



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

AGENDA

PURSUANT TO WAIVERS TO CERTAIN BROWN ACT PROVISIONS UNDER EXECUTIVE ORDERS ISSUED BY GOVERNOR NEWSOM RELATED TO THE COVID-19 STATE OF EMERGENCY THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE USING THE BELOW INFORMATION, AND THERE WILL BE NO PHYSICAL LOCATION FROM WHICH MEMBERS OF THE PUBLIC MAY PARTICIPATE.

INSTEAD MEMBERS OF THE PUBLIC ARE ENCOURAGED TO PARTICIPATE IN THE BOARD MEETING VIA TELECONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION.

MEMBERS OF THE PUBLIC MAY ALSO SUBMIT PUBLIC COMMENTS AND COMMENTS ON AGENDA ITEMS IN ADVANCE IN ONE OF THE FOLLOWING WAYS:

- **BY EMAILING TO OUR BOARD SECRETARY AT LECKERT@FPUD.COM**
- **BY MAILING TO THE DISTRICT OFFICES AT 990 E. MISSION RD., FALLBROOK, CA 92028**
- **BY DEPOSITING THEM IN THE DISTRICT'S PAYMENT DROP BOX LOCATED AT 990 E. MISSION RD., FALLBROOK, CA 92028**

ALL COMMENTS SUBMITTED BY WHAT EVER MEANS MUST BE RECEIVED AT LEAST ONE HOUR IN ADVANCE OF THE MEETING. ALL COMMENTS WILL BE READ TO THE BOARD DURING THE APPROPRIATE PORTION OF THE MEETING. PLEASE KEEP ANY WRITTEN COMMENTS TO 3 MINUTES. THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT'S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.

**AUDIO CALL-IN 1-408-418-9388
ACCESS CODE 142 369 3717
AUDIO PASSWORD 57747827**

<https://fallbrookpublicutilitydistrict.my.webex.com/fallbrookpublicutilitydistrict.my/j.php?MTID=m7b76cfd57adb491118e1b0e707d0f082>

**MONDAY, SEPTEMBER 28, 2020
4:00 P.M.**

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

If you have a disability and need an accommodation to participate in the meeting, please call the Board Secretary at (760) 999-2704 for assistance.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

PLEDGE OF ALLEGIANCE

ADDITIONS TO AGENDA PER GC § 54954.2(b)

APPROVAL OF AGENDA

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on any item that is within the subject matter jurisdiction of the legislative body. The Board President may limit comments to three (3) minutes.

- A. YEARS OF SERVICE
 - 1. Jason Cavender, Operations Manager – 15 Years
- B. NEW EMPLOYEE ANNOUNCEMENT
 - 1. Jesus Garcia, Laboratory Technician

II. CONSENT CALENDAR-----(ITEMS C–D)****

All items appearing on the Consent Calendar may be disposed of by a single motion. Items shall be removed from the Consent Calendar if any member of the Board of Directors, or the public, requests removal prior to a vote on a motion to approve the items. Such items shall be considered separately for action by the Board.

- C. CONSIDER APPROVAL OF MINUTES
 - 1. August 24, 2020 Regular Meeting

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

- D. CONSIDER UPDATE TO THE DISTRICT'S FOG PROGRAM

Recommendation: *That the Board adopt Resolution 5000 implementing the updated FOG Program.*

III. ACTION / DISCUSSION CALENDAR -----(ITEMS E–H)****

- E. CONSIDER WINTER HAVEN ROAD PIPELINE PROJECT – CHANGE ORDER AND NOTICE OF COMPLETION

Recommendation: *That the Board:*

- 1. *Approve Change Order #1 for the Winter Haven Road Pipeline Replacement Project in the amount of \$52,445.36, increasing the total contract amount with TK Construction to \$802,845.36.*

2. *Authorize staff to file the attached Notice of Completion with the San Diego County Recorder.*

F. CONSIDER SMRCUP PROFESSIONAL SERVICES AGREEMENT AMENDMENT

Recommendation: *That the Board approve of a contract amendment with Infrastructure Engineering Corporation for a not to exceed amount of \$733,655 to continue providing Design Services During Construction for the Santa Margarita Conjunctive Use Project.*

G. CONSIDER POTENTIAL DEBT REFUNDING

Recommendation: *That the Board approve the authorizing Resolution 5001 and the form of other transaction related documents.*

H. CONSIDER AWARD OF POINT OF ENTRY UPGRADES TO DOORS & WINDOWS WEST

Recommendation: *The recommended action is that the FPUD Board of Directors approves award for door and gate POE upgrades to Doors & Windows West in the amount of \$118,278.00.*

IV. ORAL/WRITTEN REPORTS------(ITEMS 1-8)

1. General Counsel
2. SDCWA Representative Report
3. General Manager
 - a. Engineering and Operations Report
4. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
5. Public Affairs Specialist
6. Notice of Approval of Per Diem for Meetings Attended
 - a. Notification of Approval for Director's attendance for a meeting with Otay Water District's General Manager and Board President on Thursday, September 10, 2020.
7. Director Comments/Reports on Meetings Attended
8. Miscellaneous

ADJOURN TO CLOSED SESSION

V. CLOSED SESSION----- (ITEMS 1-2)

1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (d)(2)

One (1) Potential Case

2. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(1):

One (1) Case: City of Oceanside, et al. v. State Water Resources Control Board, et al.

RECONVENE TO OPEN SESSION

REPORT FROM CLOSED SESSION (*As Necessary*)

VII. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

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

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

September 23, 2020
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

This page intentionally left blank.

This page intentionally left blank.

M E M O

TO: Board of Directors
FROM: Lauren Eckert, Executive Assistant/Board Secretary
DATE: September 28, 2020
SUBJECT: Approval of Minutes

Recommended Action

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

1. August 24, 2020 Regular Board Meeting



FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
REGULAR BOARD MEETING

MINUTES

MONDAY, AUGUST 24, 2020
4:00 P.M.

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

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 999-2704 for assistance so the necessary arrangements can be made.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

Vice-President DeMeo called the August Regular Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 4:00 p.m.

Vice-President DeMeo announced, for the record, that this meeting was conducted by teleconference using the call-in and web link on the agenda, pursuant to the Brown Act waivers to certain provisions under the Governor's Executive Order in response to the COVID-19 State of Emergency.

Vice-President DeMeo also announced the agenda provided notice that members of the public were encouraged to participate in the Board meeting via teleconference using the call-in and web link information, and that members of the public could have also emailed public comments and comments on agenda items in advance of the meeting by mailing them to the District, dropping them in the District's payment drop box, or emailing them to the Board Secretary. Any such written comments would be read on to the record at the appropriate portion of the meeting – up to a limit of three (3) minutes per comment. These instructions supersede the District's normal public comment procedures.

A quorum was established, and attendance was as follows:

Board of Directors

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

Absent: None

General Counsel/District Staff

Present: Jack Bebee, General Manager
Paul de Sousa, General Counsel
Dave Shank, Assistant General Manager/CFO
Jason Cavender, Operations Manager
Aaron Cook, Senior Engineer
Caroline Wilson, Accounting Technician II
Lauren Eckert, Executive Assistant/Board Secretary

Also present were others, including, but not limited to: Craig Balben and Steve Gortler.

PLEDGE OF ALLEGIANCE

Vice-President DeMeo led the Pledge of Allegiance.

President Endter announced he requested Vice-President DeMeo to act as President of the meeting as he was unable to officiate the meeting.

APPROVAL OF AGENDA

Vice-President DeMeo announced that she would call on staff to make a presentation of each agenda item. After the presentation was made, to avoid everyone speaking at once, Vice-President DeMeo reported she would then call on each Director to see if there were questions for staff regarding their presentation. Vice-President DeMeo stated after the round of questions, she would then ask for a motion and request that each Director identify themselves when making a motion or seconding a motion. Next, Vice-President DeMeo would call on each Director to see if there were any comments. She announced all votes would be done by roll call.

MOTION: Director McDougal moved to approve the Agenda as presented; President Endter seconded. Motion passed; **VOTE:**

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

NOES: None

ABSTAIN: None

ABSENT: None

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on any item that is within the subject matter jurisdiction of the legislative body. The Board President may limit comments to three (3) minutes.

There were no public comments.

A. EMPLOYEE OF THE QUARTER FOR AUGUST 2020

1. Jose Mendoza

General Manager Bebee recognized Jose Mendoza as the Employee of the Quarter for August 2020.

B. YEARS OF SERVICE

1. Caroline Wilson – 5 Years
2. Mick Cothran – 5 Years
3. Matt Lian – 5 Years

General Manager Bebee recognized Caroline Wilson, Mick Cothran, and Matt Lian for their five years of service to the District.

II. **CONSENT CALENDAR**-----**(ITEMS C – G)**

All items appearing on the Consent Calendar may be disposed of by a single motion. Items shall be removed from the Consent Calendar if any member of the Board of Directors, or the public, requests removal prior to a vote on a motion to approve the items. Such items shall be considered separately for action by the Board.

C. CONSIDER APPROVAL OF MINUTES

1. July 27, 2020 Regular Meeting

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

D. CONSIDER CLAIM FOR INUNDATION OF WATER ONTO REAL PROPERTY

Recommendation: The claim may exceed the District retrospective allocation point of \$10,000 per occurrence therefore; it is beyond the District's settlement authority and needs to be forwarded to JPIA as required. Staff recommends rejection of the claim and forwarding to ACWA/JPIA for resolution.

E. CONSIDER PUBLICATION OF ANNUAL FINANCIAL STATEMENT

Recommendation: That the Board approve the draft financial statement developed by staff for publication in the Village News in accordance with Section 6066 of the Government Code.

F. COMMUNITY BENEFIT WATER USERS FY 2019-20 ANNUAL REPORT

Recommendation: This item is for information purposes, no action is required.

G. ANNUAL STATUS REPORT OF PARCELS WITH DEFERRED WATER AVAILABILITY / STANDBY CHARGES

Recommendation: This item is for information only; no action is required of the Board.

MOTION: Director McDougal moved to approve the Consent Calendar as presented; Director Baxter seconded. Motion passed; VOTE:

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

III. INFORMATION----- (ITEMS H – I)

H. CITYWORKS ENTERPRISE ASSET MANAGEMENT IMPLEMENTATION

Operations Managers Cavender presented a slideshow on the CityWorks Enterprise Asset Management Implementation project.

Director McDougal asked what backup is used for accountability for preventative maintenance. Operations Manager Cavender responded that it was the Supervisors and Managers' responsibility to monitor the dashboards and check on accountability and that CityWorks gives the opportunity to monitor this. General Manager Bebee stated CityWorks also creates a paper trail for accountability, as the system identifies a specific person assigned to a task. Director McDougal reiterated the importance of accountability when it comes to preventative maintenance.

Director Wolk asked the cost of the implementation. Operations Manager Cavender believed the current fiscal year contract was for \$30,000. Director Wolk asked if there was an analysis done on cost recovery. General Manager Bebee stated the Engineering & Operations Committee could further work on this analysis and evaluation of the cost benefit. Director Wolk thought it would be a good idea to verify how much money has been saved in six months' time.

I. FY 2019-20 YEAR-END BUDGET STATUS REPORT

Assistant General Manager/CFO Shank presented a slideshow on the fiscal year 2019-20 year-end Budget Status Report.

General Manager Bebee reported for the past five to six years, our revenues have been less than our expenses. This was the transition year that has been planned with for the long-term financial plan and rate strategy. We are starting to build back reserves this year, but this was a year where total revenues exceeded total expenses.

Director Baxter stated the District generates a large amount of reclaimed water, but does not have a lot of distribution for it and asked if there are any other thoughts and ideas to utilize reclaimed water available today instead of just dumping it. General Manager Bebee stated there is a recycled master plan that is updated every few years and discussed the challenges of being able to distribute that water. He did report the District is working with Rainbow and looking at picking up nurseries in Rainbow's service area.

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

J. CONSIDER AUTHORIZATION OF ADDITIONAL DEPOSIT TO SAN DIEGO LOCAL AGENCY FORMATION COMMISSION

Recommendation: That the Board authorize the General Manager to provide an additional deposit to SDLAFCO of \$62,220.

General Manager Bebee reported this request from the LAFCO Executive Officer was included in the packet and explained some of the costs associated with the detachment effort were included in the budget. He explained LAFCO is reimbursable, meaning they are funded by the applicant parties, Fallbrook and Rainbow. General Manager Bebee stated we are about a quarter of the way through the application process, and the amount identified in this request should be enough to get us to the finish line.

Director Wolk thought this was a unique governmental process where there were no checks or balances. Specifically, Director Wolk made the observation that the San Diego County Water Authority has gone to LAFCO 35 times, sometimes twice in the same day to the same person, which is more than FPUD has. This is an indication of the Water Authority's attitude and integrity. Director Wolk did not suggest any comments be made to Mr. Simonds. Vice-President DeMeo agreed with Director Wolk's observation. General Manager Bebee stated he could relay this concern of the Board to Mr. Simonds.

MOTION: President Endter moved to authorize the General Manager to provide an additional deposit to SDLAFCO of \$62,220; Director Wolk seconded. **Motion passed; VOTE:**

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

ABSTAIN: None
ABSENT: None

K. CONSIDER POTENTIAL DEBT REFUNDING

Recommendation: The Board approve the development of a refinancing plan and debt documents with the Finance Team.

Assistant General Manager/CFO Shank gave an overview of the debt refunding opportunity available to the District, explaining that the District has a loan with the State that has a 2.2% interest rate, and rates are currently below that. He mentioned this item has gone through the FP&I Committee, and there is a significant savings of \$1.1M over 15 years available.

Director Wolk asked what the exit number would be should interest rates start turning around. He suggested that number be decided in advance. General Manager Bebee reiterated that this motion was not for approving the issuance of debt, but just preparing the documents for right now.

Vice-President DeMeo confirmed another Board action would be needed to approve the actual refinancing. General Manager Bebee stated a Special Board Meeting may need to be called instead of waiting for the Regular Board Meeting.

Director Baxter asked if there are any downsides to this refinancing opportunity. AGM/CFO Shank responded that there really are not any downsides to this refinancing and it does not stop any future refinancing opportunities, should they arise in the future.

MOTION: Director McDougal moved to approve the development of a refinancing plan and debt documents with the Finance Team; Director Wolk seconded. Motion passed; VOTE:

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

L. CONSIDER UPDATES TO SEWER SERVICE SECTIONS OF THE ADMINISTRATIVE CODE

Recommendation: That the Board adopt Ordinance 348 repealing Administrative Code Articles 20, 30 and 31 and replacing with the attached Article 20.

General Manager Bebee provided the Board with an overview of the proposed changes to the sewer service sections of the Administrative Code. There were also additional updates to the FOG Program, which will go back to the Board next month for adoption, and the language included in the proposed Article 20. This will allow the program to be enforced by Resolution and not just the General Manager.

General Counsel de Sousa noted the draft Ordinance included in the Board package stated the revised Administrative Code Article 20 would take effect 30 days after passage, but it was decided this should take effect 45 days after passage instead, so the Board can approve the new and amended FOG Program at its next Board Meeting.

MOTION: President Endter moved to adopt Ordinance 348, repealing Administrative Code Articles 20, 30 and 31 and replacing with a revised Article 20, with the change that it will take effect 45 days from passage instead of 30 days as originally noted on the draft ordinance, as well as minor modifications to the FOG Program language; Director Baxter seconded. Motion passed; VOTE:

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

M. CONSIDER ONE-TIME EMPLOYEE STIPEND

Recommendation: *That the Board approve the one-time stipend.*

General Manager Bebee explained there was money budgeted for a one-time bonus to be paid to the General Manager, but instead he suggested it be divided amongst the employees, which comes out to \$75 per employee.

Director McDougal asked if the employees already knew about this stipend. General Manager Bebee stated he would send out a message to the employees.

President Endter confirmed that the employee newsletter was being reinstated.

MOTION: Director McDougal moved to approve the one-time employee stipend; Director Wolk seconded. Motion passed; VOTE:

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

ABSENT: None

- N. CONSIDER APPROVAL OF AMENDED AND RESTATED EMPLOYMENT AGREEMENT WITH GENERAL MANAGER JACK BEBEE EFFECTIVE JULY 1, 2020

Recommendation: That the Amended and Restated Employment Agreement with General Manager Jack Bebee be approved effective July 1, 2020.

General Counsel de Sousa announced, for the record, pursuant to Government Code Section 54953, the following is a summary of the modifications in the form of fringe benefits and/or salary to be paid to the General Manager under the proposed amended and restated Employment Agreement, if approved.

First, there was a proposed increase in the deferred compensation contribution match from 2.5% up to 4.8% and an increase in vacation leave accrual cap from 248 hours to 270 hours. There was no proposed change to the General Manager's actual salary. There were also additional modifications sent out in the Board Agenda Memo to roll in previous amendments to the original agreement between the District and the General Manager. This was to provide a comprehensive document to look at instead of one document with several amendments.

MOTION: Director McDougal moved to approve the Amended and Restated Employment Agreement with General Manager Jack Bebee effective July 1, 2020; President Endter seconded. Motion passed; VOTE:

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

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

1. General Counsel
2. SDCWA Representative Report
 - General Manager Bebee provided an overview of the written reports included in the Board packet.
3. General Manager
 - a. Engineering and Operations Report
 - General Manager Bebee provided an overview of the written reports included in the Board packet.

- Director Wolk asked why the Reclamation Plant energy usage would jump around. General Manager Bebee stated flows and temperature can affect the energy usage. General Manager Bebee reported they are still working on having solar production removed from that KPI graph.
4. Assistant General Manager/Chief Financial Officer
 - a. Financial Summary Report
 - b. Treasurer's Report
 - c. Budget Status Report
 - d. Warrant List
 - AGM/CFO Shank provided an overview of the written reports included in the Board packet.
 - AGM/CFO Shank did note the State reimbursement funds did not come in until the end of the month, so there was a month where the funds were still in transit at month end. This caused the liquidity portfolio funds to be higher and the long-term investment portfolio funds to be lower, as the funds stayed in the money market account longer than anticipated.
 - Director Wolk expressed his concern for the State's timeline for reimbursement of funds. General Manager Bebee reported they are working with Senator Jones' office to keep the pressure on the State and will keep pushing after it gets to 45-50 days. Director Wolk suggested General Manager Bebee propose to Senator Jones's office that they have a hearing and possibly introduce legislation that when the State goes over a set amount of days, Districts can send a bill for lost interest. This will raise the issue to a higher political level.
 - Director McDougal stated a number of years ago the Federal government had a similar issue, and a number of companies ended up going out of business because they did not receive reimbursement in time, and legislation was changed to put on the pressure.
 5. Public Affairs Specialist
 - General Manager Bebee stated there are a number of Public Affairs efforts in process, including videos, social media outreach, and a press release relative to detachment that was published in the Village News.
 6. Notice of Approval of Per Diem for Meetings Attended
 - Notification of Approval for Director's attendance for a virtual LAFCO meeting on Monday, August 3, 2020.
 - Notification of Approval for Director's attendance to a mini-park opening celebration at 300 East Alvarado Street on Wednesday, August 5, 2020.
 - Vice-President DeMeo provided notice to the Board that she approved President Endter's attendance for a virtual LAFCO meeting on Monday, August 3, 2020 and Directors' attendance to a mini-park opening celebration on Wednesday, August 5, 2020.

7. Director Comments/Reports on Meetings Attended
 - President Endter reported he was able to attend the virtual LAFCO meeting and listen to statements from General Manager Bebee and RMWD General Manager related to the benefits of de-annexation, including savings to ratepayers. He also reported he attended a mini-park celebration that was put on by Save Our Forests. He noted Fallbrook Public Utility District donated rocks.
 - Vice-President DeMeo reported on her visit to the Community Garden last month.
8. Miscellaneous

ADJOURN TO CLOSED SESSION

Vice-President DeMeo announced that members of the public were welcome to continue to stay on the teleconference line while the Board was in Closed session, however they would only hear silence. Following Closed Session and prior to adjournment, an oral announcement of reportable action, should there be any, would be made to the public on the teleconference line.

The Board of Directors adjourned to Closed Session at 5:45 p.m. following an oral announcement by General Counsel de Sousa of Closed Session Items VI.2 and VI.3. General Counsel de Sousa announced there was no longer a need for Closed Session Item VI.1, and reiterated the Board would only be discussing Closed Session Items VI.2 and VI.3.

VI. CLOSED SESSION

1. CONFERENCE WITH LABOR NEGOTIATORS PER GC § 54957.6
Agency Designated Representative: Board President Endter
Unrepresented Employee: General Manager
2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION PER GC § 54957
Title: General Manager
3. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION SIGNIFICANT EXPOSURE TO LITIGATION PER GC § 54956.9 (d)(2)

One (1) Potential Case

RECONVENE TO OPEN SESSION

The Board returned from Closed Session and reconvened to Open Session at 6:11 p.m.

REPORT FROM CLOSED SESSION (*As Necessary*)

There was no reportable action taken in Closed Session.

VII. ADJOURNMENT OF MEETING

There being no further business to discuss, Vice-President DeMeo adjourned the August Regular Meeting of the Fallbrook Public Utility District at 6:11 p.m.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: Aaron Cook, Senior Engineer
DATE: September 28, 2020
SUBJECT: Update to the District FOG Program

Summary

The District Administrative Code is the overarching governing document for the administration of the District. Staff is in the process of reviewing and updating Articles of the Administrative Code. Last month, the sewer service related sections were updated, including a reference to the revised Fats, Oil, and Grease Program. The final updates to the program have been completed since that time and are attached for reference. These changes replace Article 31 as adopted in the Administrative Code Changes in August.

Budgetary Impact

There is no budgetary impact for the proposed changes.

Recommended Action

That the Board adopt Resolution 5000 implementing the updated FOG Program.

RESOLUTION NO. 5000

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT ADOPTING A FATS, OILS AND GREASE (FOG) COMPLIANCE PROGRAM

WHEREAS, the Fallbrook Public Utility District (“FPUD”) is a Public Utility District formed in 1922, and is organized under the provisions of the Public Utility District Act (Public Utilities Code § 15500 et seq.); and

WHEREAS, FPUD is authorized to provide wastewater service within all or part of its boundaries; and

WHEREAS, on August 24, 2020, the FPUD Board of Directors adopted Ordinance No. 348 repealing certain resolutions and Articles of the FPUD Administrative Code and adopting a revised Article 20 (Sewer Service Requirements and Fees); and

WHEREAS, as adopted pursuant to Ordinance No. 348, Administrative Code Section 20.14.3 provides that: (1) the District may prepare and adopt a fats, oils, and grease (“FOG”) program to guide the implementation and enforcement of Article 20; (2) the District may require compliance with the FOG program as a condition of a Special Use Permit under Article 20; and (3) the FOG program may be updated administratively as needed to achieve the applicable performance standards for the FPUD sewer system.

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

1. **Recitals.** The forgoing recitals are true and correct and are incorporated herein.
2. **Adoption of FOG Program; Amendments.** The District hereby adopts an Administrative Program Establishing a Fats, Oils, and Grease Program, in the form attached hereto and incorporated herein as Exhibit A (“FOG Program”). The District may require compliance with the FOG Program as a condition of a Special Use Permit pursuant to Article 20 of the Administrative Code. The General Manager is authorized to administratively update the FOG Program as needed to achieve the applicable performance standards for the FPUD sewer system.
3. **Severability.** If any section, subsection, clause or phrase in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.
4. **Effective Date.** This Resolution shall take effect immediately upon adoption by the Board of Directors of the Fallbrook Public Utility District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 28th day of September, 2020, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Exhibit A: Administrative Program Establishing a Fats, Oils, and Grease (FOG)
Program

**EXHIBIT A
FOG PROGRAM**

Administrative Program Establishing a Fats, Oils, and Grease (FOG) Program

An Administrative Program to regulate animal and vegetable fats, oils, and grease and interceptors at Food Service Establishments (FSEs) within the District.

A. **Scope and Purpose:**

To aid in the prevention of sanitary sewer blockages and obstructions from contributions and accumulation of fats, oils, and greases into the sanitary sewer system from industrial or commercial establishments, particularly food preparation and serving establishments within the District limits.

1. **Preventative Maintenance Program:** FPUD's preventative maintenance program is responsible for field control of oil and grease. Through its normal collection system operations, trouble spots are routinely inspected and cleaned of grease.
2. **Grease Control Program:** FPUD's FOG program, through which Food Service Establishments (FSEs) are required to capture and properly dispose of the grease generated by their operation. The focus of this Administrative Program is the FOG Program, including the proper sizing, installation and maintenance of grease equipment. The goal of the FOG Program is proper grease control and improved sewer service through cooperative efforts with the FSEs and FPUD.

B. **Authority:**

FPUD is subject to stringent limitations per its NPDES Permit and the Statewide General Waste Discharge Requirements (WDRs) for Sanitary Sewer Systems, Order No. 2006-003. This WDR requires public agencies, such as FPUD, that own or operate sanitary sewer systems to develop and implement Sewer System Management Plans (SSMPs). The SSMP is required to include a FOG Control Program, thereby giving FPUD the authority to implement a FOG Program for all FSEs within the District limits.

C. **Definitions:**

1. **Black Water:** Wastewater from sanitary fixtures such as toilets and urinals.
2. **Customer:** A user of the sanitary sewer system who produces wastes from their process operations. The customer is responsible for assuring that the produced waste is disposed of in accordance with all Federal, State, and local disposal regulations. The focus of this Administrative Program is Food Service Establishments.
3. **Fats, Oils and Greases (FOG):** Organic polar compounds derived from animal and/or plant sources that contain multiple carbon chain triglyceride molecules. These substances are detectable and measurable using analytical

test procedures established in the U.S. Code of Federal Regulations 40 CFR 146, as may be amended from time to time. All are sometimes referred to herein as “grease” or “greases.”

4. Food Service Establishment (FSE): Any facility or establishment, which prepares or serves food for consumption by the general public, or which disposes of food related wastes generated as a result of such preparation or service.
5. Garbage Grinder: A device which shreds or grinds up solid or semisolid waste materials into smaller portions for discharge into the sanitary sewer collection system.
6. Grease: Grease means liquid or other waste containing floatable and/or dispersed grease, vegetable oil, petroleum oil, non-biodegradable cutting oil, or fat, oil or grease products of animal, vegetable or mineral origin which is detectable and measurable using analytical test procedures established in the U.S. Code of Federal Regulations, 40 CFR 136.
7. Grease Interceptor: A large tank installed underground and designed to collect and control solid food wastes and floating grease from wastewater prior to discharge into the sanitary sewer collection system. Grease interceptors are typically located outside of the building and use gravity to separate grease from the wastewater as it moves from one compartment of the interceptor to the next.
8. Grease Trap: A device placed under or in close proximity to sinks or other facilities likely to discharge grease in an attempt to separate, trap, or hold oil and grease substances to prevent their entry into the sanitary sewer collection system.
9. Hauler: One who transfers waste from the site of a customer to an approved site for disposal or treatment. Haulers are responsible for assuring that all Federal, State, and local regulations are followed regarding waste transport. Haulers shall also provide manifests in order to maintain records for the FSE.
10. Impact on the Environment: An alteration of the quality of the waters of the state to a degree which unreasonably affects beneficial uses of the waters.
11. POTW: Stands for Publicly Owned Treatment Works or “Treatment Works” as defined by Section 212 of the Clean Water Act (33 USC §1292) which is owned or operated in this instance by FPUD. This definition includes any sewers that convey wastewater to FPUD’s sewage treatment plants.

12. Sewage: The liquid and water-carried domestic or industrial wastes from dwellings, commercial establishments, industrial facilities, and institutions, whether treated or untreated. The terms "waste" and "wastewater" shall be deemed as sewage by definition.
13. User: Shall mean a FPUD customer operating a Food Service Establishment within FPUD's wastewater service area.
14. Waste: The liquid and water-carried domestic or industrial wastes from dwellings, commercial establishments, industrial facilities, and institutions, whether treated or untreated. Wastes may include but not be limited to, discharges from scullery sinks, pot and pan sinks, dishwashing machines, soup kettles, and floor drains located in areas where grease containing materials may exist. The terms "sewage" and "wastewater" shall be deemed as Waste by definition.

D. Wastewater Discharge Limitations:

No user shall discharge, cause, allow, or permit to be discharged into the sanitary sewer system any water or waste containing fats, wax, grease, or oils, whether emulsified or not, in excess of two hundred (200) mg/L or containing substances which may solidify or become viscous at temperatures between thirty two (32) and one hundred fifty (150) °F (0 and 65° C).

E. FOG Program Requirements:

All Food Service Establishments regulated by FPUD and discharging wastewater to the FPUD sanitary sewer collection system are subject to the following requirements:

1. Requirements: All existing and newly permitted Food Service Establishments are required to install, operate, and maintain an approved type and adequately sized grease interceptor in order to maintain compliance with this Administrative Program, unless determined by the FPUD Engineering Department and approved with a Variance (See Section F).
2. Grease Equipment:
 - a. Through Preventive Maintenance by Collections Staff, FPUD will identify and target trouble spots within the sewer system. FSEs that discharge their waste into this area, may be identified as potential contributors of grease accumulation. FPUD will thoroughly inspect the grease interceptor of all FSEs in the vicinity of the "problem area", assessing maintenance records and equipment.
 - b. Following an inspection, FPUD will send written notice to the inspected FSE containing an educational brochure on grease in the sewer system,

a summary of the policy requirements, and the results of the inspection. The inspections will typically result in one of the following actions:

- i. FSEs equipped with an appropriately and adequately-sized grease interceptor/trap who are meeting the intent of the FOG Program through effective grease control practices will be commended for their compliance.
 - ii. FSEs equipped with adequately sized grease interceptor/trap but who are identified as non-compliant will be required to implement further grease control practices to achieve compliance. This may be achieved through improved housekeeping and increased maintenance and pumping on the existing grease interceptor/equipment.
 - iii. FSEs without adequately sized grease interceptor/trap will be required to install a device per this Administrative Program.
3. Prohibited Discharges: Black water shall not be discharged to the grease interceptor unless specifically approved by FPUD.
4. Floor Drains: Only floor drains which discharge or have the potential to discharge grease shall be connected to a grease interceptor.
5. Garbage Disposal: FPUD recommends that solid food waste products be disposed through waste disposal procedures. The disposal of waste other than food waste through a garbage grinder is prohibited. The use of a garbage grinder decreases the operational capacity of the grease interceptor and will require an increased pumping frequency to ensure continuous and effective operation. Commercial dishwasher connections must be connected to the grease interceptor.
6. Dishwashers: Food particles from dishwashers may take up storage capacity in the grease interceptor and will require that the interceptor be pumped more frequently. Dishwashers discharge hot water and soap, which can melt grease stored in an overburdened interceptor. Melted grease may then pass through the interceptor into the customer's service line and the public sewer system, where the grease hardens and causes line clogs.
 - a. Although not recommended, existing food service facilities may allow any fixture to remain connected to a grease interceptor, except fixtures which may discharge black water.

- b. Proposed and remodeled food service facilities may not connect black water fixtures to a grease interceptor.

F. Variance from Grease Control Requirements:

Grease interceptors required under this Administrative Program shall be installed unless FPUD's Senior Engineer grants a variance for the FSE. If a variance is granted, then a grease trap will be permitted.

1. Requirements: Food Service Establishments with variances are required to install, operate, and maintain an approved type and adequately sized grease trap in order to maintain compliance with this Administrative Program.
2. Variances will be granted by FPUD's Senior Engineer if one of following is met:
 - a. FPUD's Senior Engineer determines that the FSE is not within a trouble spot area and poses no threat of being a potential contributor to grease buildup;
 - b. FSE demonstrates compliance with the Wastewater Discharge Limitation in Section D;
 - c. The installation of a grease interceptor is physically impracticable due to size constraints.
3. FSEs with variances will be subject to the annual sampling requirement (See Section J). FSEs that exceed the discharge limitation for two (2) consecutive tests will be revoked of their variance status and will be required to install a grease interceptor.
4. If a variance is granted, the FSE must inform FPUD prior to any changes to the food service operation that may affect the condition(s) of the waste and equipment. If a variance is denied by FPUD, the FSE must install the required grease interceptor within one (1) year from the date of the denial of the variance.

G. Grease Interceptor Requirements

1. Installation of Interceptors: Grease interceptors shall be installed in accordance with FPUD's and plumbing industry standards. Grease interceptors shall have a minimum of two compartments with fittings designed for retention. All grease removal equipment shall be subject to approval by the District. Approval shall be based on demonstrated removal efficiencies of the proposed technology. FPUD's standard drawing for grease interceptors are included in Appendix A.
2. Access: Access to grease interceptors and traps shall be available at all times, to allow for maintenance, cleaning, and inspections. Access to grease interceptors shall be provided by two (2) manholes terminating 1-inch above

finished grade with cast iron frame and cover. Manholes, with a minimum diameter of 24 inches, shall be installed over each grease interceptor chamber and sanitary tee. These manholes shall extend at least to finished grade and be designed and maintained to prevent water inflow or infiltration. The manholes shall also have readily removable covers to facilitate inspection, grease removal, and sampling requirement.

3. Load-Bearing Capacity: In areas where additional weight loads may exist, the grease interceptor shall be designed to have adequate load-bearing capacity. For example, parking or driving areas with high vehicular traffic.
4. Inlet and Outlet Piping: Wastewater discharging to a grease trap or grease interceptor shall only enter through the inlet pipe. Grease removal equipment shall have only one (1) inlet and one (1) outlet pipe.
5. Interceptor Sizing: The required size of a grease interceptor shall be approximated by using the FPUD Grease Interceptor Sizing formula shown in Appendix A. Most grease interceptors will have a capacity of not less than 1,000 gallons nor exceed a capacity of 3,000 gallons. If the calculated capacity using the FPUD Grease Interceptor sizing formula exceeds 3,000 gallons, multiple units shall be installed. FSEs with heavier usage may require more stringent measures. FPUD reserves the right to evaluate interceptor sizing on an individual basis for FSEs with special conditions such as highly variable flows, high levels of grease discharge, or other unusual situations that are not adequately addressed by the formula.

H. Grease Trap Requirements:

1. Upon direction by FPUD's Senior Engineer, a grease trap complying with this Section must be installed in the waste line leading from sinks, drains, and other fixtures or equipment in the FSE, where grease may be introduced into the sewage system that may cause line blockage or hinder disposal and treatment of sewage.
2. Grease trap sizing and installation shall conform to FPUD's and industry standards.
3. No grease trap shall be installed which has a stated rate flow of more than fifty-five (55) gallons per minute, nor less than twenty (20) gallons per minute, except when approved by FPUD's Senior Engineer.
4. Grease traps shall be maintained in efficient operating conditions by periodic removal of the accumulated grease. No such collected grease shall be introduced into any drainage piping, or public or private sewer.

5. No food waste disposal unit or dishwasher shall be connected to or discharge into any grease trap.
6. Wastewater in excess of one hundred-forty degrees (140°F/60°C) shall not be discharged into a grease trap.

I. Maintenance of Equipment:

1. Cleaning Pumping: The User shall properly maintain all grease interceptors and traps. Maintenance of grease interceptors shall include the complete removal of all contents, including floating materials, wastewater, and bottom sludges and solids. Decanting or discharging of removed waste back into the interceptor from which the waste was removed or any other grease interceptor, for the purpose of reducing the volume to be disposed, is prohibited. Maintenance of all grease traps shall include the removal of all fats, oil, and grease from detention compartment of the trap. Removal is usually accomplished by hand-dipping or scooping the collected grease from the trap.
2. Cleaning/Pumping Frequency: Grease interceptors must be cleaned and pumped out at least once every three months, or more frequently to prevent carryover of grease into the sanitary sewer system. Grease traps must be cleaned and pumped out at least once every month. If the grease equipment is more than 50% full when cleaned, the frequency shall be increased.
3. Disposal of Grease Waste: All waste removed from a grease interceptor or trap must be disposed of by a facility approved for such disposal. The waste shall not be returned to any private or public portion of the sanitary sewer system.
4. Service: All grease interceptors and traps shall be serviced and emptied of accumulated waste as required in order to maintain minimum design capability or effective volume. These devices should be inspected at least monthly. Users who are required to maintain a grease interceptor shall:
 - a. Provide for a minimum hydraulic retention time in accordance with the Uniform Plumbing Code or per equipment specifications.
 - b. Remove any accumulated grease cap and sludge pocket as required. Grease interceptors shall be kept free of inorganic solid materials such as grit, rocks, gravel, sand, eating utensils, cigarettes, shells, towels, rags, etc., which could settle into this pocket and thereby reduce the effective volume of the device.

5. Additives: Any additive(s) placed into the grease interceptor or trap must be submitted and approved by the Chief Plant Operator (Water Reclamation Plant) prior to use. Such additives shall include, but not be limited to, enzymes, commercially available bacteria, or other additives designed to absorb, purge, consume, treat, or otherwise eliminate fats, oils, and grease. The use of additives shall not be considered a substitution to the maintenance procedures required herein.
6. Chemical Treatment: Chemical treatments designed to dissolve or remove grease shall not be allowed to enter any grease equipment.
7. Manifest: All discharge from grease equipment must be recorded on a manifest, confirming the proper disposal of waste by a permitted waste hauler. The FSE must obtain a copy of the manifest. The FSE shall use only permitted haulers for the disposal of grease. Manifests shall be retained onsite for a period of three (3) years. All manifests shall be made available to the FPUD representative upon request.
8. Maintenance Log: A Maintenance Log shall be maintained by the FSE. The log shall include the date, time, amount pumped, hauler, disposal sites. The Log shall be retained onsite for a period of three (3) years. All Maintenance Logs shall be made available to the FPUD representative upon request.

