



FAIRFIELD-SUISUN SEWER DISTRICT

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

Executive Committee Meeting Agenda

Meeting Date: January 22, 2024

Meeting Place: 1010 Chadbourne Road, Fairfield, CA

Meeting Time: 4:30 p.m.

EXECUTIVE COMMITTEE

RICK VACCARO, PRESIDENT

ALMA HERNANDEZ, VICE PRESIDENT

JENALEE DAWSON

CATHERINE MOY

1. Roll Call
2. Public Comments
3. General Manager Report

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--End of Agenda--

The Fairfield-Suisun Sewer District will provide reasonable disability-related modification or accommodation to a person with a disability who requires a modification or accommodation in order to participate in the meeting of the Board of Directors. Please contact us at (707) 429-8930 at least 48 hours before the meeting if you require such modification or accommodation.

Documents that are disclosable public records required to be made available under California Government Code Section 54957.5 (b) (1) and (2) are available to the public for inspection at no charge during business hours at our administrative offices located at the above address.

Members of the public may speak on any matter within the jurisdiction of the Fairfield-Suisun Sewer District by filling out a speaker's request card and submitting the card to the Board Secretary. Comments on matters not listed on the agenda will be taken under Public Comments. Comments on matters appearing on the agenda will be taken during consideration of the item.



FAIRFIELD-SUISUN SEWER DISTRICT

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

January 17, 2024

AGENDA REPORT

TO: Executive Committee

FROM: James Russell-Field, Director of Administrative Services

SUBJECT: Independent Auditor's Report of the District's Basic Financial Statements for Fiscal Year Ended June 30, 2023

Recommendation: Receive report on Financial Audit.

Background: The District engaged the services of Davis Farr, LLP (Davis Farr) to perform an independent audit of the District's basic financial statements for the fiscal year ended June 30, 2023.

Discussion: On December 21, 2023, Davis Farr completed the independent audit of the District's basic financial statements for the fiscal year ended June 30, 2023 and issued an "unmodified opinion." An "unmodified opinion" is the most favorable type of opinion available and means that the District's financial statements were fairly presented in all material respect in accordance with the generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB).

Pages 1-3 of the Annual Comprehensive Financial Report (ACFR) contain Davis Farr's report on the basic financial statements. Pages 56-57 contain Davis Farr's report on the District's internal controls over financial reporting, compliance, and other matters based on the audit of the financial statements.

The District's financial statements are presented on pages 13-17 of the ACFR. Financial statement users frequently refer to Management's Discussion and Analysis on pages 4-12, and the Statistical Section on pages 59-76, to enhance their understanding and interpretation of the financial statements.

Fiscal Impact: None

Attachment: Annual Comprehensive Financial Report for the Year Ended June 30, 2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2023



Fairfield-Suisun Sewer District

1010 Chadbourne Road

Fairfield, CA 94534

www.fssd.com

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Annual Comprehensive Financial Report

For the Year Ended June 30, 2023

Fairfield-Suisun Sewer District protects public health and the environment for the communities we serve in an efficient, responsible and sustainable manner.



Administrative Services Department
Fairfield-Suisun Sewer District
1010 Chadbourne Rd, Fairfield, CA 94534
www.fssd.com

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Fairfield-Suisun Sewer District
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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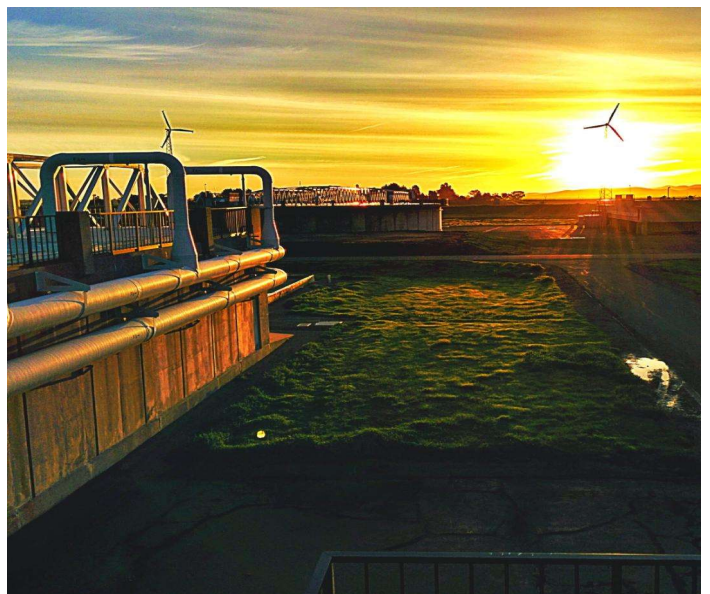
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Introductory Section

The Fairfield-Suisun Sewer District owns and operates a system of sanitary sewers and pumping stations, used to oversee wastewater collection and treatment. The photo on the right shows two Intermediate Clarifiers, which slows down the flow to settle out any dead or sloughed off zoogeal mass from the Oxidation Towers. After the solids are gathered and removed, they are pumped into the Gravity Belt Thickener.



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FAIRFIELD-SUISUN SEWER DISTRICT

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

December 21, 2023

Board of Directors
Fairfield-Suisun Sewer District
Fairfield, California

Subject: Letter of Transmittal
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

It is a pleasure to submit the Fairfield-Suisun Sewer District's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. Responsibility for the accuracy, completeness and fairness of the data presented, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of District operations. Included are all disclosures necessary to enable the reader to gain a full understanding of the District's financial activities.

The ACFR is presented in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). GAAP requires management to provide a narrative introduction, overview, and analysis, in the form of a Management's Discussion and Analysis (MDA), to accompany the basic financial statements. This letter of transmittal is designed to complement the MDA and should be read in conjunction with it. The District's MDA can be found immediately following the independent auditor's report in the financial section.

The Reporting Entity

The Fairfield-Suisun Sewer District (District) is a special district which serves all territory within the cities of Fairfield and Suisun City. It was formed by an act of the California State Legislature on May 5, 1951 (the "enabling act"). The enabling act defined the District's boundaries as the boundaries of the cities. Any territory annexed to either city is also annexed to the District, and in general, no property can be served by the District if it is not in either city.

In September of 2002, the District amended its enabling act language, under AB776, to authorize the acceptance of sewage emanating from buildings that lie outside the District's boundaries for developed parcels that were connected to the District's sewage treatment system before March 1, 2002. The District's change in enabling act language also allows for a contract with Solano County, or other public entities, for the disposal of sewage emanating from buildings outside the District's service area, if the District

determines that the contract furthers the protection of public health and safety and is in the best interest of the District.

In April 2019, the District amended its enabling act language, under AB530, to authorize the acceptance and disposal of sewage emanating from any building within the Middle Green Valley Specific Plan area, upon request of the landowner. Middle Green Valley is an unincorporated area in Solano County north of the City of Fairfield and outside the city's sphere of influence. Solano County has adopted a Specific Plan for the Middle Green Valley, which calls for development of about 400 homes and associated commercial and public facilities.

The District has broad powers to finance, construct, and operate systems for the treatment, collection and disposal of sewage, stormwater, and recycled water systems within the District's jurisdiction. Its ten-member Board of Directors consists of the members of the city councils of the two cities. The Board president is elected by the Board from among its members. The District's day-to-day operations are managed by the General Manager, who reports directly to the Board of Directors.

Factors Affecting Financial Condition

Local Economic Condition and Outlook

The District is headquartered in Fairfield, California and serves the cities of Fairfield and Suisun City, contiguous cities in Solano County, California. The cities are located along Interstate 80, midway between San Francisco and Sacramento, the state capital. The cities lie in a large valley surrounded by rolling hills. Fairfield is the Solano County seat and houses most county government activities while Suisun City is one of California's oldest cities. Suisun City sits approximately 15 feet above sea level, and a network of sloughs, navigable by small boats, extends from the city to San Francisco Bay.

The area is noted for its moderate climate. It is protected from ocean fog by a low range of hills and is cooled by prevailing sea breezes during the summer. Good visibility and a climate free from extremes were among the factors that influenced the location of Travis Air Force Base in Fairfield. Favorable climate, short drive to major cities, ocean, mountains, and affordable housing have been some of the factors in the area's past residential growth.

Major employers located within the District's boundaries include Travis Air Force Base, County of Solano, Anheuser-Busch Brewery, Jelly Belly, Producers Dairy Foods, North Bay Medical Center, Kaiser Permanente, other large manufacturers and industries, and shopping districts. The District's Sewer Service Charges are stable with approximately 80 percent coming from residential customers who are billed a flat fee on a monthly basis. Revenues received from commercial and industrial customers comprise the remaining 20 percent of the total Sewer Service Charges.

The combined population served in the City of Fairfield and City of Suisun City is 147,997 as of January 1, 2023. The unemployment rate for Fairfield and Suisun City is 4.8 percent and 4.7 percent, respectively. The cities of Fairfield and Suisun City remain an attractive option for housing, as prices tend to be lower than other San Francisco Bay Area locations.

In Fiscal Year (FY) 2022-23, Sewer Service Charges for residential customers increased by 3.9 percent, while commercial and industrial customers increased by varying rates. The District completed a Cost of Service and Rate Study in January 2022, and subsequently held a public hearing adopting a five-year rate schedule in March 2022. The first year of the five-year rate schedule was effective July 1, 2022. The cities of Fairfield and Suisun City are projecting continued residential growth over the next several years, with an estimated 2,454 single and multi-family homes added through FY 2026-27.

Guided by its long-term financial planning and policy of building and drawing down reserves, the District has remained fiscally stable and continues to monitor future impacts and opportunities for funding. The District remains proactive in maintenance and upgrade of the treatment plant and wastewater collection facilities to provide essential services to the Fairfield and Suisun City communities.

Budget and Long-Term Financial Planning

The District is not legally required to adopt a budget or to present budgetary comparison information. In its commitment to fiscal responsibility, the District prepares a budget, along with a ten-year financial plan, which is approved and adopted by the Board of Directors. On May 22, 2023 the Board of Directors adopted the FY 2023-24 Budget and Long-Term Financial Plan.

Major Initiatives

The District is proactive in planning for major maintenance, replacements, and upgrades, as well as researching innovative infrastructure solutions. During FY 2022-23, the District completed or started work on several significant projects and planning activities, detailed below:

Resilient & Green Master Plan

In November 2022, District staff presented a Resilient and Green Master Plan to the Board of Directors, a suite of projects proposed to demonstrate nature-based solutions, treatment plant resilience, and improving awareness of the wastewater and stormwater industries. The purpose of the Plan is to identify projects within the District's 580-acre treatment plan area that integrate nature and enhance the health, safety, and livelihoods of the communities. Examples of projects in the Plan include community treatment wetlands that provide recreation and education opportunities, nutrient management, and sea level rise protection benefits; and replacing irrigated turf and ice plan with native and

drought tolerant species that highlight the use of recycled water. The District is seeking grants to fund the planning, design, and construction costs of nature-based solutions identified in the Plan.

Biogas Utilization Master Plan and Bioenergy Generation Project

In March 2021, District staff presented the results of a Biogas Utilization Master Plan to the Board of Directors. The Master Plan resulted from a study investigating the potential production and uses of biogas that could be built into the District's future capital investments. The Master Plan concluded that the most economically beneficial path forward for the District was to produce electricity using a new cogeneration engine and establish an interconnection with PG&E that allows the District to export excess power to the grid or offset electricity purchases at other times.

The Board of Directors awarded the Bioenergy Generation Project in May 2022. The recommended project includes installing a 1,100 kilowatt cogeneration engine and associated systems, auxiliary heat recovery and wasting equipment, biogas conditioning systems to protect the engine and meet air quality requirements, and related work, including demolishing existing equipment. The new cogeneration engine will be capable of producing up to 65 percent of the wastewater treatment plant's electrical power, offsetting electrical power otherwise purchased from PG&E.

The Bioenergy Generation project is one of the District's largest Capital Improvement Program projects and is expected to extend into FY 2024-25.

Electrical Replacement Project Phase 2

The District's collection system and treatment plant rely on a complex network of electrical power distribution gear to provide utility and standby electrical power to essential conveyance and treatment equipment. Much of this electrical gear is original, installed during the 1970s and 1980s. Through routine inspection and maintenance activities, District staff identified several Motor Control Centers (MCCs) and associated electrical components at District facilities that showed signs of physical damage (corrosion, heat damage, spliced cables, etc.) or for which spare parts are no longer commercially available.

District staff are currently working on Phase 2 of the Electrical Replacement project, which includes the replacement of a critical electrical substation at the treatment plant and adding a standby electrical generator at the District's largest wastewater pump station. In October 2022, the Board authorized District staff to proceed with the pre-purchase of a prefabricated electrical equipment building and related electrical equipment for the wastewater treatment plant and the pre-purchase of a new standby power system and related electrical equipment for the Suisun Pump Station to proactively address long equipment lead times and prevent supply chain delays. The construction contract for the Electrical Replacement Project Phase 2 is anticipated to be let for bids in early 2024.

Peabody/Walters Relief Sewer – Phase 1B

The Peabody/Walters Relief Sewer Phase 1B project is necessary to adequately serve proposed the development in the Northeast portion of the District's service area associated with the Train Station Specific Plan (TSSP). The improvements from Phase 1B of the Peabody/Walters Relief Sewer project will increase sewer capacity by constructing new, larger sewer mains.

Phase 1A provided the necessary capacity increases to approximately 1,500 feet south of Vanden Road in 2013 to coincide with other utility improvements associated with the train station's construction. Phase 1B continued the capacity improvements south along Peabody Road and west on Huntington Drive to Stanford Court. A future phase of the project is planned to continue capacity increases west of Stanford Court on Huntington Drive and south on Walters Road to the vicinity of East Tabor Avenue. The Notice of Completion for Peabody/Walters Relief Sewer – Phase 1B was filed in March 2023.

Northeast Fairfield Pump Station

The District completed a design for a new regional wastewater pump station, the Northeast Fairfield Pump Station, in 2007, planned to be commissioned with a new housing development. Due to the ensuing economic downturn, the station was not built at that time. In 2020, a design update was completed, and in October 2020, the District signed an agreement with the housing developer, Rancho Tolenas, to construct the facility on the District's behalf. Construction began in the summer of 2021 and the project was substantially complete as of June 30, 2023. This new pump station is reliably delivering wastewater from the new development to the wastewater treatment plant.

Heating, Ventilating and Air Conditioning Design Services and Upgrades

The District's Operations, Administration, and Maintenance buildings were constructed in 1974, 1991 and 1995, respectively. The HVAC systems in these buildings are outdated and have become a maintenance burden, with some replacement components becoming increasingly difficult to source. In early 2020, the District hired a design consultant to design efficiency and reliability upgrades for the HVAC systems in all three buildings. Components will include new variable speed fans, modified zone controllers, replacement heating boilers, and a significantly more intelligent Building Automation System that will provide digital feedback and control of the system to allow for better troubleshooting and more efficient operation. The contract was awarded in January 2022 and the project is anticipated to be substantially complete in late 2023.

Internal Control Structure

The District's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance regarding 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of

financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Independent Audit

California state statutes and bond covenants require an annual independent audit of the books of accounts and financial records of the District. Davis Farr, LLP was contracted to conduct this year's audit. Their unmodified opinion is included in the Financial Section of this report.

Awards and Recognition

The District is the recipient of numerous awards of excellence at the local, state, and national level for maintaining an efficient, well-run treatment plant. These awards are received from the local chapter of the California Water Environment Association (CWEA), the state CWEA, the national Water Environment Federation, and the National Association of Clean Water Agencies (NACWA). Awards regularly received are Plant of the Year, Collection System of the Year, awards for safety, Excellence in Management Recognition, and awards for individual achievements. The District recently received the NACWA Platinum Award for nine continuous years of zero violations.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fairfield-Suisun Sewer District for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Staff believes the current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and will submit the current year report to GFOA to determine its eligibility for another certificate.

Acknowledgments

Sincere appreciation is extended to the entire Finance and Administrative team, District staff members who provided information and participated in the preparation of this report. Special recognition is given to the District's Accountant Melanie Wildeman for her dedicated work in preparing this report. Recognition is also given to District management and to our governing board for its continued support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

Talyon Sortor

Talyon Sortor, P.E.
General Manager

James Russell-Field

James Russell-Field, CPA
Director of Administrative Services

Fairfield-Suisun Sewer District

Principal Officers for the Year Ended June 30, 2023

Board of Directors

Rick Vaccaro, President
Alma Hernandez, Vice President
Douglas Carr
Jenalee Dawson
Catherine Moy
Marlon Osum
Amit Pal
Doriss Panduro
Scott Tonnesen
Princess Washington
Pam Bertani, First Alternate
K. Patrice Williams, Second Alternate

Management Team

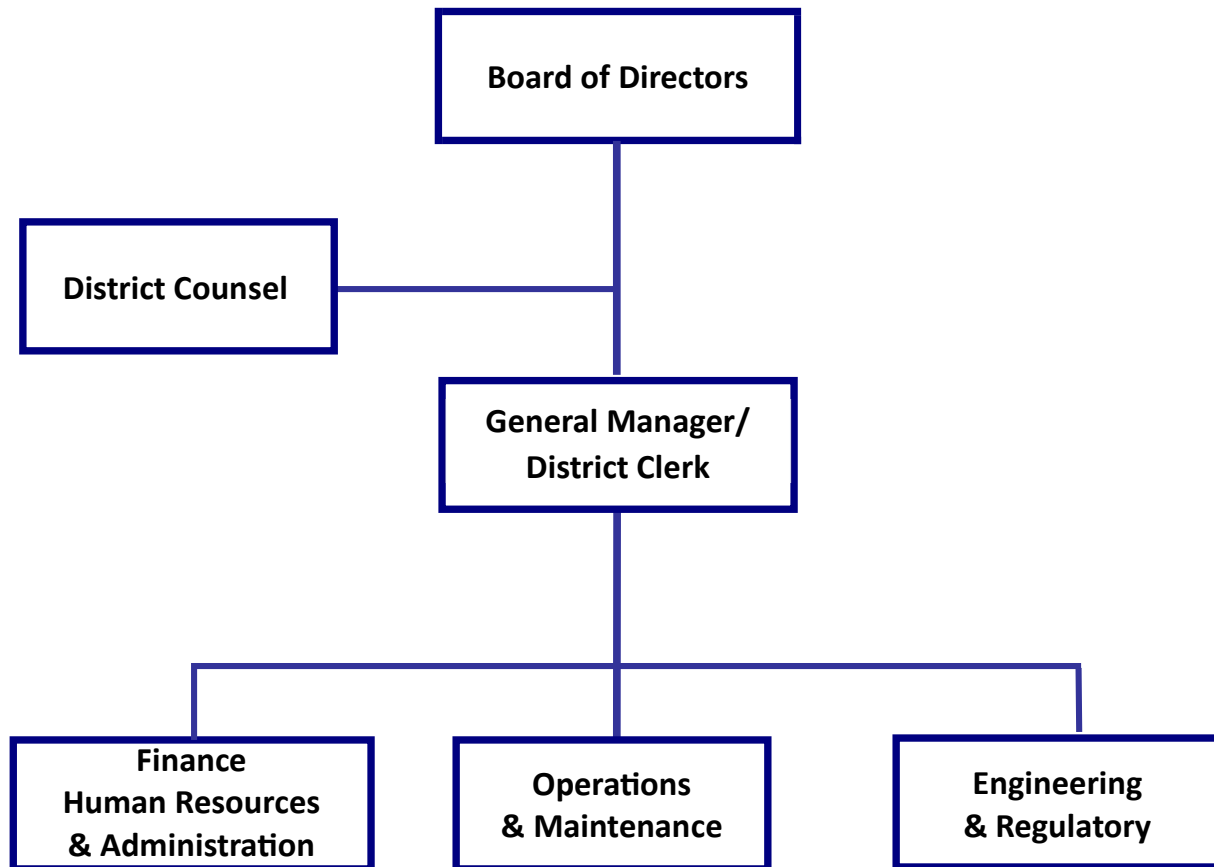
Talyon Sortor, General Manager
Jordan Damerel, Assistant General Manager / District Engineer
Meg Herston, Director of Environmental Services
James Russell-Field, Director of Administrative Services
Kimberly Kraft, Human Resources Manager

