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SAN DIEGO LAFCO

November 6, 2014

Mr. Mike Ott  
Executive Director  
Local Agency Formation Commission  
9335 Hazard Way, Suite 200  
San Diego, CA 92123

Subject: Misrepresentations of Facts by Fallbrook PUD

Dear Mike:

During our meeting on October 30, 2014 I shared with you some examples of misrepresentations of facts that were made by Fallbrook Public Utility District (FPUD) both in newspaper ads and in direct mail campaigns. You asked me to summarize some of these misrepresentations and send them to you for review - this letter is the outcome of that effort.

The following list highlights some of the factual misrepresentations made by FPUD and/or General Manager Brady in public forums over the last few months. These are in no particular order.

- 1. False statement related to negotiations on San Diego County Water Authority (SDCWA) rates:** In both a print ad (Exhibit A) and in a "fact sheet" mailer that FPUD sent out to people who commented on the LAFCO application by FPUD (Exhibit B), FPUD claims to have negotiated lower rates with SDCWA and is passing these savings on to their customer. The reality is that SDCWA does not and has not negotiated any sort of special rate for any member agency. Maureen Stapleton, General Manager of SDCWA indicates this quite clearly in a letter to me in response to my query about this topic (Exhibit C).
- 2. False statements related to FPUD debt.** In the "fact sheet" mailers in Exhibit B, FPUD claims to have a total debt of \$21 Million. However, a review of the FPUD 2013-2014 budget that is published on their web site reveals a different story (Exhibit D):

\$7.2 Million (\$5.57 Million balance) for QECB Solar Loan  
\$28.3 Million SRF Loan for WWTP Upgrades  
\$6.1 Million (\$5.3 Million balance) on Red Mountain SRF loan

All together the balance due on these three add up to nearly \$40 Million – almost double what FPUD reported in their "fact sheet".

- 3. False statements related to Rainbow's budget and operations.** Under the title "Another Growing Concern" within the FPUD "fact sheet" in Exhibit B, FPUD makes an incorrect claim that Rainbow has cut the budget and scaled back services to offset the cost of not continuing in a partnership with FPUD. This is entirely untrue and Mr. Brady knows this is not true because he was involved in the budgeting process while serving as Rainbow GM through the JPA.

In these incorrect statements, Mr. Brady tries to conflate a decrease in a departmental line item in a budget with a decrease in service. The reality is that the finance and customer service departments were merged as part of this budget, so certain costs that used to be in one cost center were shifted to another. Also, the long tenured Finance Manager retired and his replacement has a lower salary so this reflects as a decrease in the Finance department budget. The fleet costs had a year to year drop in costs because in the previous year an expensive backhoe was acquired and the budget in that year was higher than normal. Finally, the drop in Safety and Security is entirely due to the shift of the HR Manager and Administration Assistant salaries from The Safety and Security budget into the Administrative Expenses budget. This also explains the large jump in Administrative expenses that Mr. Brady highlights incorrectly in his "fact sheet".

- 4. Exaggeration of Cost Savings from JPA.** In the print ad from Exhibit A and on numerous occasions at public meetings, FPUD has maintained that the JPA saved "nearly \$1 Million in collaborative savings" over its duration. The reality is that the savings were not nearly that much and were not what could be called collaborative. Gene Buckley, Rainbow's now retired Finance Manager tracked all costs and savings related to consolidation activities and Exhibit E is his summary of these costs ending in March 2014 when the JPA was disbanded.

Mr. Buckley's summary shows a net savings of only \$428,240 through that point in the JPA (0.75 of a Fiscal Year). Had the JPA gone a full year the extrapolated savings would have been a bit over \$570,000 – a far cry from \$1 Million. In addition, the savings are nearly entirely due to unfilled positions at Rainbow which account for a savings of nearly \$600K over the life of the JPA. While one of these positions has been replaced (GM) and another Accounting Tech will be hired on soon, the remainder remain unfilled and are not scheduled to be refilled in the foreseeable future.

In addition, since the Rainbow cost center produced these savings, it would stand to reason that the divisional accounting system should ensure that these cost savings remain within the future Rainbow division of a successor district with only the lease payments for services from the Fallbrook division leaving the Rainbow division. Rainbow ratepayers should be the ones who benefit from these cost savings now and in the future.

- 5. Incorrect Characterization of the Impact of Proposed Governance Structure.** In the print ad in Exhibit A and in numerous public meetings over the last few months, FPUD has told the public that the nature of the governance structure proposed by FPUD would not put Rainbow ratepayers at a disadvantage. This is simply not true for a couple of reasons.

Mr. Mike Ott  
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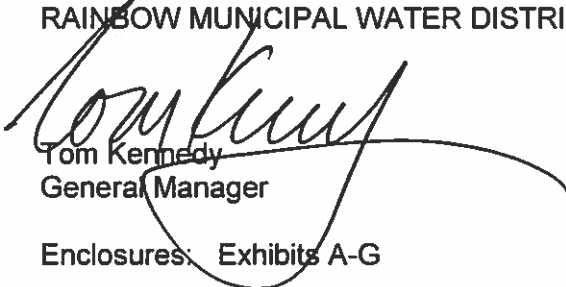
As an analysis done for the JPA demonstrates (Exhibit G), FPUD has a much larger population than Rainbow. The total population of the combined Districts is about 52,000. With four divisions divided evenly by population, each division will have about 13,000 residents. In reviewing the table on Exhibit F, it is clear that the Fallbrook Village area will comprise of at least two seats (Areas 1-4), while Rainbow will get one "full" seat and split the other.

For the three at large seats, again the Fallbrook Village area would dominate based on population, although Rainbow has a higher percentage of registered voters. It is nearly certain that two of the three at large seats will come from the Fallbrook Village area, with a real potential for all three to come from that area. FPUD incorrectly maintains in its print ad that there will only be one seat from the Fallbrook Village area, the fact is that simple math indicates that this core of the Fallbrook area, which is very different in land use and demographics from Rainbow, will dominate the successor district politically. This, as you are aware, is the primary reason that the Rainbow Board of Directors disengaged from the JPA.

The Rainbow Municipal Water District is committed to providing our customers factual information related to this proposed action by FPUD against Rainbow. By using direct mail and email blasts to those who commented on the proposal under consideration by LAFCO, FPUD has spread misinformation in a deliberate attempt to confuse the electorate about the real issues at hand.

Sincerely,

RAINBOW MUNICIPAL WATER DISTRICT



Tom Kennedy  
General Manager

Enclosures: Exhibits A-G

cc: Board of Directors  
General Counsel



# Fallbrook and Rainbow merger update: FOCUSING ON FACTS, NOT POLITICS

The San Diego Local Agency Formation Commission\* (LAFCO) is currently reviewing a proposal to merge the Fallbrook Public Utility District and Rainbow Municipal Water District into a single, more efficient and cost-effective retail water agency.

As most know, after a year-long planning and public outreach effort in 2012 by a joint committee of Rainbow and Fallbrook elected board members, the North County Joint Powers Authority was created to integrate the day-to-day operations of Rainbow and FPUD.

The year 2013 was a great success. The two districts recorded nearly \$1 million in collaborative savings. Joint studies by the districts predicted future savings of over \$2.5 million annually.

We believe it's in all ratepayers' best interests to know the facts regarding the proposed merger of the two districts, rather than merely relying on the current political rhetoric.

Unfortunately, over the past few months, Rainbow's directors have authorized a series of misleading "updates," attempting to discredit the substantial benefits and savings Rainbow and FPUD customers will realize being served by a single district.