J. Compliance Requirements:

1. Sampling Requirements:
 - a. Sampling will be conducted at all Food Service Establishments within District limits. Sampling will occur annually at an appropriate, site-specific sampling point determined by FPUD to demonstrate compliance with the FOG Program. Sampling will be unannounced unless specified by the District.
 - b. If a FSE exceeds the annual sampling discharge limitation, a retest will be required within the following thirty (30) days. A site inspection may also be required after an exceedance.
 - c. If the FSE passes the retest, the FSE will stay in compliance with the FOG Program for the next year. If the FSE fails the retest, they may be subject to stricter requirements. FSEs with variances that fail two consecutive tests will be revoked of their variance status and may be required to install a grease interceptor. The FSE will also be required to pay for the retest.

2. Initial Inspection: The initial inspection will be completed on all new businesses or businesses with a change of ownership. The inspection will identify business practices, BMPs, and FOG Program requirements. These inspections are done without notice and typically, during normal business operating hours. Reasonable effort is made not to disrupt business activities during peak service hours. A typical inspection consists of four to six stages:

a. The Interview is used primarily to obtain the administrative information required to add to the FOG sample list and for future communication with the establishment:

- Establishment Name
- Address
- Ownership
- Mailing Information
- Telephone Information
- Contact Information

The Interview is also used to gather information about the FSE's operations and procedures:

- Grease removal equipment
- Grease disposal procedures
- Maintenance procedures and records
- Hoods, floor and mat cleaning procedures

b. Best Management Practices: Best Management Practices will be provided to and discussed with the FSE.

3. Inspections and Evaluations: This stage of the inspection is used to determine whether or not grease removal equipment may in fact be required. Factors taken into consideration are:

- Whether or not any cooking (particularly the cooking of meat) takes place at the establishment.
- The presence of a deep fryer.
- Whether or not the establishment is 100% single service.

And for those establishments that had a plan check:

- Whether or not the establishment conforms to the description that was provided in the county permit application.
- Whether or not grease removal equipment was required during the plan check.

If it is determined that grease removal equipment is not required pursuant to Section F, it will typically be under the condition that those greasy-oily items that need cleaning, be thoroughly wiped prior to

washing. Determination of a variance will be changed if the FSE changes its operation, undergoes extensive remodeling, or discharges into a sewer main that experiences sewer spills.

If an inspector determines that grease removal equipment is required, the FSE is notified. An explanation of the requirement is given and they are advised that formal requirements will be issued in writing.

4. Grease Equipment Inspection: The focus of this inspection stage is to ensure that all plumbed fixtures are connected to grease removal equipment. This can be done by visually inspecting the piping, examining submittal documents or by performing dye tests. All outside grease removal devices are opened at time of inspection to evaluate their functional integrity and the adequacy of the maintenance methods and frequency.

Grease Interceptors:

- Integrity of tees, crossover pipes and stand pipes
- Proper venting
- Integrity of the concrete structure
- Integrity of the lids and seals

The approximate depth of the grease/oil layer in each of the interceptor's chambers is measured. All internal pipes are inspected for grease build up and the baffle(s) are examined for signs of past overflows. In the typical 2-chamber interceptor, the maximum grease build up in the last chamber is one (1) foot. If maintenance records indicate that this figure will be reached prior to the next scheduled cleaning, a higher cleaning frequency is recommended or mandated. Other evidence of improper maintenance, such as grease build up at the outlet tee, is also grounds for more frequent pumping.

Grease Traps:

- Proper installation of a vested flow control device
- Presence and proper installation of internal baffle(s)
- Internal vents are free of grease and debris
- Integrity of lids and seals

The approximate depth of the grease/oil build up at the top of the trap is measured. Given the date of the last cleaning and the cleaning frequency as provided by the maintenance records, it is possible to determine whether or not the grease retention capacity of the unit will be reached prior to the next scheduled cleaning. Where the cleaning frequency is found to be inadequate, a higher frequency is recommended (and in some

circumstances mandated) by the inspector. If a grease trap is found to have already exceeded its stated grease retention capacity, immediate cleaning is required. Immediate and/or more frequent cleaning may also be required if a trap is found to contain an unacceptable amount of food debris.

Any deficiency in the integrity of an interceptor or trap (unless fixed during the inspection) is made the object of a written requirement with a due date.

Table 1

TRAP CAPACITY	MAXIMUM DEPTH OF GREASE/OIL ALLOWED
25gpm/40lbs	Between 2" and 2 1/2"
25gpm/50lbs	Between 2" and 2 1/2"
35gpm/70lbs	Between 2 1/2" and 3"
50gpm/100lbs	Between 3" and 3 1/2"

Table 1 shows the correlation between trap capacity and allowable depth of grease/oil for some of the most current traps. However, it is important to note:

- The table figures are not applicable to all styles and makes of traps.
- Accumulation of debris is assumed to be minimal. If this is not the case, the actual thickness of the debris layer must be added to that of the grease layer to determine whether or not a trap has reached 100% of its capacity.

5. Inspections Reports: Every inspection results in a written report. This report reflects every inspection element mentioned above as well as any other fact or event that may be relevant to the evaluation of the establishment or may otherwise need to be officially noted. If applicable, this report will contain an explanation of actions taken and requirements issued. If a re-inspection is required, a due date will be assigned.

6. Re-Inspection: FSEs are subject to a re-inspection under the following conditions:

- The establishment was found to be out of compliance with the FOG Program
- Failure of sample
- Special procedures or limitations were imposed during a previous inspection
- Requirements were issued

- Grease trap/interceptor could not be opened during the time of inspection
- Maintenance could not be usefully evaluated because the units were not functioning properly or were almost completely filled with grease.
- A flow/dye test could not be performed because of the condition of the grease removal unit.

7. Additional Inspection: Any FSE may be subjected to an additional inspection if:

- It is the object of a complaint to the FOG Program
- It discharges to a sewer main that has experienced a spill or blockage cause by grease.
- Excess grease in the mainline after inspection.

The purpose of these inspections is multifaceted:

- To investigate and resolve the complaint, if applicable
- To attempt to determine the cause(s) of the spill or blockage
- To ensure that all FSEs near an affected main remain in full compliance with FOG Program
- To notify owners that their FSE discharges into a trouble spot
- To determine what remedial action(s) might be taken to prevent a recurrence of the problem. It is to be noted that FSEs that discharge to a trouble spot will be subjected to more stringent standards than others

These inspections may include every step of a regular inspection with additional requirements:

- The Interview stage will try to elicit information relating to any unusual event that may have taken place prior to the spill/blockage
- Each plumbed fixture is reevaluated to determine its potential as a discharge point for grease
- All business procedures are reevaluated to determine their potential for causing grease to be introduced into the system

K. Enforcement:

Whenever FPUD finds that any user has violated or is violating the FOG program, or any prohibition, limitation, or requirement contained herein, FPUD may initiate corrective action in accordance with FPUD's Administrative Code Enforcement Provisions. For purposes of enforcement under the Administrative Code Provisions, a violation of this program, or any prohibition, limitation, or requirement contained herein shall constitute a "reporting or discharge requirement." This section does not limit FPUD's right to pursue any remedies available at law or equity.

L. Conflict:

Wherever a conflict exists in this Administrative Program, the more restrictive requirement shall apply.

M. Penalties:

Any person who shall violate any of the provisions of Article 20 of the District's Code or standards hereby adopted or fail to comply therewith, or who shall violate or fail to comply with any order made hereunder, or who shall fail to comply with an order within the time fixed herein, shall severally for each and every violation and noncompliance respectively, be guilty of a misdemeanor, punishable by a fine not exceeding \$1,000.00 or by imprisonment in County Jail not exceeding six (6) months, or both. The imposition of one penalty for any violation shall not excuse the violation or permit it to continue; and all such persons shall be required to correct or remedy such violations or defects within a reasonable time; and when not otherwise specified, each day that a prohibited condition is maintained shall constitute a separate offense.

M. Validity:

If any section, paragraph, sentence or word of this Administrative Program is declared for any reason to be invalid, it is the intent of FPUD that all other portions of this Administrative Program would have been adopted independently of the elimination of any such portion as may be declared invalid.

N. Date of Effect:

The Administrative Program shall take effect immediately as of the date of issuance.

Signed: _____

Issue Date: _____

M E M O

TO: Board of Directors
FROM: Engineering and Operations Committee
DATE: September 28, 2020
SUBJECT: Winter Haven Road Pipeline Replacement Project

Description

Request for authorization of change order costs related to the construction of the Winter Haven Road Pipeline Replacement Project and Notice of Completion for the project.

Purpose

As part of the District's pipeline and valve replacement program, the project replaced approximately 2,500 linear feet of aging water main and relocated it out of an inaccessible wooded area into the existing street. The project was awarded to the lowest responsible bidder, TK Construction, in December of 2019 for \$750,400.

The project was completed in August. Due to field changes and unforeseen conditions, additional costs were incurred during the pipeline installation. The total additional costs are shown in the attached Change Order #1. The costs were due to an alignment change to avoid existing obstructions, additional labor time required for a 16-inch tie in that was encased in concrete, and the addition of 3 drains to the new water main.

Budgetary Impact

There is no budgetary impact. The approved capital budget included \$860,000 for the construction of this project. The total change order costs are \$52,445.36 as shown on in the attachment, bringing the total contract amount with TK Construction to \$802,845.36. Internal staff costs for the project were \$46,121.32, so the combined total project costs were \$848,966.68.

Recommended Action

That the Board:

1. Approve Change Order #1 for the Winter Haven Road Pipeline Replacement Project in the amount of \$52,445.36, increasing the total contract amount with TK Construction to \$802,845.36.
2. Authorize staff to file the attached Notice of Completion with the San Diego County Recorder.

Attachment A

CHANGE ORDER NUMBER 001

NAME OF PROJECT: Winterhaven Pipeline Replacement

CONTRACTOR: TK Construction
PO BOX 9608
San Bernardino, CA 92427

Original CONTRACT AMOUNT	\$750,400.00
Previous CHANGE ORDERS	\$0.00
Current CONTRACT PRICE	\$750,400.00
Amount of this CHANGE ORDER	\$52,445.36
New CONTRACT PRICE	\$802,845.36
Original COMPLETION Date	August 3, 2020
Time ADDED due to Previous CHANGE ORDERS	0 CALENDAR DAYS
Time ADDED due to this CHANGE ORDER	10 CALENDAR DAYS
New FINAL COMPLETION Date	August 13, 2020

This Change Order constitutes full and final payment for all direct, indirect, and consequential costs, including but not limited to, all labor, design, equipment, material, mark-ups, and time associated with performing the work described herein. This document will become a supplement to the Contract and all Contract provisions will apply hereto. The Change Order will become effective when approved by the Fallbrook Public Utility District. By accepting this Change Order, the Contractor waives the right to make any additional claim for any item related to these changes.

The following changes are hereby made to the CONTRACT DOCUMENTS:

Item 1 – 6” PVC alignment change

Alignment of 6” PVC section was changed due to conflict with existing trees, sheds, and fences that were not shown on the contract drawings. The new alignment added two 45* angles in the pipeline with thrust blocks.

CHANGE TO CONTRACT AMOUNT	\$5,457.51
TIME EXTENSION	1 calendar days

Perform all work in accordance with the Contract Documents.

Item 2 – Existing pipe alignment and concrete thrust block

Contractor removed large concrete thrust block at 16” tie-in point and had to modify tie-in alignment which required additional labor and welding.

CHANGE TO CONTRACT AMOUNT	\$26,676.38
TIME EXTENSION	4 calendar days

Perform all work in accordance with the Contract Documents.

Item 3 – Concrete cap on shallow pipe

Per District request, Contractor installed a concrete cap on 12” water main between STA. 14+61~15+99 and STA. 16+17~16+48 because of shallow depth of pipe at storm drain crossing.

CHANGE TO CONTRACT AMOUNT	\$12,318.72
TIME EXTENSION	2 calendar days

Perform all work in accordance with the Contract Documents.

Item 4 – Install (2) 2” drains

Per District request, Contractor added 2” drains at STA. 20+88 and 20+90 that were not shown on the contract drawings.

CHANGE TO CONTRACT AMOUNT	\$6,360.83
TIME EXTENSION	1 calendar days

Perform all work in accordance with the Contract Documents.

Item 5 – Blind flange and 2” drain

Per District request, Contractor welded on blind flange with 2” drain on Shadowcrest to abandoned existing 8” water main.

CHANGE TO CONTRACT AMOUNT	\$1,631.92
TIME EXTENSION	2 calendar days

Perform all work in accordance with the Contract Documents.

CONTRACTOR: TK Construction

By: _____

Date: _____

Name:

Title:

RECOMMENDATION AND CONCURRENCE

FALLBROOK PUBLIC UTILITY DISTRICT:

By: _____

Date: _____

Name: JACK BEBEE

Title: General Manager

Attachment B

RECORDING REQUESTED BY:
Fallbrook Public Utility District

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

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN THAT:

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

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

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

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

7. The work of improvement on the property hereinafter described was completed on **August 31, 2020**.
8. The name of the original contractor, if any, for the work of improvement was: **TK Construction**
The kind of work done or material furnished was for the **Winter Haven Pipeline Replacement**.
9. The property on which the work of improvement was completed is in the unincorporated area of Fallbrook, county of San Diego, state of California, and is described as follows: **Winter Haven Road**
10. The street address of the said property is: **Winter Haven Road**

DATED: September 21, 2020

Aaron Cook, Senior Engineer
Fallbrook Public Utility District

VERIFICATION

I, the undersigned, say:

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

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

Executed on September 21, 2020, at Fallbrook, California.

Signature

MEMO

TO: Board of Directors
FROM: Engineering and Operations Committee
DATE: September 28, 2020
SUBJECT: SMRCUP Professional Services Agreement Amendment

Description

Request for authorization of an amendment to the professional services agreement with the SMRCUP design engineer for services during construction.

Purpose

As discussed with the Committee in the August meeting, the District has engaged multiple contractors and consultants to facilitate the construction of the SMRCUP Facilities. As part of this effort, a Professional Services Agreement was entered into with Infrastructure Engineering Corporation (IEC) in November of 2014 for design of the project. Part of the scope of the agreement at the time included Bid Phase Services and Design Services During Construction (DSDC), which were anticipated to be completed in 2016-2018. In addition to time delays due to finalization of the SMRCUP agreement, the scope of the construction phase services at the time the agreement was initiated did not encompass the level of effort that has been required. The construction is nearing 50% completion, and is expected to be complete by November 2021. The scope changes include additional project management time, additional bid phase services, and additional DSDC, outlined as follows:

Task	2014 Scope	Revised Scope
Bid Phase	Respond to Questions and Prepare 3 Addendums	Responded to 343 Questions and Prepared 6 Addendums
DSDC – Respond to Requests for Information	200 RFIs	341 RFIs
DSDC – Prepare Design Changes	20 Design Changes	25 Design Changes
DSDC – Submittal Review	200 Submittals	480 Submittals

The bid phase was completed in July 2019 so the revised scope covers the actual level of effort required at that time. As of August 2020, the design engineer has responded to 277 RFIs, prepared 18 Design Changes, and reviewed 396 submittals. The revised scope provides \$733,655 of additional funds to cover a portion of the anticipated work required to complete the project over the next 14 months. Rather than attempt to anticipate the level of effort needed to complete the rest of the project, this amendment will provide funds to continue the work, but deliberately keep the professional services

agreement budget tight to encourage efficiency from the design engineer. However, additional funds may be needed before the end of the project to complete the effort.

Budgetary Impact

No budgetary impact at this time. The additional \$733,655 brings the Professional Services Agreement with IEC to a total of \$4,712,557. The additional \$733,655 will be covered within the \$5,440,000 contingency included in the SRF Loan Agreement intended for potential additional costs of this nature. However, the addition of GAC treatment, as presented to the board in January of 2020, is estimated to cost between \$4M and \$5M, which will likely use the majority of the construction contingency, resulting in a very tight budget for the project (Note that staff continue to seek grant funding opportunities to offset some of the GAC treatment cost). Staff will also be seeking an amendment to the existing Local Resources Program (LRP) Agreement with MWD to help offset the additional capital and operating costs for the GAC treatment.

Example Breakdown of Contingency Funds:

Total SRF Loan Agreement Contingency	\$5,440,000
IEC DSDC Amendment	(\$733,655)
Estimated GAC Treatment	(\$4,500,000)
Estimated Remaining Funds for Potential Additional Construction Costs	\$206,000

The GAC treatment design is approximately 75% complete, and until bids are received for the GAC Treatment System there is some uncertainty regarding how much of the contingency funds will be used. Once complete and bids received (expected by December 2020), staff will know with more certainty how much of the contingency will be needed to cover these costs.

If an amendment to the SRF Loan Agreement is needed, the review process with the State DWR takes up to six months and should be initiated well in advance of needing the funds. If a future amendment to the SRF Loan Agreement increasing the total loan amount is needed, it would result in increased payment installments, which may be offset by any additional grant funding and LRP payments. Once the final GAC capital and operating costs are known an update on the anticipated costs will be provided.

Recommended Action

That the Board approve a contract amendment with Infrastructure Engineering Corporation for a not to exceed amount of \$733,655 to continue providing Design Services During Construction for the Santa Margarita Conjunctive Use Project.

**Professional Services Contract
Amendment No. 4**

The following amends the contract between the FALLBROOK PUBLIC UTILITY DISTRICT (FPUD), a local public agency and Infrastructure Engineering Corporation, dated November 22, 2014.

Scope of Services:

This amendment modifies the original contract by modifying the following tasks in Attachment A:

- Task 100C – Project Management (Tasks 400 and 500)
- Task 400 – Bid Phase Services
- Task 500 – Design Services During Construction
 - Respond to Requests for Information (Assume 341 Total)
 - Preparation of Design Changes (Assume 25 Total)
 - Submittal Reviews (Assume 480 Total)

Fee Schedule:

This amendment adds the following additional Fee schedule breakdown in Attachment B for Task 300:

Item	Additional Effort (\$)
Task 100C – Project Management (Tasks 400 and 500)	\$86,000
Task 400 – Bid Phase Services	\$83,285
Task 500 – Design Services During Construction	
• Respond to Requests for Information (Assume 341 Total)	\$70,020
• Preparation of Design Changes (Assume 25 Total)	\$109,320
• Submittal Reviews (Assume 480 Total)	\$385,040
Total	\$733,655

Budget:

This amendment increases the budget by \$733,655 from \$3,978,902 to \$4,712,557.

Signatures:

The individuals executing this contract represent and warrant that they have legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the parties have executed this contract amendment on the following date.

DATED: _____, 2020

Fallbrook Public Utility District

By: _____

Jack Bebee, General Manager

Infrastructure Engineering Corporation

By: _____

Rob Weber, President

**2014
HOURLY CHARGE RATE AND
EXPENSE REIMBURSEMENT SCHEDULE**

Professional

Engineering Intern/Technician	\$ 65
CADD Designer I/Engineer I.....	\$ 105
Graphic Designer	\$110
CADD Designer II/Engineer II.....	\$ 120
CADD Designer III/Engineer III.....	\$ 130
Designer/Project Engineer.....	\$ 140
Senior Project Engineer	\$160
Senior Project Engineer Planning & IS.	\$ 175
Project Manager	\$180
Senior Project Manager.....	\$190
Principal	\$200
Principal Planning & IS.....	\$ 200

Surveying

Principal Surveyor.....	\$ 150
Project Surveyor	\$ 130
Field – 2 Man Crew	\$ 170
Office-Survey Drafting	\$ 130

Administrative

Administrative Clerk	\$ 65
Word Processor/Admin Support	\$ 85

Environmental

Intern/Technician	\$ 65
Env Specialist I/Project Coord I.....	\$ 105
Technical Editor	\$ 95
Lead Technical Editor.....	\$115
Graphic Artist.....	\$110
Env Specialist II/Project Coord II.....	\$ 120
Env Specialist III/Project Coord III.....	\$ 130
Project Manager I	\$ 140
Project Manager II	\$ 150
Senior Technical Staff.	\$ 160
Senior Project Manager.....	\$ 190
Principal	\$ 200

***Construction**

Construction Inspector	\$ 115
Senior Construction Inspector	\$ 130
Resident Engineer.....	\$ 145
Construction Manager.....	\$ 165
Sr. Construction Manager.....	\$ 180
CM Coordinator	\$ 105
Asst CM Coordinator	\$ 85

Flow Monitoring

Field Tech I.....	\$ 65
Field Tech II.....	\$ 85
Field Tech III.....	\$ 95
Field Supervisor	\$ 105
Field Operations Manager	\$ 130
Project/Data Manager	\$ 140

Sub-consultants will be billed at cost plus 5% unless specified otherwise in the agreement.

All base rates will escalate by 3% per annum.

Reimbursable Costs

Reproduction, special photography, postage, delivery services, express mail, printing, travel, parking, and any other specialty services performed by subcontractor will be billed at cost plus 15%.

Mileage will be billed at the current IRS allowed rate.

* Field personnel rates are inclusive of vehicle, mileage, phone, computer, etc. Inspection rates shown are for prevailing wage projects. Inspection rates for non-prevailing wage contracts are \$15 dollars an hour less than the listed rate. Inspection rates for overtime are \$30 dollars an hour more than the listed rate.

M E M O

TO: Board of Directors
FROM: Fiscal Policy and Insurance (FP&I) Committee
DATE: September 28, 2020
SUBJECT: Potential Debt Refunding

Purpose

Review with the Committee the draft documents necessary to authorize and execute the District's issuance of Wastewater Revenue Refunding Bonds (2020 Bonds) to refinance the District's 2012 State Revolving Fund Loan (2012 SRF).

Summary

In 2012, the Fallbrook Public Utility District borrowed \$29,609,644 from the California State Water Resources Control Board – State Revolving Fund (SRF) Loan Program. Loan proceeds were used to fund costs associated with the Wastewater Treatment Plan I Rehabilitation Project. The SRF Loan is secured by and payable from wastewater system net revenues. The SRF Loan carries an interest rate of 2.20% and has a final maturity of March 31, 2036. Currently, \$24,668,471 of the SRF Loan remains outstanding.

Because current interest rates are at or near historic lows, the District's 2012 SRF can be refunded and significant saving on the District's debt service costs realized. Similar to refinancing a mortgage, the District can realize savings by paying off the 2012 SRF by issuing the 2020 Bonds at a rate that is lower than the rate on the 2012 SRF loan. Due to a mix of economic and social factors, the current municipal interest rate environment is very volatile and subject to swings. Because the 2012 SRF loan rate is very competitive, market volatility can significantly impact the economics/savings of the transaction making it difficult to predict the level of the savings the District may achieve.

Refinancing the 2012 Loan at current (September 16, 2020) market interest rates will save the District approximately \$62,000 per year from 2021 through 2036. These savings are net of the cost off issuance, which is estimated to be approximately \$338,000, and assume no extension of the final maturity. On a Net Present Value Basis the estimated savings are currently \$763,030, which is lower than the estimated savings provided last month. This illustrates the impact of interest rate volatility on the District's potential savings. It also highlights the importance of expediting the process and securing the savings.

The attached draft resolution authorizes the issuance of the Refunding Bonds subject to certain parameters, the procurement of transaction related professional services included in the cost of issuance, and authorizes District staff to execute various Financing Documents including an Indenture, Preliminary and Final Official Statement, Continuing Disclosure Agreement and Bond Purchase Agreement.

The Indenture is the contract between the District and Bondholders, which details each party's rights and obligations. The Official Statement (OS) is the document that investors review in order to make an informed decision about whether or not to buy the bonds. The Official Statement contains a summary of the bond terms and conditions, a description of the District and its operations, finances, management and governance, descriptions of various 'risk factors' and other any 'material' information. The Continuing Disclosure Agreement (attached to the OS) lists the financial and operating data the District is required to provide Bondholders annually while the bonds remain outstanding, so that Bondholders can monitor their investments.

With the exception of the Authorizing Resolution, all of the documents will be finalized by staff closer to the sale of the bonds. The attached draft documents represent the "form of" the document and include all the material provisions that impact the District.

Attachments

1. Draft Resolution
2. Draft Indenture of Trust
3. Preliminary Official Statement
4. Continuing Disclosure Agreement

Recommended Action

Approve the Authorizing Resolution 5001 and the form of other transaction related documents.

**Attachment A
(Draft Resolution)**

RESOLUTION NO. 5001

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FALLBROOK PUBLIC UTILITY DISTRICT AUTHORIZING THE SALE AND ISSUANCE OF WASTEWATER REVENUE REFUNDING BONDS TO REFINANCE OUTSTANDING WASTEWATER SYSTEM OBLIGATIONS OF THE DISTRICT IN AN AMOUNT NOT TO EXCEED \$27,000,000, APPROVING OFFICIAL STATEMENT AND APPROVING RELATED AGREEMENTS AND ACTIONS

WHEREAS, the Fallbrook Public Utility District (the "District") owns and operates facilities and property for the collection, treatment, storage and disposal of wastewater within the service area of the District (the "Wastewater System"); and

WHEREAS, to finance Wastewater System improvements, consisting of the Fallbrook Wastewater Treatment Plant Plan I Rehabilitation Project, the District previously borrowed \$29,609,644 from the State Water Resources Control Board State Revolving Fund (SRF) loan program pursuant to a Project Finance Agreement (Agreement No. 12-807-550), dated November 2, 2012, as amended (the "SRF Loan"), which SRF Loan is currently outstanding in the amount of \$24,668,471; and

WHEREAS, pursuant to the terms of the SRF Loan Agreement, the District may prepay the outstanding principal balance of the SRF Loan, in whole or in part, on any date, together with accrued interest thereon to the prepayment date, without premium; and

WHEREAS, at current market interest rates, the District expects to realize significant debt service savings by refinancing the SRF Loan; and

WHEREAS, certain good-faith estimates regarding the Refunding Bonds are set forth in Exhibit A attached hereto; and

WHEREAS, the Board of Directors wishes at this time to authorize the sale and issuance of the Fallbrook Public Utility District 2020 Wastewater Revenue Refunding Bonds (the "Refunding Bonds") under the Bond Law (as herein defined) to provide funds to refinance the SRF Loan and pay costs of issuance, such Refunding Bonds to be secured by a pledge of the net revenues of the Wastewater System; and

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

Section 1. Sale and Issuance of Refunding Bonds. The Board of Directors hereby authorizes the sale and issuance of the Refunding Bonds under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), for the purpose of providing funds to refinance the SRF Loan, and for the purpose of paying the costs of issuing the Refunding Bonds, so long as the requirements in Section 3 are achieved. Such refinancing shall be accomplished as provided in the Indenture of Trust approved below.

Section 2. Approval of Indenture. The Refunding Bonds shall be issued pursuant to an Indenture of Trust between the District and U.S. Bank National Association, as trustee, which Indenture is hereby approved in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by the President of the Board of Directors or the General Manager (each an “Authorized Officer”), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of such changes and additions. The Board of Directors hereby authorizes and directs an Authorized Officer to execute, and the Secretary to attest, said form of the Indenture of Trust for, and in the name of, the District. The Board of Directors hereby authorizes the delivery and performance of the Indenture of Trust.

Section 3. Sale of Refunding Bonds via Public Offering. The Board of Directors hereby authorizes the sale of the Refunding Bonds through a public offering; provided, however, that the principal amount of the Refunding Bonds shall not exceed \$27,000,000, and the net present value savings from such refinancing shall equal not less than 3.0% (or such other amount as may be determined by an Authorized Officer) of the outstanding principal amount of the SRF Loan. Such public offering may be accomplished by either competitive bidding or through negotiation with an underwriter, as determined by an Authorized Officer to be in the best interests of the District. If negotiation with an underwriter is selected, the Underwriter’s discount shall not exceed \$6.00 per \$1,000 or 0.60% of the principal amount of the Refunding Bonds, and the negotiated sale of the Refunding Bonds shall be accomplished pursuant to a bond purchase agreement to be entered into between the chosen underwriter and the District, with each Authorized Officer hereby delegated the authority to negotiate, execute and delivery such bond purchase agreement on behalf of the District, subject to the review by and approval of such agreement by the General Counsel of the District.

If a competitive sale is chosen, the sale of the Refunding Bonds shall be undertaken pursuant to and in accordance with a notice of sale for the Refunding Bonds that is approved by an Authorized Officer following review and approval by the General Counsel of the District. The Board of Directors hereby delegates to each of the Authorized Officers the authority to accept an offer from the winning bidder to purchase the Refunding Bonds from the District if a competitive sale is chosen.

Section 4. Official Statement; Continuing Disclosure Certificate. The Board of Directors hereby approves the Preliminary Official Statement describing the Refunding Bonds in the form on file with the Secretary, and authorizes each of the Authorized Officers to approve revisions to said Preliminary Official Statement if and to the extent necessary for distribution in connection with a public offering of the Refunding Bonds. An Authorized Officer shall execute a certificate deeming the Preliminary Official Statement, as so revised, to be nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. Distribution of the Preliminary Official Statement by the underwriter of the Refunding Bonds to prospective purchasers of the Refunding Bonds is hereby approved. Each of the Authorized Officers is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the final Official Statement by the underwriter. The final Official Statement shall be executed in the name and on behalf of the District by an Authorized Officer.

The Board of Directors hereby approves the Continuing Disclosure Certificate to be executed by the District, the form of which is attached as an exhibit to the Preliminary Official Statement. Each of the Authorized Officers is hereby authorized and directed to approve any changes in or additions to a final form of said Continuing Disclosure Certificate, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The final Continuing Disclosure Certificate shall be executed in the name and on behalf of the District by an Authorized Officer.

Section 5. Documents in Substantially Final Form; Further Authority. The documents on file with the Secretary and herein approved are in substantially final form; that is, they are final as to important business terms such as the rate covenant undertaken by the District as to the wastewater rates the District will enact so long as the Refunding Bonds are outstanding, and parity bond restrictions, governing limitations on future obligations secured by net revenues of the Wastewater System, but do not contain the final pricing terms resulting from the sale of the Refunding Bonds, which will be inserted only after the Refunding Bonds are sold. This resolution is intended to be a “parameters resolution,” in which the Board of Directors approves a refunding wastewater revenue bond issue at a not to exceed principal amount and a minimum savings threshold, payable from net revenues of the Wastewater System.

Section 6. Engagement of Professional Services. In connection with the sale and issuance of the Refunding Bonds, the Board of Directors hereby authorizes Steven Gortler to act as registered municipal advisor to the District and the firm of Jones Hall, A Professional Law Corporation, to act as bond counsel and disclosure counsel to the District. Each of the Authorized Officers is hereby authorized to execute a professional services agreement with each of the foregoing firms. Each such agreement shall be substantially in the form of professional services agreement established by the District and shall be subject to review by and approval of the General Counsel of the District.

Section 7. Official Actions. The President of the Board, the General Manager, the Assistant General Manager/CFO or a written designee or any of the foregoing, are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to refinance the SRF Loan and consummate the transaction described in this Resolution, including executing any commitments or other documents necessary for the District to obtain bond insurance and/or a reserve surety policy for the Refunding Bonds, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 8. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 28th day of September, 2020, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Exhibit A
Good-Faith Estimates

In accordance with Government Code Section 5852.1, the following information has been obtained and disclosed to the Board in connection with the approval of the Refunding Bonds:

(i) the estimated true interest cost of the Refunding Bonds (being the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Refunding Bonds) is 1.68%,

(ii) the estimated finance charge of the Refunding Bonds (being the sum of all fees and charges paid to third parties) is \$338,385,

(iii) the estimated proceeds of the Refunding Bonds expected to be received, net of proceeds for finance charges in (ii) above to be paid from the principal amount of the Refunding Bonds and any reserves or capitalized interest paid or funded with Refunding Bonds is \$24,971,482, and

(iv) the estimated total payment amount of the Refunding Bonds (being the sum of debt service plus finance to be paid to final maturity, plus any financing costs not paid from proceeds of the Refunding Bonds) is \$28,549,553.

The foregoing constitute good faith estimates only, and the final results of any sale of the Refunding Bonds may materially differ due to a variety of factors outside the control of the District.

**Attachment B
(Indenture)**

INDENTURE OF TRUST

between the

FALLBROOK PUBLIC UTILITY DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of October 1, 2020

Relating to

\$ _____
Fallbrook Public Utility District
2020 Wastewater Revenue Refunding Bonds

TABLE OF CONTENTS

ARTICLE I

Definitions; Rules of Construction

SECTION 1.01. <i>Definitions</i>	2
SECTION 1.02. <i>Authorization</i>	2
SECTION 1.03. <i>Interpretation</i>	2

ARTICLE II:

Issuance of Bonds:

SECTION 2.01. <i>Authorization and Purpose of Bonds</i>	2
SECTION 2.02. <i>Terms of the Bonds</i>	3
SECTION 2.03. <i>Redemption of Bonds</i>	4
SECTION 2.04. <i>Book Entry System</i>	6
SECTION 2.05. <i>Form and Execution of Bonds</i>	7
SECTION 2.06. <i>Transfer and Exchange of Bonds</i>	8
SECTION 2.07. <i>Registration Books</i>	9
SECTION 2.08. <i>Bonds Mutilated, Lost, Destroyed or Stolen</i>	9

ARTICLE III

ISSUE OF BONDS; PARITY DEBT

SECTION 3.01. <i>Issuance of Bonds</i>	10
SECTION 3.02. <i>Deposit and Application of Proceeds</i>	10
SECTION 3.03. <i>Costs of Issuance Fund</i>	10
SECTION 3.04. <i>Issuance of Parity Debt</i>	10
SECTION 3.05. <i>State Loans</i>	11
SECTION 3.06. <i>Validity of Bonds</i>	11

ARTICLE IV

Revenues; Flow Of Funds

SECTION 4.01. <i>Pledge of Net Revenues</i>	12
SECTION 4.02. <i>Receipt, Deposit and Application of Net Revenues</i>	12
SECTION 4.03. <i>Establishment of Rate Stabilization Fund</i>	13
SECTION 4.04. <i>Investments</i>	13
SECTION 4.05. <i>Valuation and Disposition of Investments</i>	14

ARTICLE V:

Financial Covenants

SECTION 5.01. <i>Punctual Payment; Compliance With Documents</i>	15
SECTION 5.02. <i>Discharge of Claims</i>	15
SECTION 5.03. <i>Operation of Wastewater System in Efficient and Economical Manner</i>	16
SECTION 5.04. <i>Sale or Eminent Domain of Wastewater System</i>	16
SECTION 5.05. <i>Insurance</i>	16
SECTION 5.06. <i>Records and Accounts</i>	16
SECTION 5.07. <i>Rates and Charges</i>	17
SECTION 5.08. <i>Superior and Subordinate Obligations; Parity Obligations</i>	17
SECTION 5.09. <i>Tax Covenants Relating to Bonds</i>	17
SECTION 5.10. <i>Continuing Disclosure</i>	18

SECTION 5.11. <i>Further Assurances</i>	18
---	----

ARTICLE VI:

The Trustee:

SECTION 6.01. <i>Duties, Immunities and Liabilities of Trustee</i>	19
SECTION 6.02. <i>Merger or Consolidation</i>	20
SECTION 6.03. <i>Rights and Liabilities of Trustee</i>	21
SECTION 6.04. <i>Right to Rely on Documents</i>	22
SECTION 6.05. <i>Preservation and Inspection of Documents</i>	24
SECTION 6.06. <i>Compensation and Indemnification</i>	24
SECTION 6.07. <i>Accounting Records and Financial Statements</i>	24

ARTICLE VII:

Modification and Amendment of this Indenture:

SECTION 7.01. <i>Amendments Permitted</i>	25
SECTION 7.02. <i>Effect of Supplemental Indenture</i>	26
SECTION 7.03. <i>Endorsement or Replacement of Bonds After Amendment</i>	26
SECTION 7.04. <i>Amendment by Mutual Consent</i>	26
SECTION 7.05. <i>Trustee's Reliance</i>	26

ARTICLE VIII:

Events of Default and Remedies of Bond Owners:

SECTION 8.01. <i>Events of Default and Acceleration of Maturities</i>	27
SECTION 8.02. <i>Application of Funds Upon Event of Default or Acceleration</i>	28
SECTION 8.03. <i>Power of Trustee to Control Proceedings</i>	28
SECTION 8.04. <i>Limitation on Owners' Right to Sue</i>	29
SECTION 8.05. <i>Non-waiver</i>	29
SECTION 8.06. <i>Actions by Trustee as Attorney-in-Fact</i>	30
SECTION 8.07. <i>Remedies Not Exclusive</i>	30

ARTICLE IX:

Miscellaneous:

SECTION 9.01. <i>Limited Liability of District</i>	30
SECTION 9.02. <i>Benefits of Indenture Limited to Parties</i>	31
SECTION 9.03. <i>Defeasance of Bonds</i>	31
SECTION 9.04. <i>Execution of Documents and Proof of Ownership by Owners</i>	32
SECTION 9.05. <i>Disqualified Bonds</i>	32
SECTION 9.06. <i>Waiver of Personal Liability</i>	33
SECTION 9.07. <i>Destruction of Canceled Bonds</i>	33
SECTION 9.08. <i>Funds and Accounts</i>	33
SECTION 9.09. <i>Notices</i>	33
SECTION 9.10. <i>Unclaimed Moneys</i>	33
SECTION 9.11. <i>Execution in Several Counterparts</i>	34
SECTION 9.12. <i>Governing Law</i>	34

APPENDIX A: DEFINITIONS

APPENDIX B: FORM OF BOND

INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of October 1, 2020, is between the FALLBROOK PUBLIC UTILITY DISTRICT, a public utility district duly organized and existing under the Constitution and laws of the State of California (the "District"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the "Trustee").