District Counsel

Carrie Blacklock

Fairfield-Suisun Sewer District

Organization



Fairfield-Suisun Sewer District

Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Fairfield-Suisun Sewer District
California**

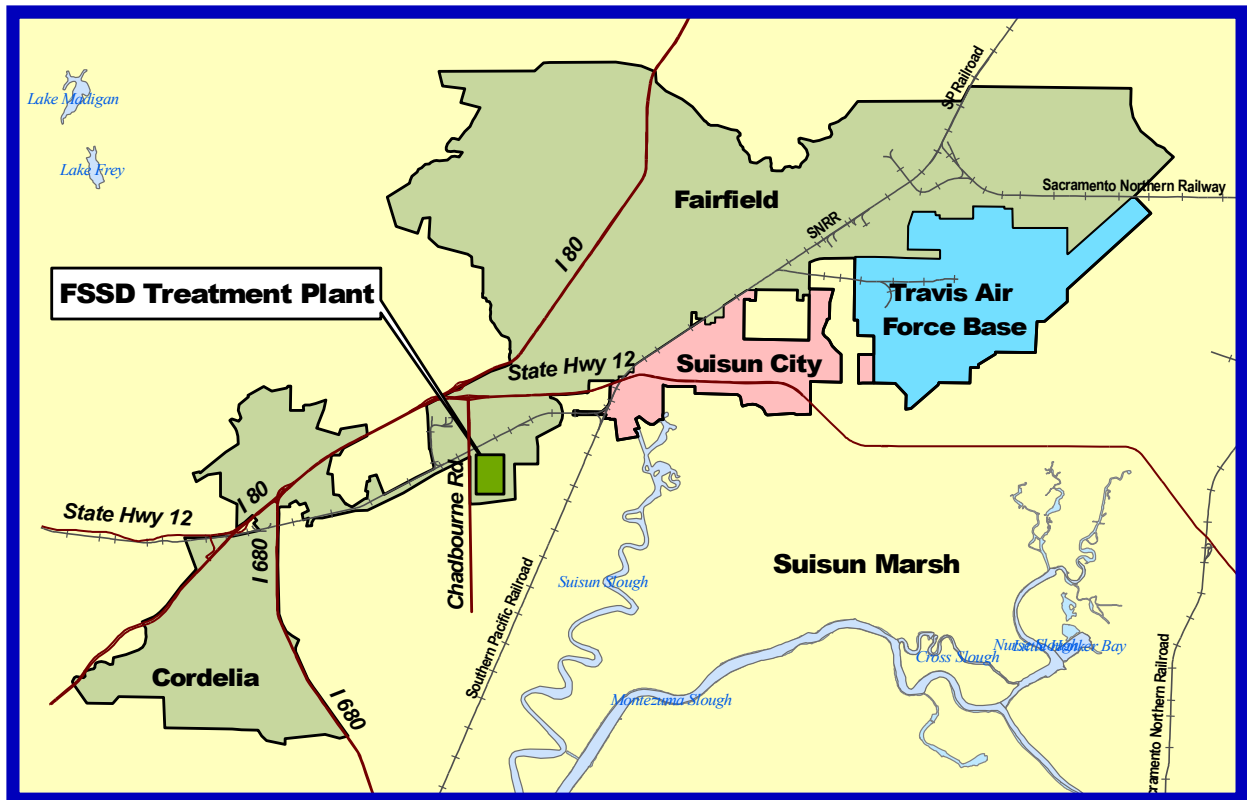
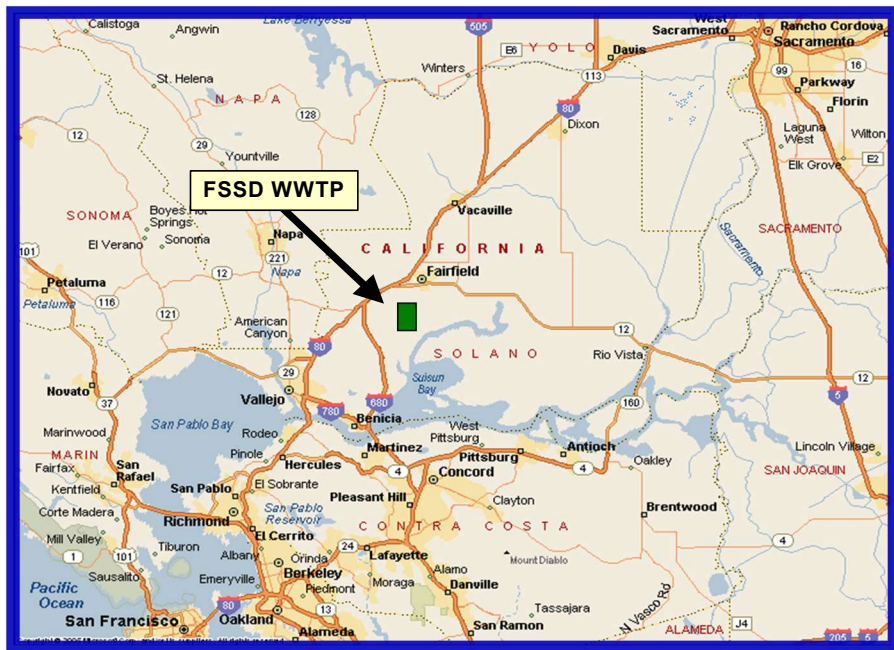
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Fairfield-Suisun Sewer District Location Map



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Financial Section

Receiving Waters Suisun Marsh and Duck Clubs

As part of the District's mission to safeguard public health, we take action to protect the environmentally sensitive Suisun Marsh. The Marsh is the nation's largest brackish water marsh and the largest wetland on the Pacific Coast. Our advanced treatment technology ensures our final effluent water, which is discharged into the marsh, meets stringent water quality standards set by Federal, State, and Regional agencies.



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Independent Auditor's Report

To the Board of Directors
Fairfield-Suisun Sewer District
Fairfield, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fairfield-Suisun Sewer District (District), as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise the District basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fairfield-Suisun Sewer District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

During the year ended June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96: Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Fairfield-Suisun Sewer District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about District's

ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, pension and other post employment benefit schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
December 21, 2023

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

This section of the District's Annual Comprehensive Financial Report presents management's discussion and analysis (MDA) of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements and accompanying notes, which follow this section.

The information in this MDA is presented under the following headings:

- Overview of the Basic Financial Statements
- Financial Highlights and Analysis
- Capital Assets
- Debt Administration
- General Enterprise Function
- Using This Annual Report
- Request for Information

Overview of the Basic Financial Statements

The District's basic financial statements are comprised of two components: 1) Basic financial statements, 2) Notes to basic financial statements. In addition to the basic financial statements, the report also contains supplementary required information.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As a special-purpose government, the District reports its financial statements in accordance with business-type activities known as enterprise funds. Enterprise funds are self-supporting funds that charge fees to users to cover the cost of operations, maintenance, capital asset improvements, and replacements. Enterprise funds are reported on the "accrual basis" of accounting similar to what is used by private sector companies.

The fund financial statements consist of the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to Financial Statements.

The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amount of investment in resources (assets) and obligations (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine its profitability, creditworthiness, and whether the District has successfully recovered all its costs through its sewer fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments made during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital investing activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Highlights and Analysis

Financial Highlights

This discussion is intended to serve as an introduction to the District's basic financial statements. As noted earlier, net position may serve over time as a useful indicator of the District's financial position.

- Total assets increased by 1.5%
- Deferred outflows of resources increased by 3.1%
- Total liabilities increased by 28.0%
- Deferred inflows of resources decreased by 10.7%
- Net position decreased by 1.6%
- Total revenues increased by 14.4% while Sewer Capacity Charges decreased by 32.1%
- Total expenses increased by 86.0%.

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

Financial Analysis

The following is the District's Condensed Statement of Net Position for fiscal year ended June 30, 2023 as compared to the fiscal year ended June 30, 2022:

	Fiscal Year Ended June 30,		Dollar	Percent
(\$000)	2023	2022	Increase (Decrease)	Increase (Decrease)
Current and other assets	\$ 70,761	\$ 73,059	\$ (2,298)	-3.1%
Capital assets	81,532	77,002	4,530	5.9%
Total assets	152,293	150,061	2,232	1.5%
Deferred outflow of resources	9,208	8,933	275	3.1%
Current and other liabilities	6,829	6,148	681	11.1%
Long-term liabilities	16,449	12,035	4,414	36.7%
Total liabilities	23,278	18,183	5,095	28.0%
Deferred inflow of resources	3,896	4,364	(468)	-10.7%
Net position				
Net investment in capital assets	71,464	66,119	5,345	8.1%
Restricted				
Restricted for capital projects	14,571	15,076	(505)	-3.3%
Restricted for debt service	1,070	1,069	1	0.1%
Restricted for major maintenance	31,288	36,945	(5,657)	-15.3%
Restricted for City collection system reserves	2,446	-	2,446	-
Unrestricted	13,488	17,238	(3,750)	-21.8%
Total net position	\$ 134,327	\$136,447	\$ (2,120)	-1.6%

- *Current and other assets* decreased by \$2.3 million, or 3.1 percent. This decrease was primarily due to required pension reporting under GASB No. 68. The actuarial report for FY 2022-23 included CalPERS' negative 6.1 percent rate of return for June 30, 2022, which changed the District's reporting of a net pension asset to a net pension liability for the fiscal year ended June 30, 2023.
- *Capital assets* increased by \$4.5 million, or 5.9 percent, primarily due to transfers from Construction in Progress to fixed assets totaling \$8.1 million for the Northeast Fairfield Pump Station, Peabody/Walters Relief Sewer, Air Base/State Street Flood Station Replacement, Primary Clarifier Rehabilitation No. 1 and 3, and Primary Clarifier Rehabilitation No. 2 and 4. The additions to capital assets were offset by an increase in accumulated depreciation of \$3.8 million.
- *Deferred outflows of resources* represent transactions related to GASB No. 68 (pension) and No. 75 (OPEB) and are adjusted each year based on actuarial assumptions. The increase in deferred outflows of resources consisted of an

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

decrease of \$1.6 million (-23.9 percent) related to the pension plan and an increase of \$1.9 million (79.8 percent) related to OPEB.

- *Current and other liabilities* increased by \$0.7 million, or 11.1 percent, primarily due to increases in accrued expenses and retention payable associated with construction contracts.
- *Long-term liabilities* decreased by \$4.4 million, or 36.7 percent, primarily due to required pension reporting under GASB No. 68. The actuarial report for FY 2022-23 included CalPERS' negative 6.1 percent rate of return for June 30, 2022, which changed the District's reporting of a net pension asset to a net pension liability for the fiscal year ended June 30, 2023.
- *Deferred inflows of resources* represent transactions related to GASB No. 68 (pension), GASB No. 75 (OPEB) and GASB No. 87 (leases). The 10.7% decrease in deferred inflows of resources consisted of an increase of \$593,316 (75.9 percent) related to leases, a decrease of \$322,811 (-15.1 percent) related to OPEB, and a decrease of \$738,639 (-50.9 percent) related to the pension plan.
- *Restricted net position* represents resources that are subject to external restrictions on how they may be used.
 - *Restricted for capital projects*, which represents a cumulative unspent portion of Sewer Capacity Charges, decreased by 3.3 percent. The District's Long-Term Financial Plan have identified several projects that will utilize these funds.
 - *Restricted for debt service* represents SRF debt covenant requirements, which the District is required to maintain through the life of the debt.
 - *Restricted for major maintenance* is reserved for future plant upgrades and replacement as a condition of the original grant received from the Environmental Protection Agency. The amount set aside as major maintenance reserve each year is based on the total major maintenance projects identified in the District's asset management program, updated biennially as part of its budget and long-range planning process.
 - *Restricted for City collection system reserves* are funds reserved in accordance with the Seventh Amendment to the 1965 Agreement with the Cities of Fairfield and Suisun City and represent funds available to the cities for collection system repair and rehabilitation.
- *Unrestricted net position* may be used to meet the District's ongoing obligations to ratepayers and creditors. The unrestricted net position includes an amount designated as an operating reserve equivalent to three months of operating expenses as identified in the District's Budget and Long-Term Financial Plan.

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

The following is the District's Condensed Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2023 as compared to the fiscal year ended June 30, 2022:

	Fiscal Year Ended June 30,		Dollar	Percent
(\$000)	2023	2022	Increase (Decrease)	Increase (Decrease)
Revenues:				
Sewer service charges	\$ 33,386	\$ 30,965	\$ 2,421	7.8%
Drainage fees	1,662	1,684	(22)	-1.3%
Interest income	1,195	451	744	165.0%
Other	544	(942)	1,486	-157.7%
Total revenues	36,787	32,158	4,629	14.4%
Expenses: ¹				
Personnel ²	20,042	5,525	14,517	262.8%
Utilities and chemicals	4,045	2,933	1,112	37.9%
Services, operations and maintenance	8,100	6,271	1,829	29.2%
Sewer line maintenance	4,077	2,506	1,571	62.7%
Billing and collection	741	700	41	5.9%
Interest expense	252	272	(20)	-7.4%
Depreciation and amortization	4,371	4,168	203	4.9%
Total expenses	41,628	22,375	19,253	86.0%
Income (loss) before capital contributions	(4,841)	9,783	(14,624)	-149.5%
Add: Sewer capacity charges	2,723	4,011	(1,288)	-32.1%
Add: Federal funds	-	259	(259)	100.0%
Change in net position	(2,118)	14,053	(16,171)	-115.1%
Net position, as restated	136,445	122,394	14,051	11.5%
Net position - end of period	\$ 134,327	\$ 136,447	\$ (2,120)	-1.6%

(1) In FY 2022-23, operating expense categories were updated to pull reports directly from the financial system. Operating expense categories were changed to provide a direct comparison. Prior year categories in previously audited financial statements (total) will tie to the total operating expense amount.

(2) Personnel expenses include actuarially determined pension and other post employment benefit expenses in accordance with GASB No. 68 and No. 75.

Analysis of the Condensed Statement of Revenues, Expenses, and Changes in Net position for fiscal year ended June 30, 2023 compared to the fiscal year ended June 30, 2022 are shown on the following page:

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

- *Total revenues* for fiscal year ended June 30, 2023 increased by \$4.6 million, or 14.4 percent. This increase was primarily due to an increase in Sewer Service Charges in accordance with the District's Proposition 218 Notice, as well as the reversal of a prior year fair market value adjustment for investments.
- *Sewer Capacity Charges* decreased by \$1.3 million, or 32.1 percent, primarily due to prior year non-recurring Sewer Capacity Charge receipts from Suisun City totaling \$0.9 million for the Lawler Mixed Use and Marina Boulevard Apartment projects.
- *Total expenses* increased by \$19.3 million, or 86.1 percent, due to changes in the following expense categories:
 - *Personnel expenses* increased \$14.5 million, or 262.8 percent, primarily due to the District's actuarially determined pension expense. The actuarial report for FY 2022-23 included a negative 6.1 percent rate of return for CalPERS, requiring the District to record a pension expense of \$7.7 million under GASB No. 68. The actuarial report for FY 2021-22 included a 21.3 percent rate of return for CalPERS, resulting in a negative pension expense of \$5.5 million. Due to the negative pension expense of \$5.5 million in FY 2021-22 and positive pension expense of \$7.7 million in FY 2022-23, the required GASB No. 68 reporting creates a \$13.2 million variance in personnel expenses.
 - *Sewer line maintenance* includes funds passed through the District to the Cities of Fairfield and Suisun City for operation and maintenance of sewer lines smaller than 10" in diameter (local sewer) as well as collection system repair and rehabilitation. The funding mechanisms and responsibilities of each City and the District are specified by an agreement. The increase of \$1.6 million, or 62.7 percent, is primarily due to appropriations from each city's Collection System Repair and Rehabilitation Reserves which were established effective July 1, 2023. For FY 2022-23, the cities of Fairfield and Suisun City requested appropriations of \$500,000 and \$685,000, respectively. The increase also includes Consumer Price Index increases for local sewer payments totaling 6.5 percent, as well as an additional 10 percent increase for the City of Fairfield to CCTV inspect their own sewer lines, which was previously handled by the District.
 - *Utilities and chemicals expenses* increased \$1.1 million, or 37.9 percent, primarily due to rate increases in chemical and energy costs, and an increase in electricity usage due to an out of service cogeneration engine while the Bioenergy Generation Project is ongoing.
 - *Billing and collection* expenses increased \$41,000, or 5.9 percent, which is consistent with an annual Consumer Price Index increase as required by agreement, and customer growth in the cities of Fairfield and Suisun City.

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

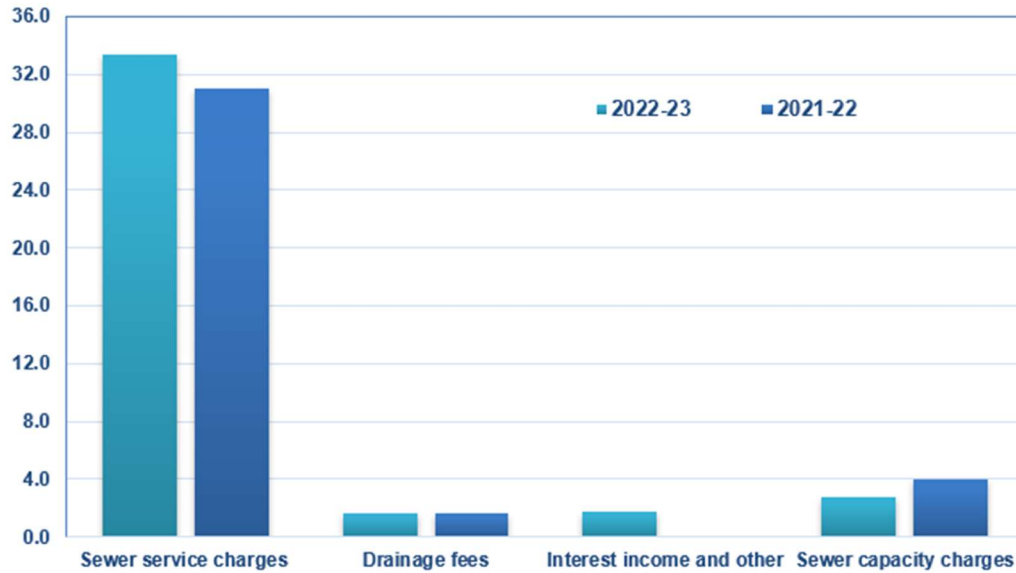
- *Interest* expense decreased \$20,000 or 7.4 percent, due to continued debt service payments for SRF loans related to the UV Project and Blower Project.
- *Depreciation and amortization* expense increased \$203,000, or 4.9 percent, primarily due to the Northeast Fairfield Pump Station, Peabody/Walters Relief Sewer, Air Base/State Street Flood Station Replacement, Primary Clarifier Rehabilitation No. 1 and 3, and Primary Clarifier Rehabilitation No. 2 and 4 projects transferring from Construction in Progress to depreciable fixed assets.

