

FISCAL YEAR 2026-2027 ADOPTED ANNUAL BUDGET



Our Mission: Delivering exceptional water, wastewater and recycled water services and value to meet the evolving needs of the Fallbrook community.

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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, Vice-President

District #2 - Ken Endter, President

District #3 - Jennifer DeMeo

District #4 - Don McDougal

District #5 - Charley Wolk

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, Devin Casteel, Isabel Casteran, Kevin Collins, Mick Cothran, Noelle Denke, Lauren Eckert, Ken Hubbard, Kelly Laughlin, John Marchetta, Peter Marshall, Jim Ollerton, Donald Parker, Jesse Perez, Carl Quiram, Ian Smith, Steve Stone, Veronica Tamzil, and Steve Wuerth for their support in preparing this document.



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June 29, 2026

Board of Directors
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 Fallbrook, California 92028

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 Assistant General Manager/
 Chief Financial Officer

Lauren Eckert
 Executive Assistant/
 Board Secretary

General Counsel

Paula de Sousa
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Budget Message

Enclosed is the Fiscal Year 2026-27 Adopted 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 implementation of the District's Strategic Plan, a summary of 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

The District is focused on driving operational efficiency by leveraging its information management systems into the decision-making processes and using Key Performance Indicators (KPIs) to evaluate operational performance. KPIs provide metrics (i.e. cost of wastewater treatment per million gallons) that can be compared to peer agencies or benchmarks and tracked over time to evaluate performance. These data are then used to optimize operations ensuring the highest level of operational efficiency is attained.

The District is delivering Santa Margarita River (SMR) water from Camp Pendleton (the District's local water supply) and treated at the new Santa Margarita Groundwater Treatment Plant (SMGTP) to rate payers at a cost less than the cost of imported treated water purchased from Eastern Municipal Water District (EMWD). Achieving this benchmark requires a high degree of operational efficiency. In addition, the District's wastewater treatment cost also continues to be less than the benchmark set and the regional average cost.

Integrating the District's Information management systems provides an opportunity to enhance the District's business intelligence. Whether it is saving money by streamlining business processes, optimizing equipment life-cycle costs, or providing operating staff key real time data to optimize system operations, modern and integrated information systems are necessary today. The District continues to update and optimized its Computerized Maintenance Management System (CMMS) and Geographic Information System (GIS) and is implementing a new Enterprise Resource Planning (ERP) system. Each of these is a significant effort involving a wide range of staff across the organization. These efforts support better decisions, driving efficient operations and minimize the District's operating costs.



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Water and Wastewater Affordability

The District is committed to advocating for ratepayers and securing a reliable and affordable water supply. By detaching from SDCWA's service area and annexing into EMWD's service area, the District's monthly fixed charges decreased by approximately 87% and the cost of treated water by approximately 20%. These savings reset the District's cost of water at a lower level that continues to benefit the District's rate payers.

However, the District still faces wholesale water rate increases by the Metropolitan Water District (MWD), which are passed through by EMWD. In calendar year 2026, MWD increased the treated water rate by 9.5%. In calendar year 2027, MWD is changing its treatment charges to include a series of fixed treatment capacity related charges designed reduce treatment revenue volatility and ensure full cost recovery. How this will impact the District remains to be seen but MWD is reporting an overall increase of 6.2%. Compounded over the two years, these increases result in a 16.3% increase in the District's imported water cost.

Offsetting these imported water cost increases is the District's low cost SMR water supply (Local Supply). Due to the low and stable cost of the District's local supply, the District can manage the impact of imported water costs and keep water rate and charge increases in line with inflation. This Budget cycle the District expects almost half of its water supply to be from Local Supplies. The District's goal is to provide rate payers with smooth and predictable rates and charges and also keep the average residential water bill lower than other surrounding utilities.

This year the District entered into an Inter Governmental Services Agreement (IGSA) with Camp Pendleton to provide Contract Wastewater Services to the base. Providing these services requires additional staffing to operate wastewater treatment facilities on the base that is paid for by the federal government. In addition, a portion of the District's administrative costs and Wastewater Services staff costs will be paid by the federal government through the IGSA. By achieving a higher degree of economies of scale, District rate payers will see reduced administrative and overhead costs across all of the District's services and lower management and staffing cost for wastewater services. The result is a \$1.3 million savings to offset other cost escalation resulting in rate relief for ratepayers.

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





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to mitigate this trend, The District is updating and enhancing its asset management program to better determine both the asset’s condition and consequence of failure to support better asset renewal and replacement decisions. Based on the current rate of repair and replacement over the last three years, the District is meeting a 160 year replacement rate for water mains and a 45 year replacement rate for valves. With the overall goal of driving the water system’s asset service life down from the original 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 processes. This includes not only providing field crews and engineering with a mix of information critical to effectively planning and making asset repair and replacement decisions but also providing operating staff key real time data to optimize system operations. Better decisions driving efficient operations will help ensure the District’s rates and charges are minimized.

Looking Forward

Inter-Agency regional cooperation and partnerships are being carefully evaluated as a way to reinforce the District’s emergency response teams and general operations, reduce training costs, and sharing other administrative services to lower the District’s cost to ratepayers. The ability to share staffing resources across agencies provides access to resources when needed but does not require the District to maintain those resources all the time. This provides the ability for all partners to achieve a higher level of efficiency than if each had to maintain the resources to meet peak/emergency demands. The benefit to ratepayers’ is stable rates and charges that are minimized.

Jack Bebee
 General Manager

David Shank
 Assistant General Manager/CFO

Budget in Brief

Fiscal Year 2025-26 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.
- Executed an Inter Governmental Service Agreement (IGSA) with Camp Pendleton (CPEN) for the Contract Operations of their two wastewater facilities located on the base.
- Hired 13 employees and began Contract Operations of the CPEN wastewater facilities on April 1.
- Completed key pipeline replacement projects to maintain system reliability and improve the methodology for evaluating and prioritizing projects.
- Continued both SMGTP and Red Mountain UV facility operations and maintenance to deliver all available water supplies.
- Constructed emergency stand-by power for critical water storage and flow control facilities by adding solar and increased battery storage, to maintain communication during long-term power outages caused by PSPS events determined by SDG&E.
- Began implementation of the selected ERP system beginning with our financial system.
- Completed CMMS and GIS enhancements to better support the District's asset management program.
- Supported the Community Benefit Program's activities and facilitated the execution of selected projects.
- Produced an Annual Comprehensive Financial Report (ACFR) and an annual budget document that met the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards.
- Implemented the District's new Strategic Plan.

Fiscal Year 2026-27 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.
- Optimize Contract Operations at CPEN and stabilize system performance through targeted renewal and replacement projects.
- 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.
- Implement the selected ERP system, train staff and go live this fiscal year with the financial system.
- Complete the CMMS and GIS enhancements.
- 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

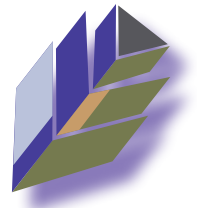
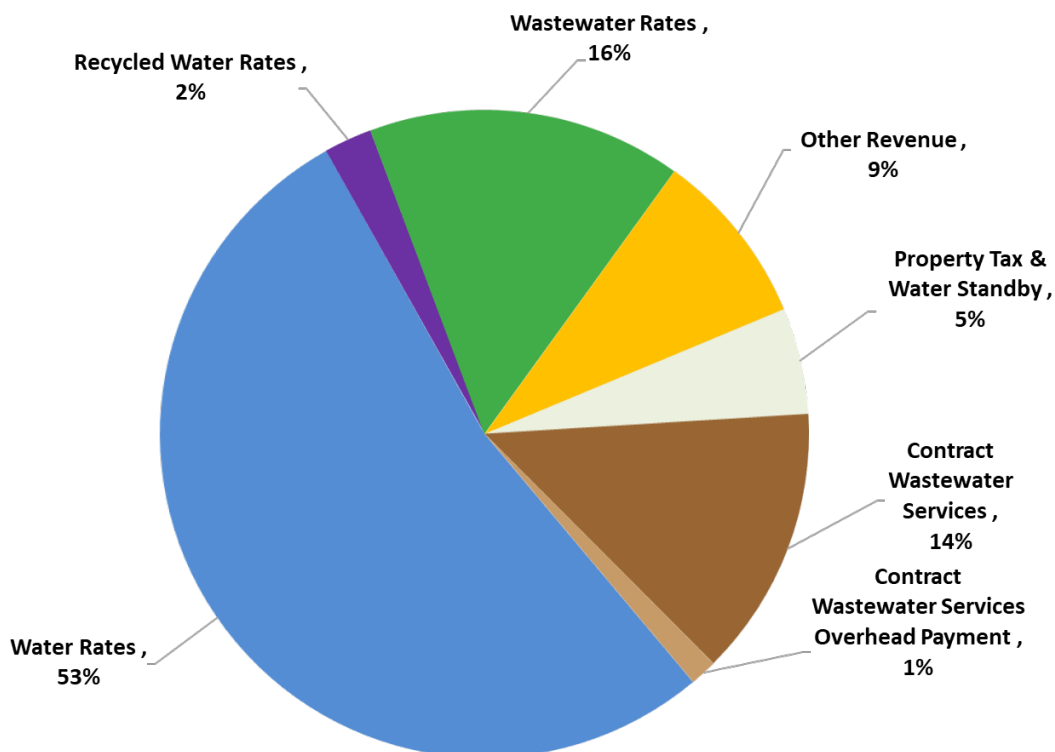
The water, recycled water and wastewater systems combined operating and non-operating revenues, debt proceeds and fund deposits are budgeted to meet the budgeted uses of funds and create a balanced budget. Water sales are projected to be at the long-term average level of 7,000 AF. Based upon the District’s Financial Plan Adopted in 2022, water, recycled water and wastewater rate increases for the Budget are projected at 6%, 1%, and 2.5%, respectively, for Calendar Year 2027. The Board will take action to adopt Calendar Year 2027 rates and charges in December of 2026 after it has reviewed the District’s Fiscal 2025-26 financial performance. At that time, the Board may choose alternative rate increases.

Chart 1 shows a breakdown of the District’s \$57 million budgeted sources of funds. Rate and charge revenues make up 72% of the District’s total budgeted sources of funds. Contract Wastewater Services and the budgeted overhead make up 15% of the District’s total budgeted sources of funds. The District plans to fund the Water, Wastewater and Recycled Water Capital Improvement Program (CIP) with cash on a Pay-As-You-Go (PAYGO) basis.

Rate Relief

Many regional water agency customers have faced 6% annual rate increases, while the District rate payers have seen an average annual increase of 2%. Prudent financial management and cost savings from detachment have kept annual rate increases lower than the rate of inflation.

Chart #1 - Sources of Revenue Fiscal Year 2026-27 Total Revenue \$57,454,665



Use of Funds

Chart 2 shows the breakdown of the District’s total use of funds. Labor and benefits represent 24% of the District’s budgeted uses of funds, and Contract Wastewater Services represent 13%. Sixty-three 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. A net fund deposit to reserves is budgeted this year.

Table 1 shows regional wholesale water rates against which the District’s average cost of water production can be compared.

As a result of detachment the District’s wholesale water costs are 41% lower.

Table #1 - Regional Treated Wholesale Water Rates (\$/AF)

Wholesale Supplier	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
EMWD ¹	\$1,220	\$1,267	\$1,407	\$1,540	\$1,623
SDCWA ²	\$2,029	\$2,237	\$2,572	\$2,798	\$3,132
Savings	\$809	\$970	\$1,165	\$1,258	\$1,509

(1) Actual and projected unit cost from EMWD.
 (2) Estimated unit cost if FPUD was still attached to SDCWA.

Chart #2 - Uses of Funds Fiscal Year 2026-27 Total Uses of Funds \$57,454,665

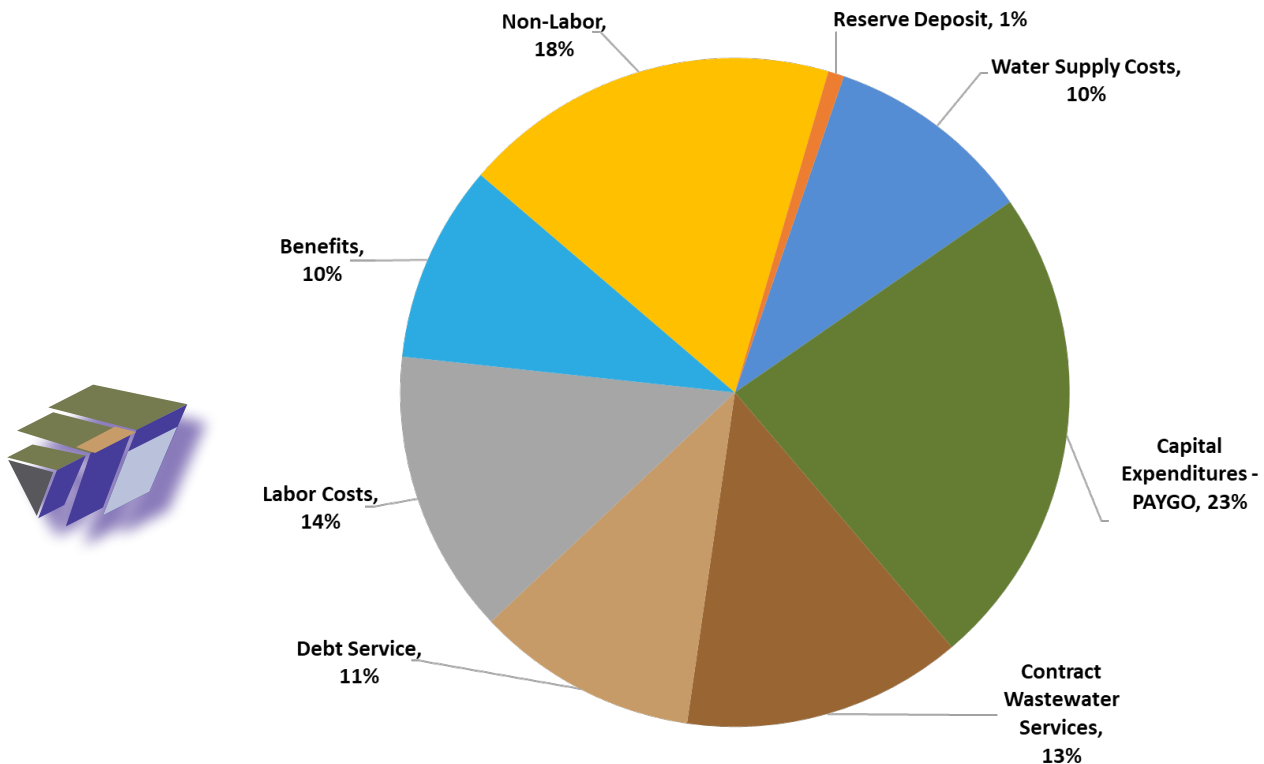


Table 2 shows a significant decrease in Water Supply Costs and the Community Benefit Program expenditures while other cost increases are more moderate. Water Supply Cost is dependent on the imported treated water purchases the District budgets to meet customer water demands. Imported water purchases fill the gap between budgeted customer water demands and the amount untreated Santa Margarita River water (Local Supply) available to the District during the budget period. The amount of Local Supply water available to the District is dependent on regional rainfall during the prior water year. During dry periods, less water is available than during wet periods. Rainfall was above average for Fiscal Years 2024-25 and Fiscal Year 2025-26 creating a large upward swing in the amount of Local Supply available to meet budgeted customer water demands. As a result, the District is budgeting for a significant decrease in the amount of imported treated water purchased from EMWD.

Overall, the 6.5% increase in the Operating Budget, illustrated in Chart 3, is being driven by the addition of Contract Wastewater Services. This increase is particularly because the budget for these services is moving from a six-month term to a full-year term.

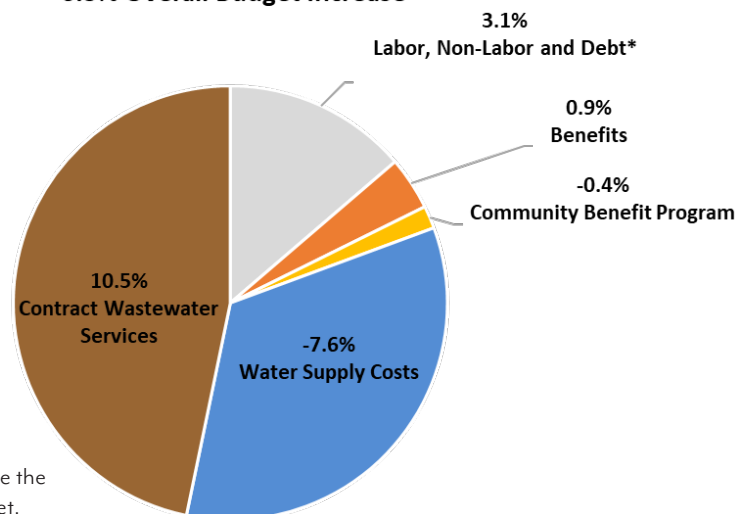
Table #2 - Overview of Total Services' Operating Budget

Description	FY 2024-25	FY 2025-26			FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Original Budget	Amended Budget	Projected	Budget	
Water Supply Costs	\$ 5,795,983	\$ 8,893,418	\$ 8,893,418	\$ 4,785,294	\$ 5,792,919	-34.9%
Debt Service	6,151,156	6,144,906	6,144,906	6,144,906	6,146,209	0.0%
Total Labor ⁽¹⁾	7,177,443	7,615,079	7,615,079	7,617,608	7,880,042	3.5%
Total Non-Labor	7,524,200	8,156,913	8,156,913	8,690,976	9,535,804	16.9%
Community Benefit Program	651,685	1,100,000	1,100,000	865,854	945,915	-14.0%
Benefits Expense	4,729,844	5,129,311	5,129,311	5,266,227	5,492,656	7.1%
Contract Wastewater Svcs Overhead	-	-	(387,217)	(387,217)	(776,256)	100.5%
Total FPU D Operating	\$32,030,311	\$37,039,627	\$36,652,410	\$32,983,648	\$35,017,289	-4.5%
Total Contract Wastewater Svcs ⁽²⁾	\$ -	\$ -	\$ 4,259,388	\$ 4,259,388	\$ 8,538,819	100.5%
Total Budget	\$32,030,311	\$37,039,627	\$40,911,797	\$37,243,036	\$43,556,107	6.5%

⁽¹⁾ Total Labor does not include District's Benefits.

⁽²⁾ FY 2025-26 Amended budget for Contract Wastewater Services was for a 6-month period. Payment for the services are made by the federal government.

Chart #3 - Overall Budget Increase
6.5% Overall Budget Increase



* Labor, Non-Labor and Debt include the Contract Wastewater Services offset.

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 Local Supply to drinking water standards at the SMGTP, which is included in the Water Treatment Division’s budget. Table 3 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 and the debt service for the SMGTP Loan. The 12.9% increase in that division’s non-labor costs are being driven by an increase in power and chemical costs. The increase in labor is associated with accelerated maintenance activities at SMGTP. Because the District’s water supply mix can vary significantly year to year, Budget comparisons are complex and difficult to make. The 12.8% increase in the Total Cost of Water Production in Fiscal Year 2026-27 is due to increased costs discussed above and the ramping up of MWD’s fixed charges. Even with these cost increases, the District’s average cost of water production is \$1,585/AF compared to EMWD’s costs, including MWD’s fixed costs, of \$1,623/AF.

Table #3 - District’s Cost of Water Production

	FY 2024-25		FY 2025-26		FY 2026-27		Projected to Adopted Budget Change(%)
	Description	Acre Feet Actual	Acre Feet	Projected	Acre Feet	Adopted Budget	
Water Supply Costs	EMWD Wholesale Treated Water Costs	3,539 \$ 4,686,389	2,189 \$ 3,159,535	2,448 \$ 3,697,059	17.0%		
	MWD Readiness To Serve Charges	N/A (120,492)	N/A (335,555)	N/A (153,092)	54.4%		
	MWD Capacity Charges	N/A (95,200)	N/A 84,223	N/A 183,973	-118.4%		
	MWD Fixed Charges	N/A -	N/A -	N/A 245,351	N/A		
	Camp Pendleton SMR Untreated Water Delivery Costs	3,771 1,149,490	5,379 1,727,092	5,120 1,709,849	-1.0%		
	Red Mountain Inventory Withdrawal	166 50,595	- -	0 -	N/A		
	System Pumping	N/A 125,201	N/A 150,000	N/A 109,779	-26.8%		
	Subtotal Water Supply Costs	\$ 5,795,983	\$ 4,785,294	\$ 5,792,919	21.1%		
O&M Costs	Water Treatment Division Labor & Benefits Budget*	3,771 927,610	5,379 898,582	5,120 980,291	9.1%		
	Water Treatment Division Non-Labor Budget	3,771 1,484,212	5,379 2,131,412	5,120 2,405,694	12.9%		
	SMRCUP Debt	N/A 2,814,795	N/A 2,814,795	N/A 2,814,795	0.0%		
	Subtotal O&M Costs	\$ 5,226,617	\$ 5,844,789	\$ 6,200,780	6.1%		
Total Cost of Water Production	\$ 11,022,600	\$ 10,630,084	\$ 11,993,698	12.8%			
Subtotal Acre Feet Purchased	7,476	7,568	7,568	0.0%			
Total Cost of Water Production (\$/AF)	\$ 1,474	\$ 1,405	\$ 1,585	12.8%			

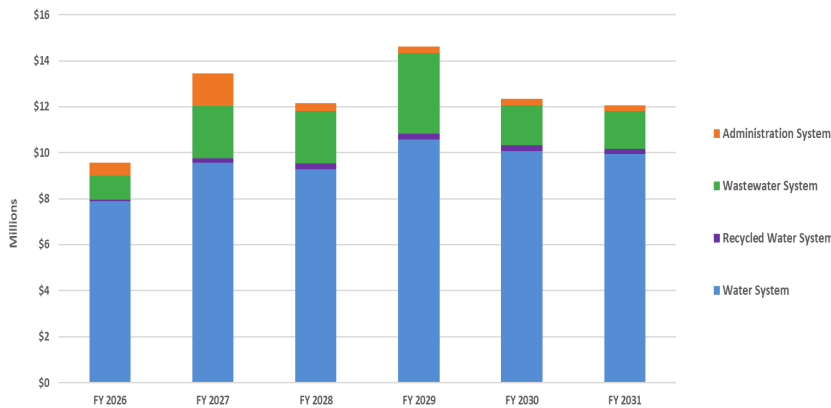
* Treatment Division Labor & Benefits increase is due to a \$35,374 increase in benefits and a \$46,335 increase in labor for preventative maintenance.



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 4 shows the annual CIP expenditures by project type. The Capital Budget for Fiscal Year 2026-27 is \$13.5 million. The CIP budget for Fiscal Year 2026-27 is higher than average due to the inclusion of a \$1.5 million project that will provide emergency power at the SMGTP. \$1.3 million of this important project is funded by a grant the District secured, saving rate payers \$1.3 million and making the District’s water services more reliable during emergencies. Another \$1.25 million of Federal Community Grant funding will be utilized for the Gumtree and Knoll Park Pipeline Projects. These grant funds enable the District to accomplish the capital program goals more quickly while reducing the cost impact on rate payers.

Chart #4 - Fallbrook Public Utility District’s Annual Budgeted CIP Expenditures



Capital Improvement Program Funds

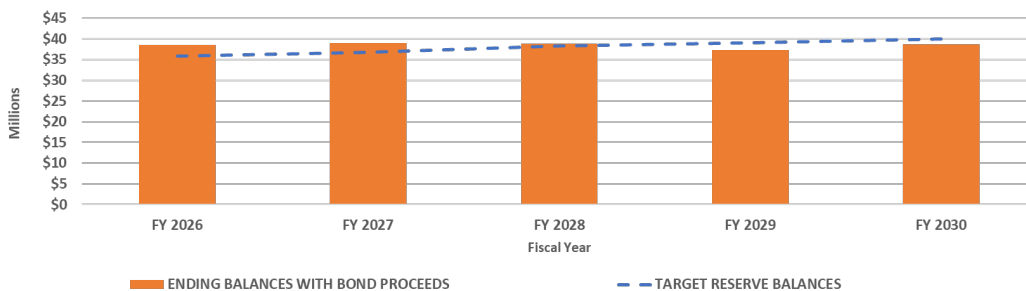
The District secured \$2.55 million in grant funding, which supports the District’s capital program goals.

Financial Summaries

This year, as shown in the updated financial projections for Fiscal Year 2026-27 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 Cost of Water Supplies but capital funding needs will put upward pressure on future rates and charges. Balancing rate and charge increases with capital funding needs will be key to future rate and charge decisions.

Chart 5 shows the District’s reserve balances are expected to remain flat as the District’s Target Reserve Level increases. The Red Mountain Reservoir Relining Project is expected to be necessary in the next 10 years and cost the District more than \$20 million. The project funding plan includes creating a reserve to collect funds from current rate payers to provide a level of cash funding for the project. The District is projected to maintain a debt service coverage level in excess of its required 1.2x for all of its enterprises.

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



As shown in the financial projections in Table 4, a budgeted reserve deposit of \$0.4 million is planned for Fiscal Year 2026-27 followed by a small reserve withdrawal.

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

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues					
Revenue from Rates					
Water	\$ 26,925,612	\$ 28,379,241	\$ 30,117,172	\$ 32,030,324	\$ 34,067,289
Recycled Water	1,355,365	1,369,225	1,392,768	1,427,057	1,462,584
Wastewater	7,367,643	7,511,628	7,668,311	7,879,005	8,095,015
Subtotal Revenue from Rates	\$ 35,648,620	\$ 37,260,094	\$ 39,178,251	\$ 41,336,386	\$ 43,624,888
Contract Wastewater Services	\$ 4,259,388	\$ 8,538,819	\$ 8,875,767	\$ 9,226,194	\$ 9,590,638
Other Operating Revenue	462,490	457,490	457,490	457,490	457,490
Other Operating Revenue Subtotal	\$ 4,721,878	\$ 8,996,309	\$ 9,333,257	\$ 9,683,684	\$ 10,048,128
Non-Operating Revenue	\$ 11,064,838	\$ 11,198,262	\$ 9,398,301	\$ 9,630,494	\$ 9,891,778
Total Revenues	\$ 51,435,336	\$ 57,454,665	\$ 57,909,809	\$ 60,650,564	\$ 63,564,795
Total Operating Expenses	\$ 30,232,276	\$ 36,463,983	\$ 39,697,933	\$ 41,593,237	\$ 43,771,279
Net Operating Revenues	\$ 21,203,059	\$ 20,990,681	\$ 18,211,877	\$ 19,057,327	\$ 19,793,515
Total Non-Operating Expenses	\$ 865,854	\$ 945,915	\$ 546,000	\$ 546,000	\$ 546,000
Total Debt Service	\$ 6,144,906	\$ 6,146,209	\$ 5,886,273	\$ 5,622,853	\$ 5,624,655
Total Capital Expenditures	\$ 9,579,296	\$ 13,455,000	\$ 12,147,305	\$ 14,615,224	\$ 12,341,205
Total Expenditures	\$ 46,822,332	\$ 57,011,107	\$ 58,277,511	\$ 62,377,314	\$ 62,283,139
Water Revenue Bond Proceeds Spent	\$ 3,702,076	\$ -	\$ -	\$ -	\$ -
Change in Net Position*	\$ 8,315,080	\$ 443,558	\$ (367,702)	\$ (1,726,751)	\$ 1,281,656
<i>Beginning Balances</i>	<i>\$ 30,138,046</i>	<i>\$ 38,453,126</i>	<i>\$ 38,896,683</i>	<i>\$ 38,528,982</i>	<i>\$ 36,802,231</i>
<i>Ending Balances</i>	<i>\$ 38,453,126</i>	<i>\$ 38,896,683</i>	<i>\$ 38,528,982</i>	<i>\$ 36,802,231</i>	<i>\$ 38,083,887</i>

* Change in net position is Total Revenues minus Total Expenditures plus Water Revenue Bond Proceeds Spent. The FY 2025-26 change in net position includes the 115 Pension Trust Transfer of \$500,000.

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 these were implemented recently, there is only limited 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	Dept.	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Estimated	Target Met
Safe and Reliable Water, Wastewater, and Recycled Water Services	Water	Cost/Acre Foot of SMGTP Product Water Supply	Below MWD Rates	\$1,640/AF ¹	\$1,062/AF	\$1,450/AF	\$711/AF ²	\$1,423AF	Yes
Infrastructure and Technology Stability	Wastewater	Cost/MGD of Wastewater Influent Flows	Below \$3,500/ MGD	\$3,497/MGD	\$3,146/MGD	\$3,023/MGD	\$3,328/MGD	\$3,113/MGD	Yes
Fiscal Sustainability and Transparency	Finance	Debt Coverage	>1.20	2.05	4.19	2.64	3.21	3.45	Yes
Fiscal Sustainability and Transparency	Finance	Days Cash on hand	90 days or greater	109 days	113 days	94 days	118 days	104 days	Yes

(1) FY 2021-22 was the first year of SMGTP's operation which included additional startup costs that exceeded normal year expenditures.
 (2) FY 2024-25 included a \$2.75 million water bank buy down which reduced the cost/acre foot.

Budget User Guidance*

The District's Fiscal Year 2026-27 Adopted 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 along with the Community Benefit Program and Contract Wastewater Services.