Rainbow directors are currently spending hundreds of thousands of dollars of their ratepayers' money launching this negative advertising campaign. They're using both a political lobbyist and a Public Relations firm at a combined cost of \$15,000 per month. Plus, they're paying \$50,000 a month for legal maneuvers to slow down the LAFCO process. And while many are questioning the propriety of these expenditures, it is within the current Rainbow Board's rights to do so. It does not, however, entitle them to make up their own facts about the merger benefits.

Samples of misleading Rainbow director claims:

### CLAIM

*"FPUD is an urban district. Rainbow's agricultural community will face higher water bills because of the merger. This could negatively affect the Fallbrook agricultural sector. A decline in water sales would impact all ratepayers in the reorganized district."*

- Rainbow Board members' comments at Lake Rancho Viejo, June 25, 2014

### FACT

Currently, over 50% of FPUD water sales are to groves and nurseries and the plain truth is that FPUD farmers pay 15% to 20% less for water than Rainbow farmers. The reasons are simple:

- o FPUD sells water to farmers at no markup. Rainbow does.
- o FPUD negotiated a lower wholesale water rate from the San Diego County Water Authority and passes that discount on to all customers.
- o FPUD actively and successfully lobbied the Water Authority to extend the "special agricultural water rate."

The net effect of the merger will be a positive one for the Rainbow farming community.

### CLAIM

*"Takeover by FPUD threatens Rainbow's agricultural users, who would be disenfranchised by the at-large voting system imposed by FPUD, giving downtown Fallbrook voters the*

*power to set rates and policies for farmers and ranchers in the RMWD."*

- George McManigla, RMWD Board President

### FACT

FPUD has proposed to LAFCO that a majority of directors elected to a merged board of directors be from "divisions," not "at large." Further, three of the four proposed divisions will contain the bulk of Fallbrook and Rainbow farming operations, to assure continued representation for our combined agricultural community. Only one division would include the Fallbrook Village area.

LAWSUITS FOR AT Community Information forums planned LARGE

Over the next few months, forums are being planned throughout our communities to inform residents of the progress of this important opportunity to save our water customers money. We hope you will attend.

As a final request, please email LAFCO executive director Mike Ott, [mike.ott@sdcounty.ca.gov](mailto:mike.ott@sdcounty.ca.gov), and encourage LAFCO to comprehensively review and approve the merger proposal before them.

\*Local Agency Formation Commission (or LAFCO) is a political subdivision of the State of California overseeing the formation and development of local governmental agencies. LAFCO's regulatory duties include approving the establishment, expansion, reorganization, and/or elimination of cities and most types of special districts. LAFCO performs its regulatory duties through a series of planning activities and by determining spheres of influence for cities and special districts under its jurisdiction.

**EXHIBIT B**

TO: RAMONE  
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**From:** Brian Brady <bbrady@fpud.com>  
**Sent:** Monday, September 08, 2014 12:20 PM  
**To:** Brian Brady  
**Subject:** [EXTERNAL] RainBow/Fallbrook Merger Update  
**Attachments:** Merger Update09052014.pdf

**To Those Commenting on the Rainbow/Fallbrook Merger:**

Thank you for taking time to express your views to the Local Agency Formation Commission (LAFCO) on the proposed merger of the Fallbrook Public Utility District (FPUD) and the Rainbow Municipal Water District (Rainbow).

We, at FPUD, appreciate your interest and willingness to participate in the process. We believe that the ratepayer savings to be gained by the two districts becoming a single agency have significant merit; however, we also are listening to those of you who have voiced some genuine concerns.

At this point in time, we may have differing views about the value of the merger proposal. But I think you will agree that having a clear understanding, based on balanced facts, is the foundation for the best decisions. With that thought in mind, I've attached "Rainbow and FPUD Merger Notes" which address some of the concerns that were expressed in many of the emails that opposed combining districts.

I hope you find the information useful as you continue to weigh the pros and cons. If for any reason you wish to be removed from this email distribution list, just click reply and let me know.

Sincerely,

Dr. Brian J. Brady  
General Manager  
Fallbrook Public Utility District  
990 East Mission Road  
Fallbrook, CA 92088-2290  
Office: (760) 728-1125  
FAX: (760) 728-5943  
Mobile: (760) 421-1361  
email: [bbrady@fpud.com](mailto:bbrady@fpud.com)

**EXHIBIT B**

09/05/14

**Rainbow and FPUD Merger Notes:**

Last year, the Fallbrook Public Utility District (FPUD) and the Rainbow Municipal Water District (Rainbow) joined forces, bringing together the two to achieve the goal of creating a consolidated, more efficient governmental agency. Mutual operating agreements were signed, allowing the districts to share employees, equipment and other resources.

The 2013 integration results exceeded expectations. Savings of nearly \$1 million were achieved in 11 months. Forecasts by both districts predicted that a completely merged agency would reduce the annual costs to ratepayers by more than \$2.5 million per year.

Progress was stopped in March by Rainbow's board as it withdrew from the mutual operating agreements. The issue was the red tape of governance: whether board members would be elected "at large", or "by district" to the new merged agency.

The FPUD board voted to ask the San Diego Local Agency Formation Commission (LAFCO) to study and decide whether to merge the two districts. Based on that request, LAFCO is currently reviewing the merits of combining FPUD and Rainbow into a single, more cost-effective retail water agency.

Facts are vital to making sound, long-term decisions. And no more so than when considering changes to essential government services such as community water supplies.

The following is list of concerns raised within Rainbow board-sponsored outreach materials about the merger of Rainbow and Fallbrook districts. Factual responses are provided below each concern.

**Concern:**

*Rainbow is a low-debt, budget-conscious district that has reduced operating costs and prevented rate hikes, while FPUD has amassed significant debt and has a poor record for long-term financial planning.*

**Facts:**

Rainbow and FPUD have comparable financing structures. The approximate current outstanding long term debt for each district:

- Rainbow: \$18 million (effective interest rate is 2.09%)
- FPUD: \$21 million (effective interest rate is 2.07%)

**EXHIBIT B**

09/05/14

Overall water bill comparisons by district at July 1, 2014:

- Domestic customers: Rainbow 10% to 25% higher cost than FPUD
- Agricultural customers: Rainbow 15% to 20% higher cost than FPUD

**Concern:**

*FPUD could use Rainbow's \$100 million in assets to leverage more borrowing for FPUD's future construction needs.*

**Facts:**

The short answer to this concern is that neither district could or would use the other district's operating assets as collateral for loans. There are several practical reasons:

- Both districts borrow most or all of their construction funds from the state of California. The state requires a pledge of revenues, not assets, to secure loans. Assets have no value in the process.
- From a financial planning perspective, operating assets (pipes, pumps, reservoirs, trucks and buildings) are considered long-term liabilities because they depreciate, wear out or become obsolete...having to be replaced. Therefore, they represent significant future costs, not collateral.
- California state law and governmental accounting rules prohibit the burdening of one group of ratepayers (e.g. Rainbow) with the obligations of another group of ratepayers (e.g. FPUD). Divisional accounting procedures requested in FPUD's LAFCO merger proposal prevent these types of cross-subsidies.

**Concern:**

*RMWD requires two-thirds voter approval before the District can take on additional public debt. A merger would eliminate this voter-approved requirement.*

**Facts:**

In Fallbrook PUD's merger proposal to LAFCO, no request was made to eliminate the two-thirds voter approval requirement (Ordinance 95-1) before increasing public debt within the current Rainbow service territory. It is expected that LAFCO will continue the requirement in the merger terms and conditions.