Fairfield-Suisun Sewer District

Management's Discussion and Analysis

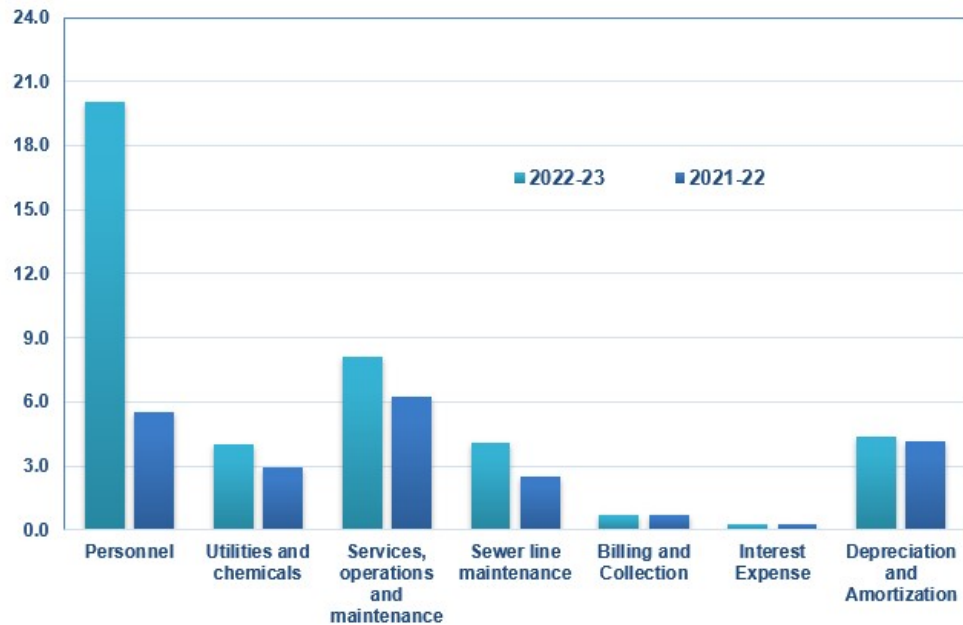
SOURCES OF ALL REVENUES FOR FISCAL YEARS 2022-23 AND 2021-22

(\$ million)



CLASSIFICATION OF ALL EXPENSES FOR FISCAL YEARS 2022-23 AND 2021-22

(\$ million)



Fairfield-Suisun Sewer District

Management's Discussion and Analysis

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, was \$71.5 million as of June 30, 2023. This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, vehicles and equipment, trunk lines, pump stations, and treatment plant facilities. Additional information on the District's capital assets can be found in Note 7, page 33.

Debt Administration

The District continues to upgrade and improve the quality of its sewage collection and treatment systems to keep current with environmental regulations and the needs of its service area. To the extent possible, the District attempts to fund capital projects through "pay-as-you-go" financing. Community growth pays for itself so that, upon built out, major debt service burdens will not be shifted to ratepayers. Reserves are earmarked for future major maintenance and capital projects.

Additional information on the District's long-term debt can be found in Note 8, pages 34-35.

General Enterprise Functions

The District maintains a proactive, entrepreneurial style of organization that encourages efficiencies. District ratepayers have for many years enjoyed the lowest sewer service rates among surrounding communities, even though the District receives no property tax revenues.

Using This Annual Report

This section of the annual report consists of two parts: Management's Discussion and Analysis, and Basic Financial Statements. The Basic Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to James Russell-Field, Director of Administrative Services, at 1010 Chadbourne Road, Fairfield, CA 94534-9700 or visit our website at <http://www.fssd.com/contact>.

Fairfield-Suisun Sewer District

Statement of Net Position

June 30, 2023

Assets:

Current assets:

Unrestricted assets:

Cash and investments (Note 3)	\$ 59,194,181
Accounts receivable, net	8,505,975
Interest receivable	408,502
Prepaid items	70,250
Lease receivable (Note 5)	52,150
Total Unrestricted assets	<u>68,231,058</u>

Restricted assets:

State Revolving Fund reserves (Note 3)	<u>1,070,057</u>
Total Restricted assets	<u>1,070,057</u>
Total Current assets	<u>69,301,115</u>

Noncurrent assets:

Lease receivable (Note 5)	1,459,939
Capital assets: (Note 7)	
Non-depreciable assets	9,672,753
Depreciable assets, net of depreciation	71,797,938
Right of use assets, net of amortization	61,553
Total Capital assets	<u>81,532,244</u>
Total Noncurrent assets	<u>82,992,183</u>

Total Assets	<u>152,293,298</u>
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Deferred Outflows of Resources:

Deferred outflows of resources related to Pension Plan	5,027,892
Deferred outflows of resources related to OPEB	<u>4,180,226</u>
Total Deferred Outflows of Resources	<u>9,208,118</u>

The accompanying notes are an integral part of these financial statements. (Continued)

Fairfield-Suisun Sewer District

Statement of Net Position

June 30, 2023

Liabilities:

Current liabilities:

Accounts payable and accrued expenses	\$ 4,704,119
Current portion of SRF loan (Note 8)	835,549
Current portion of compensated absences payable (Note 8)	1,144,901
Accrued interest payable	83,352
Current portion of lease liabilities (Note 5)	10,149
Deposits	50,500
Total Current liabilities	<u>6,828,570</u>

Long-term liabilities:

State Revolving Fund loan (Note 8)	9,233,137
Compensated absences payable (Note 8)	286,226
Lease liabilities (Note 5)	18,573
Net pension liability (Note 12)	4,019,592
Net OPEB liability (Note 13)	2,891,824
Total Long-term liabilities	<u>16,449,352</u>
Total Liabilities	<u>23,277,922</u>

Deferred Inflows of Resources:

Deferred inflow related to Pension Plan	713,051
Deferred inflow related to OPEB	1,808,033
Deferred inflow related to leases	1,374,926
Total Deferred Inflows of Resources	<u>3,896,010</u>

Net Position:

Net investment in capital assets	71,463,557
Restricted:	
Restricted for capital projects	14,570,734
Restricted for debt service	1,070,057
Restricted for major maintenance	31,288,485
Restricted for City collection system reserves	2,446,120
Total Restricted	<u>49,375,396</u>
Unrestricted:	13,488,531
Total Net Position	<u>\$ 134,327,484</u>

The accompanying notes are an integral part of these financial statements.

Fairfield-Suisun Sewer District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

Operating revenues:	
Sewer service charges	\$ 33,386,414
Drainage maintenance	1,662,135
Other sewer service charges	567,169
Total Operating revenues:	<u>35,615,718</u>
Operating expenses:	
Personnel	20,041,562
Utilities and chemicals	4,044,923
Services, operations, and maintenance	8,100,137
City sewer line maintenance	4,077,244
Billing and collection	741,063
Depreciation and amortization	4,371,177
Total Operating expenses:	<u>41,376,106</u>
Operating income	(5,760,388)
Nonoperating revenues (expenses):	
Interest income	1,145,645
Interest income - leases	49,159
Net increase (decrease) in fair market value of investments	(398,663)
Interest expense	(250,423)
Interest expense - leases/SBITA	(1,107)
Other	374,972
Total Nonoperating revenues (expenses)	<u>919,583</u>
Net income before capital contributions	(4,840,806)
Capital contributions:	
Sewer capacity charges	<u>2,723,406</u>
Total Capital contributions	2,723,406
Change in Net Position	(2,117,400)
Net position, beginning of period - as restated (Note 15)	<u>136,444,884</u>
Net position, end of period	<u><u>\$134,327,484</u></u>

The accompanying notes are an integral part of these financial statements.

Fairfield-Suisun Sewer District

Statement of Cash Flows For the Year Ended June 30, 2023

Cash flows from operating activities	
Receipts from customers	\$ 32,889,541
Payments to suppliers & vendors	(16,658,174)
Payments for employees salaries & benefits	(14,258,068)
Other receipts	<u>1,141,848</u>
Net cash provided by operating activities	<u>3,115,147</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(9,127,899)
Sewer capacity charges	2,866,548
Interest paid	(256,091)
Principal payment on the SRF loan	(814,466)
Lease and SBITA payments	<u>(13,053)</u>
Net cash provided for capital and related financing activities	<u>(7,344,961)</u>
Cash flows from investing activities:	
Purchases of investments	(24,533,467)
Proceeds from the sale of investments	24,152,957
Interest received on investments	<u>882,934</u>
Net cash provided by investing activities	<u>502,424</u>
Net increase (decrease) in cash and cash equivalents	(3,727,390)
Cash and cash equivalents, beginning of period	<u>63,991,628</u>
Cash and cash equivalents, end of period	<u><u>\$ 60,264,238</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position	
Cash and investments	\$ 59,194,181
Restricted cash - SRF loan	<u>1,070,057</u>
Total cash and cash equivalents	<u><u>\$ 60,264,238</u></u>

The accompanying notes are an integral part of these financial statements. (Continued)

Fairfield-Suisun Sewer District

Statement of Cash Flows For the Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ (5,760,388)
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation and amortization	4,371,177
Miscellaneous non operating income	459,942
(Increase) Decrease in deferred outflows - pension	1,581,493
(Increase) Decrease in deferred outflows - OPEB	(1,856,205)
Increase (Decrease) in deferred inflows - pension	(738,639)
Increase (Decrease) in deferred inflows - OPEB	(322,811)
Increase (Decrease) in deferred inflows - leases	593,316
Changes in assets and liabilities:	
(Increase) Decrease in receivables, net	(2,689,294)
(Increase) Decrease in prepaid expense	4,881
Increase (Decrease) in payables	439,138
Increase (Decrease) in lease liabilities	(7,399)
Increase (Decrease) in deposits	45,500
Increase (Decrease) in compensated absences	223,420
Increase (Decrease) in net pension liability	5,578,164
Increase (Decrease) in net OPEB liability	1,192,852
Net cash provided by operating activities	<u>\$ 3,115,147</u>
Noncash investing, capital, and financing activities:	
Increase (decrease) in fair value of investments	(398,663)
Interest expense net accruals	255,591

The accompanying notes are an integral part of these financial statements.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

1. Organization

The Fairfield-Suisun Sewer District (District) is a special district consisting of all territory within the cities of Fairfield and Suisun City (the Cities). The District has broad powers to finance, construct, operate sewage collection and disposal and reclaimed water systems, and maintain storm drainage infrastructure within District jurisdiction. The District's governing board consists entirely of members from the City Councils of both cities.

A. Wastewater

The District operates a single sewage treatment plant, which was completed in 1976. It also owns and operates 70 miles of trunk sewers over 10" in diameter and 13 wastewater pump stations. The day-to-day operations and maintenance of the treatment plant and collection systems are performed by District staff. All construction management of capital expansion and most major maintenance projects are also performed by District staff.

B. Drainage Maintenance

Pursuant to an agreement entered into on March 1988 with the Cities, the District collects drainage fees to be used as supplemental funding to maintain the regional and local drainage facilities within the District's jurisdiction, including those constructed by the U.S. Army Corps of Engineers as part of the Fairfield Vicinity Streams Project.

Drainage fees, as established by the governing board, are collected on the Solano County tax roll pursuant to an agreement with Solano County. Total fees collected in fiscal year ended June 30, 2023 were \$1,662,135.

2. Summary of Significant Accounting Policies

The Financial Reporting Entity—The District's reporting entity includes only financial accounts of the District. In accordance with GASB No. 14, *The Financial Reporting Entity*, the District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

Basis of Accounting—The District is accounted for as a single enterprise fund. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's intent is that the costs of providing services to customers on a continuing basis be financed or recovered primarily through Sewer Service Charges.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The District uses the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when incurred. Operating revenues and expenses result from the ongoing principal operation of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses are related to financing and investing type activities and result from nonexchange transactions or ancillary services. Unbilled utility service receivables are recorded at year-end. As required for enterprise funds, the District uses a flow of economic resources measurement focus.

When an expense is incurred for purposes in which both restricted and unrestricted net positions are available, it is the District's policy to first apply unrestricted resources.

Budget—Although not legally required of enterprise funds, District management takes pride in the preparation and Board adoption of an annual Budget and Long-Term Financial Plan which includes a ten-year forecast. The information in the Long-Term Financial Plan is based on with the District's Master Plan and the Cities' growth projections. This process has been instrumental in the District's ability to build reserves for future needs and has allowed the District to fund most major expansion projects from reserves, and consequently keep debt low.

Budgetary control is maintained at the department level for administrative and operating expenses and at the project level for capital improvements. Significant construction projects are individually reviewed by the Board as part of the Budget and Long-Term Financial Plan adoption.

Cash Management—The Director of Administrative Services serves as District Treasurer. The Treasurer may issue and administer detailed investment instructions that conform to the provisions of the Investment Policy, as reviewed, and adopted annually by the Board of Directors. The District's Investment Policy conforms to the California Government Code Section 53601. As of June 30, 2023, all surplus cash was invested in the following:

- *State of California Local Agency Investment Fund (LAIF)* is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

- *California Asset Management Program (CAMP)* is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. Investments offered through the Cash Reserve Portfolio (the "Pool" or the "CAMP Pool") and CAMP Term are permitted for all local agencies under California Government Code Section 53601(p). CAMP Pool consists of a short-term money market fund rated AAA and separately managed portfolios of specific authorized securities (as specified in this policy). Camp TERM consists of fixed-rate, fixed-term investment options, rated AAA, with maturities ranging from 60 days to one year.
- *Savings accounts, checking and money market investment securities.*

In order of priority, the primary objectives of the District's investment activities are safety of principal, liquidity, and return on investment.

Cash and Investments—Funds are invested in accordance with Section 53601 of the Government Code of the State of California and the District's established investment policy. All monies not required for immediate expenses are invested to earn maximum yield consistent with safety and liquidity. All investments are kept in the custody of the District or a qualified safekeeping institution. A quarterly report is made to the Board of Directors showing a description of the investments, maturity date, par value, carrying value, market value, current yield, and estimated annual income. Investments are adjusted to fair value when material as required by GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Under the provisions of the District's investment policy and in accordance with the Government Code of the State of California, the District may invest in the following types of investments:

- Obligations of the U.S. Treasury
- Warrants, Treasury Notes, or Bonds issued by the State of California
- Negotiable Certificates of Deposit issued by federally or state-chartered banks or associations
- Agencies and instrumentalities
- Prime commercial paper of U.S. corporations
- Bankers Acceptances with maturities not to exceed 180 days
- Medium-term notes issued by U.S. corporations

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

- The District may contract for the use of investment services subject to all other provisions of this Investment Policy
- Local Agency Investment Fund (LAIF) operated by the Treasurer's Office of the State of California
- Any other investment security authorized under the provisions of California Government Code Section 53601

Statement of Cash Flows—For purposes of the Statement of Cash Flows, the District considers all cash and investments and all cash with fiscal agents with an original maturity of three months or less as cash and cash equivalents.

Statement of Revenues, Expenses, and Changes in Net Position—The Statement of Revenues, Expenses, and Changes in Net Position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are the charges to customers for services. Operating expenses include the cost of providing and delivering services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Statement of Net Position—The Statement of Net Position is designed to display the financial position of the District. The District's net position is classified into three categories as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- *Restricted* – This component of net position consists of constraints placed on an asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

- *Unrestricted* – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Leases—The District is involved in lease-related transactions as both a lessee and lessor.

- *Lessee* – A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or if it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payment expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.
- *Lessor* – A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership for the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

SBITAs —The District is involved in SBITA related transactions as the end user. The end user (District) should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. The District should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The District should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Fairfield-Suisun Sewer District

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Capital Assets—Property, plant and equipment are stated at cost less accumulated depreciation. The District capitalizes all assets with a historical cost of at least \$10,000 and a useful life of at least 5 years. Donated capital assets are recorded at estimated acquisition value. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed as incurred. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss from disposition, is credited or charged to revenues.

Depreciation is recorded on the straight-line basis over the estimated useful life of the assets as follows:

Category:	Years:
Trunk lines	20 – 40
Pump stations	20 – 40
Treatment plant and facilities	20 – 40
Buildings and improvements	20 – 40
Vehicles, furnishings and equipment	5 – 10

Depreciation is calculated based on a half-year convention. Regardless of the actual acquisition or disposal date, half a year of depreciation will be expensed the year an asset is placed in service and half a year of depreciation will be expensed the year the asset is disposed of, if not already fully depreciated at disposition.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB No. 87, *Leases*. The District also records the value of intangible right-to-use assets based on the underlying SBITA asset in accordance with GASB No. 96, *SBITAs*. The right-to-use intangible asset for both leases and SBITA arrangements is amortized on a straight-line basis for each year for the term of the contract.

Construction in Progress—The District constructs assets for its own use in plant operations. The costs associated with these projects are accumulated in a Construction-in-Progress account while the project is being developed. Once the project is complete or substantially complete, the entire cost of the constructed asset is transferred to a capital assets account and depreciated over the estimated life of the asset.

Deferred Outflows/Inflows of Resources— The deferred outflows of resources are a separate financial position element that represent a consumption of net assets that applies to future periods. This fiscal year's deferred outflows represent the pension

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

and Other Postemployment Benefit (OPEB) expenses and changes to net pension and net OPEB liabilities.

The deferred inflows of resources are a separate financial position element that represent an acquisition of net assets that applies to future periods. This fiscal year's deferred inflows of resources are related to changes in net pension and OPEB liabilities, as well as changes in leases and SBITA arrangements. Information related to these changes is found in Note 12 for pension liabilities, Note 13 for OPEB liabilities, Note 5 for leases, and Note 6 for SBITAs.

Pension—For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's pension plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the report the following timeframes are used:

For the fiscal year ended June 30, 2023

Valuation date: June 30, 2021

Measurement date: June 30, 2022

Measurement period: July 1, 2021 - June 30, 2022

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in the future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Other Post-Employment Benefits (OPEB)—For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

the District's plan (OPEB plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the report the following timeframes are used:

For the fiscal year ended June 30, 2023

Valuation date: June 30, 2022

Measurement date: June 30, 2022

Measurement period: July 1, 2021 - June 30, 2022

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings on OPEB plan investments is amortized using a straight-line method over five (5 years). All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Bond Discounts and Issuance Costs—Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of applicable bond premium and discounts are reported as noncurrent assets along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

Compensated Absences—District employees are granted compensated absences in varying amounts based on years of service. Compensated absences payable represents the District's liability for earned but unused compensated absences at year-end.

Sewer Capacity Charges—Sewer Capacity Charges are one-time fees charged to new or expanded connections to the District's sewer system designed to help recover the costs of infrastructure and assets benefiting new development. Sewer Capacity Charges collected through June 30, 2023 are restricted for growth-related or repair and rehabilitation projects.