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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California**

For the Fiscal Year Beginning

July 01, 2025

Christopher P. Morill

Executive Director

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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 diverted

Service Area / STATISTICS

- 44 square-mile service area
- Population: 35,000
- 9,300 water customers
- 5,000 sewer customers
- 30 recycled water customers
- 86 employees budgeted
- \$34 million operating revenues
- \$229 million in total assets
- 7,000 acre-feet sold annually

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.

Today's and future rate payers will benefit from lower water rates and charges as a result of detachment. In Calendar Year 2026, the District's cost of treated water is half what it would be if the District remained an SDCWA customer. These savings are expected to increase over time as SDCWA struggles to control costs and rebalance its high cost water supply mix.

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 marked 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.

In January 2026, the District entered into a contract with Camp Pendleton to provide Contract Wastewater Services for the base. The contract included the operation and maintenance of two wastewater treatment plants located on the north and south sides of the base. The Fallbrook plant on Alturas Rd is designed to treat 2.7 million gallons per day (mgd) and currently handles an average daily flow of 1.65 mgd. The North Regional Tertiary Treatment Plant (NRTTP) is designed for 4 mgd, with an average daily flow of about 1 mgd. The South Regional Tertiary Treatment Plant (SRTTP) has a design capacity of 7.5 mgd and currently processes an average of 3.6 mgd. The federal government funds these services, including a portion of the District's administrative overhead costs. Integrating these plants into FPU's operations achieves significant savings through economies of scale and increases staff capacity, providing backup support for Fallbrook staff during emergencies.

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.

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 6,937 acre-feet. Residential and commercial customers represent 73% of sales, and agricultural customers make up the remaining 27%. 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

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 MGD
- Maximum Plant Capacity-7.8 MGD



Aerial View of the SMGTP

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 1,800 in Fiscal Year 2025 or down 74%.

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.

The District's wastewater system has 5,046 customers with an annual influent flow of 584 million gallons of wastewater. The District hauls approximately 300 dry tons of biosolids each year to various facilities for composting and land application.



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 0.5 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.

Contract Wastewater Services

In January 2026 the District entered into an Inter Governmental Services Agreement (IGSA) with Camp Pendleton, providing Contract Wastewater Services for two wastewater treatment plants on the base. These services will require additional staffing, which is paid for by the federal government. The IGSA will pay a portion of the District's administrative costs and Wastewater Services staff costs.

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

Service Area and Local Economy

San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District’s service area and pipeline is shown in the accompanying maps. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District’s service area a bedroom community for Camp

Figure #1 - District Service Area Pipelines

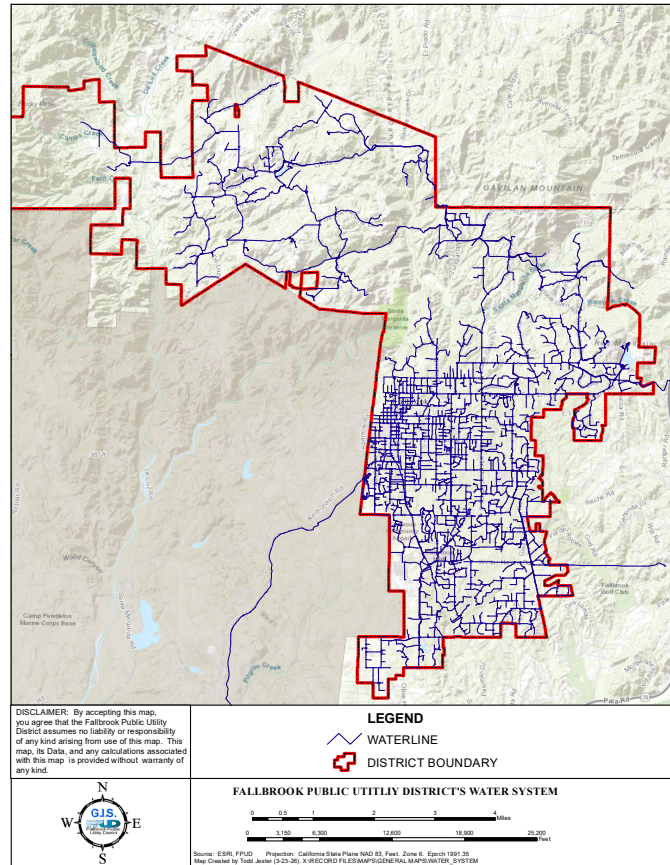
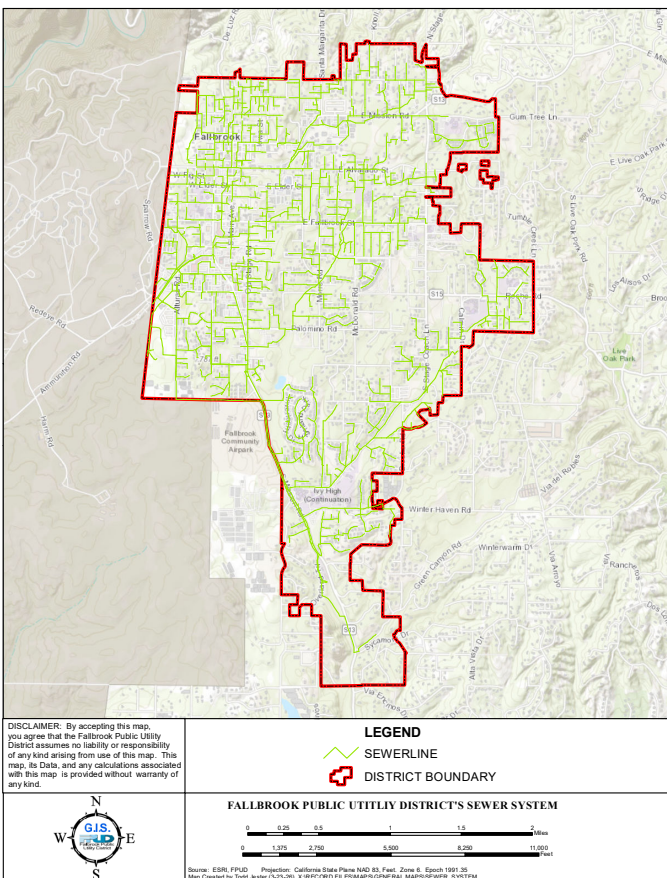


Figure #2 - District Sewer Boundary Mains



Pendleton’s active military and civilian-service workers. The service area’s 2024 population is estimated to be 32,112 with 9,744 households. Fallbrook’s population has remained relatively unchanged over the past several years.

The median household income in Fallbrook was \$96,394, which is less than the state median of \$99,112 and slightly higher than the national average of \$83,730. As of April 2026, San Diego County’s unemployment rate was 4.1%, 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 2024. The District’s 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.



Fallbrook Public Utility District

Triennial Strategic Plan

2025-2028





A Note from the Board of Directors

The Fallbrook Public Utility District (FPUD) has proudly served the Fallbrook community for over a century. Founded in 1922 to serve residents, businesses, and farms, FPUD has grown into a full-service utility delivering safe and reliable water, wastewater services, and recycled water to over 35,000 people across 28,000 acres, while supporting Fallbrook’s thriving agricultural economy. Today, FPUD leads the way in developing diverse water supplies and deploying innovative technologies to better serve its customers.

Exciting milestones have ushered in a new era. In 2023, FPUD successfully transitioned from the San Diego County Water Authority to Eastern Municipal Water District, securing a more affordable, sustainable source of imported water. At the same time, FPUD bolstered local water reliability through the Santa Margarita River Conjunctive Use Project and the launch of its Groundwater Treatment Plant, now providing nearly half of the District’s potable water needs. FPUD also strengthens supply sustainability by producing 500,000 gallons of recycled water daily.

Building on this momentum, FPUD has embarked on this triennial Strategic Plan. Shaped by input from community stakeholders, employees, and the Board of Directors, the Plan charts a bold, actionable course—sharpening focus, aligning priorities, and ensuring FPUD remains resilient, responsive, and ready to meet the challenges and opportunities ahead.

Dave Baxter
District 1



Ken Endter
District 2



Jennifer DeMeo
District 3



Don McDougal
District 4

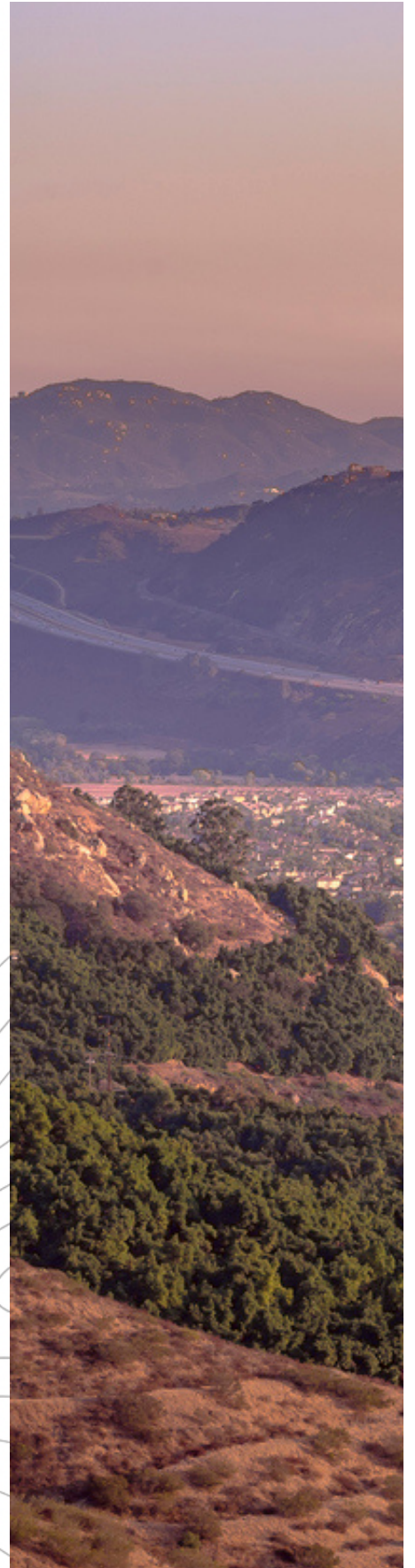


Charley Wolk
District 5



OUR MISSION

Delivering exceptional water, wastewater and recycled water services and value to meet the evolving needs of the Fallbrook community.





OUR VISION

To continually advance innovative and sustainable solutions that provide outstanding utility service and deliver positive community outcomes.

Our Guiding Principles

Guiding Principles are the core values that define how we lead, work, and serve. They set the standards for decision-making, shape our organizational culture, and ensure that our actions reflect a shared commitment to excellence, integrity, and service.



Community
Our customers,
our home.



Trust
Integrity and
transparency,
everyday.



Innovation
Lead, create, and
adapt.



Drive
Fueled by pride,
empowered to
achieve.



Stewardship
Financial,
infrastructure,
and resource
sustainability.



Alliances
Collaborate and
partner for better
outcomes.



Workplace
A culture of respect,
opportunity, and
safety for every
employee.



Strategic Priorities, Goals, and Objectives

1 Customer Service Excellence

Goal: Provide an exceptional and responsive customer service experience that exceeds community expectations.

1A

Establish a customer follow-up survey system and performance benchmarking to ensure exemplary levels of service.

- **Customer Insights** - Gather feedback, analyze areas for improvement and make adjustments as needed, to ensure timely, friendly, and comprehensive responses to customer needs.
- **Performance Benchmarking** - Develop and track industry-leading customer service performance metrics and benchmark to help focus efforts for enhancing service delivery.





1B

Enhance Customer Services through quick response times, issue resolution and online access to account information.

- **Customer Data Management and Transparency** – Keep customer account information up to date and enhance accessibility for detailed and transparent account insights.
- **Service Efficiency and Responsiveness** – Streamline service orders for faster response times to service requests and disruptions. Track customer interactions with CityWorks and the updated Enterprise Resources Planning (ERP) system to ensure service continuity. Maintain accurate customer contact data for District notifications.
- **Cross-Departmental Coordination** – Ensure seamless communication by involving the appropriate departments and public affairs in handling customer inquiries.
- **Customer Feedback** – Develop a post customer service interaction automated survey process and potential incentives to receive timely feedback from customers on FPUD’s level of service. Explore mobile phone-based solutions for customer reporting on leaks, repairs and other in-field service issues.

2

Exemplary Workforce and Culture

Goal: Foster a motivated and skilled workforce that exemplifies FPU's Guiding Principles and drives organizational excellence.



2A

Promote a strong employee culture with clear opportunities for training and advancement.

- **Employee Growth and Development** – Invest in mentorship, certifications, and career progression to foster continuous learning and advancement.
- **Engagement and Communication** – Strengthen employee connection through open and accessible feedback channels and regular engagement opportunities.
- **Recognition and Retention** – Cultivate a supportive culture with structured recognition programs and leadership development initiatives.

2B

Implement cross-training and provide enhanced employee development opportunities.

- **Strategic Cross-Training** – Identify key roles, analyze skill gaps, and implement phased cross-training for critical areas.
- **Career-Aligned Development** – Integrate cross-training with career growth through trial periods, mentorship, and performance evaluations, and develop mechanisms to solicit employee interest in promotion and advancement.
- **Structured Job Rotations** – Facilitate exposure to different roles while minimizing disruption to district operations through incremental training.

**2C****Renew the District's focus on enhancing recruitment and retention of staff.**

- **Competitive Compensation** – Benchmark salaries and benefits to peer agencies and industry standards to ensure fair and equitable compensation.
- **Enhanced Onboarding** – Strengthen new employee integration and retention.
- **Leadership Development** – Invest in training and career growth initiatives.
- **Data-Driven Retention** – Use analytics to address turnover trends.
- **Succession Planning** – Address workforce evolution and retirements by identifying key positions and establishing individual development plans for promotion or targeted external recruitment.
- **External Partners** – Partner with universities and local trade and technical schools to establish and promote workforce development programs, internships, and career opportunities.

2D**Implement enhanced safety initiatives to protect employees and the community without compromise.**

- **Safety Culture and Accountability** – Implement a Board, executive leadership, supervisorial and staff level commitment to creating a culture of safety without compromise.
- **Comprehensive Safety System** – Implement industry-leading safety protocols, audits, and risk assessments.
- **Proactive Risk Management** – Conduct ongoing assessments and preventive measures.
- **Ongoing Training and Emergency Preparedness** – Provide role-specific safety training and conduct emergency planning exercises for emergency preparedness.
- **Regulatory Compliance** – Align with the highest level of industry standards and collaborate with regulatory bodies.
- **Transparency and Reporting** – Establish positively reinforced anonymous reporting systems for safety concerns.
- **Community Safety Engagement** – Partner with local organizations to promote public safety and communicate the District's safety initiatives and culture.

3

Operational Optimization and Partnerships

Goal: Streamline operations through innovation and collaboration with regional partners to leverage technology, maximize efficiency, enhance cost effectiveness and improve water supply reliability.

3A

Leverage inter-agency relationships, shared services and functional consolidation opportunities to increase efficiency and cost effectiveness.



- **Leadership and Mentorship Partnerships** – Develop regional leadership and mentorship program with neighboring agencies in San Diego, Orange and Riverside Counties to improve regional collaboration and increase staff efficiency.
- **Infrastructure Funding Opportunities** – Seek to identify projects and programs among neighboring water agencies in San Diego and Riverside Counties for infrastructure repair and rehabilitation and pursue joint state and federal grant funding.

3B

Establish mutual aid and shared services agreements with Rainbow, Valley Center, and Yuima water districts to implement collaboration, resource sharing and reduce costs.

- **Inter-Agency Collaboration** – Hold regularly scheduled meetings with key department heads of the agencies to identify opportunities for expanding shared services to improve efficiency.
- **Shared State and Federal Advocacy** - Initiate shared services for state and federal lobbying resources to cost effectively ensure agencies continue to have a voice in federal and state legislation and funding opportunities.
- **Resource Tracking** – Maintain jointly accessible staff training and certification information and updated equipment records to improve emergency staffing and resource access and sharing.



3C

Develop potential operations partnerships and revenue opportunities with USMC Camp Pendleton (CPEN).

- **Wastewater System Contract Operations -** Collaborate with CPEN staff to finalize the Intergovernmental Services Agreement (IGSA), build a trusting, long-term relationship with base staff, and improve the District’s wastewater enterprise economy of scale to help reduce the District’s wastewater rates.
- **Maintenance Support -** Continue providing support for various base needs using the shared services framework of Santa Margarita Conjunctive Use Project (SMCUP) to perform water system repairs, provide treatment plant assistance, and to address any other issues identified by CPEN.

3D

Collaborate with regional partners to support the development of supplemental water supplies.

- **Alternative Local Water Supplies** – Evaluate alternative water supply and storage options with regional partners to address drought impacts to Santa Margarita River supply and increase overall water supply resiliency for the community.
- **Potable Reuse Partnership** – Work with CPEN to advance the development of the Indirect Potable Reuse project on the base to increase the yield of the groundwater basin and provide the District additional local water supplies.



4

Fiscal Sustainability and Transparency

Goal: Maintain strong financial stewardship and long-term planning to ensure the district's economic stability and adaptability to future fiscal challenges.

4A

Maintain financial stability, strong financial metrics and high credit quality.

- **Align Costs of Service and Customer Benefits** – Continue implementing cost-of-service rate-making best practices to ensure fair and equitable rates and charges that carefully align with the benefits received by each customer class and demands they place on the system.
- **Managing Unfunded Liabilities** – Proactively fund and prudently manage unfunded liabilities through dedicated and transparent funding mechanisms.

4B

Plan for uncertain growth outlook, slowing development, and fluctuating sales.

- **Address Water Sales Volatility and Trends** - Evaluate water sales forecasts to reflect current conditions and growth projections to mitigate rate and charge volatility.





Develop methods and strategies to provide cost containment and address inflation on top of already high rates.

- **Focused Management Plan for Key Cost Drivers** – Develop a thorough cost management plan that emphasizes optimization and risk mitigation strategies for the District’s largest external cost drivers, including energy consumption, chemicals, and materials and supplies.



Understand and address financial and customer impacts from potential state-mandated water affordability programs.

- **Water Affordability Requirements** – Track pending legislation requiring agencies to establish Low Income Rate Assistance (LIRA) programs and if passed, establish a program that is compliant and utilizes rate-making best practices while minimizing the District’s administrative costs.

5

Infrastructure and Technology Stability

Goal: Invest in and maintain reliable infrastructure and advanced technology to improve efficiency, support sustainable operations, system longevity and security.

5A

Focus on capital investments by identifying and prioritizing the most vulnerable aging infrastructure in FPUD for replacement and refurbishment.

- **Infrastructure Renewal Plan** – Establish a strategy to meet 100-year pipeline and 30-year valve replacement goals and implement an enhanced meter testing and replacement program to mitigate apparent water losses and meter under-registration.
- **Replacement and Refurbishment Funding** – Develop and implement a long-term replacement reserve funding strategy to avoid abrupt rate increases for significant future replacement and refurbishment projects such as the Red Mountain Reservoir liner.
- **Technology Integration** – Explore advanced solutions to enhance pipeline condition assessments and replacement targeting.
- **Data-Driven Decision Making** – Leverage CityWorks to automate Key Performance Indicator tracking and reporting.

5B

Integrate information management systems to provide better operational insights.

- **Enhanced Data and System Integration** – Develop comprehensive dashboards to improve managerial data access, fully utilize the capabilities of district-wide information management systems and modernize the District's Enterprise Resource Planning.

5C

Take preventative measures to address increasing cyber security risks and threats.

- **Data Security and Threat Protection** – Adhere to current security best practices, perform regular vulnerability assessments, and update systems as needed using industry-leading security programs.



6

Safe and Reliable Water, Wastewater, and Recycled Water Services

Goal: Ensure the delivery of highly reliable water, wastewater, and recycled water services that meet or exceed customer needs while safeguarding public health and the environment.

6A

Provide foremost protection of public and environmental health.

- **Meet or Exceed All Quality Standards** - Ensure FPUD’s potable water supplies, recycled water and treated effluent meet or exceed all applicable Federal and State water quality standards to ensure protection of public health and the environment.



6B

Resolve water quality related operational challenges in the District’s potable water system (low demands, aging water, and system constraints).

- **Water Quality Enhancement** – Commission and optimize chloramine dosing stations at the 8 MG Tank to ensure consistently disinfected water throughout DeLuz and at the Sachse Tank to provide stable water quality to the central portion of the distribution system.
- **Disinfection Optimization Strategy** – Review all water supply operating scenarios and develop a comprehensive strategy to address disinfection challenges in various areas in the District’s potable water distribution system.
- **Infrastructure and Service Expansion** – Collaborate with Rancho California Water District and Rainbow MWD to construct interties to improve system reliability and resilience.
- **Improved Water Treatment** – Enhance water quality from Red Mountain Reservoir by considering taste and odor treatment at the UV Treatment Plant and optimizing reservoir management and chemical control.



Plan and prepare for state regulations (Water Use Efficiency, water quality including PFAS and other regulated contaminants, zero emissions standards).

- **Collaboration on Emerging Contaminants** – Maintain close coordination with the State Water Resources Control Board Division of Drinking Water (DDW) and stay updated on the latest research and regulatory initiatives to address emerging contaminants.
- **Knowledge Sharing and Participation** – Engage in technical symposia and regional operator meetings focused on emerging contaminants.



Address wildfire vulnerability from Public Safety Power Shutoff (PSPS) power outages and harden infrastructure where needed.

- **System Resilience and Backup Power** – Install a generator at the Santa Margarita Groundwater Treatment Plant and provide backup power at remote sites to maintain communication and operations during PSPS and wildfires.
- **Critical Infrastructure Rehabilitation** – Finalize the Vista del Rio Pump Station to enhance water transfer between Fallbrook and Deluz Pressure Zones
- **Power Reliability Improvements** – Replace the Uninterruptible Power Supply (UPS) at the UV Treatment Plant to ensure seamless transitions to generator power during outages and plan and install UPS systems at other key remote sites.



Optimize Recycled Water Opportunities and Benefits

- **Maximize Beneficial Reuse** – Continue to evaluate all financial and outside funding opportunities, internal uses, and potential partnerships for recycled water beneficial uses and revenue generation.

7

Stakeholder Understanding and Community Support

Goal: Build trust and engagement with stakeholders through proactive messaging, transparent communication, education, and proactive outreach efforts.

7A

Work with the Agricultural community to review rates, charges and policies, jointly develop Agricultural customer sustainability initiatives, and seek grants.

- **Agricultural Stakeholder Committee** – Engage the agricultural community by developing a stakeholder group to solicit feedback and refine the grant funding approach.
- **Agricultural Grant Funding** – Identify and pursue grant opportunities that support agricultural sustainability, including at least two agriculture-focused grants. Seek additional funding for the CropSWAP program, including exploring opportunities through Farm Bill efforts.
- **Rate Structure Evaluation** – Engage the stakeholder group to develop potential rate structure modifications that would better support the agricultural business model and usage patterns while maintaining compliance with Proposition 218.



7B

Enhance efforts to engage all sectors of ratepayers with diverse cultural backgrounds.

- **Cultural Event Participation** – Participate in culturally focused community events such as “Fallbrook a Leer” Reading/Family Literacy event, Cesar Chavez Day of Service and Learning, and Dia de los Muertos festivities to enhance community access to the District and its resources.
- **Enhanced Spanish-language Communications** – Create social media posts and other outreach in Spanish to improve engagement of Latino stakeholders and provide better access to information regarding the District’s services.

7C

Improve outreach and communications on multiple platforms and in community forums to optimally position FPUD as the “trusted resource” for all information on water.

- **Enhanced Communications Platforms and Activities** – Implement a proactive plan to improve content and delivery of information through social media, bill inserts, and other methods, and by providing engaging and interactive activities for children and adults at community events.
- **Community Engagement and Outreach** – Attend and present up-to-date information on the District at community and nonprofit meetings to keep stakeholders informed.
- **Relationship Building** – Foster trust and collaboration by building and maintaining strong relationships with community stakeholders on FPUD matters and projects.
- **Inclusive Representation** – Engage all ratepayer sectors, ensuring representation of Fallbrook residents across diverse backgrounds and languages.
- **Enhanced Emphasis on Transparency** – Develop targeted materials and content for use on various platforms to clearly and consistently communicate the benefits of the San Diego Water Authority detachment, and the value proposition supporting why FPUD’s rates are incrementally higher when compared to other water agencies.

7D

Enhance effectiveness of the school education program.

- **School Calendar Contest and Water Education** – Continue the school calendar contest and promote water education and the District by distributing the calendars free at grocery stores, the Chamber of Commerce, and FPUD.
- **Career Fair Participation** – Attend elementary and high school career fairs and provide targeted materials on water career opportunities and jobs at FPUD.





Acknowledgments

This Triennial Strategic Plan was developed through collaboration among the FPU D Leadership Team, the Board of Directors, participating staff members and key community stakeholders.

FPUD STRATEGIC PLAN LEADERSHIP TEAM

Jack Bebee	General Manager
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Noelle Denke	Public Information Officer
John Marchetta	Human Resources Manager
Aaron Cook	Engineering Manager
Steve Stone	Field Services Manager
Carl Quiram	Operations Manager

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COMMUNITY STAKEHOLDERS

Aldo Alvidres	Fallbrook Business Owner
Commander Stephen Ramsey	USM Camp Pendleton
Roy Moosa	Sun Realty, Fallbrook Historical Society
Jeff Dickinson	Dickinson Family Farms
Leticia Maldonado-Stamos	Community Leader / FPUD Community Benefit Program (CBP) Committee Member
Lila Hargrove	Fallbrook Chamber of Commerce/CBP Committee Member
Daniel & Paula Cox	Haas Farms
Gary Arant	Valley Center Municipal Water District General Manager

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

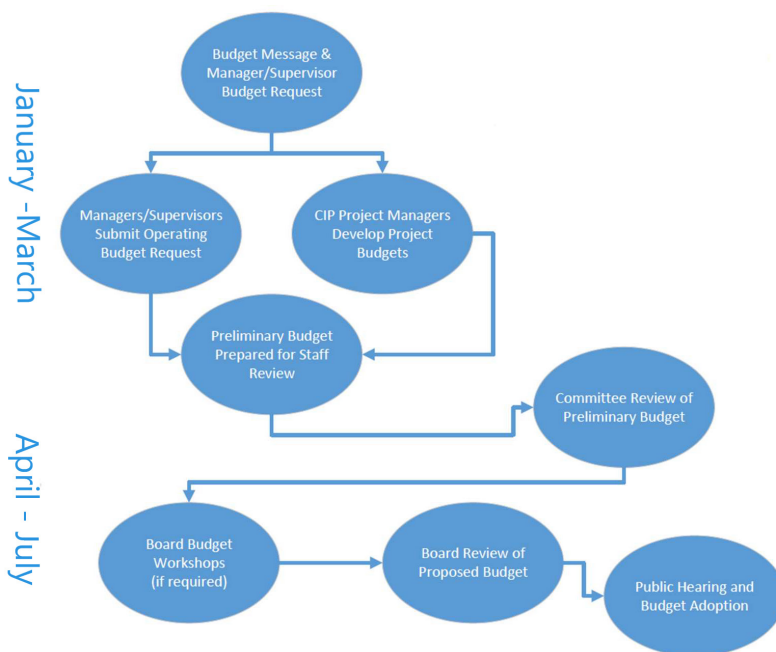
Each year, the District develops and adopts a new budget for the upcoming fiscal year. The budgeting process begins in January and starts with the budget message. The budget message establishes the priorities of the District in the next fiscal year and provides budget managers guidance on how to prioritize 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.

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

Figure #3 - Fallbrook District’s Annual Budget Process



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 86 Full Time Equivalent (FTE). The Operating Budget Section provides a table of approved FTE counts by Service. **Appendix B provides a summary of FTE counts.**

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.

