000	200,000
Shady Lane Lift Station	25,000	25,000
Anthony’s Corner Lift Station	100,000	100,000
Main Ave Sewer Replacement	175,000	175,000
SCADA & Controls Upgrades	Ongoing Program	20,000
Total		\$ 690,000



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 2024-25 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:

- EV Charging Facility – Installation of EV Charging capabilities for future electric fleet vehicles. This is part of a state required program to transition the fleet to electric vehicles. 80% of the cost will be reimbursed by grant funds. The project was designed, bid, and awarded in FY24, but will not be completed until FY25.
- General Yard Improvements – Replacement of material storage unit and yard landscaping improvements.
- Emergency Radios – Replacement of emergency communications system for the District vehicles.
- General Office Improvements – Mechanical equipment replacements, warehouse door replacement, and electrical safety improvements in the yard offices.
- Enterprise Software Replacement – Initiation of the enterprise system upgrade to streamline accounting, customer service, and billing software compatible with the District’s asset management software.
- Server Upgrades – Additional replacement of servers for improved network speed and security.

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 2024-25 Budget
EV Charging Facility	\$ 420,000	\$ 300,000
Yard Improvements	12,000	12,000
General Office Improvements	Ongoing Rehabilitation	65,000
Emergency Radios	30,000	30,000
Enterprise Software Replacement	1,500,000	150,000
Server Upgrades	25,000	25,000
Total		\$ 582,000



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 operations and maintenance.

Operating Impacts:

Detailed documentation of repairs and inspections will allow the District 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 Budgets:

Project	Total Project Budget	FY 2024-25 Budget
Fleet Vehicles	Ongoing Replacement Program	\$ 180,000
Vactor Truck	\$ 450,000	400,000
Fork Lift	45,000	45,000
Miscellaneous Equipment	30,000	30,000
Total		\$ 655,000*

*\$491,250 for the Vactor Truck and one fleet vehicle will be from wastewater capital and the remaining \$163,750 will be from water capital funds.



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.

ACFR - Annual Comprehensive Financial Report

Acre-Foot (AF) - A unit of measure equivalent to 325,851 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.

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

Cost of Water Production – Comprised of Water Supply Costs and the Water Treatment Division's Operating and Maintenance Costs.

CSMFO – California Society of Municipal Finance Officers

Days Cash on Hand – Calculation using total operating expense including debt and water supply costs, less depreciation divided by 365 days of the year to give you the daily cash operating expenses. The cash equivalents will be divided by the daily cash operating expenses to give you the days cash on hand.

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

IMSP - Information Management System Plan

IPR - Indirect Potable Reuse project

IRWM - Integrated Regional Water Management Program

KPI - Key Performance Indicator

LAFCO - Local Agency Formation Commission

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

LRP - MWD's Local Resource Program

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 are comprised of the wholesale water costs from EMWD, Camp Pendleton's water delivery costs for Santa Margarita River Water and inventory withdrawals.

QECB - Qualified Energy Conservation Revenue Bond

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

Report - 2022 Water, Recycled Water and Wastewater Rate Study Report.