Fairfield-Suisun Sewer District

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Use of Estimates—Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events—Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through, the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

3. Cash and Investments

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

The District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the District employs the Trust Department of a bank as the custodian of certain District-managed investments, regardless of their form.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and it includes the effects of these adjustments in income for that fiscal year.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

B. Classification

Cash and investments are classified in the financial statements based on whether their use is restricted under the terms of District debt instruments, as shown below:

Cash and investments	
Held by District	\$ 59,194,181
Held by escrow agent	-
Restricted investments	
Held by District	<u>1,070,057</u>
Total cash and investments	<u>\$ 60,264,238</u>

C. Authorized Investments

Investments authorized by the California Government Code and the District's Investment Policy for all District investments including debt service reserve are seen on the following table:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum of Percentage Portfolio	Maximum Investment In One Issuer
U.S. Treasury Instruments	5 years	N/A	None	N/A
Federal Agency Issues	5 years	N/A	None	N/A
State of California Obligations	5 years	N/A	None	N/A
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A	25%	N/A
Medium Term Corporate Notes	5 years	A	30%	N/A
Mortgage Pass-Through Securities	5 years	AA	20%	N/A
Repurchase Agreements	1 year	N/A	20%	N/A
Reverse Repurchase Agreements	92 days	N/A	20%	N/A
Negotiable Certificates of Deposit	5 years	A	30%	N/A
California Local Agency Investment Fund	Upon Demand	N/A	None	N/A
Mutual Funds	N/A	Top Ranking of 2 NRSRO (A)	20%	10%
Money Market Mutual Funds	N/A	Top Ranking of 2 NRSRO (A)	20%	N/A

(A) Nationally Recognized Statistical Rating Organization

The District does not enter into range notes, inverse floaters, or mortgage-derived interest-only strips. At June 30, 2023, the District's investments were in compliance with the above provisions.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

D. Interest Rate Risk

Interest rate risk is the risk of potential fair value losses from future changes in prevailing market interest rates. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its investments in accordance with its investment policy and the California Government Code, which limits investment maturities to five years or less unless authorized by the District Board for a specific purpose.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Information about the sensitivity of the fair values of the District's investments (including investments held by trustees) to market interest rate fluctuations are seen on the table on the following table:

Interest Rate Risk

Investment Type	Fair Value	June 30, 2023 Remaining Maturity Distribution			% of Portfolio
		0-12 months	1-2 years	2-5 years	
U.S. Treasury Instruments	\$15,522,440	\$97,091	\$ 3,621,003	\$11,804,346	25.76%
Federal Agency Issues	1,375,070	144,548	461,794	768,728	2.28%
Federal Agency Mortgage-Backed Securities	1,520,786	123,858	488,648	908,280	2.52%
Supranationals	492,231	-	492,231	-	0.82%
Negotiable Certificates of Deposit	259,281	-	-	259,281	0.43%
Medium-Term Corporate Notes	5,699,811	198,557	1,856,496	3,644,758	9.46%
Asset-Backed Securities	2,176,860	-	74,292	2,102,568	3.61%
Municipal Obligations	1,821,989	-	790,763	1,031,226	3.02%
CAMP - Money Market Account	81,951	81,951	-	-	0.14%
CAMP TERM	9,718,000	9,718,000	-	-	16.13%
Local Agency Investment Funds	19,893,803	19,893,803	-	-	33.01%
Checking Account, Money Market	1,702,016	1,702,016	-	-	2.82%
Total Investments	\$60,264,238	\$ 31,959,824	\$ 7,785,227	\$20,519,187	100.00%

U.S. Treasury Notes classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Federal Agency Issues, Federal Agency Mortgage-Backed Securities, Supranationals, Negotiable Certificates of Deposit, Medium-Term Corporate Notes, Asset-Backed Securities, and Municipal Obligations classified in Level 2 of the fair value hierarchy, are valued using pricing techniques of matrix pricing or market corroborated pricing, with inputs such as yield curves or indices. These prices are obtained from various pricing sources by our custodian bank. The District does not have any Level 3 investments.

Fairfield-Suisun Sewer District

Notes to Financial Statements

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Investment in California Asset Management Program

The District is a voluntary participant in the California Asset Management Program (CAMP), which is a California, Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p) and is overseen by a seven-member Board of Trustees.

Investments are stated at fair value. The fair value of the District's position in the pool is the same as the value of the pool shares. The District maintains a separate balance and investment income is allocated on a pro rata basis. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments is required under generally accepted accounting principles. The District's deposits in the fund are considered highly liquid.

The income, gains, and losses net of administration fees, are allocated based upon the participant's average daily balance. Participants share proportionally in any realized gains or losses on investments. Deposits in CAMP are not insured or otherwise guaranteed by the State of California. The fair value of the CAMP investment pools are approximately equal to the value of the pooled shares.

Investment in Local Agency Investment Fund

The District is a participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to limit its investments in these investment types to the top rating issued by the nationally recognized statistical rating organization.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

The table below shows the District's investments and their related credit rating.

Investment Type	Fair Value	Rating as of June 30, 2023					
		AAA	AA	A	BBB	AAAm	Not Rated
U.S. Treasury Instruments	\$15,522,440	\$ -	\$15,522,440	\$ -	\$ -	\$ -	\$ -
Federal Agency Issues	1,375,070	-	1,375,070	-	-	-	-
Federal Agency Mortgage-Backed Securities	1,520,786	-	1,520,786	-	-	-	-
Supranationals	492,231	492,231	-	-	-	-	-
Negotiable Certificates of Deposit	259,281	-	-	259,281	-	-	-
Medium-Term Corporate Notes	5,699,811	-	1,063,314	4,013,627	622,870	-	-
Asset-Backed Securities	2,176,860	2,176,860	-	-	-	-	-
Municipal Obligations	1,821,989	486,623	1,335,366	-	-	-	-
CAMP - Money Market Account	81,951	-	-	-	-	81,951	-
CAMP TERM	9,718,000	-	-	-	-	9,718,000	-
Local Agency Investment Funds	19,893,803	-	-	-	-	-	19,893,803
Checking Account, Money Market	1,702,016	-	-	-	-	-	1,702,016
Total Investments	\$60,264,238	\$ 3,155,714	\$20,816,976	\$ 4,272,908	\$ 622,870	\$ 9,799,951	\$ 21,595,819

F. Concentration of Credit Risk

Concentration of credit risk can arise in the wake of a failure to adequately diversify investments. GASB No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure of concentrations of investments greater than 5 percent in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pool). The District investments requiring disclosure at June 30, 2023 is as follows:

Issuer	Investment Type	Fair Value	Percent
Freddie Mac	Note	\$2,030,481	7.05%

4. Restricted Net Position

Restricted net position at June 30, 2023 consists of the following:

Restricted for capital projects	\$14,570,734
Restricted for debt service	1,070,057
Restricted for major maintenance	31,288,485
Restricted for City Collection System Reserves	2,446,120
	<u>\$49,375,396</u>

The restriction for capital projects is the unspent portion of Sewer Capacity Charges. Sewer Capacity Charges collected through June 30, 2023 are restricted for growth-related or repair and rehabilitation projects.

The debt service restriction is the maximum annual debt service on the State Revolving Fund loans, as required by the bond indenture.

Fairfield-Suisun Sewer District

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As a condition of the original grant to finance the construction of the sewage treatment plant, the Environmental Protection Agency requires that wastewater funds be set aside for major maintenance. Target levels for District reserves and restricted assets are governed by the District's Financial Reserve policy adopted by the Board of Directors on May 23, 2022.

The restriction for City collection system reserves are funds reserved in accordance with the Seventh Amendment to the 1965 Agreement with the Cities of Fairfield and Suisun City and represent funds available to the cities for collection system repair and rehabilitation.

5. Leases

The District has several leasing arrangements, summarized below:

Lessee

The District entered an agreement to lease printer and copier machines for 60 months beginning April 2021. The lease terminates April 2026. Under the terms of the lease the District pays \$911 per month over the life of the agreement. At June 30, 2023, the District has recognized a right to use asset of \$27,720, net of accumulated amortization, and a lease liability of \$28,722. During the fiscal year, the District recorded \$10,622 in amortization expense and \$1,107 in interest expense for the right to use the copiers.

Remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30	Principal	Interest
2024	\$ 10,149	\$ 783
2025	10,484	448
2026	8,089	110
	<u>\$ 28,722</u>	<u>\$ 1,341</u>

Lessor

The District is a lessor in several land leases including two cell tower leases and a lease option for a bioenergy generation facility. The cell tower leases are adjusted annually by CPI or a flat percentage. The District receives a flat payment amount related to the facility lease option.

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During the fiscal year, the District recognized \$261,224 in lease revenue and \$49,159 in interest income related to these lease agreements. At June 30, 2023, the District recorded \$1,512,088 in lease receivables and deferred inflows related to leases of \$1,374,926.

	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Due Within One Year
Leases receivable					
Land leases	\$ 797,321	\$ 1,593,903	\$ (879,135)	\$ 1,512,089	\$ 52,150

Remaining amounts to be received associated with these leases are as follows:

Fiscal Year Ended June 30	Principal	Interest
2024	\$ 52,150	\$ 48,032
2025	10,568	47,294
2026	12,972	46,915
2027	15,527	46,456
2028	18,241	45,911
2029-2033	138,044	218,011
2034-2038	234,658	188,223
2039-2043	361,862	140,388
2044-2048	527,593	68,922
2049-2053	140,474	2,684
	<u>\$ 1,512,089</u>	<u>\$ 852,836</u>

6. SBITA Arrangements

In March, 2023, the District entered into a SBITA arrangement for subscriptions related to the District's firewalls, including Threat prevention, URL filtering, and VPN. The arrangement included 3-year (36 month) subscriptions, which were paid in advance.

At June 30, 2023, the District has recognized a right to use asset of \$33,833, net of accumulated amortization. During the fiscal year, the District recorded a subscription liability of \$38,062 and \$4,229 in amortization expense for the right to use this software. Because the arrangement was paid in full in advance, no interest expense was incurred for the right to use this software and there is no outstanding SBITA liability.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

7. Capital Assets

Changes in capital assets consisted of the following:

Asset Category	Balance at June 30, 2022	Additions	Adjustments/ Disposals/ Reductions	Transfers	Balance at June 30, 2023
Non-depreciable assets:					
Construction in progress	\$ 6,287,507	\$ 8,746,305	\$ (3,713)	\$ (8,150,249)	\$ 6,879,850
Land and improvements	2,792,903	-	-	-	2,792,903
Total non-depreciable assets	9,080,410	8,746,305	(3,713)	(8,150,249)	9,672,753
Depreciable assets:					
Buildings and improvements	11,710,029	-	-	-	11,710,029
Vehicles and equipment	3,220,906	354,927	(162,949)	-	3,412,884
Trunk lines/ pump station	53,362,001	-	-	6,409,851	59,771,852
Treatment plant	110,258,343	27,243	(672,374)	1,740,398	111,353,610
Total depreciable assets	178,551,279	382,170	(835,323)	8,150,249	186,248,375
Less: Accumulated depreciation					
Buildings and improvements	(10,877,111)	(77,635)	-	-	(10,954,746)
Vehicles and equipment	(2,277,389)	(132,596)	76,366	-	(2,333,619)
Trunk lines/pump station	(44,626,776)	(1,132,599)	-	-	(45,759,375)
Treatment plant	(52,884,533)	(3,014,040)	495,876	-	(55,402,697)
Total accumulated depreciation	(110,665,809)	(4,356,870)	572,242	-	(114,450,437)
Amortized assets:					
Right-of-use assets - leases	48,189	2,200	-	-	50,389
Right-of-use assets - SBITA	-	38,062	-	-	38,062
Total amortized assets	48,189	40,262	-	-	88,451
Less: Accumulated amortization					
Right-of-use assets - leases	(12,047)	-	(10,622)	-	(22,669)
Right-of-use assets - SBITA	-	-	(4,229)	-	(4,229)
Total accumulated amortization	(12,047)	-	(14,851)	-	(26,898)
Net capital assets	67,921,613	(3,934,438)	(277,932)	8,150,249	71,859,491
Total capital assets	\$ 77,002,023	\$ 4,811,868	\$ (281,645)	\$ -	\$ 81,532,244

Fairfield-Suisun Sewer District

Notes to Financial Statements

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8. Long-Term Liabilities

The following table summarizes changes in long-term liabilities during the year:

Description	June 30, 2022	Additions	Maturities/ Reduction	June 30, 2023	Current Portion	Long-Term Portion
State Revolving Fund Loans (SRF)						
Ultraviolet Project	\$ 5,801,609	\$ -	\$ 572,915	\$ 5,228,694	\$ 589,650	\$ 4,639,044
Blower Project	5,081,543	-	241,551	4,839,992	245,899	4,594,093
Total SRF Loans	10,883,152	-	814,466	10,068,686	835,549	9,233,137
Compensated Absences	1,207,707	1,524,797	1,301,377	1,431,127	1,144,901	286,226
Total Long-term liabilities	\$ 12,090,859	\$ 1,524,797	\$ 2,115,843	\$ 11,499,813	\$ 1,980,450	\$ 9,519,363

A. State Revolving Fund Loan

Ultraviolet Disinfection Project

On January 20, 2010, the District entered into a loan agreement with the California State Water Resources Control Board (SWRCB) under the Clean Water State Revolving Fund (SRF) loan program for the financing of the Ultraviolet Disinfection Project. The District was approved for a loan amount of up to \$11,100,000, with an interest rate at 2.9%, payable over 20 years. Principal and interest payments are due semi-annually on May 1 and November 1. Payment on this loan started on May 2012.

Future debt service payments on the SRF loan related to the Ultraviolet Disinfection Project as of June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 589,650	\$ 147,388	\$ 737,038
2025	606,874	130,164	737,038
2026	624,601	112,437	737,038
2027	642,846	94,192	737,038
2028	661,623	75,415	737,038
2029-31	2,103,100	108,013	2,211,113
	<u>\$ 5,228,694</u>	<u>\$ 667,609</u>	<u>\$ 5,896,303</u>

Blower Replacement Project

On February 12, 2018, the District entered into a loan agreement with the California State Water Resources Control Board (SWRCB) under the Clean Water State Revolving Fund (SRF) loan program for the financing of the Blower Replacement Project. The District was approved for the total project cost of \$11,608,547; however, only utilized \$9,541,456. Out of the total loan amount, \$4,000,000 was declared a grant under the Environmental Protection Agency's

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program and was eligible for loan forgiveness. The principal amount due for repayment to the SWRCB under this agreement is \$4,839,992, with an interest rate of 1.8% payable over 20 years. Payment on this loan started October 2020.

Future debt service payments on the SRF loan related to the Blower Project as of June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 245,899	\$ 87,120	\$ 333,019
2025	250,325	82,694	333,019
2026	254,831	78,188	333,019
2027	259,418	73,601	333,019
2028	264,087	68,931	333,018
2029 - 33	1,393,474	271,619	1,665,093
2034 - 38	1,523,483	141,609	1,665,092
2039 - 40	648,475	17,561	666,036
	<u>\$ 4,839,992</u>	<u>\$ 821,323</u>	<u>\$ 5,661,315</u>

Both SRF loans are secured by all District operating revenues. As a requirement of the SRF loan, a restricted amount equivalent to one year of loan payments is held in a restricted account held by the District. The SRF restricted amount is currently \$1,070,057.

B. Compensated Absences

Compensated Absences activity during the fiscal year was as follows:

	June 30, 2022	Additions	Reductions	June 30, 2023	Due Within One Year
Compensated Absences:	\$ 1,207,707	\$ 1,524,797	\$ (1,301,377)	\$ 1,431,127	\$ 1,144,901

9. Related Party Transactions

The District had existing financial transactions with the cities of Fairfield and Suisun City during fiscal year 2022-23. *Sewer line maintenance* includes funds passed through the District to the Cities of Fairfield and Suisun City for operation and maintenance of sewer lines smaller than 10" in diameter (local sewer) as well as collection system repair and rehabilitation. Sewer Service Charges and Sewer Capacity Charges are collected by the Cities and are remitted to the District, net of billing and collection fees. Outstanding receivables include Sewer Capacity Charges collected by the Cities not yet remitted to the District and Sewer Service Charges billed

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

by the Cities on the District's behalf as of June 30, 2023. These transactions are described below:

		FY 2022-23
City sewer line maintenance	\$	4,077,244
Billing and collection	\$	741,063
Outstanding accounts receivable	\$	6,698,083

10. Insurance

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To mitigate these risks the District joined, together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public-entity risk pool currently operating as a common risk management and insurance program for member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays an annual premium to CSRMA for its legal liability, property damage, workers compensation insurance, and automobile coverage.

CSRMA is governed by a Board composed of one representative from each member agency. The Board also controls the operations of CSRMA, including the selection of management and approval of operating budgets. Each member shares surpluses and deficiencies proportionate to its participation in CSRMA.

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2022 (most recent information available). A copy of CSRMA's annual financial report may be obtained from their website at <http://www.csrma.org/docs/CSRMA-Annual-Report.pdf>.

Total assets	\$	32,261,331
Total liabilities	\$	25,220,675
Net Position	\$	7,040,656
Total revenues	\$	17,745,882
Total expenses	\$	17,127,478

The District has not incurred a claim that exceeded its insurance coverage limits in any of the last three years.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

11. Deferred Compensation

The District offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code Section 457 and 401(a). These plans permit a pre-tax deferral of a portion of salary until future years. The deferred compensation is not available to employees until separation, retirement, death, or an unforeseeable emergency. All employees are eligible to participate in the 457 plans. In addition, professional and management employees are eligible to participate in the 401(a) plan. The District contributes a specified amount to the 457 plan and specified percentages to the 401(a) plan. The District's contributions to the deferred compensation plans was \$455,398 for fiscal year ended June 30, 2023.

The assets and related income of the plans are assets of a trust to which the District has no obligation other than to make payments on behalf of its employees.

12. Pension Plan

A. General Information about the Pension Plan

Plan Description

All qualified full-time and part-time District employees are eligible to participate in a pension plan offered by California Public Employees Retirement System (CalPERS) a cost-sharing multiple employer defined benefit pension plan. CalPERS provides retirement, disability, and death benefits to eligible plan members and beneficiaries. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one full year of full-time employment. Members with 5 years of service credit are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for the non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The annual cost of living adjustment is applied as specified by the Public Employees Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2023 are summarized on the following page:

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

Miscellaneous	Hired prior to January 1, 2013 Classic	Hired on or after January 1, 2013 PEPRA
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of annual salary	3%	2%
Required employee contribution rates	8.000%	7.000%
Required employer contribution rates	15.560%	7.560%

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect on January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Employees hired on or after January 1, 2013, without prior CalPERS credited service will fall under the PEPRA as noted in the above table.

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

Employees Covered

As of the June 30, 2022 measurement date, the following employees were covered by the benefit terms for each Plan as shown on the following page:

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

Measurement date as of June 30,	2022
Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	0
Active employees	59
Total	102

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions were as follows:

Miscellaneous	Fiscal Year 2022-23
Employer Contributions	\$1,278,013

B. Pension Assets, Liabilities, Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The District's proportionate share of the net pension liability is \$4,019,592 for fiscal year ended June 30, 2023.

The District's net pension liability (asset) is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability (asset) of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022.

The District's proportion of the net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2022 and 2021 measurement dates is shown on the following page:

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

Fiscal Year	Percentage Share of Risk Pool		Change: Increase/ (Decrease)
	6/30/2023	6/30/2022	
Measurement Date	6/30/2022	6/30/2021	
Percentage of Plan (PERF C)	0.03480%	-0.02882%	0.06362%

Plan's Proportionate Share of the Risk Pool Collective Net Pension Liability

Increases (Decreases)			
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at 6/30/21 (MD)	\$ 44,263,502	\$ 45,822,074	\$ (1,558,572)
Balance at 6/30/22 (MD)	\$ 49,354,071	\$ 45,334,479	\$ 4,019,592
Net changes	\$ 5,090,569	\$ (487,595)	\$ 5,578,164

Deferred Outflows/Inflows Balances

The District recognized pension expense of \$7,699,031 for the fiscal year ended June 30, 2023.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, as follows:

Deferred Outflows/Inflows Balances at June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,721	\$ (54,064)
Changes of assumptions	411,891	-
Net differences between projected and actual earnings on plan investments	736,282	-
Change in employer's proportion	792,783	(658,987)
Differences between the employer's contributions and the employer's proportionate share of contributions	1,728,202	-
Pension contributions subsequent to measurement date	1,278,013	-
Total	\$ 5,027,892	\$ (713,051)

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

The District reported \$1,278,013 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal years ending June 30, 2023.

Recognition of Deferrals in Future Pension Expense

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30:	Fiscal Year Ending June 30:	Net Total Deferred Outflows/(Inflows) of Resources
2023	2024	\$ 1,100,729
2024	2025	951,234
2025	2026	534,532
2026	2027	450,333
2027	2028	-
Thereafter	Thereafter	-

Actuarial Methods and Assumptions

The total pension liability (asset) for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability (asset) to June 30, 2022. The collective total pension liability (asset) was based on the assumptions listed as follows:

	Miscellaneous
Valuation Date:	June 30, 2021
Actuarial cost method	Entry age normal cost method
Amortization method	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing.
Remaining Amortization Periods	Differs by employer rate plan but not more than 28 years
Asset valuation method	Market value of assets
Inflation	2.30%
Salary increases	Varies by category, entry age, and service
Discount Rate **	7.00% (net investment and administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP published by the Society of Actuaries
Post retirement benefit increase:	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

***Please note, the discount rate used for Actuarially Determined Contributions is different than the one used for Total Pension Liability*

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return are listed as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1,2)
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability (asset) for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates,

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB No. 68, gains and losses related to changes in total pension liability (asset) and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 years straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset), calculated using the discount rate, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	5.90% (1% Decrease)	6.90% (Current Rate)	7.90% (1% Increase)
Measurement Date	6/30/2022		
Fiscal Year End	6/30/2023		
Net Pension Liability (asset)	\$ 10,747,442	\$ 4,019,592	\$ (1,515,759)

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

The District has paid the plan required contributions for the fiscal year 2022-23 and has no outstanding pension payable.

