

FALLBROOK PUBLIC UTILITY DISTRICT

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DATE: May 12, 2014 (*Updated November 14, 2014*)
TO: Michael Ott, Executive Director
San Diego Local Agency Formation Commission
FROM: Brian J. Brady, General Manager
Fallbrook Public Utility District
SUBJECT: North County Joint Powers Authority

**NORTH COUNTY JOINT POWERS AUTHORITY (NCJPA)
2013 Financial Performance/Fiscal Years 2015-2019 Pro Forma Budgets**

On April, 5 2013, Fallbrook Public Utility District (FPUD) and Rainbow Municipal Water District (RMWD) formed the North County Joint Powers Authority (JPA/Authority) to provide for the administration of the two districts by managing the combined resources of the districts, including staffing and physical plant/infrastructure, to obtain cost-effective means of providing service to the ratepayers, pursuant to the terms of the Employee Leasing Agreement by and between FPUD and RMWD.

Under the JPA Agreement, throughout 2013, comprehensive functional work group analyses were conducted and employee integration programs implemented. Change management workshops, inter-district cross-training, and employee recognition programs also played an important role in the integration process. In addition, FPUD expanded its community outreach and school programs to included RMWD's service territory.

As a result of these efforts, the results to-date have demonstrated achievement of the primary goal of cost-effectiveness while at the same time not only maintaining but improving service levels. The purpose of this report is to document the actual realized savings and to provide projected future savings under a continued consolidated operating framework. Therefore, this report has two main sections. The first section focuses on the actual results to-date while the second section looks at projected future results.

Actual Results to-Date

The actual results of operations under the Authority have produced the cost savings expected. The main drivers of the cost savings relate to savings from a reduction in the workforce. These savings include not only wages from fewer staffing levels but a corresponding reduction in the

related benefit expenses, such as, medical insurance premiums, pension expense, vacation, etc. There are two primary categories of staffing savings to-date:

- Positions not replaced – these are the wages and benefits of positions vacated by attrition in anticipation of, or during, the JPA operating period and determined not necessary for future operation and are therefore counted as monthly savings.
- Employee leasing – these are employees leased from one district to the other for specific jobs or assistance which are recorded as a cost to the district receiving the service and a savings to the district providing the service.

While there were savings that resulted from lower staffing levels, there were some additional costs incurred to implement the JPA. These costs partially offset the realized savings and were generally evenly divided between the two districts.

The first four attachments (Exhibit 1 – Exhibit 4) to this report are tables that provide the details of the staffing reductions and the implementation costs. These tables are being included to allow the reader of this report to see the important details and breakdown of the realized savings. However, below is a key summary of those tables. The summary demonstrates that a savings of \$955,862 was realized in 2013 operating as a JPA. The table below shows the realized savings from each of the primary staffing categories as discussed above and the offsetting other cost from consolidating. Additionally, the table breaks this information out between the two districts and then provides a combined net savings.

FPUD			
	Exhibit 1	Exhibit 3	
	Jan-Jun 2013	July-Dec 2013	
	Savings/(Cost)	Savings/(Cost)	Total
Positions Not Replaced	29,293	89,625	118,918
Employee Leasing	59,021	131,702	190,723
Other	(10,654)	(64,802)	(75,456)
Total	77,660	156,525	234,185
RMWD			
	Exhibit 2	Ehibit 4	
	Jan-Jun 2013	July-Dec 2013	
	Savings/(Cost)	Savings/(Cost)	Total
Positions Not Replaced	448,975	396,896	845,871
Employee Leasing	(11,714)	(10,148)	(21,862)
Other	(10,654)	(91,678)	(102,332)
Total	426,607	295,070	721,677
Combined Total Savings			
	504,267	451,595	955,862

As can be seen from this information, actual meaningful savings have resulted from operation as a JPA.

Projected Future Results

Looking at realized results is important to confirm the anticipated benefits of the JPA are being achieved. Not only does this serve to prove out the concept but creates greater assurance that future savings will also be achieved. This section of the report builds off of the planning that has been done in contemplating the JPA and the actual results realized to provide new and updated projected future results of the JPA.

To accomplish this effort a number of pro forma financial statements were prepared. These were prepared with the input of the districts' management. There are six pro forma statements attached to this report (exhibits 5-10), which provide expected financial results of operations for the next five years. These reports are generated in a consistent format to enable the reader to easily follow from one report to the next. In order to compare the benefits of a consolidated operation such as the JPA versus two individual and distinct districts, pro formas were developed to look at both scenarios. Not only is it important to look at the comparison in total but it is equally important to look at the comparison on a district-by-district basis. Therefore, the following exhibits are included in this report and they serve as the source documents for the later tables within the body of this report:

- Exhibit 5 – CONSOLIDATED PROFORMA BUDGET. This report shows the projected results of the consolidated operations of both FPUD and RMWD. This report is the summation of Exhibit 6 and Exhibit 7.
- Exhibit 6 – Fallbrook PUD 5-Year Proforma Budget. This report shows the projected results of operations for just FPUD with its allocation of the realized current and future benefits of the JPA or consolidated operating structure.
- Exhibit 7 – Rainbow MWD 5-Year Proforma Budget. This report shows the projected results of operations for just RMWD with its allocation of the realized current and future benefits of the JPA or consolidated operating structure.
- Exhibit 8 – SUMMARY DISTINCT PROFORMA BUDGET. This report shows the projected results of a non consolidated operation. This report is the summation of Exhibit 9 and Exhibit 10. This is being included so that a comparison of the consolidated operations can be made. Since these would be two separate and distinct operations under this scenario, there would not actually be a consolidated report in the future but for comparison purposes it has been generated.