BACKGROUND:

WHEREAS, to finance Wastewater System improvements, consisting of the Fallbrook Wastewater Treatment Plant Plan I Rehabilitation Project, the District previously borrowed \$_____ from the State Water Resources Control Board State Revolving Fund (SRF) loan program pursuant to a Project Finance Agreement (Agreement No. 12-807-550), dated November 2, 2012, as amended (the "SRF Loan"), which SRF Loan is currently outstanding in the amount of \$_____; and

WHEREAS, pursuant to the terms of the SRF Loan, the District may prepay the outstanding principal balance of the SRF Loan, in whole or in part, on any date, together with accrued interest thereon to the prepayment date, without premium; and

WHEREAS, in order to provide funds for that purpose, the Board of Directors of the District has authorized the issuance of the Fallbrook Public Utility District 2020 Wastewater Revenue Refunding Bonds in the aggregate principal amount of \$_____ (the "Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"); and

WHEREAS, the Bonds will be secured by a first pledge of and lien on the Net Revenues derived by the District from the operation of its Wastewater System; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board of Directors of the District has authorized the execution of this Indenture.

AGREEMENT:

In order to secure the payment of the principal of and the interest on all the Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the District and the Trustee hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The District has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the District is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The District hereby authorizes the issuance of Bonds in the aggregate principal amount of \$_____ under the Bond Law for the purposes identified herein. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the "Fallbrook Public Utility District 2020 Wastewater Revenue Refunding Bonds".

SECTION 2.02. *Terms of the Bonds.* The Bonds are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds will be dated as of the Closing Date, and will mature on January 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

Maturity Date (January 1)	Principal Amount	Interest Rate
	\$	%

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the

Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by wire or by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption. The Bonds maturing on or before January 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as the District may designate and by lot within a maturity, at the option of the District, on any date on or after January 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The Bonds maturing January 1, 20__ (the "**Term Bonds**") are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on January 1 in the years as set forth in the following table:

Payment Date (<u>January 1</u>)	Payment <u>Amount</u>
--------------------------------------	--------------------------

(c) Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds, upon the terms and conditions of, and as provided for in Sections 5.04 or 5.05, as applicable, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption. The District shall give written notice of any redemption of Bonds under this subsection (b) to the Trustee at least 45 days prior to the date of redemption or such shorter time as shall be acceptable to the Trustee.

(d) Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee, by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books and containing the information set forth in this Section 2.03(d); provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds. Redemption notices may be conditional.

All notices of redemption shall be dated and shall state:

(i) the redemption date,

(ii) the redemption price of the Bonds being redeemed (the "Redemption Price"),

(iii) if fewer than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, including (A) the CUSIP numbers of all Bonds being redeemed; (B) the stated interest rate with respect to each Bond being redeemed; (C) the maturity date of each Bond being redeemed; and (D) any other descriptive information needed to identify accurately the Bonds being redeemed,

(iv) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and

(v) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Office of the Trustee.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

(e) Rescission of Notice of Redemption. The District has the right to rescind any notice of the redemption of Bonds given under Section 2.03(a) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee shall mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent under Section 2.03.

(f) Deposit of Money. On or prior to any redemption date, the District shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(g) Consequences of Notice. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the District shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to have interest accrue thereon. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be redelivered.

(h) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(i) Manner of Redemption. Whenever any Bonds are to be selected for redemption, the Trustee shall determine, by lot, the numbers of the Bonds to be redeemed, and shall notify the District thereof.

All Bonds redeemed pursuant to this Section shall be cancelled and destroyed pursuant to Section 9.07.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the District and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the District and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the District elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, interest and premium, if any, on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The District and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and the interest and premium, if any, on such Bond, for the purpose of giving notices of matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the District of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder

for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary

or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The President of the Board of Directors of the District (or his or her designee) shall execute, and the Secretary of the District shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond are the proper officers of the District, duly authorized to execute debt instruments on behalf of the District, although on the date of such Bond any such person was not an officer of the District.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section 2.06. Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The District shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds. The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period 15 days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The District shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds. The Trustee may refuse to exchange, under the provisions of this Section 2.06, either (a) any Bonds during

the 15 days prior to the date established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption.

SECTION 2.07. *Registration Books.* The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which must at all times during normal business hours, and upon reasonable notice, be open to inspection by the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond is mutilated, the District, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the District. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUE OF BONDS; PARITY DEBT

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, the District shall execute and deliver Bonds in the aggregate principal amount of \$_____ to the Trustee, and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the District therefor.

SECTION 3.02. *Deposit and Application of Proceeds.* On the Closing Date, the Trustee shall receive proceeds of the Bonds from the Original Purchaser in the amount of \$_____ (calculated as the par amount of the bonds (\$_____), plus original issue premium of \$_____, less an underwriter's discount of \$_____, [less a good faith deposit of \$100,000.00 previously received from the Original Purchaser]) as follows:

(a) The Trustee shall deposit the amount of \$_____ to the Costs of Issuance Fund[, which shall be combined with the good faith deposit of \$100,000.00 previously received from the Original Purchaser, for a total of \$_____].

(b) The Trustee shall deposit the remaining \$_____, constituting the remainder of the Bond proceeds, into the Refunding Fund.

SECTION 3.03. *Costs of Issuance Fund; Refunding Fund.*

(a) Costs of Issuance Fund. There is hereby established a separate fund to be known as the "Costs of Issuance Fund", to be held by the Trustee in trust. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the District stating (i) the person to whom payment is to be made, (ii) the amounts to be paid, and (iii) the purpose for which the obligation was incurred; in each case together with a statement or invoice for each amount requested thereunder. Each such Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On March 1, 2021, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Debt Service Fund to be applied to pay a portion of the interest next coming due and payable on the Bonds.

(b) Refunding Fund. There is hereby established a separate fund to be known as the "Refunding Fund", to be held by the Trustee in trust for the District and the State Water Resources Control Board as payee under the SRF Loan. Into the Refunding Fund, the Trustee shall deposit \$_____ from the proceeds of the Bonds pursuant to Section 3.02(b). Immediately following the deposit of such amount into the Refunding Fund on the Closing Date, the Trustee shall withdraw the full amount on deposit in the Refunding Fund for transfer to the State Water Resources Control Board as payment, in full, of amounts due under the SRF Loan, in accordance with the wire instructions set forth in the Officer's Certificate of the District dated the Closing Date and immediately following such transfer, close the Refunding Fund.

SECTION 3.04. *Issuance of Parity Debt.* The District may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The amount of Net Revenues, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the District, plus, at the option of the District any Additional Revenues, are at least equal to 125% of the maximum amount of Debt Service coming due and payable in the current or any future Fiscal Year with respect to (i) the Bonds and all Parity Debt then outstanding and (ii) the Parity Debt then proposed to be issued; and
- (c) The District shall deliver to the Trustee a Certificate of the District certifying, that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing subsections of this Section 3.04 have been satisfied.

For purposes of calculating Net Revenues to demonstrate compliance with paragraph (b) above, Revenues shall not include connection fees, transfers from the Rate Stabilization Fund (if any), or interest income received by the Wastewater Fund during the period for which the calculation of Net Revenues is being made.

SECTION 3.05. *State Loans.* The District may borrow money from the State and incur State Loans to finance improvements to the Wastewater System. A State Loan may be treated as a Parity Debt for purposes of this Indenture, so long as the District complies with Section 3.04 of this Indenture before incurring said State Loan.

SECTION 3.06. *Validity of Bonds.* The recital contained in the Bonds that they are issued under the Laws of the State of California is conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.01. *Pledge of Net Revenues.* The Bonds and all Parity Debt are secured by a first pledge of and lien on all of the Net Revenues. In addition, the Bonds are secured by a pledge of all of the moneys in the Debt Service Fund, including all amounts derived from the investment of such moneys. The Bonds and any Parity Debt are equally secured by a pledge, charge and lien upon the Net Revenues, without priority for series, issue, number or date, and the payment of the interest on and principal of the Bonds and Parity Debt shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues. So long as any of the Bonds and Parity Debt are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

SECTION 4.02. *Receipt, Deposit and Application of Net Revenues.*

(a) Establishment and Maintenance of Wastewater Fund. The District has previously established the Wastewater Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all Revenues in the Wastewater Fund promptly upon the receipt thereof, and shall apply amounts in the Wastewater Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in any Parity Debt Documents.

(b) Application of Amounts in Wastewater Fund. In addition to transfers which are required to be made for repayment of any Parity Debt, which shall be made on a parity basis with amounts required to be made for repayment of the Bonds, the District shall withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (i) *Operation and Maintenance Costs.* The District shall apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.
- (ii) *Transfers to Debt Service Fund and for Parity Debt.* On a parity basis with amounts required to be made for repayment of the 2010 Agreement and any other Parity Debt, on or before the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the District shall withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Debt Service Fund (which the Trustee shall establish and hold in trust hereunder) an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on such Interest Payment Date.

The Trustee shall apply amounts in the Debt Service Fund solely for the purpose of (A) paying the interest on the Outstanding Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed hereunder), and (B) paying the principal of the Bonds at the maturity thereof. Upon the payment of all Outstanding Bonds, the Trustee shall

transfer any moneys remaining in the Debt Service Fund to the District for deposit into the Wastewater Fund.

- (iii) *Replenishment of Reserve Funds.* As required by any Parity Debt Document, the District shall withdraw from the Wastewater Fund and pay to the applicable payee an amount which is required by any Parity Debt Document for the replenishment of reserve funds or the payment of an insurer providing a reserve fund insurance policy.
- (iv) *Other Lawful Uses.* So long as no Event of Default has occurred and is continuing, the District may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:
 - (A) the payment of any subordinate obligations or any unsecured obligations;
 - (B) the acquisition and construction of extensions and improvements to the Wastewater System;
 - (C) the payment or retirement of any of the Bonds or any other obligations of the District relating to the Wastewater System; or
 - (D) any other lawful purpose of the District.

SECTION 4.03. *Establishment of Rate Stabilization Fund.* The District has previously established a "Rate Stabilization Fund," which it shall continue to hold and administer in accordance with this Section 4.03, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Wastewater System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Debt, as the District may determine.

The District may, but is not required to, withdraw from any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Debt. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District relating to the Wastewater System.

SECTION 4.04. *Investments.*

(a) Investment of Funds Held by District. All moneys in the Wastewater Fund and the Rate Stabilization Fund shall be invested by the District from time to time in any securities in which the District may legally invest funds subject to its control.

(b) Investment of Funds Held by Trustee. The Trustee shall invest moneys in the funds and accounts held by it hereunder in Permitted Investments specified in the Request of the District delivered to the Trustee at least two Business Days in advance of the making of such investments. The Trustee may rely conclusively upon the investment direction of the District as to the suitability and legality of the directed investments. In the absence of any such direction from the District, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (e) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Request of the District specifying a specific money market mutual fund that satisfies the requirements of said paragraph in which such investment is to be made and, if no such Request of the District is so received, the Trustee shall notify the District that a Request of the District is needed.

(c) General Investment Provisions. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture the District is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the District. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee has no liability for losses arising from any investments made under this Section.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

SECTION 4.05. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the District covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the District must inform the Trustee which funds are subject to a yield restriction, and must provide the Trustee with any necessary valuation criteria or formulae.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof, on January 1 of each year. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow: (i) its normal practices in the purchase, sale and determining the value of Permitted Investments; and (ii) the investment directions of the District. The Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the District in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom. In determining the Fair Market Value of Authorized Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

(d) For purposes of this Section 4.05, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

FINANCIAL COVENANTS

SECTION 5.01. *Punctual Payment; Compliance With Documents.* The District shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.02. *Discharge of Claims.* The District covenants that in order to fully preserve and protect the priority and security of the Bonds the District shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The District shall also pay, from the Net Revenues, all taxes and assessments or other governmental charges lawfully levied or assessed upon or in

respect of the Wastewater System or upon any part thereof or upon any of the Net Revenues therefrom.

SECTION 5.03. *Operation of Wastewater System in Efficient and Economical Manner.* The District covenants and agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

SECTION 5.04. *Sale or Eminent Domain of Wastewater System.* Except as provided herein, the District covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the principal of or interest on the Bonds or any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Indenture or any Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Bonds and any Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

The Net Proceeds received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall, at the written direction of the District, either (a) be used for the acquisition or construction of improvements and extension of the Wastewater System, or (b) be applied on a pro rata basis to redeem the Bonds and any Parity Debt in accordance with this Indenture and the related Parity Debt Documents.

SECTION 5.05. *Insurance.* The District will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the Bonds. Any insurance required by this Section may be maintained by the District in the form of self-insurance through a joint powers agreement or otherwise. The Trustee has no liability to determine whether the District is in compliance with the provisions of this Section 5.05.

The Net Proceeds collected by the District from insurance against accident to or destruction of any portion of the Wastewater System shall be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, shall be applied on a pro rata basis to redeem the Bonds and any Parity Debt in accordance with this Indenture and the related Parity Debt Documents.

SECTION 5.06. *Records and Accounts.* The District will keep proper books of record and accounts of the Wastewater System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System. Said books shall, upon reasonable request, be subject to the inspection of the Trustee and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The District shall cause the books and accounts of the Wastewater System to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant.

SECTION 5.07. *Rates and Charges.* The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts:

- (a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (b) The principal of and interest on the Bonds and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose; and
- (c) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this paragraph, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (a) any transfers from the Rate Stabilization Fund into the Wastewater Fund in such Fiscal Year are included in the calculation of Net Revenues, as provided in Section 4.03, and (b) any transfers from the Wastewater Fund into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Gross Revenues received by the District during that Fiscal Year.

SECTION 5.08. *Superior and Subordinate Obligations; Parity Obligations.* The District may not issue or incur any additional bonds or other obligations having any priority over the Bonds in the payment of principal or interest out of the Net Revenues. Nothing herein limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder. Parity Debt may be issued or incurred only in accordance with Sections 3.04 and 3.05.

SECTION 5.09. *Tax Covenants Relating to Bonds.*

(a) The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

(b) The District shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to become “private activity bonds” within the meaning of section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(d) The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(e) The District shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the District.

The Trustee has no duty to monitor the compliance by the District with any of the covenants contained in this Section 5.09.

SECTION 5.10. *Continuing Disclosure.* The District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the District on the Closing Date. Notwithstanding any other provision hereof, failure of the District to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Section 5.10.

SECTION 5.11. *Further Assurances.* The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds and the Trustee the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) Performance of Duties. The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties will be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) Removal of Trustee. The District may remove the Trustee upon 30 days' prior written notice, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible in accordance with subsection (e) of this Section 6.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The District may accomplish such removal by giving 30 days' prior written notice to the Trustee, whereupon the District will appoint a successor Trustee by an instrument in writing.

(c) Resignation by Trustee. The Trustee may at any time resign by giving written notice of such resignation to the District, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee by an instrument in writing.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the retiring Trustee, any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any

property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating District which then maintains a rating on the Bonds, and to the Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Qualifications of Trustee. Any Trustee appointed under the provisions of this Section in succession to the Trustee must:

- (i) be a company, national banking association or bank having trust powers,
- (ii) have a corporate trust office in the State of California,
- (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$75,000,000, and
- (iv) be subject to supervision or examination by federal or state authority.

If such bank, national banking association or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The District will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank, national banking association or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank, national banking association or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Rights and Liabilities of Trustee.*

(a) The recitals of facts herein and in the Bonds contained are taken as statements of the District, and the Trustee has no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the District.

(b) The Trustee has no liability with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee has no liability for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder is not construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee is not responsible for the District's payment of principal and interest on the Bonds, the District's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.06 and may rely conclusively on a Certificate of the District (if any) to establish the District's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Gross Revenues into the Wastewater Fund and the investment and application of moneys on deposit in the Wastewater Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) fully to inspect the Wastewater System, including all books, papers and records of the District pertaining to the Wastewater System and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(i) Before taking any action under Article VIII or this Article VI, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The permissive right of the Trustee to do things enumerated in this Indenture is not construed as a duty.

(l) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and is not answerable for the conduct of the same if appointed by it with reasonable care.

(m) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

SECTION 6.04. *Right to Rely on Documents.* The Trustee is protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion,

facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the District.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District, whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more

secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys, including Bond proceeds, which shall be released or withdrawn in accordance with the provisions hereof.

SECTION 6.05. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* The District shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee has a first lien on the Net Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Trustee shall be deemed to constitute a substantial contribution to the trust estate which secures the Bonds. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The District further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities, whether or not litigated, suits, actions, and judgments, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the District under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the District at reasonable hours, during the Trustee's regular business hours, with reasonable prior notice and under

reasonable circumstances. The Trustee shall furnish to the District, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended by the District and the Trustee upon Request of the District at any time by the execution of a Supplemental Indenture, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment may:

- (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or
- (ii) permit the creation by the District of any mortgage, pledge or lien upon the Gross Revenues or Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or
- (iii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iv) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect

whatsoever as the District deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the District and the Trustee;

- (iii) to provide for the issuance of Parity Debt under Section 3.04, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.04; and
- (iv) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the District and the Trustee.

(c) Notice of Amendments. The District shall deliver or cause to be delivered a draft of any Supplemental Indenture to Moody's and/or S&P, if and only if such rating District is then providing a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 7.01.

SECTION 7.02. *Effect of Supplemental Indenture*. From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment*. After the effective date of any amendment or modification hereof under this Article VII, the District may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the District, as to such amendment or modification and in that case upon demand of the District the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the District may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the District the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent*. The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance*. The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the District and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. *Events of Default and Acceleration of Maturities.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the District by the Trustee; *provided, however*, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the District institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure within 60 days after the written notice of default thereof.
- (d) The District commences a voluntary bankruptcy case under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall (i) for any default listed in Section 8.01(a), (b) or (d) only, declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (ii) subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under this Indenture, including the right, by action brought pursuant to the California Code of Civil Procedure, or as otherwise provided by law, to obtain the issuance of a writ of mandamus enforcing the duty of the District to take all steps necessary for the payment of principal of and interest on the Bonds, and other amounts due hereunder.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the District by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also

give such notice to the Owners, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the District and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. *Application of Funds Upon Event of Default or Acceleration.* All amounts received by the Trustee under any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.03. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, upon the

request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action and the Trustee has been indemnified to its satisfaction. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

SECTION 8.04. *Limitation on Owners' Right to Sue.* No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and the interest and premium, if any, on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.05. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the District, which is

absolute and unconditional, to pay from the Net Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 8.06. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section 8.06, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.07. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Limited Liability of the District.* Notwithstanding anything in this Indenture contained, the District is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Net Revenues). The District may, however, advance funds for any such purpose, provided

that such funds are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Net Revenues and other funds as in this Indenture provided. The Wastewater Fund of the District is not liable, and the credit of the District is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the District. The principal of and interest on the Bonds are not a debt of the District, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as provided in this Indenture.

SECTION 9.02. *Benefits of Indenture Limited to Parties.* Nothing in this Indenture, expressed or implied, gives to any person other than the District and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

SECTION 9.03. *Defeasance of Bonds.*

(i) If the District pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal and interest;
- (c) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the District, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the District under this Indenture with respect to such Bonds shall cease and terminate, except only: the

obligations of the District under Section 5.09 (Tax Covenants), the obligation of the Trustee to transfer and exchange Bonds hereunder, the obligation of the District to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and the obligations of the District to compensate and indemnify the Trustee under Section 6.06.

The District must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the District or to its order.

(ii) To accomplish defeasance pursuant to paragraphs (i)(b) or (i)(c) above, the District shall cause to be delivered (a) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date ("Verification"), (b) an escrow agreement, and (c) an opinion of Bond Counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; each Verification and defeasance opinion to be acceptable in form and substance, and addressed, to the District and Trustee.

(iii) In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section 9.03, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the District.

(iv) Bonds shall be deemed "Outstanding" under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing. Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books. Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District (but excluding Bonds held in any employees' retirement fund) must be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Bonds are so owned or held, in which case all such Bonds shall be considered Outstanding. The Trustee will not be deemed to have knowledge that any

Bond is owned or held by the District unless the District is the Registered Owner or the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the District of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee, upon request, shall be deemed to be the equivalent of the surrender of such canceled Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The District shall pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the District or the Trustee may be established and maintained in the accounting records of the District or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the District shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.09. *Notices.* All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. The District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District: Fallbrook Public Utility District
990 E Mission Road
Fallbrook, California 92028
Attn: General Manager

If to the Trustee: U.S. Bank National Association
_____, CA _____
Attn: Global Corporate Trust

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for one year after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for one year after

the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee (without liability for interest) to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the principal of and interest on such Bonds.

SECTION 9.11. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of page intentionally left blank. Signatures on next page.]

IN WITNESS WHEREOF, the Fallbrook Public Utility District has caused this Indenture to be signed in its name by the General Manager and attested by the Secretary, and U.S. Bank National Association, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

FALLBROOK PUBLIC UTILITY DISTRICT

By _____
General Manager

Attest:

Secretary

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee**

By _____
Vice President

APPENDIX A

DEFINITIONS

“2010 Agreement” means the Installment Sale Agreement, dated as of November 1, 2010, between the District and California Alternative Energy and Advanced Transportation Financing Authority.

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be made from the proceeds of such Parity Debt in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Financial Consultant.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been duly approved by the Board of Directors of the District prior to the incurring of such Parity Debt, but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District under Section 3.04(b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Financial Consultant.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bonds” means the Fallbrook Public Utility District 2020 Wastewater Revenue Refunding Bonds issued and at any time Outstanding hereunder.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Certificate of the District” means a certificate in writing signed by the President of the Board of Directors of the District, the General Manager of the District, the Assistant General Manager & Chief Financial Officer of the District or any other officer of the District duly authorized by the Board of Directors for that purpose.

“Closing Date” means October __, 2020, being the date of delivery of the Bonds to the Original Purchaser.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate described in Section 5.10.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the authorization, issuance, sale and delivery of the Bonds and the refinancing accomplished thereby, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, fees, charges and disbursements of attorneys, financial advisor, placement agent, accounting firms, consultants and other professionals, and any other cost, charge or fee in connection with the original issuance of the Bonds and the refinancing accomplished thereby.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Debt Service” means, with respect to any Fiscal Year, the sum obtained by totaling the following amounts for such Fiscal Year:

- (a) the aggregate amount of principal of and interest on the Outstanding Bonds coming due and payable in such Fiscal Year;
- (b) the principal amount of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year; and
- (c) the amount of interest which would be due during such Fiscal Year on the aggregate principal amount of all outstanding Parity Debt, if any, which would be outstanding in such Fiscal Year if such Parity Debt are retired as scheduled; *provided, however*, that with respect to any Parity Debt which bears interest at an adjustable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the five previous whole calendar years as shown by the J. J. Kinney Index (or, if and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations selected by the District in its sole discretion).

“Debt Service Fund” means the fund by that name established and held by the Trustee under Section 4.02(b)(ii).

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository's book-entry system.

“District” means the Fallbrook Public Utility District, a public utility district duly organized and existing under the Constitution and laws of the State of California, and any successor thereto.

“DTC” means The Depository Trust Company, and its successors and assigns.

“Event of Default” means any of the events described in Section 8.01.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; or (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom: (a) is judged by the District to have experience in matters relating to the financing of wastewater systems; (b) is in fact independent and not under domination of the District; (c) does not have any substantial interest, direct or indirect, with the District; and (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the District as its official fiscal year period (written notice of which shall be given by the District to the Trustee).

“Gross Revenues” means: (1) all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Wastewater System or otherwise arising from the Wastewater System, including but not limited to (a) connection charges, (b) rebates or incentives paid to the District as a result of installed renewable energy generation projects or energy efficiency measures that benefit the operation of the Wastewater System, and (c) investment earnings on amounts held in the Wastewater Fund or in any other fund established with respect to the Wastewater System; and (2) Tax Revenues.

Gross Revenues does not include (i) refundable deposits made to establish credit, and (ii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Wastewater System.

“Improvement District “S”” means the improvement district formed by the District pursuant to #4 of the Terms and Conditions set forth in the San Diego County LAFCO Certificate of Dissolution (the “Certificate of Dissolution”), recorded as Document #1994-0718682 on December 19, 1994, Official Records of the San Diego County Recorder's Office, the boundaries of which are coterminous with the boundaries of the Fallbrook

Sanitary District, which was dissolved and merged into the District by the Certificate of Dissolution.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the District, and who, or each of whom (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, with the District; and (c) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

“Interest Payment Date” means January 1 and July 1 in each year, commencing January 1, 2021, and continuing so long as any Bonds remain Outstanding.

“Moody’s” means Moody’s Investors Services, and its successors and assigns.

“Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.09, or at such other or additional offices as may be specified by the Trustee in writing to the District; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Wastewater System, including but not limited to (a) costs of treating wastewater, (b) costs of electricity and other forms of energy supplied to the Wastewater System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Wastewater System. Operation and Maintenance Costs does not include (i) Debt Service payable on obligations incurred by the District with respect to the Wastewater System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means _____, as the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the District has been discharged in accordance with Section 9.03; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture; and (d) Bonds which are required to be disregarded and not deemed Outstanding under Section 9.05.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Debt” means (a) the 2010 Agreement and (b) all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of and lien on any of the Net Revenues issued or incurred on a parity with the Bonds under Section 3.04 or 3.05.

“Parity Debt Documents” means (a) the 2010 Agreement and (b) each other agreement, indenture of trust, resolution or other instrument authorizing the issuance of, or otherwise evidencing, any Parity Debt.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated “AA” or better by S&P and “Aa” by Moody’s;
- (c) Bank deposit products, trust funds, trust accounts, certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), overnight bank deposits, interest bearing deposits, interest bearing money market accounts, U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which (i) have a rating on their short term certificates of deposit on the date of purchase of “A” or better by S&P and Moody’s, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank or (ii) are fully insured by the Federal Deposit Insurance Corporation;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, “A” or better by S&P and Moody’s, and which matures not more than 270 calendar days after the date of purchase;

- (e) investments in a money market mutual fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P and Moody's, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
- (f) investment agreements with financial institutions whose long-term general credit rating is "AA-" or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below "AA-"; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Rate Stabilization Fund" means the fund by that name that may be established and held by the District under Section 4.03.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date whether or not such day is a Business Day.

"Registration Books" means the books maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

"Request of the District" means a request in writing signed by the President of the Board of Directors of the District, the General Manager of the District, the Assistant General Manager & Chief Financial Officer of the District or any other officer of the District duly authorized by the Board of Directors for that purpose.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Request of the District delivered by the District to the Trustee.

"S&P" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and its successors and assigns.

"SRF Loan" the Project Finance Agreement (Agreement No. 12-807-550), between the District and the State Water Resources Control Board, dated November 2, 2012, as amended.

"State Loans" means loans secured by a pledge of Net Revenues of the Wastewater System and incurred by the District to finance improvements to the Wastewater System pursuant to Section 3.05.

"Supplemental Indenture" means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with Section 7.01.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Tax Revenues” means the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the County Tax Collector to the District with respect to Improvement District “S” pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, as amended from time to time.

“Trustee” means U.S. Bank National Association, as Trustee hereunder, or any successor thereto appointed as Trustee under Article VI.

“Wastewater Fund” means the fund or funds established and held by the District with respect to the Wastewater System for the deposit of Gross Revenues. For clarity, the “Wastewater Fund” is the same as the “Sewer System” referred to in the 2010 Agreement.

“Wastewater System” means the entire system of the District for the collection, storage, treatment, disposal of wastewater within the service area of the District, including but not limited to all facilities, properties, lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District. For clarity, the “Wastewater System” is the same as the “Sewer System” referred to in the 2010 Agreement.

APPENDIX B
FORM OF BOND

No. R-__

\$_____

FALLBROOK PUBLIC UTILITY DISTRICT
2020 WASTEWATER REVENUE REFUNDING BOND

INTEREST RATE: _____% **MATURITY DATE:** January 1, _____ **ISSUE DATE:** _____, 2020 **CUSIP:**

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Fallbrook Public Utility District, a public utility district duly organized and existing under the Constitution and laws of the State of California (the "District"), for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above, the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the 15th day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before June 15, 2020, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each January 1 and July 1, commencing January 1, 2021 (each, an "Interest Payment Date").

The principal hereof is payable by check at the Office (as defined in the Indenture referred to below) of U.S. Bank National Association (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Indenture hereinafter referred to) at the address shown on the registration books maintained by the Trustee. Payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee before the 15th day of the month preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the District designated as its "Fallbrook Public Utility District 2020 Wastewater Revenue Refunding Bonds" (the "Bonds"), in the aggregate principal amount of \$_____ authorized under Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), and issued under an Indenture of Trust, dated as of October 1, 2020 (the "Indenture"), between the District and the Trustee. The Bonds have been issued for the purpose of refinancing certain obligations of the District previously incurred to finance capital improvements to its wastewater transport, treatment, storage and disposal system (as defined in the Indenture, the "Wastewater System").

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the District thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Net Revenues (as such term is defined in the Indenture) of the Wastewater System, and are secured by a pledge of, and lien on, said Net Revenues and amounts held in certain funds and accounts established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The District has the right under the Indenture to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Indenture. The Bonds are special obligations of the District and are not a lien or charge upon the funds or property of the District, except to the extent of the aforesaid pledge and lien.

The Bonds maturing on or before January 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as the District may designate and by lot within a maturity, at the option of the District, on any date on or after January 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

The Bonds maturing January 1, 20__ (the "**Term Bonds**") are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on January 1 in the years as set forth in the following table:

<u>Payment Date</u> <u>(January 1)</u>	<u>Payment</u> <u>Amount</u>
---	---------------------------------

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds (as such term is defined in the Indenture), upon the terms and conditions of, and as provided for in the Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Bonds may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The District and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the District and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the District to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond, without the written consent of the owner of such Bond, (b) permit the creation by the District of any mortgage, pledge or lien upon the Gross Revenues or Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by the Indenture), (c) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (d) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the Trustee for registration or transfer, exchange or payment, and any Bond issued is registered in the name of Cede &

Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by the Bond Law and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture, or is not valid or obligatory for any purpose, until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, Fallbrook Public Utility District has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the General Manager of the District and attested to by the facsimile signature of the Secretary of the District, all as of the Issue Date stated above.

FALLBROOK PUBLIC UTILITY DISTRICT

By _____
General Manager

Attest:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

**Attachment C
(Official Statement)**

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2020

NEW ISSUE-FULL BOOK-ENTRY

**RATING: S&P: “___”
(See “RATING” herein.)**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *
**FALLBROOK PUBLIC UTILITY DISTRICT
2020 WASTEWATER REVENUE REFUNDING BONDS**

Dated: Date of Delivery

Due: January 1, as shown on the inside cover

Purpose. The above-referenced bonds (the “Bonds”) are being issued by the Fallbrook Public Utility District (the “District”) to (i) refund on a current basis the outstanding principal balance of a loan from the California State Water Resources Control Board (as described herein), currently outstanding in the principal amount of \$ _____ (the “SRF Loan”) and (ii) pay the costs of issuing the Bonds. See “PLAN OF REFUNDING.”

Bond Terms. Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2021. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to The Depository Trust Company (“DTC”), or its nominee, Cede & Co., by U.S. Bank National Association, as trustee (the “Trustee”), so long as DTC or Cede & Co. is the registered owner of the Bonds.

Registration. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Disbursements of payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See APPENDIX D – BOOK-ENTRY SYSTEM.

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

Security for the Bonds; No Reserve Fund. The Bonds are special limited obligations of the District, secured by and payable from a senior pledge of the Net Revenues (defined herein) of the Wastewater System (defined herein) and from amounts on deposit in certain funds and accounts established under the Indenture (defined herein). The Bonds are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the District as described herein. The District is not funding a debt service reserve fund for the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Existing and Future Parity Obligations. The District has outstanding debt that is payable from the Net Revenues of the Wastewater System on a parity basis with the Bonds and may enter into additional parity obligations in the future, subject to the conditions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Debt.”

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decision.

**BIDS FOR THE PURCHASE OF THE BONDS WILL BE RECEIVED BY THE DISTRICT
UNTIL 8:00 A.M., CALIFORNIA TIME ON _____, 2020
UNLESS POSTPONED OR CANCELLED AS SET FORTH IN THE
OFFICIAL NOTICE OF SALE RELATING TO THE BONDS.**

The Bonds are offered when, as and if issued subject to the approval, as to their validity, by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by Best Best & Krieger LLP, as general counsel to the District. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about October __, 2020.

Dated: _____, 2020

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE

\$ _____ *

FALLBROOK PUBLIC UTILITY DISTRICT 2020 WASTEWATER REVENUE REFUNDING BONDS

<u>Maturity Date (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP (Base: _____) †</u>
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Ratings on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of investors. Neither the District nor the Municipal Advisor is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the District, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. All summaries of the Indenture and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Marketplace Access ("EMMA") website.

The District maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

This Official Statement contains certain "forward-looking statements" concerning the Wastewater System and the operations, performance and financial condition of the District, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the District. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

**FALLBROOK PUBLIC UTILITY DISTRICT
(SAN DIEGO COUNTY, CALIFORNIA)**

BOARD OF DIRECTORS

Ken Endter, *President and Director of Subdistrict No. 2*
Jennifer DeMeo, *Vice President and Director of Subdistrict No. 3*
Dave Baxter, *Director of Subdistrict No. 1*
Don McDougal, *Director of Subdistrict No. 4*
Charley Wolk, *Director of Subdistrict No. 5*

DISTRICT STAFF

Jack Bebee, *General Manager*
David Shank, *Assistant General Manager & Chief Financial Officer*
Lauren Eckert, *Secretary of the Board of Directors*
Paula C. P. de Sousa of Best Best & Krieger LLP, *General Counsel*

SPECIAL SERVICES

Municipal Advisor

Steven Gortler
San Francisco, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee

U.S. Bank National Association
Los Angeles, California

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p style="padding-left: 20px;">GENERAL 1</p> <p style="padding-left: 20px;">AUTHORITY FOR ISSUANCE AND APPLICATION OF PROCEEDS..... 1</p> <p style="padding-left: 20px;">THE DISTRICT..... 1</p> <p style="padding-left: 20px;">THE BONDS..... 2</p> <p style="padding-left: 20px;">SECURITY FOR THE BONDS AND PARITY DEBT .. 2</p> <p style="padding-left: 20px;">NO RESERVE FUND..... 2</p> <p style="padding-left: 20px;">SPECIAL OBLIGATIONS 2</p> <p style="padding-left: 20px;">FURTHER INFORMATION..... 2</p> <p>THE BONDS..... 3</p> <p style="padding-left: 20px;">GENERAL 3</p> <p style="padding-left: 20px;">REDEMPTION..... 3</p> <p>PLAN OF REFUNDING 5</p> <p style="padding-left: 20px;">GENERAL 5</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES OF FUNDS 5</p> <p style="padding-left: 20px;">DEBT SERVICE SCHEDULE 6</p> <p>SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 7</p> <p style="padding-left: 20px;">PLEDGE OF NET REVENUES 7</p> <p style="padding-left: 20px;">SPECIAL OBLIGATION 8</p> <p style="padding-left: 20px;">NO RESERVE FUND..... 8</p> <p style="padding-left: 20px;">WASTEWATER FUND; FLOW OF FUNDS UNDER INDENTURE 8</p> <p style="padding-left: 20px;">RATE STABILIZATION FUND 9</p> <p style="padding-left: 20px;">RATE COVENANTS; COLLECTION OF RATES AND CHARGES 9</p> <p style="padding-left: 20px;">INSURANCE; NET PROCEEDS 10</p> <p style="padding-left: 20px;">NO SENIOR OBLIGATIONS 10</p> <p style="padding-left: 20px;">PARITY DEBT 10</p> <p style="padding-left: 20px;">SUBORDINATE OBLIGATIONS 11</p> <p>THE DISTRICT..... 11</p> <p style="padding-left: 20px;">OVERVIEW OF THE DISTRICT 11</p> <p style="padding-left: 20px;">SERVICE AREA MAP 12</p> <p style="padding-left: 20px;">BOARD OF DIRECTORS 14</p> <p style="padding-left: 20px;">DISTRICT MANAGEMENT 15</p> <p style="padding-left: 20px;">EMPLOYEES AND LABOR ARRANGEMENT 15</p> <p>THE WASTEWATER SYSTEM..... 16</p> <p style="padding-left: 20px;">OVERVIEW 16</p> <p style="padding-left: 20px;">NUMBER OF WASTEWATER CONNECTIONS 16</p> <p style="padding-left: 20px;">TOP TEN CUSTOMERS..... 16</p>	<p style="padding-left: 20px;">WASTEWATER SYSTEM FACILITIES 16</p> <p style="padding-left: 20px;">HISTORICAL WASTEWATER FLOWS..... 17</p> <p style="padding-left: 20px;">REGULATORY MATTERS 17</p> <p style="padding-left: 20px;">CAPITAL IMPROVEMENT PROGRAM..... 18</p> <p>FINANCIAL MATTERS OF THE DISTRICT 18</p> <p style="padding-left: 20px;">BASIS OF ACCOUNTING; BUDGETS 18</p> <p style="padding-left: 20px;">FINANCIAL POLICIES 19</p> <p style="padding-left: 20px;">LONG-RANGE PLANNING AND NEW MISSION STATEMENT 19</p> <p style="padding-left: 20px;">WASTEWATER RATES AND CHARGES 20</p> <p style="padding-left: 20px;">COMPARISON WITH NEIGHBORING AGENCIES .. 24</p> <p style="padding-left: 20px;">COLLECTION OF SEWER SERVICE CHARGE; DELINQUENCIES 24</p> <p style="padding-left: 20px;">DISTRICT PROPERTY TAXES; TEETER PLAN 25</p> <p style="padding-left: 20px;">PARITY DEBT 27</p> <p style="padding-left: 20px;">HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE 28</p> <p style="padding-left: 20px;">INVESTMENTS 31</p> <p style="padding-left: 20px;">PENSION AND OPEB PLANS 31</p> <p>RISK FACTORS..... 33</p> <p style="padding-left: 20px;">WASTEWATER SYSTEM DEMAND..... 33</p> <p style="padding-left: 20px;">WASTEWATER SYSTEM EXPENSES..... 33</p> <p style="padding-left: 20px;">REGULATORY REQUIREMENTS 33</p> <p style="padding-left: 20px;">NATURAL DISASTERS..... 33</p> <p style="padding-left: 20px;">CLIMATE CHANGE 34</p> <p style="padding-left: 20px;">CYBERSECURITY 34</p> <p style="padding-left: 20px;">LIMITED RECOURSE ON DEFAULT 34</p> <p style="padding-left: 20px;">LIMITATIONS ON REMEDIES..... 34</p> <p style="padding-left: 20px;">ARTICLES XIIC AND XIID 35</p> <p style="padding-left: 20px;">PROPOSITION 26..... 36</p> <p style="padding-left: 20px;">CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES 37</p> <p style="padding-left: 20px;">FUTURE INITIATIVES..... 37</p> <p>CONTINUING DISCLOSURE..... 37</p> <p>LEGAL OPINIONS 37</p> <p>TAX MATTERS 38</p> <p>NO LITIGATION..... 39</p> <p>RATING 39</p> <p>MUNICIPAL ADVISOR..... 40</p> <p>UNDERWRITING..... 40</p> <p>MISCELLANEOUS..... 40</p>
<p>APPENDIX A – GENERAL INFORMATION ABOUT FALLBROOK AND SAN DIEGO COUNTYA-1</p> <p>APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT, JUNE 30, 2019B-1</p> <p>APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE C-1</p> <p>APPENDIX D – BOOK ENTRY SYSTEM D-1</p> <p>APPENDIX E – FORM OF BOND COUNSEL OPINION.....E-1</p> <p>APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE F-1</p>	

REGIONAL LOCATION MAP

OFFICIAL STATEMENT

\$ _____ *

FALLBROOK PUBLIC UTILITY DISTRICT 2020 WASTEWATER REVENUE REFUNDING BONDS

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of the above-referenced (the “Bonds”) that are being issued by the Fallbrook Public Utility District (the “District”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein.