13. Other Postemployment Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District provides postemployment healthcare benefit for all its retired employees and their covered dependents as approved by District Resolution No. 2003-36. The California Public Employee Retirement System (CalPERS) administers this benefit through an agent multiple-employer, defined benefit plan. All District retirees who attain age 50 with at least 5 years' service are eligible for this benefit. Coverage discontinues either at the request of the retiree or at the death of those covered. CalPERS requires that retirees enroll in Medicare at age 65. Plan benefits were established in accordance with Board policy, and authority to amend this benefit rests with the District Board.

Benefits Provided

Section 22892 - Unequal Method

The District's contribution for each retired employee plus dependent is equal to 100% of their selected plan premium, up to \$2,008 per month for. The District contribution will continue to increase by the lesser of 5% or \$100 each year until it equals that of active employees' premium.

Eligibility: Employees must retire directly (within 120 days of separation from service) from the District with a service or disability annuity and must have been eligible for health benefits immediately before retirement. Benefits are provided to surviving spouses only if the retiree elected a pension annuity with a survivor benefit. Eligible retirees who previously waived PEMHCA benefits can elect coverage during open enrollment.

Section 22893 – State 100/90 Vesting

A second-tier retiree health benefit was established in November 2012, when District Board adopted Resolution No. 2012-19 electing to establish a health benefit vesting requirement for future employees pursuant to Government Code Section (GCS) 22893 of the Public Employees' Medical and Hospital Care Act. The effective date of this participation is March 1, 2013, and the vesting requirement will be applied to employees hired on or after this date.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

Eligibility: To be eligible for the vesting health benefits, an employee must be at least 50 years old; must complete a minimum of 5 years' CalPERS-credited service or disability annuity with the District; must complete a total of 10 years' CalPERS-credited service to be eligible for 50% benefits, increasing by 5% each year as follows:

Years of CalPERS Service	Percentage
< 10	0%
10	50%
11	55%
↓	↓
≥ 20 or Disability Retirement	100%

Employees hired prior to the election of GCS 22893 were given a one-time opportunity to individually elect to be covered under the provisions of GCS 22893. Twenty-seven employees opted in.

Employees with 20 or more years of service with the District are classified as inactive and are entitled to future retiree benefits and can elect retiree health coverage from the District at or after retirement, even if they have intervening employment elsewhere.

Employees Covered

At the June 30, 2022 measurement date, the following current and retirees were covered by the benefit terms under the District's retiree health plan:

Covered Participants as of June 30,	2022
Active employees	61
Inactive employee or beneficiaries currently receiving benefits	34
Inactive employees entitled to, but not yet receiving benefits	4
Total	99

Contributions

The annual contribution is based on the actuarially determined contribution.

	Measurement Date to FY	Measurement Date to FY
	7/1/21 to 6/30/22	7/1/22 to 6/30/23
Cash Benefits	\$ 398,922	\$ 461,220
Implied subsidy benefit payment	84,000	90,000
Total benefit payments	482,922	551,220
Trust reimbursements	-	-
Benefits payments paid outside of trust	482,922	551,220
Administrative expenses paid outside of trust	1,030	1,561
Trust contributions	200,608	1,176,887
Total employer contributions	\$ 684,560	\$ 1,729,668

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total liability used to calculate the net OPEB liability was determined by an actuarial valuation date as of June 30, 2022.

Actuarial Methods and Assumptions

The total OPEB liability as of the June 30, 2023 was measured as of June 30, 2022, based on June 30, 2022 actuarial valuation and was determined using the actuarial methods and assumptions listed on the following page:

Actuarial Assumptions	June 30, 2022 Measurement Date
Actuarial Valuation Date:	June 30, 2022
Contribution Policy	District contributes full ADC
Discount Rate and Long-Term Expected Rate of Return on Assets	6.25% at June 30, 2022 6.50% at June 30, 2021 Expected District contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076
Cap Increases	100/90 Formula Rates - Non-Medicare medical trend
Healthcare Participation for Future Retirees	90%
Family Coverage	30% of actives have family coverage to age 65

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

The following is the assumed asset and assumed rate of return for each based on CERBT - Strategy 1:

Asset Class Component	Target Allocation	Expected Real Rate of Return
Global Equity	49%	4.56%
Fixed Income	23%	1.56%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITs	20%	4.06%
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		6.25%

Discount Rate

The discount rate to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans fiduciary net position was projected to be sufficient to fully fund the obligation over a period not to exceed 18 years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

The changes in the net OPEB liability are as follows for fiscal year ended June 30, 2023:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022 (MD 6/30/22)	\$ 9,899,404	\$ 8,200,432	\$ 1,698,972
Service cost	419,266	-	419,266
Interest in TOL	655,018	-	655,018
Changes of benefit terms	-	-	-
Actual vs. expected experience	(898,809)	-	(898,809)
Assumption changes	592,416	-	592,416
Employer contributions	-	684,560	(684,560)
Employee contributions	-	-	-
Net Investment Income	-	(1,106,408)	1,106,408
Benefit payments	(482,922)	(482,922)	-
Administrative Expenses	-	(3,113)	3,113
Net changes	284,969	(907,883)	1,192,852
Balance at June 30, 2023 (MD 6/30/22)	\$ 10,184,373	\$ 7,292,549	\$ 2,891,824

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	Discount Rate		
	5.25% (1% Decrease)	6.25% Current Rate	7.25% (1% Increase)
Net OPEB Liability	\$ 4,212,775	\$ 2,891,824	\$ 1,802,851

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the District's net OPEB liability if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 1,734,748	\$ 2,891,824	\$ 4,307,671

OPEB Plan Fiduciary Net Position

Detailed information about the net OPEB plan's fiduciary net position is available in the separately issued CalPERS financial reports at: www.calpers.ca.gov.

Recognition of Deferred Outflows/Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$743,504.

At June 30, 2023, the District reported deferred outflows and deferred inflows of resources from the following sources as listed on the following page:

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$1,370,465
Changes of assumptions	1,811,590	437,568
Net differences between projected and actual earnings on plan investments	638,968	-
Change in employer's proportion	-	-
OPEB contributions subsequent to measurement date	1,729,668	-
Total	\$4,180,226	\$1,808,033

Recognition of Deferrals in Future OPEB Expense

The \$1,729,668 reported as deferred outflow of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended in June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

FYE June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ 208,569
2025	205,110
2026	169,625
2027	277,024
2028	(173,894)
Thereafter	(43,909)

No separate postemployment benefit plan report is available.

Fairfield-Suisun Sewer District

Notes to Financial Statements

June 30, 2023

14. Commitments and Contingencies

As of June 30, 2023, the District has construction commitments from contractual agreements as listed below:

Project Name	Contract Agreements	Remaining Commitment
Electrical Replacement Project	3,655,000	45,407
HVAC Upgrades	2,031,600	221,839
Bioenergy Generation	9,138,000	7,257,961
Major Maintenance Project FY 2021-22	3,176,000	2,946,447
Digester No. 1 Structural Rehabilitation	50,342	34,653
Total of Construction in Progress:	\$ 18,050,942	\$ 10,506,308

15. Restatement

During the preparation of the FY 2019-20 financial statements, a \$1,805 variance related to accounts payable was created in the ending net position in the worksheets used to create the financial statements. In FY 2022-23, the District transitioned to preparing the financial statements using the financial system. As a result, the ending net position in the District's financial system was correct, but there was a \$1,805 variance in the previously used worksheet. To correct the worksheet error, the District restated beginning net position by \$1,805. The reconciliation is as follows:

Net position - beginning	\$ 136,446,689
Less: Correction related to FY 2019-20 Ending Net Position	(1,805)
Net position - beginning, as restated	<u>136,444,884</u>
Change in net position FY 2022-23	<u>(2,117,400)</u>
Net position, end of period	<u>\$ 134,327,484</u>

FAIRFIELD-SUISUN SEWER DISTRICT

Required Supplementary Information

June 30, 2023

Postemployment Benefits

Schedule of Changes in the Net OPEB Liability and Related Ratios for the Measurement Period Ended June 30, Last Ten Fiscal Years*

	2023 (MD 6/30/22)	2022 (MD 6/30/21)	2021 (MD 6/30/20)	2020 (MD 6/30/19)	2019 (MD 6/30/18)	2018 (MD 6/30/17)
Changes in Total OPEB Liability						
Service cost	\$ 419,266	\$ 388,905	\$ 516,052	\$ 504,802	\$ 246,354	\$ 239,761
Interest in TOL	655,018	621,020	677,952	624,067	431,326	392,225
Actual vs. expected experience	(898,809)		(807,314)	-	(205,681)	-
Assumption changes	592,416	290,376	(705,468)	-	2,618,593	-
Benefit payments	(482,922)	(424,584)	(370,411)	(313,249)	(217,557)	(188,779)
Net change in total OPEB liability	284,969	875,717	(689,189)	815,620	2,873,035	443,207
Total OPEB liability - beginning	9,899,404	9,023,687	9,712,876	8,897,256	6,024,221	5,581,014
Total OPEB liability - ending	10,184,373	9,899,404	9,023,687	9,712,876	8,897,256	6,024,221
Changes in Fiduciary Net Position						
Employer contributions	\$ 684,560	\$ 1,261,261	\$ 371,240	\$ 586,189	\$ 367,557	\$ 338,779
Benefit payments	(482,922)	(424,584)	(370,411)	(313,249)	(217,557)	(188,779)
Net investment income	(1,106,408)	1,655,257	195,043	322,833	351,673	413,243
Administrative expenses	(3,113)	(3,187)	(3,526)	(1,735)	(8,232)	(2,091)
Net change in plan fiduciary net position	(907,883)	2,488,747	192,346	594,038	493,441	561,152
Plan fiduciary net position - beginning	8,200,432	5,711,685	5,519,339	4,925,301	4,431,860	3,870,708
Plan fiduciary net position - ending	7,292,549	8,200,432	5,711,685	5,519,339	4,925,301	4,431,860
Net OPEB Liability/(Asset) - ending	\$ 2,891,824	\$ 1,698,972	\$ 3,312,002	\$ 4,193,537	\$ 3,971,955	\$ 1,592,361
Plan fiduciary net position as a percentage of the total OPEB liability	71.61%	82.84%	63.30%	56.82%	55.36%	73.57%
Covered payroll	\$ 7,806,893	\$ 9,237,126	\$ 6,855,796	\$ 6,525,667	\$ 6,092,493	\$ 6,092,493
Net OPEB liability as a percentage of covered payroll	37.04%	18.39%	48.31%	64.26%	65.19%	26.14%

*GASB No. 75 was implemented in fiscal year ended June 30, 2018. Additional years will be added up to 10 years when information becomes available.

FAIRFIELD-SUISUN SEWER DISTRICT

Required Supplementary Information

June 30, 2023

Schedule of Employer Contributions

OPEB Schedule of Contributions, Last Ten Fiscal Years*

Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018
Actuarially determined contribution (ADC)	\$ 690,620	\$ 673,233	\$ 656,504	\$ 855,033	\$ 833,721	\$ 225,228
Actual contribution in relation to ADC	1,729,668	684,560	1,261,261	371,240	586,189	367,557
Contribution deficiency (Excess)	\$ (1,039,048)	\$ (11,327)	\$ (604,757)	\$ 483,793	\$ 247,532	\$ (142,329)
Covered payroll	\$ 8,776,395	\$ 7,806,893	\$ 9,237,126	\$ 6,855,796	\$ 6,525,667	\$ 6,092,493
Contribution as a percentage of payroll	19.71%	8.77%	13.65%	5.41%	8.98%	6.03%

*GASB No. 75 was implemented in fiscal year ended June 30, 2018. Additional years will be added up to 10 years when information becomes available.

Methods and Assumptions for Actuarially Determined Contributions

	Miscellaneous
Valuation Date:	June 30, 2020
Actuarial Cost Method:	Entry-Age Normal, Level % of pay
Amortization Method:	Level % of pay
Amortization Period:	16-year fixed period for 2022/23
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020

FAIRFIELD-SUISUN SEWER DISTRICT

Required Supplementary Information

June 30, 2023

Schedule of Proportionate Share of Net Pension Liability Last Ten Fiscal Years*

	Fiscal Year End								
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015 ¹
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.03480%	-0.02882%	0.05656%	0.07198%	0.06821%	0.06835%	0.06556%	0.06157%	0.06186%
District's proportionate share of the net pension liability	\$4,019,592	\$(1,558,572)	\$ 6,153,622	\$ 7,376,274	\$ 6,572,464	\$ 6,778,010	\$ 5,673,350	\$ 4,225,956	\$ 3,849,298
District's covered payroll ²	\$7,514,120	\$ 6,392,656	\$ 6,436,028	\$ 6,123,141	\$ 6,051,649	\$ 6,038,180	\$ 5,170,000	\$ 5,638,769	\$ 5,638,769
District's proportionate share of the net pension liability as a percentage of covered-employee payroll	53.49%	-24.38%	95.61%	120.47%	108.61%	112.25%	109.74%	74.94%	68.26%
Plan's fiduciary net position as a percentage of the plan's total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

1. Fiscal year ending June 30, 2015 was the 1st year of implementation

2. For the year ending on the measurement date.

*GASB No. 68 was implemented in fiscal year ended June 30, 2015. Additional years will be added up to 10 years when information becomes available.

FAIRFIELD-SUISUN SEWER DISTRICT

Required Supplementary Information

June 30, 2023

Schedule of Proportionate Share of Employer Pension Contributions Last Ten Fiscal Years*

Contributions for the fiscal year ending:	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015 ¹
Actuarially determined contribution	\$ 1,278,013	\$ 1,299,678	\$ 1,288,185	\$ 1,253,996	\$ 1,099,426	\$ 1,004,247	\$ 958,408	\$ 822,449	\$ 975,423
Contributions in relation to the actuarially determined contribution	(1,278,013)	(3,299,678)	(3,288,185)	(3,253,996)	(1,099,426)	(1,004,247)	(958,408)	(822,449)	(975,423)
Contribution deficiency (Excess)	\$ -	\$(2,000,000)	\$(2,000,000)	\$(2,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll ²	\$ 8,400,651	\$ 7,514,120	\$ 6,392,656	\$ 6,436,028	\$ 6,123,141	\$ 6,051,649	\$ 6,038,180	\$ 5,170,000	\$ 5,638,769
Contributions as a percentage of covered payroll	15.21%	43.91%	51.44%	50.56%	17.96%	16.59%	15.87%	15.91%	17.30%

1. Fiscal year ending June 30, 2015 was the 1st year of implementation

2. For the fiscal year ending on the date shown.

*GASB No. 68 was implemented in fiscal year ended June 30, 2015. Additional years will be added up to 10 years when information becomes available.

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Fairfield-Suisun Sewer District
Fairfield, California

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fairfield-Suisun Sewer District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairfield-Suisun Sewer District internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairfield-Suisun Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fairfield-Suisun Sewer District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairfield-Suisun Sewer District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis Farr LLP

Irvine, California
December 21, 2023

FAIRFIELD-SUISUN SEWER DISTRICT

Statistical Section

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Financial Section	60-65
These schedules contain trend information to help the reader understand how the District's financial operation and performance have changed over time.	
Revenue Capacity	66-67
These schedules contain information to help the reader assess the District's most significant revenue sources.	
Debt Capacity	68-70
These schedules contain information to help the reader assess the District's current level of outstanding debt obligation and its ability to issue additional debt in the future. The District has no overlapping bonded debt.	
Operating Information	71-72
These schedules contain data to help the reader understand how the information in the District's financial report relates to the services it provides.	
Economic and Demographic Information	73-76
These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.	

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FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 1

Condensed Statements of Net Position

Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Current and other assets	\$ 70,761	\$ 73,059	\$ 66,817	\$ 64,879	\$ 55,214	\$ 44,222	\$ 34,947	\$ 27,964	\$ 20,820	\$ 16,303
Capital assets	81,532	77,002	74,754	71,612	73,713	68,860	72,638	76,831	81,307	85,229
Total assets	152,293	150,061	141,571	136,491	128,927	113,082	107,585	104,795	102,127	101,532
Deferred charges on refunding			-	-	-	-	-	-	18	229
Deferred outflow - Pension ¹	5,028	6,609	5,260	4,653	2,671	3,288	3,134	1,946	1,425	-
Deferred outflow - OPEB ²	4,180	2,324	3,091	2,374	2,897	367	-	-	-	-
Total deferred outflows of resources	9,208	8,933	8,351	7,027	5,568	3,655	3,134	1,946	1,443	229
Long-term liabilities	16,449	12,035	20,587	23,439	25,185	16,620	13,786	14,040	14,179	13,340
Other liabilities	6,829	6,148	4,317	6,454	3,760	2,692	2,494	2,252	4,542	4,522
Total liabilities	23,278	18,183	24,904	29,893	28,945	19,312	16,280	16,292	18,721	17,862
Deferred inflow - Pension	713	1,452	1,175	432	340	324	438	886	1,048	-
Deferred inflow - OPEB	1,808	2,131	1,454	168	214	-	-	-	-	-
Deferred inflow - Leases ³	1,375	781	-	-	-	-	-	-	-	-
Total deferred inflows of resources	3,896	4,364	2,629	600	554	324	438	886	1,048	-
Net position:										
Net investment in capital assets	71,464	66,119	63,077	58,331	59,386	60,275	64,207	66,632	68,306	69,507
Restricted										
Restricted for capital projects	14,571	15,076	12,431	8,568	5,374	5,250	3,876	785	1,078	313
Restricted for debt service	1,070	1,069	1,069	1,069	737	737	737	737	2,021	2,049
Restricted for major maintenance	31,288	36,945	40,577	40,567	33,755	14,951	15,390	9,730	5,690	2,487
Restricted for City collection system	2,446	-	-	-	-	-	-	-	-	-
Unrestricted	13,488	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706	9,543
Total net position	\$ 134,327	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899

(1) GASB No. 68 Accounting and Financial Reporting for Pensions Implemented June 30, 2015

(2) GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) Implemented June 30, 2018

(3) GASB No. 87 Accounting and Financial Reporting for Leases Implemented June 30, 2022

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 2

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Service charges	\$ 33,386	\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,046	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881
Drainage fees	1,662	1,684	1,647	1,706	1,619	1,598	1,580	1,552	1,545	1,501
Interest income	1,195	451	576	1,164	923	519	260	96	61	50
Other ¹	544	(942)	78	1,240	956	194	222	212	219	596
Sewer capacity charges	2,723	4,011	5,497	2,023	3,000	2,079	2,478	2,835	3,157	2,647
Federal funds	-	259	-	4,000	-	-	-	-	-	-
Total revenues	39,510	36,428	37,025	39,161	34,047	30,436	30,444	28,046	28,049	25,675
Expenses: ²										
Personnel ³	20,042	5,525	12,289	14,885	10,354	10,188	9,119	7,482	8,247	8,871
Utilities and chemicals	4,045	2,933	2,524	1,969	1,785	1,705	1,836	1,606	1,801	1,575
Services, operations and maintenance	8,100	6,271	5,505	6,757	6,637	6,163	7,307	4,744	5,374	4,721
Sewer line maintenance	4,077	2,506	2,367	2,256	2,190	2,216	2,142	2,072	1,995	1,949
Billing & collection	741	700	667	647	621	594	572	549	528	511
Interest expense	252	272	335	260	224	238	311	404	489	526
Depreciation and amortization	4,371	4,168	3,974	4,358	4,341	4,449	4,719	4,911	5,370	5,736
Total expenses	41,628	22,375	27,661	31,132	26,152	25,553	26,006	21,768	23,804	23,889
Change in net position	(2,118)	14,053	9,364	8,029	7,895	4,883	4,438	6,278	4,245	1,786
Net position, beginning of period (as restated)	136,447	122,389	113,025	104,996	97,101	94,001	89,563	83,801	83,899	82,113
Prior period adjustment, GASB 68 (Pension)	-	-	-	-	-	-	-	(516)	(4,343)	-
Prior period adjustment, GASB 75 (OPEB)	-	-	-	-	-	(1,783)	-	-	-	-
Prior period adjustment, GASB 87 (Leases)	-	5	-	-	-	-	-	-	-	-
Prior period adjustment, AP Variance	(2)	-	-	-	-	-	-	-	-	-
Net position, as restated	136,445	122,394	113,025	104,996	97,101	92,218	89,563	83,285	79,556	82,113
Net position, end of period	\$ 134,327	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899
Statement of Net Position										
Net investment in capital assets	\$ 71,464	\$ 66,119	\$ 63,077	\$ 58,331	\$ 59,386	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306	\$ 69,507
Restricted										
Restricted for capital projects	14,571	15,076	12,431	8,568	5,374	5,250	3,876	785	1,078	313
Restricted for debt service	1,070	1,069	1,069	1,069	737	737	737	737	2,021	2,049
Restricted for major maintenance	31,288	36,945	40,577	40,567	33,755	14,951	15,390	9,730	5,690	2,487
Restricted for City collection system reserves	2,446	-	-	-	-	-	-	-	-	-
Unrestricted	13,488	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706	9,543
Total net position	\$ 134,327	\$ 136,447	\$ 122,389	\$ 113,025	\$ 104,996	\$ 97,101	\$ 94,001	\$ 89,563	\$ 83,801	\$ 83,899

(1) Includes net increase (decrease) in fair value of investments.