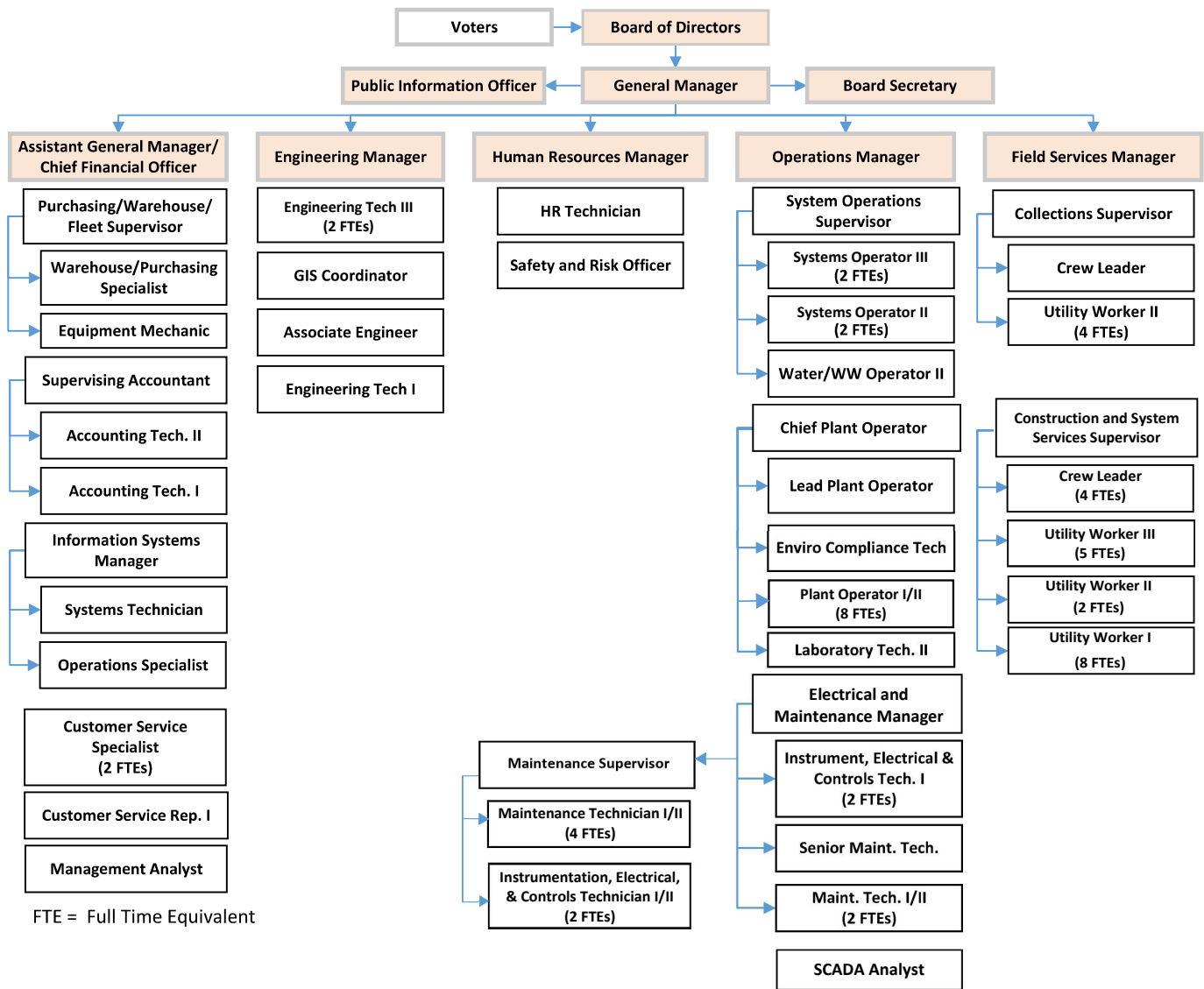
Water, Wastewater and Recycled Water Services are the District’s other services. Water services is comprised of four Divisions while the other services are broken into two Divisions. The function of each division is discussed in the Operating Budget Section.

The District introduced the Community Benefit Program (CBP) in Fiscal Year 2022-23. In Fiscal Year 2026-27 the Administrative Services department will allocate .02 FTE from existing staff hours to be directed toward this activity.

The District added 14 FTEs to the Fiscal Year 2026-27 budget, to staff operations at the Camp Pendleton treatment plants. These additional positions are fully funded by the Department of Defense (DOD).



Figure #4 - Proposed Fiscal Year 2026-27 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), the Community Benefit Program (CBP) and Camp Pendleton (CPEN) Contract Services. 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 and CPEN Contract Services Funds only have an Operating Fund. The CBP and CPEN Operating Funds track all transactions related to the CBP and CPEN financial activities.

Overview of Fund Structure

Water Services		Recycled Water Services		Wastewater Services		Community Benefit Program	CPEN Contract Services
Operating Fund	Capital Fund	Operating Fund	Capital Fund	Operating Fund	Capital Fund	Operating 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 2026-27 is \$10.2 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: Includes a \$5 million emergency repairs or replacements fund and a \$10 million Red Mountain Reservoir Relining Project Reserve fund, which was added this year and funded over time to cash fund a portion of the project’s costs. 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 2026-27 is \$15 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 2026-27 is \$0.3 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 2026-27 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 2026-27 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 2026-27 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.

Camp Pendleton Contract Services Fund

The sole source of funds for the Operating Fund are payments made to the District by the Department of Defense. There is no reserve target for this fund.

Fund Summary

The Districts total water target fund balance (30.8 million) equals the water services operating fund (10.2 million), the water services capital fund (15.0 million) and the water debt services fund (5.6 million). The total recycled water target fund balance (0.5 million) equals the recycled services operating fund (0.3 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 2026-27 year-end balances are shown in the table below.

Table #1 - Total Fund Balances

Service	Target Balance (Millions)	Projected Fiscal Year 2026-27 Ending Balance (Millions)
Water	\$ 30.8	\$ 28.1
Recycled Water	\$ 0.5	\$ 1.2
Wastewater	\$ 5.5	\$ 9.7
Community Benefit Program	N/A	\$ 0
Camp Pendleton Contract Services Fund	N/A	N/A
Total	\$ 36.8	\$ 39.0

Other Funds Maintained by the District

Section 115 Pension and OPEB Trust Fund

This fund was set up in Fiscal Year 2016-17 as an irrevocable trust established for the benefit of the pension and Other Post-Employment Benefits (OPEB) beneficiaries. The fund is managed by Public Agency Retirement Services (PARS) and is restricted in its use to funding pension and OPEB expenditures. The funds restricted for OPEB and pension costs are tracked in the fund. The fund balance was \$11.69 million on March 31, 2026. 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:

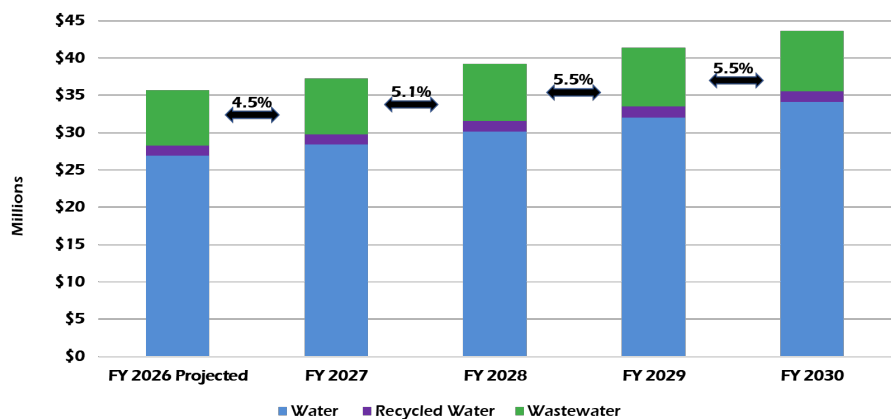
- [Debt Management Policy – Defines the District’s debt management \(available on website\)](#)
- [Investment Policy – Establishes permitted investments in compliance with State Code \(Article 18 of the District’s Administrative Code\)](#)
- [Fund Balance Policies – Sets target balances for reserves 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

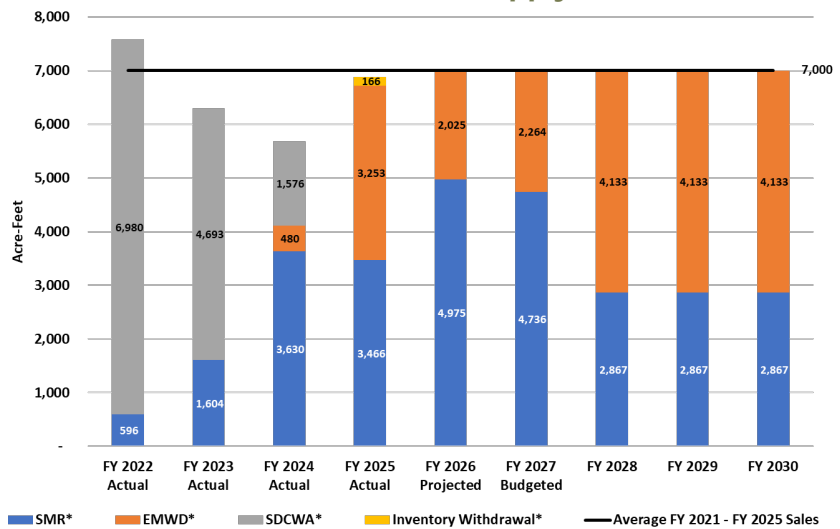
The rate and charge increases included in the Budget projections are in line with the increases approved by the Board in December 2022 as part of the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report) and Proposition 218 process. The Report lays out the District’s Comprehensive Financial Plan (the Financial Plan) for Calendar Years 2023, 2024, 2025, 2026, and 2027. Because the rate and charge increases are effective for a calendar year, the impact of a rate increase spans two fiscal years. The projections take this into account and show revenues on a fiscal year basis with the underlying rate increases. 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 2027 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 6%, 1%, and 2.5%, respectively. Chart 1 shows the projected increase in revenues due to the rate adjustments. The rather flat Fiscal Year 2026-2027 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 6.2% annually, in line with past averages, for the next two years and then increase at an average of 8.5% annually. The Metropolitan Water District (MWD) has adopted a 9.5% and 6.2% water rate increase for calendar years 2026 and 2027, respectively, which will be passed through to the District by EMWD. The District is projecting 7,000 AF in sales for FY 2027 through FY 2030.

Chart #2 - Wholesale and Local Supply Mix



* AF shown net of losses.

As shown in Chart 2, in Fiscal Year 2026-27, the District is projecting 5,120 AF, or 4,736 AF net of losses, 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 AF, or 2,867 AF net of losses, for the remainder of the projection period as shown in Chart 2. The increase in Fiscal Year 2027-28 through 2029-30

Water Supply Costs is being driven by an increase in budgeted imported water purchases from EMWD to meet customer water demands. Imported water purchases fill the gap between budgeted customer water demands and the amount Santa Margarita River (Local Supply) available to the District during the budget period. The amount of Santa Margarita River water available to the District is dependent on regional rainfall during the prior water year. During dry periods, less water is available than during wet periods. Rainfall was above average for Fiscal Year 2024-25 and Fiscal Year 2025-26 creating a large upward swing in the amount of Local Supply available to meet budgeted customer water demands, as shown in Chart 2. As a result, the District is budgeting for a slight increase in the amount of imported treated water purchased from EMWD.

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

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues					
Revenue from Rates					
Water	\$ 26,925,612	\$ 28,379,241	\$ 30,117,172	\$ 32,030,324	\$ 34,067,289
Recycled Water	1,355,365	1,369,225	1,392,768	1,427,057	1,462,584
Wastewater	7,367,643	7,511,628	7,668,311	7,879,005	8,095,015
Subtotal Revenue from Rates	\$ 35,648,620	\$ 37,260,094	\$ 39,178,251	\$ 41,336,386	\$ 43,624,888
Other Operating Revenue					
Pumping Charge	\$ 103,530	\$ 103,530	\$ 103,530	\$ 103,530	\$ 103,530
Backflow Charge	265,613	265,613	265,613	265,613	265,613
Sundry ⁽¹⁾	93,347	88,347	88,347	88,347	88,347
Contract Wastewater Services	4,259,388	8,538,819	8,875,767	9,226,194	9,590,638
Other Revenue Subtotal	\$ 4,721,878	\$ 8,996,309	\$ 9,333,257	\$ 9,683,684	\$ 10,048,128
Non-Operating Revenue					
Water Availability Charge ⁽²⁾	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax	2,821,660	2,839,791	2,858,081	2,876,530	2,895,140
Investment Earnings	1,279,463	1,181,747	1,217,658	1,212,691	1,196,703
Water Capital Improvement Charge	2,015,814	2,082,134	2,227,884	2,383,836	2,550,704
MWD Local Resource Program	945,500	945,500	945,500	945,500	945,500
Other Revenue	244,515	249,406	254,394	259,482	264,671
PFAS Settlement	1,223,098	-	-	-	-
Power Your Drive for Fleets-SDG&E Grant	169,660	-	-	-	-
SMGTP Generator Grant (OLDCC-DCIP)	500,000	797,000	-	-	-
Federal Grant Funding-Pipeline Replacement	-	1,250,000	-	-	-
Water Capacity Fees	85,000	85,000	85,000	85,000	85,000
Wastewater Capital Improvement Charge	1,490,897	1,495,220	1,555,029	1,617,230	1,681,920
Wastewater Capacity fees	50,000	50,075	50,150	50,225	50,301
Federal Interest Rate Subsidy	39,233	22,388	4,606	-	-
Subtotal Non-Operating Revenue	\$ 11,064,838	\$ 11,198,262	\$ 9,398,301	\$ 9,630,494	\$ 9,869,938
Total Revenues	\$ 51,435,336	\$ 57,454,665	\$ 57,909,809	\$ 60,650,564	\$ 63,542,955

(1) 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.

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

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

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Revenues	\$ 51,435,336	\$ 57,454,665	\$ 57,909,809	\$ 60,650,564	\$ 63,542,955
Operating Expenses					
Water Supply Costs					
EMWD Wholesale Treated Water Costs ⁽¹⁾	\$ 3,058,202	\$ 4,083,070	\$ 7,303,679	\$ 7,906,011	\$ 8,739,272
Camp Pendleton SMR Untreated Water Delivery Costs	1,727,092	1,709,849	1,076,670	1,119,737	1,164,527
Subtotal Water Supply Costs	\$ 4,785,294	\$ 5,792,919	\$ 8,380,350	\$ 9,025,748	\$ 9,903,799
Labor Costs	4,331,906	4,600,582	4,784,606	4,975,990	5,175,029
Fringe Benefits	2,995,941	3,207,972	3,336,291	3,469,743	3,608,532
Services, Materials & Supplies	5,056,770	5,462,619	5,105,404	5,311,426	5,525,779
Administrative Expenses	8,802,977	8,861,073	9,215,516	9,584,136	9,967,502
Contract Wastewater Services ⁽²⁾	4,259,388	8,538,819	8,875,767	9,226,194	9,590,638
Total Operating Expenses	\$ 30,232,276	\$ 36,463,983	\$ 39,697,933	\$ 41,593,237	\$ 43,771,279
Net Operating Revenues	\$ 21,203,059	\$ 20,990,681	\$ 18,211,877	\$ 19,057,327	\$ 19,771,675
Total Non-Operating Expenses	\$ 865,854	\$ 945,915	\$ 546,000	\$ 546,000	\$ 546,000
Total Debt Service	\$ 6,144,906	\$ 6,146,209	\$ 5,886,273	\$ 5,622,853	\$ 5,624,655
Total Capital Expenditures	\$ 9,579,296	\$ 13,455,000	\$ 12,147,305	\$ 14,615,224	\$ 12,341,205
Total Expenditures	\$ 46,822,332	\$ 57,011,107	\$ 58,277,511	\$ 62,377,314	\$ 62,283,139
Water Revenue Bond Proceeds Spent	\$ 3,702,076	\$ -	\$ -	\$ -	\$ -
Change in Net Position⁽³⁾	\$ 8,315,080	\$ 443,558	\$ (367,702)	\$ (1,726,751)	\$ 1,259,816
<i>Beginning Balances</i>	\$ 30,138,046	\$ 38,453,126	\$ 38,896,683	\$ 38,528,982	\$ 36,802,231
<i>Ending Balance</i>	\$ 38,453,126	\$ 38,896,683	\$ 38,528,982	\$ 36,802,231	\$ 38,062,047

(1) Detail on purchased water costs provided on page 74. Purchased water costs include MWD RTS and Capacity Charges, and Pumping Costs.

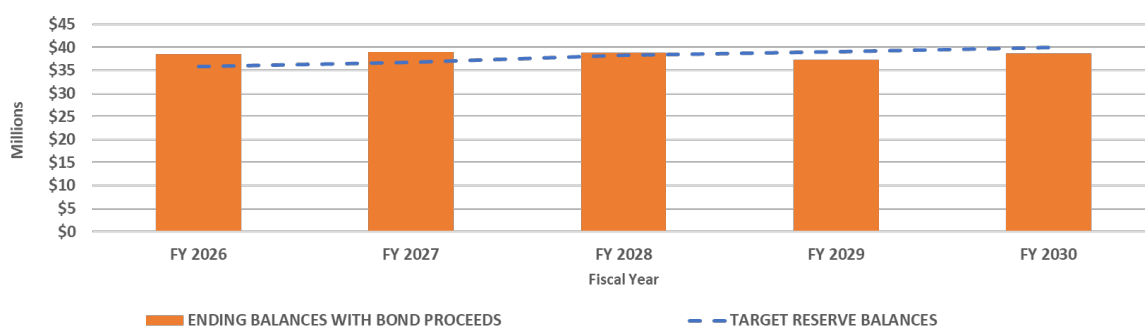
(2) Contract Wastewater Services commenced on January 1, 2026. The revenue for FY 2025-26 reflects 1/2 year of revenues with the following year representing a full year.

(3) Change in net position is Total Revenues minus Total Expenditures plus Water Revenue Bond Proceeds Spent.

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 2026-27 Change in Net Position shows the District is depositing into reserves in that particular fiscal year. In Fiscal Year 2026-27, the District is projecting a deposit into reserves of \$443,558.

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 2026-27 budget cycle, California’s water reservoir levels have recovered due to the record setting wet weather of the past three 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 to be the District’s long-term average sales level of 7,000 AF. The District is 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

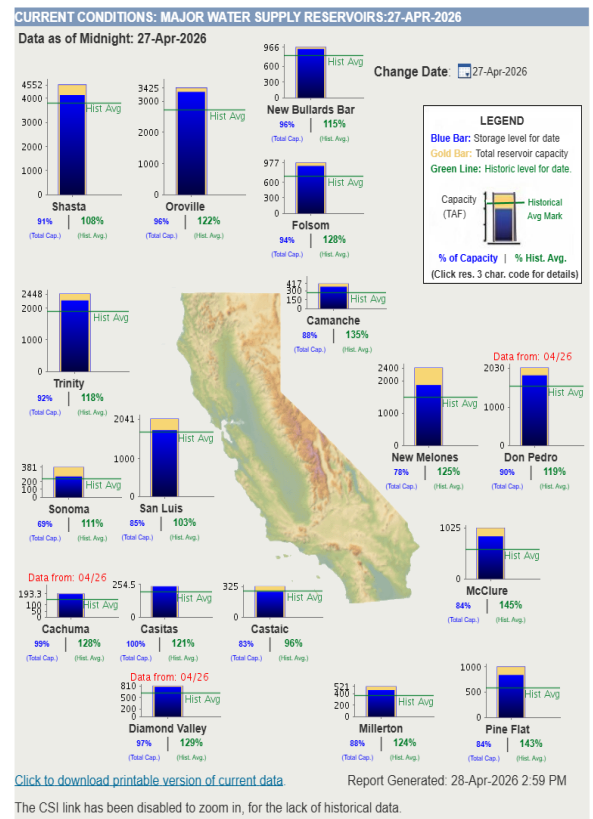
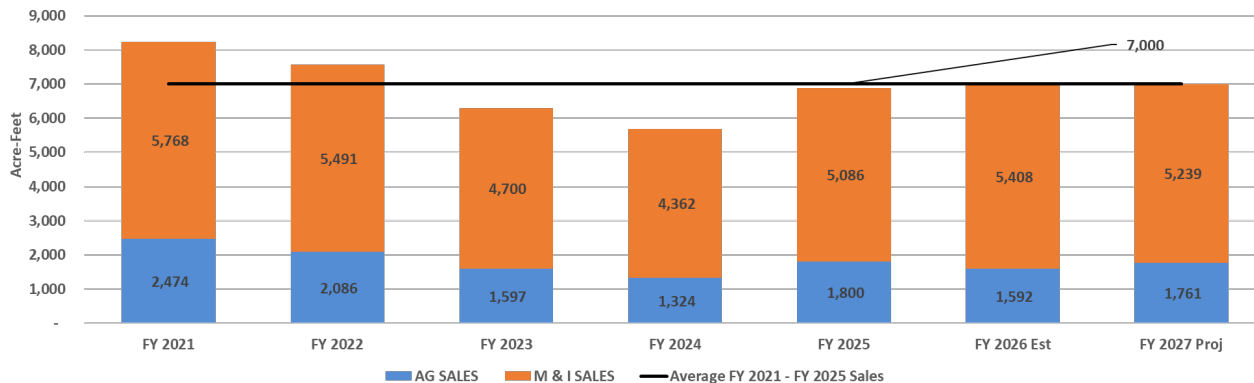


Table #1 - Five-Year Production and Sales History

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Estimated	FY 2026-27 Projected
Production	8,918	8,244	6,659	6,519	7,476	7,568	7,568
Total Sales (adjusted for system losses)	8,242	7,576	6,297	5,685	6,886	7,000	7,000
AG Sales	2,474	2,086	1,597	1,324	1,800	1,592	1,761
M&I Sales	5,768	5,491	4,700	4,362	5,086	5,408	5,239

As Table 1 and Chart 1 show, 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 2022-23 and 2024-25 water demands were low, Fiscal Year 2023-24 set a new all-time low for District water sales. Agriculture sales are trending down as a share of overall water sales. The persistent trend toward 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 2026-27 water sales are at 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 2026-27 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 7.4% revenue increase budget to budget are a planned water rates and charge increases and budgeted grant funds for \$1.25 million which were not budgeted in the previous year. The Water Capital Improvement Charge increase is being driven by inflation adjustments to that charge, or the Engineering News-Record (ENR) rate plus 3%. The increase in MWD Local Resource Program revenue is due to an increase in local supply that the District is credited for. Fiscal Year 2025-26 revenues are projected to be above budgeted levels.

Fiscal Year 2026-27 Water Sales

Water sales levels are projected to return to the long term average of 7,000 AF.

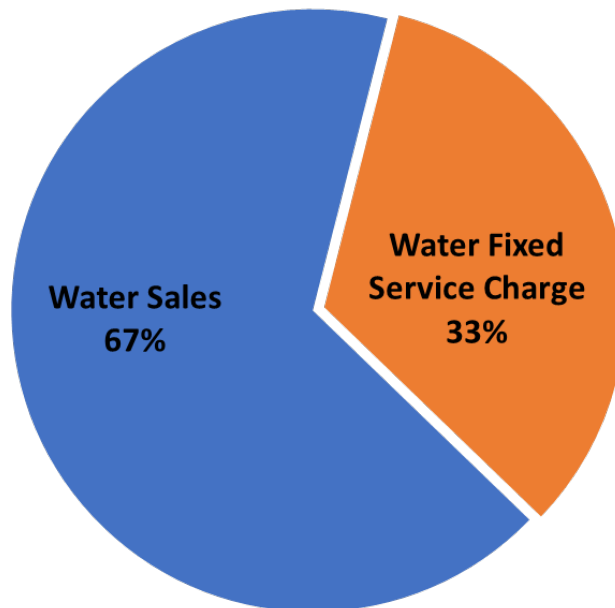
As Chart 2 shows, water sales revenues represent 67% of the District’s water operating revenues with the remaining 33% of revenues coming from other sources that are independent from water sales. This variable/fixed mix of revenue means that operating revenues are subject to volatility due to water sales levels. Managing this volatility requires good fiscal planning and the use of 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 2024-25	FY 2025-26		FY 2026-27	Amended Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Operating Revenues:					
Water Sales	\$ 16,629,348	\$ 18,069,918	\$ 18,227,832	\$ 19,193,567	6.2%
Water Fixed Service Charge	8,292,038	8,989,834	9,066,922	9,554,818	6.3%
Total Operating Revenue	\$ 24,921,386	\$ 27,059,752	\$ 27,294,755	\$ 28,748,384	6.2%
Non-Operating Revenues:					
Water Capital Improvement Charge	\$ 1,926,133	\$ 2,015,814	\$ 2,015,814	\$ 2,082,134	3.3%
Property Tax ⁽¹⁾	915,894	888,296	925,053	929,678	4.7%
Water Availability Charge	198,987	200,000	200,000	200,000	0.0%
Water Capacity Charges	210,395	85,000	85,000	85,000	0.0%
Investment Earnings	1,021,088	916,627	916,627	810,446	-11.6%
Gain/Loss on sale of assets/SDCWA Refund	749,822	-	-	-	N/A
MWD Local Resource Program	945,500	669,475	945,500	945,500	41.2%
Water Bank Payment	2,782,204	-	-	-	N/A
PFAS Settlement	-	-	1,223,098	-	N/A
Power Your Drive for Fleets-SDG&E Grant	-	240,000	169,660	-	-100.0%
SMGTP Generator Grant (OLDCC-DCIP)	-	1,297,000	500,000	797,000	-38.6%
Federal Community Grant Funding-Pipelines	-	-	-	1,250,000	N/A
Other Revenue	73,347	60,000	73,347	73,347	22.2%
Cell Lease Revenue	308,099	244,515	244,515	249,406	2.0%
Total Non-Operating Revenue	\$ 9,131,469	\$ 6,616,727	\$ 7,298,613	\$ 7,422,511	12.2%
Total Revenues	\$ 34,052,855	\$ 33,676,479	\$ 34,593,368	\$ 36,170,895	7.4%

(1) Property tax revenue reduced by \$546,000 for the Community Benefit Program.

Chart #2 - Fiscal Year 2026-27 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.

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 2026-27 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. The Operating Revenues budget is based on FY 2025-26 revenue projections, which are less than the FY 2025-26 Budget. This explains why Operating Revenues are flat in spite of a 2.5% increase in Wastewater Service Charges.

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 2026-27 shows billable flows remain flat from the Fiscal Year 2025-26 flow levels. Prior to adopting rates and charges in December 2026, the Board will review current financial information and adopt rate and charge increases for Calendar Year 2027.

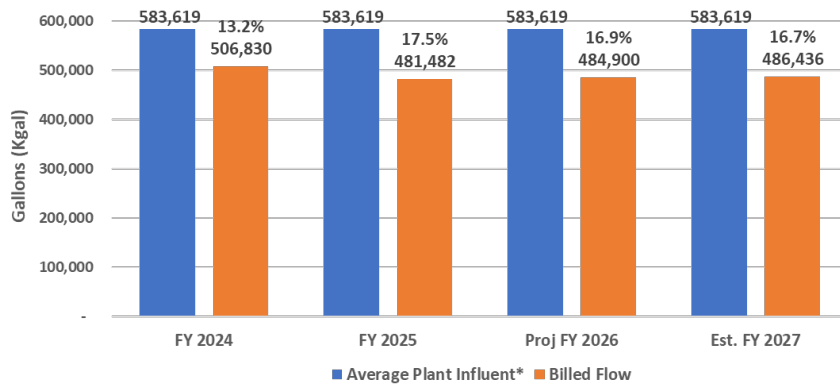
Wastewater Services operating and non-operating revenues are shown in Table 3 and Chart 4. The primary source of operating revenue for Wastewater Services is the Wastewater Service Charge. The primary non-operating revenues are the Wastewater Capital Improvement charge, which, like the Water Capital Improvement Charge, is restricted to fund only capital projects and is based on the ENR rate. Other non-operating revenues include property tax revenues. Overall there is not much of a change from last year to this year.

Table #3 - Wastewater Services Sources of Revenue

Description	FY 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		Amended Budget	Projected		
Operating Revenue					
Wastewater Service Charges	\$ 7,270,857	\$ 7,512,322	\$ 7,367,643	\$ 7,511,628	0.0%
Sundry Other Revenue	16,011	10,000	15,000	10,000	0.0%
Total Operating Revenue	\$ 7,286,868	\$ 7,522,322	\$ 7,382,643	\$ 7,521,628	0.0%
Non-Operating Revenue					
Wastewater Capital Improvement Charge	\$ 1,428,568	\$ 1,490,897	\$ 1,490,897	\$ 1,495,220	0.3%
Property Tax	1,282,933	1,276,815	1,295,762	1,308,720	2.5%
Wastewater Capacity Charges	866,619	50,000	50,000	50,075	0.2%
Investment Earnings	343,334	253,750	348,484	353,711	39.4%
Federal Interest Rate Subsidy	56,074	39,233	39,233	22,388	-42.9%
Total Non-Operating Revenue	\$ 3,977,528	\$ 3,110,695	\$ 3,224,376	\$ 3,230,115	3.8%
Total Revenues	\$ 11,264,396	\$ 10,633,017	\$ 10,607,019	\$ 10,751,742	1.1%

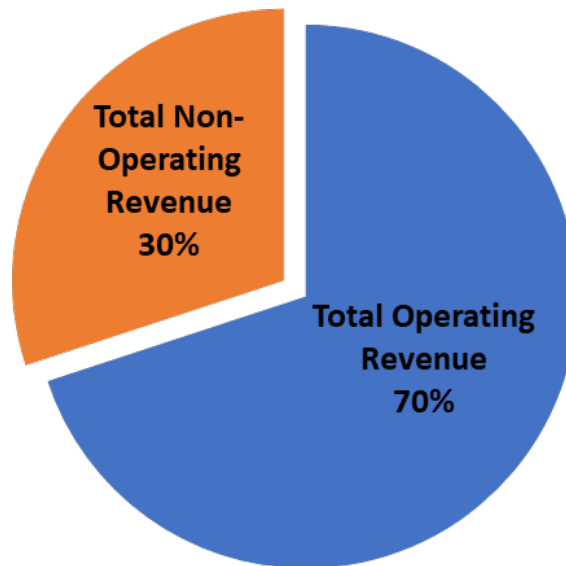


Chart #3 - Wastewater Services Annual Flows



* Average Plant Influent is based on a 5 year average (FY 2021 - FY 2025).