- Exhibit 9 – Fallbrook PUD 5-Year Proforma Budget Without Consolidation. This report shows the projected results of operations for just FPU D as a separate and distinct district without any of the benefits of the JPA or consolidated operating structure.
- Exhibit 10– Rainbow MWD 5-Year Proforma Budget Without Consolidation. This report shows the projected results of operations for just RMWD as a separate and distinct district without any of the benefits of the JPA or consolidated operating structure.
- Exhibit 11– Consolidated Proforma Budget Assumptions. This report outlines financial model assumptions.

At the highest level looking forward a comparison can be made of what the results of operations would be under the consolidated or JPA format to the no- consolidated or two separate distinct districts format. Summarizing the key line items from the consolidated pro forma Exhibit 5 and the summary of distinct pro forma budget Exhibit 8, the projected annual savings can be seen. The table below shows this information.

CONSOLIDATED PROFORMA BUDGET						
Fallbrook Public Utility District and Rainbow Municipal Water District						
Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019						
	Adopted Budgets					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUE	64,540,846	68,624,065	72,984,416	78,309,592	83,271,740	89,300,953
EXPENSE	68,581,841	71,425,665	74,283,758	78,384,180	82,632,186	87,508,944
Net Operating Gain (Loss)	(4,040,995)	(2,801,601)	(1,299,342)	(74,588)	639,554	1,792,009
Total Nonoperating Revenue (Expense)	6,682,375	6,298,315	9,143,826	6,287,814	6,446,492	6,609,446
Increase (Decrease) in Net Assets	2,641,380	3,496,714	7,844,484	6,213,226	7,086,046	8,401,455
SUMMARY DISTINCT PROFORMA BUDGET						
Non Consolidated Operations - Summary of Distinct Fallbrook Public Utility District and Distinct Rainbow Municipal Water District						
Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019						
	Adopted Budgets					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUE	64,540,846	68,624,065	72,984,416	78,309,592	83,271,740	89,300,953
EXPENSE	68,581,841	72,765,123	76,604,122	81,042,290	85,390,500	90,371,348
Net Operating Gain (Loss)	(4,040,995)	(4,141,058)	(3,619,706)	(2,732,698)	(2,118,760)	(1,070,396)
Total Nonoperating Revenue (Expense)	6,682,375	6,298,315	9,143,826	6,287,814	6,446,492	6,609,446
Increase (Decrease) in Net Assets	2,641,380	2,157,256	5,524,119	3,555,116	4,327,731	5,539,050
PROJECTED SAVINGS FROM CONSOLIDATION						
	Adopted Budgets					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Annual Savings from Consolidation	-	1,339,458	2,320,364	2,658,110	2,758,314	2,862,404
Cummulative Savings from Consolidation		1,339,458	3,659,822	6,317,932	9,076,246	11,938,651

This table was created so that the projected savings from a consolidated operation can be seen. The last section of the above table indicates projected annual savings over the next five years will range from \$1,339,458 to \$2,862,404. Additionally, as can be seen from the table if you add

the total cumulative savings for each of the five years, it totals \$11,938,651. These amounts are not just significant but appear very reasonable outcomes based on the actual results realized above.

There are two primary drivers that create the savings shown above. The first driver includes current and future staffing savings. The staffing savings reduces wages and benefits expense. The second driver is reduced other expenses. Included in this category are reductions in property and liability insurance, heavy/specialty equipment costs, information technology costs, bank service fees, legal expenses, director expenses, contract billing expenses, annual audit costs, redundant general office expenses, and training costs. The savings for each of these are reflected in the appropriate line item of the pro forma statements. To assist the reader of this report additional tables are incorporated within the body of this report highlighting these areas.

Wage and Benefits Savings

The table below highlights and details the projected staffing savings between a consolidated operation and a non consolidated operation. To do this the “Wages and Benefits” line items from the pro forma statements are detailed and compared both on a total basis and on an agency basis. This allows for the reader to not only see how much of the total savings relates to wages and benefits but also how much of this benefits accrues to FPUD and to RMWD.

CONSOLIDATED PROFORMA BUDGET						
Fallbrook Public Utility District and Rainbow Municipal Water District						
Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019						
	Adopted Budgets					
Wages & Benefits	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD (Exhibit 6)	7,764,810	7,699,006	7,693,302	7,875,568	8,190,591	8,518,215
RMWD (Exhibit 7)	6,845,972	6,743,414	6,699,487	6,842,001	7,115,681	7,400,308
Total (Exhibit 5)	14,610,782	14,442,420	14,392,788	14,717,569	15,306,272	15,918,522
SUMMARY DISTINCT PROFORMA BUDGET						
Non Consolidated Operations - Summary of Distinct Fallbrook Public Utility District and Distinct Rainbow Municipal Water District						
Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019						
	Adopted Budgets					
Wages & Benefits	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD (Exhibit 9)	7,764,810	8,222,937	8,551,854	8,893,929	9,249,686	9,619,673
RMWD (Exhibit 10)	6,845,972	7,558,940	7,861,298	8,175,750	8,502,780	8,842,891
Total (Exhibit 8)	14,610,782	15,781,877	16,413,153	17,069,679	17,752,466	18,462,564
PROJECTED SAVINGS FROM CONSOLIDATION						
	Adopted Budgets					
Wages & Benefits	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD	-	523,931	858,553	1,018,360	1,059,095	1,101,459
RMWD	-	815,526	1,161,811	1,333,750	1,387,099	1,442,583
Total	-	1,339,458	2,020,364	2,352,110	2,446,194	2,544,042
CUMMULATIVE PROJECTED SAVINGS FROM CONSOLIDATION						
	Adopted Budgets					
Wages & Benefits	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD	-	523,931	1,382,484	2,400,844	3,459,939	4,561,398
RMWD	-	815,526	1,977,338	3,311,087	4,698,187	6,140,770
Total	-	1,339,458	3,359,822	5,711,932	8,158,126	10,702,168