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

Authority for Issuance and Application of Proceeds

The Bonds are being issued under the provisions of Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Bond Law”) and an Indenture of Trust, dated as of October 1, 2020 (the “Indenture”), between the District and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued to (i) refund on a current basis the outstanding principal balance of a loan from the California State Water Resources Control Board (as described herein), currently outstanding in the principal amount of \$ _____ (the “SRF Loan”) and (ii) pay the costs of issuing the Bonds. See “PLAN OF REFUNDING.”

The District

The District provides the following services through three separate utility enterprises: (i) potable water service through its Water System, (ii) wastewater service through its Wastewater System, and (iii) recycled water service through its Recycled Water System.

The District was originally formed on June 5, 1922 to provide potable water to customers in the unincorporated community of Fallbrook, which is located in San Diego County (the “County”) approximately 55 miles north of the City of San Diego and 7 miles northeast of the massive Marine Corp. Base Camp Pendleton. Over time, annexations have expanded the District’s potable water service area from 500 acres to 28,000 acres (44 square miles) at present.

In 1994, the District’s scope of operations expanded to provide wastewater and recycled water to portions of Fallbrook when the Fallbrook Sanitary District merged with the District. The Wastewater System is currently comprised of 78 miles of buried sewer lines and force mains, a

* Preliminary, subject to change.

2.7 million gallon per day (“MGD”) water reclamation plant (“WRP”), a 1-megawatt (“MW”) solar facility located at the WRP, and a 23-mile ocean outfall line. In 2015, the District completed a major overhaul, upgrade and expansion of the WRP. See “THE WASTEWATER SYSTEM.”

For additional information regarding the District, the unincorporated area of Fallbrook and the County, see “THE DISTRICT” and “APPENDIX A – General Information about Fallbrook and San Diego County.”

The Bonds

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on January 1 and July 1, commencing January 1, 2021 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. See “THE BONDS.”

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

Security for the Bonds and Parity Debt

The Bonds are secured solely by the Net Revenues of the Wastewater System, and not by any revenues of the District’s water system or recycled water system. The District has outstanding debt that is payable from the Net Revenues of the Wastewater System on a parity basis with the Bonds and the District may enter into additional parity obligations in the future, subject to the conditions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

No Reserve Fund

The District will not fund a debt service reserve fund for the Bonds.

Special Obligations

The Bonds are special obligations of the District, payable exclusively from the Net Revenues of the Wastewater System, and from amounts on deposit in certain funds and accounts established under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Bonds are not a debt, liability or obligation of the State or any of its political subdivisions other than the District, as described herein.

Further Information

The summaries and references of the Indenture and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for a summary of certain terms of the Indenture not summarized in the main body of this Official Statement.

THE BONDS

General

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable on each Interest Payment Date and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Bond may have more than one maturity date. The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all Bonds. See APPENDIX D – “BOOK ENTRY SYSTEM.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated between an Interest Payment Date and the 15th calendar day of the month immediately preceding such Interest Payment Date (each, a “Record Date”), in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of original delivery of the Bonds, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on the Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner’s address as it appears on the Registration Books at the close of business on the preceding Record Date; provided, that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

Redemption*

Optional Redemption. The Bonds maturing on or before January 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after January 1, 20__, are subject to redemption in whole, or in part among maturities on such basis as the District may designate and by lot within a maturity, at the option of the District, on any date on or after January 1, 20__, from any available source of funds, at a redemption price of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing January 1, 20__ (the “Term Bonds”) are subject to mandatory redemption in whole, or in part by lot, from sinking fund payments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on January 1 in the years as set forth in the following table:

* Preliminary; subject to change.

Payment Date
(January 1)

Payment
Amount

Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds, upon the terms and conditions of, and as provided for in the Indenture, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds will be given, at the expense of the District, by the Trustee, by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

All notices of redemption will be dated and will state: (i) the redemption date, (ii) the redemption price of the Bonds being redeemed (the "Redemption Price"), (iii) if fewer than all Outstanding Bonds are to be redeemed, including (A) the CUSIP numbers of all Bonds being redeemed; (B) the stated interest rate with respect to each Bond being redeemed; (C) the maturity date of each Bond being redeemed; and (D) any other descriptive information needed to identify accurately the Bonds being redeemed, (iv) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and (v) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Office of the Trustee.

Rescission of Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The District and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee will mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent.

Consequences of Notice. Notice of redemption having been given as required by the Indenture, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the Redemption Price, and from and after such date (unless the District defaults in the payment of the Redemption Price) such Bonds or portions of Bonds will cease to have interest accrue thereon. Upon surrender of Bonds for redemption in accordance with a redemption notice, the Bonds will be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date will be payable as provided in the Indenture. Upon surrender for any partial redemption of any Bond, there will be prepared for the

Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed will be cancelled and destroyed by the Trustee and will not be redelivered.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Manner of Redemption. Whenever any Bonds are to be selected for redemption, the Trustee will determine, by lot, the numbers of the Bonds to be redeemed, and will notify the District of its determination.

PLAN OF REFUNDING

General

Proceeds of the Bonds will be used to (i) refund, in full, the SRF Loan, which is currently outstanding in the principal amount of \$_____, and (ii) pay the costs of issuing the Bonds. The SRF Loan will be repaid on the closing date for the Bonds.

Estimated Sources and Uses of Funds

The following sets forth the estimated sources and uses of funds related to the Bonds.

Sources of Funds:

Principal Amount of Bonds	\$
[Net] Original Issue Premium	
Total Sources of Funds	\$

Uses of Funds:

Prepayment of SRF Loan	\$
Costs of Issuance ⁽¹⁾	
Total Uses of Funds	\$

(1) Includes fees and expenses of Bond Counsel, Disclosure Counsel, Rating Agency, Municipal Advisor, Trustee, Underwriter, printer and miscellaneous other fees and expenses.

Debt Service Schedule

The following table shows, for each Fiscal Year ending June 30, the principal of and interest that is payable on the Bonds, assuming no optional or extraordinary redemptions. See “– General,” above.

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
Total	<hr/>		

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Net Revenues

The Bonds and all Parity Debt are secured by a first pledge and lien on Net Revenues. “**Net Revenues**” means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period. In addition, the Bonds are secured by a pledge of all of the moneys in the Debt Service Fund held by the Trustee under the Indenture, including all amounts derived from the investment of such moneys. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose, except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

“**Gross Revenues**” means: (1) all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Wastewater System or otherwise arising from the Wastewater System, including but not limited to (a) connection charges, (b) rebates or incentives paid to the District as a result of installed renewable energy generation projects or energy efficiency measures that benefit the operation of the Wastewater System, and (c) investment earnings on amounts held in the Wastewater Fund or in any other fund established with respect to the Wastewater System; and (2) Tax Revenues. Gross Revenues does not include (i) refundable deposits made to establish credit, and (ii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Wastewater System.

“**Tax Revenues**” means the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the County Tax Collector to the District with respect to Improvement District “S” pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, as amended from time to time.

“**Improvement District S**” means the improvement district formed by the District pursuant to #4 of the Terms and Conditions set forth in the San Diego County LAFCO Certificate of Dissolution (the “Certificate of Dissolution”), recorded as Document #1994-0718682 on December 19, 1994, Official Records of the San Diego County Recorder’s Office, the boundaries of which are coterminous with the boundaries of the Fallbrook Sanitary District, which was dissolved and merged into the District by the Certificate of Dissolution.

“**Wastewater System**” means the entire system of the District for the collection, storage, treatment, disposal of wastewater within the service area of the District, including but not limited to all facilities, properties, lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District. For clarity, the “Wastewater System” is the same as the “Sewer System” referred to in the 2010 Agreement (defined herein).

“**Operation and Maintenance Costs**” means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Wastewater System, including but not limited to (a) costs of treating wastewater, (b) costs of electricity and other forms of energy supplied to the Wastewater System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Wastewater System. Operation and Maintenance Costs

does not include (i) Debt Service payable on obligations incurred by the District with respect to the Wastewater System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Special Obligation

The Bonds and any Parity Debt that may be issued in the future are special obligations of the District and are payable exclusively from Net Revenues. The Bonds are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the District, as described herein.

No Reserve Fund

The District will not fund a debt service reserve fund for the Bonds.

Wastewater Fund; Flow of Funds under Indenture

General. Promptly upon receipt, the District will deposit all Gross Revenues of the Wastewater System into the Wastewater Fund, and will apply all such amounts solely as set forth in the Indenture and as set forth in the 2010 Agreement (as defined herein) and any other agreement, indenture of trust, resolution or other instrument authorizing the issuance of Parity Debt (each a "Parity Debt Document"). In addition to transfers which are required to be made for the repayment of any Parity Debt, the District will withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

Operation and Maintenance Costs. The District will apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.

Transfers to Debt Service Fund and for Parity Debt. On a parity basis with amounts required to be made for repayment of the 2010 Agreement and any other Parity Debt, on or before the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain outstanding, the District will withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Debt Service Fund (which the Trustee will establish and hold in trust pursuant to the Indenture) an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on such Interest Payment Date.

Replenishment of Reserve Funds. As required by any Parity Debt Document, the District shall withdraw from the Wastewater Fund and pay to the applicable payee an amount which is required by any Parity Debt Document for the replenishment of reserve funds or the payment of an insurer providing a reserve fund insurance policy.

Other Lawful Uses. So long as no Event of Default has occurred and is continuing, the District may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes: (A) the payment of any subordinate obligations or any unsecured obligations; (B) the acquisition and construction of extensions and improvements to the Wastewater System; (C) the payment or retirement of any of the Bonds or any other obligations of the District relating to the Wastewater System; or (D) any other lawful purpose of the District.

Use of Debt Service Fund. The Trustee will apply amounts in the Debt Service Fund solely for the purpose of (i) paying interest on the Bonds when due and payable (including accrued

interest on any Bonds purchased or redeemed under the Indenture), and (ii) paying the principal of the Bonds at the maturity thereof. Upon the payment of all Bonds, the Trustee will transfer any moneys remaining in the Debt Service Fund to the District for deposit into the Wastewater Fund.

Rate Stabilization Fund

The District has previously established a “Rate Stabilization Fund,” which it shall continue to hold and administer under the Indenture for the purpose of stabilizing the rates and charges imposed by the District with respect to the Wastewater System.

From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secure the Bonds and any Parity Debt, as the District may determine. The District may, but is not required to, withdraw from any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Debt. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District relating to the Wastewater System.

Rate Covenants; Collection of Rates and Charges

In the Indenture, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and errors in the estimates, to yield Gross Revenues sufficient to pay the following amounts:

- (a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (b) The principal of and interest on the Bonds and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose; and
- (c) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the District is required to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (i) any transfers from the Rate Stabilization Fund into the Wastewater Fund in such Fiscal Year are included in the calculation of Net Revenues, and (ii) any transfers from the Wastewater Fund into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Gross Revenues received by the District during that Fiscal Year.

Insurance; Net Proceeds

The District will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System constitute Gross Revenues and must be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, will be applied on a *pro rata* basis to redeem the Bonds and any Parity Debt in accordance with the Indenture and the related Parity Debt Documents. The District will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the Bonds and outstanding Parity Debt. Any insurance required by the Indenture may be maintained by the District in the form of self-insurance through a joint powers agreement or otherwise.

No Senior Obligations

The District may not issue or incur any additional bonds or other obligations having any priority over the Bonds in the payment of principal or interest out of the Net Revenues.

Parity Debt

Existing Parity Debt. In order to finance the cost of a 1-MW solar facility located at the WRP, the District enter into an Installment Sale Agreement, dated as of November 1, 2010 (the "**2010 Agreement**"), with California Alternative Energy and Advanced Transportation Financing Authority in the initial principal amount of \$7,227,000. The 2010 Agreement is secured by a pledge of the Net Revenues of the Wastewater System on a parity basis with the pledge of the Net Revenues securing the Bonds and is additionally secured by the net revenues of the District's recycled water system. For additional details on the 2010 Agreement, see "FINANCIAL MATTERS OF THE DISTRICT – Parity Debt."

Future Parity Debt. In the future, the District may issue bonds, notes or other obligations ("**Parity Debt**") payable from Net Revenues on a parity with the Bonds and the 2010 Agreement; provided, that certain conditions are satisfied, including the following:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all grace periods have passed, would constitute an Event of Default) has occurred and is continuing; and

(b) Net Revenues for the most recent completed Fiscal Year for which audited financial statements of the District are available or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or a Financial Consultant, plus, at the option of the District, any Additional Revenues (as defined below), are at least equal to 125% of the maximum amount of Debt Service coming due and payable in the current or any future Fiscal Year with respect to (i) the Bonds and all Parity Debt then outstanding and (ii) the Parity Debt then proposed to be issued.

For purposes of calculating Net Revenues to demonstrate compliance with paragraph (b) above, Gross Revenues does not include connection fees and charges, transfers from the Rate Stabilization Fund (if any), or interest income received by the Wastewater Fund during the period for which the calculation of Net Revenues are made.

“Additional Revenues” is defined in the Indenture to mean, with respect to the issuance of any Parity Debt, any or all of the following amounts:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be made from the proceeds of such Parity Debt in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Financial Consultant.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been duly approved by the Board of Directors of the District prior to the incurring of such Parity Debt, but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Financial Consultant.

State Loans. The District may borrow money from the State and incur State Loans to finance additional improvements to the Wastewater System. “State Loans” means loans secured by a pledge of Net Revenues of the Wastewater System and incurred by the District to finance improvements to the Wastewater System. A State Loan may be treated as a Parity Debt for purposes of the Indenture, so long as the District complies with the above-listed requirements for issuing Parity Debt.

Subordinate Obligations

Nothing in the Indenture limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Indenture.

THE DISTRICT

Overview of the District

General. The District is a public utility district organized and existing under the “Public Utility District Act,” being Section 15501 et seq. of the Public Utilities Code of the State of California. Operating through three separate utility enterprises, the District provides the following services to the Fallbrook area: (i) potable water service through its Water System, (ii) wastewater service through its Wastewater System, and (iii) recycled water service through its Recycled Water System.

Fallbrook is a census-designated-place in unincorporated San Diego County. The 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 approximately 55 miles north of the City of San Diego and 7 miles northeast of Marine Corp. Base Camp Pendleton, making the District’s service area a bedroom community for Camp Pendleton’s active military and civilian-service workers .

Camp Pendleton. Marine Corps Base Camp Pendleton is the Corps' largest West Coast expeditionary training facility encompassing more than 125,000 acres including more than 2,600 building and 500 miles of road. Camp Pendleton is one of the Department of Defense's busiest installations and offers a broad spectrum of training facilities for many active and reserve Marine, Army and Navy units, as well as national, state and local agencies. Located seven miles from Fallbrook, Camp Pendleton has been the largest employer in northern San Diego County for the past 60 years.

More than 38,000 military family members occupy base housing complexes. With a daytime population of 70,000 military and civilian personnel, the Marines, Sailors and their families rely on the surrounding communities for retail goods and services not available on Base.

Service Area Population. The service area's 2018 population is estimated to be 33,021 with 11,289 households. Fallbrook's population has been relatively stable over the past several years. Additional demographic and economic information about Fallbrook and the County is located in APPENDIX A.

Water System. The District was initially formed on June 5, 1922 to provide potable water to customers in the unincorporated community of Fallbrook, which is located in the County. Annexations into the District since that time have expanded the District's potable water service area from 500 acres to 28,000 acres (44 square miles). The District became a member of the San Diego County Water Authority at its formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted by the Metropolitan Water District (MWD) of Southern California. 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. Today, the San Diego County Water Authority provides virtually all of the District's potable water.

Wastewater System and Recycled Water System. In 1994, the District merged with the Fallbrook Sanitary District, whereupon the District expanded the scope of its operations to provide wastewater and recycled water services to portions of Fallbrook. The Fallbrook Sanitary District had provided parts of Fallbrook with recycled water and wastewater services within a 4,200 acre area of downtown. The District took over those services in 1994, and the same year Fallbrook High School started receiving reclaimed water from the District, as its source of irrigation water. So did two new large nurseries. For additional details on the Wastewater System's facilities, customers and related matters, see "THE WASTEWATER SYSTEM."

Service Area Map

The map on the following page shows the service area of the District's Wastewater System.

[Insert Map of Service Area of Wastewater System]

Board of Directors

The Board of Directors of the District consists of five directors, each of whom is elected to a four-year term within one of five subdistricts within the District. The current Board Members, the subdistrict that each represents, and the expiration of each director's current term are set forth in the following table.

<u>Board Members</u>	<u>Subdistrict</u>	<u>Expiration of Term</u>
Ken Endter, <i>President</i>	No. 2	Dec. 2022
Jennifer DeMeo, <i>Vice President</i>	No. 3	Dec. 2020
Dave Baxter, <i>Director</i>	No. 1	Dec. 2020
Don McDougal, <i>Director</i>	No. 4	Dec. 2020
Charley Wolk, <i>Director</i>	No. 5	Dec. 2022

Ken Endter, President. Mr. Endter has been on the Board since 2018. He is retired from RADY Children's Hospital where he worked as a diagnostic medical professional in the imaging department. He moved to Fallbrook in 2003 when RADY offered him the position. Prior to that, he worked for Kaiser Permanente and as a sub-contractor for the Dept. of Defense. He grew up in both Long Beach, Calif. and on his family farm in Monticello, Utah which he managed and operated for many years. He has a bachelor's degree from Seattle University in Diagnostic Ultrasound with a minor in Physics.

Jennifer DeMeo, Vice President. Ms. DeMeo has been on the Board since 2016. She is a longtime Fallbrook resident, and works within the health and safety industry for GreatCall Inc, which provides devices geared toward seniors. She is also a youth volunteer at North Coast Church in Fallbrook. She holds a bachelor's degree in Religious Studies from Guilford College in North Carolina.

Dave Baxter, Director. Mr. Baxter has been on the Board since 2019. He is the senior director at Relevant Solutions, a company providing business solutions through instrumentation and automation, rotating and thermal equipment, purification and building solutions. He has extensive background in water and wastewater treatment, working with municipalities, and spent eight years in the Coast Guard. He is a Fallbrook business owner, owning and operating Fallbrook Protea farm, and rental property throughout town. Mr. Baxter has two bachelor's degrees from University of Tennessee – in environmental engineering and chemical engineering.

Don McDougal, Director. Mr. McDougal has been on the Board since 2004. He is the President/CEO of the Grand Tradition Estate and Gardens, his family's business. A graduate of Fallbrook High, he has more than 40 years in the private business sector. After being away from Fallbrook for 28 years, he moved back to take over operation of the Grand Tradition in 1996. Mr. McDougal has a bachelor's degree from California Polytechnic University in Agricultural Business Management.

Charley Wolk, Director. Mr. Wolk has been on the Board since 2014. Prior to that, he also served a 4-year term on the Board from 1990 to 1994. A resident of Fallbrook since 1972, he owns and operates the Bejoca Company, a local grove management services company. Mr. Wolk has a bachelor's degree in Mechanical Engineering from Marquette University and a master's degree in Management Engineering from George Washington University.

District Management

Jack Bebee, General Manager. Mr. Bebee has more than 18 years in the management of engineering, operations, design and planning of water and wastewater infrastructure – including water treatment, distribution and wastewater collection and reclamation facilities. He began working for the District in 2009, and prior to that worked as a consultant, managing water and wastewater infrastructure projects. He has a Bachelor of Science degree in engineering from Washington and Lee University, a Master of Science in civil engineering from University of Illinois, and a Master of Business Administration from Cal. State University San Marcos, and holds a Professional Civil Engineering License in California.

David Shank, Assistant General Manager & Chief Financial Officer. Mr. Shank has more than 15 years in financial management. He began working for the District in 2017, and prior to that worked for the San Diego County Water Authority, as a consultant and an economist for the USDA. He has a Bachelor of Arts degree in economics from Emory University, and Master's degrees in Resource & Agricultural Economics (UC Davis), Environmental Engineering (University of Illinois), and Public Administration (San Diego State University).

Employees and Labor Arrangement

The District's budget for Fiscal Year 2020-21 includes 66.8 full-time equivalent ("FTE") positions, of which 15.2 FTEs are dedicated to wastewater services; additional FTEs provide administrative support to the Wastewater System as well. The current Memorandum of Understanding ("MOU") between the District and its employee association is set to expire in July 2022. The District has not experienced any work stoppages or delays by its employees within the past five years.

THE WASTEWATER SYSTEM

Overview

The District provides wastewater services to approximately 5,000 metered accounts within a service area that encompasses approximately 4,200 acres. By contrast, potable water service is provided within a service area that encompasses approximately 28,000 acres. The Wastewater System is supported primarily by monthly wastewater service charges as well as a portion of the property taxes that are levied and collected within Improvement District “S”.

Number of Wastewater Connections

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

Table 1
Fallbrook Public Utility District
Number and Type of Wastewater Connections

As of June 30,	Residential	Non- Residential	Total
2018	5,193	402	5,595
2019	5,102	413	5,515
2020	5,108	406	5,514

Source: Fallbrook Public Utility District.

Top Ten Customers

The ten largest customers of the Wastewater System accounted for approximately __% of the total service charges for Fiscal Year 2019-20. The following table shows the ten largest customers of the Wastewater System as of June 30, 2020.

Table 2
Fallbrook Public Utility District
Ten Largest Wastewater Customers as of June 30, 2020

Wastewater System Facilities

General. The Wastewater System is comprised of 78 miles of buried sewer lines and force mains, the WRP, a 1-MW solar facility located at the WRP, 6 lift stations, and a 23-mile ocean outfall line. The lift stations were installed from the 1960’s to the 1990’s and are in the process of being improved and rehabilitated by the District.

Water Reclamation Plant (WRP). The WRP has a design-capacity of 2.7 MGD. Based on current growth rates in the Wastewater System’s service area, it is unlikely that the WRP will reach design capacity within the next 20-30 years. There are currently no large developments planned that would cause an immediate increase in capacity needs. In addition, much of the sewer service area consists of lower-density developments on septic systems.

In 2015, the District completed a \$27 million expansion and upgrade to the WRP to improve operational reliability and to provide storage for recycled water. The project was completed ahead of schedule and under budget. Before that, in 2008, in an effort to ‘go green’

and to save money by reducing sewage sludge hauling and disposal costs, the District implemented a sewage sludge recycling program. A state-of-the-art thermal dryer heats the sludge to extremely high temperatures, killing all harmful pathogens. The end product is a sterile fertilizer that can be safely returned to the soil and is classified as a Class A soil amendment. Instead of paying to haul sewage sludge to a landfill, the fertilizer is sold to commercial growers.

Treatment Process. Currently the WRP treats all influent flows to tertiary standards. Wastewater treatment processes at Treatment Plant No. 1 include preliminary treatment by mechanical bar screening, aerated grit removal, primary sedimentation, aeration and secondary clarification (activated sludge treatment process), and chlorination. Sludge from secondary treatment facilities is thickened, aerobically digested, and dewatered via centrifuge. Dewatered sludge is fed to a thermal dryer system to produce Class A soil amendment, as described above. If the dryer system is off-line, sewage sludge is dewatered via drying beds and hauled to a land application site in Yuma, Arizona by a contractor. Grit and screenings collected from preliminary treatment processes are collected and disposed of at a landfill in the County.

WRP inflows averaged approximately 2,000 acre-feet (“AF”) per year from 2014 to 2019. The availability of recycled water varies slightly throughout the year due to minor infiltration during the wet season, but is on average between 155-175 AF per month. The amount of recycled water used by customers varies significantly from summer to winter due to irrigation needs, but the peak months occur in August and September when recycled demands account for roughly 50% of influent flows. Treated wastewater that is not used in the recycled water system flows to the Pacific Ocean via the District’s outfall pipe.

Historical Wastewater Flows

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

**Table 3
Fallbrook Public Utility District
Historical Average Daily Flow at WRP**

<u>As of June 30,</u>	<u>Average Daily Flow (MGD)</u>
2010	1.73
2011	1.74
2012	1.67
2013	1.53
2014	1.48
2015	1.54
2016	1.37
2017	1.39
2018	1.33
2019	1.52
2020	

Source: Fallbrook Public Utility District.

Regulatory Matters

The U.S. Environmental Protection Agency (“EPA”), California State Water Resources Control Board (“State Water Board”), and the California Regional Water Quality Control Board,

San Diego Region (“San Diego RWQCB”) regulate the Wastewater System. The District is currently in compliance with all Federal and State regulatory requirements.

The District operates under a Waste Discharge Requirements (“WDR”) Order No. 2016-0068-DDW, with an effective date of September 23, 2015 and an expiration date of August 5, 2026. It also recently received a new NPDES Permit, Order No. R9-2019-0169, with an effective date of April 1, 2020 and an expiration date of March 31, 2025. The WRP and other operations of the Wastewater System are performed in accordance with these regulatory permits and other applicable law.

Capital Improvement Program

The table on the following page presents the District’s anticipated capital improvements for the fiscal years shown. The District cannot provide any assurance that any specific improvements will be completed or completed on the anticipated schedule, or that the expenditures shown below will be made. The District does not expect to incur any additional bonded indebtedness to finance these capital improvements.

Table 4
Fallbrook Public Utility District
5-Year Capital Improvement Program
Fiscal Years Ending June 30, 2021 – 2025

<i>Fiscal Year Ending June 30,</i>	2021	2022	2023	2024	2025	Total
Capital Projects:						
WRP Improvements	\$245,000	\$257,575	\$208,121	\$998,460	\$796,140	\$2,505,296
Collector System Improvs.	1,740,000	1,372,361	1,071,822	1,080,438	1,050,905	6,315,526
Outfall Improvements	50,000	82,424	52,030	52,551	53,076	290,081
Sub-Total	\$2,035,000	\$1,712,360	\$1,331,973	\$2,131,449	\$1,900,121	\$9,110,903

Source: Fallbrook Public Utility District.

FINANCIAL MATTERS OF THE DISTRICT

Basis of Accounting; Budgets

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.

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.

Financial Policies

Fund Balance Policies. The Fund Balance Policies, which are set forth in Article 15 of the District's Administrative Code, set target balances for reserves and working capital funds for the District. With respect to the Wastewater System, three funds are established and monitored: the Working Capital/Operating Fund, the Rate Stabilization Fund, and the Wastewater Services Capital Fund.

- The **Working Capital/Operating Fund** for the Wastewater System is established and maintained at a level of 3 months operating and maintenance expenses. The primary source of funds for the Operating Fund are wastewater service charges and investment earnings. The Working Capital/Operating Fund target for Fiscal Year 2020-21 is \$1.4 million.
- The **Rate Stabilization Fund** for the Wastewater System is established to promote smooth and predictable rates and charges for the Wastewater System. Transfers from the Operating Fund are the source of funds for the Rate Stabilization Fund, and the target level is equal to 10% of annual revenues. The Rate Stabilization Fund target for Fiscal Year 2020-21 is \$0.8 million.
- The **Wastewater Services Capital Fund** is established to address capital needs of the Wastewater System. The primary source of funds are Wastewater Capital Improvement charges, connection fees, property tax receipts, and meter fees. The target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (i.e. pipeline renewal/replacement). The Wastewater Services Capital Fund target for Fiscal Year 2020-21 the is \$5.2 million.

Investment Policy. The Investment Policy, which is set forth in Article 27 of the District's Administrative Code, establishes permitted investments for the District in compliance with State law. The Board delegates its authority to manage the investments of the District to the Treasurer, under the supervision of the General Manager. The objectives of the investment policy are, in order of importance: (i) to safeguard principal, (ii) meet the District's liquidity needs, (iii) achieve a return on investment within the parameters of prudent risk management.

Debt Management Policy. The Debt Management Policy, adopted by the Board in May 2017, complies with California Government Code section 8855(i). The policy sets forth the District's goals for the approval and issuance of bonds, notes and other debt instruments and sets forth guidelines for the use of debt to finance and refinance capital projects.

Capitalization Policy. The Capitalization Policy establishes the parameters for costs to be defined an operating or capital expenditure of the District.

Long-Range Planning and New Mission Statement

The District engages in various long-range planning activities. Two examples are a 10-year financial plan adopted in 2017 and a new Mission Statement adopted in 2018.

In 2017, the District completed a comprehensive 10-year financial plan. As part of the financial plan, a Capital Improvement Plan was developed for water, recycled water and

wastewater services. In addition, the District also restructured its rates and charges to better align with the cost of service. Other planning activities include establishing and funding a 115 Trust to offset the District's pension and OPEB liabilities. See “– Pension and OPEB Plans,” herein.

In 2018, the District adopted a new Mission Statement to better align the District's activities with stakeholder interests. To better serve the community, the District identified the following long-range strategic goals: (1) to diversify its water supply by reducing its reliance on imported water from SDCWA, (2) to maintain the operational integrity of its aging infrastructure, (3) to improve operational efficiency, (4) to enhance customer service, and (5) to improve workforce training and development.

Wastewater Rates and Charges

2017 Rate Study and Board Implementation. In September 2017, Raftelis Financial Consultants, Inc. completed a Water, Recycled Water and Wastewater Rate Study for the District (the “2017 Rate Study”). With respect to the Wastewater System, the 2017 Rate Study: (1) recommended maximum rate increases of 4.5% annually, effective January 1, 2018 through January 1, 2026, inclusive, subject to Board action, and (2) recommended reserve targets for various funds associated with the Wastewater System. See “–Financial Policies,” above and Table 5 below. On December 11, 2017, the Board adopted Resolution No. 4920, implementing the recommended maximum rate increases for the Wastewater System of 4.5% per year from January 1, 2018 through January 1, 2022, subject to future Board review and action each year. Subsequently, on December 13, 2018 and December 9, 2019, the Board confirmed the increases of 4.5% effective as of January 1, 2019 and January 1, 2020, respectively.

Components of Wastewater Rates. The District's wastewater rate structure is comprised of (1) a fixed service charge (“Fixed Wastewater Charges”), (2) a volumetric or flow-based service charge (“Volumetric Wastewater Charges”) and (3) a fixed capital improvement charge (“Wastewater Capital Improvement Charges (CIC)”).

Fixed Wastewater Charges. These charges are based on the number of equivalent dwelling units (“EDUs”) assigned to a property. Single family residential customers are assigned one EDU. All other customers are assigned a fraction of one EDU or one or more EDUs depending on their expected flow relative to a single family residential customer. An EDU is used to estimate the amount of wastewater returned to the sewer (i.e., “flow”) by a single family residential customer and certain assumptions regarding the concentration (“strength”) of the wastewater discharged by a single family residential customer.

Volumetric Wastewater Charges. These charges are based on metered indoor water usage. To estimate indoor water usage 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 average winter water usage. The winter months, which are typically wet, allow indoor use to be estimated since outdoor/landscape use is at a minimum. However, even average winter water usage is adjusted to reflect some level of residential outdoor/landscape, which is not returned to the sewer. This methodology limits the impact that weather has on billable sewer flows.

Wastewater Capital Improvement Charges (CIC). These charges are levied on a per EDU basis each month to finance capital improvements to the Wastewater System. They were first implemented in 2013. As part of the 2017 Rate Study, the District undertook a Proposition 218 rate increase process to increase the Wastewater CIC to

\$11.16 per month per EDU effective January 1, 2018. Each July 1 thereafter, through and including July 1, 2022, the District is authorized to increase the Wastewater CIC in accordance with the Engineering News Record Construction Cost Index of February for Los Angeles of the preceding year ("ENR CCI"), not to exceed 10% annually.

Current and Projected Wastewater Rates – Fixed and Variable Charges. The current and projected sewer services charges of the District are set forth in the table on the following page.

**Table 5
Fallbrook Public Utility District
Monthly Sewer Service Charges**

	Effective Jan. 1, 2018	Effective Jan. 1, 2019	Effective Jan. 1, 2020	Projected Jan. 1, 2021	Projected Jan. 1, 2022
Monthly Fixed Charge Per EDU⁽¹⁾					
Wastewater Charge	\$9.28	\$9.70	\$10.14	\$10.60	\$11.08
Capital Improvement Charge (CIC) ⁽²⁾	\$11.16	\$11.53	\$11.62	TBD	TBD
Monthly Variable Charge Per 1,000 Gallons⁽³⁾					
Single-Family, Multi-Family & Ag. Domestic	\$9.44	\$9.86	\$10.32	\$10.79	\$11.28
Gov't, Schools, Churches & Low-Strength Comm'l.	\$9.37	\$9.79	\$10.25	\$10.72	\$11.21
Medium-Strength Comm'l.	\$11.57	\$12.09	\$12.65	\$13.22	\$13.82
High-Strength Comm'l.	\$14.44	\$15.09	\$15.77	\$16.48	\$17.23

Note: Projected sewer service charge equal to maximum set forth in the 2017 Rate Study; the Board may implement rates less than the maximum in future years.

(1) See schedule of Equivalent Dwelling Units (EDUs) that follows.

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

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

Source: Fallbrook Public Utility District.

Class	Description	<u>Equivalent Dwelling Units (EDUs)</u>
Class 1	Single-Family Residence	
	Single-Family Residence	1.00
	Mobile home on individual parcel	1.00
Class 2	Apartment/Condo/Attached Cottage-Mobile Home	
	Per detached cottage with bathroom and kitchen on a parcel with a SFR	0.80
	Per mobile home on a parcel with a single-family residence	0.80
	Per apartment unit	0.80
	Per condominium/duplex unit	0.80
	Accessory dwelling unit	0.40
Class 3	Mobile Home Park	
	Per separate mobile home space	0.80
Class 4	Motel/Hotel	
	Per motel/hotel with kitchen unit	0.80
	Per motel/hotel without kitchen unit	0.50
Class 5	A Separate Business, Retail Shop With Office, Or Packing House Equipped With Restroom Facilities, Or Not So Equipped But Located In A Building Or Complex With Common Restroom	
	First 3,500 square feet (exterior building area) facilities	1.33
	Per additional 1,000 square feet (exterior building area)	0.38
Class 6	Automotive Service Station	
	4 pumps or less	2.00
	More than 4 pumps	3.00
	Per recreational vehicle holding tank disposal station	1.00
Class 7	Church, Fraternal Lodge or Similar Auditorium	
	Per 200 seating capacity	1.00
Etc.	Other Classes for other commercial, governmental uses.	

History of Sewer Service Charges. The following table sets forth a history of the District's sewer service charges for the years shown.

**Table 6
Fallbrook Public Utility District
History of Sewer Service Charges
2013 – 2017**

	2013	2014	2015	2016	2017
Monthly Fixed Charge					
¾" Meter	\$12.69	\$13.19	\$14.10	\$14.23	\$16.12
1" Meter	19.23	19.95	21.23	21.55	24.01
1½" Meter	35.59	36.86	39.06	39.86	43.75
2" Meter	55.23	57.15	60.46	61.84	67.42
3" Meter	101.03	104.49	110.38	113.14	122.67
4" Meter	166.47	172.12	181.70	186.36	201.60
6" Meter	330.06	341.20	359.99	369.49	398.91
Monthly Variable Charge⁽¹⁾					
Single-Family, Multi-Family & Ag. Domestic	\$7.64	\$7.64	\$7.64	\$8.21	\$8.77
Low-Strength Comm'l.	11.54	11.54	11.54	12.35	13.27
Medium-Strength Comm'l.	11.54	11.54	11.54	12.35	13.27
High-Strength Comm'l.	19.35	19.35	19.35	20.63	22.28

(1) Per 1,000 gallons, based on adjusted water usage for outdoor use.

Source: Fallbrook Public Utility District.