Chart #4 - Fiscal Year 2026-27 Wastewater Services Operating Revenues



Recycled Water Services Sources of Funds

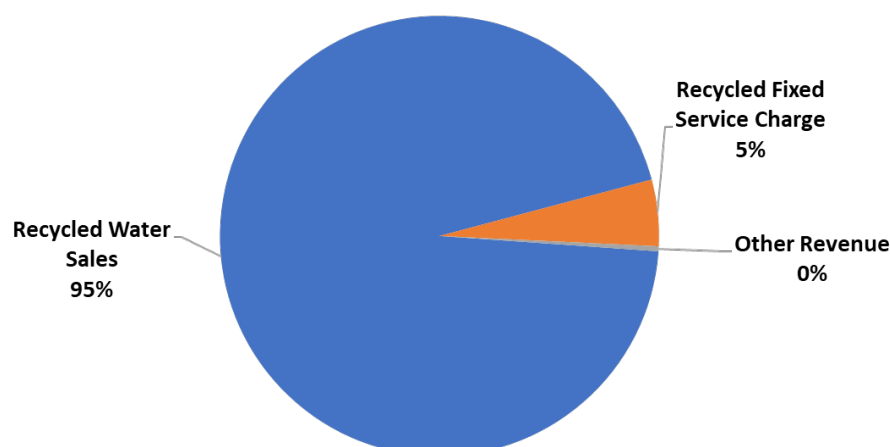
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively 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 2026-27 is 610 acre-feet, which is the same as the prior year's budget. The revenue projection for Fiscal Year 2026-27 provided here include rate and charge increases in line with what was approved by the Board. The Board will review and adopt Calendar Year 2027 rates in December 2026.

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

Table #4 - Recycled Water Services Sources of Revenue

	FY 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		Amended Budget	Projected		
Operating Revenues					
Recycled Water Sales	\$ 1,316,798	\$ 1,298,199	\$ 1,288,983	\$ 1,302,230	0.3%
Recycled Fixed Service Charge	60,687	66,840	66,382	66,995	0.2%
Other Revenue	5,000	5,000	5,000	5,000	0.0%
Total Operating Revenue	\$ 1,382,485	\$ 1,370,039	\$ 1,360,365	\$ 1,374,225	0.3%
Non-Operating Revenues					
Property Tax	\$ 68,248	\$ 54,844	\$ 54,844	\$ 55,393	1.0%
Investment Earnings	9,719	10,414	14,352	17,591	68.9%
Total Non-Operating Revenue	\$ 77,967	\$ 65,259	\$ 69,196	\$ 72,983	11.8%
Total Revenues	\$ 1,460,452	\$ 1,435,297	\$ 1,429,561	\$ 1,447,209	0.8%

Chart #5 - Fiscal Year 2026-27 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 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		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%



Contract Wastewater Services Sources of Funds

The District recently assumed responsibility for the operations of two wastewater treatment plants located on Camp Pendleton military base. This contract ensures that the District manages day-to-day operations and maintenance of the facilities. Importantly, all costs associated with running these plants are fully funded by the federal government, which ensures ratepayers are not impacted by this change. The overhead costs related to the management of these facilities will also be covered by the federal funding. The Fiscal Year 2025-26 revenue shown in Table 6 is for a 6-month term, as the contract was not in place until January 1, 2026.

Table #6 - Contract Wastewater Services Sources of Revenue

	FY 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		Amended Budget	Projected		
Operating Revenues					
Annual Payment	\$ -	\$ 4,259,388	\$ 4,259,388	\$ 8,538,819	100.5%
Total Operating Revenue	\$ -	\$ 4,259,388	\$ 4,259,388	\$ 8,538,819	100.5%
Total Revenues	\$ -	\$ 4,259,388	\$ 4,259,388	\$ 8,538,819	100.5%

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, is shown as a stand-alone program to maximize financial transparency. In January 2026, the District secured a contract with Camp Pendleton to provide Contract Wastewater Services for the operations and maintenance of the two wastewater treatment plants located on the base. In addition to operating and maintenance costs, Contract Wastewater Services costs include a share of the District’s general and administrative costs. These are costs associated with payroll processing, invoice processing, information services, and human resources necessary to support contract operations. The share paid by Camp Pendleton is shown in Table 1 as contract wastewater services overhead. This reduces the costs recovered from the District’s rate payers for Administrative Services.

RATE PAYER SAVINGS

Contract Wastewater Services is budgeted to save rate payers \$1.3 million in FY 2026-27.

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 Adopted FY 2026-27 Budget includes a 6.5% increase in the total Operating Budget.

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

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

Table #1 - Overview of Total Services’ Operating Budget

Description	FY 2024-25	FY 2025-26			FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Original Budget	Amended Budget ⁽²⁾	Projected	Budget	
Water Supply Costs	\$ 5,795,983	\$ 8,893,418	\$ 8,893,418	\$ 4,785,294	\$ 5,792,919	-34.9%
Debt Service	6,151,156	6,144,906	6,144,906	6,144,906	6,146,209	0.0%
Total Labor ⁽¹⁾	7,177,443	7,615,079	7,615,079	7,617,608	7,880,042	3.5%
Total Non-Labor	7,524,200	8,156,913	8,156,913	8,690,976	9,535,804	16.9%
Community Benefit Program	651,685	1,100,000	1,100,000	865,854	945,915	-14.0%
Benefits Expense	4,729,844	5,129,311	5,129,311	5,266,227	5,492,656	7.1%
Contract Wastewater Svcs Overhead	-	-	(387,217)	(387,217)	(776,256)	100.5%
Total FPUD Operating	\$32,030,311	\$37,039,627	\$36,652,410	\$32,983,648	\$35,017,289	-4.5%
Total Contract Wastewater Svcs	\$ -	\$ -	\$ 4,259,388	\$ 4,259,388	\$ 8,538,819	100.5%
Total Budget	\$32,030,311	\$37,039,627	\$40,911,797	\$37,243,036	\$43,556,107	6.5%

⁽¹⁾ Total Labor does not include District’s Benefits.

⁽²⁾ FY 2025-26 Amended budget for Contract Wastewater Services was for a 6-month period.

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 40 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* FY 2024-25	Actual FTE* FY 2025-26	Proposed FTE* FY 2026-27
General Manager	1.0	0.9	0.9
Executive Assistant/ Board Secretary	0.98	0.98	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	0.8	0.8
Information Systems Technician	0.08	-	-
IT Manager	0.92	1.0	1.0
Systems Tech	0.6	0.75	0.75
Engineering Manager	1.0	1.0	1.0
Human Resources Technician	1.0	1.0	1.0
Engineering Technician I, II & III	4.0	3.0	3.0
Associate Engineer	-	1.0	1.0
GIS Coordinator	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Public Information Officer	1.0	1.0	1.0
Customer Service Specialist	2.0	1.0	1.0
Customer Service Representative I & II	1.0	2.0	2.0
Purchasing Warehouse Supervisor	1.0	1.0	0.8
Warehouse Purchasing Specialist	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
TOTAL FTE	25.58	25.43	25.23

* FTE - Full-Time Equivalents

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 remaining flat. This is due to the reduction in operating expenditures due to the Contract Wastewater Services Overhead allocation, which is funded by the federal government as part of the District’s Contract Wastewater Services. Labor costs have also remained flat, as some key administrative staff have reallocated their time to support Contract Wastewater Services. 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 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor ⁽¹⁾	\$ 3,133,532	\$ 3,234,541	\$ 3,285,702	\$ 3,279,460	1.4%
Total Non-Labor	3,457,792	3,739,992	3,634,206	4,073,185	8.9%
Services Operating Total	\$ 6,591,324	\$ 6,974,533	\$ 6,919,908	\$ 7,352,645	5.4%
Allocated Benefits Expenditures	2,063,954	2,177,554	2,270,286	2,284,684	4.9%
Contract Wastewater Svcs. Overhead	-	(387,217)	(387,217)	(776,256)	100.5%
Total Services Budget	\$ 8,655,278	\$ 8,764,870	\$ 8,802,977	\$ 8,861,073	1.1%

⁽¹⁾ Total Labor does not include District’s Benefits.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Office of the General Manager					
Labor:					
Salaries	\$ 530,750	\$ 568,746	\$ 566,544	\$ 569,330	0.1%
Non-Labor:					
Director Expenses	30,879	35,000	28,939	35,000	0.0%
General & Administrative	19,326	88,600	90,697	91,000	2.7%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	64,702	74,800	84,633	76,000	1.6%
Professional Services	333,524	431,000 ⁽¹⁾	239,328	360,000	-16.5%
Memberships/Training/Permits	113,447	103,200	103,200	103,400	0.2%
Santa Margarita Watermaster	131,384	138,020	138,020	145,000	5.1%
Total Non-Labor	\$ 693,262	\$ 870,620	\$ 684,817	\$ 810,400	-6.9%
Division Operating Total	\$ 1,224,013	\$ 1,439,366	\$ 1,251,360	\$ 1,379,730	-4.1%

⁽¹⁾ \$240K of “mutual services agreement”, 75% (\$180K) will be reimbursable.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Finance & Customer Service					
Labor:					
Salaries	\$ 913,222	\$ 970,844	\$ 936,005	\$ 1,002,633	3.3%
Non-Labor:					
Contractor Services	38,206	38,500	39,921	39,300	2.1%
Equipment (Non Capital)	289	1,500	1,500	2,500	66.7%
Materials/Services/Supplies	171,919	185,200	181,799	185,200	0.0%
Professional Services	102,828	125,500	120,500	200,500	59.8%
Memberships/Training/Permits	4,240	2,700	5,159	7,000	159.3%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 317,481	\$ 353,400	\$ 348,879	\$ 434,500	22.9%
Division Operating Total	\$ 1,230,703	\$ 1,324,244	\$ 1,284,884	\$ 1,437,133	8.5%

Warehouse & Purchasing					
Labor:					
Salaries	\$ 227,309	\$ 231,313	\$ 242,796	\$ 210,808	-8.9%
Non-Labor:					
Contractor Services	144,658	145,000	175,000	160,000	10.3%
Equipment (Non Capital)	631	1,000	912	1,000	0.0%
Materials/Services/Supplies	187,488	152,500 ⁽¹⁾	219,234	141,500	-7.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	2,682	1,000	1,531	1,500	50.0%
Utilities ⁽²⁾	76,177	75,000	85,000	75,000	0.0%
Total Non-Labor	\$411,636	\$ 374,500	\$ 481,677	\$ 379,000	1.2%
Division Operating Total	\$ 638,945	\$ 605,813	\$ 724,473	\$ 589,808	-2.6%

⁽¹⁾ Increased budget for \$20,000 reimbursable expenses from Camp Pendleton shared services.

⁽²⁾ Utility cost increase driven by actual cost levels.

Human Resources					
Labor:					
Salaries	\$ 251,491	\$ 259,808	\$ 279,856	\$ 271,178	4.4%
Non-Labor:					
Contractor Services	15,103	13,000	23,206	15,000	15.4%
Equipment (Non Capital)	-	350	223	350	0.0%
Materials/Services/Supplies	17,653	12,000	5,972	14,000	16.7%
Professional Services	70,058	30,000	25,000	25,000	-16.7%
Memberships/Training/Permits	86,857	92,400	105,893	100,818	9.1%
Education Funding	21,330	17,000	25,000	20,000	17.6%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 211,001	\$ 164,750	\$ 185,294	\$ 175,168	6.3%
Division Operating Total	\$ 462,492	\$ 424,558	\$ 465,150	\$ 446,346	5.1%

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Information Management					
Labor:					
Salaries	\$ 372,082	\$ 329,766	\$ 325,906	\$ 334,625	1.5%
Non-Labor:					
Contractor Services	109,949	64,352	74,654	98,549	53.1%
Equipment (Non Capital)	42,174	30,000	30,000	30,000	0.0%
Materials/Services/Supplies	250,198	380,925	375,286	405,811	6.5%
Professional Services	35,774	50,000	83,780	50,000	0.0%
Memberships/Training/Permits	260	300	300	300	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 438,356	\$ 525,577	\$ 564,020	\$ 584,660	11.2%
Division Operating Total	\$ 810,438	\$ 855,343	\$ 889,927	\$ 919,285	7.5%
Engineering Services					
Labor:					
Salaries	\$ 526,715	\$ 513,216	\$ 573,049	\$ 536,419	4.5%
Non-Labor:					
Contractor Services	1,700	25,000	8,647	25,000	0.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	50,796	48,500	46,153	48,500	0.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	2,194	500	2,556	500	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 54,689	\$ 74,000	\$ 57,357	\$ 74,000	0.0%
Division Operating Total	\$ 581,405	\$ 587,216	\$ 630,406	\$ 610,419	4.0%
Safety & Risk					
Labor:					
Salaries	\$ 210,473	\$ 253,997	\$ 254,555	\$ 245,016	-3.5%
Non-Labor:					
Contractor Services	53,864	57,700	57,700	62,000	7.5%
Equipment (Non Capital)	73,357	72,000	72,000	72,000	0.0%
Materials/Services/Supplies	28,264	34,300 ⁽¹⁾	34,300	34,300 ⁽¹⁾	0.0%
Professional Services	764,769	814,445	784,445	1,041,957	27.9%
Memberships/Training/Permits	998	2,700	2,700	2,700	0.0%
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 921,251	\$ 981,145	\$ 951,145	\$ 1,212,957	23.6%
Division Operating Total	\$ 1,131,724	\$ 1,235,142	\$ 1,205,700	\$ 1,457,973	18.0%

⁽¹⁾ Includes \$24,000 budget for potential small claims.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Vehicle Services & Shop					
Labor:					
Salaries	\$ 101,489	\$ 106,853	\$ 106,991	\$ 109,451	2.4%
Non-Labor:					
Contractor Services	34,105	40,000	30,000	30,000	-25.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	376,012	356,000	325,000	365,000	2.5%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	6,018	7,500	NA
Total Non-Labor	\$ 410,116	\$ 396,000	\$ 361,018	\$ 402,500	1.6%
Division Operating Total	\$ 511,605	\$ 502,853	\$ 468,008	\$ 511,951	1.8%

Fiscal Year 2025-26 Accomplishments

- Audited and updated the digital employee records database
- Promoted and identified employees for leadership training opportunities
- Began implementing the District’s new Strategic Plan (ongoing)
- Recruited, hired, onboarded, and trained 13 new employees for CPEN contracted services
- Revised and updated critical safety policies identified by safety program audit
- Conducted an emergency response drill for a natural disaster and updated the emergency response procedures accordingly
- Hired and trained new associate engineer

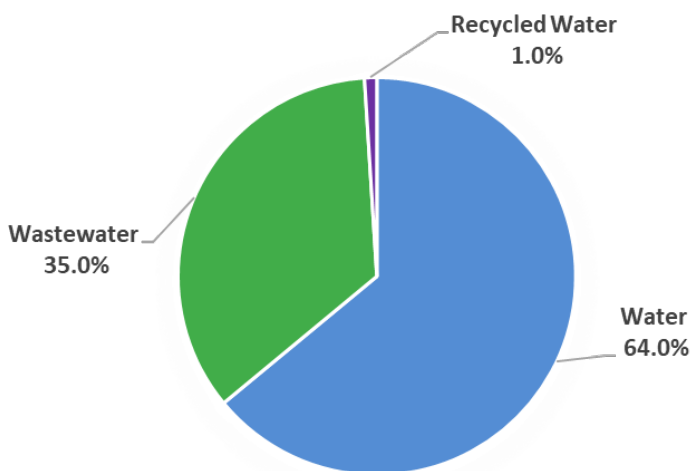
Fiscal Year 2026-27 Goals and Objectives

- Create additional storage area to extend warehouse, allowing all outdoor inventory items to be secured and grouped together
- Complete a new salary survey in preparation for the new MOU effective July 1, 2027
- Negotiate new terms for FPUDEA and FMEA MOUs
- Formalize an employee cross-training program
- Develop an improved onboarding program for new employees
- Increase participation rates and scores for the annual Employee Satisfaction Survey
- Continue to revise and update critical safety policies identified by safety program audit
- Ensure all FPUDEA employees have completed the required Incident Command System (ICS) coursework in preparation for emergencies
- Execute planned CIP projects
- Initiate shared services with Rainbow Municipal Water District (RMWD), Valley Center Municipal Water District (VCMWD), and Yuima Municipal Water District (YMWD)

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



Number of Accounts	
Water	9,211
Wastewater	5,046
Recycled Water	30
Total Accounts	14,287

Total Number of Accounts: 14,287



Table #5 - Administrative Services Key Performance Indicators

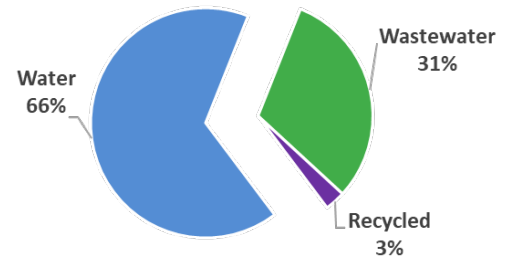
Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Estimate	Target Met
Exemplary Workforce and Culture	Maintain a Workers Compensation Experience Modification Rate below 1%	Below 1%	0.89%	0.86%	0.69%	0.66%	0.72%	Yes
Operational Optimization and Partnerships	Maintain an inventory shrinkage rate of less than 1%	Below 1%	0.3%	0%	0% surplus of \$443.58	0%	0%	Yes
Customer Service Excellence	Maintain an average customer service call wait time of less than 3 minutes	Below 3 minutes	0:40 seconds	0:55 seconds	0:40 seconds	0:49 seconds	0:47 seconds	Yes
Customer Service Excellence	Percentage of customers enrolled in Watersmart-AMI portal (as a % of total District customers)	60% by Fiscal Year 2026	31%	37%	39%	41%	44%	No
Exemplary Workforce and Culture	Employee engagement survey results; percentage of employees rating their overall morale as "high".	Above 25%	N/A	47%	45%	58%	55%	Yes
Fiscal Sustainability and Transparency	Debt Coverage	>1.20	2.05	4.19	2.69	3.21	3.45	Yes
Fiscal Sustainability and Transparency	Days Cash on hand	90 days or greater	109 days	113 days	94 days	118 days	104 days	Yes
Stakeholder Understanding and Community Support	Attend 10 Fallbrook community events each year	10 events/year	4 events	5 events	6 events	15 events	20 events	Yes



Water Services

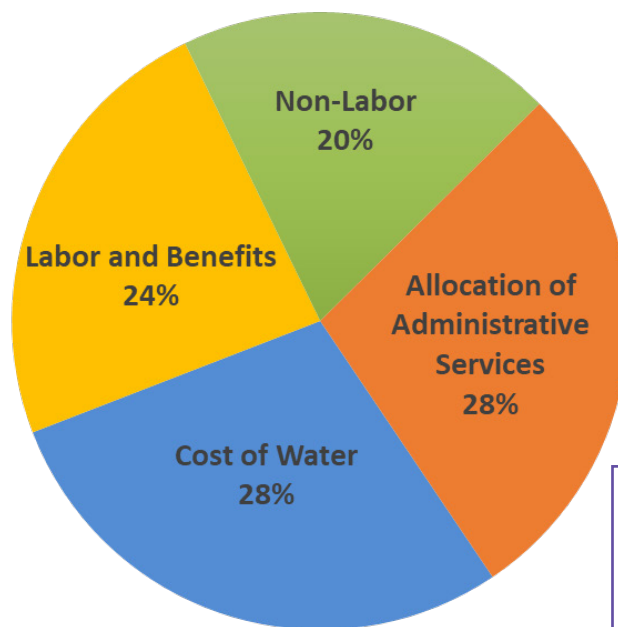
The District provides Water Services to approximately 9,300 meters within the District’s service area. The Water Services’ operating budget is comprised of the District’s water operations costs, which includes the cost to operate and maintain the District’s SMGTP. Chart 2 shows the Water System’s share of the District’s Systems’ costs. At 66% of the District’s Services costs, the Water System is the District’s largest System. The Water Supply Cost is reported separately. (Pg. 74). **Appendix A provides the detailed revenue, expense and fund balance projections for Water operations.** Water Services provide the following functions:

Chart #2 - Total Services’ Budget



- 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 \$20,278,067



DISTRICT’S WATER SUPPLY COSTS

The District’s Water Supply Costs are 28% 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*	Actual FTE*	Proposed FTE*
	FY 2024-25	FY 2025-26	FY 2026-27
Field Services Manager	1.0	0.75	0.75
Crew Leader	2.8	3.8	3.8
Utility Worker I, II & III	13.8	13.8	14.5
System Services Supervisor	1.0	-	-
Construction Supervisor	1.0	-	-
Construction & System Services Supervisor	-	1.0	1.0
Operations Manager	0.5	0.3	0.3
System Operations Supervisor	1.0	1.0	1.0
Systems Operator I, II & III	4.0	4.0	4.0
Water/Wastewater Operator I, II & III	0.75	0.75	0.75
Electrical and Maintenance Manager	-	0.455	0.455
SCADA/Electrical/Maintenance Supervisor	0.65	-	-
SCADA Analyst	-	-	0.4
Systems Technician	0.4	0.15	0.15
Instrumentation, Electrical & Controls Tech I & II	1.5	1.0	1.0
Senior Maintenance Technician	0.5	0.45	0.45
Maintenance Technician I & II	0.3	0.6	0.6
TOTAL FTE	29.2	28.055	29.155

*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 14.3%. This is largely due to the 45% increase in non-labor, which is due to the budgeted increase in the volume of local supply water 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 labor increase is due to an increase in labor allocation to operating and the annual cost of living adjustment set forth in the District’s most recent Memorandums of Understanding. The 14% increase in the allocation of benefit expenditures is being driven by an increase in operating labor hours, health insurance rate increases and scheduled pension payments.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor ⁽¹⁾	\$ 2,459,714	\$ 2,565,104	\$ 2,774,031	\$ 2,825,638	10.2%
Total Non-Labor	2,803,040	2,773,020	3,732,063	4,016,994	44.9%
Operating Total	\$ 5,262,753	\$ 5,338,124	\$ 6,506,095	\$ 6,842,632	28.2%
Allocated Benefits Expenditures	1,590,375	1,729,574	1,919,512	1,971,430	14.0%
Total Direct Water Costs	\$ 6,853,128	\$ 7,067,698	\$ 8,425,607	\$ 8,814,062	24.7%
Allocation of Administrative Services ⁽²⁾	5,388,501	5,609,517	5,633,905	5,671,087	1.1%
Total Services Budget	\$ 12,241,629	\$ 12,677,215	\$ 14,059,512	\$ 14,485,148	14.3%

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

⁽¹⁾ Total Labor does not include District’s Benefits.

⁽²⁾ Allocation of Administrative Services have been reduced by the Contract Wastewater Services Overhead for FY 2025-26 and FY 2026-27.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Treatment					
Labor:					
Salaries	\$ 521,018	\$ 581,504	\$ 531,090	\$ 577,425	-0.7%
Non-Labor:					
Contractor Services	93,235	142,000	67,000	253,000	78.2%
Equipment (Non Capital)	4,443	8,000	8,000	8,000	0.0%
Materials/Services/Supplies	720,449	609,925	947,051	1,033,000	69.4%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	30,000	26,735	31,000	3.3%
Utilities*	666,085	448,295	1,082,626	1,080,694	141.1%
Total Non-Labor	\$ 1,484,213	\$ 1,238,220	\$ 2,131,412	\$ 2,405,694	94.3%
Division Operating Total	\$ 2,005,231	\$ 1,819,724	\$ 2,662,502	\$ 2,983,119	63.9%

* Utility cost increase driven by actual cost levels.

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

Description	FY 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		Amended Budget	Projected		
Production & Distribution					
Labor:					
Salaries	\$ 577,575	\$ 590,996	\$ 734,906	\$ 634,306	7.3%
Non-Labor:					
Contractor Services	215,949	339,500	334,500	315,000	-7.2%
Equipment (Non Capital)	6,005	20,000	20,000	20,000	0.0%
Materials/Services/Supplies	198,864	353,300	322,300	349,300	-1.1%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	118,725	92,000	92,000	92,000	0.0%
Utilities ⁽¹⁾	137,976	170,000	226,851	230,000	35.3%
Total Non-Labor	\$ 677,520	\$ 974,800	\$ 995,651	\$ 1,006,300	3.2%
Division Operating Total	\$ 1,255,095	\$ 1,565,796	\$ 1,730,558	\$ 1,640,606	4.8%

⁽¹⁾ Utility cost increase driven by actual cost levels.

Pipeline Maintenance & Construction					
Labor:					
Salaries	\$ 606,593	\$ 680,272	\$ 686,158	\$ 857,093	26.0%
Non-Labor:					
Contractor Services	12,837	46,000	46,000	46,000	0.0%
Equipment (Non Capital)	9,470	10,000	10,000	10,000	0.0%
Materials/Services/Supplies	68,258	54,500	39,500	39,500	-27.5%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 90,565	\$ 110,500	\$ 95,500	\$ 95,500	-13.6%
Division Operating Total	\$ 697,158	\$ 790,772	\$ 781,658	\$ 952,593	20.5%

System Services					
Labor:					
Salaries	\$ 754,528	\$ 712,332	\$ 821,877	\$ 756,814	6.2%
Non-Labor:					
Contractor Services	291,747	300,000	300,000	300,000	0.0%
Equipment (Non Capital)	7,480	7,500	7,500	7,500	0.0%
Materials/Services/Supplies	251,515	142,000	202,000	202,000	42.3%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
Total Non-Labor	\$ 550,742	\$ 449,500	\$ 509,500	\$ 509,500	13.3%
Division Operating Total	\$ 1,305,270	\$ 1,161,832	\$ 1,331,377	\$ 1,266,314	9.0%

Fiscal Year 2025-26 Accomplishments

- Replaced 109 water main valves
- Continued meter testing program
- Continued Right of Way maintenance program
- Continued valve maintenance program
- Continued fire hydrant maintenance program
- Tested all backflows in the system every calendar year. Repaired and replaced as needed
- Completed all Backflow test within fiscal year
- Met and exceeded pipeline and valve replacement goals
- Constructed emergency standby power for critical water storage and flow control facilities by adding solar and increased battery storage to maintain communication during long-term PSPS outages determined by SDG&E
- Continued operation and maintenance of both SMGTP and Red Mountain UV facilities to deliver all available water supplies
- Replaced main 480V UPS system for UV Plant reactors. Constructed new climate-controlled building from non-combustible materials to house upgraded lithium battery system and UPS inverter equipment.
- Brought the Kauffman Flow Control Facility above ground and replaced downstream valves
- Continued to develop redundancy systems for SMGTP process equipment to ensure sustained treatment
- Minimized wildfire risk through vegetation management at major facilities
- Collaborated with Camp Pendleton (CPEN) to maximize local water supplies
- Expanded the video surveillance system to include additional cameras at plants and remote FPUD distribution facilities via the new Ethernet radio communications

Fiscal Year 2026-27 Goals and Objectives

- Replace 120 water main valves
- Complete capital projects in accordance with approved budget
- Replace 20 Fire Hydrants
- Continue A/V & drain replacements
- Continue service line replacements
- Continue Fire Flow testing
- Continue valve maintenance program
- Continue fire hydrant maintenance & painting
- Continue meter testing program
- Continue Backflow testing every calendar year. Repair and replace as needed
- Construct emergency stand-by power for critical water storage and flow control facilities by adding solar and increased battery storage, to maintain communication during long-term power outages caused by PSPS events determined by SDG&E
- 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
- Finish construction of the chloramination booster station at the 8.0 MG Tank, for increased reliability and emergency service, along with improved water quality
- Begin procuring equipment to construct a chloramination booster station at Sachse Tank, for increased reliability and emergency service, along with improved water quality
- Continue to develop redundancy systems for the SMGTP process equipment to ensure sustained treatment
- Continue to minimize wildfire risk with good vegetation management on major facilities
- Continue to work with CPEN to maximize our local water supplies
- Continue expansion of video surveillance system to include additional cameras at plants and remote FPUD distribution facilities over the new Ethernet radio communications network
- Complete installation of standby diesel generator, switchgear, and automatic transfer switch at the SMGTP
- Continue efforts to manage water quality in Red Mountain Reservoir



Table #9 - Water Services Key Performance Indicators

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Estimated	Target Met
Safe and Reliable Water, Wastewater, and Recycled Water Services	Cost/Acre Foot of SMGTP Product Water Supply	Below MWD rates	\$1,640/AF ⁽¹⁾	\$1,062/AF	\$1,450/AF	\$711/AF ⁽²⁾	\$1,423/AF	Yes
Safe and Reliable Water, Wastewater, and Recycled Water Services	Sample 30 residents that meet the criteria for Lead and Copper**	30 residents ⁽³⁾	72 residents	73 residents	46 residents	32 residents	Next sampling period in FY 2027	N/A
Safe and Reliable Water, Wastewater, and Recycled Water Services	Receive and treat all entitled deliveries to the SMGTP	100% of deliveries treated	N/A	105%	100%	77% ⁽⁴⁾	116%	Yes
Safe and Reliable Water, Wastewater, and Recycled Water Services	100% regulatory compliance for water quality sampling	100% Compliance	100%	100%	100%	100%	100%	Yes
Infrastructure and Technology Stability	Cost/Valve	Below \$6,500/Valve	N/A	\$6,245/Valve	\$8,577/Valve	\$7,198/Valve ⁽⁵⁾	\$6,206/Valve	Yes
Infrastructure and Technology Stability	Maintain 4,000 feet of right of ways/year	4,000 feet	1,608 feet	6,188 feet	7,794 feet	5,665 feet	4,000 feet	Yes
Infrastructure and Technology Stability	Replace 100 water main valves/year	100 water main valves	73 water main valves	101 water main valves	101 water main valves	129 water main valves	115 water main valves	Yes
Infrastructure and Technology Stability	Exercise 235 valves per month as part of a three year valve exercise program cycle	235 valves per month	159 valves/month Hydrants not exercised until FY 2023	240 valves/month	208 valves/month	240 valves/month	235 valves/month	Yes
Infrastructure and Technology Stability	Test 1% of total meters per year	1% of meters	N/A	N/A, testing began in May 2024	51 meters	104 meters	94 meters	Yes
Infrastructure and Technology Stability	Fire flow test 5 hydrants per month	5 hydrants per month	N/A	1st year of testing, 2 tests were completed	22 hydrants total	63 hydrants total	61 hydrants total	Yes

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

(2) The cost/AF includes a water bank payment of \$2.8 million.