As can be seen from the PROJECTED SAVINGS FROM CONSOLIDATION section of the table above, FPUD would realize between \$523,931 and \$1,101,459 in wage and benefits

savings from the consolidated operations. Likewise, RMWD would realize between \$815,525 and \$1,442,583. Wages and benefits drive a significant majority of all the savings from consolidation. Over the five year projection period \$10,702,168 of the total \$11,938,651 comes from wages and benefits. Again, as significant actual savings in this category have already materialized, it is reasonable to expect this to continue.

The wage and benefits savings are based off certain assumptions. These assumptions incorporate both the already existing staffing level reduction and add to it additional expected staffing reductions over the next few years that can be achieved under the continued operation of the consolidated approach.

Wages and Benefits Savings						
	Adopted Budgets					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD						
Consolidated (Exhibit 6)		7,699,006	7,693,302	7,875,568	8,190,591	8,518,215
Non-Consolidated (Exhibit 9)		8,222,937	8,551,854	8,893,929	9,249,686	9,619,673
Total Savings		523,931	858,553	1,018,360	1,059,095	1,101,459
New Savings		\$ 376,397	\$ 690,061	\$ 815,526	\$ 815,526	\$ 815,526
Previous Savings that Continue		147,535	168,492	202,834	243,568	285,932
Total Savings		\$ 523,931	\$ 858,553	\$ 1,018,360	\$ 1,059,095	\$ 1,101,459
RMWD						
Consolidated (Exhibit 7)		6,743,414	6,699,487	6,842,001	7,115,681	7,400,308
Non-Consolidated (Exhibit 10)		7,558,940	7,861,298	8,175,750	8,502,780	8,842,891
Total Savings		815,526	1,161,811	1,333,750	1,387,099	1,442,583
New Savings		\$ 376,397	\$ 690,061	\$ 815,526	\$ 815,526	\$ 815,526
Previous Savings that Continue		439,130	471,751	518,223	571,573	627,057
Total Savings		\$ 815,526	\$ 1,161,811	\$ 1,333,750	\$ 1,387,099	\$ 1,442,583
Projected Future Staff Reductions						
	Adopted Budgets					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
# of Employee's	116	110	105	103	103	103
# of Employee's Savings		6	5	2	0	0
Average Burdened Rate		\$ 60.32	\$ 60.32	\$ 60.32	\$ 60.32	\$ 60.32
Wage & Benefits Savings		\$ 752,794	\$ 627,328	\$ 250,931	\$ -	\$ -
Allocation of Savings						
FPUD		\$ 376,397	\$ 313,664	\$ 125,466	\$ -	\$ -
RMWD		\$ 376,397	\$ 313,664	\$ 125,466	\$ -	\$ -

The table above shows at the bottom the projected future staff reductions over the next few years. Total staffing drops from 116 to 103 or a total of 13 positions over four years. The average burdened rate (included a factor for rate and benefits) is used to calculate the savings for each position assuming a standard 2,080 hours of work annually per employee. The savings is allocated equally to FPUD and RMWD. This savings is then used in this table help reconcile the

projected total savings for each district. Comparing the wage and benefit lines for each district from their consolidated and their non consolidated pro forma statements the total savings is calculated. Below that savings from the future staffing reductions, “new savings”, is added to the savings that continues from the already in-place staff reductions to reconcile the total savings. This is being included to help the reader see what assumptions are being used for new wage and benefit savings and how they add to the already existing savings. It is important to remember that if the districts no longer are consolidated, the positions that have been eliminated would need to come back in order for each district to meet its mission effectively. Therefore, we would conclude that the consolidated operations not only achieves a significant savings related to reduced wage and benefit expense which will continue in the future, but opportunity for greater efficiency beyond what has already been demonstrated can be achieved creating even greater customer value.

Other Cost Savings

The other savings driver occurs in the other cost category. These savings, while much less than the wage and benefit savings, add to the overall cost effectiveness of a consolidated operation. These savings are the results of lower property and liability insurance, heavy/specialty equipment costs, information technology costs, bank service fees, legal expenses, director expenses, contract billing expenses, annual audit costs, redundant general office expenses, and training costs. The table below highlights and details these savings over the next five years.