History of Wastewater Capital Improvement Charge (CIC). The following table sets forth a history of the District's Wastewater Capital Improvement Charge (CIC).

**Table 7
Fallbrook Public Utility District
History of Wastewater CIC
2013-2020**

Fiscal Year Ending June 30,	Monthly Wastewater Capital Charge Per EDU	% Change
2013	\$8.00	--
2014	10.00	25.0%
2015	10.44	4.4
2016	10.70	2.5
2017	10.84	1.3
2018	11.16	3.0
2019	11.53	3.3
2020	11.62	0.8

Source: Fallbrook Public Utility District.

Comparison with Neighboring Agencies

The table on the following page sets forth the typical monthly combined sewer service charges for residential customers of the District, and for residential customers in neighboring cities and agencies to which the District compares itself.

Table 8
Fallbrook Public Utility District
Residential Sewer Rate Comparison
(As of January 1, 2020)

City / Agency	Average Rate⁽¹⁾
Escondido	\$49.61
Ramona	67.12
Rainbow	71.05
Fallbrook	71.09
Olivenhain	71.76
Encinitas	72.91

(1) Based on 8.6 units of water used and 3/4" residential water meter size.

Source: Fallbrook Public Utility District.

Collection of Sewer Service Charge; Delinquencies

Billing and Collections. The District bills for water, wastewater and recycled water services (as applicable) on a single bill on a monthly basis. Nearly all of the customers of the Wastewater System are also customers of the Water System.

Billing due dates fall on the 10th, 20th, and 30th of the month depending on meter location in the District. All charges for water and sewer services during specified meter read dates are due and payable when rendered. Bills become delinquent the day after the due date. Residential accounts not paid within 30 days of the due date are sent past due statements and the meters are subject to lock-up for non-payment. Non-Residential accounts not paid within 30 days of the due date are subject to meter lock-up. All water accounts accrue a \$30 Delinquent Processing Fee on the 31st day of delinquency.

Accounts not paid within 30 days after lock-up and accounts that have tampered with the meter to obtain water illegally are subject to removal of meters and permanent disconnection of water service. Standby charges will continue to accrue after the meter has been removed. If a meter has been locked for non-payment for a period of 90 days, it may be placed on Standby Service by the District. Standby Service charges will accrue from that time until an application for service restoration has been received by the District. The District must be notified in a timely manner with the name and mailing address of the new owner or tenant and the upcoming date of transfer. Notification of the transfer of property ownership, or tenancy, is the responsibility of the owner/seller. The District is not responsible for the proration of the final billing if notification is not received prior to the date of sale, or change of tenancy.

Lien for Unpaid Bills. In addition to any other remedy provided therein or by law for the collection of any water and wastewater rates, charges or accounts, all rates or service charges

provided for in District's Administrative Code shall be charged and become a charge against the property on which the water is furnished and against the owner thereof, and all charges for water so served to a property shall be and become a lien against the premises upon which the water is used or served. Standby accounts with a delinquent balance greater than \$500 as of April 1st of each year may be sent notification of intent to place delinquent and unpaid charges on the annual tax roll. The notification will be sent by May 1st and provides the customer 60 days to bring the account current. If the amount is not brought current by July 1st, the portion of the delinquency due as of the prior April 1st may be reported to the County Treasurer for inclusion on the annual taxes levied on the property.

If for any reason or cause the sums of money owing for such water services are not paid as required by the terms and provisions of the District's Administrative Code, the District shall have the right to shut off such water, and in no case shall service of water be resumed on the same property until all such delinquencies and additional turn-on charges shall have been paid in full. Delinquent bills from former owners or tenants are the responsibility of the present owner.

Historical Delinquencies. Delinquencies of the Wastewater System over the past five years have averaged less than []%. Delinquent amounts owed to the District are placed on the County's secured property roll for collection in the fiscal year following delinquency. See "–Teeter Plan," below.

Property Taxes; District Assessed Valuations

Overview. The Wastewater Fund receives a share of the 1% general property tax that is levied and collected by the County within Improvement District "S", the boundaries of which are coterminous with the District's wastewater service area.

Assessed Valuations. As provided by Article XIII A of the California Constitution, county assessors' assessed values are to reflect market value as of the date the property was last assessed (or 1975, whichever is more recent), increased by a maximum of 2% per year. Properties may be reassessed by the county only upon a change of at least 51% ownership of existing property or upon new construction. The assessed values of parcels within the service area of the District thus reflect, for undeveloped parcels, the estimate of each county assessor (the "Assessor") of market value when acquired (or 1975, whichever is later), possibly increased by 2% per year, and for parcels on which construction has occurred since their date of acquisition, the Assessor's estimate of market value as of the time of construction, possibly increased by 2% per year. Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values.

Historical Assessed Valuations. Table 9 sets forth the historical assessed values for the fiscal years shown, for "Improvement District "S" which corresponds to the former geographic boundaries of the Fallbrook Sanitary District which was merged into the District and became the Wastewater System.

Table 9
Fallbrook Public Utility District
Historical Assessed Valuations – Improvement District “S”

Fiscal Year	Local Assessed	State Assessed	Unsecured Value	Total	% Change
2009-10	\$1,821,146,148	\$225,000	\$36,302,150	\$1,857,673,298	--
2010-11	1,781,731,084	225,000	37,141,389	1,819,097,473	-2.1%
2011-12	1,783,734,000	225,000	33,883,225	1,817,842,225	-0.1%
2012-13	1,773,732,093	225,000	35,613,386	1,809,570,479	-0.5%
2013-14	1,811,990,591	-	34,916,821	1,846,907,412	2.1%
2014-15	1,928,060,834	-	35,184,912	1,963,245,746	6.3%
2015-16	2,021,437,198	-	32,152,307	2,053,589,505	4.6%
2016-17	2,098,501,032	-	31,163,876	2,129,664,908	3.7%
2017-18	2,220,524,962	-	31,902,804	2,252,427,766	5.8%
2018-19	2,337,209,037	-	35,075,356	2,372,284,393	5.3%
2019-20	2,463,512,540	-	35,305,514	2,498,818,054	5.3%
2020-21	2,560,166,231	-	37,819,020	2,597,985,251	4.0%

Source: Fallbrook Public Utility District; San Diego County.

Top Taxpayers. The following table sets forth the top 20 taxpayers within Improvement District “S” for Fiscal Year 2020-21.

Table 10
Fallbrook Public Utility District
Top Taxpayers in Improvement District “S”
Fiscal Year 2020-21

Property Tax Delinquencies; Teeter Plan

General – Teeter Plan. The Board of Supervisors in the County has adopted the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds” (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. Under this method, the County pays the District 100% of property taxes due to the District and retains any penalties or delinquencies collected to offset such payment. There can be no assurance that the County will not discontinue the Teeter Plan or remove the District, or the property tax payable to the District, from the Teeter Plan in the future.

The Teeter Plan covers not only the District’s portion of the 1.0% general secured property tax levy apportioned to the District each year, but also any delinquencies that the District has placed onto the secured property tax bill for collection.

Historical Property Tax Collections and Delinquencies. The following table sets forth the property tax collections and delinquencies for Improvement District “S” for the fiscal years

shown. Notwithstanding the historical delinquency rate shown, the District receives 100% of the property taxes levied for the District by the County pursuant to the Teeter Plan.

Table 11
Fallbrook Public Utility District
Property Tax Levy, Collections and Delinquencies
Improvement District “S”⁽¹⁾

Fiscal Year	Current Property Tax Levy	Total Property Tax Collections	Collections Rate	Delinquency Rate
2009-10	\$785,885	\$773,715	98.5%	1.5%
2010-11	769,673	759,066	98.6%	1.4%
2011-12	769,708	758,639	98.6%	1.4%
2012-13	776,960	766,457	98.6%	1.4%
2013-14	798,786	787,339	98.6%	1.4%
2014-15	847,121	836,401	98.7%	1.3%
2015-16	890,717	879,769	98.8%	1.2%
2016-17	927,792	915,788	98.7%	1.3%
2017-18	978,636	967,619	98.9%	1.1%
2018-19	1,028,393	1,015,057	98.7%	1.3%
2019-20				

(1) As noted above, the County’s Teeter Plan assures the District of 100% of the property tax levy, regardless of delinquencies.

Source: Fallbrook Public Utility District.

Parity Debt

SRF Loan. In order to finance Wastewater System improvements, consisting of the Fallbrook Wastewater Treatment Plant Plan I Rehabilitation Project, the District previously borrowed from the State Water Resources Control Board State Revolving Fund (SRF) loan program pursuant to the SRF Loan. The SRF Loan will be repaid in full with the net proceeds of the Bonds.

2010 Agreement. In order to finance the cost of a 1-MW solar facility located at the WRP, the District enter into an Installment Sale Agreement, dated as of November 1, 2010 (previously defined as the “**2010 Agreement**”), with California Alternative Energy and Advanced Transportation Financing Authority (the “**CAEATFA**”) in the initial principal amount of \$7,227,000. The 2010 Agreement is secured by a pledge of the “Net Revenues” of the Wastewater System and the District’s recycled water system, where “Net Revenues” means the gross revenues of the Wastewater System and the District’s recycled water system, less the operation and maintenance costs of the Wastewater System and the District’s recycled water system. The pledge of the Net Revenues of the Wastewater System to the Bonds is on a parity with the pledge of the “Net Revenues” of the Wastewater System pledged to the repayment of the 2010 Agreement; however, unlike the 2010 Agreement, the Bonds are not secured in any manner by the District’s recycled water system.

Amounts payable by the District under the 2010 Agreement are pledged to the repayment of the CAEATFA’s Qualified Energy Conservation Revenue Bonds (Fallbrook Public Utility District Solar Project), Series 2010, which were issued in the intial principal amount of \$7,227,000. The amount of principal remaining to be repaid by the District under the 2010 Agreement is \$3,303,832.91 and the final maturity is November 18, 2027. The bonds bear interest at 5.74% but qualify for a 70% federal interest subsidy, thereby reducing the effective interest rate to the

District to approximately 1.72%. The federal interest subsidy, however, is subject to sequestration of 5.7%, which raises the effective interest rate to the District to approximately 1.95%.

Historical and Projected Revenues, Expenses and Debt Service Coverage

The table on the following page presents the historical revenues, expenses and debt service coverage of the Wastewater System for Fiscal Years 2017-18 to 2019-20 and projected revenues, expenses and debt service coverage for Fiscal year 2020-21 to 2024-25.

Key assumptions for the projection years of 2020-21 to 2024-25 include the following:

- 2.0% increase in Service Charges and Property Taxes each fiscal year
- 3.5% increase in Operations & Maintenance Costs each fiscal year
- 3.0% increase in Administrative & General costs each fiscal year

Table 12
Fallbrook Public Utility District
Historical and Projected Revenues, Expenses and Debt Service Coverage
Fiscal Years Ending June 30, 2018 – 2020 (Historical)
and June 30, 2021 – 2025 (Projected)

<i>Fiscal Year Ending June 30,</i>	2018	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Estimated	Projected	Projected	Projected	Projected	Projected
Operating Revenues:								
Service Charges	\$5,258,183	\$5,453,590	\$5,941,086	\$6,186,330	\$6,466,015	\$6,756,986	\$7,061,050	\$7,202,271
Other Charges	(15,111)	10,230	1,000	1,000	1,000	1,000	1,000	1,000
Sub-Total	5,243,072	5,463,820	5,942,086	6,187,330	6,467,015	6,757,986	7,062,050	7,203,271
Operating Expenses (excl depr):								
Operations & Maintenance	3,039,790	2,956,457	3,059,933	3,167,031	3,277,877	3,392,602	3,511,343	3,634,241
Administrative & General	2,316,954	2,090,222	2,163,380	2,239,098	2,317,466	2,398,578	2,482,528	2,569,417
Sub-Total	5,356,744	5,046,679	5,223,313	5,406,129	5,595,343	5,791,180	5,993,872	6,203,657
Net Operating Income	(113,672)	417,141	718,773	781,201	871,672	966,806	1,068,178	999,614
Non-Operating Revs (Expenses)								
Property Taxes	967,619	1,015,057	1,035,358	1,056,065	1,077,187	1,098,730	1,120,705	1,143,119
Capital Improvement Charges	1,149,667	1,162,117	1,170,233	1,207,132	1,255,873	1,293,426	1,332,275	1,332,275
Investment Income	95	84,296	81,396	40,000	20,689	19,137	16,798	16,798
Connection Fees	290,904	133,729	105,000	35,000	35,700	36,414	37,142	37,142
Sub-Total	2,408,285	2,395,199	2,391,987	2,338,197	2,389,449	2,447,707	2,506,920	2,529,334
NET REVENUES	2,294,613	2,812,340	3,110,760	3,119,399	3,261,120	3,414,513	3,575,098	3,528,948
Debt Service Expense:								
2010 Agreement:	367,229	379,131	391,696	404,909	418,859	433,290	448,220	463,663
SRF Loan⁽¹⁾	1,845,746	1,845,746	1,845,746	--	--	--	--	--
Bonds^{(1)*}	--	--	--	1,774,625	1,775,000	1,775,600	1,774,600	1,777,000
Sub-Total	2,212,975	2,224,877	2,237,442	2,179,534	2,193,859	2,208,890	2,222,820	2,240,663
Debt Service Coverage (DSC)*	1.04	1.26	1.39	1.43	1.49	1.55	1.61	1.57

* Preliminary; subject to change for debt service on the Bonds and projected debt service coverage for Fiscal Years 2020-21 through 2024-25.

(1) The SRF Loan is being refunded, in full, with the proceeds of the Bonds.

Source: Fallbrook Public Utility District.

Cash, Current Liabilities and Net Position

The following table shows the District's current and non-current assets, current liabilities and net position, as reflected in the audited financial statements for the fiscal years shown. *The following information reflects District-wide operations, which consists of the District's water system, recycled water system and Wastewater System on a combined basis.*

Table 13
Fallbrook Public Utility District
Assets, Liabilities and Net Position
Fiscal Years Ending June 30, 2016 – 2019

<i>Fiscal Year Ending June 30,</i>	2016 Audited	2017 Audited	2018 Audited	2019 Audited
Current Assets:				
Cash, cash equivalents & investments	\$15,854,427	\$14,057,902	\$11,322,856	\$15,644,693
Non-Current Assets:				
Restricted cash, cash equivalents & investments	3,471,337	4,122,083	4,968,360	9,752,965
Current Liabilities:	7,149,490	5,671,488	6,679,433	5,825,260
Net Position:				
Net investment in capital assets	70,683,956	72,519,098	79,333,568	80,125,400
Restricted for 1958 Annex projects	1,213,780	1,213,780	1,213,780	1,213,780
Restricted for debt service	2,241,597	2,281,855	2,108,959	2,162,451
Restricted for pension	0	0	1,388,748	6,101,463
Unrestricted	5,170,519	5,668,185	2,038,252	6,465,333
Total Net Position	\$79,309,852	\$81,682,918	\$86,083,307	\$96,068,427

Source: Fallbrook Public Utility District audited financial statements 2014-15 through 2018-19.

Investments

As of June 30, 2020, the District had the following investments in its investment portfolio. *The following information reflects District-wide operations, which consists of the District's water system, recycled water system and Wastewater System on a combined basis.*

Table 14
Fallbrook Public Utility District
Investment Portfolio – As of June 30, 2020⁽¹⁾

<u>Account</u>	<u>Market Value</u>
Operating Fund	\$19,525
Money Market	1,511,221
County Pool	--
CAMP Account ⁽²⁾	2,562,569
PFM-Managed Long-Term Investment Portfolio	11,233,386
LAIF (Long-term reserves) ⁽³⁾	3,676,617
PARS (OPEB & Pension Trust)	7,852,397
Total⁽¹⁾	\$26,855,715

(1) Represents all of the District's investment accounts and balances, only a portion of which is held for the Wastewater System.

(2) CAMP is the California Asset Management Program, which is administered by a joint powers authority established in 1989 to provide local agencies with professional investment services.

(3) LAIF is the State Treasurer's Local Agency Investment Fund.

Source: Fallbrook Public Utility District.

Pension and OPEB Plans

Allocation of Benefits. The District's benefit costs are allocated to each of the District's 3 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.

California Public Employees Retirement System. The District contributes to the California Public Employees Retirement System ("CalPERS"), a cost-sharing multi-employer defined benefit pension plan (the "Plan"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The District has two benefit tiers for its employees. 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. For additional details, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2019.”

Annual Contributions, Unfunded Accrued Liability and Net Pension Liability. CalPERS collects employer contributions for the Plan as a percentage of payroll at the Plan’s actuarially determined rate. 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 2020-21 is 13.146% of payroll, which is up from the Fiscal Year 2019-20 is 12.142%. The NCR for PEPRA employees is 7.874% of payroll in Fiscal Year 2020-21 and was 7.072% in Fiscal Year 2019-20.

GASB Statement No. 68 requires the District to annually calculate its “net pension liability,” which is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. As of June 30, 2019, the District reported net pension liability of \$12,541,929.

For additional details on the District’s pension liabilities, and the assumptions included therein, see APPENDIX B.

Other Post-Employment Benefits (“OPEB”) Plan Description. Employees retiring after age 50, with 10 or more years of continuous employment, will have the mandatory amount estimated by the District at the date of retirement to be necessary to pay for 50% of the employee’s monthly health insurance premium, and any additional costs for spouse and dependent(s) covered at the time of retirement. The difference between the total value of sick leave at retirement and the estimated cost benefit (medical, dental and vision) minus the estimated costs of 50% of the retiree’s medical premium is deposited into a health reimbursement account at the District to pay for retiree benefits until Medicare entitlement or the account is depleted. The District’s health reimbursement account (HRA) balance as of June 30, 2019 is \$258,421. The District will pay for half (50%) of the retired employee’s monthly premium.

As of the June 30, 2018 actuarial valuation date, there were 73 total participants in the OPEB plan. The District has historically funded the plan on a pay-as-you-go basis. Plan members are not required to contribute to the OPEB Plan. For the fiscal year ended June 30, 2019, the District made \$67,197 in payments made outside of the Section 115 Trust

GASB Statement No. 75 requires the District to annually calculate its “net OPEB liability,” which is the cumulative difference between annual OPEB cost and the employer’s contributions to a plan. As of June 30, 2018, which is the most up-to-date information available, the District reported net OPEB liability of \$135,077.

For additional details on the District’s OPEB liability, and the assumptions included therein, see APPENDIX B.

Section 115 Pension and OPEB Trust Fund. In Fiscal Year 2016-17, the District established a “Section 115 Trust Fund” as an irrevocable trust established for the benefit of the pension and 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 \$6.5 million on March 31, 2020. The District OPEB obligation is over 90% 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.

RISK FACTORS

Wastewater System Demand

There can be no assurance that the demand for wastewater services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges to comply with the covenants to fix rates and charges.

Wastewater System Expenses

There can be no assurance that the District's expenses will be consistent with the descriptions in this Official Statement. Increases in expenses could require an increase in rates or charges to comply with the rate covenant.

Regulatory Requirements

The operations of the Wastewater System are subject to state and federal laws and regulations, particularly with respect to water quality discharge requirements. The adoption of more stringent laws or regulations may cause the District to incur greater expenses for the operation of the Wastewater System. No assurance can be given that the costs of complying with any such new laws or regulations will not adversely affect the District's ability to generate sufficient Net Revenues in the amounts or on the schedule required by the Indenture.

To the extent regulatory agencies or other governmental agencies impose more stringent requirements on the District's discharge of treated wastewater, costs could increase.

Natural Disasters

General. From time to time, the service area of the District is subject to natural calamities that may adversely affect economic activity in the District, which could have a negative impact on Wastewater System finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Wastewater System, or that the District would have insurance or other resources available to make repairs to the Wastewater System in order to generate sufficient Net Revenues to pay debt service on the Bonds when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the Wastewater System due to earthquake, fire, flood or other natural calamities.

Seismic. Like most of California, the service area of the District is subject to unpredictable seismic events such as earthquakes. Potential hazards related to earthquakes include ground shaking, surface rupture along the fault zone, and related secondary ground failures. Typical seismically-induced ground failures include liquefaction, lateral spreading, ground lurching, landslides, inundation, and settlement. Seismic events could destroy or damage portions of the Wastewater System, thereby increases the District's expenses, or reduce demand for its wastewater service by damaging businesses and residential dwelling that are customers, thereby decreasing revenues.

Flooding. Portions of the service area of the District are subject to flooding from time to time, primarily as a result of large-scale winter rain events. Flooding may cause damage to the

District's facilities or other structures within the District's service area and any such damage may be material.

Fire. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can further lead to the destruction of homes. Fires may cause damage to District facilities or other structures within the District's service area and any such damage may be material. To date, there have been no wildfires in the District's service area that have destroyed a significant amount of property or disrupted service for any significant period of time.

Climate Change

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fourth National Climate Assessment, published by the U.S. Global Change Research Program, in November 2018 (NCA4) finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private and other sensitive electronic information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The District has never had a major cyber breach that resulted in a financial loss or operational disruption. The District provides training to its staff on phishing and safe browsing and how to avoid potential cyber threats. However, no assurances can be given that the security and operational control measures of the District will be successful in guarding against any and each cyber threat or breach.

Limited Recourse on Default

If the District defaults on its obligation to make the debt service payments under the Indenture, the Trustee has the right to accelerate the total unpaid principal amount of such payments. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient funds to pay the accelerated payments.

Limitations on Remedies

The ability of the District to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “– Constitutional Limitations on Appropriations and Fees” below. Furthermore,

any remedies available to the Owners of the Bonds upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bond Owner remedies contained in the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Articles XIIC and XIID

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property related assessments, fees and charges."

Article XIID. Article XIID defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." A "property related service" is defined as "a public service having a direct relationship to property ownership." Article XIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a "fee" or "charge" as defined in Article XIID, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or

future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The District has complied with the notice and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce rates and charges for the wastewater service in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIIC and XIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its

approval. The District believes its Wastewater System rates and charges are not taxes under Proposition 26. The District is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The District is of the opinion that the user charges of the Wastewater System imposed by the District do not exceed the costs the District reasonably bears in providing the Wastewater Service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Wastewater System’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

CONTINUING DISCLOSURE

The District has never previously entered into any continuing disclosure obligation under the Rule.

The District has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District and the Wastewater System by not later than March 1st following the end of each fiscal year (presently June 30), commencing with its report for the fiscal year ended June 30, 2020 (the “Annual Report”), due March 1, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”). These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The specific nature of the information to be contained in the Annual Report and the enumerated events is summarized in APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

LEGAL OPINIONS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by the District’s general counsel,

Best Best & Krieger LLP. The compensation of Bond Counsel and Disclosure Counsel is contingent on the successful sale of the Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to

State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

The form of the proposed opinion of Bond Counsel is attached as APPENDIX E.

NO LITIGATION

There is no action, suit, or proceeding known by the District to be pending or threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the validity of the Bonds, the Indenture or the proceedings of the District taken with respect to the execution or delivery thereof.

RATING

S&P Global Ratings (“**S&P**”) has assigned the Bonds a rating of “_____.” Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from S&P. The District has furnished to S&P certain materials and information with respect to the District, the Wastewater System and the Bonds. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. The District and the Municipal Advisor undertake no responsibility to oppose any such proposed revision or

withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

MUNICIPAL ADVISOR

The District has retained Steven Gortler, San Francisco, California as municipal advisor (the "**Municipal Advisor**") in connection with the structuring, marketing and pricing of the Bonds. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting the accuracy and completeness of the information contained herein.

UNDERWRITING

_____ (the "Underwriter") has purchased the Bonds from the District at a competitive sale for a purchase price of \$_____ (representing the aggregate principal amount of the Bonds, plus a premium of \$_____, and less an underwriting discount of \$_____). The public offering prices may be changed from time to time by the Initial Purchaser. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices shown on the inside cover page hereof.

MISCELLANEOUS

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Holders of any of the Bonds.

The preparation and distribution of this Official Statement has been duly authorized by the District.

FALLBROOK PUBLIC UTILITY DISTRICT

By: _____
General Manager

APPENDIX A

GENERAL INFORMATION ABOUT FALLBROOK AND SAN DIEGO COUNTY

The following information is included only for the purpose of supplying general information regarding the unincorporated community of Fallbrook and the County of San Diego (the “County”). This information is provided only for general informational purposes and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of the State, the County or any of its political subdivisions, and neither the State, the County nor any of its political subdivisions is liable therefor.

The County. The County is the southern-most county in California. The County covers an area of approximately 4,280 square miles, about the size of the state of Connecticut. The County is bordered by the Pacific Ocean to the west, Orange and Riverside Counties to the north, Imperial County to the east, and the State of Baja California, Mexico to the south. The County includes 70 miles of the Pacific Ocean coastline, the Anza-Borrego Desert, which forms the eastern third of the county, the Laguna Mountains, the San Diego Bay, one of the world’s largest natural deep-water harbors, and the San Diego International Airport.

The County possesses a diverse economic base consisting of electronics manufacturing and shipbuilding, tourism, biotech and software development, and defense-related industries. The County is also growing as a center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County.

The County was incorporated on February 18, 1850 and functions under a charter adopted in 1933 and is amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. Elected officials include the Assessor/County Clerk/Recorder, District Attorney, Sheriff and Treasurer/Tax Collector.

Population

The following sets forth the the County and the State population estimates as of January 1 for the years 2016 to 2020.

**SAN DIEGO COUNTY AND STATE OF CALIFORNIA
Estimated Population**

Year (January 1)	San Diego County	State of California
2016	3,285,150	39,131,307
2017	3,306,889	39,398,702
2018	3,326,318	39,586,646
2019	3,340,312	39,695,376
2020	3,343,355	39,782,870

Source: State of California Department of Finance, Demographic Research Unit.

Industry and Employment

The District is included in the San Diego-Carlsbad Metropolitan Statistical Area (“MSA”), which includes all of the County. The unemployment rate in San Diego County was 13.9 percent in June 2020, down from a revised 15.2 percent in May 2020, and above the year-ago estimate of 3.3 percent. This compares with an unadjusted unemployment rate of 15.1 percent for California and 11.2 percent for the nation during the same period.

Set forth below is data from 2015 to 2019, reflecting the County’s civilian labor force, employment and unemployment.

**SAN DIEGO-CARLSBAD MSA
(San Diego County)
Annual Average Labor Force, Employment and Unemployment,
Unemployment by Industry
(March 2019 Benchmark)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Civilian Labor Force ⁽¹⁾	1,550,100	1,564,300	1,574,600	1,592,200	1,590,600
Employment	1,469,500	1,490,500	1,511,400	1,539,500	1,539,900
Unemployment	80,600	73,900	63,200	52,700	50,700
Unemployment Rate	5.2%	4.7%	4.0%	3.3%	3.2%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	9,100	8,900	8,700	9,100	9,600
Mining and Logging	300	300	300	300	400
Construction	69,900	76,300	79,500	84,200	84,000
Manufacturing	106,600	108,400	109,400	112,700	115,100
Wholesale Trade	44,100	43,700	43,800	43,700	44,200
Retail Trade	146,800	147,500	149,000	148,200	145,400
Transportation, Warehousing and Utilities	28,400	29,700	32,000	33,500	34,400
Information	23,800	23,700	24,000	24,000	23,500
Finance and Insurance	43,500	45,100	46,300	46,800	46,200
Real Estate and Rental and Leasing	27,900	27,900	28,400	29,100	30,200
Professional and Business Services	229,300	234,500	238,800	248,800	256,600
Educational and Health Services	192,700	198,700	204,300	210,500	216,000
Leisure and Hospitality	182,400	190,400	195,600	199,900	202,400
Other Services	53,200	54,400	55,000	55,400	55,800
Federal Government	46,000	46,800	46,900	46,900	47,700
State Government	45,700	47,600	49,300	50,700	52,100
Local Government	144,500	147,900	150,100	150,000	149,900
Total, All Industries ⁽³⁾	1,394,100	1,431,800	1,461,300	1,493,800	1,513,500

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The largest manufacturing and non-manufacturing employers as of August 2020 in the County are shown below, in alphabetical order.

SAN DIEGO COUNTY Largest Employers August 2020

Employer Name	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Barona Resort & Casino	Lakeside	Casinos
Ceasar Entertainment	Valley Center	Swimming Pool Contrs Dealers & Designers
Employees'association-Sdg-E	San Diego	Associations
General Dynamics NASSCO	San Diego	Ship Builders & Repairers (mfrs)
Illumina Inc	San Diego	Biotechnology Products & Services
Kaiser Permanente Vandever Med	San Diego	Physicians & Surgeons
Kaiser Permanente Zion Med Ctr	San Diego	Hospitals
Mccs Mcrd	San Diego	Towing-Marine
Merchants Building Maintenance	San Diego	Janitor Service
Rady Children's Hospital	San Diego	Hospitals
Respiratory Support Prod Inc	San Diego	Nonclassified Establishments
San Diego Community College	San Diego	Junior-Community College-Tech Institutes
San Diego County Sheriff	Santee	Police Departments
Scripps Mercy Hosp Sn Diego	San Diego	Hospitals
Scripps Research Institute	La Jolla	Laboratories-Research & Development
Seaworld San Diego	San Diego	Water Parks
Sharp Mary Birch Hosp	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics	San Diego	Electronic Equipment & Supplies-Retail
Uc San Diego Health	San Diego	Health Care Management
Ucsd	La Jolla	University-College Dept/Facility/Office
University of California	La Jolla	University-College Dept/Facility/Office
University-California Sn Diego	La Jolla	Schools-Universities & Colleges Academic
US Navy Med Ctr-Orthopedics	San Diego	Clinics

Source: California State Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2020 in the County were reported to be \$13,766,495,651 a 12.28% decrease over the total taxable sales of \$12,260,424,497 reported during the first quarter of calendar year 2019.

SAN DIEGO COUNTY Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2015	36,549	\$37,989,566	95,645	\$54,185,588
2016	58,391	38,576,362	95,435	55,407,866
2017	59,798	39,814,405	97,412	56,993,548
2018	59,836	41,886,825	100,674	59,041,042
2019	59,447	42,748,210	101,901	61,106,480

Source: State Department of Tax and Fee Administration.

Construction Activity

The following table shows valuation summaries of building permits issued in the County for the past five years:

SAN DIEGO COUNTY Building Activity and Permit Valuation (Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation:</u>					
New Single-family	\$1,069,273.0	\$833,134.7	\$1,378,079.4	\$1,201,187.4	\$1,022,156.9
New Multi-family	1,028,733.2	1,256,903.3	912,036.6	992,359.0	668,849.0
Res. Alterations/Additions	<u>349,035.7</u>	<u>382,198.9</u>	<u>342,709.7</u>	<u>480,327.0</u>	<u>393,649.1</u>
Total Residential	2,447,041.9	2,472,236.8	2,632,825.7	2,673,873.4	2,084,655.1
New Commercial	521,789.4	560,233.1	770,075.8	510,108.1	861,274.4
New Industrial	77,376.7	18,721.1	68,351.7	25,882.0	40,892.2
New Other	493,580.0	317,405.0	443,191.1	239,647.3	223,176.2
Com. Alterations/Additions	<u>769,756.1</u>	<u>981,463.0</u>	<u>1,089,684.1</u>	<u>1,126,206.2</u>	<u>1,234,198.2</u>
Total Nonresidential	\$1,862,502.2	\$1,877,822.2	\$2,371,302.7	\$1,901,843.6	\$2,359,550.0
<u>New Dwelling Units</u>					
Single Family	3,136	2,420	3,960	3,438	3,045
Multiple Family	<u>6,869</u>	<u>7,680</u>	<u>6,056</u>	<u>6,132</u>	<u>4,405</u>
TOTAL	10,005	10,100	10,016	9,570	7,450

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the census-designated place of Fallbrook, the County, the State and the United States for 2016 through 2020.

**FALLBROOK CFD, SAN DIEGO COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
2016 through 2020**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	Fallbrook	\$686,433	\$48,558
	San Diego County	84,949,559	55,146
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Fallbrook	\$703,889	\$47,563
	San Diego County	91,727,879	58,408
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Fallbrook	\$702,966	\$50,487
	San Diego County	96,442,532	61,649
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Fallbrook	\$752,060	\$52,954
	San Diego County	102,896,146	65,279
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Fallbrook	\$815,922	\$57,936
	San Diego County	108,796,519	68,543
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 through 2020.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles Area and points north. Interstate 15 runs inland, leading the Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 21 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County, including McClellan-Palomar Airport in Encinitas.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX D

BOOK-ENTRY SYSTEM

The information in this Appendix D concerning DTC and its book-entry system has been obtained from sources that the District believe to be reliable, but the District take no responsibility for the accuracy thereof.

General

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.org. The information on such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

APPENDIX E
FORM OF BOND COUNSEL OPINION

[Closing Date]

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

OPINION: \$ _____ Fallbrook Public Utility District
2020 Wastewater Revenue Refunding Bonds

Members of the Board of Directors:

We have acted as bond counsel to the Fallbrook Public Utility District (the "District") in connection with the issuance by the District of \$ _____ aggregate principal amount of bonds of the District designated the "Fallbrook Public Utility District 2020 Wastewater Revenue Refunding Bonds" (the "Bonds"), under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law") and under an Indenture of Trust dated as of October 1, 2020 (the "Indenture"), between the District and U.S. Bank National Association, as trustee, approved by a resolution of the Board of Directors of the District adopted on _____, 2020. We have examined the Bond Law, an executed copy of the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The District is a public utility district duly organized and existing under the Constitution and laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein, and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the District, and are legal, valid and binding obligations of the District, payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the District, and constitutes a legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms.

4. Under the Bond Law, the Indenture establishes a valid lien on and pledge of the Net Revenues of the Wastewater System (as such terms are defined in the Indenture) for the security of the Bonds and any obligations issued on a parity therewith.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**FALLBROOK PUBLIC UTILITY DISTRICT
2020 WASTEWATER REVENUE REFUNDING BONDS**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Fallbrook Public Utility District (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”). The Bonds are being issued under the provisions of Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the California Government Code and an Indenture of Trust, dated as of October 1, 2020 (the “Indenture”), between the District and U.S. Bank National Association, as trustee.

The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated by the District.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the District.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated _____, 2020.

“Participating Underwriter” shall mean the original purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each March 1 after the end of each Fiscal Year (presently such Fiscal Year ends June 30) or the next succeeding business day if that day is not business day, commencing with the report for the fiscal year ending June 30, 2020, which shall be due March 1, 2021, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update as of the most recently ended Fiscal Year of the District to the information set forth in the following tables in the Official Statement for the most recently-completed Fiscal Year only:

- Table 1 (Number and Type of Wastewater Connections)
- Table 2 (Ten Largest Customers)
- Table 3 (Historical Average Daily Flow)
- Table 5 (Monthly Sewer Service Charges)
- Table 9 (Historical Assessed Valuations – Improvement District “S”)
- Table 10 (Top Taxpayers)
- Table 12 (Revenues, Expenses and Debt Service Coverage – for the most recently completed Fiscal Year only)

(c) Any rate increases that became effective on July 1 of the preceding calendar year.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Indenture or its obligations in relation to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;

- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the District;
- (13) Consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) If a Listed Event occurs, the District shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event with the MSRB.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The District will serve as the initial Dissemination Agent hereunder. The District may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, suit, claim, cost, damages, judgment, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall be afforded the same rights, protections and immunities hereunder afforded to it as Trustee under the Indenture.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the District.

SECTION 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the same manner as for a Listed Event under Section 5(b). The District shall obtain the consent of the Dissemination Agent for any amendment of the Disclosure Certificate that affects the duties, rights, protections or obligations of the Dissemination Agent.

SECTION 12. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. The provisions of this Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Dated: _____, 2020

FALLBROOK PUBLIC UTILITY DISTRICT

By _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Fallbrook Public Utility District

Name of Bond Issue: \$_____ 2020 Wastewater Revenue Refunding Bonds

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the District by the date required in the Continuing Disclosure Certificate. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

Fallbrook Public Utility District

By _____

Attachment D
(Continuing Disclosure Agreement)

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ FALLBROOK PUBLIC UTILITY DISTRICT 2020 WASTEWATER REVENUE REFUNDING BONDS

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Fallbrook Public Utility District (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”). The Bonds are being issued under the provisions of Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the California Government Code and an Indenture of Trust, dated as of October 1, 2020 (the “Indenture”), between the District and U.S. Bank National Association, as trustee.

The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated by the District.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the District.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated _____, 2020.

“Participating Underwriter” shall mean the original purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each March 1 after the end of each Fiscal Year (presently such Fiscal Year ends June 30) or the next succeeding business day if that day is not business day, commencing with the report for the fiscal year ending June 30, 2020, which shall be due March 1, 2021, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update as of the most recently ended Fiscal Year of the District to the information set forth in the following tables in the Official Statement for the most recently-completed Fiscal Year only:

- Table 1 (Number and Type of Wastewater Connections)
- Table 2 (Ten Largest Customers)
- Table 3 (Historical Average Daily Flow)
- Table 5 (Monthly Sewer Service Charges)
- Table 9 (Historical Assessed Valuations – Improvement District “S”)
- Table 10 (Top Taxpayers)
- Table 12 (Revenues, Expenses and Debt Service Coverage – for the most recently completed Fiscal Year only)

(c) Any rate increases that became effective on July 1 of the preceding calendar year.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Indenture or its obligations in relation to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;

- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the District;
- (13) Consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) If a Listed Event occurs, the District shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event with the MSRB.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The District will serve as the initial Dissemination Agent hereunder. The District may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, suit, claim, cost, damages, judgment, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall be afforded the same rights, protections and immunities hereunder afforded to it as Trustee under the Indenture.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the District.