**EXHIBIT B**

09/05/14

**Concern:**

*FPUD is an urban district. Rainbow's agricultural community will face higher water bills because of the merger. This could negatively affect the Rainbow agricultural sector.*

**Facts:**

Currently, over 50% of FPUD water sales are to groves and nurseries and FPUD farmers pay 15% to 20% less for water than Rainbow farmers. The reasons are clear-cut:

- FPUD sells water to farmers at no mark-up. Rainbow does.
- FPUD negotiated a lower wholesale water rate from the San Diego County Water Authority and passes that discount on to all customers.
- FPUD actively and successfully lobbied the Water Authority to extend the "special agricultural water rate."

The net effect of the merger will be a positive one for the Rainbow farming community.

**Concern:**

*A merger with FPUD threatens Rainbow's agricultural users, who would be disenfranchised by the at-large voting system imposed by FPUD, giving downtown Fallbrook voters the power to set rates and policies for farmers and ranchers in the RMWD.*

**Facts:**

FPUD has proposed to LAFCO that a majority of directors elected to a merged board of directors be from "divisions," not "at large." Further, three of the four proposed divisions will contain the bulk of Fallbrook and Rainbow farming operations, to assure continued representation for our combined agricultural community. Only one division would include the Fallbrook Village area.

**Concern:**

*Employees of FPUD receive pension and healthcare benefits nearly twice as costly as those received by their counterparts at RMWD, so a merger would force RMWD ratepayers to subsidize these more generous benefits.*



**EXHIBIT B**

09/05/14

**Facts:**

FPUD and Rainbow make nearly identical employer contributions to employee retirement and healthcare benefits plans. For example, retirement plan contributions<sup>1</sup>, as a percent of salaries, are shown below:

- Rainbow current contribution to CalPERS: 15.7% (16.7% in 2015)
- Fallbrook current contribution to CalPERS: 16.6%<sup>2</sup>

**Another Growing Concern:**

Rainbow's 2014-15 budget<sup>3</sup>, released last month, reflects the negative impact of the Board's March decision to break off its partnership with FPUD.

Administrative expenses will jump nearly three-quarters of a million dollars (over 70%) absent the benefits of shared management. Also, buried in that increase are the expenses for political lobbying, public relations and legal services to oppose the merger process.

More alarming, however, are the budget cuts imposed by the Rainbow Board to offset these spending increases. Essential district operations being scaled back include:

- Customer on-site response and repair by 9%
- Finance by 16%
- Customer Service by 17%
- Fleet vehicle maintenance by 18%
- Safety and security by 64%

Comments or questions? Email FPUD general manager Brian Brady at [bbrady@fpud.com](mailto:bbrady@fpud.com).

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1. Source: California Public Employees Retirement System Actuarial Office

2. 0.9% difference represents a survivor pension benefit

3. RMWD website, news/reports: Rainbow Municipal Water District, Budget for Fiscal Year 2014-15, Expense Summary, page 1



**San Diego County Water Authority**

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

October 23, 2014

**Tom Kennedy**  
**General Manager**  
**Rainbow Municipal Water District**  
**3707 Old Highway 395**  
**Fallbrook, CA 92028**

**MEMBER AGENCIES**

- Carlsbad Municipal Water District
  - City of Del Mar
  - City of Escondido
  - City of National City
  - City of Oceanside
  - City of Poway
  - City of San Diego
  - Fallbrook Public Utility District
  - Helix Water District
  - Lakeside Water District
  - Olivenhain Municipal Water District
  - Otay Water District
  - Padre Dam Municipal Water District
  - Camp Pendleton Marine Corps Base
  - Rainbow Municipal Water District
  - Ramona Municipal Water District
  - Rincon del Diabla Municipal Water District
  - San Diego Water District
  - Santa Fe Irrigation District
  - South Bay Irrigation District
  - Vallecitos Water District
  - Valley Center Municipal Water District
  - Vista Irrigation District
  - Yuma Municipal Water District
- OTHER REPRESENTATIVE**
- County of San Diego

**Dear Tom,**

**Thank you for your letter asking for clarification on how the Water Authority sets its wholesale rates to member agencies. Also, congratulations on your appointment as General Manager of Rainbow MWD. We all look forward to working with you and your staff as well.**

**The Water Authority does not and has not negotiated member agency specific rates or charges with any individual member agency. Water Authority rates and charges are set annually by the Board of Directors consistent with Board policy, cost of service principles, and California law. The calculation of wholesale rates contained in the current unbundled rate structure reflects uniformity in application and calculation methodology with respect to all member agencies for purchases of water and use of Water Authority-owned facilities. There are three distinctions that are applied to certain unbundled rate categories.**

- 1) Participants in the Water Authority's Transitional Special Agricultural Water rate are considered to be in a separate class of service defined as commercial agriculture. Those customers are not included in a member agency's cost responsibility calculation for the Storage Charge; they pay the equivalent of MWD's Tier 1 untreated full service rate for supply and do not pay the Water Authority's Melded Supply Rate.**
- 2) Member agencies purchasing treated water from the Water Authority are charged the Melded Treatment Rate in addition to the Melded Supply Rate, and agencies that purchase untreated water pay only the Melded Supply Rate.**
- 3) Member agencies that receive water through turnouts connected to Water Authority-owned pipelines pay the Transportation Rate while member agencies that receive water from pipelines not owned by the Water Authority, but owned by the Metropolitan Water District, do not pay the Transportation Rate for deliveries through meters directly connect to MWD pipelines.**

*A public agency providing a safe and reliable water supply to the San Diego region*

Tom Kennedy  
October 23, 2014  
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These distinctions in application of rate categories are not negotiated rates, but are specific aspects of the rate structure adopted by the Board of Directors. As such, they reflect Board-approved policy and are based on accepted cost of service principles and California law. Because Rainbow and Fallbrook are the only member agencies with turnouts connected to MWD-owned facilities, deliveries to those specific turnouts are not charged the Transportation Rate under the rate ordinance. A copy of the current rate ordinance is attached for your reference.

I hope this information answers your question. Please let me know if you want to discuss further.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Maureen A. Stapleton', written over a horizontal line.

Maureen A. Stapleton  
General Manager

Attachment: 2014 Rate Ordinance

**ORDINANCE NO. 2014-01**

**AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES, AND PROVISION OF SERVICES**

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates, the Board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service"; and

WHEREAS, Subdivision (j) of Section 7 of the County Water Authority Act provides in part, that the Authority's Board of Directors, "as far as practicable, shall fix such rate or rates for water as will result in revenues which will pay the operating expenses of the Authority, provide for required maintenance, and provide for the payment of the interest and principal of the bonded debt;" and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water standby availability charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a System Capacity Charge, water Treatment Capacity Charge, an Infrastructure Access Charge, a Readiness-to-Serve Charge and water rates and charges; and

WHEREAS, the Board of Directors, upon recommendation of the Rate Study Subcommittee and the Fiscal Policy Committee, enacted Ordinance 2002-03, "An Ordinance of the Board of Directors of the San Diego County Water Authority Setting Rates and Charges for the Delivery and Supply of Water, Use of Facilities and Provision of Services", which established a new structure for water rates and charges; and

WHEREAS, the rate structure is incorporated into the Water Authority's Administrative Code as section 5.00.050 of chapter 5.00; and