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

SMR - 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 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenues					
Revenue from Rates					
Water	\$ 23,927,732	\$ 25,536,172	\$ 26,625,210	\$ 27,955,861	\$ 29,351,998
Recycled Water	1,300,047	1,332,131	1,365,039	1,398,983	1,433,840
Wastewater	7,188,621	7,480,829	7,776,732	8,076,396	8,316,439
Subtotal Revenue from Rates	\$ 32,416,401	\$ 34,349,132	\$ 35,766,981	\$ 37,431,240	\$ 39,102,277
Other Operating Revenues					
Pass-through Charges					
SDCWA IAC Charge ⁽¹⁾	\$ 316,946	\$ -	\$ -	\$ -	\$ -
Pumping Charge	100,000	100,000	100,000	100,000	100,000
Backflow Charge	200,000	200,000	200,000	200,000	200,000
Sundry	75,000	75,000	75,000	75,000	75,000
Subtotal Other Operating Revenues	\$ 691,946	\$ 375,000	\$ 375,000	\$ 375,000	\$ 375,000
Non-Operating Revenues					
Water Availability Charge	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax	2,700,000	2,710,462	2,731,833	2,753,692	2,775,769
Investment Earnings	507,805	600,827	756,113	869,330	558,508
Water CIP Charge	1,701,258	1,820,346	1,947,771	2,084,115	2,230,003
Facility Rent/Lease Revenue	291,107	236,565	241,296	246,122	251,045
Power Your Drive for Fleets-SDG&E Grant	-	240,000	-	-	-
Water Capacity Fees	85,000	85,128	85,255	85,383	85,511
Wastewater Capital Improvement Charge	1,328,198	1,394,608	1,450,392	1,508,408	1,568,744
Wastewater Capacity Fees	45,000	45,068	45,135	45,203	45,271
Federal Interest Rate Subsidy	70,261	55,178	39,233	22,388	4,606
Subtotal Non-Operating Revenue	\$ 6,928,630	\$ 7,388,181	\$ 7,497,028	\$ 7,814,640	\$ 7,719,456
Total Revenues	\$ 40,036,977	\$ 42,112,313	\$ 43,639,009	\$ 45,620,880	\$ 47,196,733
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs	\$ 4,747,526	\$ -	\$ -	\$ -	\$ -
EMWD Purchased Water Costs	862,141	1,832,923	7,025,735	7,685,582	8,308,664
SMR Water Delivery Costs	1,185,026	1,600,288	861,324	895,777	931,608
Subtotal Water Supply Costs	\$ 6,794,693	\$ 3,433,211	\$ 7,887,059	\$ 8,581,359	\$ 9,240,271
Labor Costs	4,108,663	4,157,399	4,362,859	4,552,780	4,751,068
Fringe Benefits	2,497,331	2,749,489	2,886,963	3,014,294	3,128,643
Services, Materials & Supplies	4,125,838	5,226,096	4,613,665	4,802,101	4,998,270
Allocated Admin Expenses	8,350,863	8,733,428	9,082,765	9,446,076	9,823,919
Total Operating Expenses	\$ 25,877,388	\$ 24,299,623	\$ 28,833,311	\$ 30,396,610	\$ 31,942,171
Net Operating Revenues	\$ 14,159,589	\$ 17,812,690	\$ 14,805,698	\$ 15,224,270	\$ 15,254,562
Non-Operating Expenses					
Community Benefit Program	\$ 267,041	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Detachment Fee	8,506,750	-	-	-	-
Subtotal Non-Operating Expenses	\$ 8,773,791	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Debt Service					
Total Debt Service	\$ 5,463,081	\$ 6,141,364	\$ 6,137,994	\$ 6,139,425	\$ 5,878,311
Capital Expenditures					
Total Capital Expenditures	\$ 7,055,478	\$ 11,726,000	\$ 8,842,600	\$ 8,385,644	\$ 8,920,172
Total Expenditures	\$ 47,169,739	\$ 42,712,987	\$ 44,359,905	\$ 45,467,678	\$ 47,286,654
Water Revenue Bond Proceeds	\$ 3,376,538	\$ 4,207,500	\$ 4,690,000	\$ -	\$ -
Change in Net Position ⁽²⁾	\$ (3,756,224)	\$ 3,606,826	\$ 3,969,104	\$ 153,202	\$ (89,921)
Beginning Balances	\$ 24,135,872	\$ 20,379,648	\$ 23,986,474	\$ 27,955,578	\$ 28,108,779
Ending Balances	\$ 20,379,648	\$ 23,986,474	\$ 27,955,578	\$ 28,108,779	\$ 28,018,858

(1) Starting in FY 2023-2024, the IAC is discontinued due to Detachment from SDCWA on January 1, 2024.

(2) Change in net position is Total Revenues minus Total Expenditures plus WRB Loan Proceeds.

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

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 23,927,732	\$ 25,101,903	\$ 25,114,898	\$ 25,127,913	\$ 25,140,947
Proposed Revenue Adjustments	-	434,269	1,510,312	2,827,948	4,211,051
Subtotal Operating Revenues	\$ 23,927,732	\$ 25,536,172	\$ 26,625,210	\$ 27,955,861	\$ 29,351,998
Other Operating Revenues					
Pass-through Charges					
SDCWD IAC Charge ⁽¹⁾	\$ 316,946	\$ -	\$ -	\$ -	\$ -
Pumping Charge	100,000	100,000	100,000	100,000	100,000
Backflow Charge	200,000	200,000	200,000	200,000	200,000
Sundry	60,000	60,000	60,000	60,000	60,000
Subtotal Other Operating Revenues	\$ 676,946	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000
Non-Operating Revenue					
Water Availability Charge	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax ⁽²⁾	854,000	862,540	871,165	879,877	888,676
Investment Earnings	363,511	454,199	606,578	715,914	401,081
Water Capital Improvement Charge	1,701,258	1,820,346	1,947,771	2,084,115	2,230,003
Other Revenue	291,107	236,565	241,296	246,122	251,045
Power Your Drive for Fleets-SDG&E Grant	-	240,000-	-	-	-
Water Capacity Fees	85,000	85,128	85,255	85,383	85,511
Subtotal Non-Operating Revenues	\$ 3,494,877	\$ 3,898,777	\$ 3,952,066	\$ 4,211,411	\$ 4,056,315
Total Revenues	\$ 28,099,556	\$ 29,794,949	\$ 30,937,276	\$ 32,527,271	\$ 33,768,313
Operating Expenses					
Water Supply Costs					
SDCWA Purchased Water Costs	\$ 4,747,526	\$ -	\$ -	\$ -	\$ -
EMWD Purchased Water Costs	862,141	1,832,923	7,025,735	7,685,582	8,308,664
SMR Water Delivery Costs	1,185,026	1,600,288	861,324	895,777	931,608
Subtotal Water Supply Costs	\$ 6,794,693	\$ 3,433,211	\$ 7,887,059	\$ 8,581,359	\$ 9,240,271
Labor Costs	2,449,535	2,449,192	2,571,652	2,674,518	2,781,499
Fringe Benefits	1,337,251	1,620,756	1,701,794	1,769,866	1,840,660
Services, Materials & Supplies	2,657,220	3,579,020	2,897,001	3,012,881	3,133,396
Allocated Administrative Expenses	5,344,552	5,589,394	5,812,970	6,045,488	6,287,308
Total Operating Expenses	\$ 18,583,251	\$ 16,671,573	\$ 20,870,475	\$ 22,084,112	\$ 23,283,134
Net Operating Revenue	\$ 9,516,305	\$ 13,123,376	\$ 10,066,801	\$ 10,443,160	\$ 10,485,179
Non-Operating Expenses					
Detachment Fee	\$ 8,506,750	\$ -	\$ -	\$ -	\$ 4-
Subtotal Non-Operating Expenses	\$ 8,506,750	\$ -	\$ -	\$ -	\$ -
Debt Service					
Total Debt Service	\$ 3,210,646	\$ 3,886,428	\$ 3,887,396	\$ 3,888,146	\$ 3,888,396
Capital Expenditures					
Total Capital Expenditures	\$ 6,373,892	\$ 9,090,750	\$ 7,745,530	\$ 6,955,634	\$ 7,269,434
Total Expenditures	\$ 36,674,538	\$ 29,648,751	\$ 32,503,401	\$ 32,927,892	\$ 34,440,964
Water Refunding Bond Proceeds	\$ 3,376,538	\$ 4,207,500	\$ 4,690,000	\$ -	\$ -
Change In Net Position ⁽³⁾	\$ (5,198,445)	\$ 4,353,698	\$ 3,123,875	\$ (400,620)	\$ (672,651)
Beginning Balances	\$ 18,175,551	\$ 12,977,106	\$ 17,330,804	\$ 20,454,679	\$ 20,054,059
Ending Balances	\$ 12,977,106	\$ 17,330,804	\$ 20,454,679	\$ 20,054,059	\$ 19,381,408