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CONSOLIDATED PROFORMA BUDGET						
Fallbrook Public Utility District and Rainbow Municipal Water District						
Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019						
	Adopted Budgets					
Other Operating Expense	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD (Exhibit 6)	2,862,544	2,919,795	2,828,191	2,884,755	2,942,450	3,001,299
RMWD (Exhibit 7)	5,495,195	5,605,099	5,567,201	5,678,545	5,792,116	5,907,958
Total	8,357,739	8,524,894	8,395,392	8,563,299	8,734,565	8,909,257
SUMMARY DISTINCT PROFORMA BUDGET						
Non Consolidated Operations - Summary of Distinct Fallbrook Public Utility District and Distinct Rainbow Municipal Water District						
Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019						
	Adopted Budgets					
Other Operating Expense	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD (Exhibit 9)	2,862,544	2,919,795	2,978,191	3,037,755	3,098,510	3,160,480
RMWD (Exhibit 10)	5,495,195	5,605,099	5,717,201	5,831,545	5,948,176	6,067,139
Total	8,357,739	8,524,894	8,695,392	8,869,299	9,046,685	9,227,619
PROJECTED SAVINGS FROM CONSOLIDATION						
	Adopted Budgets					
Other Operating Expense	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD	-	-	150,000	153,000	156,060	159,181
RMWD	-	-	150,000	153,000	156,060	159,181
Total	-	-	300,000	306,000	312,120	318,362
CUMMULATIVE PROJECTED SAVINGS FROM CONSOLIDATION						
	Adopted Budgets					
Other Operating Expense	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
FPUD	-	-	150,000	303,000	459,060	618,241
RMWD	-	-	150,000	303,000	459,060	618,241
Total	-	-	300,000	606,000	918,120	1,236,482

As can be seen from above, there are projected additional savings of \$300,000 incurring in year 2015/16. These savings continue in each of the subsequent years and are indexed with an assumed inflation amount of 2% per year. The savings is split equally between FPUD and RMWD. The cumulative savings equals \$1,236,482 during the five year pro forma period. While this is a smaller amount than the wages and benefits, it is still a significant amount that carries forward each year and is another example of the overall cost effectiveness of the consolidated operation.

Summary

Diligent effort was expended prior to the formation of the JPA to analyze and project benefits from a cost-effective perspective. To date, the actual results of the operations of the JPA have demonstrated the real savings are occurring and that the projections were reasonable. At the same time the services of the districts continue to be performed at a high quality level and in fact some additional customer services have been added. The current analysis also carefully examines the future benefits of a continued consolidated operation. Not only will the current realized savings continue but there is opportunity for significant additional savings. Most important these savings translate into lower costs for the customers of these districts.

Exhibit 1

FPUD						
SUMMARY OF SHARED COST						
RELATING TO CONSOLIDATION ACTIVITIES						
	FPUD		January-June 2013		Savings	FY To Date 2013 (Apr-Jun)
	Former Cost	Increased	Leased	Other Related	(Cost)	Savings
	Monthly	Wages (1)	Employee (Cost)	(Cost)	(Cost)	Monthly
			Savings	Savings		(Cost)
POSITIONS NOT REPLACED						
Employee Wages & Benefits						
Engineering Tech I	\$ 7,284				7,284	21,851
Environmental Compliance Tech	11,314	628	3,243		7,442	7,442
TOTALS - POSITIONS NOT REPLACED	\$ 18,597	\$ 628	\$ 3,243	\$ -	\$ 14,726	\$ 29,293
EMPLOYEE LEASING						
Employee Wages & Benefits						
General Manager	26,525		44,205		14,735	44,205
District Engineer/AGM	18,544	990	9,002			9,002
Safety & Risk Administrator	9,889		847			847
Engineering Tech III	9,740		-			-
Engineering Tech III	9,740		2,051			2,051
Engineering Tech II	8,991		597			597
GIS Specialist	10,677		676			676
Sewer - CCTV and Utility Workers	1,744		1,744			1,744
FPUD provided to RMWDMisc Services	1,304		1,304			1,304
RMWD Provided to FPUD Misc Services			(1,405)			(1,405)
TOTALS - EMPLOYEE LEASING	97,154	990	59,021	-	14,735	\$ 59,021
TOTALS - SAVINGS / (COST) EMPLOYEE-RELATED	115,752	1,619	62,264		29,461	\$ 88,314
OTHER COSTS						
Contribution to JPA Budget				(2,000)		(2,000)
JPA Insurance				(124)		(124)
JPA Legal Services						-
JPA Consultants - Studies						-
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)
Moving expenses						-
Construction expenses				(4,092)		(4,092)
Meetings-GM/Board/staff				(52)		(52)
Other RMWD				(114)		(114)
TOTAL - OTHER	-	-		(10,654)	-	\$ (10,654)
TOTALS - ALL CONSOLIDATION ACTIVITY	115,752	1,619	62,264	(10,654)	29,461	\$ 77,660