WHEREAS, since 2002, the Water Authority board of directors has regularly reviewed its budget, fiscal policies, revenue requirements, cost allocations, rates, and charges, and has adopted ordinances and resolutions establishing appropriate rates and charges for delivery and supply of water, use of facilities, and provision of services; and

**WHEREAS, on May 21, 2002, the Authority filed a Notice of Exemption pursuant to the California Environmental Quality Act (CEQA) for the project described as "Establishment of water supply and delivery rates and charges including: Customer Service Charge, Emergency Storage Program Charge, Transportation Rate, Supply Service Charge, Capacity Reservation Charge and Readiness-to-Serve Charge, and maintaining the Infrastructure Access Charge and Standby Availability Charge" stating the project is exempt from the requirements of CEQA pursuant to the statutory exemption of Public Resources Code Section 21080(b)(8) and stating as the reason therefore: "Project involves establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing and leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas."; and**

**WHEREAS, the adoption of this ordinance is exempt from CEQA for the same reason; and**

**WHEREAS, the Finance Department has presented a report dated May 14, 2014 to the Administrative and Finance Committee (the "Report") along with a Desalination Cost Allocation Cost of Service Rate Study dated May 13, 2014 and letter amending the Desalination Cost Allocation Cost of Service Rate Study dated June 9, 2014 by Carollo Engineers (the "Desalination Cost Allocation Study") describing the proposed rates and charges to be collected from the member agencies; and**

**WHEREAS, on June 26, 2014 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the adjustments to the Water Authority's rates and charges as set forth in this ordinance; and**

**WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed; and**

**WHEREAS, the Board of Directors has considered its budget, fiscal policies, and prior rate setting actions, the information contained in the Report, the Desalination Cost Allocation Study, the testimony and other evidence presented during the public hearing, the recommendations of the Administrative and Finance Committee; and**

**WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:**

- 1. The foregoing recitals are true and correct;**
- 2. The rates and charges as proposed and recommended in the Report are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);**
- 3. Any and all protests, if any, to the rates and charges as proposed and recommended in the Reports are overruled;**
- 4. The Report and Desalination Cost Allocation Study are approved;**
- 5. The rates and charges as proposed and recommended in the Report and Desalination Cost Allocation Study are reasonably expected to generate revenues that meet, but do not exceed, the Authority's revenue requirements to fund its capital, operation, maintenance, and other costs, and the allocation of those costs**

to the member agencies and others through the rates and charges are reasonable, fair, and proper.

**NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:**

**1. The Authority's revenues from taxes, water rates and charges consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a standby availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including payments of such charges pursuant to Section 5.3 of the County Water Authority Act; an infrastructure access charge levied pursuant to Section 5.00.050 (c) of the Administrative Code; a System Capacity Charge and a water Treatment Capacity Charge levied pursuant to Section 5.9 of the County Water Authority Act and Ordinance No. 2013-03; and water rates and charges having the following components as described in this ordinance: Customer Service, Storage, Transportation, Treatment and Supply.**

**2. Ad valorem taxes, the standby availability charge and the system and water treatment capacity charges are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until increased or adjusted as provided in this ordinance.**

**3. Commencing January 1, 2015, the amount of the Infrastructure Access Charge to be paid monthly by each member agency of the Authority, shall be \$2.76 per equivalent meter within the territory of the member agency and determined according to Table 1 attached hereto and made a part hereof.**

<b>Table 1 - Infrastructure Access Charge Allocation</b>				
<b>Member Agency</b>	<b>IAC Equivalent Meters (ME) as of 12/31/13<sup>1</sup></b>	<b>Monthly Rate (\$/ME)</b>	<b>CY15 Annual Charge</b>	<b>Monthly Charge</b>
Del Mar, City of	2,496	2.76	82,888	6,889
Fallbrook P.U.D.	11,862	2.76	388,904	32,242
Lakeside W.D.	8,015	2.76	265,452	22,121
Olivenhain M.W.D.	28,465	2.76	942,758	78,563
Padre Dam M.W.D.	26,050	2.76	862,776	71,898
Poway, City of	17,179	2.76	588,968	47,414
Ramona M.W.D.	10,203	2.76	337,920	28,160
San Diego, City of	398,453	2.76	13,130,520	1,094,210
Santa Fe I.D.	10,412	2.76	344,844	28,737
Vallecitos W.D.	28,247	2.76	889,304	72,442
Vista I.D.	35,123	2.76	1,163,268	96,939
<b>Totals</b>	<b>917,630</b>		<b>\$ 30,391,896</b>	<b>\$ 2,532,658</b>

<sup>1</sup>Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.

4. Effective January 1, 2015, the Customer Service Charge is fixed at \$26,400,000. Commencing January 1, 2015 the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 attached hereto and made a part hereof.

**EXHIBIT C**

<b>Table 2 - Customer Service Charge Allocation</b>			
<b>Member Agency</b>	<b>3-Year Average Deliveries (AF)<sup>1</sup></b>	<b>CY15 Annual Charge</b>	<b>Monthly Charge</b>
Del Mar, City of	1,106	\$ 65,069	\$ 5,422
Fallbrook P.U.D.	12,115	712,757	59,396
Lakeside W.D.	3,430	201,796	16,816
Olivenhain M.W.D.	19,545	1,149,883	95,824
Padre Dam M.W.D.	11,583	681,458	56,788
Poway, City of	11,325	666,279	55,523
Ramona M.W.D.	6,285	369,763	30,814
San Diego, City of	172,867	10,170,211	847,519
Santa Fe I.D.	5,238	308,165	25,680
Vallecitos W.D.	16,346	961,677	80,140
Vista I.D.	13,523	795,593	66,299
<b>Contract Water</b>	<b>676</b>	<b>39,770</b>	<b>3,315</b>
<b>Totals</b>	<b>448,731</b>	<b>\$ 26,400,000</b>	<b>\$ 2,200,000</b>

<sup>1</sup>Three-year rolling average of M&I, SAWR and agricultural MWD deliveries (excludes wheeled water) based on FY11-FY13 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

5. Effective January 1, 2015, the Storage Charge is fixed at \$63,200,000. Commencing January 1, 2015 the amount of the monthly Storage Charge to be paid by each member agency to the Authority for Storage as set forth in Table 3 attached hereto and made a part hereof.



**Table 3 - Storage Charge Allocation**

Member Agency	3-Year Average Deliveries (AF) <sup>1</sup>	CY15 Annual Charge	Monthly Charge
Del Mar, City of	1,108	171,124	14,258
Fallbrook P.U.D.	7,844	1,213,650	101,138
Lakeside W.D.	3,430	530,701	44,225
Olivenhain M.W.D.	19,423	3,005,192	250,433
Padre Dam M.W.D.	11,082	1,711,550	142,629
Poway, City of	11,277	1,744,815	145,401
Ramona M.W.D.	4,697	726,736	60,561
San Diego, City of	172,759	26,729,851	2,227,488
Santa Fe I.D.	5,213	806,572	67,213
Vallecitos W.D.	15,383	2,377,015	198,085
Vista I.D.	13,472	2,084,433	173,703
<b>Totals</b>	<b>408,471</b>	<b>\$ 63,200,000</b>	<b>\$ 5,268,667</b>

<sup>1</sup> Three-year rolling average of firm, non-agricultural MWD deliveries based on FY11-FY13 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

6. Effective January 1, 2015, the Transportation Rate is fixed at \$101 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate for deliveries of Water Authority supplies in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate. Payment of the Transportation Rate in connection with the wheeling of third-party water (non-Water Authority supplies) will be determined by an agreement approved by the Board of Directors. Wheeling of third-party water is also subject to a separate administration fee as stated in the agreement.