(1) Starting in FY 2023-2024, the IAC is discontinued due to Detachment from SDCWA on January 1, 2024.
 (2) Property tax revenue reduced by \$546,000 in Fiscal Years 2023-24 and 2024-25 for Community Benefit Program.
 (3) Change in net position is Total Revenues minus Total Expenditures plus WRB Loan Proceeds.

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

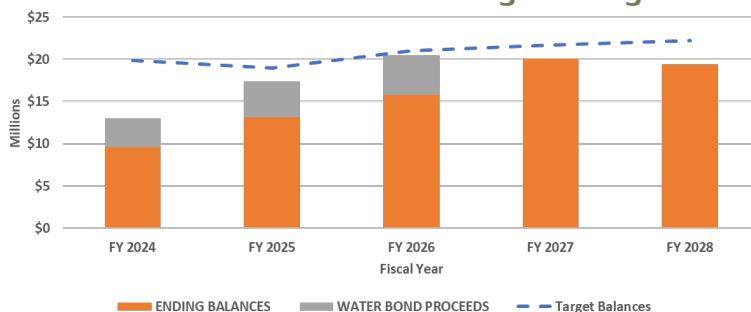


Table #3 - Fallbrook Public Utility District's Wastewater Projections

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 7,188,621	\$ 7,059,290	\$ 7,069,879	\$ 7,080,484	\$ 7,091,105
Proposed Revenue Adjustments	-	421,539	706,853	995,912	1,225,334
Subtotal Operating Revenues	\$ 7,188,621	\$ 7,480,829	\$ 7,776,732	\$ 8,076,396	\$ 8,316,439
Other Operating Revenues					
Sundry	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Subtotal Other Operating Revenues	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Non-Operating Revenues					
Wastewater Capital Improvement Charge	\$ 1,328,198	\$ 1,394,608	\$ 1,450,392	\$ 1,508,408	\$ 1,568,744
Wastewater Capacity Fees	45,000	45,068	45,135	45,203	45,271
1% property Tax - IDS	1,235,000	1,247,350	1,259,824	1,272,422	1,285,146
Federal Interest Rate Subsidy	70,261	55,178	39,233	22,388	4,606
Investment Earnings	140,264	142,368	144,504	146,671	148,871
Subtotal Non-Operating Revenues	\$ 2,818,723	\$ 2,884,572	\$ 2,939,087	\$ 2,995,092	\$ 3,052,638
Total Revenues	\$ 10,017,345	\$ 10,375,401	\$ 10,725,819	\$ 11,081,487	\$ 11,379,077
Operating Expenses					
Labor Costs	\$ 1,444,625	\$ 1,467,256	\$ 1,540,619	\$ 1,617,650	\$ 1,698,533
Fringe Benefits	992,703	969,520	1,017,996	1,068,896	1,106,307
Services, Materials & Supplies	1,278,346	1,434,076	1,495,144	1,558,840	1,625,278
Allocated Administrative Expenses	2,922,802	3,056,700	3,178,968	3,306,126	3,438,372
Total Operating Expenses	\$ 6,638,476	\$ 6,927,552	\$ 7,232,727	\$ 7,551,512	\$ 7,868,489
Net Operating Revenues	\$ 3,378,869	\$ 3,447,849	\$ 3,493,092	\$ 3,529,975	\$ 3,510,588
Debt Service					
Total Debt Service	\$ 1,733,212	\$ 1,734,864	\$ 1,731,618	\$ 1,731,769	\$ 1,471,395
Capital Expenditures					
Total Capital Expenditures	\$ 560,274	\$ 2,511,250	\$ 1,030,510	\$ 1,365,114	\$ 1,583,246
Total Expenditures	\$ 8,931,961	\$ 11,173,667	\$ 9,994,855	\$ 10,648,395	\$ 10,923,130
Change in Net Position	\$ 1,085,383	\$ (798,265)	\$ 730,964	\$ 433,092	\$ 455,947
<i>Beginning Balances</i>	\$ 5,208,306	\$ 6,293,690	\$ 5,495,424	\$ 6,226,388	\$ 6,659,481
<i>Ending Balances</i>	\$ 6,293,690	\$ 5,495,424	\$ 6,226,388	\$ 6,659,481	\$ 7,115,427