(2) In FY 2022-23, operating expense categories were updated to pull reports directly from the financial system. Operating expense categories were changed to provide a direct comparison. Prior year categories in previously audited financial statements (total) will tie to the total operating expense amount.

(3) Personnel expenses include actuarially determined pension and other post-employment benefit expenses in accordance with GASB No. 68 and No.75.

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 3 Changes in Net Position Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Service charges	\$33,386	\$30,965	\$29,227	\$29,028	\$27,549	\$26,046	\$25,904	\$23,351	\$23,067	\$20,881
Drainage fees	1,662	1,684	1,647	1,706	1,619	1,598	1,580	1,552	1,545	1,501
Interest income	1,195	451	576	1,164	923	519	260	96	61	50
Other ¹	544	(942)	78	1,240	956	194	222	212	219	596
Sewer capacity charges	2,723	4,011	5,497	2,023	3,000	2,079	2,478	2,835	3,157	2,647
Federal grant - loan forgiveness	-	259	-	4,000	-	-	-	-	-	-
Total revenues	39,510	36,428	37,025	39,161	34,047	30,436	30,444	28,046	28,049	25,675
Expenses: ²										
Personnel ³	20,042	5,525	12,289	14,885	10,354	10,188	9,119	7,482	8,247	8,871
Utilities and chemicals	4,045	2,933	2,524	1,969	1,785	1,705	1,836	1,606	1,801	1,575
Services, operations and maintenance	8,100	6,271	5,505	6,757	6,637	6,163	7,307	4,744	5,374	4,721
Sewer line maintenance	4,077	2,506	2,367	2,256	2,190	2,216	2,142	2,072	1,995	1,949
Billing and collection	741	700	667	647	621	594	572	549	528	511
Interest expense	252	272	335	260	224	238	311	404	489	526
Depreciation and amortization	4,371	4,168	3,974	4,358	4,341	4,449	4,719	4,911	5,370	5,736
Total expenses	41,628	22,375	27,661	31,132	26,152	25,553	26,006	21,768	23,804	23,889
Change in net position	\$ (2,118)	\$14,053	\$ 9,364	\$ 8,029	\$ 7,895	\$ 4,883	\$ 4,438	\$ 6,278	\$ 4,245	\$ 1,786

(1) Includes net increase (decrease) in fair value of investments

(2) In FY 2022-23, operating expense categories were updated to pull reports directly from the financial system. Operating expense categories were changed to provide a direct comparison. Prior year categories in previously audited financial statements (total) will tie to the total operating expense amount.

(3) Personnel expenses include actuarially determined pension and other post-employment benefit expenses in accordance with GASB No. 68 and No. 75.

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 4

Net Position by Component

Last Ten Fiscal Years (\$000)

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net position:										
Net investment in capital assets	\$ 71,464	\$ 66,119	\$ 63,077	\$ 58,331	\$ 59,386	\$ 60,275	\$ 64,207	\$ 66,632	\$ 68,306	\$ 69,507
Restricted	49,375	53,090	54,077	50,204	39,866	20,938	20,003	11,252	8,789	4,849
Unrestricted	13,488	17,238	5,235	4,490	5,744	15,888	9,791	11,679	6,706	9,543
	<u>\$ 134,327</u>	<u>\$ 136,447</u>	<u>\$ 122,389</u>	<u>\$ 113,025</u>	<u>\$ 104,996</u>	<u>\$ 97,101</u>	<u>\$ 94,001</u>	<u>\$ 89,563</u>	<u>\$ 83,801</u>	<u>\$ 83,899</u>

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 5 Expenses by Classification Last Ten Fiscal Years (Excludes capital expenditures)

Year Ended June 30,	Total	Operating Expenses ¹						Nonoperating Expenses
		Personnel ²	Utilities and Chemicals	Services, Operations and Maintenance	Sewer Line Maintenance	Billing & Collection	Depreciation & Amortization	Interest Expense
2014	\$ 23,890,305	\$ 8,871,157	\$ 1,574,886	\$ 4,721,305	\$ 1,949,020	\$ 510,901	\$ 5,736,618	\$ 526,418
2015	23,804,570	8,247,208	1,801,105	5,374,458	1,994,734	527,946	5,369,653	489,466
2016	21,767,976	7,481,985	1,606,001	4,744,024	2,072,264	548,613	4,911,240	403,849
2017	26,004,419	9,118,711	1,835,900	7,307,210	2,141,449	572,075	4,718,543	310,531
2018	25,553,526	10,187,892	1,704,896	6,162,336	2,216,177	594,247	4,449,438	238,540
2019	26,152,009	10,353,677	1,785,119	6,637,297	2,190,335	620,929	4,340,674	223,978
2020	31,133,094	14,885,540	1,969,026	6,756,749	2,256,155	647,226	4,357,994	260,404
2021	27,660,682	12,288,911	2,524,238	5,504,137	2,367,118	667,098	3,974,168	335,012
2022	22,374,757	5,525,051	2,932,508	6,271,122	2,505,748	700,164	4,168,237	271,927
2023	41,627,636	20,041,562	4,044,923	8,100,137	4,077,244	741,063	4,371,177	251,530

(1) In FY 2022-23, operating expense categories were updated to pull reports directly from the financial system. Operating expense categories were changed to provide a direct comparison. Prior year categories in previously audited financial statements (total) will tie to the total operating expense amount.

(2) Personnel expenses include actuarially determined pension and other post-employment benefit expenses in accordance with GASB No. 68 and No. 75.

Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Financial Trends

Schedule 6 Revenues by Sources Last Ten Fiscal Years (Including interest)

Year Ended June 30,	Operating Revenues				Nonoperating Revenues		Contributed Capital	
	Total	Sewer Service Charges	Drainage Fees	Other	Interest Income	Other (1)	Sewer Capacity Charges	Federal Funds
2014	\$25,676,277	\$ 20,881,091	\$ 1,501,074	\$ 485,290	\$ 49,759	\$ 111,506	\$ 2,647,557	\$ -
2015	28,049,378	23,066,724	1,545,538	34,596	61,196	184,481	3,156,843	-
2016	28,028,751	23,351,121	1,551,786	3,654	95,688	191,437	2,835,065	-
2017	30,442,600	25,904,084	1,580,378	28,981	259,750	191,084	2,478,323	-
2018	30,618,728	26,046,503	1,598,012	1,775	519,249	374,541	2,078,648	-
2019	34,046,479	27,548,719	1,618,819	284,679	922,968	671,302	2,999,992	-
2020	35,162,093	29,028,821	1,706,076	286,695	1,164,907	952,984	2,022,610	4,000,000 (2)
2021	37,025,452	29,227,168	1,646,905	392,040	575,666	(313,795)	5,497,468	-
2022	36,426,937	30,964,630	1,684,123	454,010	450,517	(1,395,896)	4,010,835	258,718
2023	39,510,237	33,386,414	1,662,135	567,169	1,194,804	(23,691)	2,723,406	

(1) Includes net increase (decrease) in fair value of investments.

(2) Federal loan forgiveness related to the Blower Project

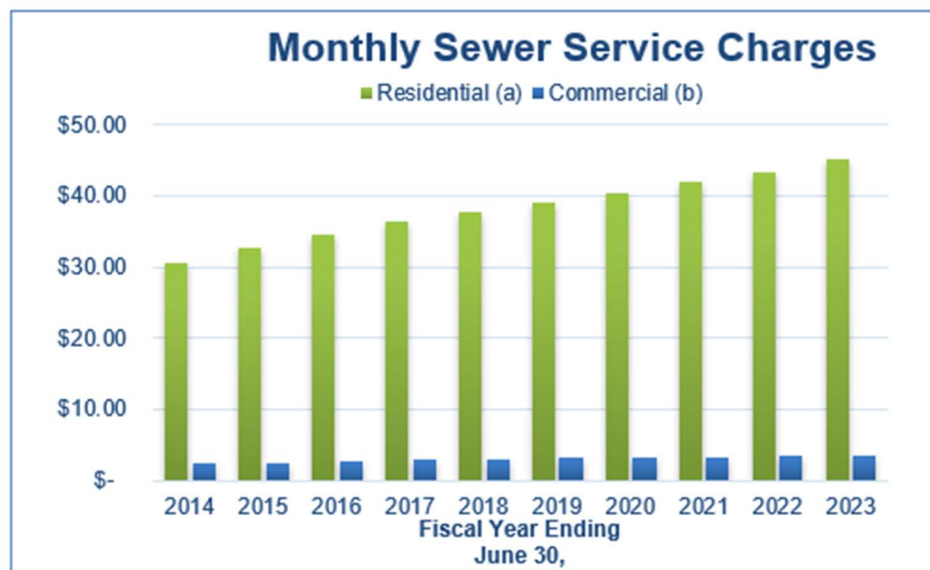
Source: District Audited Financial Statements

FAIRFIELD-SUISUN SEWER DISTRICT

Revenue Capacity

Schedule 7 Monthly Sewer Service Charges Last Ten Fiscal Years

Fiscal Year	Residential (a)	Commercial (b)
2013-14	30.46	2.35
2014-15	32.71	2.56
2015-16	34.56	2.73
2016-17	36.35	2.90
2017-18	37.65	3.00
2018-19	39.00	3.11
2019-20	40.40	3.22
2020-21	41.85	3.34
2021-22	43.35	3.46
2022-23	45.02	3.60



(a) Residential customers are billed a flat rate per month, per dwelling unit.

(b) Commercial customers are billed based on water usage, per hundred cubic feet.

The District completes a Cost of Service and Rate Study and adopts rates every five years. The most recent rates were adopted on March 28, 2022 and are effective through FY 2026-27.

Source: District rate resolution

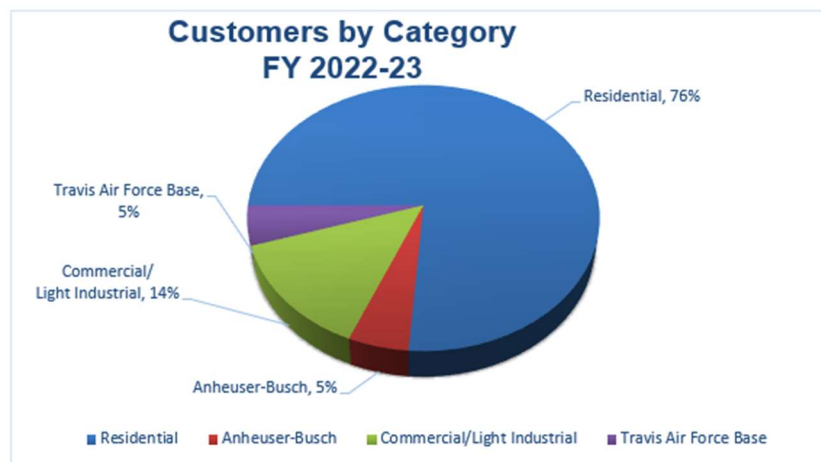
FAIRFIELD-SUISUN SEWER DISTRICT

Revenue Capacity

Schedule 8

Service Area of Top 10 Principal Customers and Percentage of Total Sewer Service Charges

		Fiscal Years Ended June 30,									
		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total sewer service charges \$000		\$ 33,386	\$ 30,965	\$ 29,227	\$ 29,028	\$ 27,549	\$ 26,047	\$ 25,904	\$ 23,351	\$ 23,067	\$ 20,881
User	Type										
Travis Air Force Base	Military Base	4.83%	3.51%	3.03%	3.31%	4.75%	3.87%	4.76%	3.73%	3.92%	4.18%
Anheuser-Busch	Brewery	5.08%	4.40%	4.21%	3.93%	4.23%	3.65%	5.86%	4.21%	4.39%	5.43%
Producers Dairy Foods	Dairy	3.02%	2.08%	1.39%	1.82%	1.06%	0.77%	0.95%	1.06%	0.73%	1.82%
Paradise Valley Estates	Housing	0.53%	0.55%	0.56%	0.54%	0.58%	0.56%	0.46%	0.58%	0.55%	0.57%
Pointe Fairfield Venture, LLC	Housing	0.48%	0.49%	0.50%	0.49%	0.53%	0.49%	0.49%	0.52%	0.50%	0.51%
Verdant at Green Valley	Housing	0.46%	0.48%	0.49%	0.46%	0.51%	0.45%	0.00%	0.00%	0.00%	0.00%
United Mobile Homeowners	Housing	0.34%	0.35%	0.36%	0.34%	0.38%	0.33%	0.35%	0.37%	0.36%	0.36%
Amcor Pet Packing	Manufacturing	0.57%	0.59%	0.60%	0.54%	0.59%	0.31%	0.74%	0.70%	0.58%	0.58%
Ardagh	Manufacturing	0.40%	0.45%	0.49%	0.42%	0.29%	0.29%	0.25%	0.23%	0.23%	0.25%
Clorox	Manufacturing	0.11%	0.14%	0.23%	0.21%	0.16%	0.15%	0.14%	0.12%	0.16%	0.13%
CSCDA Community Improvement Auth	Housing	0.61%	-	-	-	-	-	-	-	-	-
		16.30%	14.71%	13.71%	14.09%	15.06%	13.34%	16.46%	14.44%	14.09%	16.86%



Source: City of Fairfield and District billing records

FAIRFIELD-SUISUN SEWER DISTRICT

Debt Capacity

Schedule 9 Pledged-Revenue Coverage Last Ten Fiscal Years

Year Ended June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)	Debt Coverage % (4)
2014	\$ 25,676,277	\$ 17,627,269	\$ 8,049,008	\$ 3,160,188	255%
2015	28,049,378	17,945,451	10,103,927	3,244,839	311%
2016	28,028,751	16,452,887	11,575,864	3,242,767	357%
2017	30,442,600	20,975,345	9,467,255	2,080,299	455%
2018	30,618,728	20,865,548	9,753,180	737,038	1323%
2019	34,046,479	21,587,357	12,459,122	737,038	1690%
2020	35,162,093	26,514,696	8,647,397	1,068,895	809%
2021	37,025,452	23,351,502	13,673,950	1,068,895	1279%
2022	36,426,937	17,934,593	18,492,344	1,068,895	1730%
2023	39,510,237	37,004,929	2,505,308	1,070,057	234%

(1) Includes Sewer Capacity Charges.

(2) Does not include depreciation and amortization.

(3) Highest annual debt service payment due on the remaining life of the bonds.

(4) Bond covenant requires that net revenue be at least 115% of debt service requirement.

Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT

Debt Capacity

Schedule 10 Summary of Debt Service Payments Last Ten Fiscal Years

Year Ended June 30,	City of Fairfield Reimbursement Agreement	State Revolving Fund Loan	2010 Sewer Refunding Bonds	Total Debt Service
2014	\$ -	\$ 737,038	\$ 2,423,150	\$ 3,160,188
2015	81,651	737,038	2,426,150	3,244,839
2016	81,651	737,038	2,424,078	3,242,767
2017	1,343,261	737,038	-	2,080,299
2018	-	737,038	-	737,038
2019	-	737,038	-	737,038
2020	-	737,038	-	737,038
2021	-	1,070,056	-	1,070,056
2022	-	1,070,056	-	1,070,056
2023	-	1,070,056	-	1,070,056
Total	\$ 1,506,563	\$ 8,369,435	\$ 7,273,378	\$ 17,149,376

Debt Capacity: The District may issue or incur new debt on a parity basis if the sum of audited net sewer enterprise revenues for the prior fiscal year, plus 75% of estimated increases in net revenues due to rate increases in effect before the District issues or incurs the new parity obligations (but not in effect during the prior fiscal year), equals at least 115% of the combined maximum annual payment.

Source: District's Audited Financial Statements and Accounting Records

FAIRFIELD-SUISUN SEWER DISTRICT

Debt Capacity

Schedule 11 Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Year Ended June 30,	City of Fairfield Reimbursement Agreement (3)	State Revolving Fund Loan	2010 Sewer Refunding Bonds (1)	Leases (4)	Total Outstanding Debt	Population Served (2)	Debt per Capita
2013	\$ -	\$10,278,861	\$ 6,708,276	-	\$16,987,137	136,441	125
2014	1,330,000	9,836,728	4,783,581	-	15,950,309	133,432	120
2015	1,308,199	9,381,681	2,311,516	-	13,001,396	138,567	94
2016	1,285,417	8,913,340	-	-	10,198,757	141,728	72
2017	-	8,431,319	-	-	8,431,319	143,452	59
2018	-	8,585,219	-	-	8,585,219	145,348	59
2019	-	14,976,452	-	-	14,976,452	146,596	102
2020	-	12,440,576	-	-	12,440,576	146,100	85
2021	-	11,677,087	-	-	11,677,087	146,887	79
2022	-	10,883,153	-	36,121	10,919,274	148,793	73
2023	-	10,068,687	-	28,722	10,097,409	147,997	68

(1) Refunded in fiscal year 2009/10

(2) Refer to Schedule 14

(3) Paid in full in July 2017

(4) The District implemented GASB No.87 Leases during Fiscal Year Ended June 20, 2022

Source: District's Audited Financial Statements and Accounting Records

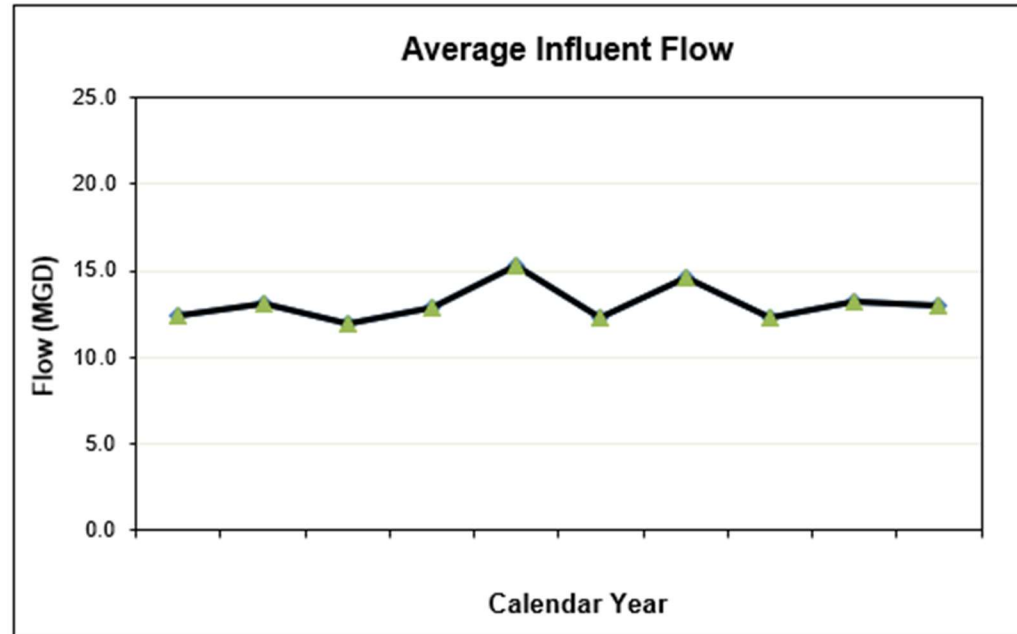
FAIRFIELD-SUISUN SEWER DISTRICT

Operating Information

Schedule 12

Average Annual Influent Flow

Year (Calendar)	Flow (MGD)*
2013	12.5
2014	13.1
2015	12.0
2016	12.9
2017	15.4
2018	12.3
2019	14.6
2020	12.3
2021	13.3
2022	12.9



*Million gallons per day

Source: District's Regulatory Department

Data for calendar year 2023 is not available as of fiscal year-end date.