7. Effective January 1, 2015, the Melded Treatment Rate is fixed at \$278 per acre-foot.

8. (a) Each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California, the Imperial Irrigation District, or other sources of supply that may become available to the Authority (collectively the Supply Charges). It is the intent of the Authority to charge the melded rate for supply

**EXHIBIT C**

representing the cost of water to the Authority for the appropriate class of service. Effective January 1, 2015, the Melded Untreated Supply Rate (Melded Supply Rate) is \$764 per acre-foot to reflect the cost of the supply of untreated municipal and industrial water to the Water Authority.

(b) Effective January 1, 2015 as part of the Supply Charges, each member agency shall pay to the Authority a MWD Capacity Charge determined according to the method as set forth in Table 4 attached hereto and made a part hereof.

Table 4 - Calendar Year 2015 MWD Capacity Charge Allocation							
(Capacity Charge)							
Member Agency	Coincident Peak Week Deliveries (AF) <sup>1</sup>					5-year average share <sup>2</sup>	CY2015 Charge
	8/25/2009	8/24/2010	9/12/2011	7/2/2012	9/3/2013		
Del Mar, City of	34.1	34.9	25.2	32.2	13.4	0.2177%	23,377
Fallbrook P.U.D.	450.8	382.5	415.6	226.8	338.6	2.8249%	303,342
Lakeside W.D.	98.1	90.4	83.9	88.4	86.1	0.7067%	75,888
Olivenhain M.W.D.	563.1	550.3	518.4	604.2	566.6	4.3483%	466,712
Padre Dam M.W.D.	545.6	449.7	454.7	454.8	482.0	3.7184%	399,072
Poway, City of	220.3	333.8	238.6	287.0	353.1	2.2307%	239,536
Ramona M.W.D.	156.8	146.0	170.1	204.7	147.1	1.2841%	137,888
San Diego, City of	4,932.0	5,178.0	4,558.2	4,673.9	4,058.7	36.4268%	3,911,550
Santa Fe I.D.	187.9	145.2	249.0	136.1	314.5	1.8078%	172,648
Vallecitos W.D.	520.3	455.9	488.9	419.5	481.7	3.8187%	388,581
Vista I.D.	300.2	172.8	206.8	348.8	450.7	2.3833%	247,332
<b>Totals<sup>1</sup></b>	<b>14,218.3</b>	<b>12,255.9</b>	<b>12,215.0</b>	<b>12,758.5</b>	<b>12,781.9</b>	<b>100.0000%</b>	<b>\$ 10,738,140</b>

<sup>1</sup> Charge is allocated based on five-year rolling average of member agency deliveries during regional peak weeks. Annual charges and totals may not foot due to rounding.

<sup>2</sup> Percentages shown are rounded. Totals may not foot.

(c) Effective July 1, 2014 as part of the Supply Charges, each member agency shall pay a MWD Readiness-to-Serve Charge determined according to Table 5 attached hereto and made a part hereof.

**Table 5 - Readiness-to-Serve Charge Allocation**

Member Agency	10-Year Average Deliveries (AF) <sup>1</sup>	FY15 RTS Charge <sup>2</sup>	Net Stand-By Charge Credits <sup>3</sup>	FY15 RTS Net Charge	Monthly Charge
Del Mar, City of	1,238	85,575	(24,671)	71,004	5,917
Fallbrook P.U.D.	9,881	763,313	(284,864)	478,449	39,871
Lakeside W.D. <sup>4</sup>	4,017	310,945	(166,671)	144,274	12,023
Olivenhain M.W.D.	21,348	1,652,480	(400,458)	1,252,032	104,336
Padre Dam M.W.D. <sup>4</sup>	13,274	1,027,504	(528,820)	498,684	41,557
Poway, City of	12,873	996,463	(283,772)	712,691	59,391
Ramona M.W.D.	6,410	496,180	(404,197)	91,983	7,685
San Diego, City of	184,884	15,085,430	(4,365,567)	10,719,862	893,322
Santa Fe I.D.	8,020	620,806	(151,674)	469,132	39,084
Vallecitos W.D.	16,842	1,303,693	(438,092)	867,601	72,300
Vista I.D.	16,840	1,288,058	(410,346)	877,710	73,143
Contract Water	742	57,436	69	57,505	4,782
<b>TOTAL</b>	<b>488,410</b>	<b>37,600,887</b>	<b>(11,643,029)</b>	<b>25,957,858</b>	<b>2,168,950</b>

<sup>1</sup>10-year rolling average of firm MWD deliveries based on FY04-FY13 period and rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

<sup>2</sup>Effective date is July 1, 2014.

<sup>3</sup>Net of \$12,692,275 in stand-by charge credits and \$45,246 in MWD administrative fees.

<sup>4</sup>Lakeside W.D. is allocated 23.83% of Padre Dam M.W.D.'s deliveries prior to January 2008. Lakeside W.D.'s deliveries after January 2008 are being metered separately from Padre Dam M.W.D.'s deliveries. Lakeside W.D. is allocated 23.87% of Padre Dam's M.W.D.'s stand-by charge credits based upon parcel count.

(d) This section shall be administered in accordance with the Report approved by this ordinance.

9. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

10. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

11. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until adjusted as provided in this ordinance.

12. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir and of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict).

13. For the purposes of Section 6 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be "water delivered by the Authority through Authority facilities" – DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.

PASSED, APPROVED AND ADOPTED, this 26th day of June, 2014 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES: None

ABSTAIN: None

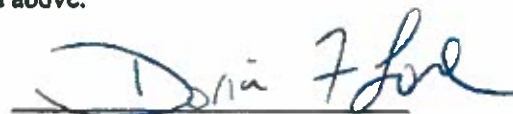
ABSENT: Morrison, Razak, Topolovac (p), Tu, Watkins, and Williams

  
Thomas V. Wornham, Chair

ATTEST:

  
Michael T. Hogan, Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance 2014- 01 was duly adopted at the meeting of the Board of Directors on the date stated above.

  
Doria F. Lore  
Clerk of the Board

**EXHIBIT D****Debt Service Budget Summary**  
Total annual principal and interest payment

<b>WATER DEPT</b> Year Ending <u>June 30</u>	<b>Water Dept</b> <b>Red Mtn SRF</b>	<b>Recycled</b> <b>Dept</b> <b>94 SRF</b>	<b>Wastewater</b> <b>Dept*</b> <b>Solar QECB</b>	<b>Wastewater</b> <b>Dept</b> <b>WWTP SRF</b>	<b>District</b> <b>Totals</b>
2014	395,893	79,326	704,743	883,936	\$ 2,063,898
2015	395,893		712,179	883,936	\$ 1,992,009
2016	395,893		720,029	1,767,872	\$ 2,883,795
<b>Totals</b>	<b>1,187,680</b>	<b>79,326</b>	<b>2,136,951</b>	<b>3,535,745</b>	<b>6,939,702</b>

\*Zero net debt due to CSI rebate & SDG&E offsets

**WATER DEPARTMENT  
Debt Service Budget  
Project Detail**

**Project Title:** Red Mountain State Revolving Fund (SRF)

**Description:** During FY 10-11 the District was granted a loan from the State Revolving Fund (SRF) for the Red Mountain Reservoir upgrade which was completed in Feb. '10. The upgrades, mandated by the EPA required that the Red Mountain Reservoir either be covered or additional water treatment was required. Covering the reservoir was not a feasible project so the District appealed to the EPA and was granted allowance to add ultra violet filtration. Before the upgrades began, the Rice Canyon fire swept through Fallbrook and destroyed the existing Red Mountain chlorination facility. The area was declared a disaster by both Federal and State governments allowing the District to apply for FEMA and CalEMA reimbursement for damages. The District also had the facility insured and received insurance proceeds. The cost to complete the facility totaled \$7.5M.