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

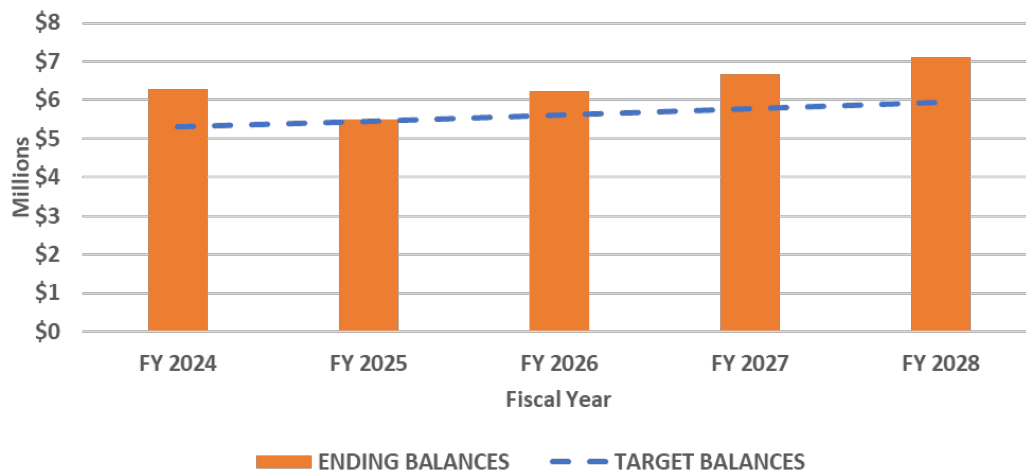


Table #4 Fallbrook Public Utility District’s Recycled Water Projections

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 1,300,047	\$ 1,284,113	\$ 1,284,113	\$ 1,284,113	\$ 1,284,113
Proposed Revenue Adjustments	-	48,018	80,925	114,870	149,727
Other Operating Revenues					
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 Revenues					
1% Property Tax	\$ 65,000	\$ 54,572	\$ 54,844	\$ 55,393	\$ 55,947
Investment Earnings	4,030	4,260	5,031	6,745	8,556
Subtotal Non-Operating Revenues	\$ 69,030	\$ 58,831	\$ 59,875	\$ 62,138	\$ 64,502
Total Revenues	\$ 1,374,077	\$ 1,395,963	\$ 1,429,914	\$ 1,466,121	\$ 1,503,343
Operating Expenses					
Labor Costs	\$ 214,504	\$ 240,950	\$ 250,588	\$ 260,612	\$ 271,036
Fringe Benefits	167,377	159,213	167,174	175,532	181,676
Services, Materials & Supplies	190,272	213,000	221,520	230,381	239,596
Allocated Administrative Expenses	83,509	87,334	90,828	94,461	98,239
Total Operating Expenses	\$ 655,662	\$ 700,497	\$ 730,109	\$ 760,986	\$ 790,547
Net Operating Revenues	\$ 718,415	\$ 695,465	\$ 699,805	\$ 705,135	\$ 712,795
Debt Service					
Total Debt Service	\$ 519,224	\$ 520,072	\$ 518,980	\$ 519,510	\$ 518,520
Capital Expenditures					
Total Capital Expenditures	\$ 121,312	\$ 124,000	\$ 66,560	\$ 64,896	\$ 67,492
Total Expenditures	\$ 1,296,198	\$ 1,344,570	\$ 1,315,650	\$ 1,345,392	\$ 1,376,559
Change in Net Position	\$ 77,880	\$ 51,393	\$ 114,264	\$ 120,729	\$ 126,783
Beginning Balances	\$ 206,114	\$ 283,993	\$ 335,386	\$ 449,651	\$ 570,380
Ending Balances	\$ 283,993	\$ 335,386	\$ 449,651	\$ 570,380	\$ 697,163