FAIRFIELD-SUISUN SEWER DISTRICT

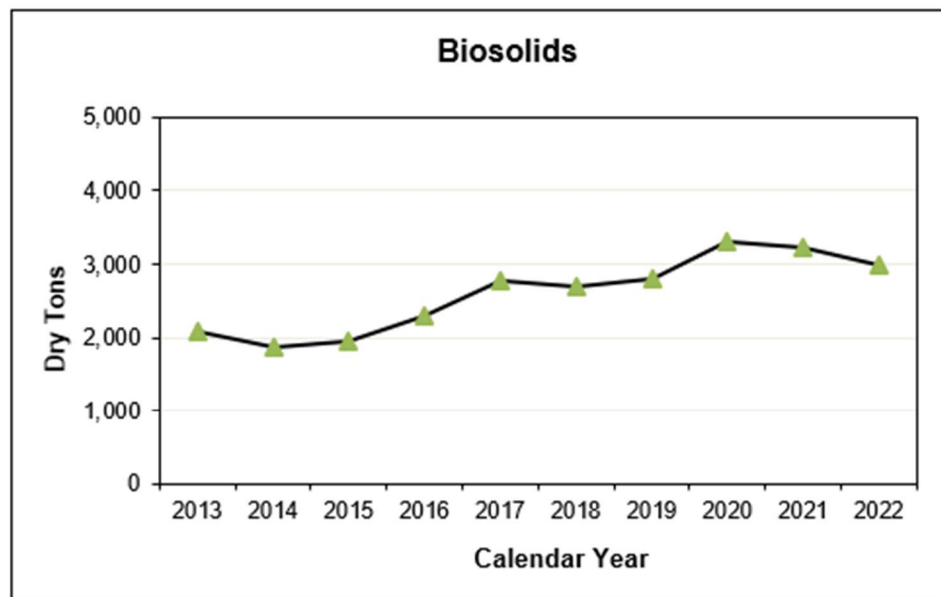
Operating Information

Schedule 13

Biosolids Disposal

Biosolids (Sludge) Hauled/Produced

<u>Year</u> <u>(Calendar)</u>	<u>Dry Metric Tons</u>
2013	2,073
2014	1,859
2015	1,939
2016	2,284
2017	2,777
2018	2,691
2019	2,802
2020	3,296
2021	3,221
2022	2,996



Annual biosolids disposal is derived by totaling the tons of biosolids removed from the treatment plant each year. Inter-annual variability results when on-plant storage is used to a greater or lesser extent year to year.

Source: District's Regulatory Department

Data for calendar year 2023 is not available as of fiscal year-end date.

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 14

Population Served

Last Ten Fiscal Years

The table below sets forth population figures for both cities for the last ten years.

Year	City of Fairfield	City of Suisun City	Total Served	% Change
2014	105,321	28,111	133,432	-2.2%
2015	110,018	28,549	138,567	3.8%
2016	112,637	29,091	141,728	2.3%
2017	114,157	29,295	143,452	1.2%
2018	116,156	29,192	145,348	1.3%
2019	117,149	29,447	146,596	0.9%
2020	116,981	29,119	146,100	-0.3%
2021	118,005	28,882	146,887	0.5%
2022	119,897	28,896	148,793	1.3%
2023	119,526	28,471	147,997	-0.5%

Source: State of California Department of Finance

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 15 Major Employers (Current year compared to nine years ago)

Firm Name	Type of Business	Employees		Ranking	% of Total		Employees	Ranking	% of Total	
		2022			City of Fairfield	Employment	2013		City of Fairfield	Employment
Travis Air Force Base	Military Base	13,414		1	26%		14,353	1	29%	
County of Solano	Government	2,633		2	5%		2,850	2	6%	
Fairfield-Suisun Unified School District	Education	2,213		3	4%		2,000	3	4%	
NorthBay Medical Center	Hospital	1,969		4	4%		1,115	4	4%	
Solano Community College	Education	750		5	1%		650	5	1%	
Partnership HealthPlan	Insurance	561		6	1%					
City of Fairfield	Government	553		7	1%		571	6	1%	
Jelly Belly Candy Co.	Candy & Confection	489		8	1%		461	8	1%	
Sutter Regional Medical Foundation	Medical	475		9	1%		475	7	1%	
Westamerica Bank	Corporate Headqua	418		10	1%		407	9	1%	
Pride Industries	Social Enterprise						343	10	1%	

Note: City of Fairfield Annual Comprehensive Financial Report for the year ended June 30, 2023 not yet available. Data presented is from the prior year.

Source: City of Fairfield Annual Comprehensive Financial Report and California Employment Development Department

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 16

Full-Time District Employees by Program

Last Ten Fiscal Year

Function/Program	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Engineering and Construction (1)	10	8.5	8.5	6	6	6	6	6	6	7
Administration (3)	8	8	8	6	6	6	6	7.5	7	7
Regulatory (2)	6	5	5	4	4	4	4.5	4.5	4.5	4.5
Safety (4)	0	0	0	1	1	1	1	1	1	1
Operation and Maintenance	42	40	40	40	40	40	40	39	40.5	41
	66.0	61.5	61.5	57	57	57	57.5	58.0	59.0	60.5

Billing and collection functions are contracted out to third parties.

(1) This includes the Assistant General Manager/District Engineer.

(2) This includes laboratory and source control. The Laboratory program was brought in-house in June 2007.

(3) Administration consists of the General Manager and Administrative Services Department, which includes Finance, Human Resources, and Information Technology.

(4) Starting in 2021, the Safety function is handled by Regulatory and Administration.

Source: Fairfield-Suisun Sewer District

FAIRFIELD-SUISUN SEWER DISTRICT

Economic and Demographic Information

Schedule 17 Other Information

General

Service area	City of Fairfield City of Suisun City
Governing body	Council members of both cities
Chief executive officer	General Manager
Date of formation	May 5, 1951
Type of service	Sewage collection, treatment and disposal and drainage maintenance
Number of full-time employees	66.0
District population	147,997

Wastewater Facilities

Area served (square miles)	45
Number of treatment plant(s)	1
Number of pump stations	13
Permitted dry weather capacity	23.70 MGD
Average dry weather flow	12.71 MGD
Miles of sewer (12-inch and larger)	85

Stormwater Facilities

Area served (square miles)	45
Number of pump stations	7

Source: Fairfield-Suisun Sewer District



FAIRFIELD-SUISUN SEWER DISTRICT

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January 17, 2024

AGENDA REPORT

TO: Executive Committee

FROM: Jordan Damerel, Assistant General Manager/District Engineer

SUBJECT: Adopt Revised Policy No. 4350 – Out-of-Agency Sewer Service Policy

Recommendation: Adopt revised Policy No. 4350 to govern the District's approach to requests for sewer service for parcels that are outside the District's boundary.

Background: At the District's Board of Directors meeting on September 25, 2023, the Board considered a request to provide sewer service to the proposed Woodcreek 60 subdivision, which is located outside the District's boundaries. Per the Fairfield-Suisun Sewer District Act of 1951 (Enabling Act), as amended, the District is allowed to provide sewer service for sewage emanating from outside the District (an "out-of-agency connection") by contract with Solano County or another public agency, "if the board of the district determines that the contract furthers the protection of public health and safety and is in the best interests of the district." (Sec. 48) The Board directed staff to work with Solano County and the Woodcreek 60 applicant to determine the feasibility, capacity, and commitment of the District to provide sewer service to the Woodcreek 60 project. The Board requested staff to document the discussion in a policy that would be adopted by the Board.

The District has an existing Policy No. 4350, adopted by the Board of Directors in March 2021. This policy established a procedure by which all out-of-agency requests for sewer service that are not already allowed are processed through Solano County, as the land use agency. If Solano County determines that they wish the parcel to be served by the District's sewer system, then they request the District to consider providing service. Staff are directed to update the Board of Directors of all requests to provide sewer service that are not already allowed.

Discussion: Policy No. 4350 has been revised to incorporate procedural details discussed at the September 2023 Board Meeting. Some key elements of this policy update include:

- Requests for sewer service for out-of-agency parcels that are not already allowed to connect to the District's sewer system will be brought before the Board of Directors to determine if staff should conduct an evaluation of feasibility and potential costs for service. If the connection is found to be feasible, the results will be brought back to the Board of Directors for determination of whether the out-of-agency connection furthers the protection of public health and safety and is in the best interests of the District.
- All costs associated with the feasibility assessment shall be the responsibility of the Project Applicant and/or Solano County. Additionally, all infrastructure improvements necessary to make an out-of-agency connection feasible, if the Board of Directors approves the connection, shall be the responsibility of the Project Applicant and/or Solano County.
- The feasibility assessment will account for all developments within Fairfield or Suisun City that are in review, under construction, or documented in a General Plan for connection to the facilities impacted by the proposed out-of-agency connection. The feasibility assessment will also include a contingency flow factor that will be added on to any planned City growth, to account for uncertainty in long-term planning projections.
- Establishing the District's preference for regional planning, rather than individual developments being evaluated separately, so that facility modifications can be planned, designed, and constructed in an efficient and cost-effective manner that minimizes community impacts.

Fiscal Impact: Since all costs to evaluate the feasibility and to make improvements are the responsibility of the Project Applicant and/or Solano County, there is no anticipated fiscal impact to the District.

Attachments: 1 – Policy No. 4350 – Out-of-Agency Sewer Service Policy



FAIRFIELD-SUISUN SEWER DISTRICT

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POLICY		
Policy Number	4350	Approved: January XX, 2024
Type of Policy	Board Policy	
Policy Title	Out-of-Agency Sewer Service Policy	
Policy Description	Policy Guidelines for Sewer Service Outside the District Boundary (DRAFT)	

1. Purpose

- 1.1. The District's Enabling Act originally only allowed the District to serve areas within the city limits of Fairfield and Suisun City (District Boundary) and public buildings outside city limits. In 2002, the Enabling Act was amended to allow service to specific areas of Solano County (County) that were already receiving sewer service or were along existing sewer lines and had failing septic systems, mostly along Suisun Valley Road and in the Old Cordelia area, or by contract with a public entity to further the protection of public health and safety. In 2019, the act was again amended to allow sewer service to the Middle Green Valley Specific Plan area.

The District's role is service provider only and not as a land use agency. This policy outlines how service may be extended to properties outside of the District Boundary that have not already been approved for service (Out-of-Agency Connection).

2. Policy

- 2.1. Out-of-Agency Connection: Any Project Applicant wishing to connect a parcel located outside the District Boundary to the District's sewer system that is not already approved for service shall work through the County's development process before contacting the District. County staff will contact the District if the County would like to request that the District serve the parcel. County staff shall provide District staff with the location and reason for service. Anyone contacting District staff directly about service shall be directed to talk to County staff.
- 2.2. District staff shall notify the District Board of Directors of the County's request to provide service. The District Board of Directors will determine whether or not District staff should conduct an evaluation of feasibility and potential costs for service. Pursuant to the District's Enabling Act, any contracts with public entities for disposal of sewer service are discretionary, if the District Board of Directors determines that the contract furthers the protection of public health and safety and is in the best interests of the District.
- 2.3. Upon receiving direction to proceed by the District Board of Directors, District staff may work with County staff and the Project Applicant to determine if service is feasible and potential costs for service.

- 2.4. All costs associated with the feasibility assessment of the Out-of-Agency Connection, including labor costs and contracted expenses, shall be the responsibility of the Project Applicant and/or the County. The Project Applicant and/or the developer will need to enter into a Development Agreement with the District.
- 2.5. When determining the feasibility of serving a proposed Out-of-Agency Connection, sewer capacity will be reserved for anticipated buildout growth within the District Boundary. The District's design standards and hydraulic modeling assumptions will be used to determine capacity. For any sewer facilities that will be affected by a proposed Out-of-Agency Connection (impacted facilities), the District will account for the following in the analysis of whether capacity is available:
 - 2.5.1. All existing connections to impacted facilities;
 - 2.5.2. Any development applications that have been submitted to City of Fairfield and/or City of Suisun City, or developments that are currently under construction, that will connect to impacted facilities;
 - 2.5.3. Estimated sewer flows from the land uses identified in City of Fairfield and/or City of Suisun City General Plans that would ultimately connect to impacted facilities when built out;
 - 2.5.4. An additional 15% contingency flow factor to account for uncertainty in long-term General Plan projections; and
- 2.6. The feasibility analysis may result in one of the following determinations, which will be presented to County staff and to the Project Applicant.
 - 2.6.1. Capacity is available in the impacted facilities and the Out-of-Agency Connection is feasible.
 - 2.6.2. Capacity is not available in the impacted facilities, but sufficient capacity could be achieved with infrastructure improvements. In this case, the Out-of-Agency Connection is feasible with improvements.
 - 2.6.3. The connection is not feasible and the Out-of-Agency Connection cannot be accommodated.
- 2.7. If the Out-of-Agency Connection is determined to be feasible, or feasible with improvements, and the Project Applicant still wishes to pursue an Out-of-Agency Connection, the District Board of Directors will make a final determination. The results of the feasibility analysis and any required infrastructure improvements will be presented, and the District Board of Directors will determine if the Out-of-Agency Connection furthers the protection of public health and safety and is in the best interests of the District. If the Out-of-Agency Connection is approved, the District will provide the Project Applicant with a Letter of Sewer Availability which may include additional conditions for making the Out-of-Agency Connection.

- 2.8. All infrastructure improvements necessary to make an Out-of-Agency Connection feasible shall be the responsibility of the Project Applicant and/or the County. If a physical connection to a City of Fairfield- or City of Suisun City-owned sewer is required, the Project Applicant and/or the County shall be responsible for requesting approval and obtaining permits from the facility owner prior to connecting to those sewer systems. Improvement agreements, insurance, and bonds will be required for these improvements.
- 2.9. Any Out-of-Agency Connection that is allowed by the District Board of Directors will be subject to Capacity Charges and Sewer Service Charges as defined by District Ordinance, and development fees, as established by District Resolution.
- 2.10. The District shall not own, operate, or maintain Out-of-Agency sewer facilities. Any sewer facilities shall be owned, operated, and maintained by the Project Applicant and/or the County, unless otherwise approved by the District's Board of Directors.
- 2.11. To ensure that District wastewater facilities are planned, designed, and constructed in an efficient and cost-effective manner that minimizes community impacts, the District may require additional information from the County about other planned development in the vicinity of a requested Out-of-Agency Connection that the County may wish to connect to the District's facilities in the future. A regional plan, rather than considering each development individually, is necessary to adequately accommodate all District customers.



FAIRFIELD-SUISUN SEWER DISTRICT

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January 17, 2024

AGENDA REPORT

TO: Executive Committee

FROM: Talyon Sortor, General Manager

SUBJECT: WELL UnTapped Fellowship Program Financial Support

Recommendation: Discuss whether to support two board members financially in attending the 2024 Well UnTapped Fellowship Program.

Background: The Board does not have a policy around paying for Board Members to attend training besides the CASA conference. Directors Hernandez and Panduro have both been accepted into the 2024 cohort for the UnTapped Fellowship Program, see attached flyer. At the November board meeting they requested the District consider paying half of the program fee (\$3,000) for each director. They are requesting support from their respective water utilities to pay the other half.

Discussion: Water policy in California is complex and issues cross over between drinking water, recycled water, stormwater, and wastewater treatment. Nationally there is a push to think of all the water issues together as “One Water” as the issues cannot be isolated to one area. It is in the District’s best interest for Board Members to be able to take advantage of opportunities to learn more about water policy issues, like the UnTapped program.

Since no policy exists around training for board members outside of CASA, a separate resolution is recommended if the Board would like to support Directors Hernandez and Panduro in attending the program.

Fiscal Impact: The requested financial support would total \$3,000 for both members, \$1,500 each.

Attachments: 1 – WELL UnTapped Fellowship Program Flyer
2 – Resolution 2024-XX, A Resolution Authorizing Financial Support for Board Participation in the WELL Untapped Fellowship Program

UnTapped Fellowship Program 2024

UnTapped: Making a Difference in California Water Policy

WELL is currently recruiting for our 7th cohort. UnTapped is a selective, **six-month program** for local elected leaders that helps participants make an impact on California water policy while addressing individual community water challenges. The UnTapped program creates an opportunity for local leaders to engage with water issues by exploring governance, infrastructure, finance, the water-energy nexus, and the impact of climate change on water supply and water quality.

UnTapped sessions currently follow a hybrid model, with four in-person meetings at various watersheds throughout California and four online sessions. Content includes a discussion with water professionals and skill-based exercises that help participants ask better public policy questions and strengthen public speaking and relational skills.

Developing a Network of Local Elected Officials

WELL's network is composed of more than 1,100 locally elected Latino leaders from throughout California. Local elected officials, whether city council members, school board members, or elected water district directors, have an incredible influence on water policy and on the delivery of water to our communities. Further, once UnTapped fellows graduate from the program, they are inducted into the WELL UnTapped Network (WUN), where they can continue to engage in learning and training opportunities focused on California water policy. Having such an extensive network means that together we can make our communities more resilient in the face of ongoing water challenges.



FAQ's

How many sessions are there?	The UnTapped Fellowship Program is hybrid, with four in-person sessions and four virtual sessions. Session dates are listed below.
What is the cost of the program?	The cost to participate in the UnTapped Fellowship Program is \$3,000 for city council, county supervisors, and school board members, and \$4,000 for water district directors.
Are there any scholarship or payment options available?	Limited scholarships are available for elected officials who need assistance.
Do I have to identify as Latino to join the program?	WELL defines a Latino leader as any elected official representing a Latino constituency.