SECTION 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the same manner as for a Listed Event under Section 5(b). The District shall obtain the consent of the Dissemination Agent for any amendment of the Disclosure Certificate that affects the duties, rights, protections or obligations of the Dissemination Agent.

SECTION 12. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. The provisions of this Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Dated: _____, 2020

FALLBROOK PUBLIC UTILITY DISTRICT

By _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Fallbrook Public Utility District

Name of Bond Issue: \$_____ 2020 Wastewater Revenue Refunding Bonds

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the District by the date required in the Continuing Disclosure Certificate. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

Fallbrook Public Utility District

By _____

M E M O

TO: Board of Directors
FROM: Kevin Collins, Purchasing/Warehouse Supervisor
DATE: September 28, 2020
SUBJECT: Request to Award Point of Entry Upgrades to Doors & Windows West

Description

This request to the FPUD Board of Directors is to authorize award for door and gate point of entry (POE) upgrades to Doors & Windows West.

Purpose

For nearly 20 years, FPUD has utilized a POE security called CyberKey. The CyberKey system enables staff to enter secured locations throughout the District.

While once a cutting edge technology, the system has aged, and failures of CyberKeys and locks have increased, while costs to keep the hardware working have increased exponentially. In addition to key and lock failures, the CyberKey software requires a complete update.

In January 2020, FPUD staff researched alternate POE security systems, with the main requirement that they have a self-contained power source since most door jams throughout the District are not powered. This eliminates the cost to run electrical or Ethernet drops to each POE to enable compatibility with most modern systems that require a power feed. After meeting with CyberKey and AlarmLock representatives, the two product options staff were able identify, staff determined AlarmLock products would best meet all of the District's POE security system goals. The primary goals are: single system to manage all POE access rights (the UV Plant is not on CyberKey); limit the cost by not retrofitting all doors with power; implement a photo ID FPUD card to all staff; and install a reliable and low maintenance system. By allowing remote locking of doors through AlarmLock's software, staff are able to ensure exterior entrances are secured, eliminating any potential door being left unlocked due to human error. Any added safety measures help protect hundreds of thousands of dollars of FPUD owned materials including, but not limited to, electronics, tools, raw metals, and inventory items.

AlarmLock gave FPUD Purchasing staff a pre-select list of qualified installers. Of those installers, three attended the mandatory job walk on 8/12/2020, and two submitted bids, with the lowest responsive and responsible bid submitted by Doors & Windows West in the amount of \$118,278.00.

Budgetary Impact

For fiscal year 2020-21, FPUD staff budgeted a total of \$145,000 for Building Upgrades. After this project is completed, a total of \$26,722 will remain.

Recommended Action

The recommended action is that the FPUD Board of Directors approves award for door and gate POE upgrades to Doors & Windows West in the amount of \$118,278.00.

Fallbrook Public Utility District
Summary of RFP
Point of Entry Upgrades

VENDOR	Manufacturer	Quoted Price
Doors & Windows West*	Alarm Lock	\$118,278.00
Safe & Secure Locksmith Service	Alarm Lock	\$130,625.01
Premier Access	Alarm Lock	No Bid

* Indicates Lowest Responsive Bid

1. **MWD Issues**

SDCWA is requesting MWD further decrease it's rates for the upcoming calendar year. If MWD set lower rates then we anticipate a potential minor decrease in projected SDCWA rates.

2. **Regional Conveyance**

The Board voted to allocate some funds to continue outreach efforts, but not move forward with all aspects of the next phase. The item will be revisited in November.

3. **FPUD/RMWD Detachment**

SDCWA issued their response on the proposed RMWD/FPUD detachment from SDCWA. The full report is available at:

<https://www.sdcwa.org/lafco-reorganization>

The report is 185 pages with 73 attachments.

4. **Key Upcoming Issues**

Some key issues for the upcoming year include:

- Reviewing the long-term fiscal sustainability of SDCWA and determining any structural changes to the rate structure, though the SDCWA leadership disbanded the Fiscal sustainability committee that was convened to evaluate these issues.
- Developing an updated forecast of water demands and the rate impacts of the updated demand forecast.
- Implementing the new agricultural water program.
- Determining if the next phase of the regional conveyance study should be initiated.

Detailed updates on any of these items will be provided by the General Manager at the request of any Board members.

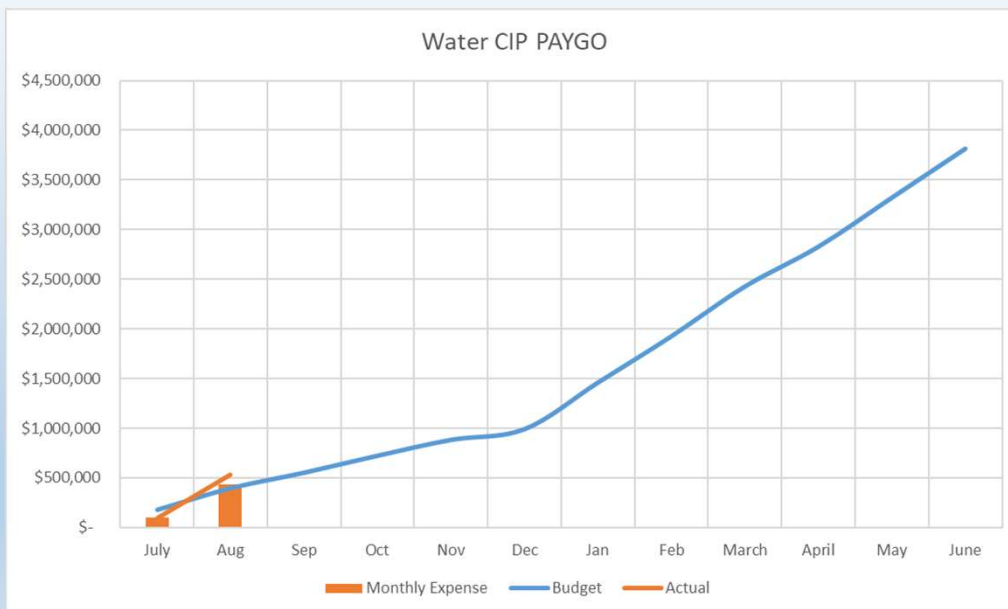


Fallbrook Public Utility District

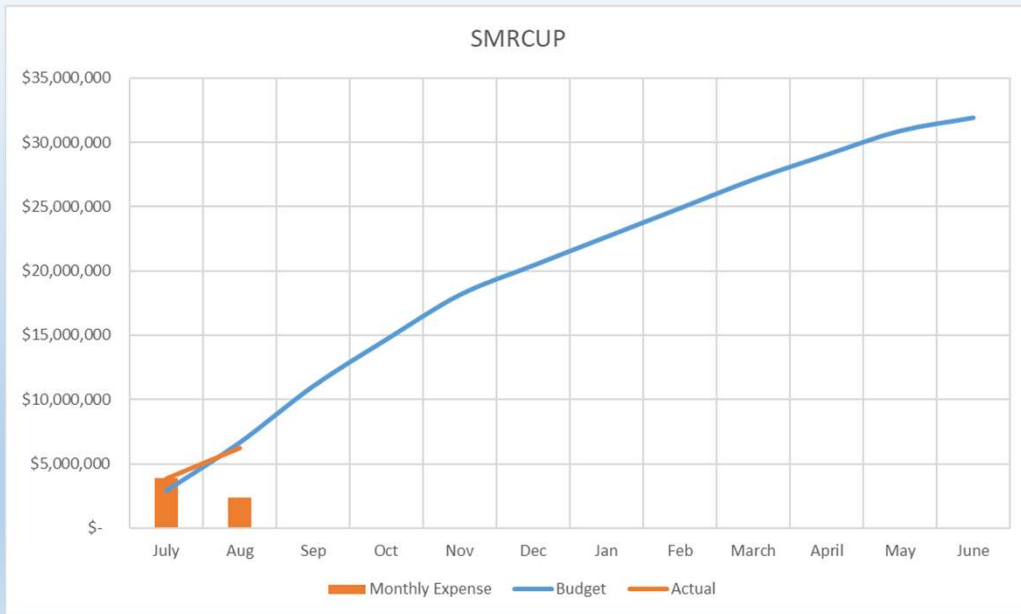
Engineering and Operations FY21

Board Meeting September 2020

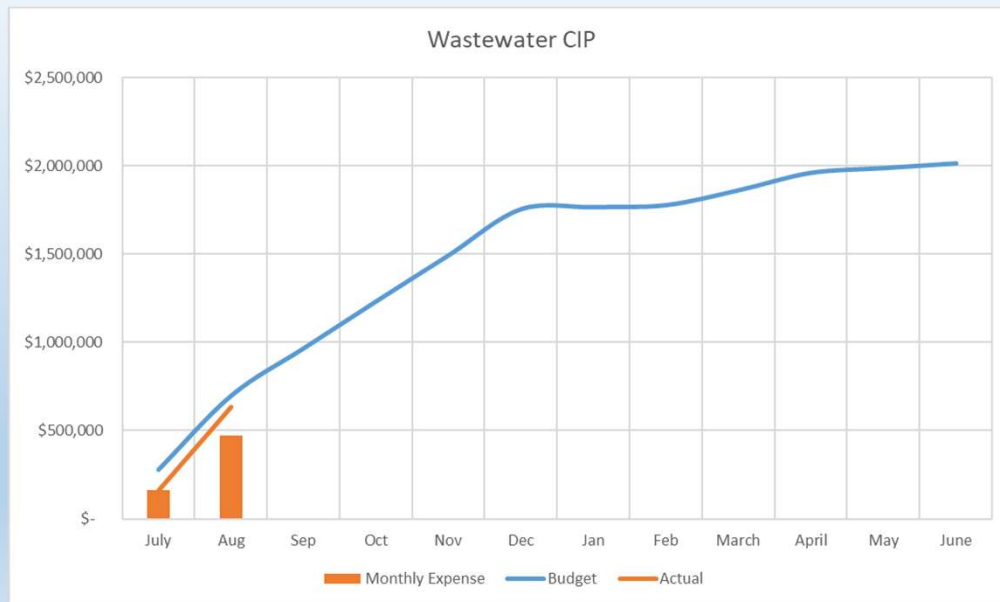
Water PAYGO CIP FY21



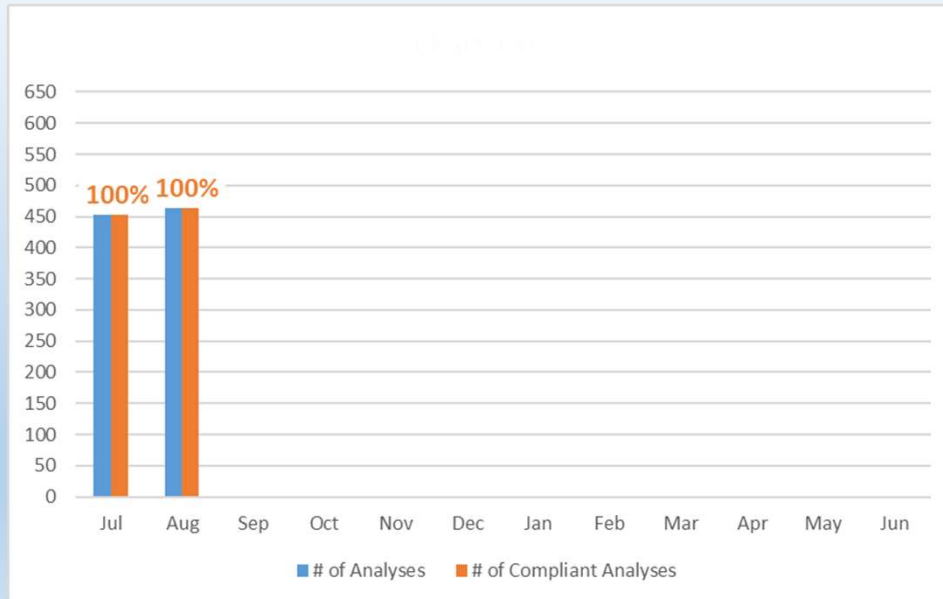
Water SMRCUP CIP FY21



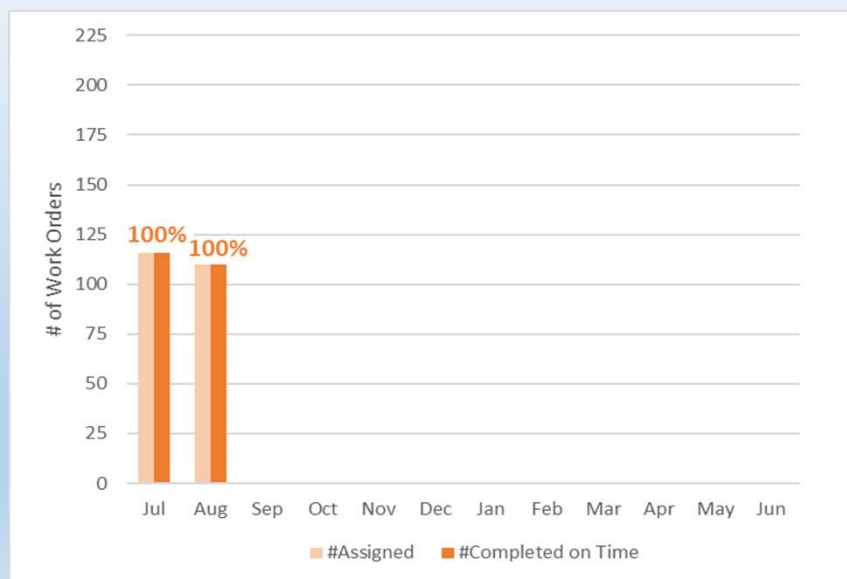
Wastewater System CIP FY21

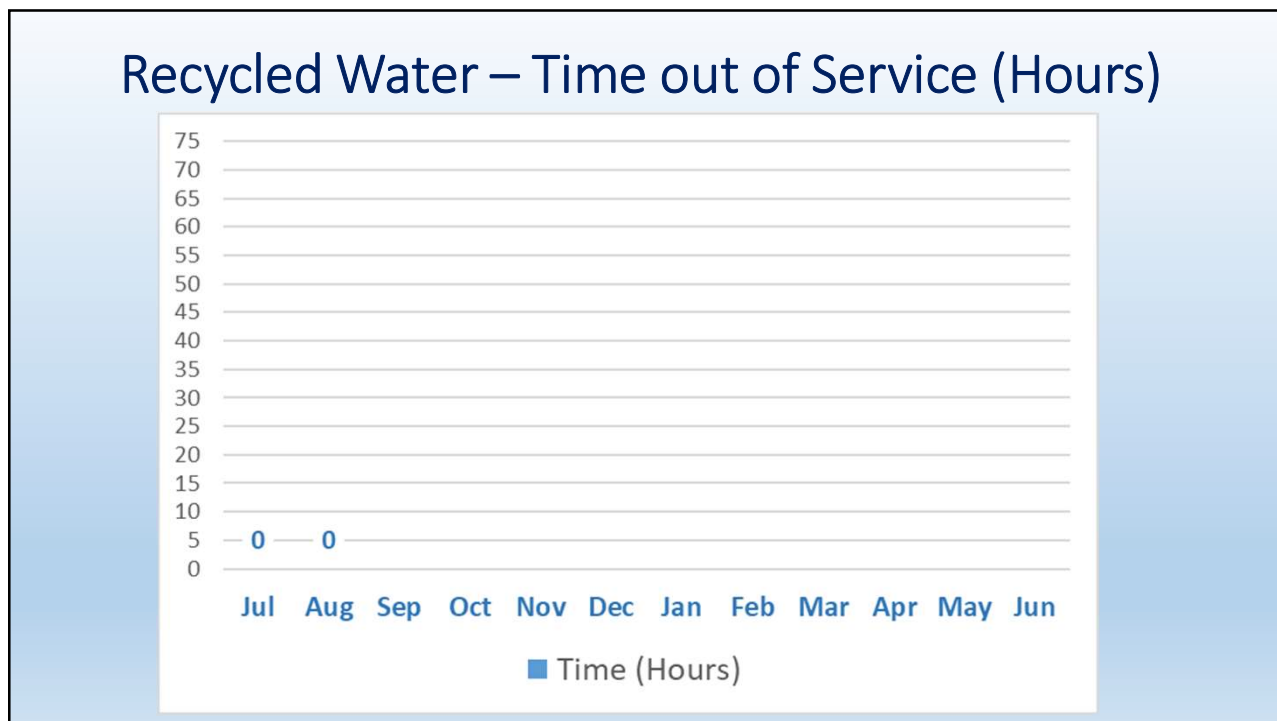
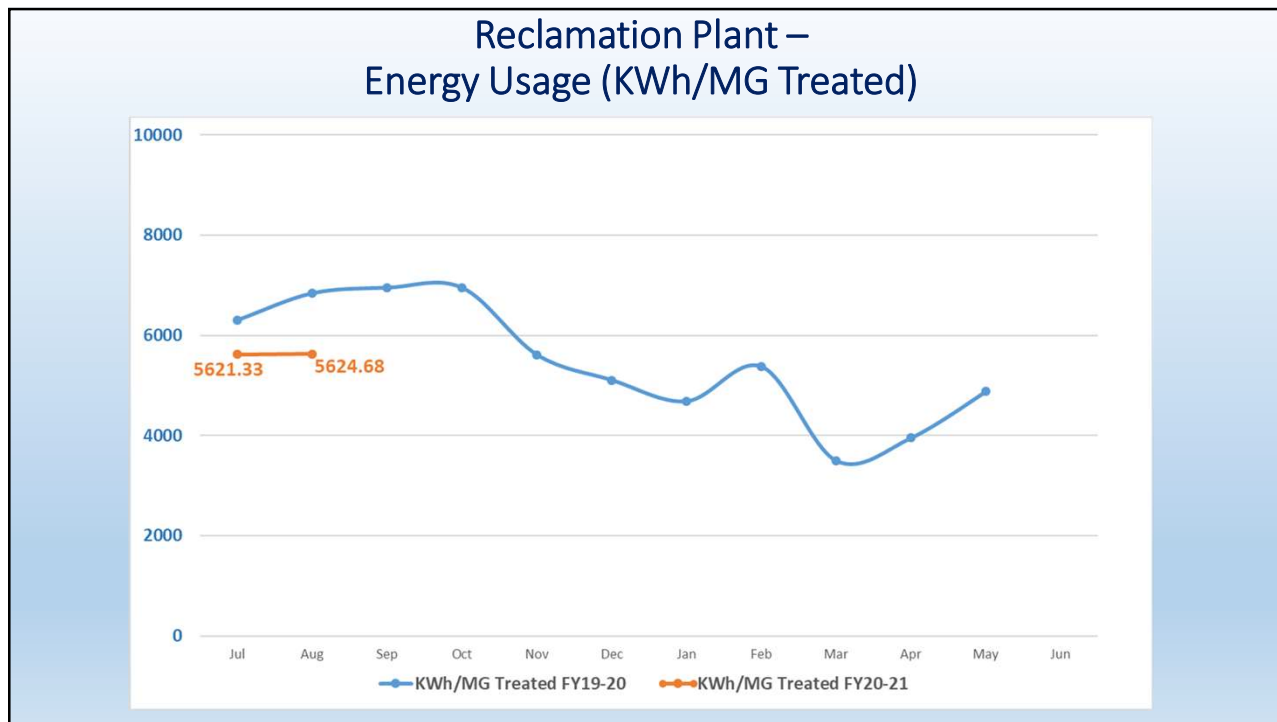


Wastewater System Regulatory Compliance

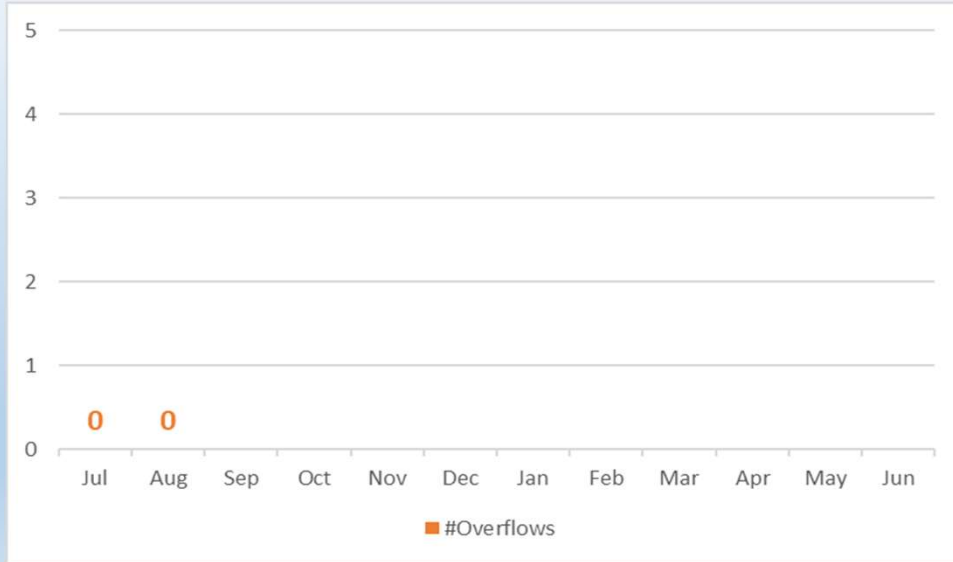


Reclamation Plant – Preventative Maintenance Work Orders

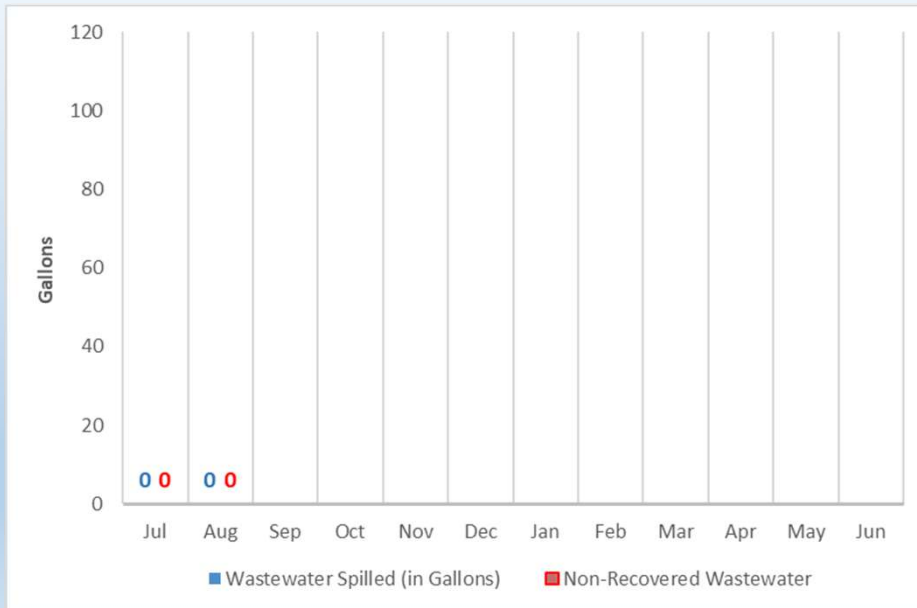




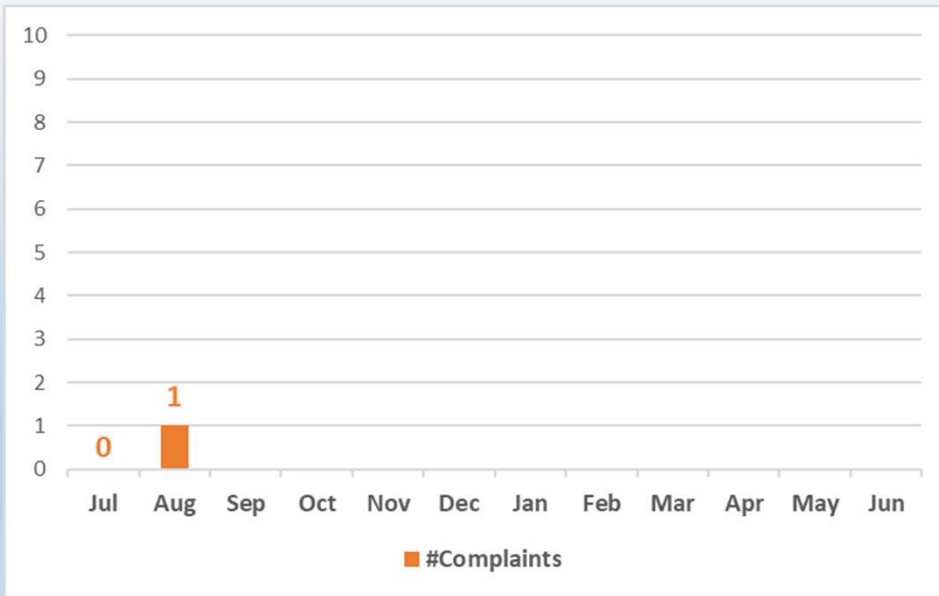
Sewer Overflows



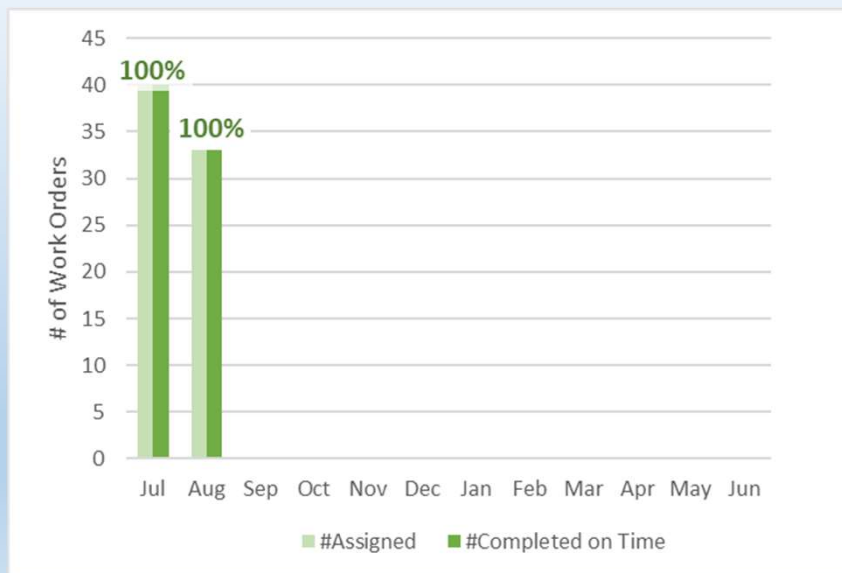
Wastewater Spilled

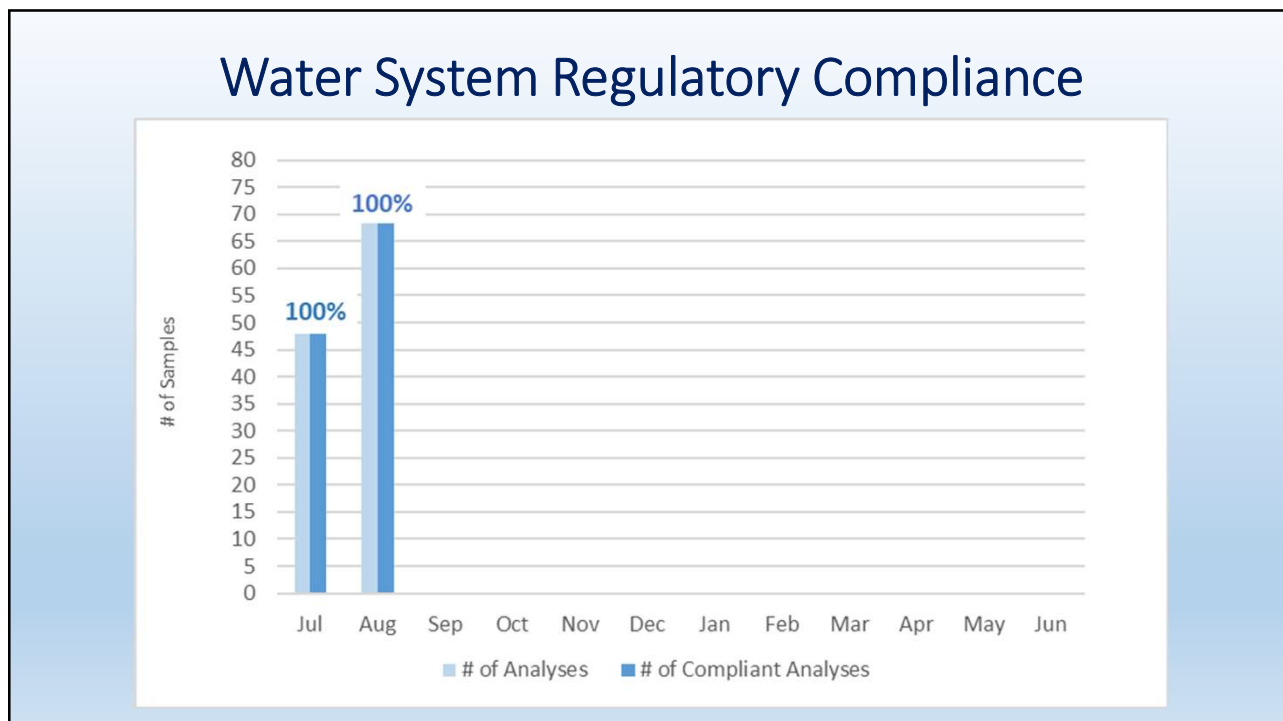
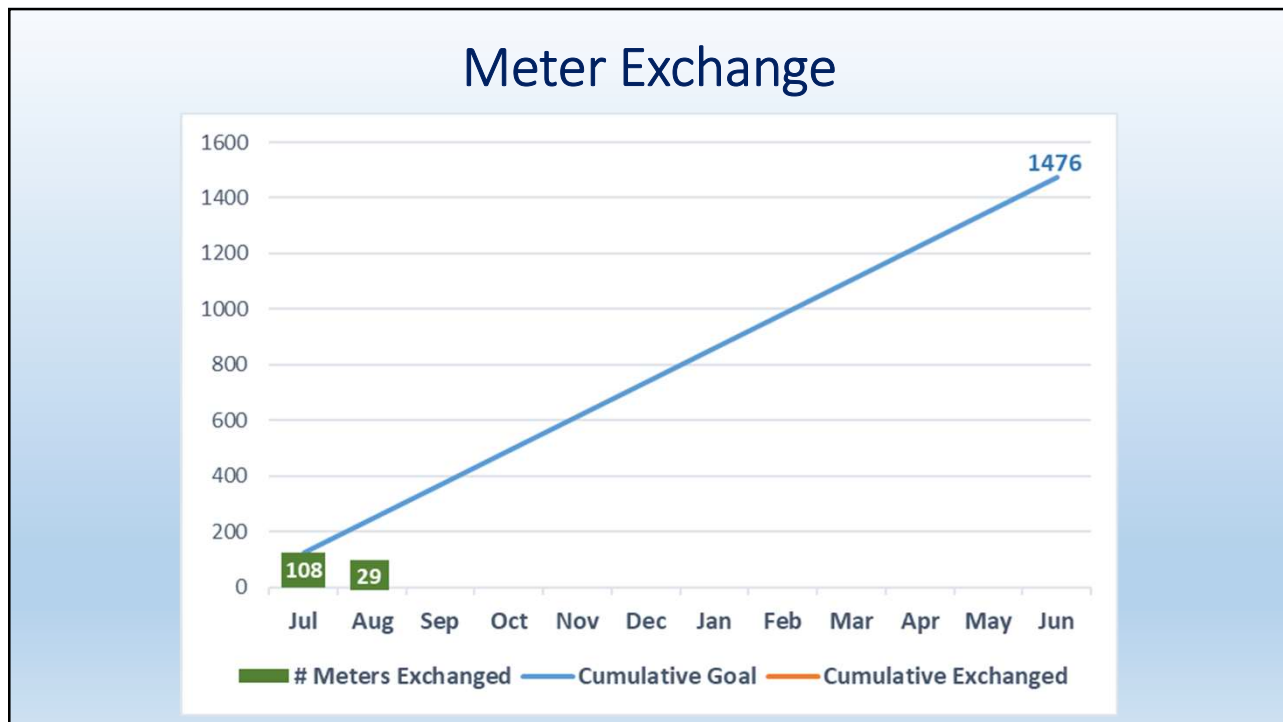


Wastewater System Odor Complaints

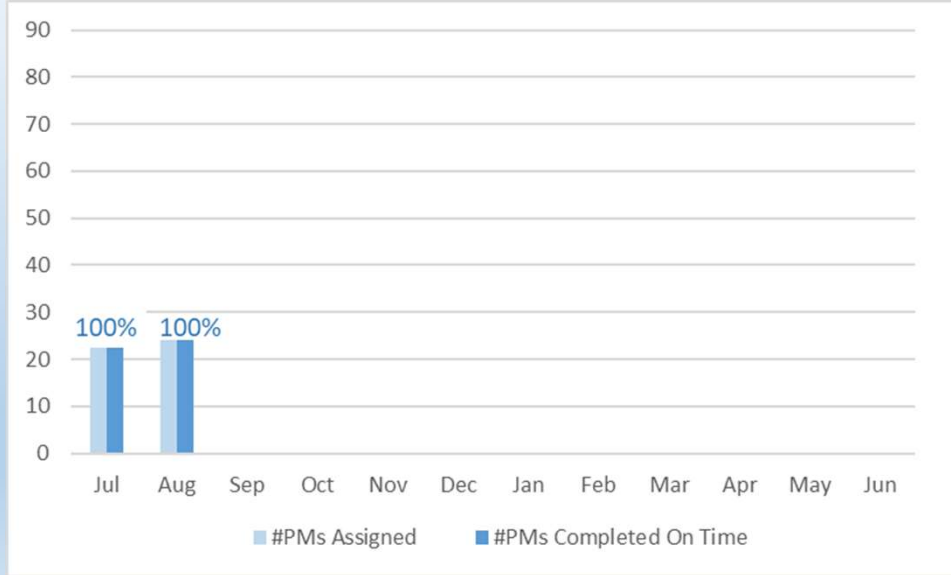


Collections – Preventative Maintenance Work Orders

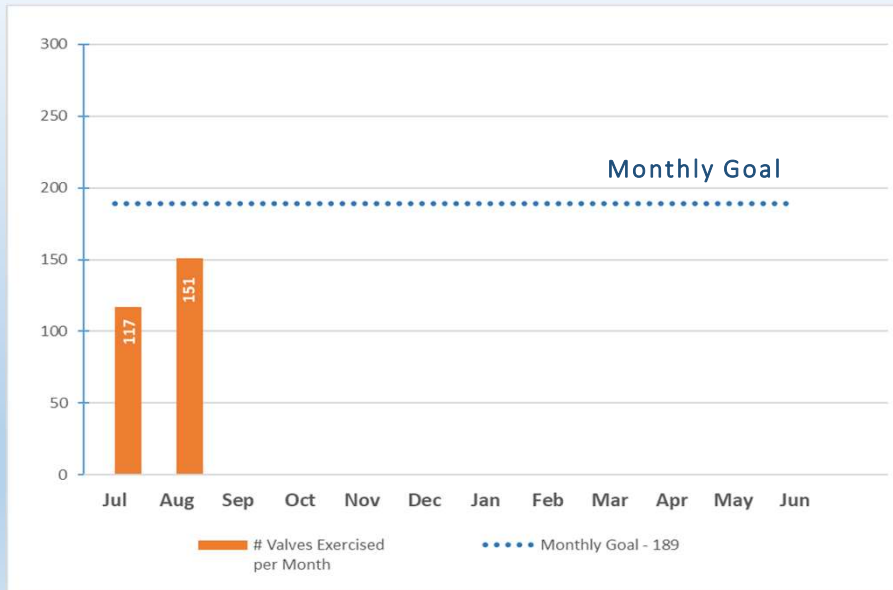


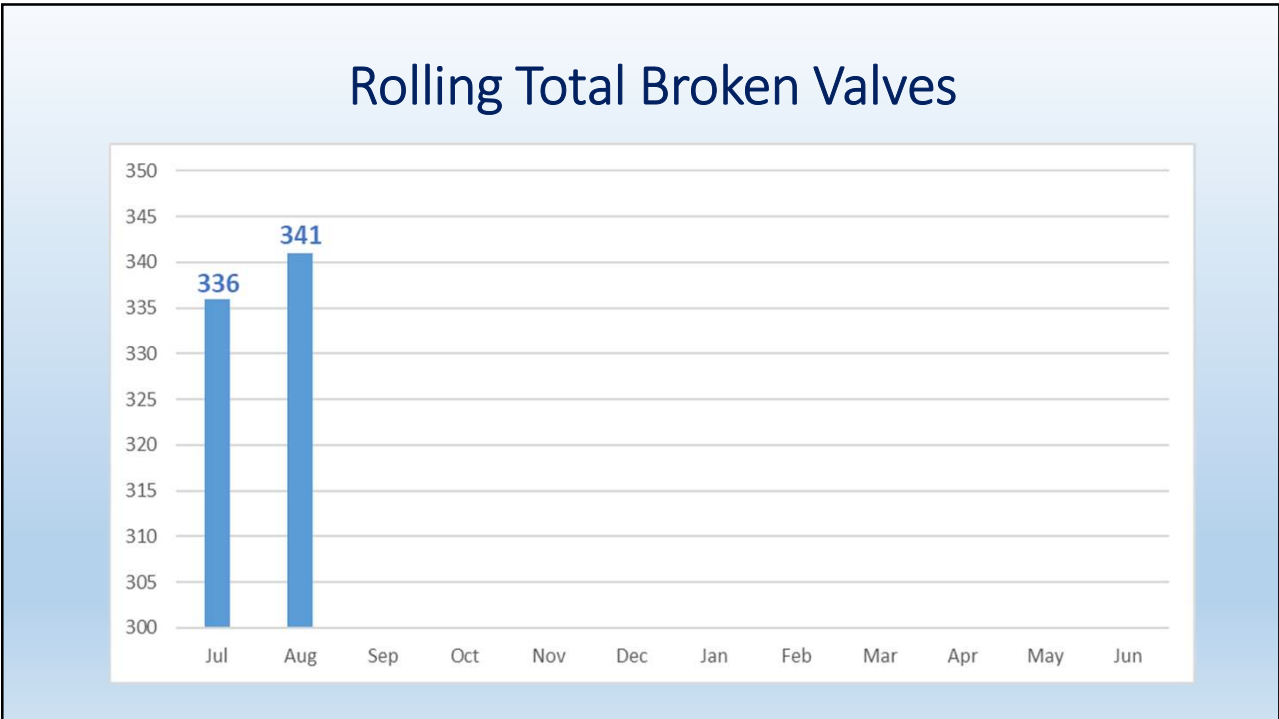
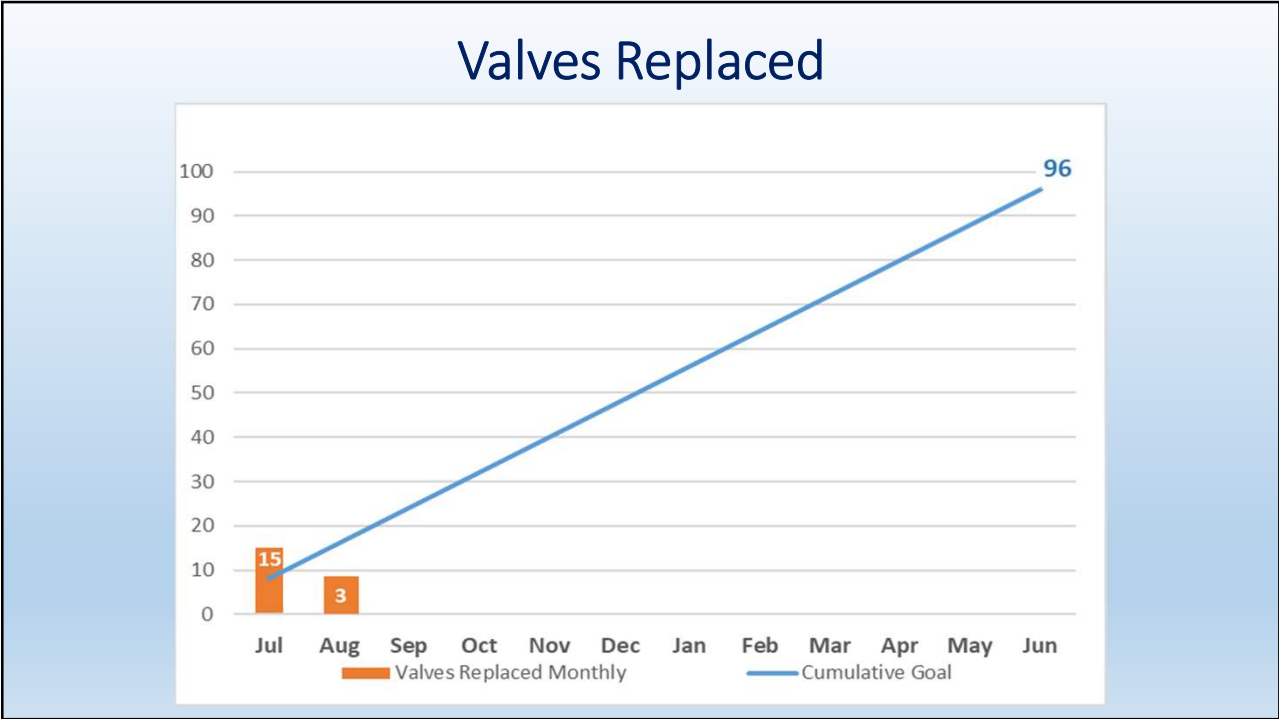