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

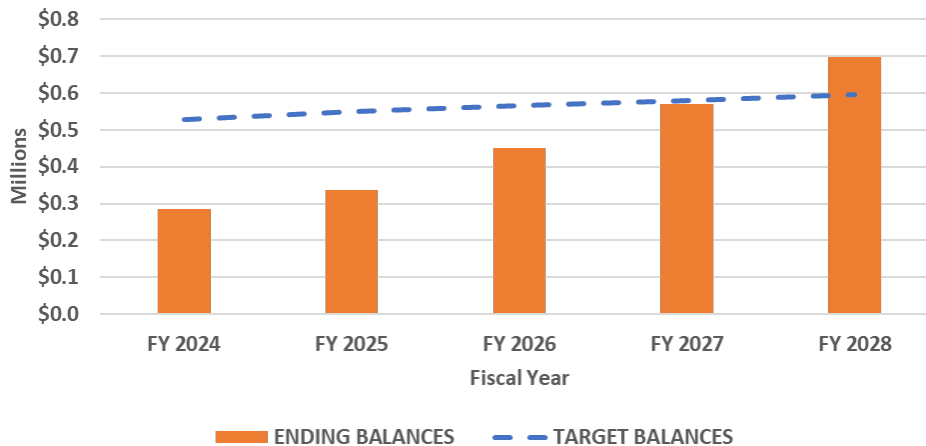


Table #5 Fallbrook Public Utility District’s Community Benefit Program Projections

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenues					
Non-Operating Revenues					
1% Property Tax	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Subtotal Non-Operating Revenues	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Total Revenues	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Operating Expenses					
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Net Operating Revenues	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Non-Operating Expenses					
Total Non-Operating Expenses	\$ 267,041	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
Change in Net Position	\$ 278,959	\$ -	\$ -	\$ -	\$ -
<i>Beginning Balances</i>	\$ 545,901	\$ 824,860	\$ 824,860	\$ 824,860	\$ 824,860
<i>Ending Balances</i>	\$ 824,860	\$ 824,860	\$ 824,860	\$ 824,860	\$ 824,860

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Table #6 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	FY 2013-14	FY 2014-15	FY 2015-16
Changes in Net Position:			
Operating Revenues	\$ 28,955,183	\$ 27,483,881	\$ 25,356,017
Operating Expenses	(33,062,764)	(28,604,249)	(27,144,267)
Other Operating Revenues	681,876	-	-
Operating Income (loss)	\$ (3,425,705)	\$ (1,120,368)	\$ (1,788,250)
Non-Operating Revenues (expenses)			
Property Taxes Ad-Valorem	\$ 1,623,510	\$ 1,719,296	\$ 1,815,734
Capital Improvement Charges	1,981,822	2,134,025	2,224,529
California Solar Initiative Rebate	843,714	729,519	740,125
Investment income (Loss)	209,175	141,433	324,126
Lease Interest Income	-	-	-
Water Availability Charges	200,779	200,810	200,808
MWD Local Resource Program	-	-	-
Lease Revenue	183,641	185,770	185,220
Intergovernmental Revenue - Federal Interest Subsidy	-	206,584	185,040
Connection Fees	118,581	208,521	131,894
SDCWA Rate Refund	-	-	-
COVID Relief Grant	-	-	-
Water Supply Grant Funds	-	-	-
Gain on Impairment	-	(444,252)	(551,281)
Community Benefit Program expense	-	-	-
Other Non-Operating Revenues	140,396	162,913	91,361
Other Non-Operating Expenses	(344,730)	(847,725)	(916,212)
Total Non-Operating Revenues(expenses), net	\$ 4,956,888	\$ 4,396,894	\$ 4,431,344
Net income Before Capital Contributions	\$ 1,531,183	\$ 3,276,526	\$ 2,643,094
Capital Contributions	76,746	153,790	75,299
Capital Grant - Proposition 50	828,598 ⁽¹⁾	224,596 ⁽¹⁾	874,040 ⁽³⁾
Capital Grant - Proposition 84	-	-	682,428 ⁽³⁾
Extraordinary Items	-	-	-
Changes in Net Position	\$ 2,436,527	\$ 3,654,912	\$ 4,274,861
Net Assets			
Beginning, as restated	\$ 76,678,353	\$ 79,114,880	\$ 75,034,991
Adjustments to restate balance	-	(7,734,801) ⁽²⁾	-
Ending, as restated	\$ 79,114,880	\$ 75,034,991	\$ 79,309,852

(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 principles.

(3) State Proposition 50 in the amount of \$874,040 and State Proposition 84 in the amount of \$682,428 was received.

Source: FPUD Finance Department

Table #6 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years, cont.