Exhibit 2

RAINBOW MWD							
SUMMARY OF SHARED COST							
RELATING TO CONSOLIDATION ACTIVITIES							
			January-June 2013				
	RMWD		Leased	Other Related	Savings	FY To Date 2013	
	Former Cost	Increased	Employee (Cost)	(Cost)	(Cost)	Savings	Savings
	Monthly	Wages (1)	Savings	Savings	Savings	Monthly	(Cost)
POSITIONS NOT REPLACED							
Employee Wages & Benefits							
General Manager	\$ 25,625		\$ (14,735)			10,890	32,670
District Engineer/AGM	23,110	(3,105)				20,005	100,025
Maint/Operations Mgr.	21,750	(5,078)				16,672	100,064
Accounting Tech	8,370	(920)				7,450	89,400
Utility Workers (2 positions)	14,040	-			(3,472)	10,568	126,816
TOTALS - POSITIONS NOT REPLACED	\$ 92,895	\$ (9,103)	\$ (14,735)	\$ (3,472)	\$ 65,585	\$ 448,975	
EMPLOYEE LEASING							
Employee Wages & Benefits							
Safety Administration			966				966
Engineer			(12,665)				(12,665)
Engineering Tech			(1,420)				(1,420)
Engineering Inspector			(3,756)				(3,756)
Cost Recovery - Developers			3,756				3,756
Welding Crew			1,405				1,405
Sewer - CCTV							-
TOTALS - EMPLOYEE LEASING	-	-	(11,714)	-	-		(11,714)
TOTALS - SAVINGS / (COST) EMPLOYEE-RELATED	92,895	(9,103)	(26,449)		65,585		437,261
OTHER COSTS							
Contribution to JPA Budget					(2,000)		(2,000)
JPA Insurance					(124)		(124)
JPA Legal Services							-
JPA Consultants - Studies							-
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)
Moving expenses					-		-
Construction expenses					(4,092)		(4,092)
Meetings-GM/Board/staff					(52)		(52)
Other RMWD					(114)		(114)
RMWD Wages for JPA activities							
TOTAL - OTHER	-	-			(10,654)	-	(10,654)
TOTALS - ALL CONSOLIDATION ACTIVITY	92,895	(9,103)	(26,449)	(10,654)	65,585		426,607

Exhibit 3

FPUD							
SUMMARY OF SHARED COST							
RELATING TO CONSOLIDATION ACTIVITIES							
	July-December 2013						
	July	August	September	October	November	December	FY To Date 2014
	Savings	Savings	Savings	Savings	Savings	Savings	Savings
	(Cost)	(Cost)	(Cost)	(Cost)	(Cost)	(Cost)	(Cost)
POSITIONS NOT REPLACED							
Employee Wages & Benefits							
Engineering Tech I	7,284	7,284	7,284	7,284	7,284	7,284	43,701
Environmental Compliance Tech	7,112	5,887	7,748	7,937	7,795	9,445	45,924
TOTALS - POSITIONS NOT REPLACED	\$14,396	\$13,171	\$15,032	\$15,220	\$15,079	\$16,728	\$89,625
EMPLOYEE LEASING							
Employee Wages & Benefits							
General Manager	14,735	14,735	14,735	14,735	14,735	14,735	88,410
District Engineer/AGM	2,185	4,492	3,297	2,549	3,156	1,942	17,621
Safety & Risk Administrator	1,228	3,592	3,132	737	1,351	1,719	11,760
Engineering Tech III							-
Engineering Tech III	1,342	1,342	702	1,345			4,730
Engineering Tech II		1,342		468	643	409	2,862
GIS Specialist		1,342		585	526	2,046	4,499
Sewer - CCTV and Utility Workers		1,308	1,308	1,018		2,616	6,250
FPUD provided to RMWDMisc Services			403				403
RMWD Provided to FPUD Misc Services		(466)	(1,773)	(606)	(1,876)	(112)	(4,834)
TOTALS - EMPLOYEE LEASING	\$ 19,490	\$ 27,687	\$ 21,804	\$ 20,829	\$ 18,535	\$ 23,357	\$ 131,702
TOTALS - SAVINGS / (COST) EMPLOYEE-RELATED	\$ 33,886	\$ 40,857	\$ 36,836	\$ 36,050	\$ 33,614	\$ 40,085	\$ 221,327
OTHER COSTS							
Contribution to JPA Budget	(1,737)	(1,737)	(1,736)	(1,736)	(1,736)	(1,736)	(10,418)
JPA Insurance							-
JPA Legal Services							-
JPA Consultants - Studies							-
JPA Directors' Per Diems							-
JPA Office/Board supplies							-
JPA Public Notices/Advertising							-
JPA Other - Meetings etc.							-
Information Systems	(2,639)	(1,853)	(800)	(1,105)	(2,137)	(4,900)	(13,434)
Moving expenses							-
Construction expenses		(749)	(4,000)	(3,556)	(8,625)	(22,694)	(39,624)
Meetings-GM/Board/staff	(54)	(13)	(300)				(367)
Other RMWD				(770)	(77)	(112)	(959)
TOTAL - OTHER	\$ (4,430)	\$ (4,352)	\$ (6,836)	\$ (7,167)	\$ (12,576)	\$ (29,442)	\$ (64,802)
TOTALS - ALL CONSOLIDATION ACTIVITY	\$ 29,456	\$ 36,505	\$ 29,999	\$ 28,883	\$ 21,038	\$ 10,643	\$ 156,525