Water Preventative Maintenance Work Orders



Valve Exercise Program

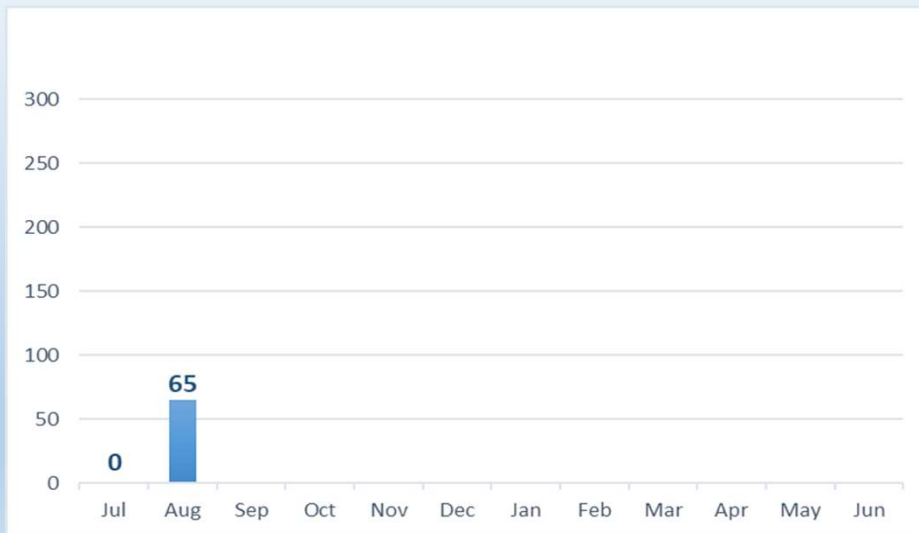




Planned Outages > 4 Hours # of Customers Affected



Unplanned Disruption > 4 Hours # of Customers Affected



M E M O

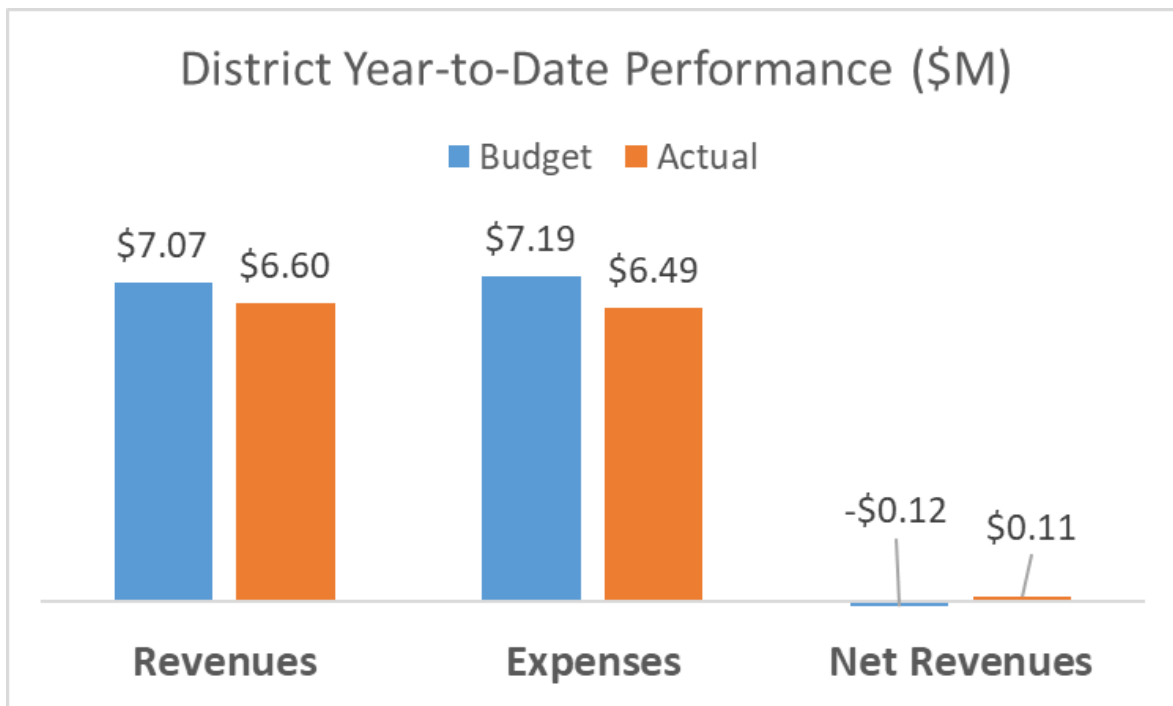
TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: September 28, 2020
SUBJECT: Financial Summary Report – August

Purpose

Provide an overview of changes in the District’s financial position.

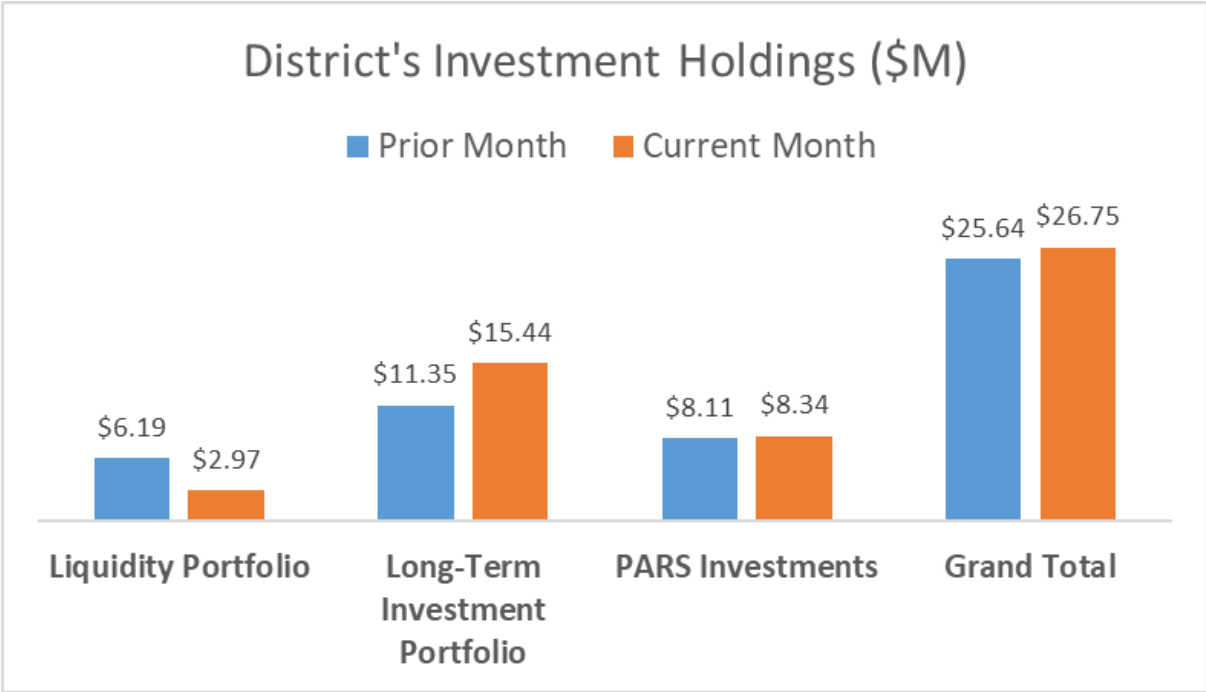
Summary

The graph below shows the District’s year-to-date Revenues, Expenditures and Net revenues.



This is the second period of Fiscal Year 2020-2021. While there are some variances between actual and budget, the District is on track with its Budget. As more data is available for the year, trends can be identified and potential issues addressed. The overall financial performance, after adjusting for expected State reimbursement, is slightly better than Budget.

The graph below shows the District’s bank holdings reported in the Treasurer’s Report at the end of the current and prior month.



Overall the District's financial position increased this month with \$1.1 million more held in District accounts at month end. At the end of the month, the District received a reimbursement check from the State for \$5.35 million. In August, the District paid \$5.14 million to contractors for the Santa Margarita Conjunctive Use Project. The reduction in the Liquidity Portfolio is largely due to the transfer of Long-Term Investment Portfolio funds that were held in that portfolio at last month end due to the timing of the State reimbursement to the LAIF account.

Recommended Action

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

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: September 28, 2020
SUBJECT: Treasurer's Report

Purpose

Provide the August 2020 Treasurer's Report. Confirm that the District's investment portfolio is in compliance with the Investment Policy and that the District is able to meet the expenditure requirements for the next 6-months.

Notes

The District received a significant reimbursement for Santa Margarita Conjunctive Use Project (SMCUP) expenditures from the State at the end of August. As a result, the LAIF Account was replenished as were some operating funds. The District continues to carefully manage its working capital to ensure its ability to meet its financial commitments. The next scheduled payment to the SMCUP contractors is for \$5.24 million.

Summary

Treasurer's Report Aug 31, 2020

Account	Beginning Balance	Ending Balance
Operating Fund	\$ 19,525	\$ 19,525
Money Market	\$ 4,056,083	\$ 1,941,044
CAMP Account	\$ 2,113,323	\$ 1,013,756
<i>District's Liquidity Portfolio</i>	\$ 6,188,931	\$ 2,974,325
PFM Managed Long-term Investment Portfolio*	\$ 11,259,351	\$ 11,257,269
LAIF (Long-term Reserves)	\$ 87,762	\$ 4,182,762
PARS (OPEB & Pension Trust)**	\$ 8,105,134	\$ 8,338,823
<i>District Accounts Total</i>	\$ 25,641,178	\$ 26,753,179

*\$6.21M of funds are from the sale of the Santa Margarita properties.

**\$3.78M of funds are from the sale of the Santa Margarita Properties.



Dave Shank

September 28, 2020



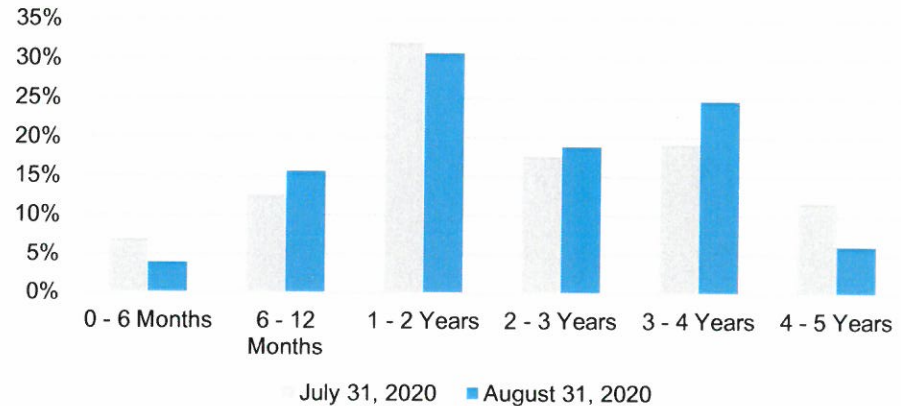
Fallbrook Public Utilities District - Holdings Summary

Security Type	July 31, 2020	August 31, 2020	Change (\$)	Change (%)
U.S. Treasury	\$5,884,653.16	\$5,873,574.23	(\$11,078.93)	-0.2%
Municipal	\$172,929.10	\$172,597.60	(\$331.50)	-0.2%
Federal Agency CMO	\$113,616.17	\$113,435.01	(\$181.16)	-0.2%
Corporate Note	\$3,542,992.07	\$3,537,026.77	(\$5,965.30)	-0.2%
Negotiable CD	\$281,615.60	\$281,149.68	(\$465.92)	-0.2%
Asset-Backed Security	\$762,694.57	\$748,144.41	(\$14,550.16)	-1.9%
Securities Total	\$10,758,500.67	\$10,725,927.70	(\$32,572.97)	-0.3%
Money Market Fund	\$500,850.82	\$531,341.46	\$30,490.64	6.1%
Total Investments	\$11,259,351.49	\$11,257,269.16	(\$2,082.33)	0.0%

Summary

FY 20-21 Accrual Earnings	\$39,433.14
Yield to Maturity at Cost	2.21%
Weighted Average Maturity (Years)	2.08

Maturity Distribution





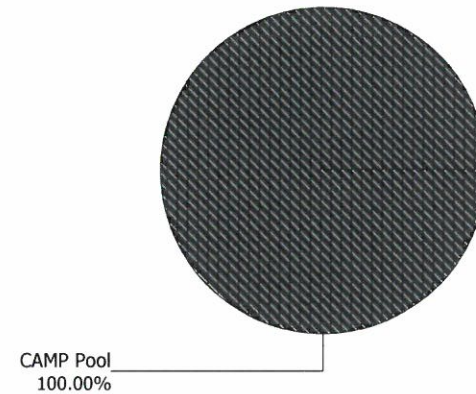
Account Statement - Transaction Summary

For the Month Ending **August 31, 2020**

Fallbrook Public Utility District - Liquidity - 6050-004

CAMP Pool	
Opening Market Value	2,113,322.86
Purchases	433.63
Redemptions	(1,100,000.00)
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	\$1,013,756.49
Cash Dividends and Income	433.63

Asset Summary		
	August 31, 2020	July 31, 2020
CAMP Pool	1,013,756.49	2,113,322.86
Total	\$1,013,756.49	\$2,113,322.86
Asset Allocation		





Account Statement

For the Month Ending **August 31, 2020**

Fallbrook Public Utility District - Liquidity - 6050-004

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					2,113,322.86
08/20/20	08/20/20	Redemption - Outgoing Wires	1.00	(1,100,000.00)	1,013,322.86
08/31/20	09/01/20	Accrual Income Div Reinvestment - Distributions	1.00	433.63	1,013,756.49
Closing Balance					1,013,756.49

	Month of August	Fiscal YTD July-August
Opening Balance	2,113,322.86	2,562,568.92
Purchases	433.63	1,187.57
Redemptions (Excl. Checks)	(1,100,000.00)	(1,550,000.00)
Check Disbursements	0.00	0.00
Closing Balance	1,013,756.49	1,013,756.49
Cash Dividends and Income	433.63	1,187.57

Closing Balance	1,013,756.49
Average Monthly Balance	1,687,530.40
Monthly Distribution Yield	0.30%



Managed Account Security Transactions & Interest

For the Month Ending August 31, 2020

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST											
	08/01/20	08/01/20	BOEING CO NOTES DTD 07/31/2019 2.300% 08/01/2021	097023CL7	45,000.00	0.00	517.50	517.50			
	08/01/20	08/01/20	CHARLES SCHWAB CORP NOTES DTD 10/31/2018 3.550% 02/01/2024	808513AY1	145,000.00	0.00	2,573.75	2,573.75			
	08/01/20	08/25/20	FHLMC SERIES K721 A2 DTD 12/01/2015 3.090% 08/01/2022	3137BM6P6	110,000.00	0.00	283.25	283.25			
	08/03/20	08/03/20	MONEY MARKET FUND	MONEY0002	0.00	0.00	19.41	19.41			
	08/05/20	08/05/20	IBM CORP CORP NOTES DTD 02/06/2018 2.650% 02/05/2021	44932HAG8	140,000.00	0.00	1,855.00	1,855.00			
	08/11/20	08/11/20	BANK OF NY MELLON CORP CORP NOTES DTD 08/13/2018 3.450% 08/11/2023	06406RAJ6	150,000.00	0.00	2,587.50	2,587.50			
	08/15/20	08/15/20	JDOT 2018-A A3 DTD 02/28/2018 2.660% 04/15/2022	47788CAC6	13,989.56	0.00	31.01	31.01			
	08/15/20	08/15/20	COPAR 2019-1 A3 DTD 05/30/2019 2.510% 11/15/2023	14042WAC4	40,000.00	0.00	83.67	83.67			
	08/15/20	08/15/20	JOHN DEERE ABS 2017-B A3 DTD 07/15/2017 1.820% 10/15/2021	47788BAD6	2,775.93	0.00	4.21	4.21			
	08/15/20	08/15/20	COMET 2019-A2 A2 DTD 09/05/2019 1.720% 08/15/2024	14041NFU0	285,000.00	0.00	408.50	408.50			
	08/15/20	08/15/20	DCENT 2019-A3 A DTD 10/31/2019 1.890% 10/15/2024	254683CM5	120,000.00	0.00	189.00	189.00			
	08/15/20	08/15/20	HAROT 2018-1 A3 DTD 02/28/2018 2.640% 02/15/2022	43814UAC3	54,153.88	0.00	119.14	119.14			
	08/15/20	08/15/20	JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	30,000.00	0.00	55.25	55.25			
	08/15/20	08/15/20	ALLY ABS 2017-4 A3 DTD 08/23/2017 1.750% 12/15/2021	02007FAC9	13,068.32	0.00	19.06	19.06			
	08/15/20	08/15/20	US TREASURY NOTES DTD 08/15/2018 2.750% 08/15/2021	9128284W7	350,000.00	0.00	4,812.50	4,812.50			
	08/15/20	08/15/20	MBALT 2019-B A3 DTD 11/20/2019 2.000% 10/17/2022	58769QAC5	60,000.00	0.00	100.00	100.00			
	08/16/20	08/16/20	GM FINANCIAL SECURITIZED TERM DTD 07/24/2019 2.180% 04/16/2024	36257PAD0	50,000.00	0.00	90.83	90.83			



Managed Account Security Transactions & Interest

For the Month Ending **August 31, 2020**

FPUD - INVESTMENT PORTFOLIO - 28710100

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
08/21/20	08/21/20	HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	75,000.00	0.00	157.50	157.50			
08/22/20	08/22/20	AMERICAN EXPRESS CO CORP NOTES DTD 02/22/2019 3.400% 02/22/2024	025816CC1	100,000.00	0.00	1,700.00	1,700.00			
08/30/20	08/30/20	WALT DISNEY COMPANY/THE DTD 09/06/2019 1.750% 08/30/2024	254687FK7	145,000.00	0.00	1,268.75	1,268.75			
Transaction Type Sub-Total				1,928,987.69	0.00	16,875.83	16,875.83			
PAYDOWNS										
08/15/20	08/15/20	ALLY ABS 2017-4 A3 DTD 08/23/2017 1.750% 12/15/2021	02007FAC9	4,016.23	4,016.23	0.00	4,016.23	0.05	0.00	
08/15/20	08/15/20	HAROT 2018-1 A3 DTD 02/28/2018 2.640% 02/15/2022	43814UAC3	6,487.14	6,487.14	0.00	6,487.14	0.84	0.00	
08/15/20	08/15/20	JOHN DEERE ABS 2017-B A3 DTD 07/15/2017 1.820% 10/15/2021	47788BAD6	1,079.19	1,079.19	0.00	1,079.19	0.08	0.00	
08/15/20	08/15/20	JDOT 2018-A A3 DTD 02/28/2018 2.660% 04/15/2022	47788CAC6	2,032.25	2,032.25	0.00	2,032.25	0.15	0.00	
Transaction Type Sub-Total				13,614.81	13,614.81	0.00	13,614.81	1.12	0.00	
Managed Account Sub-Total					13,614.81	16,875.83	30,490.64	1.12	0.00	
Total Security Transactions					\$13,614.81	\$16,875.83	\$30,490.64	\$1.12	\$0.00	

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
 P.O. Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001

September 03, 2020

[LAIF Home](#)
[PMIA Average](#)
[Monthly Yields](#)

FALLBROOK PUBLIC UTILITY DISTRICT

TREASURER
 P.O. BOX 2290
 FALLBROOK, CA 92088

[Tran Type](#)
[Definitions](#)

Account Number: 85-37-001

August 2020 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
8/20/2020	8/19/2020	RW	1652640	N/A	DAVID SHANK	-87,000.00
8/26/2020	8/25/2020	RD	1652988	N/A	DAVID SHANK	4,182,000.00

Account Summary

Total Deposit:	4,182,000.00	Beginning Balance:	87,762.14
Total Withdrawal:	-87,000.00	Ending Balance:	4,182,762.14

M E M O

TO: Board of Directors
FROM: David Shank, Assistant General Manager/CFO
DATE: September 28, 2020
SUBJECT: Budget Status Report for Fiscal Year 2020-2021

Purpose

Provide a Budget Status Report (BSR) to the Board.

Summary

The BSR shows the District's financial performance compared to the budget for the month of August, Year-to-Date and the annual budgeted amount. When looking at these data bear in mind that this is the just the second period in the new fiscal year.

Total revenues year-to-date are below budget by 7.8%. This under performance is due to lagging water sales, which as shown in the monthly water sales chart below are 10.4% below budget. Lower than Budgeted revenues were received by both the Wastewater and Recycled Water Services. While these numbers are below budget levels, they are closer to budget than last year at this time.

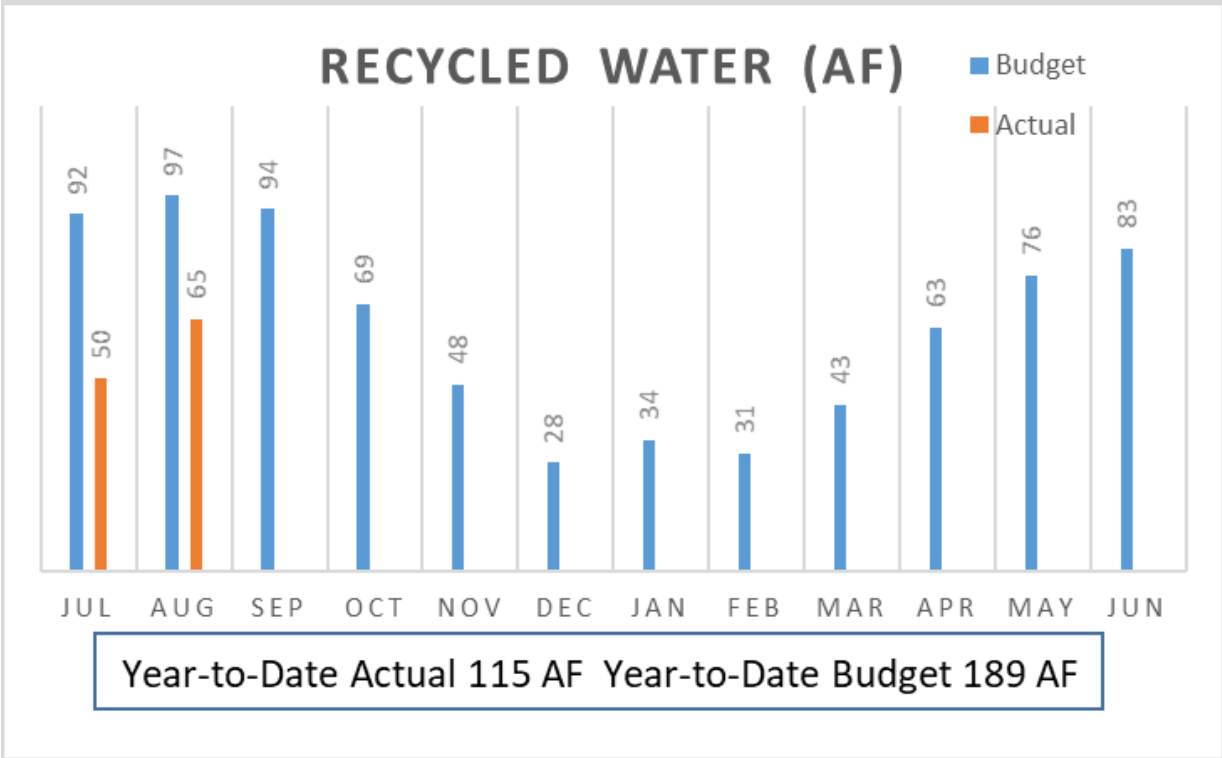
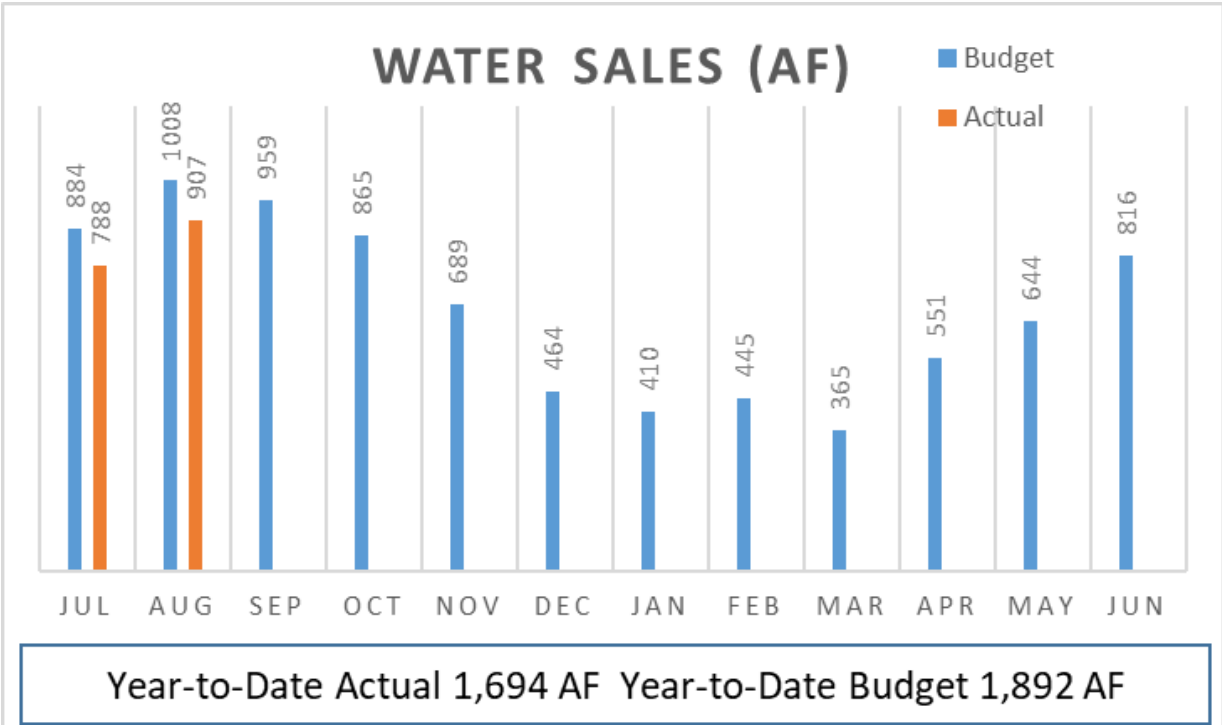
Non-operating revenues are over budget driven by a capacity charge revenues, portfolio interest and other revenues. Non-operating revenues are expected to trend towards budget over the remainder of the year as interest earnings fall and the impact of one time other revenues diminishes.

The District's year-to-date total expenditures are under budget due to the lower than budgeted operating expenses, which is likely a result of less contractual work being executed due to the start of a new fiscal year and the current remote work environment. Purchased water expense is tight to the budgeted levels.

Total revenue is \$6,603,684 or 6.6% under budget and total expenditures are \$5,258,835 or 9.2% under budget. Capital spending for Santa Margarita Conjunctive Use Project (SMCUP) and other capital project costs (PAYGO) are slightly under budget. The result of this financial performance is a slight Net Gain. After adjusting for expected State Loan proceeds, the District's financial results are inline and slightly better than budgeted.

Recommended Action

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



Monthly Budget Report for August

Favorable Variance Shown as a positive number

	Current Month		Year-To-Date				Annual Budget		
	Actual	Budget	Actual	Budget	Variance	%	Budget	Remaining Balance	%
Operating Revenues:								Year remaining	83.3%
Water Sales	1,891,631	2,084,076	3,541,963	3,919,508	(377,545)	-9.6%	17,660,076	14,118,113	79.9%
Water Meter Service Charges	604,795	604,788	1,209,569	1,209,576	(6)	0.0%	7,547,752	6,338,183	84.0%
Wastewater Service Charges	518,964	544,518	1,029,435	1,089,036	(59,601)	-5.5%	6,186,330	5,156,895	83.4%
Recycled Water Revenues	116,186	143,311	210,125	279,780	(69,655)	-24.9%	1,188,242	978,117	82.3%
Other Operating Revenue	-	917	-	1,833	(1,833)	-100.0%	11,000	11,000	100.0%
Total Operating Revenue	3,131,576	3,377,610	5,991,092	6,499,734	(508,641)	-7.8%	32,593,400	26,602,307	81.6%
Non Operating Revenues:									
Water Capital Improvement Charge	116,172	121,273	232,014	242,547	(10,533)	-4.3%	1,455,281	1,223,267	84.1%
Wastewater Capital Improvement Charge	97,912	100,594	195,821	201,189	(5,368)	-2.7%	1,207,132	1,011,311	83.8%
Property Taxes	31,496	14,563	31,496	42,011	(10,515)	-25.0%	2,022,485	1,990,989	98.4%
Water Standby/Availability Charge	3	2	3	3	(1)	-26.1%	204,000	203,998	100.0%
Water/Wastewater Capacity Charges	20,777	7,083	35,520	14,167	21,353	150.7%	85,000	49,480	58.2%
Portfolio Interest	17,322	11,792	48,029	23,583	24,445	103.7%	141,500	93,471	66.1%
Pumping Capital Improvement Charge	2,680	2,730	4,693	5,459	(767)	-14.0%	32,756	28,064	85.7%
Federal Interest Rate Subsidy	-	-	-	-	-	NA	110,677	110,677	100.0%
Facility Rents	29,173	18,333	39,295	36,667	2,628	7.2%	220,000	180,705	82.1%
Other Non-Operating Revenues	14,728	2,500	25,724	5,000	20,724	414.5%	30,000	4,276	14.3%
Total Non Operating Revenues	330,262	278,871	612,592	570,625	41,966	7.4%	5,508,830	4,896,238	88.9%
Total Revenues	3,461,838	3,656,480	6,603,684	7,070,359	(466,675)	-6.6%	38,102,230	31,498,546	82.7%
Expenditures									
Purchased Water Expense	1,195,343	1,570,545	2,962,078	2,983,724	21,646	0.7%	14,012,905	11,050,827	78.9%
Water Services	229,306	245,871	443,233	614,678	171,446	27.9%	3,196,328	2,753,095	86.1%
Wastewater Services	289,512	250,104	537,895	625,259	87,365	14.0%	3,251,348	2,713,453	83.5%
Recycled Water Services	36,005	41,884	58,037	104,710	46,673	44.6%	544,494	486,457	89.3%
Administrative Services	506,845	497,336	1,059,667	1,243,339	183,672	14.8%	6,465,365	5,405,698	83.6%
Total Operating Expenses	2,257,011	2,605,740	5,060,910	5,571,711	510,802	9.2%	27,470,440	22,409,531	81.6%
Debt Service Expenses									
SMCUP SRF	-	-	-	-	-	NA	800,810	800,810	100.0%
Red Mountain SRF	-	-	197,925	197,925	-	0.0%	395,851	197,926	50.0%
WWTP SRF	-	-	-	-	-	NA	1,845,746	1,845,746	100.0%
QECB Solar Debt	-	-	-	-	-	NA	520,642	520,642	100.0%
Total Debt Service	-	-	197,925	197,925	-	0.0%	3,563,048	3,365,123	94.4%
Total Expenses	2,257,011	2,605,740	5,258,835	5,769,636	510,802	8.9%	31,033,488	25,774,654	83.1%
Net Revenue/(loss) From Operations and Debt Service	1,204,827	1,050,741	1,344,850	1,300,723	44,127	3%	7,068,741	5,723,892	81.0%
Capital Investment									
Capital Investment									
Construction Expenditures	968,414	805,083	1,235,583	1,422,667	187,083	13.2%	7,221,750	5,986,167	82.9%
SMCUP Expenditures*	2,332,433	3,749,030	6,192,612	6,627,566	434,954	6.6%	31,900,000	25,707,388	80.6%
SRF Loan Proceeds Draw (Capital Project Funds)**	(2,332,433)	(3,749,030)	(6,192,612)	(6,627,566)	(434,954)	6.6%	(31,900,000)	(25,707,388)	80.6%
Net Revenue/(Loss)	236,412	245,657	109,266	(121,944)	231,210	-189.6%	(153,009)	(262,275)	171.4%

*CIP expenditures related to the SMCUP have been updated based upon contractor draw scheduled and are funded by SRF Loan proceeds.

**YTD Actual amount adjusted to reflect expected State Reimbursement for reporting purposes.

08/31/2020

Treasurer's Warrant No. August

TO: Treasurer of the Fallbrook Public Utility District

The bills and claims listed below are approved as authorized by resolution no. 3538 of the Board of Directors dated July 8, 1985. You are hereby authorized and directed to pay said prospective claims for the amounts stated (less discounts in instances where discounts are allowed).