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
\$	27,256,065	\$ 29,882,022	\$ 26,944,550	\$ 28,931,007	\$ 32,511,601	\$ 32,814,986	\$ 31,629,493
	(29,890,177)	(33,319,799)	(31,708,417)	(33,234,259)	(33,933,185)	(37,929,546)	(32,965,081)
	-	-	-	-	-	-	-
\$	(2,634,112)	\$ (3,437,777)	\$ (4,763,867)	\$ (4,303,252)	\$ (1,421,584)	\$ (5,114,560)	\$ (1,335,588)
\$	1,889,808	\$ 1,984,543	\$ 2,106,034	\$ 2,205,975	\$ 2,340,185	2,397,429	2,617,564
	2,283,558	2,476,452	2,505,876	2,559,135	2,604,061	2,650,202	2,838,696
	234,930	-	-	-	-	-	--
	63,861	18,188	915,275	920,135	1,543,078	(1,835,245)	932,974
	-	-	-	-	-	15,437	16,496
	200,730	229,400	204,359	204,418	208,842	202,234	200,107
	-	-	-	-	-	197,884	517,280
	166,012	178,602	199,433	249,092	251,047	284,819	331,006
	238,765	145,338	134,924	123,762	112,207	99,240	86,153
	238,124	411,744	180,966	107,107	149,650	193,201	186,946
	-	-	-	-	909,413	839,398	8,441
	-	-	-	-	-	184,762	-
	-	-	-	-	-	213,368	452,253
	-	(273,396)	9,338,297	(31,450)	38,100	36,543	170,307
	-	-	-	-	-	-	(96)
	32,729	-	-	-	-	-	-
	(1,174,011)	(959,015)	(909,966)	(910,224)	(1,665,457)	(1,524,767)	(1,622,851)
\$	4,174,506	\$ 4,211,886	\$ 14,675,198	\$ 5,427,950	\$ 6,491,127	\$ 3,954,505	\$ 6,735,276
\$	1,540,394	\$ 774,109	\$ 9,911,331	\$ 1,124,698	\$ 5,069,543	\$ (1,160,055)	\$ 5,399,688
	59,509	73,661	73,789	372,507	47,842	59,898	175,868
	773,163	-	-	-	-	-	-
	-	67,100	-	-	-	-	-
	-	-	-	-	-	-	-
\$	2,373,066	\$ 914,870	\$ 9,985,120	\$ 1,497,205	\$ 5,117,385	\$ (1,100,157)	\$ 5,575,556
\$	79,309,852	\$ 85,168,437	\$ 86,083,307	\$ 97,207,549	\$ 98,704,754	\$ 103,822,139	\$ 102,721,982
	3,485,519	-	1,139,122	-	-	-	-
\$	85,168,437	\$ 86,083,307	\$ 97,207,549	\$ 98,704,754	\$ 103,822,139	\$ 102,721,982	\$ 108,297,538