The Board's original intent was to pay for the facility over time in the future by using the Capital Improvement charge of \$8.00/EMU. Since the SRF funding was available at an attractive interest rate of 2.5707% for 20 years, the District opted to take the \$6,140,437 loan so that revenues from the Capital Improvement charge could be used for other water capital projects. The capital improvement charge and 1% property taxes are a major source of funding for water capital improvements. As the state is in dire need of funds to close the state wide budget gap, legislators are attempting to find a way to permanently take our 1% property tax revenues, another issue considered when the District elected to accept the SRF funds.

**Current Payment Schedule:**

The annual principal and interest payments for the SRF loan is \$395,893 per year which began in FY 11-12.

**Revenue Program:**

Funds to pay the annual principal and interest will come from the Water Dept. 1% property tax revenue. Since the 1% taxes are greater than the annual payment the remainder of tax revenue will be allocated to Water capital improvements. The District will pledge property tax revenue towards the debt in an attempt to restrict the funds and potentially protect the funds from the state tax takeaway.

## EXHIBIT D

and the Wastewater Capital Improvement Charge. For FY 13-14 the estimated revenues required are:

Wastewater 1% Property Taxes	=	\$ 768,000
Wastewater Capital Improvement Chg	=	\$ 0
Transfer from Wastewater Ops	=	\$ 138,600
Transfer from Recycled Ops	=	\$ 92,400
<b>Total Annual Revenue</b>	=	<b>\$ 999,000</b>

### **Revenue Program for payment of Principal and Interest beginning FY 15-16**

Wastewater 1% Property Taxes	=	\$ 800,000
Wastewater Capital Improvement Chg	=	\$ 740,000
Transfer from Wastewater Ops	=	\$ 141,300
Transfer from Recycled Ops	=	<u>\$ 94,320</u>
<b>Total Annual Revenue</b>		<b>\$1,774,647</b>

**WASTEWATER DEPARTMENT  
Debt Service Budget**

**Project Title:** Qualified Energy Conservation Bond (QECC) Solar Project Financing

**Description:** Financing was approved by the Board in FY 10-11 and construction of the project was completed July 1, 2011. Construction consists of using 9.5 acres of existing open and available land at the Wastewater Treatment Plant to install a 1 megawatt solar electric system which will offset approximately 70% of the Treatment Plant's current electrical demand with 100% clean energy.

The capacity is derived by optimizing available open land area while maximizing the CSI (California Solar Initiative) cash rebate capacity cap (1 megawatt) without exceeding the current peak electricity demand at the Wastewater Treatment Plant.

Bond financing closed in November 2010 with the following terms:

- Total Loan: **\$7,227,000**
- Current Average Cost of SDG&E electricity: \$0.125/kWh or \$350,000 per year beginning FY 11-12 and inflated by 3% per year or actual increase. This cost savings will be transferred from the Wastewater Ops dept. to the debt service fund to pay the principal & interest payments. For FY 13-14 \$371,315 will be transferred
- CSI rebate: \$0.32/kWh for five years or approximately \$768,065/year. Funds will be used to pay debt service.
- Loan term: 16.5 years. Principal and Interest payments are accelerated over the first five years to coincide with receipt of the CSI rebate.
- QECC loan issued at a taxable interest rate of 5.74%. The Federal government will pay 70% of this interest rate, or 3.89%. District's applicable rate is the difference between the taxable rate less Federal Direct Pay or 1.85%
  - **As of March 1, 2013 the District was informed by the Internal Revenue Service that as the result of sequestration, payments made by the Federal government toward our QECC bonds may be reduced by 8.7% of the amount of expected Federal Direct Pay. Bond Counsel will be consulted to determine the long term impacts of continued sequestration or the resolution of sequestration.**

**Current Payment Schedule:**

Payments began November 2011 paid semiannually for 16.5 years.



## EXHIBIT D

### Revenue Program:

Repayment of this borrowing comes primarily from three sources, the CSI rebate of \$.032/kWh for the first five years, offsets to SDG&E payments by sewer customers and the Federal subsidy for payment of interest. Each year this project has a positive cash flow and these funds are transferred back into the Wastewater Capital budget.

Additionally the SDG&E offset will be transferred to cover debt service obligations.

Debt Service	Principle	Interest	Total Pymt	Fed Subsidy	Net FPUD Pymt	CSI Rebate	SDG&E Offset	Net Debt	Unamort COI	Restricted Cash Per FY
11/18/2011	207,661	414,830	622,511	281,275	341,236			341,236		
5/18/2012	276,378	201,454	477,832	136,596	341,236	768,065	350,000	(778,829)	10,980	(424,613)
11/18/2012	286,549	193,522	480,071	131,218	348,854			348,854		
5/18/2013	288,197	185,298	474,495	125,641	348,854	764,225	380,500	(775,871)	10,980	(416,038)
11/18/2013	295,387	176,999	472,386	120,014	352,371			352,371		
5/18/2014	298,116	168,521	466,637	114,265	352,371	760,404	371,315	(779,348)	10,980	(415,996)
11/18/2014	304,589	159,965	464,554	108,464	356,090			356,090		
5/18/2015	307,403	151,223	458,626	102,537	356,090	766,802	382,454	(782,967)	10,980	(415,897)
11/18/2015	314,169	142,401	456,569	96,555	360,015			360,015		
5/18/2016	317,071	133,364	450,435	90,441	360,015	752,819	393,928	(788,732)	10,980	(415,735)
11/18/2016	324,593	124,264	448,857	84,271	364,586			364,586		
5/18/2017	332,837	115,837	448,674	78,652	369,022		405,746	(231,140)	10,980	(45,553)
11/18/2017	342,324	107,523	449,847	73,008	374,839			374,839		
5/18/2018	352,649	99,210	451,859	67,444	381,415		417,918	(237,079)	10,980	(45,260)
11/18/2018	363,437	91,895	455,332	61,889	388,443			388,443		
5/18/2019	374,645	84,580	459,225	56,334	395,891		430,456	(243,165)	10,980	(44,895)
11/18/2019	386,269	77,265	463,534	50,779	403,755			403,755		
5/18/2020	398,311	70,950	469,261	45,224	412,037		443,370	(249,401)	10,980	(44,453)
11/18/2020	410,784	64,635	475,419	39,669	421,750			421,750		
5/18/2021	423,607	58,320	481,927	34,114	431,813		456,671	(255,789)	10,980	(43,928)
11/18/2021	436,789	52,005	488,794	28,559	442,235			442,235		
5/18/2022	450,331	45,690	496,021	23,004	453,031		470,371	(262,334)	10,980	(43,317)
11/18/2022	464,244	39,375	503,619	17,449	464,170			464,170		
5/18/2023	478,527	33,060	511,587	11,894	475,693		484,482	(269,038)	10,980	(42,616)
11/18/2023	493,181	26,745	519,926	6,339	487,587			487,587		
5/18/2024	508,305	20,430	528,735	7,884	500,851		499,018	(275,906)	10,980	(41,815)
11/18/2024	523,909	14,115	538,024	13,429	514,595			514,595		
5/18/2025	540,094	7,800	547,894	18,974	526,920		513,987	(282,940)	10,980	(40,913)
11/18/2025	556,859	1,485	558,344	24,519	533,825			533,825		
5/18/2026	574,204	(1,030)	573,174	30,064	543,889		529,408	(290,144)	10,980	(39,902)
11/18/2026	591,629	(1,575)	590,054	35,609	550,444			550,444		
5/18/2027	610,144	(2,120)	608,024	41,154	559,870		545,289	(297,523)	10,980	(38,777)
11/18/2027	628,749	(2,665)	626,084	46,699	566,369			566,369		
								(2,478,821)	175,880	(2,303,141)

**WASTEWATER DEPARTMENT  
Debt Service Budget**

**Project Title:** Wastewater Treatment Works Improvements. Application to apply for SRF funds was approved by the Board in March '11 and the Finance Agreement was signed by the State Water Resources Control Board in November 2012.