Exhibit 4

RAINBOW MWD							
SUMMARY OF SHARED COST							
RELATING TO CONSOLIDATION ACTIVITIES							
July-December 2013							
	July	August	September	October	November	December	FY To Date 2014
	Savings	Savings	Savings	Savings	Savings	Savings	Savings
	(Cost)	(Cost)	(Cost)	(Cost)	(Cost)	(Cost)	(Cost)
POSITIONS NOT REPLACED							
Employee Wages & Benefits							
General Manager	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,890	\$ 65,340
District Engineer/AGM	20,005	\$ 20,005	\$ 20,005	\$ 20,005	\$ 20,005	\$ 20,005	\$ 120,030
Maint/Operations Mgr.	16,672	\$ 16,672	\$ 16,672	\$ 16,672	\$ 16,672	\$ 16,672	\$ 100,032
Accounting Tech	7,450	\$ 7,450	\$ 7,450	\$ 7,450	\$ 7,450	\$ 7,450	\$ 44,700
Utility Workers (2 positions)	10,742	\$ 10,628	\$ 11,189	\$ 12,505	\$ 14,040	\$ 7,690	\$ 66,794
TOTALS - POSITIONS NOT REPLACED	\$ 65,759	\$ 65,645	\$ 66,206	\$ 67,522	\$ 69,057	\$ 62,707	\$ 396,896
EMPLOYEE LEASING							
Employee Wages & Benefits							
Safety Administration	3,602	2,180	659	3,268	2,796	778	\$ 13,283
Engineer	(2,184)	(4,491)	(2,306)	(2,549)	(3,156)	(1,942)	\$ (16,628)
Engineering Tech		(1,342)	-	(1,052)	-	(2,454)	\$ (4,848)
Engineering Inspector	(1,342)	(2,218)	1,071	(131)	417	112	\$ (2,091)
Cost Recovery - Developers		2,218	702	2,316			\$ 5,236
Welding Crew					290		\$ 290
Sewer - CCTV		(448)	(1,308)	(1,018)		(2,616)	\$ (5,390)
TOTALS - EMPLOYEE LEASING	76	(4,101)	(1,182)	833	347	(6,122)	(10,148)
TOTALS - SAVINGS / (COST) EMPLOYEE-RELATED	65,835	61,544	65,024	68,355	69,404	56,585	386,748
OTHER COSTS							
Contribution to JPA Budget	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	(1,737)	\$ (10,422)
JPA Insurance							\$ -
JPA Legal Services							\$ -
JPA Consultants - Studies							\$ -
JPA Directors' Per Diems							\$ -
JPA Office/Board supplies							\$ -
JPA Public Notices/Advertising							\$ -
JPA Other - Meetings etc.							\$ -
Information Systems	(2,639)	(1,853)	(800)	(470)	(2,137)	(3,948)	\$ (11,847)
Moving expenses							\$ -
Construction expenses		(1,218)	(4,000)	(3,556)	(8,625)	(23,647)	\$ (41,046)
Meetings-GM/Board/staff	(53)	(13)	(501)	(770)	(77)	(263)	\$ (1,677)
Other RMWD						(746)	\$ (746)
RMWD Wages for JPA activities		(3,728)	(2,572)	(5,464)	(4,394)	(9,782)	\$ (25,940)
TOTAL - OTHER	(4,429)	(8,549)	(9,610)	(11,997)	(16,970)	(40,123)	(91,678)
TOTALS - ALL CONSOLIDATION ACTIVITY	61,406	52,995	55,414	56,358	52,434	16,462	295,070

Exhibit 5

CONSOLIDATED PROFORMA BUDGET

Fallbrook Public Utility District and Rainbow Municipal Water District

Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019

	Adopted Budgets					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUE						
Water Services Operating Revenue	55,848,034	59,757,396	63,940,414	69,031,243	73,863,430	79,648,870
Sewer Services Operating Revenue	7,656,055	7,809,176	7,965,360	8,178,134	8,286,091	8,507,419
Recycled Services Operating Revenue	1,036,757	1,057,492	1,078,642	1,100,215	1,122,219	1,144,664
Total Operating Revenue	64,540,846	68,624,065	72,984,416	78,309,592	83,271,740	89,300,953
EXPENSE						
Water Purchases	38,655,306	41,361,177	44,256,460	47,719,412	51,059,771	54,998,955
Wages & Benefits	14,610,782	14,442,420	14,392,788	14,717,569	15,306,272	15,918,522
Other Operating Expense	8,357,739	8,524,894	8,395,392	8,563,299	8,734,565	8,909,257
Recycled Operating Expenses	1,062,406	1,083,654	1,105,327	1,127,434	1,149,982	1,172,982
Depreciation	5,895,608	6,013,520	6,133,791	6,256,466	6,381,596	6,509,228
Total Expense	68,581,841	71,425,665	74,283,758	78,384,180	82,632,186	87,508,944
Net Operating Gain (Loss)	(4,040,995)	(2,801,601)	(1,299,342)	(74,588)	639,554	1,792,009
NonOperating Revenue						
Property Taxes & Availability Chgs	2,802,864	2,858,921	2,916,100	2,994,561	3,075,397	3,158,688
Capital Improvement Charges (Water & Sewer)	2,014,000	2,054,280	2,095,366	2,137,273	2,180,018	2,223,619
CSI Rebate	760,400	756,602	752,819	-	-	-
Other Nonoperating Revenues	1,546,694	1,481,641	1,415,195	1,443,499	1,472,369	1,501,816
NonOperating Expense	(641,583)	(1,053,129)	(1,135,654)	(1,187,518)	(1,181,293)	(1,174,677)
Capital Asset Contributions	200,000	200,000	3,100,000	900,000	900,000	900,000
Total Nonoperating Revenue (Expense)	6,682,375	6,298,315	9,143,826	6,287,814	6,446,492	6,609,446
Increase (Decrease) in Net Assets	2,641,380	3,496,714	7,844,484	6,213,226	7,086,046	8,401,455