Payroll -08/2020

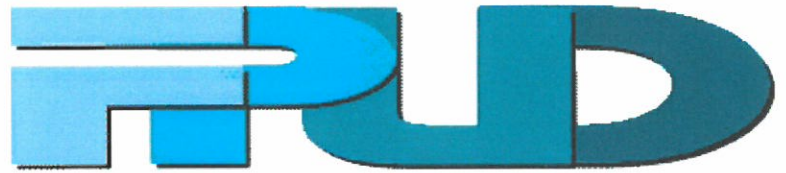
Computer Check Register

Payroll #1	\$136,893.97
Payroll #2	<u>\$151,464.27</u>
	<u>\$288,358.24</u>

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
 Printed: 9/1/2020 1:36 PM



Fallbrook Public Utility District

Purchasing Dept. Phone: (760) 728-1151, Fax: (760) 728-8491

Main Office Phone: (760) 728-1125, Fax: (760) 728-6029

Check No	Vendor No	Vendor Name	Check Date	Check Amount
84170	91200	FIRST BANKCARD	08/06/2020	25.00
84171	00216	PINE TREE LUMBER	08/06/2020	190.01
84172	91286	AMAZON CAPITAL SERVICES, INC.	08/06/2020	1,336.52
84173	91440	BP BATTERY INC	08/06/2020	684.76
84174	91069	BRENNTAG PACIFIC INC.	08/06/2020	1,944.46
84175	91470	CAPIO	08/06/2020	275.00
84176	02925	DATA NET SOLUTIONS	08/06/2020	2,486.25
84177	03391	ELECTRICAL SALES INC	08/06/2020	550.80
84178	05719	ENVIRONMENTAL SYSTEMS RESEAR	08/06/2020	12,500.00
84179	01432	FERGUSON WATERWORKS #1083	08/06/2020	5,347.29
84180	91198	FIRST BANKCARD	08/06/2020	80.00
84181	91200	FIRST BANKCARD	08/06/2020	522.81
84182	06764	G & W TRUCK ACCESSORIES	08/06/2020	1,340.14
84183	02170	GRAINGER, INC.	08/06/2020	762.74
84184	03174	HAAKER EQUIPMENT COMPANY	08/06/2020	360.80
84185	05380	HACH CO	08/06/2020	3,980.49
84186	00190	JCI JONES CHEMICALS INC.	08/06/2020	4,402.19
84187	06243	JIM'S SIGN SHOP	08/06/2020	123.91
84188	05194	LESLIE'S SWIMMING POOL SUPPLIES	08/06/2020	3,943.43
84189	91461	OCEANSIDE SECURITY AGENCY	08/06/2020	2,231.00
84190	04900	PARADISE CHEVROLET CADILLAC	08/06/2020	842.14
84191	03708	PAULEY EQUIPMENT CO INC	08/06/2020	978.11
84192	91568	DAVID PREZA	08/06/2020	1,275.00
84193	00236	SCRAPPYS	08/06/2020	20.00
84194	06064	SOLENIS LLC	08/06/2020	10,428.55
84195	02927	TIM STERGER	08/06/2020	60.00
84196	91385	VERONICA TAMZIL	08/06/2020	60.00
Total for 8/6/2020:				56,751.40
ACH	00152	FPUD EMPL ASSOCIATION	08/13/2020	34.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/13/2020	3,272.79
ACH	06759	STATE OF CA - PR TAXES	08/13/2020	555.95
ACH	06760	STATE OF CA - SDI	08/13/2020	115.20
ACH	06761	LINCOLN FINANCIAL GROUP	08/13/2020	438.55
ACH	06763	PERS - PAYROLL	08/13/2020	2,022.85
ACH	06758	US TREASURY - PAYROLL TAXES	08/13/2020	9,126.50
ACH	06759	STATE OF CA - PR TAXES	08/13/2020	2,098.31
ACH	06760	STATE OF CA - SDI	08/13/2020	201.51
ACH	00152	FPUD EMPL ASSOCIATION	08/13/2020	438.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	08/13/2020	3,375.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/13/2020	50,367.81
ACH	06759	STATE OF CA - PR TAXES	08/13/2020	7,861.99
ACH	06760	STATE OF CA - SDI	08/13/2020	1,857.28
ACH	06761	LINCOLN FINANCIAL GROUP	08/13/2020	7,223.27
ACH	06763	PERS - PAYROLL	08/13/2020	36,051.30
ACH	91508	CALIFORNIA STATE DISBURSEMENT	08/13/2020	346.15

Check No	Vendor No	Vendor Name	Check Date	Check Amount
			Total for 8/13/2020:	125,386.46
84199	02582	EMPLOYMENT DEVELOPMENT DEPT	08/14/2020	7,696.00
84200	90887	LLOYD PEST CONTROL	08/14/2020	489.00
84201	03944	MISSION RESOURCE CONSV DISTRIC	08/14/2020	44.50
84202	00231	SAN DIEGO COUNTY WATER AUTH	08/14/2020	1,157,385.61
84203	91513	ALCHEMY CONSULTING GROUP	08/14/2020	7,500.00
84204	91286	AMAZON CAPITAL SERVICES, INC.	08/14/2020	346.82
84205	91550	AMERICAN BUSINESS BANK	08/14/2020	7,165.58
84206	05088	AT&T	08/14/2020	798.85
84207	91503	BACKGROUNDS ONLINE	08/14/2020	70.10
84208	91429	BSK ASSOCIATES	08/14/2020	3,695.00
84209	03978	CAMERON WELDING SUPPLY	08/14/2020	809.90
84210	UB*00345	THE WILDLANDS CONSERVANCY	08/14/2020	1,083.20
84211	91330	AARON COOK	08/14/2020	375.00
84212	05953	CORODATA RECORDS MANAGEMENT	08/14/2020	702.43
84213	02925	DATA NET SOLUTIONS	08/14/2020	2,313.77
84214	02372	DION INTERNATIONAL	08/14/2020	2,082.50
84215	03391	ELECTRICAL SALES INC	08/14/2020	1,212.19
84216	91569	EUROFINS LANCASTER LABORATOR	08/14/2020	453.60
84217	09523	FALLBROOK EQUIP RENTALS	08/14/2020	705.92
84218	00169	FALLBROOK OIL COMPANY	08/14/2020	5,093.11
84219	00170	FALLBROOK WASTE & RECYCLING	08/14/2020	818.35
84220	01432	FERGUSON WATERWORKS #1083	08/14/2020	993.67
84221	91108	FLEETCREW	08/14/2020	4,370.78
84222	91479	FLW, INC.	08/14/2020	503.72
84223	91232	FTR, LTD	08/14/2020	605.68
84224	02170	GRAINGER, INC.	08/14/2020	770.68
84225	02767	GRANGETTO FARM & GARDEN SUPPI	08/14/2020	166.66
84226	03174	HAAKER EQUIPMENT COMPANY	08/14/2020	1,418.43
84227	UB*00344	A B HASHMI	08/14/2020	639.09
84228	03276	HOME DEPOT CREDIT SERVICES	08/14/2020	1,421.62
84229	06577	INFOSEND INC	08/14/2020	2,296.69
84230	06267	J2 GLOBAL IRELAND LIMITED	08/14/2020	59.91
84231	00190	JCI JONES CHEMICALS INC.	08/14/2020	3,362.44
84232	06243	JIM'S SIGN SHOP	08/14/2020	354.30
84233	06156	LOMACK SERVICE CORPORATION	08/14/2020	797.40
84234	91324	MARIS, LLC	08/14/2020	80.00
84235	91192	MISSION LINEN SUPPLY	08/14/2020	1,046.07
84236	03201	NATIONAL SAFETY COMPLIANCE INC	08/14/2020	636.48
84237	01406	NORTH COUNTY WELDING SUPPLY	08/14/2020	5.59
84238	00370	NUTRIEN AG SOLUTIONS, INC.	08/14/2020	1,258.19
84239	06298	ONESOURCE DISTRIBUTORS, LLC	08/14/2020	13,241.96
84240	91522	PACIFIC HYDROTECH CORP	08/14/2020	136,145.68
84241	01267	PACIFIC PIPELINE	08/14/2020	7,174.39
84242	04900	PARADISE CHEVROLET CADILLAC	08/14/2020	922.77
84243	00216	PINE TREE LUMBER	08/14/2020	152.32
84244	91538	PUDGIL & COMPANY	08/14/2020	5,063.56
84245	06717	RDO EQUIPMENT CO	08/14/2020	9,828.56
84246	06608	ROTARY CLUB OF FALLBROOK	08/14/2020	115.00
84247	00232	SAN DIEGO GAS & ELECTRIC	08/14/2020	49,789.81
84248	00236	SCRAPPYS	08/14/2020	269.82
84249	91563	SD AIR QUALITY INC.	08/14/2020	2,900.00
84250	91223	STERLING HEALTH SERVICES INC.	08/14/2020	125.00
84251	00159	SUPERIOR READY MIX	08/14/2020	564.87
84252	00724	UNDERGROUND SERVICE ALERT	08/14/2020	344.13

Check No	Vendor No	Vendor Name	Check Date	Check Amount
84253	00458	VERIZON WIRELESS	08/14/2020	1,471.49
84254	04290	VILLAGE NEWS, INC.	08/14/2020	495.00
84255	02960	VWR INTERNATIONAL INC	08/14/2020	356.51
Total for 8/14/2020:				1,450,589.70
84256	91499	FILANC ALBERICI A JOINT VENTURE	08/20/2020	4,876,602.70
84257	91500	US BANK NATIONAL ASSOCIATION	08/20/2020	256,663.30
84258	91549	ZAK CONTROLS, INC.	08/20/2020	2,520.00
84259	91477	ADVANCED INDUSTRIAL SOLUTIONS	08/20/2020	725.20
84260	91490	AMAZON WEB SERVICES, INC.	08/20/2020	1,099.09
84261	05615	BOOT WORLD INC.	08/20/2020	126.64
84262	02176	CORELOGIC SOLUTIONS, LLC	08/20/2020	225.00
84263	06675	CORODATA SHREDDING, INC	08/20/2020	64.37
84264	05380	HACH CO	08/20/2020	209.04
84265	06577	INFOSEND INC	08/20/2020	1,489.98
84266	04027	JOES HARDWARE	08/20/2020	1,172.70
84267	90887	LLOYD PEST CONTROL	08/20/2020	249.00
84268	03944	MISSION RESOURCE CONSV DISTRICT	08/20/2020	143.50
84269	90932	NAPA AUTO PARTS	08/20/2020	984.04
84270	01406	NORTH COUNTY WELDING SUPPLY	08/20/2020	5.59
84271	91535	PAYMENTUS GROUP, INC	08/20/2020	5,125.19
84272	06296	ROAD ONE	08/20/2020	630.00
84273	06541	TIFCO INDUSTRIES, INC	08/20/2020	1,127.30
84274	91284	WM CORPORATE SERVICES, INC	08/20/2020	1,723.86
84275	91549	ZAK CONTROLS, INC.	08/20/2020	4,086.00
84276	00101	ACWA JPIA	08/20/2020	98,702.68
84277	91286	AMAZON CAPITAL SERVICES, INC.	08/20/2020	170.94
84278	04995	AMERICAN MESSAGING	08/20/2020	116.17
84279	03134	CALIFORNIA WATER ENVIRONMENT	08/20/2020	283.00
84280	01719	MICKEY M. CASE	08/20/2020	60.00
84281	91272	KEVIN COLLINS	08/20/2020	60.00
84282	UB*00348	DARRELL & CAROL DIWELL	08/20/2020	17.71
84283	05588	ESCONDIDO METAL SUPPLY	08/20/2020	95.20
84284	06303	EXECUTIVE LANDSCAPE INC.	08/20/2020	770.00
84285	91302	ALEX GALLOWAY	08/20/2020	78.78
84286	06286	GARDA CL WEST, INC.	08/20/2020	280.48
84287	UB*00346	AL GEBHART	08/20/2020	149.54
84288	05380	HACH CO	08/20/2020	566.33
84289	06380	JANI-KING OF CALIFORNIA, INC - SA	08/20/2020	2,993.00
84290	UB*00349	PHIL & CANDACE JOHNSON	08/20/2020	264.15
84291	04926	KONICA MINOLTA PREMIER FINANCE	08/20/2020	1,912.53
84292	91427	MITEL CLOUD SERVICES, INC	08/20/2020	1,667.14
84293	91077	MULTI SERVICE TECHNOLOGY SOLU	08/20/2020	1,442.73
84294	06338	MYTHOS TECHNOLOGY INC	08/20/2020	1,903.22
84295	01406	NORTH COUNTY WELDING SUPPLY	08/20/2020	3.29
84296	91461	OCEANSIDE SECURITY AGENCY	08/20/2020	2,231.00
84297	91568	DAVID PREZA	08/20/2020	200.00
84298	UB*00347	ANDREW RAGG	08/20/2020	215.05
84299	91107	SPECTRUM BUSINESS	08/20/2020	122.58
84300	05415	STATE WATER RESOURCE CONTROL I	08/20/2020	120.00
84301	02927	TIM STERGER	08/20/2020	60.00
84302	02926	EDDIE TAYLOR	08/20/2020	412.00
84303	91082	TELETRAC, INC	08/20/2020	2,084.27
84304	06541	TIFCO INDUSTRIES, INC	08/20/2020	141.72
Total for 8/20/2020:				5,272,096.01

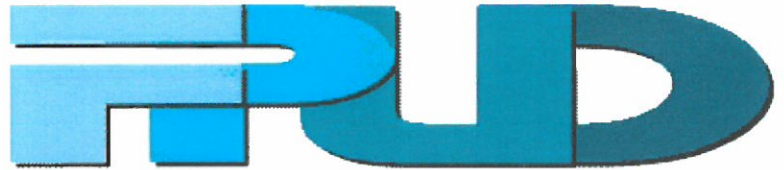
Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	00152	FPUD EMPL ASSOCIATION	08/27/2020	432.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	08/27/2020	3,375.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/27/2020	48,627.36
ACH	06759	STATE OF CA - PR TAXES	08/27/2020	7,484.41
ACH	06760	STATE OF CA - SDI	08/27/2020	1,823.93
ACH	06761	LINCOLN FINANCIAL GROUP	08/27/2020	7,157.44
ACH	06763	PERS - PAYROLL	08/27/2020	35,282.73
ACH	91508	CALIFORNIA STATE DISBURSEMENT	08/27/2020	346.15
ACH	00152	FPUD EMPL ASSOCIATION	08/27/2020	34.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/27/2020	3,074.20
ACH	06759	STATE OF CA - PR TAXES	08/27/2020	529.11
ACH	06760	STATE OF CA - SDI	08/27/2020	106.49
ACH	06761	LINCOLN FINANCIAL GROUP	08/27/2020	438.55
ACH	06763	PERS - PAYROLL	08/27/2020	1,898.03
ACH	06758	US TREASURY - PAYROLL TAXES	08/27/2020	13,355.61
ACH	06759	STATE OF CA - PR TAXES	08/27/2020	2,974.89
ACH	06760	STATE OF CA - SDI	08/27/2020	307.16
84307	91286	AMAZON CAPITAL SERVICES, INC.	08/27/2020	2,301.51
84308	91456	AZTECA SYSTEMS LLC	08/27/2020	18,750.00
84309	91440	BP BATTERY INC	08/27/2020	50.21
84310	03134	CALIFORNIA WATER ENVIRONMENT	08/27/2020	192.00
84311	91210	CORE & MAIN LP	08/27/2020	11,671.23
84312	02925	DATA NET SOLUTIONS	08/27/2020	1,225.10
84313	05192	DIAMOND ENVIRONMENTAL SERVIC	08/27/2020	576.55
84314	91123	DIGITAL DEPLOYMENT, INC.	08/27/2020	550.00
84315	06507	EUROFINS EATON ANALYTICAL INC	08/27/2020	2,400.00
84316	01099	FALLBROOK IRRIGATION INC	08/27/2020	105.44
84317	00169	FALLBROOK OIL COMPANY	08/27/2020	3,906.47
84318	01432	FERGUSON WATERWORKS #1083	08/27/2020	114,322.78
84319	91200	FIRST BANKCARD	08/27/2020	827.91
84320	91323	FIRST BANKCARD	08/27/2020	455.00
84321	91540	FIRST BANKCARD	08/27/2020	2,451.52
84322	05814	GEORGE PLUMBING COMPANY INC	08/27/2020	480.00
84323	00182	GLENNIE'S OFFICE PRODUCTS, INC	08/27/2020	466.08
84324	02170	GRAINGER, INC.	08/27/2020	3,000.00
84325	06329	HILL BROTHERS CHEMICAL COMPAN	08/27/2020	1,730.80
84326	06577	INFOSEND INC	08/27/2020	1,285.99
84327	06359	INFRASTRUCTURE ENGINEERING CO	08/27/2020	1,842.50
84328	05871	ITRON INC	08/27/2020	380.00
84329	06156	LOMACK SERVICE CORPORATION	08/27/2020	933.70
84330	02618	MC MASTER-CARR	08/27/2020	227.79
84331	91461	OCEANSIDE SECURITY AGENCY	08/27/2020	2,231.00
84332	06298	ONESOURCE DISTRIBUTORS, LLC	08/27/2020	308.90
84333	01267	PACIFIC PIPELINE	08/27/2020	2,989.60
84334	04900	PARADISE CHEVROLET CADILLAC	08/27/2020	183.38
84335	91007	PFM ASSET MANGEMENT LLC	08/27/2020	922.74
84336	04075	RAYNE WATER SYSTEMS	08/27/2020	135.00
84337	06717	RDO EQUIPMENT CO	08/27/2020	227.43
84338	04434	SNAP ON TOOLS	08/27/2020	70.58
84339	90929	SOUTHWEST ANSWERING SERVICE, I	08/27/2020	604.48
84340	91571	STATIC ELECTRIC	08/27/2020	5,710.75
84341	00159	SUPERIOR READY MIX	08/27/2020	1,763.61
84342	06541	TIFCO INDUSTRIES, INC	08/27/2020	135.99
84343	91565	UP CASTLE INC	08/27/2020	5,974.44
84344	00458	VERIZON WIRELESS	08/27/2020	1,815.00

<u>Check No</u>	<u>Vendor No</u>	<u>Vendor Name</u>	<u>Check Date</u>	<u>Check Amount</u>
			Total for 8/27/2020:	320,453.04
			Report Total (205 checks):	7,225,276.61

Accounts Payable

Checks by Date - Summary by Check Date

User: annaleceb
 Printed: 9/1/2020 1:36 PM



Fallbrook Public Utility District

Purchasing Dept. Phone: (760) 728-1151, Fax: (760) 728-8491

Main Office Phone: (760) 728-1125, Fax: (760) 728-6029

Check No	Vendor No	Vendor Name	Check Date	Check Amount
84170	91200	FIRST BANKCARD	08/06/2020	25.00
84171	00216	PINE TREE LUMBER	08/06/2020	190.01
84172	91286	AMAZON CAPITAL SERVICES, INC.	08/06/2020	1,336.52
84173	91440	BP BATTERY INC	08/06/2020	684.76
84174	91069	BRENNTAG PACIFIC INC.	08/06/2020	1,944.46
84175	91470	CAPIO	08/06/2020	275.00
84176	02925	DATA NET SOLUTIONS	08/06/2020	2,486.25
84177	03391	ELECTRICAL SALES INC	08/06/2020	550.80
84178	05719	ENVIRONMENTAL SYSTEMS RESEAR	08/06/2020	12,500.00
84179	01432	FERGUSON WATERWORKS #1083	08/06/2020	5,347.29
84180	91198	FIRST BANKCARD	08/06/2020	80.00
84181	91200	FIRST BANKCARD	08/06/2020	522.81
84182	06764	G & W TRUCK ACCESSORIES	08/06/2020	1,340.14
84183	02170	GRAINGER, INC.	08/06/2020	762.74
84184	03174	HAAKER EQUIPMENT COMPANY	08/06/2020	360.80
84185	05380	HACH CO	08/06/2020	3,980.49
84186	00190	JCI JONES CHEMICALS INC.	08/06/2020	4,402.19
84187	06243	JIM'S SIGN SHOP	08/06/2020	123.91
84188	05194	LESLIE'S SWIMMING POOL SUPPLIES	08/06/2020	3,943.43
84189	91461	OCEANSIDE SECURITY AGENCY	08/06/2020	2,231.00
84190	04900	PARADISE CHEVROLET CADILLAC	08/06/2020	842.14
84191	03708	PAULEY EQUIPMENT CO INC	08/06/2020	978.11
84192	91568	DAVID PREZA	08/06/2020	1,275.00
84193	00236	SCRAPPYS	08/06/2020	20.00
84194	06064	SOLENIS LLC	08/06/2020	10,428.55
84195	02927	TIM STERGER	08/06/2020	60.00
84196	91385	VERONICA TAMZIL	08/06/2020	60.00
Total for 8/6/2020:				56,751.40
ACH	00152	FPUD EMPL ASSOCIATION	08/13/2020	34.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/13/2020	3,272.79
ACH	06759	STATE OF CA - PR TAXES	08/13/2020	555.95
ACH	06760	STATE OF CA - SDI	08/13/2020	115.20
ACH	06761	LINCOLN FINANCIAL GROUP	08/13/2020	438.55
ACH	06763	PERS - PAYROLL	08/13/2020	2,022.85
ACH	06758	US TREASURY - PAYROLL TAXES	08/13/2020	9,126.50
ACH	06759	STATE OF CA - PR TAXES	08/13/2020	2,098.31
ACH	06760	STATE OF CA - SDI	08/13/2020	201.51
ACH	00152	FPUD EMPL ASSOCIATION	08/13/2020	438.00
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	08/13/2020	3,375.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/13/2020	50,367.81
ACH	06759	STATE OF CA - PR TAXES	08/13/2020	7,861.99
ACH	06760	STATE OF CA - SDI	08/13/2020	1,857.28
ACH	06761	LINCOLN FINANCIAL GROUP	08/13/2020	7,223.27
ACH	06763	PERS - PAYROLL	08/13/2020	36,051.30
ACH	91508	CALIFORNIA STATE DISBURSEMENT	08/13/2020	346.15

Check No	Vendor No	Vendor Name	Check Date	Check Amount
			Total for 8/13/2020:	125,386.46
84199	02582	EMPLOYMENT DEVELOPMENT DEPT	08/14/2020	7,696.00
84200	90887	LLOYD PEST CONTROL	08/14/2020	489.00
84201	03944	MISSION RESOURCE CONSV DISTRIC	08/14/2020	44.50
84202	00231	SAN DIEGO COUNTY WATER AUTH	08/14/2020	1,157,385.61
84203	91513	ALCHEMY CONSULTING GROUP	08/14/2020	7,500.00
84204	91286	AMAZON CAPITAL SERVICES, INC.	08/14/2020	346.82
84205	91550	AMERICAN BUSINESS BANK	08/14/2020	7,165.58
84206	05088	AT&T	08/14/2020	798.85
84207	91503	BACKGROUNDS ONLINE	08/14/2020	70.10
84208	91429	BSK ASSOCIATES	08/14/2020	3,695.00
84209	03978	CAMERON WELDING SUPPLY	08/14/2020	809.90
84210	UB*00345	THE WILDLANDS CONSERVANCY	08/14/2020	1,083.20
84211	91330	AARON COOK	08/14/2020	375.00
84212	05953	CORODATA RECORDS MANAGEMENT	08/14/2020	702.43
84213	02925	DATA NET SOLUTIONS	08/14/2020	2,313.77
84214	02372	DION INTERNATIONAL	08/14/2020	2,082.50
84215	03391	ELECTRICAL SALES INC	08/14/2020	1,212.19
84216	91569	EUROFINS LANCASTER LABORATOR	08/14/2020	453.60
84217	09523	FALLBROOK EQUIP RENTALS	08/14/2020	705.92
84218	00169	FALLBROOK OIL COMPANY	08/14/2020	5,093.11
84219	00170	FALLBROOK WASTE & RECYCLING	08/14/2020	818.35
84220	01432	FERGUSON WATERWORKS #1083	08/14/2020	993.67
84221	91108	FLEETCREW	08/14/2020	4,370.78
84222	91479	FLW, INC.	08/14/2020	503.72
84223	91232	FTR, LTD	08/14/2020	605.68
84224	02170	GRAINGER, INC.	08/14/2020	770.68
84225	02767	GRANGETTO FARM & GARDEN SUPPI	08/14/2020	166.66
84226	03174	HAAKER EQUIPMENT COMPANY	08/14/2020	1,418.43
84227	UB*00344	A B HASHMI	08/14/2020	639.09
84228	03276	HOME DEPOT CREDIT SERVICES	08/14/2020	1,421.62
84229	06577	INFOSEND INC	08/14/2020	2,296.69
84230	06267	J2 GLOBAL IRELAND LIMITED	08/14/2020	59.91
84231	00190	JCI JONES CHEMICALS INC.	08/14/2020	3,362.44
84232	06243	JIM'S SIGN SHOP	08/14/2020	354.30
84233	06156	LOMACK SERVICE CORPORATION	08/14/2020	797.40
84234	91324	MARIS, LLC	08/14/2020	80.00
84235	91192	MISSION LINEN SUPPLY	08/14/2020	1,046.07
84236	03201	NATIONAL SAFETY COMPLIANCE INC	08/14/2020	636.48
84237	01406	NORTH COUNTY WELDING SUPPLY	08/14/2020	5.59
84238	00370	NUTRIEN AG SOLUTIONS, INC.	08/14/2020	1,258.19
84239	06298	ONESOURCE DISTRIBUTORS, LLC	08/14/2020	13,241.96
84240	91522	PACIFIC HYDROTECH CORP	08/14/2020	136,145.68
84241	01267	PACIFIC PIPELINE	08/14/2020	7,174.39
84242	04900	PARADISE CHEVROLET CADILLAC	08/14/2020	922.77
84243	00216	PINE TREE LUMBER	08/14/2020	152.32
84244	91538	PUDGIL & COMPANY	08/14/2020	5,063.56
84245	06717	RDO EQUIPMENT CO	08/14/2020	9,828.56
84246	06608	ROTARY CLUB OF FALLBROOK	08/14/2020	115.00
84247	00232	SAN DIEGO GAS & ELECTRIC	08/14/2020	49,789.81
84248	00236	SCRAPPYS	08/14/2020	269.82
84249	91563	SD AIR QUALITY INC.	08/14/2020	2,900.00
84250	91223	STERLING HEALTH SERVICES INC.	08/14/2020	125.00
84251	00159	SUPERIOR READY MIX	08/14/2020	564.87
84252	00724	UNDERGROUND SERVICE ALERT	08/14/2020	344.13

Check No	Vendor No	Vendor Name	Check Date	Check Amount
84253	00458	VERIZON WIRELESS	08/14/2020	1,471.49
84254	04290	VILLAGE NEWS, INC.	08/14/2020	495.00
84255	02960	VWR INTERNATIONAL INC	08/14/2020	356.51
Total for 8/14/2020:				1,450,589.70
84256	91499	FILANC ALBERICI A JOINT VENTURE	08/20/2020	4,876,602.70
84257	91500	US BANK NATIONAL ASSOCIATION	08/20/2020	256,663.30
84258	91549	ZAK CONTROLS, INC.	08/20/2020	2,520.00
84259	91477	ADVANCED INDUSTRIAL SOLUTIONS	08/20/2020	725.20
84260	91490	AMAZON WEB SERVICES, INC.	08/20/2020	1,099.09
84261	05615	BOOT WORLD INC.	08/20/2020	126.64
84262	02176	CORELOGIC SOLUTIONS, LLC	08/20/2020	225.00
84263	06675	CORODATA SHREDDING, INC	08/20/2020	64.37
84264	05380	HACH CO	08/20/2020	209.04
84265	06577	INFOSEND INC	08/20/2020	1,489.98
84266	04027	JOES HARDWARE	08/20/2020	1,172.70
84267	90887	LLOYD PEST CONTROL	08/20/2020	249.00
84268	03944	MISSION RESOURCE CONSV DISTRIC	08/20/2020	143.50
84269	90932	NAPA AUTO PARTS	08/20/2020	984.04
84270	01406	NORTH COUNTY WELDING SUPPLY	08/20/2020	5.59
84271	91535	PAYMENTUS GROUP, INC	08/20/2020	5,125.19
84272	06296	ROAD ONE	08/20/2020	630.00
84273	06541	TIFCO INDUSTRIES, INC	08/20/2020	1,127.30
84274	91284	WM CORPORATE SERVICES, INC	08/20/2020	1,723.86
84275	91549	ZAK CONTROLS, INC.	08/20/2020	4,086.00
84276	00101	ACWA JPIA	08/20/2020	98,702.68
84277	91286	AMAZON CAPITAL SERVICES, INC.	08/20/2020	170.94
84278	04995	AMERICAN MESSAGING	08/20/2020	116.17
84279	03134	CALIFORNIA WATER ENVIRONMENT	08/20/2020	283.00
84280	01719	MICKEY M. CASE	08/20/2020	60.00
84281	91272	KEVIN COLLINS	08/20/2020	60.00
84282	UB*00348	DARRELL & CAROL DIWELL	08/20/2020	17.71
84283	05588	ESCONDIDO METAL SUPPLY	08/20/2020	95.20
84284	06303	EXECUTIVE LANDSCAPE INC.	08/20/2020	770.00
84285	91302	ALEX GALLOWAY	08/20/2020	78.78
84286	06286	GARDA CL WEST, INC.	08/20/2020	280.48
84287	UB*00346	AL GEBHART	08/20/2020	149.54
84288	05380	HACH CO	08/20/2020	566.33
84289	06380	JANI-KING OF CALIFORNIA, INC - SAI	08/20/2020	2,993.00
84290	UB*00349	PHIL & CANDACE JOHNSON	08/20/2020	264.15
84291	04926	KONICA MINOLTA PREMIER FINANCE	08/20/2020	1,912.53
84292	91427	MITEL CLOUD SERVICES, INC	08/20/2020	1,667.14
84293	91077	MULTI SERVICE TECHNOLOGY SOLU	08/20/2020	1,442.73
84294	06338	MYTHOS TECHNOLOGY INC	08/20/2020	1,903.22
84295	01406	NORTH COUNTY WELDING SUPPLY	08/20/2020	3.29
84296	91461	OCEANSIDE SECURITY AGENCY	08/20/2020	2,231.00
84297	91568	DAVID PREZA	08/20/2020	200.00
84298	UB*00347	ANDREW RAGG	08/20/2020	215.05
84299	91107	SPECTRUM BUSINESS	08/20/2020	122.58
84300	05415	STATE WATER RESOURCE CONTROL I	08/20/2020	120.00
84301	02927	TIM STERGER	08/20/2020	60.00
84302	02926	EDDIE TAYLOR	08/20/2020	412.00
84303	91082	TELETRAC, INC	08/20/2020	2,084.27
84304	06541	TIFCO INDUSTRIES, INC	08/20/2020	141.72
Total for 8/20/2020:				5,272,096.01

Check No	Vendor No	Vendor Name	Check Date	Check Amount
ACH	00152	FPUD EMPL ASSOCIATION	08/27/2020	432.50
ACH	00718	NATIONWIDE RETIREMENT SOLUTIO	08/27/2020	3,375.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/27/2020	48,627.36
ACH	06759	STATE OF CA - PR TAXES	08/27/2020	7,484.41
ACH	06760	STATE OF CA - SDI	08/27/2020	1,823.93
ACH	06761	LINCOLN FINANCIAL GROUP	08/27/2020	7,157.44
ACH	06763	PERS - PAYROLL	08/27/2020	35,282.73
ACH	91508	CALIFORNIA STATE DISBURSEMENT	08/27/2020	346.15
ACH	00152	FPUD EMPL ASSOCIATION	08/27/2020	34.00
ACH	06758	US TREASURY - PAYROLL TAXES	08/27/2020	3,074.20
ACH	06759	STATE OF CA - PR TAXES	08/27/2020	529.11
ACH	06760	STATE OF CA - SDI	08/27/2020	106.49
ACH	06761	LINCOLN FINANCIAL GROUP	08/27/2020	438.55
ACH	06763	PERS - PAYROLL	08/27/2020	1,898.03
ACH	06758	US TREASURY - PAYROLL TAXES	08/27/2020	13,355.61
ACH	06759	STATE OF CA - PR TAXES	08/27/2020	2,974.89
ACH	06760	STATE OF CA - SDI	08/27/2020	307.16
84307	91286	AMAZON CAPITAL SERVICES, INC.	08/27/2020	2,301.51
84308	91456	AZTECA SYSTEMS LLC	08/27/2020	18,750.00
84309	91440	BP BATTERY INC	08/27/2020	50.21
84310	03134	CALIFORNIA WATER ENVIRONMENT	08/27/2020	192.00
84311	91210	CORE & MAIN LP	08/27/2020	11,671.23
84312	02925	DATA NET SOLUTIONS	08/27/2020	1,225.10
84313	05192	DIAMOND ENVIRONMENTAL SERVIC	08/27/2020	576.55
84314	91123	DIGITAL DEPLOYMENT, INC.	08/27/2020	550.00
84315	06507	EUROFINS EATON ANALYTICAL INC	08/27/2020	2,400.00
84316	01099	FALLBROOK IRRIGATION INC	08/27/2020	105.44
84317	00169	FALLBROOK OIL COMPANY	08/27/2020	3,906.47
84318	01432	FERGUSON WATERWORKS #1083	08/27/2020	114,322.78
84319	91200	FIRST BANKCARD	08/27/2020	827.91
84320	91323	FIRST BANKCARD	08/27/2020	455.00
84321	91540	FIRST BANKCARD	08/27/2020	2,451.52
84322	05814	GEORGE PLUMBING COMPANY INC	08/27/2020	480.00
84323	00182	GLENNE'S OFFICE PRODUCTS, INC	08/27/2020	466.08
84324	02170	GRAINGER, INC.	08/27/2020	3,000.00
84325	06329	HILL BROTHERS CHEMICAL COMPAN	08/27/2020	1,730.80
84326	06577	INFOSEND INC	08/27/2020	1,285.99
84327	06359	INFRASTRUCTURE ENGINEERING CO	08/27/2020	1,842.50
84328	05871	ITRON INC	08/27/2020	380.00
84329	06156	LOMACK SERVICE CORPORATION	08/27/2020	933.70
84330	02618	MC MASTER-CARR	08/27/2020	227.79
84331	91461	OCEANSIDE SECURITY AGENCY	08/27/2020	2,231.00
84332	06298	ONESOURCE DISTRIBUTORS, LLC	08/27/2020	308.90
84333	01267	PACIFIC PIPELINE	08/27/2020	2,989.60
84334	04900	PARADISE CHEVROLET CADILLAC	08/27/2020	183.38
84335	91007	PFM ASSET MANGEMENT LLC	08/27/2020	922.74
84336	04075	RAYNE WATER SYSTEMS	08/27/2020	135.00
84337	06717	RDO EQUIPMENT CO	08/27/2020	227.43
84338	04434	SNAP ON TOOLS	08/27/2020	70.58
84339	90929	SOUTHWEST ANSWERING SERVICE, I	08/27/2020	604.48
84340	91571	STATIC ELECTRIC	08/27/2020	5,710.75
84341	00159	SUPERIOR READY MIX	08/27/2020	1,763.61
84342	06541	TIFCO INDUSTRIES, INC	08/27/2020	135.99
84343	91565	UP CASTLE INC	08/27/2020	5,974.44
84344	00458	VERIZON WIRELESS	08/27/2020	1,815.00

<u>Check No</u>	<u>Vendor No</u>	<u>Vendor Name</u>	<u>Check Date</u>	<u>Check Amount</u>
			Total for 8/27/2020:	320,453.04
			Report Total (205 checks):	7,225,276.61



Jack Bebee

General Manager

Meeting Attendance



Ken Endter 2

Today, 1:01 PM

Lauren Eckert ▾

↻ Reply all | ▾

Inbox

Label: Inbox Policy (1 year) Expires: 9/21/2021 1:01 PM

Lauren;

I hereby authorize Charlie Wolk to attend a meeting, along with Jack Bebee, on September 10th, 2020 with the GM and Board President of the Otay Water District. This authorization will be included in the agenda for the FPUD General Board meeting on the 28th of September 2020.

Sincerely, Kenneth Endter, FPUD Board President

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Kenneth Endter

Name & Location of Function: COWU
Virtual Meeting I.D. #96431122706

Date(s) of Attendance: 9/15/2020

Purpose of Function: Monthly Meeting with business and Guest
COWU Speaker

Sponsoring Organization: COWU

Summary of Conference or Meeting:

Commissioner Brenda Burman - Bureau of
Reclamation. Safety of Employees a priority in
the middle of the pandemic. Mission to deliver
reliable water and power. Deliver water to
31 million people and agriculture, 491 dams and
338 reservoirs. Sixty million acre feet of stored
water can provide 4 years of water. Discussed
the 4 major supplies of water: CO River, Sierra Runoff,
Pacific Ocean, and local supplies i.e. Rivers and aquifers.

Director Signature: [Signature]

Date: 9-15-2020

The Administrative Code requires reports of conferences or meetings for which a director requests per diem or expense reimbursement. Reports must be submitted to the secretary no later than one (1) week prior to the board meeting.

Reports must be submitted before the District will pay per diem or reimbursement for the conference or meeting. Reports are not required for board or committee meetings or meetings with board or committee officers, the general manager, or the general counsel.

FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS

DIRECTOR'S REPORT OF CONFERENCE / MEETING ATTENDANCE

Director Name: Jennifer DeMeo

Name & Location of Function: Council of Water Utilities San Diego County Monthly Meeting at ZOOM virtual meeting

Date(s) of Attendance: Tuesday, September 15, 2020

Purpose of Function: Education

Sponsoring Organization: Metropolitan Water District, Meena Westford

Summary of Conference or Meeting:

Meena Westford of MWD moderated today's Zoom meeting attended by more than 70 attendees. Our speaker was the Commissioner of the Bureau of Reclamation, Brenda Burman. She highlighted the three sources of water for San Diego: Colorado River, Sierra Mountains Runoff, and the Pacific Ocean. Efforts by the Bureau of Reclamation has resulted in four years of runoff, 60 million acre feet. The Drought Contingency Plans were a collaborative effort bringing solutions not crisis. What's next? We have a lot to do. Implementing existing agreements, evaluating effectiveness and documenting progress of existing agreements. The Draft Plan is expected to be out next month. Brenda stressed that we need prudent, science-based management of California's water supply. Moving forward into water storage, there are studies and plans being drafted to raise dams such as Fulsom and Shasta as well as others as the most cost effective way to increase capacity in California.

Brenda was very informative and the meeting was well attended with good questions and answer participation. I look forward to our next meeting.

Director Signature: Jennifer DeMeo

Date: 09/15/2020

The Administrative Code requires reports of conferences or meetings for which a director requests per diem or expense reimbursement. Reports must be submitted to the secretary no later than one (1) week prior to the board meeting.

Reports must be submitted before the District will pay per diem or reimbursement for the conference or meeting. Reports are not required for board or committee meetings or meetings with board or committee officers, the general manager, or the general counsel.