**Description:** Rehabilitation Program

Due to the age of the facility a substantial amount of structural rehabilitation and equipment replacement is required. An evaluation of the existing treatment plant was performed to determine the most cost effective method to continue to provide reliable treatment. Once the modifications were determined and prioritized a single comprehensive Rehabilitation Project has been developed to provide another 20+ years of reliable operation. The District has estimated the project design and construction to be in the \$30 million range. Design was completed in FY 12-13 and construction will begin in FY 2013-14 and be completed in FY 2014-15. Principal and Interest payments of \$1,767,875 will begin one year after construction completion. Total financing approved was \$28,357,000 at 2.2% for 20 years.

The following are key assumptions for repayment of principal and interest.

- Wastewater 1% Property Tax revenue to fund the bulk of the debt service.
- Implement a Wastewater Capital Improvement charge in the amount of \$10.00/EDU which will generate \$1,000,000, \$6 or more of which will be allocated to this debt and the other \$4 to wastewater collections systems improvements.
- Transfer a portion of the debt service from Wastewater operations and Recycled operations towards debt.
- During the approximate 30 months of construction, construction interest will accrue on the amounts drawn and be added to the principal balance upon construction's completion. Construction interest will accrue at the loan's 2.2% rate and will be approximately \$394,000.
- Terms of the indebtedness require that a reserve fund in the amount of one year's principal and interest payment, or \$1,767,875 be established. This amount must be established prior to May 2016 (FY 15-16) when principal and interest payments are scheduled to begin. Half of this required reserve will be established during FY 13-14 and the remainder in FY 14-15.

**Revenue Program for establishment of Reserve:**

In order to establish the required reserve fund in the amount of \$1,767,1875 by FY 15-16, half of the funds, or \$884,000 will be reserved in each of two fiscal years, beginning in FY 13-14 and FY 14-15. Repayment of this borrowing comes from three sources, inter-fund transfers from Wastewater and Recycled operations, Wastewater 1% property taxes

**RECYCLED WATER DEPARTMENT  
Debt Service Budget**

**Project Title:** State Revolving Fund

**Description:** The District contracted with the State Water Resources Control Board (SWRCB) for a loan to construct the recycled water distribution system consisting of the Chlorine Contact Tank, pump station, and distribution pipeline which serves the Airpark and High School areas.

Although the work was completed and the contractor finished the warranty repairs, the SWRCB did not complete a final job reconciliation until November 1998. The District received a total of \$1,189,614 to finance the project. The final payment will be made in December 2013. Interest on this loan is at 2.9%.

**Current Payment Schedule:**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>77,090</u>	<u>2,236</u>	<u>79,326</u>
	\$ 77,090	\$ 2,236	\$ 79,326

**Revenue Program:**

Originally, the former Fallbrook Sanitary District would repay the portion applicable to the Chlorine Contact Tank and FPUD would repay the pump station and pipeline portions. Now that the merger is effected, a Recycled Water Fund has been established and is budgeted accordingly. The budgeted level of recycled sales is sufficient to cover the costs of this debt service.

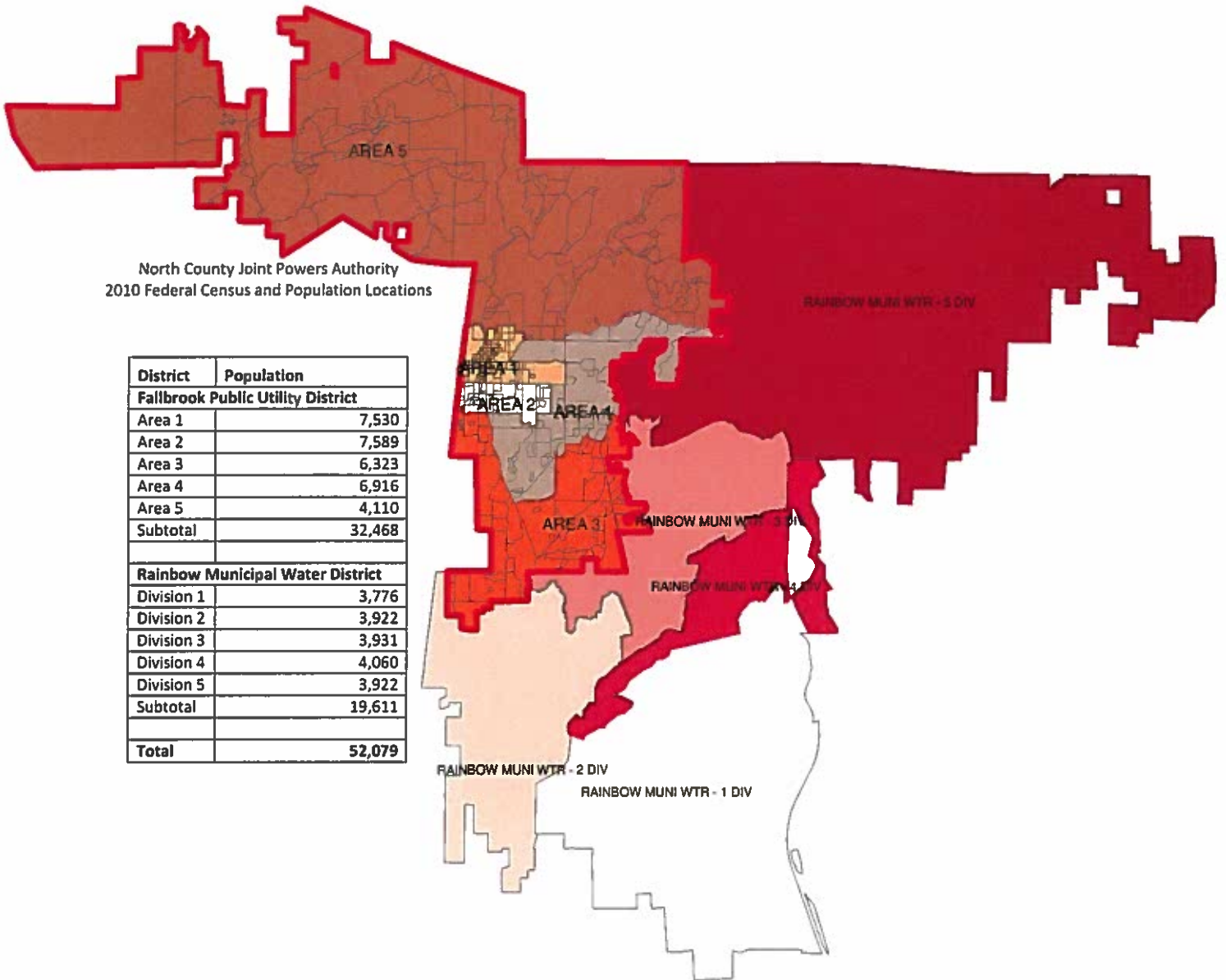
	<u>2012-13 Budget</u>	<u>2012-13 Actual</u>	<u>2013-14 Budget</u>
Operations of Recycled Dept.	\$79,300	\$ 79,300	\$ 79,300