WELL UnTapped Fellowship 2024 Session Dates:

- In-person: Friday, January 19 - Sunday, January 21, 2024
- In-person: Friday, February 9 - Saturday, February 10, 2024
- Virtual #1: Thursday, February 29, 2024, 6:30 pm - 8:30 pm
- WELL Annual Conference March 2024
- Virtual #2: Thursday, March 28, 2024, 6:30 pm - 8:30 pm
- In-person: Friday, April 12 - Saturday, April 13, 2024
- Virtual #3: Thursday, April 25, 2024, 6:30 pm - 8:30 pm
- Virtual #4: Thursday, May 9, 2024, 6:30 pm - 8:30 pm
- Sacramento: Tuesday, May 22 - Wednesday, May 23, 2024

Scan here
to apply



"The WELL UnTapped Fellowship Program equipped me with knowledge and awareness of the inequities within California's water systems, in addition to providing me with the tools necessary to support and advocate for equitable water policies. Furthermore, the program gave me the opportunity to grow as a leader by expanding my professional network with like-minded individuals that value social and environmental justice policies."

– Anna Velazquez, Mayor, City of Soledad
and WELL UnTapped Fellowship Graduate, Class of 2023



"Being part of the WELL UnTapped Fellowship Program allowed me to have a better understanding of the importance and intricacies of water systems in California, locally and state-wide. I learned how to ask meaningful and equitable action-driven questions as I represent my community as a city council member. "

– Heber Marquez, Councilmember, City of Maywood
and WELL UnTapped Fellowship Graduate, Class of 2023

FAIRFIELD-SUISUN SEWER DISTRICT
RESOLUTION NO. 2024-XX

**A RESOLUTION AUTHORIZING FINANCIAL SUPPORT FOR BOARD PARTICIPATION IN
WELL UNTAPPED FELLOWSHIP PROGRAM**

WHEREAS, the Fairfield-Suisun Sewer District does not have a policy related to paying for Board Members to attend training besides the CASA conference; and,

WHEREAS, Directors Hernandez and Panduro have been accepted into the 2024 cohort for the WELL UnTapped Fellowship Program; and,

WHEREAS, Board Members attending programs like the WELL UnTapped Fellowship Program that provide education on water policy issues is in the best interest of the District; and,

WHEREAS, at the November 2023 Board of Directors meeting the District was requested to consider paying half of the WELL UnTapped Fellowship Program fee.

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE FAIRFIELD-SUISUN SEWER DISTRICT THAT:

1. The District hereby authorizes reimbursement for half of the WELL UnTapped Fellowship Program fee totaling \$3,000, or \$1,500 each for Directors Hernandez and Panduro, for participation in the 2024 cohort of the UnTapped Fellowship Program.
2. The General Manager is authorized and directed to take all steps necessary and proper to implement this resolution.

PASSED AND ADOPTED this 29th day of January 2024, by the following vote:

AYES: Directors _____

NOES: Directors _____

ABSTAIN: Directors _____

ABSENT: Directors _____

President

ATTEST: _____
District Clerk



FAIRFIELD-SUISUN SEWER DISTRICT

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

January 17, 2024

AGENDA REPORT

TO: Executive Committee

FROM: Emily Corwin, Senior Environmental Engineer
Ryan Yamamoto, Assistant Engineer

SUBJECT: Award Consulting Services Agreement for Kellogg Resiliency Project
Design, Engineering, and Permitting

Recommendation: Authorize the Assistant General Manager/District Engineer to award and execute a Consulting Services Agreement in an amount up to \$1,000,000 for the Kellogg Resiliency Project Design, Engineering, and Permitting.

Background: In 2022 and 2023, the District and Suisun City jointly conducted a community co-design process for improvements at the Kellogg Stormwater Pump Station site. The goals of the project included improving firefighting access at the City/Marsh interface, reducing risk to property within Suisun City due to impacts of future sea level rise, and providing stormwater treatment facilities.

In March 2023, the Board of Directors authorized the General Manager to apply to the State Water Resources Control Board to receive a Directed Assistance Grant for the Kellogg Resiliency Project. Funds were appropriated in the State of California's Budget Act of 2022. In October 2023, the agreement was issued and executed (Agreement #D2201012) in the amount of \$8,600,000. The grant is to fund the planning, design, and construction of the Kellogg Resiliency Project in Suisun City.

Discussion: The project goals are to collaborate with adjacent landowners and stakeholders to: improve critical stormwater infrastructure; develop a project that equitably engages and benefits a disadvantaged community; fund, design, build, and maintain a nature-based solution to address future conditions that models a scalable solution for the City, County, and Bay Area; and benefit hundreds of residents and businesses in Downtown Suisun City by increasing climate resilience. The scope of this consulting services agreement includes community engagement to develop designs; developing the existing 30% design into a final bid package for construction including all

required permitting, environmental documentation and other inter-agency approvals; and bid period support.

On December 4, 2023, staff issued a competitive RFP for the Kellogg Resiliency Project Design, Engineering, and Permitting. Proposals are due on January 24, 2024. All proposals received will be reviewed and evaluated for responsiveness to the RFP documents, qualifications, and cost.

Staff requests that the Board of Directors authorize the Assistant General Manager/District Engineer to award and enter into a Consultant Services Agreement in the amount up to \$1,000,000 with the best qualified, responsive proposing consultant team based on technical approach, team expertise and experience, and cost. Staff requests this authorization in advance of receiving and reviewing proposals to ensure that the project can advance at the earliest possible opportunity to meet a constrained project timeline established by the Directed Assistance Grant.

Fiscal Impact: The not-to-exceed grant agreement funding amount is \$8,600,000. The design, permitting, and construction of the Kellogg Resiliency Project is fully funded by the Directed Assistance Grant.



FAIRFIELD-SUISUN SEWER DISTRICT

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

Board of Director Meeting Agenda

Board of Directors

Rick Vaccaro, President
Alma Hernandez, Vice President
Doug Carr
Jenalee Dawson
Catherine Moy
Marlon Osum
Amit Pal
Doriss Panduro
Scott Tonnesen
Princess Washington
Pam Bertani, First Alternate
K. Patrice Williams, Second Alternate

Meeting Date: Monday, January 29, 2024

Meeting Place: 1010 Chadbourne Road, Fairfield, CA

Meeting Time: 6:00 p.m.

1. Roll Call
2. Pledge of Allegiance
3. Public Comments
4. Director Comments
5. General Manager Report

6. **Consent Calendar:**

Page

- (a) Adopt Resolution No. 2024-XX Authorizing Financial Support for Board Participation in WELL UnTapped Fellowship Program..... #
- (b) Award Professional Services Contract for Design of the Kellogg Resiliency Project..#
- (c) Approve Board Meeting Minutes of November 27, 2023..... #

7. **Discussion Items:**

- (d) District Transparency Certificate of Excellence Award #
- (e) Report on the Financial Audit for FY 2022-23 #

8. **Action Items:**

- (a) Adopt Revised Policy No. 4350 – Out-of-Agency Sewer Service Policy..... #

9. **Information Items:**

- (a) Quarterly Investment Report.....#
- (b) Board Calendar#

-- End of Agenda --

The Fairfield-Suisun Sewer District will provide reasonable disability-related modification or accommodation to a person with a disability who requires a modification or accommodation in order to participate in the meeting of the Board of Directors. Please contact the District at (707) 429-8930 at least 48 hours before the meeting if you require such modification or accommodation.

Documents that are disclosable public records required to be made available under California Government Code Section 54957.5 (b) (1) and (2) are available to the public for inspection at no charge during business hours at our administrative offices located at the above address.

Members of the public may speak on any matter within the jurisdiction of the Fairfield-Suisun Sewer District by identifying themselves at the beginning of the meeting. Comments on matters not listed on the agenda will be taken under Public Comments. Comments on matters appearing on the agenda will be taken during consideration of the item.



FAIRFIELD-SUISUN SEWER DISTRICT

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

January 17, 2024



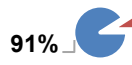



AGENDA REPORT

TO: Executive Committee

FROM: Ben Carver, Operations Manager

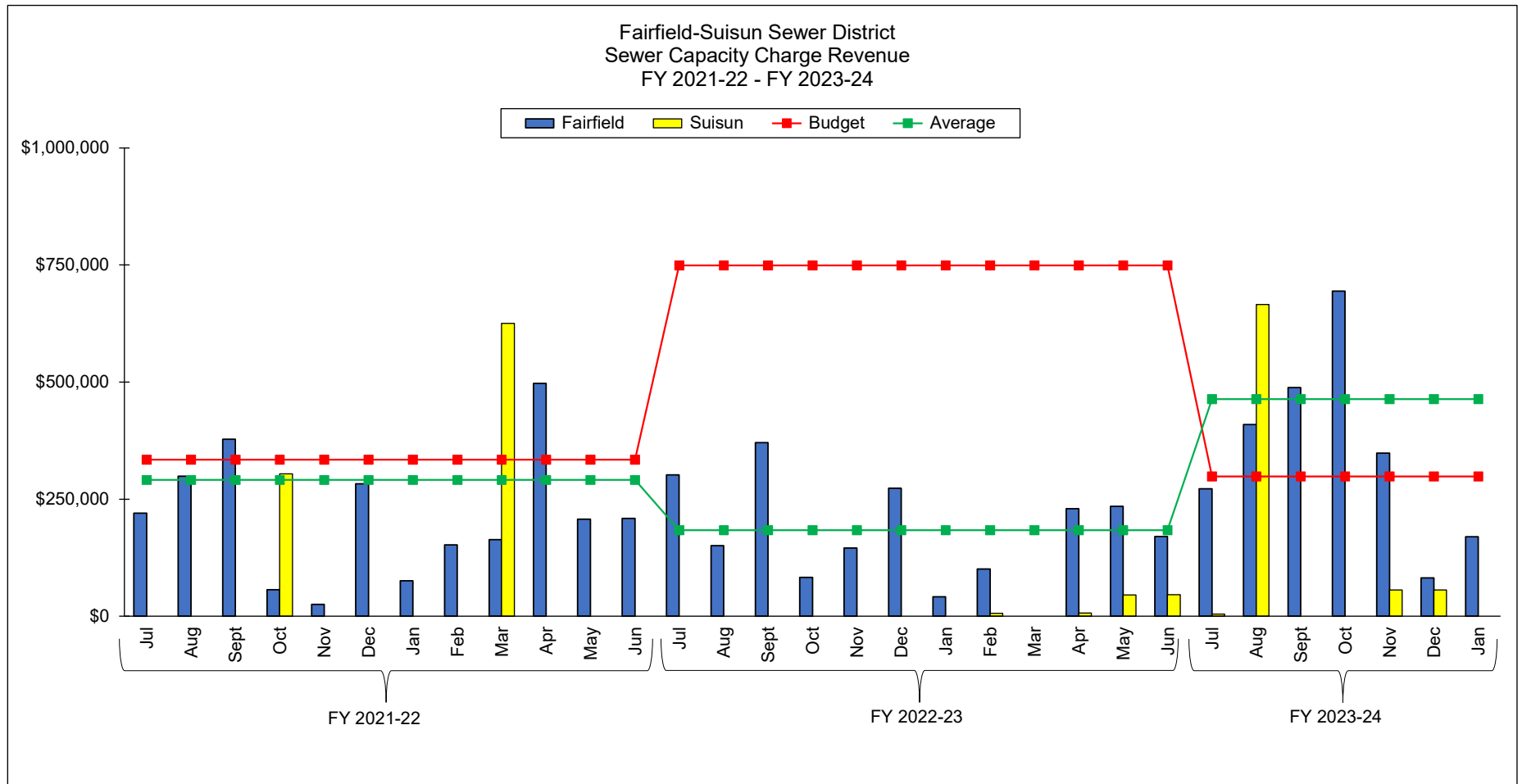
SUBJECT: Operating Data Summary –December 2023

December 2023 Data

Average plant flow	14.4 million gallons per day	Equivalent to 22 Olympic sized pools! 
Solids removed from the water	365 dry tons	33% turned into biogas. 67% turned into Lystek fertilizer 
Completed Work Orders	884 completed work orders this month	 91%  Preventative  Corrective
Renewable energy produced	51,889 kilowatt-hours	Renewable energy provided 6.3% of the plant's power needs. This is equivalent to 73 single-family homes! 
Sewer lines inspected by CCTV	11,458 feet	FSSD and City of Suisun City lines
Permit excursions & Sewer System Overflows (Cat 1-3)	0	

Year to Date 2023

Influent Flow Average 16.6 MGD	Permit Excursions 0
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FAIRFIELD-SUISUN SEWER DISTRICT

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January 17, 2024

AGENDA REPORT

TO: Executive Committee

FROM: James Russell-Field, Director of Administrative Services

SUBJECT: Quarterly Investment Report

Attached is the District's Quarterly Investment Report (Attachment 1) for the quarter ended December 31, 2023. The investment portfolio conforms to the District's Investment Policy as re-adopted by the Board of Directors at its meeting on May 22, 2023.

The District's cash balances represent operating and reserve funds, held in short-term and medium-term instruments, and will enable the District to meet its anticipated cash flow requirements.

Attachment: Quarterly Investment Report

**FAIRFIELD-SUISUN SEWER DISTRICT
INVESTMENT REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2023**

Attachment 1

Asset Detail						
Instrument	Date of Maturity		Par Value	Market Value	Market Yield	Estimated Annual Income
California Asset Mgt Program (CAMP)	Various		\$ 38,326,111	\$ 37,182,113	4.310%	\$ 1,651,855
California Asset Mgt Program TERM	Various		5,000,000	5,000,000	4.690%	234,500
State Local Agency Investment Fund	N/A		20,548,873	20,416,191	3.814%	783,734
Totals			\$ 63,874,984	\$ 62,598,305		\$ 2,670,089

Summary of Portfolio Securities	
	Market Value
California Asset Mgt Program (CAMP)	\$ 37,182,113
California Asset Mgt Program TERM	5,000,000
State Local Agency Investment Fund	20,416,191
	\$ 62,598,305

Maturity Distribution	
	Market Value
0 - 12 months	\$ 27,189,778
1 - 2 years	8,574,195
2 - 3 years	10,243,672
3 - 4 years	6,949,337
4 - 5 years	9,641,322
	\$ 62,598,305

NOTES:

Par Value is the nominal or face value of a bond, or coupon as indicated on a bond certificate. It is a static value determined at the time of issuance.

Market Yield is an approximation of the gross income an asset is projected to earn annually, expressed as a percentage of the asset's market value.

Market Value an estimate of the value at which the principal would be sold from a willing seller to a willing buyer.

Market Values, Current Yields and Estimated Annual Income are from the following sources:

Local Agency Investment Fund monthly statement

California Asset Management Program statement

All investments are in compliance with the District's current investment policy. The District has sufficient funds to meet its expense requirements for the next three months.

Prepared by

James Russell-Field

1/15/2024

Date

FAIRFIELD-SUISUN SEWER DISTRICT**MINUTES**

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.fssd.com

Board of Directors Meeting Minutes

Date: Monday, November 27, 2023
Meeting Place: 1010 Chadbourne Road, Fairfield, California
Meeting Time: 6:00 p.m.

1. The meeting was called to order at 6:00 p.m. by President Vaccaro. President Vaccaro presided over the meeting.

Roll Call – The following members were present: Directors Carr, Dawson, Hernandez, Moy, Osum, Panduro, Tonnesen, Vaccaro, Washington and via teleconference Director Pal. Board Alternate K. Patrice Williams was present.

2. Pledge of Allegiance was led by Director Tonnesen.
3. Public Comments – None.
4. Director Comments – The Board thanked Jordan for running the last Executive Committee Meeting and for his attendance at the event to rename the City of Fairfield Council Chambers in honor of former Mayor Harry T. Price. Directors Hernandez and Panduro applied and were accepted to the Water Education for Latino Leaders (WELL) Fellowship program. Director Panduro stated there was a cost involved with the program and wants to bring an agenda item to the next Board meeting to cover some of the program costs for her and Director Hernandez to attend. Board members were encouraged to attend the CASA Winter Conference in January 2024.
5. General Manager Report – General Manager Talyon Sortor expressed gratitude to the Board and staff for seamlessly handling work around the plant while he was away handling a personal matter. District Engineer Jordan Damerel attended the Association of Defense Communities Conference in early November with City of Fairfield City Manager David Gassaway, representatives from Travis Air Force Base (TAFB) and Travis Community Consortium, where they presented a panel session to a national audience on the novel community and base partnership approach to look at the resiliency of TAFB through the lens of our community. A lease option with Aires Clean Technology expires on December 1st and will not be extended or renewed. Lystek presented a revenue sharing check for \$1,000 for 2023. Director of Administrative Services James Russell-Field mentioned Finance received the Government Finance Officer Association Certificate of Achievement for Excellence in Financial Reporting for the 24th consecutive year, dating back to 1998. Director of Environmental Services Meg Herston shared an update on recent school tours of the facility.

6. Consent Calendar

- (a) Approve Resolution No. 2023-15 Board of Directors 2024 Meeting Schedule
- (b) Approve Resolution No. 2023-16 Memorandum of Understanding for the 2023-2035 Household Hazardous Waste Collection Program for the City of Fairfield Award Consulting Services Agreement for Community Treatment Wetland and Climate Resiliency Project Community Co-Design and Environmental Studies
- (c) Award Change Order for the Bioenergy Generation Project
- (d) Approve Board Meeting Minutes of October 23, 2023

No comments.

Upon motion by Director Tonnesen, seconded by Vice President Hernandez, Consent Calendar Item 6a-6e were passed by the following vote:

AYES: Carr, Dawson, Hernandez, Moy, Pal, Panduro, Osum, Tonnesen, Vaccaro, Washington
NOES: None
ABSTAIN: None
ABSENT: None

7. Discussion Item

- (a) Presentation of Suisun Force Main Reliability Project

Engineering Manager Irene O'Sullivan presented a status update on the Suisun Force Main Reliability project, recapping planning completed to date, upcoming work, key tasks, and schedule to bring project to fruition. The Board discussed and asked if project information will be available on the District's website.

8. Action Item

- (a) Award Consulting Services Agreement for NPDES Renewal Technical Assistance

Director of Environmental Services Meg Herston spoke about the importance of the Wastewater Discharge Permit and renewal which expires April 30, 2025. She asked the Board for approval for consulting services agreement for negotiation of the permit.

Upon motion by Vice President Hernandez, seconded by Director Carr, Action Item 8a was passed by the following vote:

AYES: Carr, Dawson, Hernandez, Moy, Pal, Panduro, Osum, Tonnesen, Vaccaro, Washington
NOES: None
ABSTAIN: None
ABSENT: None

9. Information Item
(a) Board Calendar

No comments.

The meeting adjourned at 6:47 p.m.

Respectfully submitted,

President

ATTEST:

District Clerk

Fairfield-Suisun Sewer District

Contemplated Board of Directors Agenda Items

January 29, 2024

Month Year	Contemplated Board of Directors Meeting Agenda Items	Executive Committee	Board of Directors
February 2024	1. Authorize Execution of Grant Agreement for Regional Resilience Grant Program		
March 2024	1. Directors Report on CASA DC Meeting 2. Authorize Submissions of State Revolving Fund (SRF) Loan Applications 3. Award Construction Contract for Roof Rehabilitation Project 4. General Manager Succession Plan	3/18/2024	3/25/2024
April 2024	1. Quarterly Investment Report 2. Award of Professional Services Contract for Engineering Design Service for Peabody/Walters Relief Sewer Phase Project	4/15/2024	4/22/2023
May 2024	1. Adopt Resolution Approving Budget 2. Adopt Resolution Approving Employee Salary Schedule 3. Review Updates and Approve Investment Policy 4. Review Board Compensation	5/13/2024	5/20/2024
June 2024		6/17/2024	6/24/2024
July 2024	1. Quarterly Investment Report	7/15/2024	7/22/2024
August 2024		Not Scheduled	Not Scheduled
September 2024	1. Directors Report on CASA Annual Meeting	9/16/2024	9/23/2024
October 2024	1. Quarterly Investment Report	10/21/2024	10/28/2024
November 2024	1. Adopt Board Calendar for 2025	11/18/2024	11/25/2024
December 2024		Not Scheduled	Not Scheduled
January 2025	1. Quarterly Investment Report 2. Report on Financial Audit for FY 2022/2023	1/20/2025	1/27/2025