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

(4) Full entitlement was not received, however the water was banked for future use.

(5) Contractor paving made up 27% of costs.

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 budget for Purchased Water Costs is comprised of the wholesale treated 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 5,379 AF 7 miles from the Santa Margarita River (SMR) Aquifer to the SMGTP in Fiscal Year 2025-26 and 5,120 AF in Fiscal Year 2026-27. 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.67).

Chart #4 - Wholesale and Local Supply Mix

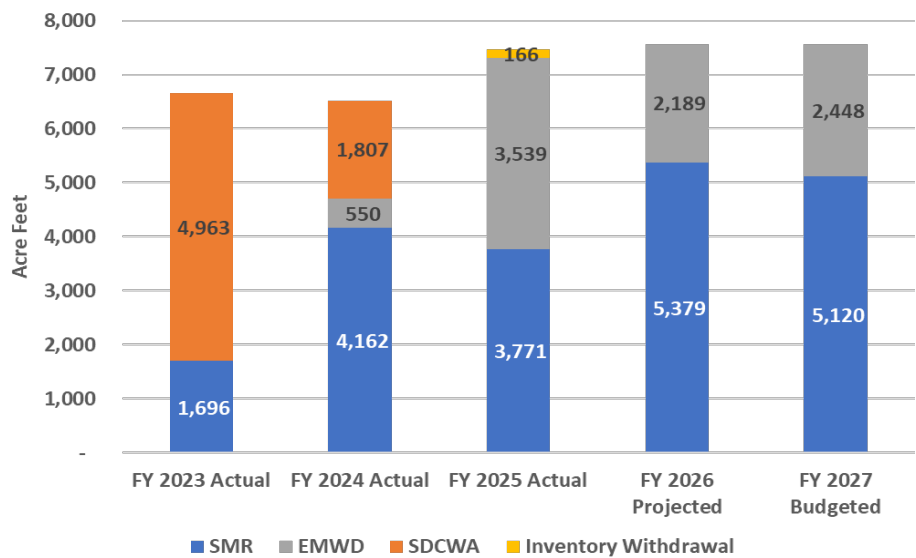
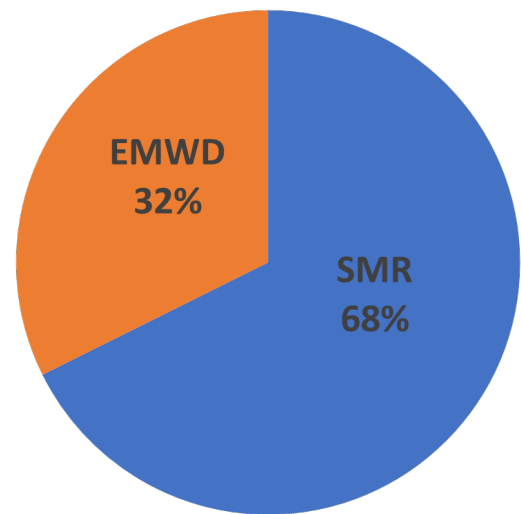


Chart #5 - Fiscal Year 2026-27 Water Supply Mix



Water Supply Costs are grouped into fixed and variable cost categories. Variable or Commodity costs vary depending on the amount of water purchased (this includes pumping costs). Fixed charges are set regardless of the water consumed during the billing period. The District’s fixed water costs are greatly decreased due to elimination of SDCWA’s fixed charges. Figure 1 shows the impact of detachment on the District’s cost of water. 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 as impacted by water sales volatility. The result is more stable net revenues. As shown in Table 10, the decrease in budgeted Variable Water Costs in Fiscal Year 2026-27 is due to an increase in local supply availability from SMR and a decrease in the imported treated water purchased from EMWD. The District’s variable and fixed water charges for this planning period are summarized on the following page.

Variable Costs

EMWD Treated Water Variable Cost – This is the \$/acre-foot rate the District pays for EMWD treated water.

SMR Untreated Water Delivery Cost – This is the \$/acre-foot rate the District pays for Camp Pendleton to deliver untreated water to the SMGTP.

Inventory Withdrawal – This is cost of treated water delivered to customers from the Red Mountain Reservoir.

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

Fixed Costs

MWD Peaking Treatment Capacity Charge – MWD charge is based on a three-year trailing maximum annual peak day demand measured in cubic feet per second (cfs) and passed-through by the EMWD.

MWD Used Standby Treatment Capacity Charge – MWD charge reflects ten-year trailing annual standby use, calculated as the difference between maximum annual use and average use in AF and passed-through by the EMWD.

MWD Remaining Treatment Capacity Charge – MWD charge is based on a five-year trailing maximum annual treated water use in AF and passed-through by the EMWD.

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

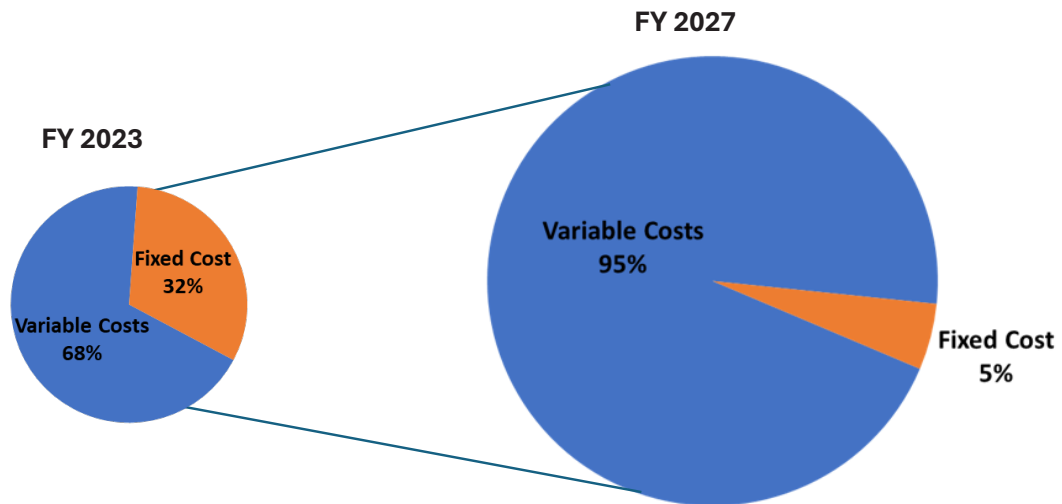
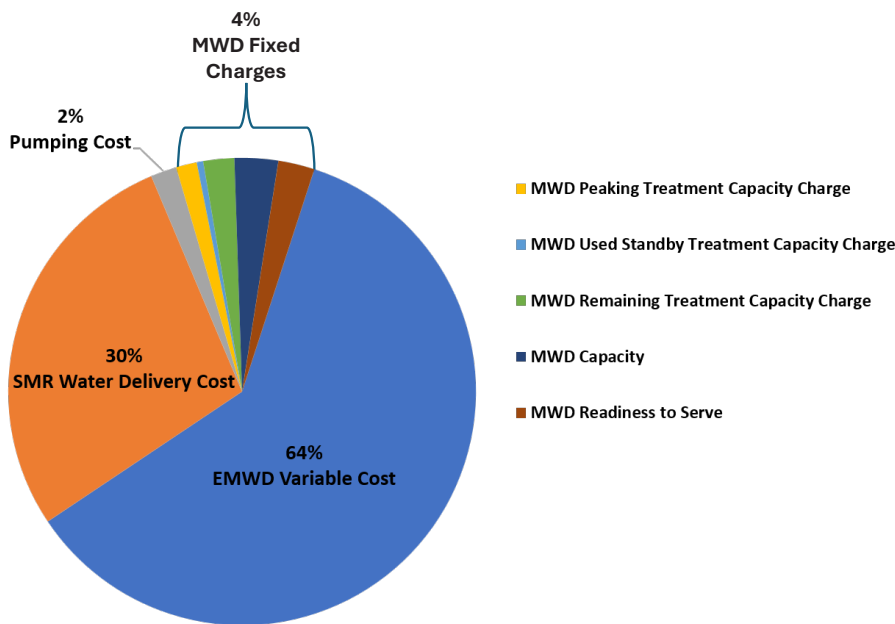


Table #10 - Variable and Fixed Charges Budget to Budget Comparison

	FY 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		Amended Budget	Projected		
Variable Costs:					
EMWD Treated Water Variable Cost	\$ 4,686,389	\$ 7,754,358	\$ 3,159,535	\$ 3,697,059	-52.3%
SMR Untreated Water Delivery Cost *	1,149,490	704,837	1,727,092	1,709,849	142.6%
Inventory Withdrawal	50,595	-	-	-	NA
System Pumping	125,201	200,000	150,000	109,779	-45.1%
Subtotal Variable Costs	\$ 6,011,675	\$ 8,659,196	\$ 5,036,627	\$ 5,516,687	-36.3%
Fixed Costs:					
MWD Peaking Treatment Capacity Charge	\$ -	\$ -	\$ -	\$ 87,620	NA
MWD Used Standby Treatment Capacity Charge	-	-	-	27,195	NA
MWD Remaining Treatment Capacity Charge	-	-	-	130,536	NA
MWD Capacity	(95,200)	84,223	84,223	183,973	118.4%
MWD Readiness to Serve	(120,492)	150,000	(335,555)	(153,092)	-202.1%
Subtotal Fixed Costs	\$ (215,692)	\$ 234,223	\$ (251,333)	\$ 276,232	17.9%
Total Water Supply Costs	\$ 5,795,983	\$ 8,893,418	\$ 4,785,294	\$ 5,792,919	-34.9%

* This budget does not include the MWD Local Resource Program credit of \$305/AF @ 3,100 estimated AF; \$945,500.

Chart #6 - Water Supply Costs Breakdown



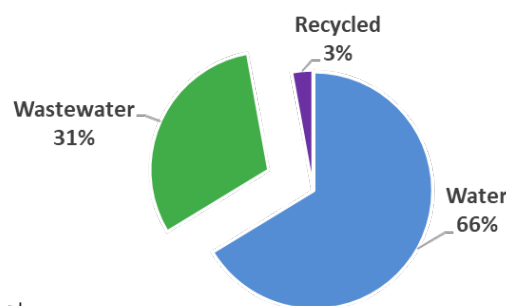
VARIABLE WATER COSTS

Most of the District's water costs are variable and provide net revenue stability.

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 replaces 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 stations and 100 miles of wastewater system piping

Wastewater Services is broken down into divisions that support a specific function. 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 2024-25	FY 2025-26	FY 2026-27
Field Services Manager	-	0.25	0.25
Collections Supervisor	1.0	1.0	1.0
Crew Leader	1.0	1.0	1.0
Utility Worker I & II	4.0	4.0	4.2
Chief Plant Operator	0.7	0.42	0.42
Lead Plant Operator	0.7	0.7	0.7
Plant Operator I & II	1.4	1.4	1.4
Water/Wastewater Operator I, II & III	0.25	0.25	0.25
Operations Manager	0.4	0.24	0.24
Environmental Compliance Technician	0.95	0.95	0.76
Laboratory Technician I & II	0.5	0.5	0.35
Senior Maintenance Technician	0.45	0.5	0.5
Systems Tech	-	0.1	0.1
Maintenance Technician I & II	1.6	1.3	1.3
SCADA/Electrical/Maintenance Supervisor	0.3	-	-
Electrical and Maintenance Manager	-	0.21	0.21
SCADA Analyst	-	-	0.1
Instrumentation, Electrical & Controls Tech	0.45	0.95	0.95
TOTAL FTE	13.7	13.77	13.73

* FTE - Full-Time Equivalent

The divisions and their activities are summarized on the following page.

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 decreasing 2.1%. This is being driven by a decrease in labor costs due to the District’s contract with Camp Pendleton to provide Contract Wastewater Services for the base. A portion of the staff labor will be allocated to these services, which reduced the amount of labor allocations to Wastewater Services. The non-labor costs are also decreasing due to operational efficiencies at the plant which brought utility costs down significantly.

Table #12 - Wastewater Services Operating Budget Summary*

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor ⁽¹⁾	\$ 1,400,793	\$ 1,563,822	\$ 1,346,873	\$ 1,541,217	-1.4%
Total Non-Labor	1,114,783	1,430,901	1,161,040	1,252,625	-12.5%
Operating Total	\$ 2,515,575	\$ 2,994,723	\$ 2,507,913	\$ 2,793,842	-6.7%
Allocated Benefits Expenditures	935,702	1,052,794	930,635	1,073,712	2.0%
Total Direct Wastewater Costs	\$ 3,451,277	\$ 4,047,517	\$ 3,438,548	\$ 3,867,554	-4.4%
Allocation of Administrative Services ⁽²⁾	3,182,234	3,067,705	3,081,042	3,101,376	1.1%
Total Services Budget	\$ 6,633,511	\$ 7,115,221	\$ 6,519,590	\$ 6,968,929	-2.1%

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

⁽¹⁾ Total Labor does not include District’s Benefits.

⁽²⁾ Allocation of Administrative Services have been reduced by the Contract Wastewater Services Overhead for FY 2025-26 and FY 2026-27.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Collections					
Labor:					
Salaries	\$ 575,355	\$ 626,593	\$ 544,356	\$ 648,813	3.5%
Non-Labor:					
Contractor Services	89,398	66,800	56,800	74,800	12.0%
Equipment (Non Capital)	4,889	5,000	5,000	5,000	0.0%
Materials/Services/Supplies	197,057	232,600	214,387	237,600	2.1%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	2,000	2,000	2,000	0.0%
Utilities ⁽¹⁾	82,927	226,476	75,000	75,000	-66.9%
Total Non-Labor	\$ 374,271	\$ 532,876	\$ 353,187	\$ 394,400	-26.0%
Division Operating Total	\$ 949,626	\$ 1,159,469	\$ 897,543	\$ 1,043,213	-10.0%

⁽¹⁾ Utility cost increase driven by actual cost levels.

Treatment					
Labor:					
Salaries	\$ 825,437	\$ 937,229	\$ 802,517	\$ 892,403	-4.8%
Non-Labor Expenses:					
Contractor Services	354,324	367,700	360,000	367,700	0.0%
Equipment (Non Capital)	6,086	17,000	2,700	17,000	0.0%
Materials/Services/Supplies	208,139	313,500	292,127	313,500	0.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	67,038	63,025	63,025	63,025	0.0%
Utilities ⁽¹⁾	104,925	136,800	90,000	97,000	-29.1%
Total Non-Labor	\$ 740,512	\$ 898,025	\$ 807,852	\$ 858,225	-4.4%
Division Operating Total	\$ 1,565,949	\$ 1,835,254	\$ 1,610,369	\$ 1,750,628	-4.6%

⁽¹⁾ Utility cost increase driven by actual cost levels.

Fiscal Year 2025-26 Accomplishments

- Maintained energy consumption data to stay within the annual average target of 1,850,000 (kWh) or below
- Successfully operated the Water Reclamation Plant to achieve an Energy cost saving of approximately 57% from the budgeted \$206,000. Total Energy costs are projected to end up at \$90,000
- Maintained total Reclamation Plant hauling expenses at \$155,000 +/- 2%
- Accurately maintained/managed Bio solids system to reduce total operational chemical costs by 5%
- Completed cleaning 20,000 feet of regular sewer mains each month to total 254,675 feet
- CCTV'd 8,000 feet a month of sewer mains to total 107,403 feet
- Reduced 10-year average wastewater spills by 10%. - Keeps spills under 8,167 gallons
- Inspected 60 manholes

Fiscal Year 2026-27 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 1,850,000 (kWh) or below
- Accurately maintain/manage Bio solids system to reduce total operational costs by 5%. The current annual operational costs for Bio-solids process is \$132,000 (Chemicals-\$70,000 and Maintenance-\$62,000).
- Maintain total Reclamation Plant hauling expenses to stay within 5% +/- of new budget.
- Maintain Reclamation Plant Energy costs to stay within 5% of the New FY budget.
- Complete weekly and monthly inspections on the sewer lift stations
- Reduce 10-year average wastewater spills by 10%. - Keep spills under 7350 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
- CCTV'd 8,000 feet a month of sewer mains to total 96,000 feet a year
- Inspect 150 manholes annually
- Repair 5 defects in the FPUD sewer conveyance system

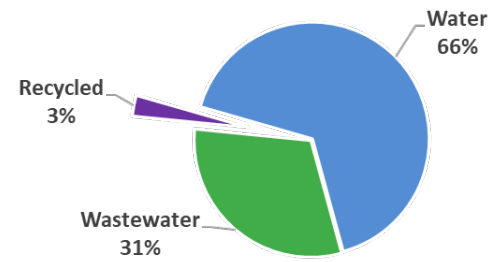
Table #14 - Wastewater Services Key Performance Indicators

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Estimated	Target Met
Infrastructure and Technology Stability	Cost/MGD of Wastewater Influent Flows	Below \$3,500/ MGD	\$3,497/MGD	\$3,146/MGD	\$3,023/MGD	\$3,167/MGD	\$3,113/MGD	Yes
Safe and Reliable Water, Wastewater, and Recycled Water Services	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	2,699 gallons 10 year average	8,168 gallons 10 year average	Yes
Safe and Reliable Water, Wastewater, and Recycled Water Services	Keep common sewer spills to 3 or less during the year	3 or less spills/year	5 spills; 2 contractor spills	1 spill	1 spill	0 spills; 2 privately owned sewer laterals	1 spill	Yes
Safe and Reliable Water, Wastewater, and Recycled Water Services	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	265,222 feet	265,226 feet	254,675 feet	Yes
Safe and Reliable Water, Wastewater, and Recycled Water Services	CCTV 8,000 feet of regular sewer mains each month to total 96,000 feet per year	96,000 feet/year	N/A	N/A	114,823 feet	108,216 feet	107,403 feet	Yes
Operational Optimization and Partnerships	Maintain energy consumption to stay within the annual average target	Below 1,932,000/ kWh	1,941,136/ kWh	1,792,487/ kWh	1,887,587/ kWh	1,870,281/ kWh	1,756,366/ 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 2024-25	Actual FTE* FY 2025-26	Proposed FTE* FY 2026-27
Chief Plant Operator	0.3	0.18	0.18
Lead Plant Operator	0.3	0.3	0.3
Plant Operator	0.6	0.6	0.6
Operations Manager	0.1	0.06	0.06
Environmental Compliance Technician	0.05	0.05	0.04
Laboratory Technician I & II	0.5	0.5	0.35
Senior Maintenance Technician	0.05	0.05	0.05
Maintenance Technician I & II	0.1	0.1	0.1
Crew Leader	0.2	0.2	0.2
Utility Worker I, II & III	0.2	0.2	0.3
SCADA/Electrical/Maintenance Supervisor	0.05	-	-
Electrical and Maintenance Manager Instrumentation, Electrical & Controls Tech	-	0.035	0.035
Recycled Water Services Total FTEs	2.5	2.325	2.265

* FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

Production

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

Distribution

- Maintains the Districts Recycled Water Services distribution assets
- Conducts valve, 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

Table 16 shows that the Recycled Services Budget will decrease by 6%. This reduction is mainly due to a shift in labor costs, as some labor is now allocated to Contract Wastewater Services—which is fully funded by the federal government. These changes more accurately assign the District’s labor costs to the Recycled Water Service.

Table #16 - Recycled Water Services Operating Budget Summary*

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor ⁽¹⁾	\$ 183,405	\$ 251,611	\$ 211,002	\$ 233,728	-7.1%
Total Non-Labor	148,585	213,000	163,667	193,000	-9.4%
Operating Total	\$ 331,990	\$ 464,611	\$ 374,669	\$ 426,728	-8.2%
Allocated Benefits Expenditures	139,813	169,389	145,794	162,830	-3.9%
Total Direct Recycled Water Costs	\$ 471,803	\$ 634,000	\$ 520,463	\$ 589,558	-7.0%
Allocation of Administrative Services ⁽²⁾	84,543	87,649	88,030	88,611	1.1%
Total Services Budget	\$ 556,346	\$ 721,649	\$ 608,493	\$ 678,168	-6.0%

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

⁽¹⁾ Total Labor does not include District’s Benefits.

⁽²⁾ Allocation of Administrative Services have been reduced by the Contract Wastewater Services Overhead for FY 2025-26 and FY 2026-27.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Production					
Labor:					
Salaries	\$ 173,706	\$ 231,005	\$ 204,119	\$ 213,622	-7.5%
Non-Labor:					
Contractor Services	20,851	36,000	33,000	36,000	0.0%
Equipment (Non Capital)	2,705	4,000	3,700	4,000	0.0%
Materials/Services/Supplies	80,104	92,000	73,443	92,000	0.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities ⁽¹⁾	44,968	62,000	40,000	42,000	-32.3%
Total Non-Labor	\$ 148,628	\$ 194,000	\$ 150,143	\$ 174,000	-10.3%
Division Operating Total	\$ 322,334	\$ 425,005	\$ 354,262	\$ 387,622	-8.8%

⁽¹⁾ Utility cost increase driven by actual cost levels.

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

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Distribution					
Labor:					
Salaries	\$ 9,699	\$ 20,606	\$ 6,883	\$ 20,105	-2.4%
Non-Labor:					
Contractor Services	-	-	-	-	NA
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	-	19,000	13,500	19,000	0.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities ⁽¹⁾	(43)	-	24	-	NA
Total Non-Labor	\$ (43)	\$ 19,000	\$ 13,524	\$ 19,000	0.0%
Division Operating Total	\$ 9,656	\$ 39,606	\$ 20,407	\$ 39,105	-1.3%

⁽¹⁾ Utility cost increase driven by actual cost levels.

Fiscal Year 2025-26 Accomplishments

- Maintain energy consumption data to stay within the annual average target of 828,000 (kWh) or below
- Maintain Reclamation Plant overall compliance rating at > 99% each month from all samples associated with the Title 22 and WDR Permit
- The projected Energy totals for the Reclamation plant will be approximately 2,509,095 kWh, meeting the 2025-2026 goal by staying below the annual average target of 2,760,000 kWh. (30% Recycled Water-753,000 kwh)
- Accurately maintained/managed chlorine disinfection system to reduce total operational costs by 5%. The current annual operational cost for Chlorine disinfection process is \$79,000 (Projections Chemicals-\$49,000 & Maintenance-\$30,000)

Fiscal Year 2026-27 Goals and Objectives

- Maintain Reclamation Plant overall compliance rating at > 99% each month from all samples associated with the Title 22 and WDR Permit
- Reduced total overtime hours by 5% from previous Fiscal Year
- Maintain energy consumption data to stay within the annual average target of 800,000 (kWh) or below
- Accurately maintain/manage Chlorine disinfection system to stay within the total operational costs by 5% of the new budget.

Table #18 - Recycled Water Services Key Performance Indicators

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Estimated	Target Met
Operational Optimization and Partnerships	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%	99.7% ¹	100%	Yes
Operational Optimization and Partnerships	Maintain energy consumption data to stay within the annual average target	828,000/kWh or below	831,915/kWh	768,209/kWh	808,966/kWh	801,549/kWh	753,000/kWh	Yes

(1) A Recycled water pipeline break caused a spill, resulting in a non-compliant discharge event.



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 2024-25	FY 2025-26	FY 2026-27
Executive Assistant/ Board Secretary	0.02	0.02	0.02
TOTAL FTE	0.02	0.02	0.02

* FTE - Full-Time Equivalents

Table #20 - Community Benefit Program Operating Budget Summary

Description	FY 2024-25	FY 2025-26		FY 2026-27	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor	\$ 3,584	\$ 4,008	\$ 4,008	\$ 4,173	4.1%
Total Non-Labor	648,101	1,095,992	861,846	941,742	-14.1%
Total Budget	\$ 651,685	\$ 1,100,000	\$ 865,854	\$ 945,915	-14.0%

Fiscal Year 2025-26 Accomplishments

- Executed projects totaling \$865,854 that support the committee and community of Fallbrook

Fiscal Year 2026-27 Goals and Objectives

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

Contract Wastewater Services

Camp Pendleton Operations

The District provides Wastewater Operations Services to the CPEN’s service area. The focus of the Wastewater Services’ operating budget is the operating costs of the two CPEN Tertiary Treatment Plants.

Camp Pendleton Operations includes the following functions:

- Operate two water reclamation plants that provide tertiary treatment
- Manage an asset management program that optimizes lifecycle costs and maintains, repairs and replaces plant assets
- Meet the Regional Water Quality Control Board’s discharge permit requirements

Camp Pendleton Maintenance

The District provides Maintenance Services to CPEN’s service area.

Camp Pendleton Maintenance includes the following functions:

- Maintain two water reclamation plants that provide tertiary treatment and produce recycled water
- Manage an asset management program that optimizes lifecycle costs and maintains, repairs and replaces plant and collections system assets
- Rebuild redundancy into the treatment plant system to avoid the potential for catastrophic failures

Camp Pendleton is broken down into divisions that support a specific function. Camp Pendleton Operations and Maintenance proposed staffing levels are shown in Table 21 and Table 22.

Table #21 - Camp Pendleton Operations Approved Positions

Position	Actual FTE* FY 2024-25	Actual FTE* FY 2025-26	Proposed FTE* FY 2026-27
General Manager	-	0.05	0.05
Operations Manager	-	0.2	0.2
Chief Plant Operator	-	0.4	0.4
Safety & Risk Officer	-	0.2	0.2
Plant Operator I	-	3.0	3.0
Plant Operator II	-	3.0	3.0
Environmental Compliance Technician	-	-	0.2
Laboratory Technician I & II	-	-	0.3
CPEN Operations Total FTEs	0.0	6.85	7.35

* FTE - Full-Time Equivalents

Table #22 - Camp Pendleton Maintenance Approved Positions

Position	Actual FTE* FY 2024-25	Actual FTE* FY 2025-26	Proposed FTE* FY 2026-27
General Manager	-	0.05	0.05
Operations Manager	-	0.2	0.2
Electrical and Maintenance Manager	-	0.3	0.3
SCADA/Electrical/Maintenance Supervisor	-	1.0	1.0
SCADA Analyst	-	0.5	0.5
Maintenance Technician I	-	1.0	2.0
Maintenance Technician II	-	2.0	2.0
Instrumentation, Electrical & Controls Tech I	-	1.0	1.0
Instrumentation, Electrical & Controls Tech II	-	1.0	1.0
Purchasing Warehouse Supervisor	-	-	0.2
CPEN Maintenance Total FTEs	0.0	7.05	8.25

* FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

The Office of the General Manager

- Oversee all District operations engaged in the IGSA with CPEN
- 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
- Manages District documents, contracts, and Board of Director meeting agendas and minutes

Warehouse and Purchasing

- Issue requests for proposals, and solicitations for equipment, supplies and materials
- Maintain and manage CPEN equipment, supplies and materials inventory
- Manage purchasing contracts for materials, supplies, equipment and services

Information Management

- Maintain the CPEN SCADA system
- Maintain the District’s Enterprise Resource Planning (ERP) and Computerized Maintenance Management (CMMS) systems
- Create and maintain the District’s information system’s policies and procedures
- Manage the security of the District’s information management systems

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
- Provide training to staff members specific to their job requirements

Operations

- Operate and maintain the tertiary treatment plant processes in the following areas: Headworks, Batch Reactors, Activated Sludge, Filtration 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
- Operate the plants to achieve peak efficiency

Maintenance

- Provide emergency repairs and routine maintenance to the treatment plants and equipment
- Maintain Electrical Systems needed for plant operations
- Gather data to maintain and run equipment to operate efficiently
- Develop a long-term maintenance program to keep the plants at peak efficiency

Table 23 shows that the Contract Wastewater Services Budget is increasing by 100.5%. This large increase is because the FY 2025-26 Amended Budget covered only six months, while the FY 2026-27 Budget covers a full year. This operation is federally funded and also reduces administrative costs for the day-to-day services required.