Chart #1 - Operating Expenses by Activity

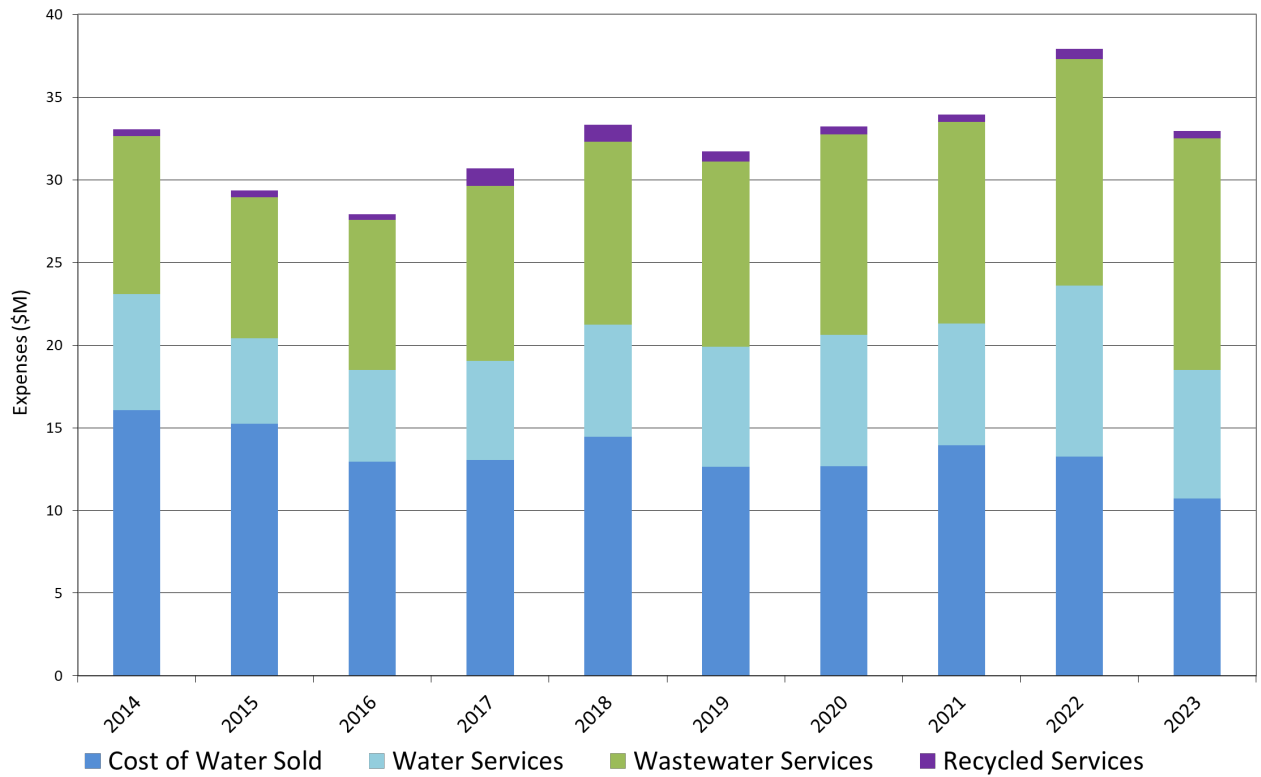


Chart #2 - Operating Revenues by Source

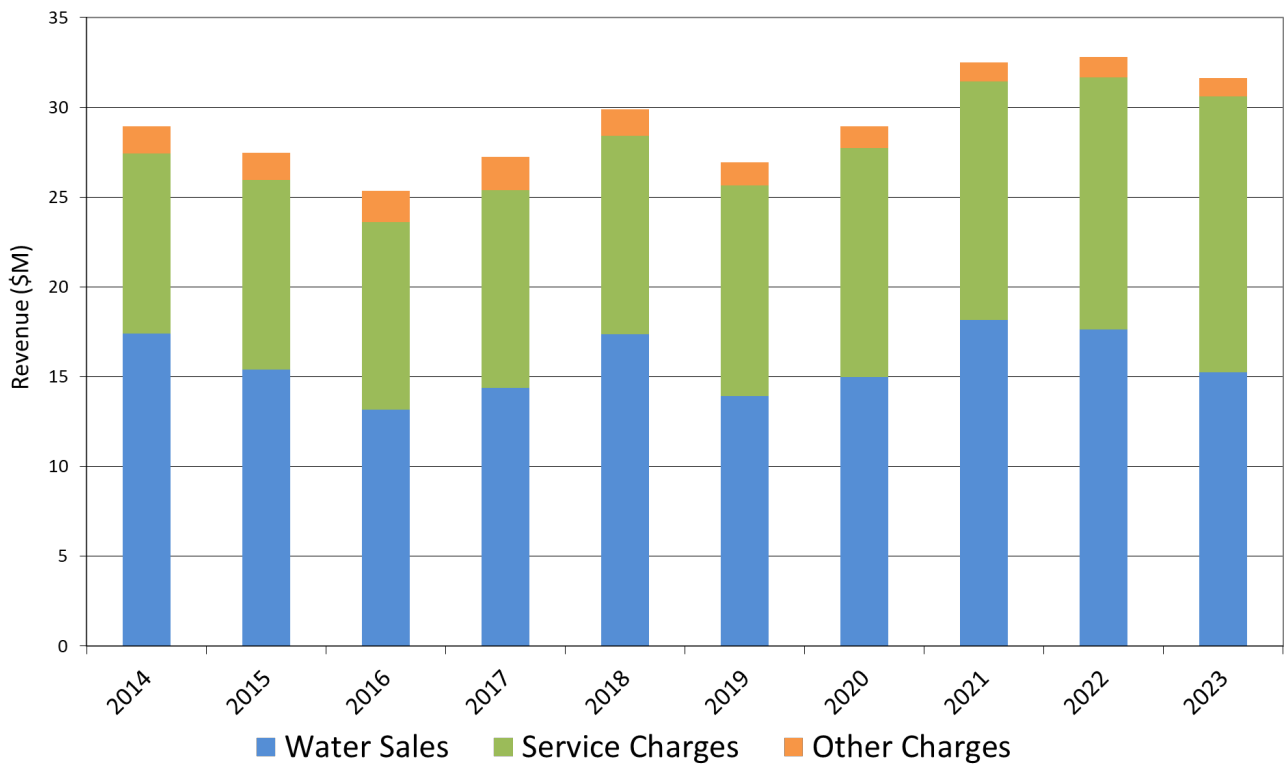


Table #7 - Summary of Services Approved Positions

Position	Actual FTE* FY 2022-23	Actual FTE* FY 2023-24	Proposed FTE* FY 2024-25
Accounting Technician I & II	2.0	2.0	2.0
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Chief Plant Operator	1.0	1.0	1.0
Collections Supervisor	1.0	1.0	1.0
Construction Supervisor	-	1.0	1.0
Crew Leader	7.0	5.0	4.0
Customer Service Representative I & II	2.0	2.0	1.0
Customer Service Specialist	1.0	1.0	2.0
Engineering Manager	1.0	1.0	1.0
Engineering Technician I, II & III	3.0	3.0	4.0
Environmental Compliance Technician	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
Executive Assistant/ Board Secretary	1.0	1.0	1.0
Field Services Manager	1.0	1.0	1.0
General Manager	1.0	1.0	1.0
GIS Coordinator	1.0	1.0	1.0
Human Resources Manager	1.0	1.0	1.0
Human Resources Technician	1.0	1.0	1.0
Information Systems Technician	1.0	1.0	0.08
Instrumentation, Electrical & Controls Tech	2.0	2.0	2.0
IT Manager	-	-	0.92
Laboratory Technician I & II	1.0	1.0	1.0
Lead Plant Operator	2.0	2.0	1.0
Maintenance Technician I & II	1.0	1.0	2.0
Management Analyst	1.0	1.0	1.0
Operations Manager	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Plant Operator I & II	2.0	2.0	2.0
Public Affairs Specialist	1.0	-	-
Public Information Officer	-	1.0	1.0
Purchasing Warehouse Supervisor	1.0	1.0	1.0
Safety & Risk Officer	1.0	1.0	1.0
SCADA/Electrical/Maintenance Supervisor	1.0	1.0	1.0
Senior Maintenance Technician	1.0	1.0	1.0
Supervising Accountant	1.0	1.0	1.0
System Operations Supervisor	1.0	1.0	1.0
System Services Supervisor	1.0	1.0	1.0
Systems Operator I, II & III	4.0	5.0	4.0
Systems Technician	-	-	1.0
Utility Worker I, II & III	17.0	18.0	18.0
Warehouse Purchasing Specialist	1.0	1.0	1.0
Water/Wastewater Operator I, II & III	-	-	1.0
TOTAL FTE	69.0	70.0	71.0