Exhibit 6

Fallbrook PUD							
5-Year Proforma Budget							
Assumes FY 2015 as first consolidated year							
		Adopted Budget					
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUE							
Water Services	Operating Revenue	20,708,554	22,158,153	23,709,223	25,368,869	27,144,690	29,044,818
Sewer Services	Operating Revenue	5,086,486	5,188,216	5,291,980	5,397,820	5,505,776	5,615,892
Recycled Services	Operating Revenue	1,036,757	1,057,492	1,078,642	1,100,215	1,122,219	1,144,664
Total Operating Revenue		26,831,797	28,403,861	30,079,845	31,866,904	33,772,685	35,805,373
EXPENSE							
Water Purchases		14,436,295	15,446,836	16,528,114	17,685,082	18,923,038	20,247,651
Wages & Benefits		7,764,810	7,699,006	7,693,302	7,875,568	8,190,591	8,518,215
Other Operating Expense		2,862,544	2,919,795	2,828,191	2,884,755	2,942,450	3,001,299
Recycled Operating Expenses		1,062,406	1,083,654	1,105,327	1,127,434	1,149,982	1,172,982
Depreciation		3,504,000	3,574,080	3,645,562	3,718,473	3,792,842	3,868,699
Total Expense		29,630,055	30,723,370	31,800,496	33,291,312	34,998,903	36,808,845
Net Operating Gain (Loss)		(2,798,258)	(2,319,510)	(1,720,650)	(1,424,408)	(1,226,218)	(1,003,472)
NonOperating Revenue							
Property Taxes & Availability Chgs		1,835,000	1,871,700	1,909,134	1,947,317	1,986,263	2,025,988
Capital Improvement Charges (Water & WW)		2,014,000	2,054,280	2,095,366	2,137,273	2,180,018	2,223,619
CSI Rebate		760,400	756,602	752,819	-	-	-
Other Nonoperating Revenues		1,140,269	1,067,087	992,350	1,012,197	1,032,441	1,053,090
NonOperating Expense		(484,180)	(691,053)	(789,530)	(857,681)	(851,456)	(844,840)
Capital Asset Contributions		200,000	200,000	200,000	200,000	200,000	200,000
Total Nonoperating Revenue (Expense)		5,465,489	5,258,616	5,160,139	4,439,106	4,547,267	4,657,857
Increase (Decrease) in Net Assets		2,667,231	2,939,106	3,439,489	3,014,697	3,321,049	3,654,385

Exhibit 7

Rainbow MWD							
5-Year Proforma Budget							
Assumes FY 2015 as first consolidated year							
		Adopted Budget	Projected	Projected	Projected	Projected	Projected
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUE							
Water Services Operating Revenue		35,139,480	37,599,244	40,231,191	43,662,374	46,718,740	50,604,052
Sewer Services Operating Revenue		2,569,569	2,620,960	2,673,380	2,780,315	2,780,315	2,891,527
Recycled Operating Services Revenue		-	-	-	-	-	-
Total Operating Revenue		37,709,049	40,220,204	42,904,570	46,442,689	49,499,055	53,495,579
EXPENSE							
Water Purchases		24,219,011	25,914,342	27,728,346	30,034,330	32,136,733	34,751,304
Wages & Benefits		6,845,972	6,743,414	6,699,487	6,842,001	7,115,681	7,400,308
Other Operating Expense		5,495,195	5,605,099	5,567,201	5,678,545	5,792,116	5,907,958
Recycled Operating Expense		-	-	-	-	-	-
Depreciation		2,391,608	2,439,440	2,488,229	2,537,994	2,588,753	2,640,528
Total Expense		38,951,786	40,702,295	42,483,262	45,092,869	47,633,283	50,700,099
Net Operating Gain (Loss)		(1,242,737)	(482,091)	421,308	1,349,820	1,865,772	2,795,481
NonOperating Revenue (expenses)							
Property Taxes		967,864	987,221	1,006,966	1,047,244	1,089,134	1,132,699
Other NonOperating Revenue		406,425	414,554	422,845	431,301	439,927	448,726
NonOperating Expense (includes debt service)		(157,403)	(362,076)	(346,124)	(329,837)	(329,837)	(329,837)
Capital Asset Contribution				2,900,000	700,000	700,000	700,000
Total Nonoperating Revenue (Expense)		1,216,886	1,039,699	3,983,686	1,848,709	1,899,225	1,951,589
Increase (Decrease) in Net Assets		(25,851)	557,608	4,404,994	3,198,529	3,764,997	4,747,069

Exhibit 8

SUMMARY DISTINCT PROFORMA BUDGET

Non Consolidated Operations - Summary of Distinct Fallbrook Public Utility District and Distinct Rainbow Municipal Water District