Table #23 - Contract Wastewater Services Operating Budget Summary

Description	FY 2024-25	FY 2025-26 ⁽¹⁾		FY 2026-27	Amended Budget
	Actual	Amended Budget	Projected	Budget	to Budget Change (%)
Total Labor ⁽²⁾	\$ -	\$ 988,193	\$ 988,193	\$ 2,032,856	105.7%
Total Non-Labor	-	1,468,273	1,468,273	2,809,770	91.4%
Operating Total	\$ -	\$ 2,456,466	\$ 2,456,466	\$ 4,842,626	97.1%
Allocated Benefits Expenditures	-	415,705	415,705	869,936	109.3%
Total Direct Camp Pendleton Costs	\$ -	\$ 2,872,171	\$ 2,872,171	\$ 5,712,562	98.9%
Contract Wastewater Svcs. Overhead	-	387,217	387,217	776,256	100.5%
Total Critical Projects	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 2,050,000	105.0%
Total Direct Camp Pendleton Costs	\$ -	\$ 4,259,388	\$ 4,259,388	\$ 8,538,819	100.5%

⁽¹⁾ FY 2025-26 Amended budget for Contract Wastewater Services was for a 6-month period.

⁽²⁾ Total Labor does not include District’s Benefits

Table #24 - Camp Pendleton Operations Budget to Budget Comparison

Description	FY 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		Amended Budget	Projected		
North Plant Operations					
Labor:					
Salaries	\$ -	\$ 111,660	\$ 111,660	\$ 311,521	179.0%
Non-Labor:					
Contractor Services	-	72,450	72,450	144,900	100.0%
Equipment (Non Capital)	-	6,825	6,825	72,900	968.1%
Materials/Services/Supplies	-	266,129	266,129	331,433	24.5%
Professional Services	-	21,000	21,000	42,000	100.0%
Memberships/Training/Permits	-	67,980	67,980	57,450	-15.5%
Utilities ⁽¹⁾	-	6,140	6,140	12,279	100.0%
Fleet	-	5,041	5,041	52,319	937.8%
Total Non-Labor	\$ -	\$ 445,565	\$ 445,565	\$ 713,281	60.1%
Division Operating Total	\$ -	\$ 557,225	\$ 557,225	\$ 1,024,802	83.9%

⁽¹⁾ Utility cost increase driven by actual cost levels.

South Plant Operations					
Labor:					
Salaries	\$ -	\$ 344,082	\$ 344,082	\$ 558,583	62.3%
Non-Labor:					
Contractor Services	-	99,603	99,603	562,401	464.6%
Equipment (Non Capital)	-	6,825	6,825	97,150	1323.4%
Materials/Services/Supplies	-	402,839	402,839	519,008	28.8%
Professional Services	-	88,000	88,000	126,000	43.2%
Memberships/Training/Permits	-	12,600	12,600	57,450	356.0%
Utilities ⁽¹⁾	-	23,101	23,101	46,202	100.0%
Fleet	-	5,041	5,041	52,319	937.8%
Total Non-Labor	\$ -	\$ 638,009	\$ 638,009	\$ 1,460,530	128.9%
Division Operating Total	\$ -	\$ 982,092	\$ 982,092	\$ 2,019,112	105.6%

⁽¹⁾ Utility cost increase driven by actual cost levels.



Table #25 - Camp Pendleton Maintenance Budget to Budget Comparison

Description	FY 2024-25 Actual	FY 2025-26		FY 2026-27 Budget	Amended Budget to Budget Change (%)
		Amended Budget	Projected		
North Plant Maintenance					
Labor:					
Salaries	\$ -	\$ 117,242	\$ 117,242	\$ 496,558	323.5%
Non-Labor:					
Contractor Services	-	125,000	125,000	55,000	-56.0%
Equipment (Non Capital)	-	10,000	10,000	53,250	432.5%
Materials/Services/Supplies	-	37,500	37,500	42,096	12.3%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	36,920	36,920	21,500	-41.8%
Utilities	-	-	-	-	NA
Fleet	-	5,041	5,041	-	-100.0%
Total Non-Labor	\$ -	\$ 214,461	\$ 214,461	\$ 171,846	-19.9%
Division Operating Total	\$ -	\$ 331,703	\$ 331,703	\$ 668,404	101.5%

South Plant Maintenance					
Labor:					
Salaries	\$ -	\$ 415,209	\$ 415,209	\$ 666,194	60.4%
Non-Labor:					
Contractor Services	-	110,000	110,000	92,114	-16.3%
Equipment (Non Capital)	-	10,000	10,000	43,000	330.0%
Materials/Services/Supplies	-	45,196	45,196	307,500	580.4%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	21,500	NA
Utilities	-	-	-	-	NA
Fleet	-	5,041	5,041	-	-100.0%
Total Non-Labor	\$ -	\$ 170,237	\$ 170,237	\$ 464,114	172.6%
Division Operating Total	\$ -	\$ 585,447	\$ 585,447	\$ 1,130,308	93.1%

Fiscal Year 2025-26 Accomplishments

- Completed the 2026 Repair & Replacement list and began developing the 5-Year Plan
- Ordered new pumps and motors to replace aging equipment
- FPUD established a strong partnership with CPEN, ensuring a smooth operational transition
- Met all regulatory targets for the fiscal year

Fiscal Year 2026-27 Goals and Objectives

- Ensure 100% compliance with all permits
- Repair the recycled water pipe and pump station to divert maximum flow from the outfall, enabling drainage of the Lemon Grove Ponds
- Drain the Lemon Grove Ponds and assess the condition of the liners
- Increase redundancy across all plant systems
- Support CPEN in defining larger projects
- Help CPEN use available funding to address grit issues at the headworks
- Collaborate with base staff to design a new fiber optic loop connecting both plants
- Partner with base staff to implement a server upgrade that improves security
- Coordinate with the contractor and base staff to upgrade PLCs at both plants
- Complete an ARC Flash study to improve electrical safety

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 26 shows the breakdown of the District’s costs related to employee benefits.

Chart #9 - Fiscal Year 2026-27 Benefits Breakdown

STRATEGIC PLANNING

The District’s proactive management of the district’s pension obligations has resulted in 86% funding of its pension obligations. This limits the potential for future rate and charge increases due to pension obligation funding needs.

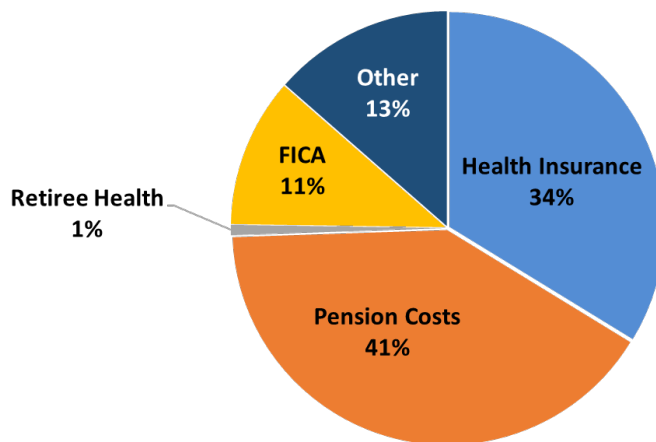


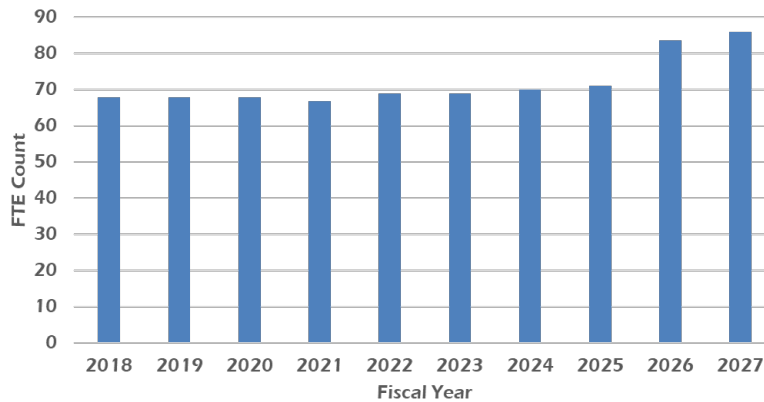
Table #26 - Breakdown of District’s Employee Benefit Costs

Description	FY 2024-25	FY 2025-26 ⁽¹⁾		FY 2026-27 ⁽¹⁾	Amended Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Auto Allowance	\$ 28,762	\$ 32,650	\$ 33,935	\$ 30,750	-5.8%
Insurance - Dental	76,995	96,585	91,423	107,447	11.2%
Insurance - Vision	13,682	16,553	15,955	17,993	8.7%
Insurance - Health	1,365,375	1,717,702	1,616,197	1,975,521	15.0%
Insurance - Life and Disability	62,229	71,210	79,505	78,802	10.7%
Insurance - Worker's Comp	107,895	150,069	135,904	166,927	11.2%
FICA - Employer's share	601,159	683,941	697,040	779,188	13.9%
CalPERS Annual Contribution	802,787	942,328	902,480	1,017,960	8.0%
CalPERS Unfunded Liability Payment	1,429,008	1,649,238	1,645,227	1,815,306	10.1%
Pension/OPEB Liability Trust Payment ⁽²⁾	500,000	500,000	500,000	500,000	0.0%
Employer's share (401 & 457)	159,162	212,956	217,566	248,245	16.6%
District Share of Retiree Medical Insurance	50,025	54,724	55,720	53,129	-2.9%
Merit Increase/Performance Bonus	73,500	96,300	96,942	100,000	3.8%
Uniforms & Boots	53,704	57,559	56,435	64,474	12.0%
Total	\$ 5,324,282	\$ 6,281,813	\$ 6,144,328	\$ 6,955,742	10.7%

⁽¹⁾ \$415,705 and \$869,936 were budgeted for Contract Wastewater Services in FY 2025-26 and FY 2026-27 respectively.

⁽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 a total of 86 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.

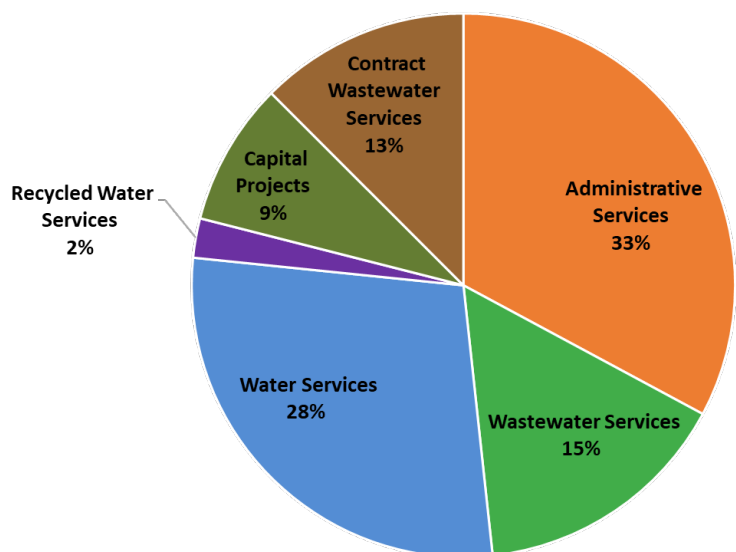
This year 74% of the District's staff fall under the Public Employees' Pensions Reform Act (PEPRA). The changes in pension benefits for PEPRA staff are expected to lower the District's future pension costs.

The District's healthcare insurance costs are up due to higher premiums, the addition of 14 FTEs for Contract Wastewater Services and the trend for new hires to elect family coverage under the District's healthcare plans. Changes to other benefits are shown on the table.

Benefit Allocation

Chart #11 - Fiscal Year 2026-27 Benefits 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, 9% of the benefits are allocated to Capital Projects, a decrease from last year. The reduction is due to the addition of 14 full-time employees (FTEs) for Contract Wastewater Services, which now account for 13% of the benefit 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 12 shows the annual debt service payments are relatively flat through 2027, and slowly decrease thereafter.

The District’s Wastewater bond rating was raised to AA- due to the District’s prudent financial management.

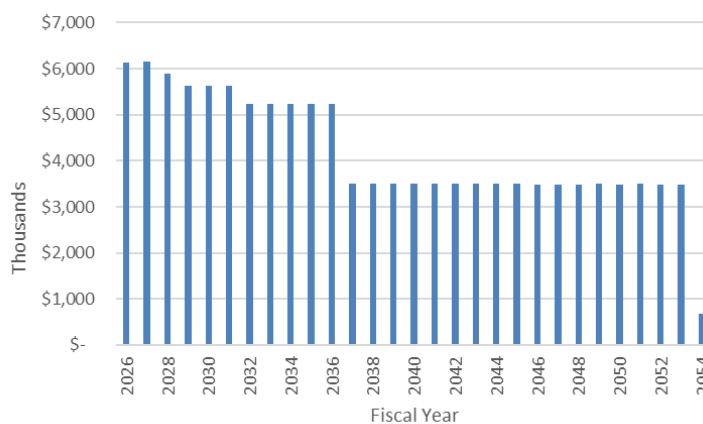
Each debt issuance is linked to the Service that it was used to fund. In some cases, the debt service can be allocated to more than one service. The table below shows the debt service payments for Fiscal Year 2026-27 and the amount allocated to each service.

Table #27 - 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*	-	1,212,190	519,510	1,731,700
2024 WRB	684,284	-	-	684,284
2010 QECB	-	519,579	-	519,579
Total	\$3,894,930	\$1,731,769	\$ 519,510	\$ 6,146,209

* 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 2026-27 is flat from Fiscal Year 2025-26 with no new debt issuance planned.

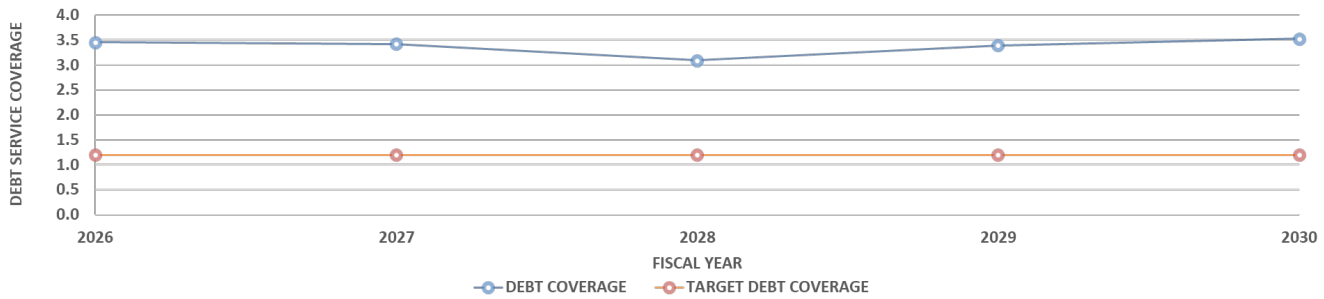
Table #28 - Fiscal Year 2026-27 Debt Service Schedule

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	
	June 30										
2026	\$ 341,786	\$ 54,065	\$ 1,145,000	\$ 584,934	\$458,515	\$ 62,150	\$ 1,661,765	\$ 1,153,030	\$ 180,000	\$503,662	\$ 6,144,906
2027	350,628	45,222	1,185,000	546,700	484,114	35,465	1,693,339	1,121,456	190,000	494,284	\$ 6,146,209
2028	359,700	36,151	1,230,000	498,400	254,219	7,296	1,725,512	1,089,283	200,000	485,713	\$ 5,886,273
2029	369,006	26,844	1,280,000	448,200	-	-	1,758,297	1,056,498	210,000	474,008	\$ 5,622,853
2030	378,553	17,297	1,335,000	395,900	-	-	1,791,704	1,023,091	220,000	463,109	\$ 5,624,655
2031	388,347	7,503	1,390,000	341,400	-	-	1,825,747	989,048	230,000	451,703	\$ 5,623,749
2032	-	-	1,445,000	284,700	-	-	1,860,436	954,359	245,000	440,852	\$ 5,230,347
2033	-	-	1,505,000	225,700	-	-	1,895,784	919,011	255,000	426,992	\$ 5,227,487
2034	-	-	1,565,000	164,300	-	-	1,931,804	882,991	270,000	413,685	\$ 5,227,781
2035	-	-	1,630,000	100,400	-	-	1,968,509	846,287	280,000	399,745	\$ 5,224,940
2036	-	-	1,695,000	33,900	-	-	2,005,910	808,885	295,000	386,206	\$ 5,224,901
2037	-	-	-	-	-	-	2,044,022	770,773	310,000	369,838	\$ 3,494,633
2038	-	-	-	-	-	-	2,082,859	731,936	330,000	353,617	\$ 3,498,412
2039	-	-	-	-	-	-	2,122,433	692,362	345,000	336,508	\$ 3,496,303
2040	-	-	-	-	-	-	2,162,759	652,036	360,000	319,488	\$ 3,494,283
2041	-	-	-	-	-	-	2,203,852	610,943	380,000	299,884	\$ 3,494,679
2042	-	-	-	-	-	-	2,245,725	569,070	400,000	280,115	\$ 3,494,910
2043	-	-	-	-	-	-	2,288,394	526,401	420,000	259,331	\$ 3,494,126
2044	-	-	-	-	-	-	2,331,873	482,922	445,000	238,027	\$ 3,497,822
2045	-	-	-	-	-	-	2,376,179	438,616	465,000	216,694	\$ 3,496,489
2046	-	-	-	-	-	-	2,421,326	393,469	480,000	197,532	\$ 3,492,327
2047	-	-	-	-	-	-	2,467,332	347,464	500,000	177,661	\$ 3,492,456
2048	-	-	-	-	-	-	2,514,211	300,584	520,000	157,380	\$ 3,492,175
2049	-	-	-	-	-	-	2,561,981	252,814	545,000	135,384	\$ 3,495,180
2050	-	-	-	-	-	-	2,610,658	204,137	565,000	112,877	\$ 3,492,672
2051	-	-	-	-	-	-	2,660,261	154,534	590,000	89,458	\$ 3,494,253
2052	-	-	-	-	-	-	2,710,806	103,989	610,000	65,270	\$ 3,490,065
2053	-	-	-	-	-	-	2,762,311	52,484	635,000	39,881	\$ 3,489,676
2054	-	-	-	-	-	-	-	-	665,000	13,522	\$ 678,522

*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 13 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

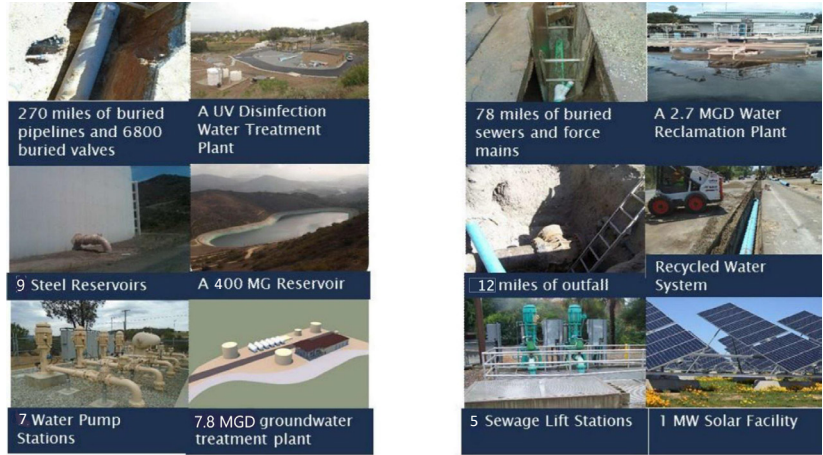


Project Summary for Fiscal Year 2026-27

Figure #1 - Fallbrook District Facilities

District Capital Program

Utility districts require long-term investments in extensive capital facilities. The District maintains over 370 miles of buried water and sewer pipe that must be maintained and replaced. The District also has pump stations, lift stations and treatment facilities that require significant expenses to replace and maintain. Figure 1 summarizes the facilities owned and operated by the District. It is



critical to develop plans to reduce the overall cost of operating these facilities by completing pro-active capital projects to replace and rehabilitate these assets as opposed to 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 verses available capital funds. Individual project costs are estimated based on current construction cost information. While some projects are well into the design phase and costs can be fairly accurately estimated, others are based on early stage planning estimates. Additionally, unforeseen changes to priorities can result from changing materials and construction costs, pipeline failures, extreme weather, etc.

For Fiscal Year 2025-26, Table 1 shows budget versus projected actual expenses for each capital project category. The anticipated CIP execution is tracking very close to budget for the water category. For the others, a handful of deferred projects will result in less CIP expenditures than budgeted. These projects include:

- WRP Creek Crossing Pipeline Replacement: This project replaces the above grade trunk line across Fallbrook Creek. It was intended to be constructed in FY26, but had to be rebid after design modifications and value engineering due to higher than budgeted bid prices. It was awarded in April 2026 and will be completed during FY27.
- WRP Headworks Refurbishment: This project refurbishes the concrete coatings and replaces the grit removal equipment. It requires the headworks to be bypassed which will be easier to implement after the creek crossing project is complete. The budget for this project has been carried over to FY27.
- WRP Centrifuge Replacement: This project was determined unnecessary after completing a less expensive rebuild of the existing centrifuge equipment.

- Recycled Applied Pump Replacement: There are two applied pumps for the recycled system. One was rebuilt during FY26, and one replacement pump ordered. The replacement pump will not be delivered until FY27 so will be installed then.
- Administrative Enterprise Resource Planning (ERP) Software: The process of replacing the ERP software began during FY26, but will be integrated over two years. The remaining budget for this effort was carried over to FY27.
- SMGTP Backup Generator Project: This project, 80% grant funded, began in FY26, but with the extremely long lead time for electrical equipment, will not be completed until well into FY27.

These projects, except for the Centrifuge Replacement, are included in the FY27 budget in addition to the planned work for the year.

Capital Budget Project Summary for Fiscal Year 2026-27

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 2026-27 are summarized on the following pages.

Water Capital Projects

The primary focus will continue to be on pipeline replacements. Since initiating the pipeline replacement program, the goal has been to replace 5,000 linear feet of mainline per year. On average in each of the past 3 years, more than 9,000 linear feet of pipe has been replaced. This equates to a replacement rate of just under 160 years, moving closer to the ultimate replacement goal of 100 years. The goal for FY27 is to replace 9,500 linear feet of mainline. Approximately 4,000 linear feet of pipeline replacement work has already been awarded for completion in FY27, with another 7,500 in the final stages of design.

District construction staff will continue with valve replacement projects to reduce the impacts of outages from breaks and failures. Other significant components of the Water CIP include the construction of a new pressure reducing station at Hillside Dr, water quality improvements at Red Mountain Reservoir, operational improvements at multiple steel tank reservoirs, and the completion of the backup generator install at the Santa Margarita Groundwater Treatment Plant.

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, laterals, and manholes, as well as pump replacements at the Green Canyon Lift Station.

At the Water Reclamation Plant (WRP), aging mechanical equipment will be replaced, the headworks and one of the secondary clarifiers will be refurbished, and a multi-year PLC/controls upgrades effort will begin.

For the recycled water system, replacements of the applied and backwash pumps for the tertiary filter system will continue to be replaced.

Table #1 - Capital Improvements Projects Summary Table

	FY 2025-26	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
	Amended Budget	Projected						
Water Capital Projects								
Pipelines & Valve Replacement Projects by District	\$ 760,000	\$ 862,969	\$ 1,020,000	\$ 816,893	\$ 950,672	\$ 979,193	\$ 1,008,568	\$ 1,014,319
Pipeline Replacement Projects by Contractors	3,735,000	4,360,119	5,000,000	6,471,490	6,556,362	6,235,319	7,002,015	5,246,482
DeLuz ID Projects	-	29,177	-	-	-	-	-	-
Pump Stations	815,000	133,120	270,000	212,180	185,764	168,826	173,891	280,800
Meter Replacement	60,000	57,280	60,000	63,654	65,564	67,531	69,556	72,339
Pressure Reducing Station Rehabilitation	20,000	2,837	120,000	21,218	32,782	33,765	57,964	124,800
Red Mountain Reservoir Facility Improvements	130,000	361,301	380,000	53,045	601,000	619,030	57,964	395,200
Steel Reservoir Improvements	320,000	526,568	410,000	848,720	1,256,636	1,069,233	985,383	426,400
Santa Margarita Groundwater Treatment Plant	1,607,000	448,992	1,480,000	212,180	218,545	393,928	231,855	1,539,200
SCADA and Security	150,000	100,577	150,000	159,135	163,909	168,826	173,891	156,000
Vehicles and Heavy Equipment	520,000	1,000,000	690,000	437,621	557,291	337,653	172,587	717,600
Total PAYGO Water Capital Projects	\$ 8,117,000	\$ 7,882,939	\$ 9,580,000	\$ 9,296,136	\$ 10,588,525	\$ 10,073,304	\$ 9,933,675	\$ 9,973,139
Recycled Water Capital Projects								
Recycled Water Improvements	\$ 264,000	\$ 86,164	\$ 185,000	\$ 233,398	\$ 229,473	\$ 236,357	\$ 243,448	\$ 192,400
Total Recycled Water Capital Projects	\$ 264,000	\$ 86,164	\$ 185,000	\$ 233,398	\$ 229,473	\$ 236,357	\$ 243,448	\$ 192,400
Wastewater Capital Projects								
Water Reclamation Plant Improvements	\$ 1,325,000	\$ 138,042	\$ 1,330,000	\$ 1,623,177	\$ 2,983,145	\$ 934,172	\$ 927,419	\$ 832,000
Collections System Projects	440,000	836,293	690,000	392,533	240,400	585,265	533,266	717,600
Outfall Improvements	50,000	53,871	50,000	116,699	120,200	123,806	127,520	114,400
Vehicles and Heavy Equipment	-	-	190,000	145,874	185,764	112,551	57,529	51,610
Total Wastewater Capital Projects	\$ 1,815,000	\$ 1,028,206	\$ 2,260,000	\$ 2,278,283	\$ 3,529,508	\$ 1,755,794	\$ 1,645,734	\$ 1,715,610
Administrative Capital Projects								
Administrative Upgrades	\$ 700,000	\$ 406,914	\$ 450,000	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 468,000
Engineering & Operations Information Systems	-	-	45,000	31,827	32,782	33,765	34,778	46,800
Facility Improvements/Upgrades/Security	300,000	154,271	535,000	228,094	152,982	157,571	104,335	556,400
District Yard Improvements	25,000	20,802	100,000	53,045	54,636	56,275	50,000	104,000
Vehicles and Heavy Equipment	-	-	300,000	-	-	-	-	-
Total Administrative Capital Projects	\$ 1,025,000	\$ 581,987	\$ 1,430,000	\$ 339,488	\$ 267,718	\$ 275,750	\$ 218,095	\$ 1,175,200
Total Capital Budget Projects	\$ 11,221,000	\$ 9,579,295	\$ 13,455,000	\$ 12,147,305	\$ 14,615,224	\$ 12,341,205	\$ 12,040,951	\$ 13,056,349

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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 120 valves per year. The proposed purchases and costs for Fiscal Year 2026-27 also include:

- Valve Replacement Program – Goal to replace 120 valves. Well-functioning isolation valves, as well as drain and air release 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 – Grading work and restoration of easements, common after rain events, to maintain access to remote 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	101
FY 2023-24	101
FY 2024-25	129
FY 2025-26	115 (Estimate)
FY 2026-27	120 (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 2026-27 Budget
Valve Replacement Program	Continuous Replacement Program	\$ 600,000
Miscellaneous Pipeline Replacements	Continuous Replacement Program	250,000
Mainline Leak Detection	Continuous Detection Program	20,000
Fire Hydrant Replacements	Continuous Replacement Program	100,000
Easement Rehabilitation	Continuous Program	50,000
Total		\$ 1,020,000



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 2026-27 include:

- High School Pipeline Replacement Project – 500 linear feet of 16-inch mainline within an easement across the high school campus. The existing pipe was installed in the 1960’s and has recently had multiple breaks. The project is scheduled to be awarded in May 2026 and constructed in the first part of FY27.
- Santa Margarita Dr Pipeline Replacement Project – 3,500 linear feet of 12-inch mainline between E Mission and Edgewater Lane. The existing pipe was installed in the 1960’s and has had multiple breaks in areas that are prone to damage on private properties. The project is scheduled to be awarded in May 2026 and constructed in the fall and winter of FY27.
- Gum Tree Lane Pipeline Replacement Project – 3,000 linear feet of 20-inch mainline between the Gum Tree PRV and Colina Creek Trail. The existing pipe was relined in the 1960’s, installed sometime prior to that, and is a critical conveyance line for the majority of the District’s distribution system. The project is scheduled to be awarded in August 2026 and constructed in early 2027. It will be partially grant funded through the EPA’s Community Grants Program.
- Knoll Park Lane Pipeline Replacement Project – 6,000 linear feet of 8-inch and 6-inch mainline on the north end of Knoll Park Lane and Vista del Lago Dr. The existing pipe was installed in the 1950’s and has recently had multiple breaks. The project is scheduled to be awarded in August 2026 and constructed in 2027, likely extending into FY28. It will be partially grant funded through the EPA’s Community Grants Program.



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.

Project Budget:

Project	Total Project Budget	FY 2026-27 Budget
High School and Santa Margarita Pipelines	\$ 2,750,000	\$ 2,750,000
Gum Tree and Knoll Park Pipelines	4,800,000	2,250,000
Total		\$ 5,000,000



Pump Stations

Project Description:

- The District has 7 pump stations that deliver water to higher elevation areas. In Fiscal Year 2026-27, the following Pump Station projects are planned:
- Vista Del Rio Pump Station – A new booster pump station that will work in companion with the new De Luz/Sachse Pump Station that was installed in FY24-25. This pair of pumps enables SMRCUP water to be delivered to all portions of the service area, without changes to normal operating pressures. The Vista Del Rio Pump Station will boost Sachse pressure zone water to the De Luz Aqueduct.
- Harris Pump Station – Replace pump and motor.
- SMGTP Product Water Pump Station – Replace 2 of 4 pump and motor sets.