# EXHIBIT E

**RAINBOW MWD  
SUMMARY OF SHARED COST  
RELATING TO CONSOLIDATION ACTIVITIES**

	RMWD Former Cost Monthly	Other Related Savings (Cost)	Savings Monthly (Cost)	FY To Date 2013 Savings (Cost)	FISCAL YEAR ENDING 6/30/14												FY To Date 2014 Savings (Cost)
					July Savings (Cost)	August Savings (Cost)	September Savings (Cost)	October Savings (Cost)	November Savings (Cost)	December Savings (Cost)	January Savings (Cost)	February Savings (Cost)	March Savings (Cost)				
<b>POSITIONS NOT REPLACED</b>																	
<b>Employee Wages &amp; Benefits</b>																	
General Manager	\$ 25,625		10,890	32,670	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,890	\$ 6,792	\$ 10,207	\$ 20,486	\$ 102,825		
District Engineer/AGM	23,110		20,005	100,025	20,005	20,005	20,005	20,005	20,005	20,005	20,005	20,005	20,005	20,005	\$ 180,045		
Maint/Operations Mgr.	21,750		16,672	200,064	16,672	16,672	16,672	16,672	16,672	16,672	16,672	7,450	16,672	16,672	\$ 150,048		
Accounting Tech	8,370		7,450	89,400	7,450	7,450	7,450	7,450	7,450	7,450	7,450	7,450	7,450	7,450	\$ 67,050		
Utility Workers (2 positions)	14,040	(3,472)	10,568	126,816	10,742	10,628	11,189	12,505	14,040	14,040	7,690	7,690	7,690	7,690	\$ 89,864		
<b>TOTALS - POSITIONS NOT REPLACED</b>	<b>\$ 92,895</b>	<b>\$ (3,472)</b>	<b>\$ 65,585</b>	<b>\$ 548,975</b>	<b>\$ 65,759</b>	<b>\$ 65,645</b>	<b>\$ 66,206</b>	<b>\$ 67,522</b>	<b>\$ 69,057</b>	<b>\$ 62,707</b>	<b>\$ 58,609</b>	<b>\$ 62,024</b>	<b>\$ 77,303</b>	<b>\$ 77,303</b>	<b>\$ 589,831</b>		
<b>EMPLOYEE LEASING</b>																	
<b>Employee Wages &amp; Benefits</b>																	
Safety Administration				966	3,602	2,180	659	3,268	2,796	778	834	3,611	3,611	(5,409)	\$ 12,318		
Engineer				(12,665)	(2,184)	(4,491)	(2,306)	(2,549)	(3,156)	(1,942)	(4,856)	(1,457)	(1,457)	(1,578)	\$ (24,519)		
Engineering Tech				(1,420)	(1,342)	(1,342)	(1,052)	(1,052)	(1,052)	(2,454)	(2,221)	(1,169)	(1,169)	(4,356)	\$ (12,594)		
Engineering Inspector				(3,756)	(1,342)	(2,218)	1,071	(131)	417	112	2,519	653	653	235	\$ 1,317		
Cost Recovery - Developers				3,756	2,218	2,218	2,316	2,316	290	(2,616)	(1,308)	(1,308)	(1,308)	(1,308)	\$ 290		
Welding Crew				1,405	(448)	(448)	(1,018)	(1,018)			1,013				\$ (8,006)		
Sewer - CCTV				-											\$ 1,013		
Construction-Utility Worker				-											\$ (12,618)		
Customer Service Supervisor				-											\$ (37,564)		
<b>TOTALS - EMPLOYEE LEASING</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,714)</b>	<b>76</b>	<b>(4,101)</b>	<b>(1,182)</b>	<b>833</b>	<b>347</b>	<b>(6,122)</b>	<b>(4,019)</b>	<b>(6,248)</b>	<b>(17,148)</b>	<b>(17,148)</b>	<b>(37,564)</b>		
<b>TOTALS - SAVINGS / (COST) EMPLOYEE-RELATE</b>																	
	92,895		65,585	537,261	65,835	61,544	65,024	68,355	69,404	56,585	54,590	55,776	55,155	55,155	552,268		
<b>OTHER COSTS</b>																	
Contribution to JPA Budget		(2,000)		(2,000)	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	\$ (15,633)		
JPA Insurance		(124)		(124)											\$ -		
JPA Legal Services		(13,910)		(13,910)											\$ -		
JPA Consultants - Studios		(2,233)		(2,233)											\$ (3,100)		
JPA Directors' Per Diems		(450)		(450)											\$ -		
JPA Office/Board supplies		(558)		(558)											\$ -		
JPA Public Notices/Advertising		(219)		(219)											\$ -		
JPA Other - Meetings etc.		(2,775)		(2,775)											\$ -		
Information Systems		(270)		(270)	(2,639)	(1,853)	(800)	(470)	(2,137)	(3,948)	(389)	(116)	(475)	(475)	\$ (12,827)		
Moving expenses		-		-											\$ -		
Construction expenses		(4,092)		(4,092)											\$ (41,046)		
Meetings-GM/Board/staff		(52)		(52)	(53)	(13)	(501)	(770)	(77)	(263)	-	-	-	-	\$ (1,677)		
Other RMWD		(114)		(114)											\$ (746)		
RMWD Wages for JPA activities					(3,728)	(3,728)	(2,572)	(5,464)	(4,394)	(9,782)	(9,303)	(8,293)	(5,463)	(5,463)	\$ (48,999)		
<b>TOTAL - OTHER</b>	<b>-</b>	<b>(26,797)</b>	<b>-</b>	<b>(26,797)</b>	<b>(4,429)</b>	<b>(8,549)</b>	<b>(9,610)</b>	<b>(11,997)</b>	<b>(16,970)</b>	<b>(40,123)</b>	<b>(11,429)</b>	<b>(13,246)</b>	<b>(7,675)</b>	<b>(7,675)</b>	<b>(124,028)</b>		
<b>TOTALS - ALL CONSOLIDATION ACTIVITY</b>	<b>92,895</b>	<b>(26,797)</b>	<b>65,585</b>	<b>510,464</b>	<b>61,406</b>	<b>52,995</b>	<b>55,414</b>	<b>56,358</b>	<b>57,434</b>	<b>16,463</b>	<b>43,161</b>	<b>47,530</b>	<b>47,480</b>	<b>47,480</b>	<b>478,240</b>		

# EXHIBIT F



North County Joint Powers Authority  
2010 Federal Census and Population Locations

District	Population
<b>Fallbrook Public Utility District</b>	
Area 1	7,530
Area 2	7,589
Area 3	6,323
Area 4	6,916
Area 5	4,110
Subtotal	32,468
<b>Rainbow Municipal Water District</b>	
Division 1	3,776
Division 2	3,922
Division 3	3,931
Division 4	4,060
Division 5	3,922
Subtotal	19,611
<b>Total</b>	<b>52,079</b>