Fiscal Years Ending 2015, 2016, 2017, 2018 & 2019

	Adopted Budgets						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
REVENUE							
Water Services Operating Revenue	55,848,034	59,757,396	63,940,414	69,031,243	73,863,430	79,648,870	
Sewer Services Operating Revenue	7,656,055	7,809,176	7,965,360	8,178,134	8,286,091	8,507,419	
Recycled Services Operating Revenue	1,036,757	1,057,492	1,078,642	1,100,215	1,122,219	1,144,664	
Total Operating Revenue	64,540,846	68,624,065	72,984,416	78,309,592	83,271,740	89,300,953	
EXPENSE							
Water Purchases	38,655,306	41,361,177	44,256,460	47,719,412	51,059,771	54,998,955	
Wages & Benefits	14,610,782	15,781,877	16,413,153	17,069,679	17,752,466	18,462,564	
Other Operating Expense	8,357,739	8,524,894	8,695,392	8,869,299	9,046,685	9,227,619	
Recycled Operating Expenses	1,062,406	1,083,654	1,105,327	1,127,434	1,149,982	1,172,982	
Depreciation	5,895,608	6,013,520	6,133,791	6,256,466	6,381,596	6,509,228	
Total Expense	68,581,841	72,765,123	76,604,122	81,042,290	85,390,500	90,371,348	
Net Operating Gain (Loss)	(4,040,995)	(4,141,058)	(3,619,706)	(2,732,698)	(2,118,760)	(1,070,396)	
NonOperating Revenue							
Property Taxes & Availability Chgs	2,802,864	2,858,921	2,916,100	2,994,561	3,075,397	3,158,688	
Capital Improvement Charges (Water & WW)	2,014,000	2,054,280	2,095,366	2,137,273	2,180,018	2,223,619	
CSI Rebate	760,400	756,602	752,819	-	-	-	
Other Nonoperating Revenues	1,546,694	1,481,641	1,415,195	1,443,499	1,472,369	1,501,816	
NonOperating Expense	(641,583)	(1,053,129)	(1,135,654)	(1,187,518)	(1,181,293)	(1,174,677)	
Capital Asset Contributions	200,000	200,000	3,100,000	900,000	900,000	900,000	
Total Nonoperating Revenue (Expense)	6,682,375	6,298,315	9,143,826	6,287,814	6,446,492	6,609,446	
Increase (Decrease) in Net Assets	2,641,380	2,157,256	5,524,119	3,555,116	4,327,731	5,539,050	

Exhibit 10

Rainbow MWD							
5-Year Proforma Budget							
Without Consolidation							
		Adopted Budget	Projected	Projected	Projected	Projected	Projected
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
REVENUE							
	Water Services Operating Revenue	35,139,480	37,599,244	40,231,191	43,662,374	46,718,740	50,604,052
	Sewer Services Operating Revenue	2,569,569	2,620,960	2,673,380	2,780,315	2,780,315	2,891,527
	Recycled Operating Services Revenue	-	-	-	-	-	-
	Total Operating Revenue	37,709,049	40,220,204	42,904,570	46,442,689	49,499,055	53,495,579
EXPENSE							
	Water Purchases	24,219,011	25,914,342	27,728,346	30,034,330	32,136,733	34,751,304
	Wages & Benefits	6,845,972	7,558,940	7,861,298	8,175,750	8,502,780	8,842,891
	Other Operating Expense	5,495,195	5,605,099	5,717,201	5,831,545	5,948,176	6,067,139
	Recycled Operating Expense	-	-	-	-	-	-
	Depreciation	2,391,608	2,439,440	2,488,229	2,537,994	2,588,753	2,640,528
	Total Expense	38,951,786	41,517,821	43,795,074	46,579,618	49,176,442	52,301,863
	Net Operating Gain (Loss)	(1,242,737)	(1,297,617)	(890,503)	(136,930)	322,613	1,193,716
NonOperating Revenue (expenses)							
	Property Taxes	967,864	987,221	1,006,966	1,047,244	1,089,134	1,132,699
	Other NonOperating Revenue	406,425	414,554	422,845	431,301	439,927	448,726
	NonOperating Expense	(157,403)	(362,076)	(346,124)	(329,837)	(329,837)	(329,837)
	Capital Asset Contribution			2,900,000	700,000	700,000	700,000
	Total Nonoperating Revenue (Expense)	1,216,886	1,039,699	3,983,686	1,848,709	1,899,225	1,951,589
	Increase (Decrease) in Net Assets	(25,851)	(257,919)	3,093,183	1,711,779	2,221,837	3,145,305

Exhibit 11

CONSOLIDATED PROFORMA BUDGET ASSUMPTIONS							
Fallbrook Public Utility District and Rainbow Municipal Water District							
REVENUE							
Water Services Operating Revenue	Units sold to remain flat for FPUD; RMWD will increase due to developments in 2016/17						
Sewer Services Operating Revenue	2% increase annually, year over year						
Total Operating Revenue							
EXPENSE							
Water Purchases	Increase 7% annually based on CWA historic trends						
Wages & Benefits	Actual current wage and benefits plus 4% COLA/merit adjustment. Staffing levels will be Curr. Yr at 116, 2014-15 at 110, 2015-16 at 105, 2016-17 at 103. Using average wage and benefit of \$58/hour(not inflated) to calculate cost reduction. FPUD & RMW to split the staffing reductions (e.g. 2014-15 reductions of 6: 3-FPUD and 3-RMWD)						
Other Operating Expense	inflation factor of 2%						
	Operational efficiencies reduce each agency's expenses by \$150k in 2015-16,						
NonOperating Expense							
Total Expense							
Net Operating Gain (Loss)							
NonOperating Revenue (expenses)							
Property Taxes	inflation factor of 2%						
Other NonOperating Revenue	inflation factor of 2%						
NonOperating Expense	inflation factor of 2%						
Total Nonoperating Revenue (Expense)							
CSI Rebate ends after 15-16							