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, as well as improving service cost and reliability with local water supply.

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. The projects will improve water service reliability in their respective service areas.

Projects Budgets:

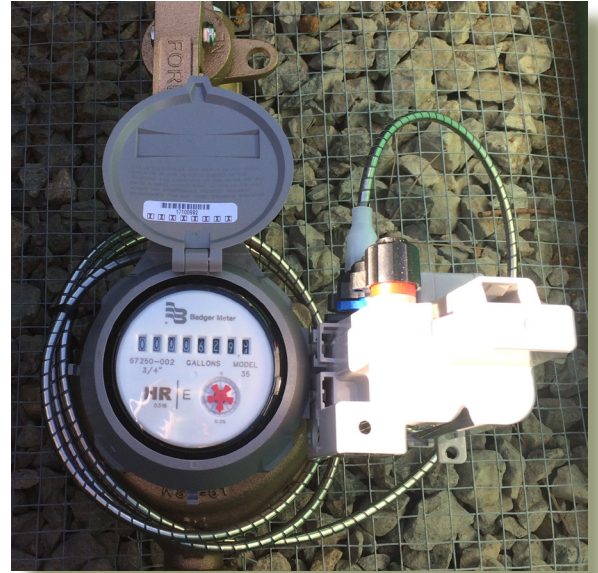
Project	Total Project Budget	FY 2026-27 Budget
Harris Pump Station	\$ 120,000	\$ 120,000
SMGTP Product Water Pump Station	300,000	150,000
Total		\$ 270,000



Meter Replacement

Project Description:

A comprehensive meter replacement program was completed in 2024, replacing over 9,000 meters with Advanced Metering Infrastructure (AMI) meters, which are able to provide real time data collection and alerts. New meters typically have a service life of 15 to 20 years, but some regular replacements will be necessary to keep all meters in working order. Additionally, there was a time period, primarily during the 1990's, where meter service lines were installed using PVC pipe. These PVC services are more prone to breaks, often requiring emergency mainline shutoffs to repair. To address this, the District will begin a multi-year effort to strategically replace the aging PVC services with copper service lines.



Supports Strategic Goals:

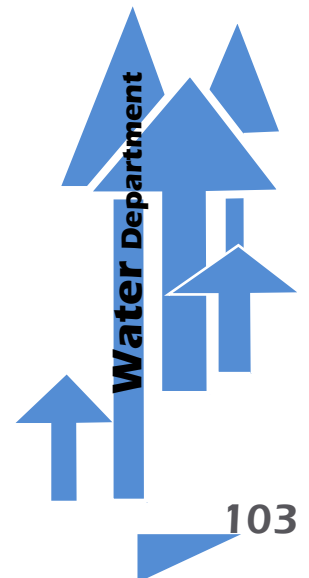
Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

Operating Impacts:

This project will reduce operations and maintenance costs for the facility by replacing the equipment that is at the end of its useful life.

Project Budget:

Project	Total Project Budget	FY 2026-27 Budget
Service Line Replacement Program	\$ 300,000	\$ 60,000
Total		\$ 60,000



Pressure Reducing Station Rehabilitation

Project Description:

Routine improvements and replacements of the District’s pressure reducing stations are needed to maintain reliable service. In FY 2026-27, an additional pressure reducing station will be added at Hillside Dr to enable an additional connection point between the Modified Town and Rattlesnake pressure zones, reducing the number of customers effected by shutdowns in the area.

Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability in an effort to avoid service disruptions and property damage.

Operating Impacts:

This project will enhance reliability and reduce service disruptions.



Project Budget:

Project	Total Project Budget	FY 2026-27 Budget
Hillside Dr PRV	\$ 100,000	\$ 100,000
General PRV Equipment Replacements	20,000	20,000
Total		\$ 120,000



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 2026-27 include:



- Reservoir Water Quality Improvements – Implementation of recommended water quality improvement methods. Due to the addition of the SMRCUP water to the District’s system starting in 2021, water is stored in Red Mountain Reservoir for longer periods of time, which has caused seasonal aesthetic water quality issues.
- Reservoir Liner Replacement Plan – Completion of a liner replacement feasibility study and preliminary design. Results will inform future year strategy for full implementation.

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 planned projects will improve reliability while reducing the need for operator intervention.

Projects Budgets:

Project	Total Project Budget	FY 2026-27 Budget
Reservoir Water Quality Improvements	\$ 230,000	\$ 230,000
Reservoir Liner Replacement Plan	300,000	150,000
Total		\$ 380,000



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 2026-27 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.
- Sandia Tank Mixer – Addition of an electric mixer will improve the water quality in the system.
- Toyon Tank Site Improvements – Pavement replacement and drainage improvements.
- Sachse Tank Chlorination System – Due to increased local supply and reduced imported supply, a chlorination booster system is needed to maintain water quality standards more efficiently in the Sachse Reservoir. A similar system was installed at the 8MG tank.

Supports Strategic Goals:

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

Operating Impacts:

The projects will ensure the long-term integrity of these water supply tanks. The operating costs for the chlorination system at the Sachse Tank and the mixer at the Sandia 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 2026-27 Budget
Cathodic Protection Repair & Dive Inspection	Ongoing Program	\$ 20,000
Sandia Tank Mixer	\$ 85,000	85,000
Toyon Tank Site Improvements	75,000	75,000
Sachse Tank Chlorination System	230,000	230,000
Total		\$ 410,000



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, which was budgeted in each of the previous two years but ultimately not needed yet.

Also, the District received a Department of Defense grant intended for communities that support federal military installations, to install a backup generator at the SMGTP. This will ensure continued operation of the treatment facility during power outages. The grant funds up to \$1,297,000 of cost. The project was started in FY26, but will continue into FY27.

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.

Projects Budgets:

Project	Total Project Budget	FY 2026-27 Budget
Plant Improvements (including GAC Media Replacement)	Continuous Program	\$ 480,000
Back-up Generator	\$ 1,500,000	\$ 1,000,000
Total		\$ 1,480,000

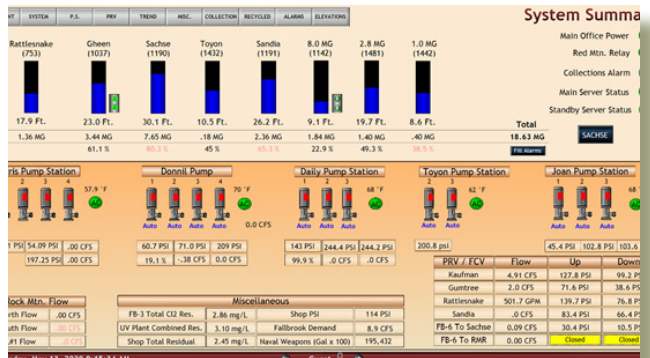


SCADA and Security

Project Description:

SCADA and security upgrades protect the District’s facilities and enable improved remote operations and controls. Projects for Fiscal Year 2026-27 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 2026-27 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 2026-27 include:

- Applied Pump Rebuilt – The tertiary treatment process requires two pump stations to operate the deep bed filters. Two “Applied Pumps” send secondary treated water to the deep bed filters and three “Backwash Pumps” are used to maintain the filters. The pumps have reached their useful service life and, over the next three years, the five pumps will be rebuilt or replaced. In FY26-27, one applied pump and one backwash pump will be replaced.
- Distribution SCADA Improvements – communications/controls improvements to enhance monitoring capabilities on the distribution system.



Supports Strategic Goals:

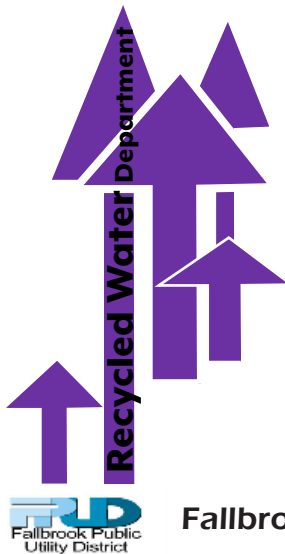
Provide a reliable, cost-effective water supply through implementation of local water supply projects.

Operating Impacts:

There is no impact to the operating budget.

Projects Budgets:

Project	Total Project Budget	FY 2026-27 Budget
Applied and Backwash Pump Rebuild	\$ 270,000	\$ 175,000
Distribution SCADA Improvements	10,000	\$ 10,000
Total		\$ 185,000



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 2026-27 include:



- Capital Equipment Replacements – Routine capital equipment replacements.
- Secondary Clarifier Refurbishment – Concrete spot repairs and recoating of the equipment on the second of two clarifiers.
- Headworks Refurbishment – Recoat the headworks and replace the grit system.
- PLC Upgrades – Develop comprehensive plan to replace antiquated PLC equipment over the next three years.
- Blowers Replacement – Develop and initiate multi-year plan to replace blower equipment.
- Service Water System Improvements – Install permanent pressure regulation in the plant service water distribution system to prevent mainline breaks.

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 2026-27 Budget
Capital Equipment Replacements	Continuous Replacement Program	\$ 150,000
Headworks Refurbishment	\$ 750,000	750,000
Secondary Clarifier Refurbishment	150,000	150,000
PLC Upgrades	2,100,000	100,000
Blower Replacements	700,000	100,000
Service Water System Improvements	80,000	80,000
Total		\$ 1,330,000



Collections System Projects

Project Description:

Projects include replacements and major repairs to existing sewer infrastructure.

The proposed projects for Fiscal Year 2026-27 include:

- Mainline Replacement and Relining – Approximately 1,500 linear feet of sewer main line will be replaced or relined to like-new condition.
- Lateral Relining – Relining of existing laterals that have required recurring maintenance.
- WRP Creek Crossing Replacement – Replace aging main trunk line across Fallbrook Creek and provide improved headworks bypass capability.
- Shady Lane Lift Station Wet Well Lining – Relining of the existing wet well at Shady Lane Lift Station.
- Green Canyon Lift Station Pump Replacements – Replace pumps and valving.
- 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 2026-27 Budget
Mainline Replacement & Relining	Ongoing Replacement Program	\$ 100,000
Lateral Relining	\$ 250,000	40,000
WRP Creek Crossing Replacement	415,000	415,000
Shady Lane Lift Station Wet Well Lining	10,000	10,000
Green Canyon Lift Station Pump Replacements	105,000	105,000
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 2026-27 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:

- Mechanic Garage Improvements – Replacement cabinets, insulation, and ventilation. Relocate truck lift.
- Warehouse Improvements – Add door to back of warehouse for access to fenced exterior materials storage. Pave and fence outdoor storage area.
- General Yard Improvements – Install roof cover over open storage area between storage containers.
- General Office Improvements – Remodel main office restrooms, board room flooring replacement.
- Main Office HVAC Replacement, Phase 2 – Comprehensive replacement of the HVAC system in the main office. The project will be completed in multiple phases.
- Main Office Fire Alarm System Replacement – Replacement of the fire alarm system to modernize the system to comply with insurance requirements.
- Enterprise Resource Planning Software Replacement, Phase 2 – Implementation of the enterprise system upgrade to streamline accounting, customer service, and billing software compatible with the District’s asset management software.
- Server Upgrades – improvements to server for added security and functionality.



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 2026-27 Budget
Mechanic Garage Improvements	\$ 75,000	\$ 75,000
Warehouse Improvements	150,000	150,000
General Yard Improvements	25,000	25,000
General Office Improvements	175,000	175,000
Main Office HVAC Replacement, Phase 2	300,000	125,000
Main Office Fire Alarm System	85,000	85,000
ERP Replacement, Phase 2	700,000	350,000
Server Upgrades	100,000	100,000
Total		\$ 1,085,000



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. \$190,000 of the budgeted expenses will be for wastewater vehicles. The other \$990,000 are for water and general administrative use.



Supports Strategic Goals:

By reviewing various data points using fleet management software, staff can ensure ratepayers that funds are being spent prudently on vehicle replacements and repairs. This 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 2026-27 Budget
Fleet Vehicles	Ongoing Replacement Program	\$ 180,000
1 Ton Utility Truck	\$ 90,000	90,000
Dump Truck	175,000	175,000
Telehandler Loaders	300,000	300,000
Skip Loader	100,000	100,000
Potable High-Line Trailer	25,000	25,000
Remote Pipeline Repair Welding Vehicle	95,000	95,000
Safety Equipment	200,000	200,000
Miscellaneous Equipment	15,000	15,000
Total		\$ 1,180,000



Engineering & Operations Information Systems

Project Description:

These projects include updates to the tools and software utilized for asset management and operations.

The planned updates for Fiscal Year 2026-27 include:

- GIS Upgrade Implementation – Ongoing upgrades to the geographic information system that holds the district wide asset database and displays this information spatially on district mapbooks.
- GPS Survey Equipment – Replacement of antiquated survey equipment that will enable drone flight surveys, significantly reducing labor time for pipeline design survey.



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 2026-27 Budget
GIS Upgrade Implementation	Ongoing Upgrades	\$ 5,000
GPS Survey Equipment	\$ 40,000	\$ 40,000
Total		\$ 45,000



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.

ARC - Annual Required Contribution

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

CIP - Capital Improvement Program

CMMS - Computerized Maintenance Management System

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

CPEN – Camp Pendleton

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.

DOD - Department of Defense

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

ENR – Engineering News-Record

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

IGSA – Inter Governmental Services Agreement

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

NCR - Normal Cost Rate is the percentage of payroll that is contributed to CalPERS to pay for the benefit earned by employees in the current year.

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

NRTTP - North Regional Tertiary Treatment Plant

O&M - Operating and Maintenance

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

SRTTP - South Regional Tertiary Treatment Plant

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 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues					
Revenue from Rates					
Water	\$ 26,925,612	\$ 28,379,241	\$ 30,117,172	\$ 32,030,324	\$ 34,067,289
Recycled Water	1,355,365	1,369,225	1,392,768	1,427,057	1,462,584
Wastewater	7,367,643	7,511,628	7,668,311	7,879,005	8,095,015
Subtotal Revenue from Rates	\$ 35,648,620	\$ 37,260,094	\$ 39,178,251	\$ 41,336,386	\$ 43,624,888
Other Operating Revenues					
Pumping Charge	\$ 103,530	\$ 103,530	\$ 103,530	\$ 103,530	\$ 103,530
Backflow Charge	265,613	265,613	265,613	265,613	265,613
Sundry	93,347	88,347	88,347	88,347	88,347
Contract Wastewater Services	4,259,388	8,538,819	8,875,767	9,226,194	9,590,638
Subtotal Other Operating Revenues	\$ 4,721,878	\$ 8,996,309	\$ 9,333,257	\$ 9,683,684	\$ 10,048,128
Non-Operating Revenues					
Water Availability Charge	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax	2,821,660	2,839,791	2,858,081	2,876,530	2,895,140
Investment Earnings	1,279,463	1,181,747	1,217,658	1,212,691	1,196,703
Water Capital Improvement Charge	2,015,814	2,082,134	2,227,884	2,383,836	2,550,704
MWD Local Resource Program	945,500	945,500	945,500	945,500	945,500
Facility Rent/Lease Revenue	244,515	249,406	254,394	259,482	264,671
PFAS Settlement	1,223,098	-	-	-	-
Power Your Drive for Fleets-SDG&E Grant	169,660	-	-	-	-
SMGTP Generator Grant (OLDCC-DCIP)	500,000	797,000	-	-	-
Federal Grant Funding-Pipeline Replacement	-	1,250,000	-	-	-
Water Capacity Fees	85,000	85,000	85,000	85,000	85,000
Wastewater Capital Improvement Charge	1,490,897	1,495,220	1,555,029	1,617,230	1,681,920
Wastewater Capacity Fees	50,000	50,075	50,150	50,225	50,301
Federal Interest Rate Subsidy	39,233	22,388	4,606	-	-
Subtotal Non-Operating Revenue	\$ 11,064,838	\$ 11,198,262	\$ 9,398,301	\$ 9,630,494	\$ 9,869,938
Total Revenues	\$ 51,435,336	\$ 57,454,665	\$ 57,909,809	\$ 60,650,564	\$ 63,542,955
Operating Expenses					
Water Supply Costs					
EMWD Wholesale Treated Water Costs	\$ 3,058,202	\$ 4,083,070	\$ 7,303,679	\$ 7,906,011	\$ 8,739,272
Camp Pendleton SMR Untreated Water Delivery Costs	1,727,092	1,709,849	1,076,670	1,119,737	1,164,527
Subtotal Water Supply Costs	\$ 4,785,294	\$ 5,792,919	\$ 8,380,350	\$ 9,025,748	\$ 9,903,799
Labor Costs	4,331,906	4,600,582	4,784,606	4,975,990	5,175,029
Fringe Benefits	2,995,941	3,207,972	3,336,291	3,469,743	3,608,532
Services, Materials & Supplies	5,056,770	5,462,619	5,105,404	5,311,426	5,525,779
Allocated Admin Expenses	8,802,977	8,861,073	9,215,516	9,584,136	9,967,502
Contract Wastewater Services	4,259,388	8,538,819	8,875,767	9,226,194	9,590,638
Total Operating Expenses	\$ 30,232,276	\$ 36,463,983	\$ 39,697,933	\$ 41,593,237	\$ 43,771,279
Net Operating Revenues	\$ 21,203,059	\$ 20,990,681	\$ 18,211,877	\$ 19,057,327	\$ 19,771,675
Non-Operating Expenses					
Community Benefit Program	\$ 865,854	\$ 945,915	\$ 546,000	\$ 546,000	\$ 546,000
Subtotal Non-Operating Expenses	\$ 865,854	\$ 945,915	\$ 546,000	\$ 546,000	\$ 546,000
Total Debt Service	\$ 6,144,906	\$ 6,146,209	\$ 5,886,273	\$ 5,622,853	\$ 5,624,655
Total Capital Expenditures	\$ 9,579,296	\$ 13,455,000	\$ 12,147,305	\$ 14,615,224	\$ 12,341,205
Total Expenditures	\$ 46,822,332	\$ 57,011,107	\$ 58,277,511	\$ 62,377,314	\$ 62,283,139
Water Revenue Bond Proceeds Spent	\$ 3,702,076	\$ -	\$ -	\$ -	\$ -
Change in Net Position ⁽¹⁾	\$ 8,315,080	\$ 443,558	\$ (367,702)	\$ (1,726,751)	\$ 1,259,816
Beginning Balances	\$ 30,138,046	\$ 38,453,126	\$ 38,896,683	\$ 38,528,982	\$ 36,802,231
Ending Balances	\$ 38,453,126	\$ 38,896,683	\$ 38,528,982	\$ 36,802,231	\$ 38,062,047

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

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

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 26,283,122	\$ 26,283,122	\$ 26,283,122	\$ 26,283,122	\$ 26,283,122
Proposed Revenue Adjustments	642,489	2,096,119	3,834,050	5,747,202	7,784,167
Subtotal Operating Revenues	\$ 26,925,612	\$ 28,379,241	\$ 30,117,172	\$ 32,030,324	\$ 34,067,289
Other Operating Revenues					
Pumping Charge	\$ 103,530	\$ 103,530	\$ 103,530	\$ 103,530	\$ 103,530
Backflow Charge	265,613	265,613	265,613	265,613	265,613
Sundry	73,347	73,347	73,347	73,347	73,347
Subtotal Other Operating Revenues	\$ 442,490	\$ 442,490	\$ 442,490	\$ 442,490	\$ 442,490
Non-Operating Revenue					
Water Availability Charge	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax ⁽¹⁾	925,053	929,678	934,327	938,998	943,693
Investment Earnings	916,627	810,446	840,083	829,505	807,661
Water Capital Improvement Charge	2,015,814	2,082,134	2,227,884	2,383,836	2,550,704
Other Revenue	244,515	249,406	254,394	259,482	264,671
MWD Local Resource Program	945,500	945,500	945,500	945,500	945,500
PFAS Settlement	1,223,098	-	-	-	-
Power Your Drive for Fleets-SDG&E Grant	169,660	-	-	-	-
SMGTP Generator Grant (OLDCC-DCIP)	500,000	797,000	-	-	-
Federal Grant Funding-Pipeline Replacement	-	1,250,000	-	-	-
Water Capacity Fees	85,000	85,000	85,000	85,000	85,000
Subtotal Non-Operating Revenues	\$ 7,225,266	\$ 7,349,164	\$ 5,487,187	\$ 5,642,320	\$ 5,797,230
Total Revenues	\$ 34,593,368	\$ 36,170,895	\$ 36,046,849	\$ 38,115,134	\$ 40,307,009
Operating Expenses					
Water Supply Costs					
EMWD Wholesale Treated Water Costs	\$ 3,058,202	\$ 4,083,070	\$ 7,303,679	\$ 7,906,011	\$ 8,739,272
Camp Pendleton SMR Untreated Water Delivery Costs	1,727,092	1,709,849	1,076,670	1,119,737	1,164,527
Subtotal Water Supply Costs	\$ 4,785,294	\$ 5,792,919	\$ 8,380,350	\$ 9,025,748	\$ 9,903,799
Labor Costs	2,774,031	2,825,638	2,938,663	3,056,210	3,178,458
Fringe Benefits	1,919,512	1,971,430	2,050,287	2,132,299	2,217,591
Services, Materials & Supplies	3,732,063	4,016,994	3,600,234	3,744,243	3,894,013
Allocated Administrative Expenses	5,633,905	5,671,087	5,897,930	6,133,847	6,379,201
Total Operating Expenses	\$ 18,844,806	\$ 20,278,067	\$ 22,867,464	\$ 24,092,347	\$ 25,573,062
Net Operating Revenue	\$ 15,748,562	\$ 15,892,828	\$ 13,179,385	\$ 14,022,787	\$ 14,733,947
Total Debt Service	\$ 3,894,308	\$ 3,894,930	\$ 3,896,358	\$ 3,894,653	\$ 3,893,755
Total Capital Expenditures	8,464,926	11,010,000	9,635,624	10,856,243	10,349,054
Total Expenditures	\$ 31,204,040	\$ 35,182,997	\$ 36,399,446	\$ 38,843,244	\$ 39,815,870
Water Revenue Bond Proceeds Spent	\$ 3,702,076	\$ -	\$ -	\$ -	\$ -
Change In Net Position ⁽²⁾	\$ 7,091,404	\$ 987,898	\$ (352,597)	\$ (728,109)	\$ 491,139
Beginning Balances	\$ 19,923,450	\$ 27,014,854	\$ 28,002,752	\$ 27,650,155	\$ 26,922,046
Ending Balances	\$ 27,014,854	\$ 28,002,752	\$ 27,650,155	\$ 26,922,046	\$ 27,413,184

(1) Property tax revenue reduced by \$546,000 in Fiscal Years 2023-24 through 2029-30 for Community Benefit Program.

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

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

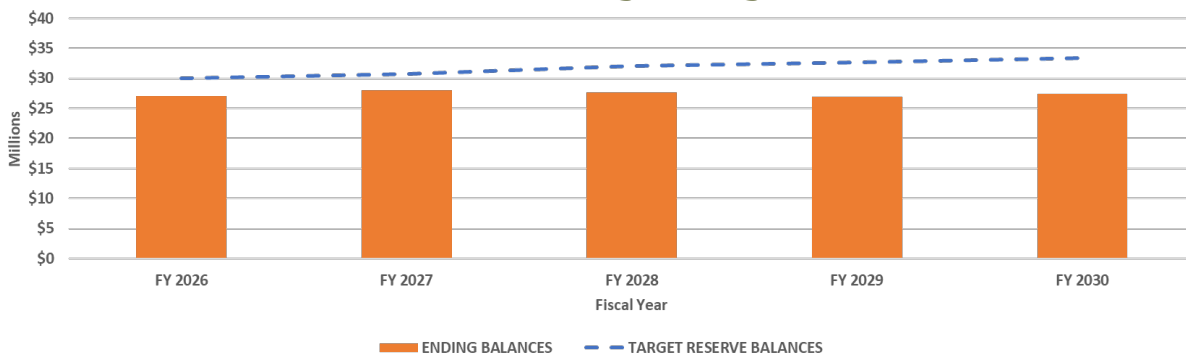


Table #3 - Fallbrook Public Utility District's Wastewater Projections

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 7,281,763	\$ 7,292,686	\$ 7,303,625	\$ 7,314,580	\$ 7,325,552
Proposed Revenue Adjustments	85,880	218,942	364,686	564,424	769,463
Subtotal Operating Revenues	\$ 7,367,643	\$ 7,511,628	\$ 7,668,311	\$ 7,879,005	\$ 8,095,015
Other Operating Revenues					
Sundry	\$ 15,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Subtotal Other Operating Revenues	\$ 15,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Non-Operating Revenues					
Wastewater Capital Improvement Charge	\$ 1,490,897	\$ 1,495,220	\$ 1,555,029	\$ 1,617,230	\$ 1,681,920
Wastewater Capacity Fees	50,000	50,075	50,150	50,225	50,301
1% property Tax - IDS	1,295,762	1,308,720	1,321,807	1,335,025	1,348,375
Federal Interest Rate Subsidy	39,233	22,388	4,606	-	-
Investment Earnings	348,484	353,711	359,017	364,402	369,868
Subtotal Non-Operating Revenues	\$ 3,224,376	\$ 3,230,115	\$ 3,290,609	\$ 3,366,883	\$ 3,450,464
Total Revenues	\$ 10,607,019	\$ 10,751,742	\$ 10,968,920	\$ 11,255,888	\$ 11,555,479
Operating Expenses					
Labor Costs	\$ 1,346,873	\$ 1,541,217	\$ 1,602,866	\$ 1,666,980	\$ 1,733,659
Fringe Benefits	930,635	1,073,712	1,116,660	1,161,327	1,207,780
Services, Materials & Supplies	1,161,040	1,252,625	1,304,450	1,358,434	1,414,668
Allocated Administrative Expenses	3,081,042	3,101,376	3,225,431	3,354,448	3,488,626
Total Operating Expenses	\$ 6,519,590	\$ 6,968,929	\$ 7,249,407	\$ 7,541,189	\$ 7,844,733
Net Operating Revenues	\$ 4,087,429	\$ 3,782,813	\$ 3,719,513	\$ 3,714,699	\$ 3,710,747
Total Debt Service	\$ 1,731,618	\$ 1,731,769	\$ 1,471,395	\$ 1,209,740	\$ 1,211,630
Total Capital Expenditures	\$ 1,028,206	\$ 2,260,000	\$ 2,278,283	\$ 3,529,508	\$ 1,755,794
Total Expenditures	\$ 9,279,414	\$ 10,960,698	\$ 10,999,085	\$ 12,280,437	\$ 10,812,157
Change in Net Position ⁽¹⁾	\$ 1,327,605	\$ (208,956)	\$ (30,165)	\$ (1,024,549)	\$ 743,323
Beginning Balances	\$ 8,538,046	\$ 9,865,650	\$ 9,656,695	\$ 9,626,530	\$ 8,601,980
Ending Balances	\$ 9,865,650	\$ 9,656,695	\$ 9,626,530	\$ 8,601,980	\$ 9,345,303

(1) Change in net position is Total Revenues minus Total Expenditures.

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

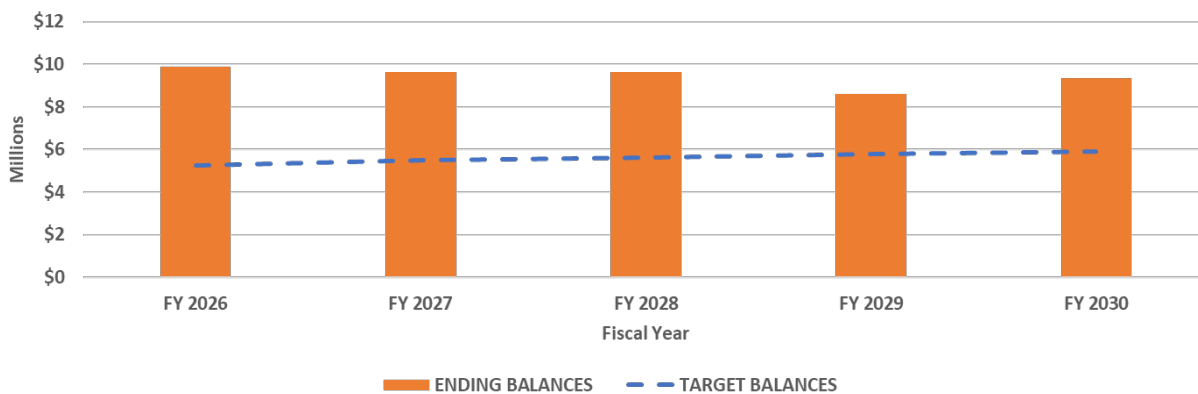


Table #4 Fallbrook Public Utility District’s Recycled Water Projections

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues					
Revenues from Rates					
Revenues from Current Rates	\$ 1,348,282	\$ 1,348,282	\$ 1,348,282	\$ 1,348,282	\$ 1,348,282
Proposed Revenue Adjustments	7,083	20,943	44,486	78,775	114,302
Subtotal Operating Revenues	\$ 1,355,365	\$ 1,369,225	\$ 1,392,768	\$ 1,427,057	\$ 1,462,584
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	\$ 54,844	\$ 55,393	\$ 55,947	\$ 56,506	\$ 57,071
Investment Earnings	14,352	17,591	18,559	18,784	19,173
Subtotal Non-Operating Revenues	\$ 69,196	\$ 72,983	\$ 74,505	\$ 75,291	\$ 76,244
Total Revenues	\$ 1,429,561	\$ 1,447,209	\$ 1,472,274	\$ 1,507,348	\$ 1,543,828
Operating Expenses					
Labor Costs	\$ 211,002	\$ 233,728	\$ 243,077	\$ 252,800	\$ 262,912
Fringe Benefits	145,794	162,830	169,343	176,117	183,162
Services, Materials & Supplies	163,667	193,000	200,720	208,749	217,099
Allocated Administrative Expenses	88,030	88,611	92,155	95,841	99,675
Total Operating Expenses	\$ 608,493	\$ 678,168	\$ 705,295	\$ 733,507	\$ 762,847
Net Operating Revenues	\$ 821,068	\$ 769,040	\$ 766,979	\$ 773,841	\$ 780,981
Total Debt Service	\$ 518,980	\$ 519,510	\$ 518,520	\$ 518,460	\$ 519,270
Total Capital Expenditures	\$ 86,164	\$ 185,000	\$ 233,398	\$ 229,473	\$ 236,357
Total Expenditures	\$ 1,213,637	\$ 1,382,678	\$ 1,457,213	\$ 1,481,440	\$ 1,518,474
Change in Net Position ⁽¹⁾	\$ 215,924	\$ 64,530	\$ 15,061	\$ 25,908	\$ 25,354
Beginning Balances	\$ 956,782	\$ 1,172,706	\$ 1,237,237	\$ 1,252,297	\$ 1,278,205
Ending Balances	\$ 1,172,706	\$ 1,237,237	\$ 1,252,297	\$ 1,278,205	\$ 1,303,560

(1) Change in net position is Total Revenues minus Total Expenditures.

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

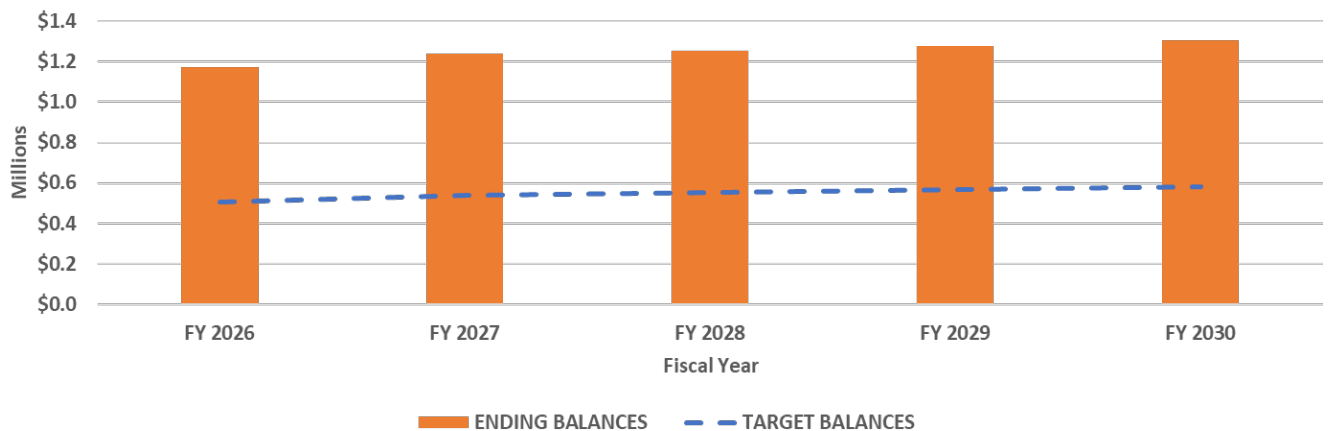


Table #5 Fallbrook Public Utility District's Community Benefit Program Projections

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
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	\$ 865,854	\$ 945,915	\$ 546,000	\$ 546,000	\$ 546,000
Change in Net Position ⁽¹⁾	\$ (319,854)	\$ (399,915)	\$ -	\$ -	\$ -
<i>Beginning Balances</i>	<i>\$ 719,768</i>	<i>\$ 399,915</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>
<i>Ending Balances</i>	<i>\$ 399,915</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>

(1) Change in net position is Total Revenues minus Total Expenditures.

Table #6 Fallbrook Public Utility District’s Contract Wastewater Services Projections

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Revenues					
Operating Revenue					
Annual Payment	\$ 3,872,171	\$ 7,762,562	\$ 8,068,879	\$ 8,387,449	\$ 8,718,762
Contract Wastewater Services Overhead Payment	387,217	776,256	806,888	838,745	871,876
Subtotal Operating Revenues	\$ 4,259,388	\$ 8,538,819	\$ 8,875,767	\$ 9,226,194	\$ 9,590,638
Total Revenues	\$ 4,259,388	\$ 8,538,819	\$ 8,875,767	\$ 9,226,194	\$ 9,590,638
Operating Expenses					
Labor Costs	\$ 988,193	\$ 2,032,856	\$ 2,114,170	\$ 2,198,737	\$ 2,286,686
Fringe Benefits	415,705	869,936	904,734	940,923	978,560
Services, Materials & Supplies	1,448,108	2,705,133	2,813,339	2,925,872	3,042,907
Vehicles	20,165	104,637	104,637	104,637	104,637
Critical Projects	1,000,000	2,050,000	2,132,000	2,217,280	2,305,971
Contract Wastewater Services Overhead	387,217	776,256	806,888	838,745	871,876
Total Operating Expenses	\$ 4,259,388	\$ 8,538,819	\$ 8,875,767	\$ 9,226,194	\$ 9,590,638
Net Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 4,259,388	\$ 8,538,819	\$ 8,875,767	\$ 9,226,194	\$ 9,590,638
Change in Net Position ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Balances	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balances	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Change in net position is Total Revenues minus Total Expenditures.

Table #7 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	FY 2015-16	FY 2016-17	FY 2017-18
Changes in Net Position:			
Operating Revenues	\$ 25,356,017	\$ 27,256,065	\$ 29,882,022
Operating Expenses	(27,144,267)	(29,890,177)	(33,319,799)
Other Operating Revenues	-	-	-
Operating Income (loss)	\$ (1,788,250)	\$ (2,634,112)	\$ (3,437,777)
Non-Operating Revenues (expenses)			
Property Taxes Ad-Valorem	\$ 1,815,734	\$ 1,889,808	\$ 1,984,543
Capital Improvement Charges	2,224,529	2,283,558	2,476,452
California Solar Initiative Rebate	740,125	234,930	-
Investment income (Loss)	324,126	63,861	18,188
Lease Interest Income	-	-	-
Water Availability Charges	200,808	200,730	229,400
MWD Local Resource Program	-	-	-
Lease Revenue	185,220	166,012	178,602
Intergovernmental Revenue - Federal Interest Subsidy	185,040	238,765	145,338
Connection Fees	131,894	238,124	411,744
SDCWA Rate Refund	-	-	-
COVID Relief Grant	-	-	-
Water Supply Grant Funds	-	-	-
Gain on Impairment	(551,281)	-	(273,396)
Community Benefit Program expense	-	-	-
Water Bank Payment	-	-	-
Other Non-Operating Revenues	91,361	32,729	-
Other Non-Operating Expenses	(916,212)	(1,174,011)	(959,015)
Total Non-Operating Revenues(expenses), net	\$ 4,431,344	\$ 4,174,506	\$ 4,211,886
Net income Before Capital Contributions	\$ 2,643,094	\$ 1,540,394	\$ 774,109
Capital Contributions	75,299	59,509	73,661
Capital Grant - Proposition 50	874,040 ⁽¹⁾	773,163	-
Capital Grant - Proposition 84	682,428 ⁽¹⁾	-	67,100
Extraordinary Items	-	-	-
Changes in Net Position	\$ 4,274,861	\$ 2,373,066	\$ 914,870
Net Assets			
Beginning, as restated	\$ 75,034,991	\$ 79,309,852	\$ 85,168,437
Adjustments to restate balance	-	3,485,519	-
Ending, as restated	\$ 79,309,852	\$ 85,168,437	\$ 86,083,307

(1) 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 #7 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years, cont.

FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
\$ 26,944,550	\$ 28,931,007	\$ 32,511,601	\$ 32,814,986	\$ 31,629,493	\$ 31,103,675	\$33,664,086
(31,708,417)	(33,234,259)	(33,933,185)	(37,929,546)	(32,965,081)	(35,279,098)	(35,201,924)
-	-	-	-	-	-	-
\$ (4,763,867)	\$ (4,303,252)	\$ (1,421,584)	\$ (5,114,560)	\$ (1,335,588)	\$ (4,175,423)	\$ (1,537,838)
\$ 2,106,034	\$ 2,205,975	\$ 2,340,185	\$ 2,397,429	\$ 2,617,564	\$ 2,734,325	\$ 2,813,075
2,505,876	2,559,135	2,604,061	2,650,202	2,838,696	3,087,841	3,354,701
-	-	-	-	-	-	-
915,275	920,135	1,543,078	(1,835,245)	932,974	2,006,744	2,502,631
-	-	-	15,437	16,496	27,608	31,902
204,359	204,418	208,842	202,234	200,107	199,452	198,987
-	-	-	197,884	517,280	945,500	945,500
199,433	249,092	251,047	284,819	331,006	303,595	276,197
134,924	123,762	112,207	99,240	86,153	72,101	56,074
180,966	107,107	149,650	193,201	186,946	141,453	1,104,774
-	-	909,413	839,398	8,441	-	-
-	-	-	184,762	-	-	-
-	-	-	213,368	452,253	-	-
9,338,297	(31,450)	38,100	36,543	170,307	327,395	749,822
-	-	-	-	(96)	(266,448)	(651,685)
-	-	-	-	-	-	2,754,444
-	-	-	-	-	-	-
(909,966)	(910,224)	(1,665,457)	(1,524,767)	(1,622,851)	(1,994,853)	(1,999,038)
\$ 14,675,198	\$ 5,427,950	\$ 6,491,127	\$ 3,954,505	\$ 6,735,276	\$ 7,584,713	\$ 12,137,384
\$ 9,911,331	\$ 1,124,698	\$ 5,069,543	\$ (1,160,055)	\$ 5,399,688	\$ 3,409,290	\$ 10,599,546
73,789	372,507	47,842	59,898	175,868	100,782	73,951
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(8,506,750)	-
\$ 9,985,120	\$ 1,497,205	\$ 5,117,385	\$ (1,100,157)	\$ 5,575,556	\$ 4,996,678	\$ 10,673,497
\$ 86,083,307	\$ 97,207,549	\$ 98,704,754	\$ 103,822,139	\$ 102,721,982	\$ 108,297,538	\$ 103,300,858
1,139,122	-	-	-	-	-	-
\$ 97,207,549	\$ 98,704,754	\$ 103,822,139	\$ 102,721,982	\$ 108,297,538	\$ 103,300,860	\$ 113,974,355

Chart #1 - Operating Expenses by Activity

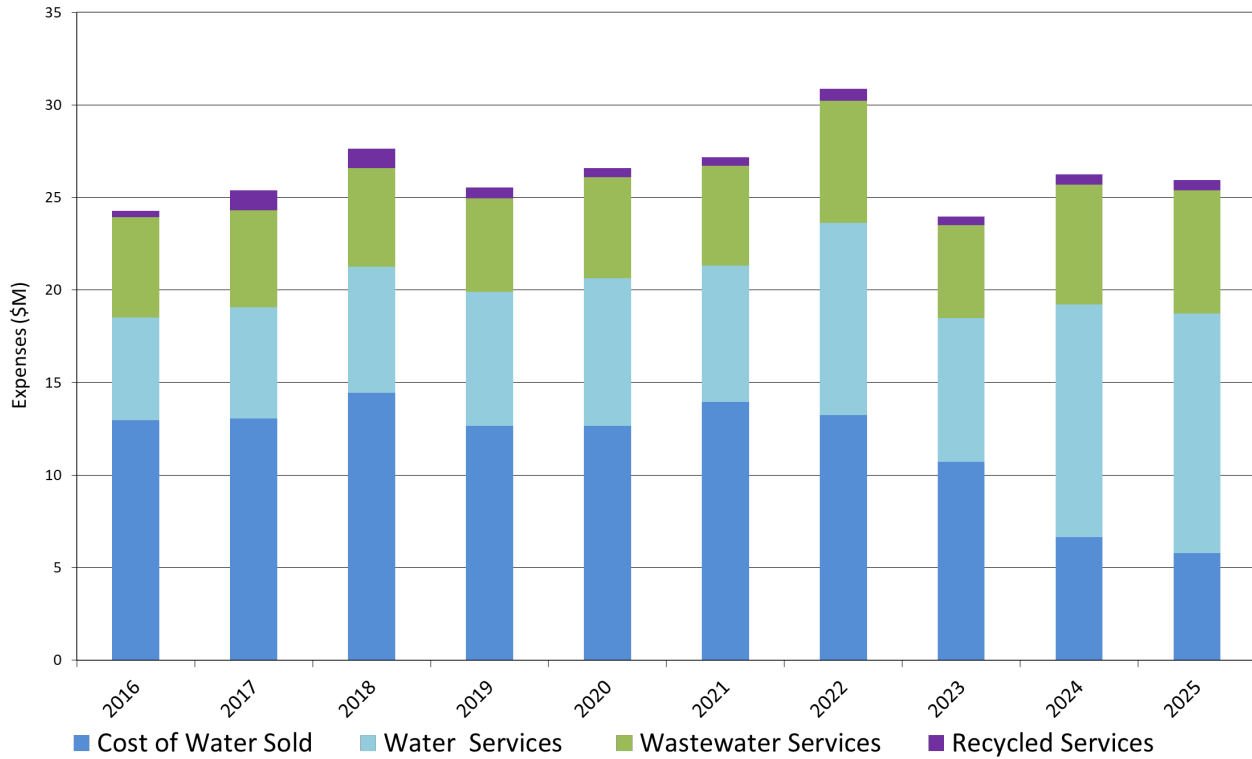


Chart #2 - Operating Revenues by Source

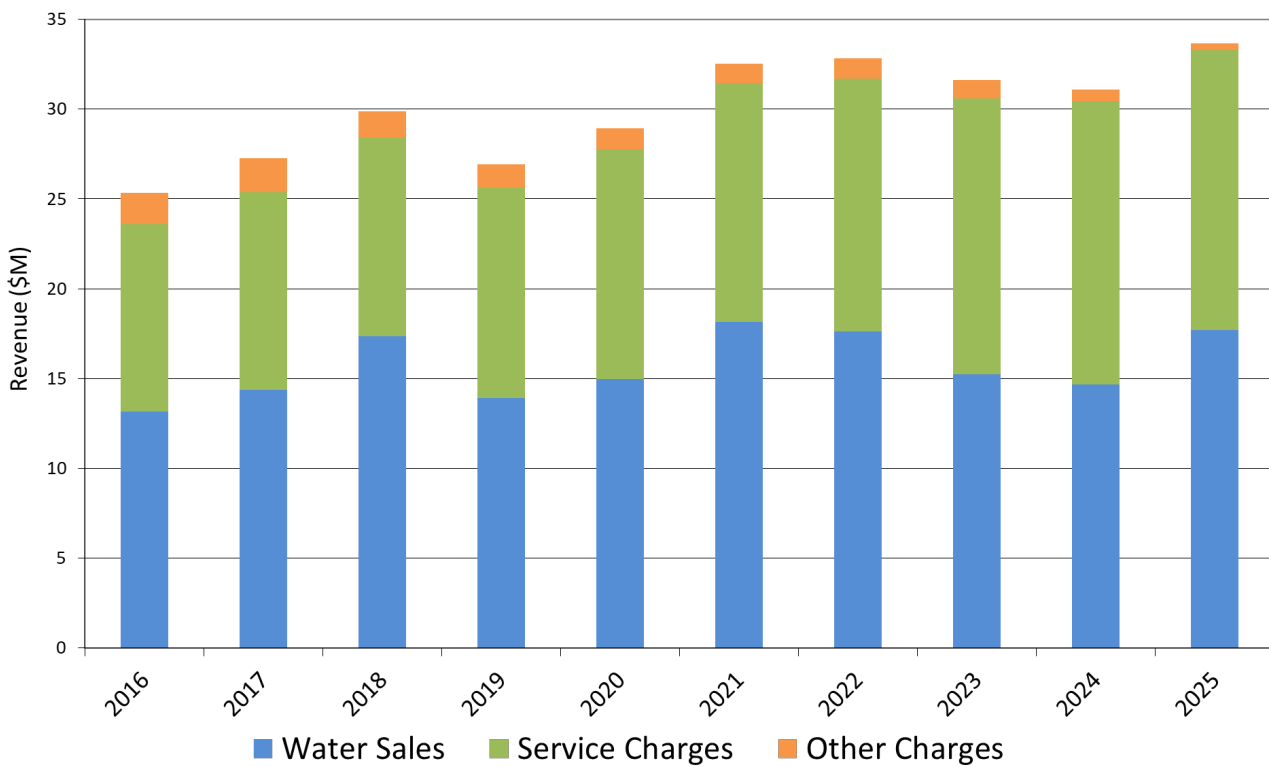
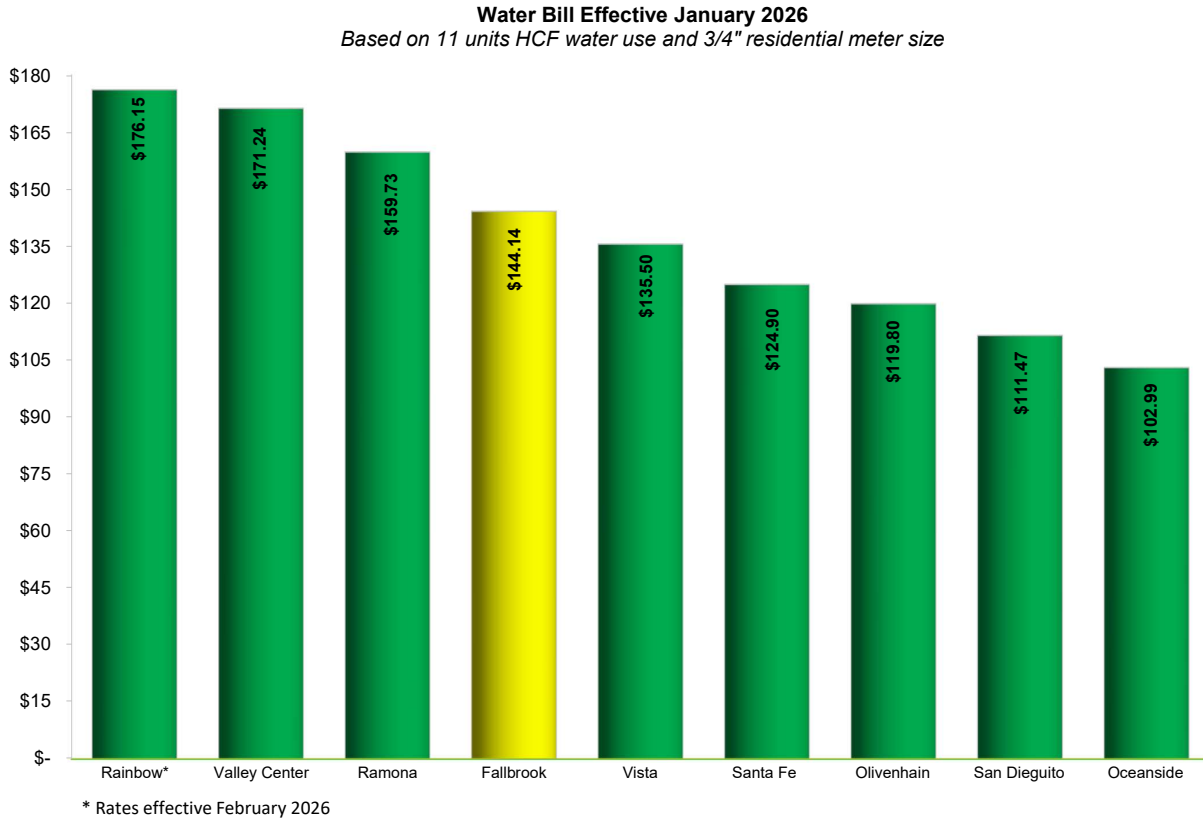


Table #8 - Summary of Services Approved Positions

Position	Actual FTE* FY 2024-25	Actual FTE* FY 2025-26	Proposed FTE* FY 2026-27
Accounting Technician I & II	2.0	2.0	2.0
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Associate Engineer	-	1.0	1.0
Chief Plant Operator	1.0	1.0	1.0
Collections Supervisor	1.0	1.0	1.0
Construction & System Services Supervisor	-	1.0	1.0
Construction Supervisor	1.0	-	-
Crew Leader	4.0	5.0	5.0
Customer Service Representative I & II	1.0	2.0	2.0
Customer Service Specialist	2.0	1.0	1.0
Electrical and Maintenance Manager	-	1.0	1.0
Engineering Manager	1.0	1.0	1.0
Engineering Technician I, II & III	4.0	3.0	3.0
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	0.08	-	-
Instrumentation, Electrical & Controls Tech I & II	2.0	4.0	4.0
IT Manager	0.92	1.0	1.0
Laboratory Technician I & II	1.0	1.0	1.0
Lead Plant Operator	1.0	1.0	1.0
Maintenance Technician I & II	2.0	5.0	6.0
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	8.0	8.0
Public Information Officer	1.0	1.0	1.0
Purchasing Warehouse Supervisor	1.0	1.0	1.0
Safety & Risk Officer	1.0	1.0	1.0
SCADA Analyst	-	0.5	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	-	-
Systems Operator I, II & III	4.0	4.0	4.0
Systems Technician	1.0	1.0	1.0
Utility Worker I, II & III	18.0	18.0	19.0
Warehouse Purchasing Specialist	1.0	1.0	1.0
Water/Wastewater Operator I, II & III	1.0	1.0	1.0
TOTAL FTE	71.0	83.5	86.0

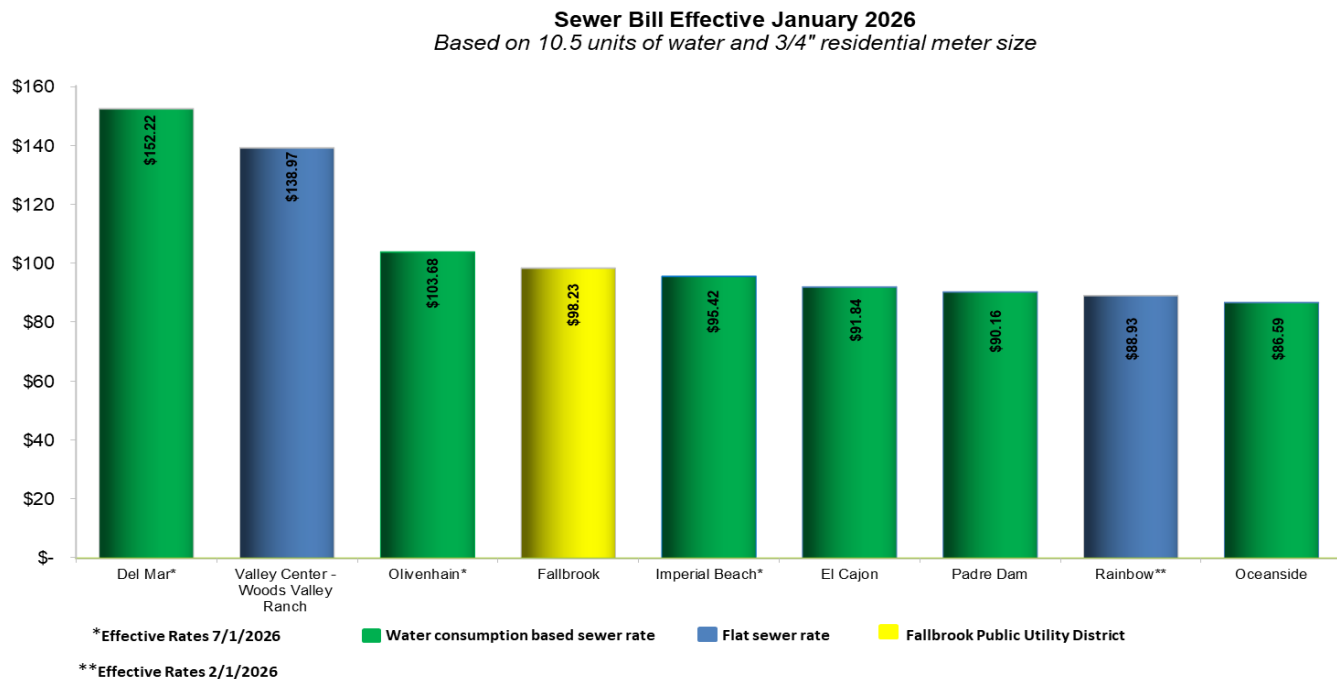
* FTE - Full-Time Equivalents

Table #9 - Regional Water Rate Survey



Source: Prepared by FPUD

Table #10 - Regional Wastewater Rate Survey



Source: Prepared by FPUD

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. 3/15Secs. 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. 2/16Secs. 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

RESOLUTION NO. 5107

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT APPROVING AND ESTABLISHING THE DISTRICT'S FISCAL YEAR 2026-27 BUDGET FOR OPERATIONS, MAINTENANCE, WATER PURCHASES, CAPITAL IMPROVEMENTS, EQUIPMENT, AND DEBT SERVICE AND APPROPRIATING \$59,787,364 CONSISTENT WITH THE APPROVED BUDGET

* * * * *

WHEREAS, the Fiscal Policy and Insurance Committee has reviewed and considered the Recommended Fiscal Year 2026-27 Budget during publicly noticed meeting on April 22, 2026, and received a draft on May 15, 2026 for review; and

WHEREAS, the Board has reviewed and considered the Recommended Fiscal Year 2026-27 Budget during a publicly noticed meeting on April 27, 2026, May 20, 2026 and June 29, 2026;

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

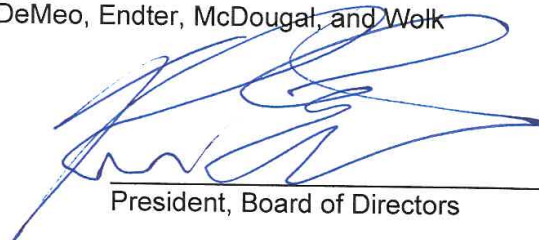
1. The District's Fiscal Year 2026-27 Budget, as presented to the Board of Directors at the publicly noticed meeting on June 29, 2026, is hereby approved.
2. Expenditure under the District's approved Fiscal Year 2026-27 Budget is hereby appropriated as follows:

For administration, operations, and maintenance:.....	\$22,908,502
Community benefit program:	\$ 945,915
For water purchases:	\$ 5,792,919
For PAYGO capital improvements, and equipment:	\$13,455,000
For Revenue Bonds, State Revolving Fund, and interest and principal:	\$ 6,146,209
For Contract Wastewater Operations:	\$ 8,538,819
For Contingency Reserve:	\$ 2,000,000
TOTAL	<u>\$59,787,364</u>

1. Expenditure of appropriated funds shall be consistent with the approved Budget, no increases or decreases to the Budget shall occur except upon prior approval by the Board.
2. 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.
3. The General Manager shall notify the Board within 30 days of any Contingency Reserve expenditures. The Contingency Reserve appropriation is intended to provide the General Manager with funds necessary to quickly respond to emergencies or unanticipated expenditures.
4. The annual Liquidity Fund Level target for Fiscal Year 2026-27 is kept at the current level and no draws from the District's long-term investment portfolio is planned.
5. 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 June, 2026, by the following vote:

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



 President, Board of Directors

ATTEST:


 Secretary, Board of Directors

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. The District's net pension liability in Fiscal Year 2023-224 was \$19.5 million. In Fiscal Year 2023-24, the latest CalPERS valuation date, the District's pension liability was 70.7% funded.

Fiscal Year Ending (6/30)	Total Annual Payment
FY 2025-26	\$ 1,876,011
FY 2026-27	1,947,158
FY 2027-28	2,125,498
FY 2028-29	2,145,268
FY 2029-30	2,159,263
FY 2030-31	2,203,054
FY 2031-32	2,187,413
FY 2032-33	2,169,626
FY 2033-34	2,126,549
FY 2034-35	2,053,261
FY 2035-36	1,319,056
FY 2036-37	1,227,480
FY 2037-38	1,130,209
FY 2038-39	1,053,462
FY 2039-40	1,002,493
FY 2040-41	866,316
FY 2041-42	733,101
FY 2042-43	1,203,934
FY 2043-44	121,580

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 2026-27 is 15.03% of payroll, which is up from the Fiscal Year 2025-26 is 15.05%. The NCR for PEPRA employees is 8.24% of payroll in Fiscal Year 2025-26 and was 8.27% in Fiscal Year 2024-25.

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 \$10.3 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. In FY 2023-24, the District's OPEB liability is 89.28% funded based upon a June 30, 2023 actuarial valuation report. The District's OPEB funded status is slightly down from FY 2024-25, which was 90.86%. The District intends to maintain the OPEB funds at approximately 90% funded. Funds above this level will be used to offset PAYGO expenditures as the liability decreases over time.