* FTE - Full-Time Equivalents



Table #8 - Regional Water Rate Survey

Regional Water Rate Survey	
Single Family Residence - Typical Monthly Water Charge	
Assumes 3/4-inch water meter & 12,000 gallons of monthly water use	
Based on 2024 Water Rates	
Water District	Monthly Charge
Rancho California Water District*	\$49.31 - \$88.10
Eastern Municipal Water District	77.27
Murrieta County Water District	109.31
Vallecitos Water District	114.54
Valley Center Municipal Water District	142.74
South Coast Water District	148.06
Rincon Del Diablo Water District	153.41
Fallbrook Public Utility District	162.18
Rainbow Municipal Water District	188.19

Source: Prepared by Bartle Wells Associates

* Charges vary based on zone.

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 2021-22 was \$18.2 million. In Fiscal Year 2021-22, the latest CalPERS valuation date, the District's pension liability was 68.5% funded for Classic employees and 87.3% funded for PEPRA employees.

Fiscal Year Ending (6/30)	Classic	PEPRA	Total
FY 2023-24	\$ 1,466,267	\$ 10,529	\$ 1,476,796
FY 2024-25	1,575,765	17,675	1,593,440
FY 2025-26	1,681,888	24,820	1,706,708
FY 2026-27	1,767,559	31,966	1,799,525
FY 2027-28	1,960,423	39,112	1,999,535
FY 2028-29	2,001,863	39,111	2,040,974
FY 2029-30	2,044,464	39,111	2,083,575
FY 2030-31	2,088,256	39,111	2,127,367
FY 2031-32	2,072,614	39,112	2,111,726
FY 2032-33	2,054,828	39,110	2,093,938
FY 2033-34	2,011,750	39,111	2,050,861
FY 2034-35	1,938,460	39,112	1,977,572
FY 2035-36	1,204,257	39,110	1,243,367
FY 2036-37	1,112,682	39,112	1,151,794
FY 2037-38	1,015,410	39,110	1,054,520
FY 2038-39	938,662	39,112	977,774
FY 2039-40	887,696	39,110	926,806
FY 2040-41	751,516	39,111	790,627
FY 2041-42	618,304	39,111	657,415
FY 2042-43	1,089,136	39,110	1,128,246

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 2024-25 is 14.99% of payroll, which is up from the Fiscal Year 2023-24 is 14.92%. The NCR for PEPRA employees is 8.18% of payroll in Fiscal Year 2024-25 and was 8% in Fiscal Year 2023-24.

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 31 held \$6.4 million.

District's Other Post-Employment Benefits (OPEB)

Effective January 7, 2022, the District provides a retiree healthcare benefit to employees who were hired before July 1, 2022, have ten years of service and are 50 or older. Under the OPEB benefit the District pays for half of the employees' health insurance premium until the beneficiary is 65-years old. The employee must contribute the other half of the insurance premium. The District has established the Section 115 Pension and OPEB Trust Fund (See Fund Structure Section) to fund the District's OPEB liabilities. The District's OPEB liability is 81.6% funded based upon an actuarial valuation report as of June 30, 2022. Based upon planned contributions to the OPEB Trust Fund, the District expects to fully fund the OPEB liability over the next 3 years.

Attachment 6

RESOLUTION NO. 50XX

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
FALLBROOK PUBLIC UTILITY DISTRICT APPROVING AND
ESTABLISHING THE DISTRICT'S FISCAL YEAR 2024-25 BUDGET
FOR OPERATIONS, MAINTENANCE, WATER PURCHASES, CAPITAL
IMPROVEMENTS, EQUIPMENT, AND DEBT SERVICE AND
APPROPRIATING \$42,712,987 CONSISTENT WITH THE APPROVED
BUDGET**

* * * * *

WHEREAS, the Fiscal Policy and Insurance Committee has reviewed and considered the Recommended Fiscal Year 2024-25 Budget during publicly noticed meetings on April 10, 2024, and May 21, 2024; and

WHEREAS, the Board has reviewed and considered the Recommended Fiscal Year 2024-25 Budget during a publicly noticed meeting on April 22, 2024 and May 29, 2024;

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

1. The District's Fiscal Year 2024-25 Budget, as presented to the Board of Directors at the publicly noticed meeting on May 29, 2024, is hereby approved.
2. Expenditure under the District's approved Fiscal Year 2024-25 Budget is hereby appropriated as follows:

For administration, operations, and maintenance:	\$20,866,412
Community benefit program:	\$ 546,000
For water purchases:	\$ 3,433,211
For PAYGO capital improvements, and equipment:	\$11,726,000
For Revenue Bonds, State Revolving Fund, and interest and principal:	\$ 6,141,364
	<hr/>
TOTAL	<u>\$42,712,987</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 2024-25 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.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 29th day of May, 2024, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors