SAN DIEGO COUNTY
LOCAL AGENCY FORMATION COMMISSION

REGULAR MEETING AGENDA
Monday, May 4, 2026

Doors Open: 8:00 A.M.
Meeting Starts: 8:15 A.M.

In-Person Participation
County Administration Center
1600 Pacific Highway, Room 302
San Diego, California

Video-Teleconference Participation
https://www.zoom.us/join
Meeting ID 895 6767 7168 | Passcode 508649
(669) 900-9128

Video Viewing Only
@sandiegolafco9909

San Diego LAFCO		
Commissioner	**Appointing Authority**	**Affiliation**
Chair Kristi Becker	Cities Selection Committee	City of Solana Beach
Vice Chair Barry Willis	Independent Special Districts	Alpine Fire Protection
Paloma Aguirre	Board of Supervisors	County of San Diego
Joel Anderson	Board of Supervisors	County of San Diego
Brigette Browning	Commission	General Public
Jo MacKenzie	Independent Special Districts	Vista Irrigation
Stephen Whitburn	Mayor of the City of San Diego	City of San Diego
Dane White	Cities Selection Committee	City of Escondido
Alternate Eileen Delaney	Commission	General Public
Alternate David A. Drake	Independent Special Districts	Rincon del Diablo MWD
Alternate John McCann	Cities Selection Committee	City of Chula Vista
Alternate Monica Montgomery Steppe	Board of Supervisors	County of San Diego
Alternate Marni von Wilpert	Mayor of the City of San Diego	City of San Diego

Participation Instructions:

In person attendance by the public is welcomed. LAFCO meets in Room 302 in the County Administration Center (1600 Pacific Highway). Three-hour visitor parking is available using the Ash Street entrance. To provide comments on any item, please turn in a speakers slip to LAFCO staff before the item commences.

Remote participation by video or telephone is welcomed through Zoom by following these instructions.

Comments by Video	Comments by Telephone
1. Click or type the link found at the top of the agenda	1. Dial + 1-669-900-9128
2. Type the Meeting ID identified on the top of this agenda followed by the Passcode	2. Dial the Meeting ID identified at the top of the agenda followed by the Passcode
3. Click the raise hand icon	3. Dial *9 to raise your hand
4. LAFCO will announce your name as it appears when it is your turn to speak	4. LAFCO will call out the last 4 digits of your phone number when it is your turn to speak
5. Click the speaker icon to unmute to speak	5. Dial *6 to unmute yourself

All comments – whether provided in person or remotely (video and telephone) – are limited to three minutes for individuals and five minutes for agencies and community organizations. The Chair may adjust the time allowance as they deem appropriate in managing the Commission's business.

Remote participation by e-mail is also welcomed by sending comments to Commission Clerk Erica Sellen at erica.sellen@sdcounty.ca.gov.

- All e-mails received before 3:00 P.M. one business day before the meeting will be forwarded to the Commission and posted online prior to the start of the meeting.
- All e-mails received after 3:00 P.M. one business day before the meeting and up until the conclusion of the item by the Commission will be noted for the record by LAFCO staff with a good-faith summary and subsequently posted online.

The Commission may proceed with the meeting, even where there is a disruption that prevents the Commission from broadcasting the meeting to members of the public or from receiving public comment from members of the public using a call-in option or internet-based service option, unless such disruption prevents a member of the Commission is participating under Government Code Section 54953, subdivision (e) or (f).

Public Accommodations:

Assistance for the disabled is available by contacting LAFCO staff prior to the meeting. To the extent possible, accommodation requests should be submitted at least 72 hours in advance.

Spanish language translation services are readily available at LAFCO meetings. Translation services covering other languages may be made available upon request at least 72 hours prior to the meeting.

Contact Information:

Erica Sellen
Commission Clerk
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T: 619-321-3380
F: 619-404-6508
E: erica.sellen@sdcounty.ca.gov

1. **8:15 A.M. – CALL TO ORDER BY CHAIR**

   a) **Roll Call of Commissioners Present**
   b) **Pledge of Allegiance**

2. **STATEMENT REGARDING REMOTE PARTICIPATION, IF APPLICABLE**

3. **AGENDA REVIEW**
   The Executive Officer will summarize the agenda, advise on any requested changes, and disclose any supplemental communications received. The Chair will also consider requests from Commissioners to rearrange agenda items.

4. **PUBLIC EXPRESSION AND**
   OPPORTUNITY FOR PUBLIC TO REQUEST DISCUSSION ON CONSENT ITEMS
   Opportunity for members of the public to speak on any subject matter within the Commission's growth management duties and interests that is not on the agenda. Speakers are limited to three minutes. This is also an opportunity to request discussion on a consent calendar item.

5. **CONSENT ITEMS**
   All items calendared as consent are considered ministerial and subject to approval by a single motion. The Chair will consider requests by Commissioners to pull items for discussion.

   a) **Approval of Meeting Minutes for April 6, 2026 (action)**
   The Commission will consider action minutes from the April 6, 2026 meeting prepared by the Commission Clerk. Staff recommends approval as presented. (Pages 7-16)

   b) **Commission Ratification | Recorded Payments for March 2026 (action)**
   The Commission will review a report of all payments made and received for March 2026. Staff recommends ratifying payments as presented. (Pages 17-26)

   c) **Budget Update for 2025-2026 |**
   Third Quarter Actuals with Year-End Projections (action)
   The Commission will review a report comparing budgeted and actual transactions through the third quarter of 2025-2026 and related analysis. Staff recommends formally accepting the report. (Pages 27-32)

   d) **Progress Report on 2025-2026 Workplan (information)**
   The Commission will receive an update on the current fiscal year workplan and related staff activities involving all 30 prioritized special projects. Information only. (Pages 33-38)

   e) **Report on Applicant Proposals (information)**
   The Commission will receive a status report on active and anticipated applicant proposals. Information only. (Pages 39-52)

   f) **Legislative Report (information)**
   The Commission will receive an update on active legislation relevant to the agency's regulatory and planning responsibilities. Information only. (Pages 53-56)

CONSENT ITEMS CONTINUED…

g) **Report on Recent Committee Meeting |**
Special Districts Advisory Committee's April 17, 2026 Meeting (information)
The Commission will receive a report on the most recent meeting of its Special Districts Advisory Committee held on April 17th. Information only. (Pages 57-64)

6. **PUBLIC HEARING ITEMS |**
COMMISSIONER DISCLOSURE OF EX PARTE COMMUNICATIONS
Public hearing items require expanded public notification per provisions in State law or have been voluntarily scheduled by the Executive Officer to ensure opportunity for public input. All public hearing items require verbal disclosures by Commissions regarding any material communications.

a) **Draft Report | Municipal Service Review on Wholesale Water Service Providers, Part I: San Diego County Water Authority (discussion)**
The Commission will hold a public hearing on a draft municipal service review (MSR) covering the San Diego County Water Authority (CWA). The study represents Part I of a broader regional MSR evaluating the two primary wholesale water service providers serving San Diego County – the CWA and the Metropolitan Water District of Southern California (MWD) – and is being advanced as part of the Commission's adopted workplan. The report independently assesses CWA's role to plan, fund and deliver wholesale water service to its 22 local member agencies over a 15-year reporting period spanning fiscal years 2009 - 2023. This includes written determinations addressing factors required under statute and local policy as part of the MSR process. The draft report incorporates CWA comments following the completion of the 60-day administrative review period. This public hearing is presented for Commission discussion and feedback on the scope and content of the draft report. Staff requests direction on whether to (a) proceed with a formal 45-day public review and comment period ahead of preparing a final version for future consideration, or (b) return with an updated draft before going any further. (Pages 65-218)

b) **Annual Workforce Vacancy Report (action)**
The Commission will consider an annual workforce vacancy report addressing position vacancies at LAFCO as of May 2026. Staff recommends formally receiving and filing the report. (Pages 219-222)

c) **Proposed Final Workplan and Budget for 2026-2027 and Related Actions (action)**
The Commission will consider recommendations to adopt a final workplan and budget for 2026-2027. Both items return substantively intact following draft adoption in March and subsequent public review – including presentations to LAFCO's Cities and Special Districts Advisory Committees. The proposed workplan continues to list 30 special projects. Revisions are limited to six material changes as detailed in the report. The final budget is identical to the adopted draft in setting overall expenditures at $2.904 million, with operating expenses increasing by 3.3%, or $90,379. Staff recommends adopting both items with any revisions by resolution along with related actions as specified. (Pages 223-240)

7. BUSINESS CALENDAR

Business items involve regulatory, planning, or other items that do not require a noticed hearing.

a) Proposed "3144 Roadrunner Road Out-of-Agency Wastewater Services" | Buena Sanitation District (OAS26-05) (action)

The Commission will consider a request by the Buena Sanitation District (Buena SD) for authorization to provide extended out-of-agency wastewater services to a 0.53-acre parcel located within the City of San Marcos. The affected territory at 3144 Roadrunner Road (APN 217-232-32) is currently developed with a single-family residence (SFR) built in 2016. The purpose of the request is to redirect the existing authorization directly between Buena SD and the landowner involving the developed SRF as well as extend authorization to facilitate and serve a planned accessory dwelling unit. Staff recommends approval with standard terms. It is also recommended the Commission waive its customary practice of conditioning approval on the landowner filing a future annexation proposal with LAFCO, given local conditions as detailed in this report. Staff additionally recommends the Commission find the request qualifies as a project under the California Environmental Quality Act (CEQA) but is exempt from further review under State CEQA Guidelines Section 15319(b). (Pages 241-258)

8. EXECUTIVE OFFICER REPORT

9. COMMISSIONER ANNOUNCEMENTS & REQUESTS FOR FUTURE ITEMS

10. ADJOURNMENT

Attest to Posting:

Erica Sellen
Commission Clerk

Blank for Photocopying

5a

AGENDA REPORT
Consent | Action

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Erica Sellen, Commission Clerk

SUBJECT: **Approval of Meeting Minutes | Regular Meeting of April 6, 2026**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider draft minutes prepared for the regular meeting held on April 6, 2026. The minutes are in action form and being presented for formal Commission approval.

BACKGROUND

State law requires public agencies to maintain appropriate records of their meetings.

DISCUSSION

This item is for San Diego LAFCO to consider approving action minutes for the April 6, 2026 regular meeting. The attendance record for the meeting follows.

- All regular Commissioners were present.
- All alternate Commissioners were present except Monica Montgomery Steppe (County of San Diego) and Marni von Wilpert (City of San Diego).

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

ANALYSIS

The attached draft minutes for the April 6, 2026 regular meeting accurately reflect San Diego LAFCO's deliberations as recorded by the Commission Clerk. A video recording of the meeting has also been posted on the Commission's website (www.sdlafco.org).

RECOMMENDATION

It is recommended San Diego LAFCO approve the draft minutes prepared for the April 6, 2026 regular meeting as presented, with staff attesting to its completeness. This recommendation is consistent with Alternative One outlined in the following section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):
Approve the attached draft minutes prepared for the April 6, 2026 regular meeting as presented.

Alternative Two:
Approve the attached draft minutes prepared for the April 6, 2026 regular meeting with any requested corrections or clarifications.

Alternative Three:
Continue the item to the next regular meeting and provide direction as needed.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Respectfully,

Erica A. Sellen

Erica Sellen
Commission Clerk

Attachment:

1) Draft Meeting Minutes for April 6, 2026

DRAFT MINUTES
SAN DIEGO LAFCO REGULAR MEETING
April 6, 2026

1. 8:15 A.M. – CALL TO ORDER BY CHAIR

Item 1a
ROLL CALL OF COMMISSIONERS PRESENT

The regular meeting was called to order at 8:15 a.m. by Chair Becker. The Commission Clerk performed the roll call with the following attendance recorded.

Regulars Present:	Paloma Aguirre, County of San Diego Joel Anderson, County of San Diego Kristi Becker, City of Solana Beach (CHAIR) Brigette Browning, Public Jo MacKenzie, Vista Irrigation District Stephen Whitburn, City of San Diego Dane White, City of Escondido Barry Willis, Alpine Fire Protection District (VICE CHAIR)
Alternates Present:	Eileen Delaney, Public David Drake, Rincon del Diablo Municipal Water District John McCann, City of Chula Vista
Members Absent:	Monica Montgomery Steppe, County of San Diego (alternate) Marni von Wilpert, City of San Diego (alternate)

The Commission Clerk confirmed a quorum with eight voting members present.

Also present at the time of roll call were the following LAFCO staff members: Executive Officer Keene Simonds, Assistant Executive Officer Priscilla Mumpower, Commission Counsel Aleks Giragosian, Local Government Analyst II Michaela Peters, Local Government Analyst I Joelle Burila, Local Government Analyst I Meghan Traynor, Consultant Adam Wilson, Communications Associate Aiden Velasquez, GIS Analyst Dieu Ngu, and Commission Clerk Erica Sellen.

Item 1b
PLEDGE OF ALLEGIANCE

Chair Becker led the Pledge of Allegiance.

2. STATEMENT (JUST CAUSE) AND/OR CONSIDERATION OF A REQUEST TO PARTICIPATE REMOTELY (EMERGENCY CIRCUMSTANCES) BY A COMMISSIONER, IF APPLICABLE

None.

3. AGENDA REVIEW

Chair Becker asked Executive Officer Simonds if there were any requests to remove or rearrange items on the agenda. Executive Officer Simonds stated no changes to the agenda were needed while also noting two pieces of supplemental correspondence involving Agenda Items 6a and 7a.

4. PUBLIC COMMENT AND OPPORTUNITY FOR PUBLIC TO REQUEST DISCUSSION ON CONSENT ITEMS

Chair Becker invited anyone from the public to address the Commission on a matter not directly related to an agenda item.

The Commission Clerk confirmed there were no other registered speakers (audience or remote) or live e-mail comments.

5. CONSENT ITEMS

Item 5a
Approval of Meeting Minutes for March 2, 2026
Item presented to approve draft action minutes prepared for the Commission's March 2, 2026 meeting. Recommendation to approve.

Item 5b
Commission Ratification | Recorded Payments for February 2026
Item presented to ratify recorded payments made and received by the Executive Officer for the month of February 2026. Recommendation to ratify.

Item 5c
Progress Report on 2025-2026 Workplan
Item presented to receive an update on the current fiscal year workplan and related staff activities involving all 30 prioritized special projects. Information only.

Item 5d
Report on Applicant Proposals
Item presented to receive a status report on active and anticipated applicant proposals. Information only.

Item 5e
Proposed "Joint Jaiswal – Rio Vista Road Change of Organization" |
Annexation to Rancho Santa Fe Community Services District & Related Actions (CO25-15)
Item presented to consider a joint change of organization proposal petitioned by four landowners to annex 10.0 acres in the unincorporated community of San Dieguito to the Rancho Santa Fe Community Services District (CSD). The affected territory consists of four parcels - three developed with single-family residences and one undeveloped - and lies entirely within the CSD's sphere. The purpose of the proposal is to extend public wastewater to the affected territory, including service to support the planned

CONSENT ITEMS CONTINUED…

Item 5e Continued…

development of a single-family residence. Recommendation to approve the proposal as submitted, including waiver of protest proceedings and adoption of California Environmental Quality Act exemption findings under Guidelines Section 15319(b).

Item 5f
Notice of Administrative Approval |
"Dechner-Haas Street Out-of-Agency Wastewater Services" City of Escondido (OAS25-17)
Item presented to receive notice of an administrative approval authorizing the City of Escondido to provide out-of-agency wastewater service to a 1.09-acre unincorporated parcel within its sphere of influence located at 2417 Haas Street (239-330-66). The authorization is limited to an existing single-family residence and based on documentation of a public health threat arising from a failed septic system. The approval waived the standard annexation requirement given local conditions as detailed. The project is exempt from environmental review under CEQA Guidelines Section 15269(c). Information only.

Item 5g
Legislative Report
Item presented to receive an update on active legislation relevant to the Commission's regulatory and planning responsibilities. Information only.

Item 5h
Report on Recent Committee Meeting |
Cities Advisory Committee's March 19, 2026 Meeting
Item presented to receive a report on the most recent meeting of its Cities Advisory Committee held on March 19th. Information only.

Item 5i
Notice of New Professional Services Agreement:
Contract for Accounting Services with Tri-Star Advisors, Inc.
Item presented to receive a copy of a new professional services agreement entered into by the Executive Officer with Tri-Star Advisors, Inc. to provide accounting and related services. The agreement became effective on February 2, 2026, and includes an initial not-to-exceed amount of $15,000 for fiscal year 2025–2026, with annual renewals thereafter unless terminated. The item was provided as part of a new administrative procedure consistent with recent Commission input to provide notice of new agreements entered into by the Executive Officer under the procurement delegation. Information only.

**

Commissioner MacKenzie motioned with a second from Commissioner Aguirre to approve the consent calendar with staff recommendations (Alternative One) as presented.

CONSENT ITEMS CONTINUED…

Roll call requested:

AYES:	Aguirre, Anderson, Becker, Browning, MacKenzie, Whitburn, White, & Willis
NOES:	None
ABSENT:	None
ABSTAINING:	None

The Commission Clerk confirmed the motion was approved 8-0.

6. PUBLIC HEARING ITEMS |
COMMISSIONER DISCLOSURE OF EX PARTE COMMUNICATIONS

Item 6a
Combined Public Hearing |
Draft Municipal Service Review on City of Carlsbad-Encinitas Region (Part I):
City of Carlsbad and Carlsbad Municipal Water District
Item presented to hold a combined public hearing on a draft municipal service review covering two agencies within the Carlsbad subregion: the City of Carlsbad and Carlsbad Municipal Water District (MWD). The study represents Part I of a broader regional municipal service review encompassing the Carlsbad-Encinitas region and is advanced as part of the Commission's adopted workplan. The hearing combines two procedural items under Commission policy for administrative ease. The City of Carlsbad portion is a continued hearing originally opened on March 2, 2026, and continued at the City's request to allow additional time to review substantive revisions made by LAFCO staff following the 60-day administrative review period. The Carlsbad MWD portion is a new hearing being opened for the first time. Both agencies have completed their respective administrative reviews, and the draft report has been updated accordingly. The combined public hearing was presented for Commission discussion and feedback to assess whether the scope and content meet expectations in advance of staff initiating a formal 45-day noticed public review and comment period and proceeding with preparing a final document. Item presented for discussion.

Chair Becker requested any disclosures from Commissioners on material ex parte communications. No disclosures were reported.

Local Government Analyst II Peters provided the staff presentation.

Chair Becker opened the hearings and invited public comments. The Commission Clerk confirmed there were no registered speakers (audience or remote) or live e-mail comments.

Chair Becker invited questions and comments from the Commissioners. General discussion ensued. No action.

Chair Becker proceeded to close the hearings and with the consensus of the Commission, directed staff to initiate a 45-day review and comment period.

7. BUSINESS ITEMS

Item 7a
Lower Sweetwater Fire Protection District Request for Commission Review of Administrative Determination Regarding LAFCO Policy L-107
Item presented to review Policy L-107, which establishes procedures for early consultation with affected agencies and interested parties regarding proposed changes of organization or reorganization. At the request of the Lower Sweetwater Fire Protection District, the Chair has asked for this agenda item to review the policy and LAFCO staff's administrative determination in connection with a pending reorganization proposal to the City of National City ("Delgado-Andrade–24th Street Outside-of-Agency Service Agreement"). This item provided the Commission an opportunity to review Policy L-107, consider staff's implementation in the context of the District's correspondence, and provide feedback, as appropriate. Item presented for discussion.

Assistant Executive Officer Mumpower provided the staff presentation.

Chair Becker invited public comments from the following registered speakers:

- Luis Sainz
- Kurt Worden, Lower Sweetwater Fire Protection District
- Alisha Morrison
- Doyle Morrison

The Commission Clerk confirmed there were no other registered speakers (audience or remote) or live e-mail comments.

Chair Becker proceeded to invite questions and comments from the Commissioners. General discussion ensued.

**

Commissioner Aguirre motioned with a second from Commissioner Willis directing staff to review and update Policy L-107 with clear criteria on exceptions.

Roll call requested:

AYES:	Aguirre, Anderson, Becker, Browning, MacKenzie, Whitburn White, & Willis
NOES:	None
ABSENT:	None
ABSTAINING:	None

The Commission Clerk confirmed the motion was approved 8-0.

BUSINESS ITEMS CONTINUED…

Item 7b
Alliance of LAFCOs Update and Proposed Next Steps
Item presented to receive an update on the ongoing efforts of the Alliance of Local Agency Formation Commissions (Alliance). Recommended to affirm the Commission's continued participation in the Alliance under the existing Memorandum of Understanding framework and reappoint Chair Becker and Vice Chair Willis as the Commission's representatives. It is also recommended the Commission authorize the Executive Officer to engage, on the Commission's behalf, in the formation of a new nonprofit organization along with the three partnering LAFCOs (Los Angeles, Orange and San Bernardino). Additionally, staff requested conceptual approval of the proposed governance and administrative structure, dues model, and a two-year funding commitment of $30,000 divided equally between Fiscal Year 2027 and Fiscal Year 2028.

Staff presentation provided by Local Government Analyst I Burila.

Chair Becker invited public comments from the following registered speaker:

- Alisha Morrison

The Commission Clerk confirmed there were no other registered speakers (audience or remote) or live e-mail comments.

Chair Becker proceeded to invite questions and comments from the Commissioners. General discussion ensued.

**

Commissioner Aguirre motioned with a second from Commissioner MacKenzie to approve the staff recommendations as presented (Alternative One), including the two-year $30,000 funding commitment, with direction to staff to return with updates following future meetings with the Alliance.

Roll call requested:

AYES:	Aguirre, Anderson, Becker, Browning, MacKenzie, Whitburn, White, & Willis
NOES:	None
ABSENT:	None
ABSTAINING:	None

The Commission Clerk confirmed the motion was approved 8-0.

8. EXECUTIVE OFFICER REPORT

Executive Officer Simonds noted the following items:

- Thanked staff for working with four applicants to provide cost savings by bundling together to create one proposal (Agenda Item 5e).

- Schedule conflict for the June 1st meeting. Possible rescheduling or cancellation.

9. COMMISSIONER ANNOUNCEMENTS & REQUESTS FOR FUTURE ITEMS

None.

10. ADJOURNMENT TO NEXT MEETING

With no further business, Chair Becker adjourned the meeting at 9:27 a.m.

I hereby attest the minutes above accurately reflect the deliberations of the Commission at its April 6, 2026 meeting.

ATTEST,

Erica Sellen
Commission Clerk

Blank for Photocopying

5b

AGENDA REPORT
Consent | Action

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer
Erica Sellen, Commission Clerk

SUBJECT: **Commission Ratification | Recorded Payments for March 2026**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a financial report covering transactions for March 2026. The report documents $215,383 in total expenses authorized by the Executive Officer and $6,455 in payments received. All transactions are consistent with the adopted budget. Staff recommends the Commission ratify these payments with the option to pull the item for discussion if needed.

BACKGROUND

San Diego LAFCO's policies require the Executive Officer to maintain appropriate accounting controls for all Commission financial transactions. Competitive bidding applies for purchases between $10,000 and $124,999, unless waived due to unique circumstances. Transactions of $125,000 or more require Commission approval.

DISCUSSION

This item seeks San Diego LAFCO's ratification of all payments made and received by the Executive Officer in March 2026. Detailed transactions appear in Attachment One. The Commission may pull the item for discussion or provide feedback.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

ANALYSIS

Expenses transacted by the Executive Officer for March 2026 total $215,383. Three-fifths – $131,712 – involves reimbursing the County of San Diego for two payroll periods and administrative support services, including information technology. Professional services account for the majority of the remainder, totaling $55,123, and cover legal and consultant support for ongoing intergovernmental work and active municipal service reviews as separately covered in Agenda Item No. 5c; this figure reflects scheduled billing cycles that concentrated in March and includes two-month billings from select consultants. Additional details on consultant activities under contract with the Executive Officer are provided in Appendix A. Remaining expenses cover recurring office lease, publications, and related administrative items, along with travel and lodging associated with the Alliance of LAFCOs overnight workshop in Orange County. Revenues collected total $6,455 primarily from one new application filing fee received in March.

RECOMMENDATION

It is recommended that San Diego LAFCO ratify the payments made and received in March 2026 as presented, consistent with Alternative One below.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):
Ratify the recorded payments received and made by the Executive Officer for March 2026 as shown in Attachment One.

Alternative Two:
Continue to the next regular meeting and provide direction to staff as needed.

Alternative Three:
Take no action.[1]

1 Payment ratifications are not required under LAFCO policy but are presented to the Commission per practice.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

On behalf of the Executive Officer:

Erica Sellen
Commission Clerk

Appendix: as stated
Attachment: as stated

Blank for Photocopying

Appendix A

EO Consultant Contracts

ACTIVE CONTRACTS IN FY26; INVOICES PAID THROUGH MARCH 2026

$ TOTAL PAID	INVOICES	CONSULTANTS
$227,063.25	43	9

ADW Consulting LLC	Ongoing Intergovernmental Support	Limit: $124,999.00 — 67%	$84,000.00 8 inv · Bal: $40,999.00
Arena Public Affairs	Ongoing Intergovernmental Support	Limit: $102,000.00 — 59%	$60,606.00 7 inv · Bal: $41,394.00
Kennedy Water Consulting LLC	Water + Wastewater Services Consultant	Limit: $110,000.00 — 38%	$42,006.25 8 inv · Bal: $67,993.75
Bill Fulton	Contract Specific to SANDAG MSR	Limit: $33,000.00 — 36%	$12,000.00 2 inv · Bal: $21,000.00
Michael Stein	Fire Protection Consultant	Limit: $64,000.00 — 20%	$12,720.00 8 inv · Bal: $51,280.00
Christine O'Rourke	Climate Planning + Environmental Justice Consultant	Limit: $100,303.00 — 5%	$5,287.50 1 inv · Bal: $95,015.50
TAC	Contract Specific to Homeless Services White Paper	Limit: $19,000.00 — 27%	$5,082.50 2 inv · Bal: $13,917.50
RGS	Human Resources Support Services	Limit: $50,000.00 — 7%	$3,611.00 6 inv · Bal: $46,389.00
W. Michael Hanemann	Contract Specific to CWA/MET MSR	*No formal contract on file*	$1,750.00 1 inv

GRAND TOTAL — ALL CONTRACTS	$227,063.25

Blank for Photocopying

SAN DIEGO LAFCO
Expenses by Vendor Detail
March 2026

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
E | 76						
	3/26/2026	52182 · Vehicle Fuel	60.33	Alliance Workshop Travel | Gas	credit card	3558-60 · SDCCU Visa Credit Card
E | Ace Parking						
	3/25/2026	52530 · Office Lease	1,209.00	Monthly Parking Rent & Guest Parking Validations	electronic	1000 · County Account (44595)
E | ADW Consulting LLC						
	3/6/2026	52370.F · Professional Services	10,350.00	Consultant Services | Intergovernmental	electronic	1000 · County Account (44595)
	3/25/2026	52370.F · Professional Services	10,650.00	Consultant Services | Intergovernmental	electronic	1000 · County Account (44595)
			21,000.00			
E | After Effects (Adobe)						
	3/15/2026	52270 · Memberships	19.99	Monthly Adobe DC Pro Upgrade	debit card	3558 · SDCCU Checking
E | Amazon						
	3/11/2026	52344 · Stores Unallocated	141.14	General Office Supplies	credit card	3558-60 · SDCCU Visa Credit Card
E | Ambius						
	3/19/2026	52344 · Stores Unallocated	460.28	Monthly Plant Maintenance	check	3558 · SDCCU Checking
E | Anthropic						
	3/2/2026	52270 · Memberships	125.00	Monthly Subscription - Graphic Design: MSR Illustrations	credit card	3558-60 · SDCCU Visa Credit Card
	3/29/2026	52270 · Memberships	125.00	Monthly Subscription - Graphic Design: MSR Illustrations	credit card	3558-60 · SDCCU Visa Credit Card
			250.00			
E | ARCC (Assessor Recording County)						
	3/4/2026	52490 · Publications	50.00	NOE Fee | CO25-13	check	3558 · SDCCU Checking
E | Arena Public Affairs						
	3/6/2026	52370.F · Professional Services	18,700.50	Consultant Services | Intergovernmental (Two Months)	electronic	1000 · County Account (44595)
	3/9/2026	52370.F · Professional Services	7,575.75	Consultant Services | Intergovernmental	electronic	1000 · County Account (44595)
			26,276.25			
E | Assura Software						
	3/13/2026	52074 · Telecommunications	750.00	Website Hosting Support Services	electronic	1000 · County Account (44595)
E | AT&T Mobility						
	3/4/2026	52074 · Telecommunications	546.17	Monthly Cell Phone Bill | LAFCO Staff	check	3558 · SDCCU Checking
	3/30/2026	52074 · Telecommunications	545.86	Monthly Cell Phone Bill | LAFCO Staff	check	3558 · SDCCU Checking
			1,092.03			
E | Baron Willis						
	3/30/2026	52622 · Training/Registration Out-County	66.54	Alliance Workshop Reimbursement | Meals	check	3558 · SDCCU Checking
E | Canva						
	3/8/2026	52270 · Memberships	30.00	Monthly Subscription	credit card	3558-60 · SDCCU Visa Credit Card
E | Claim Jumper						
	3/4/2026	52330 · Office Expense	84.32	Debriefing | EO, AEO & Counsel	credit card	3558-60 · SDCCU Visa Credit Card
E | Colantuono, Highsmith & Whatley						
	3/4/2026	52370.B · Professional Services	785.40	Commission Counsel Services	electronic	1000 · County Account (44595)
	3/25/2026	52370.B · Professional Services	5,039.90	Commission Counsel Services	electronic	1000 · County Account (44595)
			5,825.30			
E | Copy 2 Copy						
	3/4/2026	52490 · Publications	3,064.41	Local Directory Guide	check	3558 · SDCCU Checking
E | Corodata						
	3/19/2026	52330 · Office Expense	62.40	Monthly Document Storage	check	3558 · SDCCU Checking
E | County of San Diego						
	3/1/2026	52354 · Mail/Postage ISF	556.21	Mail/Postage Services	electronic	1000 · County Account (44595)
	3/1/2026	52178 · Vehicle Maintenance	146.89	Vehicle Maintenance Services	electronic	1000 · County Account (44595)
	3/1/2026	52182 · Vehicle Fuel	0.00	Vehicle Fuel	electronic	1000 · County Account (44595)
	3/1/2026	52758 · Vehicle Lease	165.49	Vehicle Lease	electronic	1000 · County Account (44595)
	3/1/2026	52721 et al. · Communications (IT) Services	6,193.95	County IT Services (ITRACK)	electronic	1000 · County Account (44595)
	3/13/2026	51110 et al. · Employee Payroll	64,602.05	Payroll | Pay Period 2026-19	electronic	1000 · County Account (44595)
	3/27/2026	51110 et al. · Employee Payroll	60,045.65	Payroll | Pay Period 2026-20	electronic	1000 · County Account (44595)
	3/30/2026	52504 · Equipment Rental	1.56	County Surcharge | Xerox	electronic	1000 · County Account (44595)
			131,711.80			
E | Dieu Ngu						
	3/30/2026	52370.E · Professional Services	125.97	Reimbursement | Network Solutions (Website Domain)	check	3558 · SDCCU Checking

SAN DIEGO LAFCO
Expenses by Vendor Detail
March 2026

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
E | Gallup (Clifton Strengths)						
	3/17/2026	52330 · Office Expense	219.92	Alliance Workshop | Team Communication - Monday	credit card	3558-60 · SDCCU Visa Credit Card
E | Hangar 24						
	3/25/2026	52622 · Training/Registration Out-County	171.65	Alliance Workshop | Team Meal - Monday	credit card	3558-60 · SDCCU Visa Credit Card
E | Iron Mountain						
	3/12/2026	52330 · Office Expense	3.38	Document Storage	debit card	3558 · SDCCU Checking
E | Irvine Lanes						
	3/8/2026	52622 · Training/Registration Out-County	168.00	Alliance Workshop | Staff Bonding Activity - Tuesday	credit card	3558-60 · SDCCU Visa Credit Card
E | Jo MacKenzie						
	3/30/2026	52622 · Training/Registration Out-County	253.30	Alliance Workshop Reimbursements | Hotel & Meal	check	3558 · SDCCU Checking
E | Kennedy Water Consulting LLC						
	3/9/2026	52370.F · Professional Services	550.00	Consultant Services | Utilities	electronic	1000 · County Account (44595)
E | Manchester Financial 5th Ave LP						
	3/6/2026	52530 · Office Lease	12,413.72	Office & Storage Rent	electronic	1000 · County Account (44595)
E | Medieval Times						
	3/8/2026	52622 · Training/Registration Out-County	1,274.28	Alliance Workshop | Team Meal - Monday	credit card	3558-60 · SDCCU Visa Credit Card
E | Michaela Peters						
	3/4/2026	52330 · Office Expense	45.60	Reimbursement | Commission Meeting Refreshments	check	3558 · SDCCU Checking
E | Michael Stein						
	3/25/2026	52370.F · Professional Services	1,280.00	Consultant Services | Fire	electronic	1000 · County Account (44595)
E | News Library						
	3/20/2026	52270 · Memberships	25.95	SD Tribune Archives Monthly Service	debit card	3558 · SDCCU Checking
E | Parc Bistro Brasserie						
	3/19/2026	52330 · Office Expense	129.75	Meeting | EO & Consultants - MWD MSR	debit card	3558 · SDCCU Checking
E | Priscilla Mumpower						
	3/30/2026	52622 · Training/Registration Out-County	75.00	Alliance Workshop Reimbursement | Tip for Monday Dinner	check	3558 · SDCCU Checking
E | QuickBooks						
	3/4/2026	52330 · Office Expense	115.00	Monthly Service for Online QuickBooks	credit card	3558-60 · SDCCU Visa Credit Card
E | Ready Refresh Water						
	3/4/2026	52330 · Office Expense	120.53	Monthly Water Services	credit card	3558-60 · SDCCU Visa Credit Card
	3/29/2026	52330 · Office Expense	112.93	Monthly Water Services	credit card	3558-60 · SDCCU Visa Credit Card
			233.46			
E | Residence Inn						
	3/20/2026	52622 · Training/Registration Out-County	1,726.51	Final Payment | Rooms for Alliance Workshop in Orange County	credit card	3558-60 · SDCCU Visa Credit Card
	3/20/2026	52622 · Training/Registration Out-County	482.18	Alliance Workshop | Conference Room Staff Bonding Activity	credit card	3558-60 · SDCCU Visa Credit Card
	3/26/2026	52622 · Training/Registration Out-County	80.00	Alliance Workshop | Hotel Parking (4 vehicles)	credit card	3558-60 · SDCCU Visa Credit Card
			2,288.69			
E | San Diego Union Tribune						
	3/19/2026	52490 · Publications	2,164.43	PHNs | Carlsbad MSR & Draft Budget + Workplan	check	3558 · SDCCU Checking
	3/25/2026	52330 · Office Expense	1,257.88	Annual Subscription Fee	debit card	3558 · SDCCU Checking
			3,422.31			
E | Starbucks						
	3/4/2026	52330 · Office Expense	44.00	Commission Meeting Refreshments	credit card	3558-60 · SDCCU Visa Credit Card
E | Talitha Coffee						
	3/24/2026	52610 · Non-Travel/In-County	58.40	Alliance Workshop | Staff Breakfast - Monday	credit card	3558-60 · SDCCU Visa Credit Card
E | The Toll Roads						
	3/26/2026	52622 · Training/Registration Out-County	9.55	Alliance Workshop Travel | Tolls	credit card	3558-60 · SDCCU Visa Credit Card
E | WP Engine						
	3/15/2026	52370.E · Professional Services	65.00	Monthly Web Hosting	debit card	3558 · SDCCU Checking
E | Xerox						
	3/25/2026	52504 · Equipment Rental	232.86	Xerox Rental	electronic	1000 · County Account (44595)
E | YouTube						
	3/12/2026	52270 · Memberships	22.99	Monthly Streaming Support Services	debit card	3558 · SDCCU Checking
EXPENSE TOTAL			215,382.57			

SAN DIEGO LAFCO
Expenses by Vendor Detail
March 2026

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
R | Leon						
	3/30/2026	46234 · Applications	6,405.00	Processing Fees (CO26-06)	check	3558 · SDCCU Checking
R | Pine Valley Improvement Club						
	3/30/2026	52490 · Publications	50.00	Recording Fees (CO25-13)	check	3558 · SDCCU Checking
REVENUE TOTAL			6,455.00			

Blank for Photocopying

5c

AGENDA REPORT
Consent | Action

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer
Erica Sellen, Commission Clerk

SUBJECT: **Budget Update for 2025-2026 |**
Third Quarter Actuals with Year-End Projections

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions through the third quarter of 2025-2026 and related analysis. The total budget for the fiscal year – operating and non-operating – is $3.164 million. The Commission finished the third quarter expending 62% of total budgeted expenses while collecting 72% of total budgeted revenues. The report projects the Commission is on pace to finish the fiscal year generally as expected – albeit with internal deviations – with a slight surplus of $23,000 or 0.7%. No amendments are recommended at this time; staff instead plans to bring a single set of year-end true-ups for Commission action at the close of the fiscal year. The report is being presented to the Commission to formally accept with the opportunity to pull for additional discussion as needed.

BACKGROUND

San Diego LAFCO's adopted budget for 2025-2026 totals $3.164 million with the majority – $2.681 million – allocated to operating expenses, covering labor and service/supplies costs. Non-operating expenses involve transacting grant awards and debt service. Matching revenue amounts are budgeted for both operating and non-operating units. The total unrestricted cash balance as of July 1, 2025 was $1.672 million with $0.922 million unassigned.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

DISCUSSION

This item is for San Diego LAFCO to receive an update comparison of budget to actual expenses and revenues through the close of the third quarter (March 31, 2026). A detailing of all booked expenses and revenues plus projected year-end totals is provided as Attachment One. The report provides the Commission with the opportunity to track trends and provide related directions by pulling the item for discussion.

Agency Expenses

LAFCO's budgeted expense total for 2025-2026 is $3.164 million divided between $2.681 million in operating and $0.483 million in non-operating units. Through the third quarter, actual expenses total $1.951 million or 62% of budget. Staff analysis projects year-end expenses of $3.028 million, yielding savings of $0.136 million or 4.3%. Unit details of budgeted and actual amounts throughout the third quarter with year-end projections follow.

Operating: Salaries and Benefits | LAFCO has budgeted $1.589 million in salaries and benefits largely tied to funding 8.0 fulltime equivalent positions. Third quarter actuals total $1.156 million or 73% of budget. Staff projects year-end actuals of $1.532 million, yielding a savings surplus of $0.056 million or 3.6% less any amendments.

Operating: Services and Supplies | LAFCO has budgeted $1.092 million in services and supplies largely tied to professional service expenses (e.g., legal, consultants) as well as payments to the County of San Diego for overhead and information technology. Third quarter actuals total $0.746 million or 68% of budget. Staff projects year-end actuals of $1.012 million, yielding a savings surplus of $0.080 million or 7.3% less any amendments.

Non-Operating | LAFCO has budgeted $0.483 million in non-operating costs covering debt service and grant payments. Third quarter expenses total $0.049 million. Staff projects year-end actuals will effectively match the budgeted amount less any amendments.

Agency Revenues

LAFCO's budgeted revenue total for 2025-2026 is $3.164 million divided between $2.714 million in operating and $0.450 million in non-operating units. Third quarter revenues total $2.278 million or 72% of budget. Staff projects year-end revenues of $3.051 million, yielding a shortfall of ($0.113 million) or (3.6%) attributed to lower-than-expected application fees and interest earnings. Unit details of budgeted and actual revenues with year-end projections follow.

Operating: Intergovernmental Fees | LAFCO has budgeted $2.181 million in intergovernmental fees divided among the agency's four membership categories based on statutory formula. All invoices have been collected.

Operating: Service Charges | LAFCO has budgeted $0.200 million in application fees. Third quarter actuals total $0.068 million or 34% of budget. Staff projects year-end fees of $0.100 million, yielding a deficit of ($0.100 million) or (50%) less any amendments.

Operating: Interest | LAFCO has budgeted $0.015 million in interest earnings. Third quarter actuals total $0.001 million or 8% of budget. Staff projects year-end collections of $0.002 million, yielding a deficit of ($0.013 million) or (87%) less any amendments.

Operating: Reserves | LAFCO has budgeted $0.317 million in reserve usage. No funds have been drawn through the third quarter. Staff projects the full budgeted amount will be utilized by year-end.

Non-Operating | LAFCO has budgeted $0.450 million in non-operating revenues for anticipated grant awards. Third quarter actuals total $0.027 million. Staff projects the full budgeted amount will be received.

ANALYSIS

Third quarter activity shows San Diego LAFCO continues to proceed as planned relative to total expenses and revenues matching out. Staff now projects a year-end net of $0.023 million or 0.7%, a modest improvement over the $0.008 million surplus projected at the second quarter. This projection continues to absorb a significant drop-off in application fees, with collections through the third quarter at just 34% of the annual target and the projected year-end shortfall holding at ($0.100 million) or (50%) below budget. A smaller but newly material shortfall of ($0.013 million) in interest earnings is also now anticipated. Staff is offsetting these combined revenue shortfalls through current and planned cost-savings across both operating units. Projected savings of $0.080 million in services and supplies – $0.018 million more than projected at the second quarter – combined with $0.056 million in salaries and benefits efficiencies are more than sufficient to absorb the expected revenue deficits and maintain a modest year-end surplus.

RECOMMENDATION

It is recommended San Diego LAFCO accept and file the report and provide related direction to staff as needed. This recommendation is consistent with Alternative One outlined below.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):
Accept and file the report with any additional direction to staff as needed.

Alternative Two:
Continue to a future meeting and provide direction to staff with respect to any additional analysis or information requested.

PROCEDURES

This item has been placed on the agenda as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Respectfully,



Keene Simonds
Executive Officer

Attachment:

1) Third Quarter Budget Ledger with Year-End Projections

San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

EXPENSES		FY2025			FY2026					
		Adopted	Amended	Actuals	ADOPTED	Actuals at 3rd Quarter	% of Budget	Projected Finish $	Finish %	Balance $
Salaries and Benefits Unit										
Account	Description									
51110 +	Salaries and Per Diems	898,906	898,906	892,617	986,200	728,352	73.9%	965,247	97.9%	20,953
51410	Retirement - SDCERA	350,146	350,146	352,251	384,503	282,401	73.4%	371,374	96.6%	13,130
51415	Retirement - OPEB	10,196	10,196	9,047	11,112	5,009	45.1%	7,585	68.3%	3,527
51450	Payroll Taxes	65,044	65,044	63,697	71,457	49,865	69.8%	66,413	92.9%	5,044
51510 +	Group Insurance	143,481	143,481	115,039	134,394	90,051	67.0%	121,065	90.1%	13,329
51560	Unemployment Insurance	1,000	1,000	362	1,000	187	18.7%	500	50.0%	500
		1,468,773	1,468,773	1,433,013	1,588,667	1,155,865	72.8%	1,532,184	96.4%	56,483
Services and Supplies Unit										
Account	Description									
52074	Communications	42,299	42,299	40,596	50,726	23,883	47.1%	39,789	78.4%	10,938
52138	General Liability Insurance	14,194	14,194	15,599	15,599	16,775	107.5%	16,775	107.5%	(1,176)
52178	Vehicle - Maintenance	1,000	1,000	1,814	1,000	1,373	137.3%	1,500	150.0%	(500)
52182	Vehicle - Fuel	500	500	490	500	198	39.6%	300	60.0%	200
52270	Memberships	38,736	38,736	25,467	34,807	16,678	47.9%	21,500	61.8%	13,307
52304	Miscellaneous	50	50	18	50	8	16.0%	8	16.0%	42
52330	Office: General Support	12,380	12,380	11,066	13,217	9,655	73.0%	12,500	94.6%	717
52332	Office: Postage USPS	250	250	495	250	151	60.5%	200	80.0%	50
52334	Office: Design + Printing	23,000	23,000	11,958	22,500	12,738	56.6%	19,500	86.7%	3,000
52336	Office: Books and Guidelines	-	-	132	-	-		-	0.0%	-
52344	Office: Supplies + Furnishings	12,100	12,100	13,783	10,300	5,833	56.6%	10,300	100.0%	-
52354	Office: County Mail Services	10,000	10,000	7,817	10,000	6,625	66.3%	10,000	100.0%	-
52370	Professional Services	445,767	698,558	698,558	566,600	392,053	69.2%	538,345	95.0%	28,255
52490	Publications + Legal Notices	8,500	8,500	21,142	7,000	9,817	140.2%	10,000	142.9%	(3,000)
52504	Leases: Equipment	4,500	4,500	3,335	4,000	2,203	55.1%	3,269	81.7%	731
52530	Leases: Office Space	154,308	154,308	157,167	158,688	122,175	77.0%	163,397	103.0%	(4,709)
52550	Special Expenses: County Overhead	33,000	33,000	57,293	58,000	45,554	78.5%	60,724	104.7%	(2,724)
52562	Special Expenses: New Hire Checks	-	-	215	-	-		-	-	-
52566	Special Expenses: Minor Equipment	-	-	3,699	-	2,277		2,277	-	(2,277)
52610	Travel-Training | In County	2,700	2,700	14,193	2,700	2,427	89.9%	3,000	111.1%	(300)
52612	Employee Auto + Reimbursements	8,700	8,700	11,068	8,700	7,699	88.5%	8,700	100.0%	-
52622	Travel-Training | Out of County	15,050	15,050	23,771	15,050	8,032	53.4%	9,500	63.1%	5,550
52721	IT Reimbursements: Network	18,000	18,000	18,193	18,000	14,361	79.8%	19,143	106.3%	(1,143)
52723	IT Reimbursements: Data Center	30,000	30,000	12,504	27,000	6,798	25.2%	9,062	33.6%	17,938
52725 +	IT Reimbursements: Financial Systems	25,000	25,000	18,083	23,000	12,089	52.6%	16,115	70.1%	6,885
52732	Computing	30,000	30,000	26,744	30,000	20,967	69.9%	27,948	93.2%	2,052
52734	IT Reimbursements: Help Desk	2,331	2,331	1,608	2,331	1,112	47.7%	1,483	63.6%	848
52750	IT Reimbursements: Catalog Equipment	25,000	25,000	6,389	10,000	3,437	34.4%	4,582	45.8%	5,418
52758	Fleet Reimbursements: Lease	2,000	2,000	1,986	2,000	1,489	74.5%	2,000	100.0%	-
		959,364	1,212,155	1,205,183	1,092,018	746,406	68.4%	1,011,915	92.7%	80,103
										-
	OPERATING EXEPENSE TOTAL	2,428,138	2,680,929	2,638,196	2,680,685	1,902,271	71.0%	2,544,099	94.9%	136,586

EXPENSES CONTINUED...

		FY2025			FY2026					
		Adopted	Amended	Actuals	ADOPTED Final	Actuals at 3rd Quarter	% of Budget	Projected Finish $	Finish %	Balance $
Non Operating Unit										
Account No.	Description									
51421	Debt Service: OPEB Bonds	34,092	34,092	33,591	33,000	25,519	77.3%	34,017	103.1%	(1,017)
85000	Grant Award Payments	450,000	450,000	198,478	450,000	23,663	5.3%	450,000	100.0%	-
		484,092	484,092	232,069	483,000	49,182	10.2%	484,017	100.2%	(1,017)
	EXPENSE TOTALS	2,912,230	3,165,021	2,870,265	3,163,685	1,951,453	61.7%	3,028,116	95.7%	135,569

REVENUES

		FY2025			FY2026					
		Adopted		Actuals	ADOPTED Final	Actuals at 3rd Quarter	% of Budget	Projected Finish $	Finish %	Balance $
Intergovernmental Unit										
Account No.	Description									
45918.1	Apportionments | County	623,997	623,997	623,997	654,902	654,902	100.0%	654,902	100.0%	-
45918.2	Apportionments | Cities (less SD)	623,997	623,997	623,997	654,902	654,902	100.0%	654,902	100.0%	-
45918.3	Apportionments | San Diego	312,108	312,108	312,108	327,566	327,566	100.0%	327,566	100.0%	-
45918.4	Apportionments | Special Districts	623,997	623,997	734,786	544,113	544,113	100.0%	544,113	100.0%	-
		2,184,098	2,184,098	2,294,888	2,181,483	2,181,483	98.5%	2,181,483	100.0%	-
Service Charges Unit										
Account No.	Description									
46234	Application Fees	200,000	200,000	212,386	200,000	68,469	34.2%	100,000	50%	(100,000)
		200,000	200,000	212,386	200,000	68,469	34.2%	100,000	50%	(100,000)
Miscellaneous										
Account No.	Description									
44105	Interest and Dividends	15,000	15,000	9,084	15,000	1,216	8.1%	2,000	13.3%	(13,000)
47540	Budgeted Use of Reserves	63,132	181,492	181,492	317,202	-	0.0%	317,202	100.0%	-
		78,132	196,492	190,576	332,202	1,216	0.4%	319,202	96.1%	(13,000)
	OPERATING REVENUE TOTAL	2,462,230	2,580,590	2,697,850	2,713,685	2,251,168	83.0%	2,600,685	95.8%	(113,000)
Non-Operating Unit										
Account No.	Description									
85000	Grant Awards	450,000	450,000	172,415	450,000	26,689	5.9%	450,000	100%	-
		450,000	450,000	172,415	450,000	26,689	5.9%	450,000	100%	-
	REVENUE TOTALS	2,912,230	3,030,590	2,870,265	3,163,685	2,277,857	72.0%	3,050,685	96.4%	(113,000)
TOTAL NET		-		-	-					22,569

CASH FUND BALANCE (spendable - unrestricted)	FY2023 July 1st	FY2024 July 1st	FY2025 July 1st	FY2026 July 1st
Committed				
… Stabilization	500,000	500,000	500,000	500,000
… Opportunity	250,000	250,000	250,000	150,000
Assigned by EO	62,500	125,000	100,000	100,000
Unassigned	735,065	762,356	882,010	921,791
	1,547,565	1,637,356	1,732,010	1,671,791

5d

AGENDA REPORT
Consent | Information

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer
Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Progress Report on 2025-2026 Workplan**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive an update on the current fiscal year workplan and related staff activities involving all 30 prioritized special projects. Twelve projects have been substantively advanced to date, with seven projects complete and an additional five nearing completion. Staff continues to advance several high-priority projects, headlined by scheduled public hearings for the municipal service reviews covering the Carlsbad subregion and wholesale water service providers. This item is provided for information only.

BACKGROUND

San Diego LAFCO adopted its current fiscal year workplan at a public hearing in May 2025. The workplan includes 30 special projects divided into two distinct categories – statutory and administrative – with priority assignments established by the Commission.

DISCUSSION

This item provides the Commission with an update on the adopted 2025–2026 workplan. To date, twelve projects have been substantively advanced, with seven projects complete and an additional five nearing completion. These two categories involve all of the following:

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

Projects Completed to Date

Alternative Membership Organization
Annual Local Agency Directory
Annual Sphere of Influence-Municipal Service Review Registry
Cities Advisory Committee Meetings
Outside Audit: RFP + Selection of Independent Auditor
Special Districts Advisory Committee Meetings
Pilot Grant Program

Projects Nearing Completion[1]

MSR | Wholesale Water Service Providers
MSR | Carlsbad-Encinitas Region, Part I
MSR | Carlsbad-Encinitas Region, Part II
SALC Planning Grant 2.0
Outside Audit: Complete Audit for FY25

Attachment One provides a status on all 30 projects.

ANALYSIS

None.

RECOMMENDATION

This item is presented to San Diego LAFCO for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

[1] Another project - No. 26 (Legislative Proposal | UC Berkeley Report) - has been moved from "nearing completion" to "underway" to reflect that the proposal did not advance during the current legislative session and will roll forward into the 2026-2027 workplan.

On behalf of the Executive Officer,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

1) 2025-2026 Workplan Status

Blank for Photocopying

Priority	Tier	Type	Project	Description
Ongoing	…	Statutory	Applicant Proposals and Requests	Prioritize resources to address applicant proposals and related requests
Ongoing	…	Administrative	Targeted LAFCO Presentations	Coordinate timely public outreach; emphasis on informing stakeholders ahead of MSR work
Ongoing	…	Statutory	Workplan and Budget Management	Actively manage the workplan and budget resources with regular updates to the Commission

Priority	Tier	Type	Project	Description	Status
1a	Highest	Statutory	MSR | Wholesale Water Service Providers	Service-specific study on principal wholesale water suppliers – CWA (comprehensive) + MET (abbreviated)	
1b	Highest	Statutory	MSR | Healthcare Districts	Service-specific study of the four healthcare districts in San Diego County; addendum expected	
3	Highest	Statutory	MSR | SANDAG	Agency-specific study of SANDAG (transportation, housing planning, + climate adaption planning)	
4a	Highest	Statutory	MSR | Carlsbad-Encinitas Region I: Carlsbad	Region-specific study on City of Carlsbad + Carlsbad MWD	
4b	Highest	Statutory	MSR | Carlsbad-Encinitas Region II: Encinitas	Region-specific study on City of Encinitas + special districts (Olivenhain, Leucadia, San Dieguito)	
6a	High	Statutory	MSR | Vista-San Marcos Region I: San Marcos	Regional MSR on City of San Marcos + special districts (Vallecitos, San Marcos FPD, Vista ID)	
6b	High	Statutory	MSR | Vista-San Marcos Region II: Vista	Regional MSR on City of Vista + Buena SD	
8	High	Administrative	White Paper | Homeless Services	Evaluate the scope-scale of homeless services in SD County + potential governance options	
9	High	Administrative	White Paper | Public Recreation @ City Reservoirs	Assess public recreation at City of SD's unincorporated reservoirs + potential governance alternatives	
10	High	Administrative	SALC Planning Grant 2.0	Complete multi-year grant to inform + enhance small farming operations in SD County	
11a	High-Mid	Statutory	MSR | Solana Beach – Del Mar Region I: Cities	Region-specific study on mid coast I-5 municipalities (Solana Beach and Del Mar)	
11b	High-Mid	Statutory	MSR | Solana Beach – Del Mar Region II: Districts	Regional MSR on mid coast I-5 districts (Santa Fe ID + CSA 17)	
13	High-Mid	Administrative	Website Refresh + Content Expansion	Work with outside consultant to design and launch website refresh w/enhanced end-user features	
14	High-Mid	Statutory	MSR | San Diego Unified Port District	Agency-specific study of the Port (harbor, recreation, public safety, + community development)	
15	High-Mid	Statutory	Special Study | Oceanside SCHD	Prepare special study on SCHD detailing revenues/expenses + potential governance alternatives	
16	Mid	Administrative	Outside Audit | RFP + Selection	Prepare and circulate RFP and select new outside auditor per GASB best practices	
17	Mid	Administrative	Outside Audit | FY2025	Complete outside audit of financial statements for FY25 with supplemental information	
18	Mid	Administrative	Pilot Grant Program	Establish pilot program to explore grant opportunities to help fund special projects at LAFCO	
19	Mid	Administrative	Special Districts Advisory Committee	Provide administrative support to the SDAC and hold no less than three meetings in FY2026	
20	Mid	Administrative	Cities Advisory Committee	Provide administrative support to the CAC and hold no less than two meetings in FY2026	

Priority	Level	Type	Project	Description	Status
21	Mid-Low	Statutory	RCD Ad Hoc Committee: Part II	Complete part II of RCD boundary true ups to inform sphere updates for local RCDs	
22	Mid-Low	Statutory	MSR | South Coast Region I – Cities	Region-specific study on south coast Cities (Chula Vista, Coronado, Imperial Beach and National City)	
23	Mid-Low	Statutory	MSR | Healthcare Districts: Addendum	Address community healthcare needs and related resources + potential governance alternatives	
24	Mid-Low	Administrative	Alternative Membership Organization	Work with other LAFCOs to receive/provide ongoing education and legislative advocacy services	
25	Mid-Low	Administrative	Annual Local Agency Directory	Update and publish annual local agency directory subject to LAFCO oversight	
26	Low	Administrative	Legislative Proposal | UC Berkeley Report	Sponsor/facilitate legislation implementing UC report recommendations on LAFCO efficiencies	
27	Low	Administrative	Commissioner Onboarding	Create a digital toolkit for new Commissioners to help acclimatize to LAFCO	
28	Low	Administrative	Annual SOI-MSR Registry	Update and publish annual registry showing all recorded SOI and MSR actions	
29	Low	Statutory	Applicant Procedures	Update and streamline LAFCO application materials + establish related protocols	
30	Low	Administrative	Featured Work + Tutorial Videos	Produce videos featuring special projects as well as primers on LAFCO duties for online distribution	
	Bullpen	Statutory	MSR | City of San Diego	Agency-specific study and core municipal service functions (water, wastewater, public safety, etc.)	
	Bullpen	Statutory	White Paper | Community Choice	Evaluate the scope and scale of CCAs in SD County and connectivity to LAFCO duties and interests	
	Bullpen	Statutory	Outreach to Sunset/Melrose "Island"	Perform targeted outreach to the island between Oceanside + Vista to assess service needs + possible annexation interests	
	Bullpen	Administrative	Service + Fiscal Indicators	Develop online browser feature to depict service + fiscal indicators among local agencies in SD County	
	Bullpen	Administrative	Liaison with Local Tribes	Establish communication protocols with local tribes with respect to shared interests in regional services + CEQA consultations	
	Bullpen	Statutory	Morro Hills CSD Follow Up	Coordinate and/or otherwise facilitate discussions with County Sheriff to enhance traffic enforcement within the CSD	
	Bullpen	Statutory	Policy Review | Health + Safety Fee Reductions	Review options to revise existing fee reductions for proposals/requests involving public health or safety threats	
	Bullpen	Administrative	LAFCO Meeting Room	Explore opportunities to secure a dedicated LAFCO meeting room with scaled dais and A/V enhancements	
	Bullpen	Statutory	White Paper | Garbage + Landfill Services	Evaluate the scope and scale of garbage collection and disposal services in SD County	
	Bullpen	Statutory	Legislative Proposal | G.C. 56430	Sponsor and/or facilitate amendments establishing community engagement enhancements in MSR statute	
	Bullpen	Statutory	White Paper | School Districts	Evaluate scope and scale of school districts and their baseline capacities for reference in municipal service reviews	
	Bullpen	Statutory	Policy Review | Island Annexations	Consider options to define "substantially surrounded" and provide related mapping services	
	Bullpen	Administrative	LAFCO Workshop	Organize a special workshop for the Commission to discuss strategic objectives over the next five-year period	
	Bullpen	Administrative	Public Access Television	Establish public broadcasting LAFCO meetings on local government channels	
	Bullpen	Administrative	Procedural Flow Charts	Create user friendly flow charts for various LAFCO statutory processes for online publication	
	Bullpen	Statutory	Policy | Fee Schedule Update	Review and update fee schedule to sync with current costs and related considerations	
	Bullpen	Statutory	Policy | CEQA Guidelines	Review and update existing CEQA Implementation guidelines relative to current statute and best practices	
	Bullpen	Statutory	Disadvantaged Unincorporated Communities	Update DUC mapping designations (DUC) in San Diego County based on current census information	
	Bullpen	Administrative	County Planning Groups	Monitor regular meetings of the County's 28 Planning and or Sponsor Groups and directly engage as appropriate	
	Bullpen	Administrative	Local Agency Finder Tool	Develop online feature for users to enter address to identify all overlapping local jurisdictions (cities and districts)	
	Bullpen	Statutory	Policy | Commission Rule No. 4	Modernize Rule No. 4 and its provisions to regulate special districts' service functions and classes	
	Bullpen	Statutory	Special Study | Escondido + Rincon	Study options to consolidate (functional and political) the City of Escondido and Rincon del Diablo MWD	
	Bullpen	Statutory	White Paper | JPAs	Evaluate the status of JPA filings in SD County relative to LAFCO's task in SB 1261	
	Bullpen	Administrative	Policy | Cities Advisory Committee	Coordinate with CAD in updating bylaws and related procedures to sync with current interests/priorities	
	Bullpen	Statutory	Legislative Proposal | G.C. 56133	Sponsor/facilitate amendments to clarify LAFCOs' authority to determine out-of-agency exemptions in (e)	

Complete | Near Complete | Underway | Pending

5e

AGENDA REPORT
Consent | Information

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer
Meghan Traynor, Analyst I

SUBJECT: **Report on Applicant Proposals**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a status report on active applicant proposals and requests currently on file as well as anticipated filings based on ongoing discussions with proponents. The item is informational and concurrently satisfies LAFCO's reporting requirement involving petition-initiated proposals.

BACKGROUND

Procedures and Timelines

Most jurisdictional changes begin with petitions filed by landowners or voters, though local agencies may also initiate by resolutions. LAFCO can independently initiate changes to form, consolidate, or dissolve special districts following approved municipal service reviews. Jurisdictional changes typically require four to six months before hearing, while out-of-agency service requests are processed in about two months.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

DISCUSSION

This item updates San Diego LAFCO on active proposals and previews pending submissions anticipated in the near term. The report also satisfies the Commission's statutory obligation to provide agenda notice for petition-initiated jurisdictional changes. Commissioners may pull the item for discussion and/or clarifications if needed.

Twenty-six (26) active proposals are currently on file. Twenty-one (21) are under review, pending Commission consideration, while five (5) await recordation following conditional approval.[1] Staff have identified five (5) pending proposals with prospective applicants. A complete listing of all active and pending proposals is provided in Attachment One.

ANALYSIS

None.

RECOMMENDATION

This item is presented to San Diego LAFCO for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

On behalf of the staff,

Meghan Traynor
Analyst I

Attachment:

1) Active and Pending Proposals as of April 24, 2026

[1] Six additional proposals remain on file with the Commission; however, discussions have been inactive for an extended period. The Commission anticipates taking future action to formally abandon these proposals pending adoption of related authorizing policies. All proposal files are available for public review upon request at the San Diego LAFCO office.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSAL APPLICATIONS | PENDING COMMISSION ACTION				
1	CO21-09	"Otay Lakes Road Change of Organization" - City of Chula Vista: Annexation	Michaela Peters	Application submitted in October 2022 by landowner petition to annex approximately 1,870 acres of unincorporated territory to the City of Chula Vista. (The petitioners originally filed an application in October 2021 seeking approval to annex into the San Diego County Sanitation District. This previous application has since been withdrawn.) The affected territory comprises 6 parcels within the Baldwin and Moller communities and is presently undeveloped. The proposal is intended to facilitate the development of a 1,938 residential-unit subdivision with various ancillary uses as part of the "Otay Ranch Resort Village 13" project. The submitted proposal application is incomplete and pending receipt of additional documentation and information from the applicant – including an agreement with LAFCO to proceed with a targeted/informing municipal service review. Staff last corresponded with the applicant in May 2024.
2	CO22-08 OAS22-08	"Martinez - North Avenue Reorganization" - City of Escondido: Annexation - County Service Area No. 135: Detachment - Deer Springs Fire Protection District: Detachment	Joelle Burila	Application submitted in April 2022 by landowner petition and involves an out-of-agency service agreement for wastewater services to a single-family residence totaling 0.25 acres to remedy a failing septic system. The Executive Officer administratively approved the service request on May 3, 2022 with a conditional approval to annex into the City of Escondido. The application is incomplete pending receipt of additional documentation and related information. Staff last corresponded with the applicant in April 2025.
3	RO22-11	"Tummala - Rincon MWD Reorganization" - Rincon del Diablo MWD: Annexation - Metropolitan Water District: Annexation - San Diego CWA: Annexation	Michaela Peters	Application submitted in October 2022 by landowner petition involving annexation of approximately 20 acres of unincorporated territory to make available public water services. The affected territory is currently vacant and undeveloped. The proposal's purpose is to position the landowner to proceed in the future with a development plan with the County of San Diego. The application is incomplete pending receipt of additional documentation and related information. Staff last corresponded with the applicant in July 2022.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
4	CO23-11	"Nencini Associates Change of Organization" - San Diego County SD: Annexation	Joelle Burila	Application submitted in July 2023 by landowner petition and involves annexation of approximately 20.6 acres to the San Diego County Sanitation District (SD) for the primary purpose of establishing wastewater service. The affected territory is partially developed with one single-family residence, with plans to develop an additional 7 single-family residences through subdivision. Conditional approval for future annexation to the City of Chula Vista is recommended and the applicant has been notified. The application is incomplete pending receipt of additional documentation and related information. Staff last contacted the applicant in April 2026.
5	CO23-15	"Maclachlan - Old Highway 80 Change of Organization" - San Diego County SD: Annexation	Michaela Peters	Application submitted in December 2023 by landowner petition and involves annexation of approximately 0.60 acres to the San Diego County Sanitation District for the primary purpose of establishing wastewater service. The affected territory is currently undeveloped with plans to develop a commercial building and parking lot. The application is incomplete pending receipt of CEQA documentation and related information. Staff last corresponded with the applicant in November 2024.
6	RO24-07	"Lake Wohlford Resort Reorganization" - Valley Center MWD: Annexation	Meghan Traynor	Fee submitted in March 2024 for an anticipated reorganization application involving the annexation of approximately 127 acres to the Valley Center Municipal Water District for the purpose of receiving potable water service. The affected territory is presently developed with 137 mobile homes and one restaurant currently served by an onsite water system. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in May 2024.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
7	RO24-08 OAS24-08	"Shen – Pinecrest Ave Out-of-Agency Service Agreement" - City of Escondido: Annexation - County Service Area No. 135: Detachment	Meghan Traynor	Application submitted in August 2024 by landowner petition involving an out-of-agency service agreement to establish wastewater services to a single-family residence totaling 1.09 acres to remedy a failing septic system. The Executive Officer administratively approved the service request on September 6, 2024. The proposal was approved as a consent (information only) item as part of the Commission's October 7, 2024 meeting. The administrative approval is conditioned on the landowner submitting a complete change of organization application to LAFCO for formal annexation into the City of Escondido within one calendar year unless a time extension is authorized. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in March 2026.
8	RO24-12 OAS24-12	"Delgado-Andrade – 24th Street Out-of-Agency Service Agreement" - City of National City: Annexation - City of National City: Sphere Action (+) - County Service Area No. 135: Detachment - Lower Sweetwater Fire Protection District: Detachment - South Bay Irrigation District: Detachment	Joelle Burila	Application submitted in August 2024 by landowner petition involving an out-of-agency service request for wastewater services to a developed single-family residence on less than an acre to remedy a failing septic system. The Executive Officer administratively approved the service request on October 23, 2024 and the proposal was approved as a consent item as part of the Commission's November 4, 2024 meeting. The administrative approval is conditioned on the landowner submitting a complete application to LAFCO for formal annexation into the City of National City within one calendar year unless a time extension is authorized. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in November 2025.
9	SRO24-15	"La Jolla Incorporation" - La Jolla: Incorporation - City of San Diego: Detachment - City of San Diego: Sphere Action (-)	Priscilla Mumpower	Notice of Intent to Circulate Petition was submitted May 2024 in anticipation of a special reorganization application filing. The proposal involves the detachment of approximately 8,371 acres from the City of San Diego and the incorporation of the community of La Jolla, along with conforming sphere of influence amendments. LAFCO staff has confirmed the proponents have collected enough valid petitions equal to no less than 25% of all registered voters within the proposed municipal boundary, which covers the entirety of the 92037 zip code with an estimated population of 47,000. LAFCO staff will now proceed in initiating the administrative review on the proposal and headlined by selecting an outside consultant to prepare a comprehensive fiscal analysis evaluating the ability of La Jolla to fund a sufficient level of municipal services while assessing monetary impacts to the City of San Diego. A Request for Proposals was issued in January 2026, with proposals due on March 10, 2026. Staff has completed interviews and is working with the selection committee to finalize consultant selection before beginning contract negotiations.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
10	CO25-01 OAS25-01	"Hallam – Lovely Lane Out-of-Agency Service Agreement" - Buena Sanitation District: Annexation	Meghan Traynor	Application submitted in January 2025 by a landowner for an out-of-agency service agreement to service wastewater to a single-family residence totaling 0.67 acres to remedy a failing septic system. The Executive Officer administratively approved the service request on January 22, 2025 and the proposal was approved as a consent item as part of the Commission's February 3, 2025 meeting. The administrative approval is conditioned on the landowner submitting a complete application to annex to the Buena Sanitation District within one calendar year unless a time extension is authorized. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in January 2026.
11	OAS25-02	"Garza – Touchstone Communities Out-of-Agency Wastewater Services" - City of Escondido: OAS	Michaela Peters	Application submitted in January 2025 by the City of Escondido for an out-of-agency service agreement involving a 10.35-acre unincorporated parcel currently developed with one single-family residence. The proposal is intended to facilitate the development of a 42-unit single-family residential subdivision by "Touchstone Communities" and abate an impending public health and safety threat given the size of the proposed development. The application is incomplete pending receipt of CEQA documentation and related information. Staff last corresponded with the applicant in April 2026.
12	OAS25-03 RO25-03	"Lopez – Bear Valley Parkway Out-of-Agency Wastewater Services" - City of Escondido: Annexation - County Service Area No. 135: Detachment	Joelle Burila	Application submitted in January 2025 by the City of Escondido on behalf of the landowner requesting an out-of-agency service agreement to establish wastewater services to remedy a failing septic system. The affected territory spans 1.37 acres and is developed with a single-family residence and ADU. The Executive Officer administratively approved the service request on February 7, 2025 and the proposal was approved as a consent item as part of the Commission's March 3, 2025 meeting. The administrative approval is conditioned on the landowner submitting a complete application to LAFCO for formal annexation into the City of Escondido within one calendar year unless a time extension is authorized. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in April 2026.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
13	OAS25-09	"Mayer – Santa Fe Avenue Out-of-Agency Wastewater Services" - Buena Sanitation District: OAS	Joelle Burila	Application submitted in March 2025 by the Buena Sanitation District on behalf of the landowner requesting out-of-agency wastewater services to facilitate the development of a 46-unit townhouse development on approximately 2.91-acres. The affected territory includes three APNs located in the City of San Marcos. The application is incomplete pending receipt of CEQA documentation, a complete application and related information. Staff last corresponded with the applicant in April 2026.
14	CO25-12	"Kukkal – Valley Court Change of Organization" - Whispering Palms CSD: Annexation	Joelle Burila	Application submitted in May 2025 by landowner petition involving annexation of approximately 2.07 acres to the Whispering Palms Community Services District for the primary purpose of establishing wastewater services. The affected territory is currently undeveloped with plans to develop one single-family residence, one ADU and one pool house. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in March 2026.
15	RO26-01	"Turner – Oak Creek Drive Reorganization" - Lakeside WD: Annexation - Lakeside WD: Sphere Action (+) - Padre Dam MWD: Detachment - Padre Dam MWD: Sphere Action (-)	Joelle Burila	Application submitted in January 2026 by the Lakeside Water District on behalf of the landowner involves the annexation of approximately 2.3 acres of unincorporated territory in the Lakeside community to the Lakeside Water District for the primary purpose of establishing potable water service. The affected territory consists of two parcels: both are undeveloped, with plans for the construction of a single-family residence on one parcel while the other parcel is a minor parcel adjustment to remedy an illogical boundary for jurisdictional consistency. The proposal is currently under administrative review and considered incomplete. Staff last corresponded with the applicant in April 2026.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
16	RO26-02	"Tipton – Rock Springs Road Reorganization" - Vallecitos Water District: Annexation - Vista Irrigation District: Detachment	Michaela Peters	Application submitted in January 2026 by landowner petition involving annexation of 0.72 acres of unincorporated territory in Escondido to the Vallecitos Water District (VWD) with a concurrent detachment from the Vista Irrigation District (VID). The proposed annexation is intended to facilitate the provision of public wastewater service to an existing single-family residence currently served by a septic system, allowing for conversion to public sewer service. The subject parcel is presently served by VID for potable water; however, detachment from VID is required, as VWD would provide both water and wastewater services under the proposal. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in April 2026.
17	CO26-03	"Palacharla – Artesian Road Change of Organization" - Rancho Santa Fe CSD: Annexation	Meghan Traynor	Application submitted in January 2026 by landowner petition involving annexation of 5 acres of unincorporated territory in the San Dieguito community to the Rancho Santa Fe Community Services District for the purpose of receiving wastewater service to facilitate the planned development of a single-family residence and attached accessory dwelling unit. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in April 2026.
18	OAS26-04	"Shallal – Jacumba Gas Out-of-Agency Water Services" - Jacumba Community Services District: OAS	Meghan Traynor	Fee submitted in January 2026 by a landowner for an out-of-agency service agreement to service potable water to 5.0 acres of unincorporated territory by the Jacumba Community Services District. The affected territory is presently developed with two gas stations, each with a commercial building, that were previously served by a private water supplier. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in February 2026.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
19	OAS26-05	"3144 Roadrunner Road Out-of-Agency Wastewater Services" - Buena Sanitation District: OAS	Michaela Peters	Application submitted in February 2026 by the Buena Sanitation District on behalf of the landowner requesting out-of-agency wastewater services. The 0.5-acre parcel is developed with a single-family residence and is currently receiving wastewater service from the Buena Sanitation District. The OAS agreement would formalize the existing service connection and facilitate the construction of an accessory dwelling unit. The proposal is scheduled for consideration as part of the Commission's May 4, 2026 business calendar.
20	CO26-06	"Leon – Sweetwater Road Change of Organization" - San Diego County Sanitation District: Annexation	Meghan Traynor	Application submitted in March 2026 by landowner petition involving annexation of 2.6 acres of unincorporated territory in the Bonita community to the San Diego County Sanitation District for the purpose of receiving wastewater service to facilitate the planned development of a single-family residence and attached accessory dwelling unit on both parcels. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in March 2026.
21	CO26-07	"Priest – Lemon Crest Drive Change of Organization" - San Diego County Sanitation District: Annexation	Joelle Burila	Application submitted in April 2026 by landowner petition involving annexation of 17.2 acres of unincorporated territory in the Lakeside community to the San Diego County Sanitation District for the purpose of receiving wastewater service to facilitate the planned development of a 24-lot single family residential development. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in April 2026.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSALS | POST COMMISSION ACTION				
22	CO22-20	"Camino De La Fuente - Wick Change of Organization" - San Diego County SD: Annexation	Michaela Peters	Application submitted in November 2022 by landowner petition and involves annexation of approximately 35.3 acres of unincorporated and undeveloped territory to the San Diego County SD to make available public water and wastewater services. The proposal's purpose is to position the landowner to proceed in the future with a development plan to grade the land for future industrial and outdoor storage uses. The proposal was approved by the Commission on October 2, 2023. The applicant requested a formal extension to September 18, 2025 to satisfy the necessary terms and conditions outlined in the adopted resolution. The applicant filed an additional extension to October 2, 2026.
23	RO19-26	"Valiano - Eden Valley Reorganization" - San Marcos FPD: Annexation - Rancho Santa Fe FPD: Detachment - Rancho Santa Fe FPD: Sphere Action (-) - Rancho Santa Fe FPD: Extraterritorial Fire	Michaela Peters	Application submitted in January 2025 by landowner petition and the City of Escondido involving a reorganization as part of the "Valiano" planned development in Harmony Grove. The reorganization involves the concurrent annexation of 10.8 unincorporated acres to San Marcos FPD with detachment from Rancho Santa Fe FPD and related sphere amendments. The proposal was approved by the Commission on October 6, 2025 and now pending completion of terms and conditions as set forth by the Commission.
24	CO25-11 OAS25-11	"Halstead – Olivewood Lane Change of Organization" - San Diego County Sanitation District: Annexation	Joelle Burila	Application submitted in April 2025 by the San Diego County Sanitation District on behalf of the landowner requesting out-of-agency wastewater services to accommodate an existing single-family residence to remedy a failing septic system. The Executive Officer administratively approved the service request on April 23, 2025. The administrative approval was conditioned on the landowner submitting a complete change of organization application to LAFCO for formal annexation into the San Diego County Sanitation District within one calendar year. The Commission conditionally approved the out-of-agency wastewater service agreement on June 2, 2025. The change of organization proposal was approved by the Commission on February 2, 2026 and is now pending completion of terms and conditions set forth by the Commission.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
25	OAS25-13 CO25-13	"Goodwin – Pine Valley Improvement Club Out-of-Agency Wastewater Services" - San Diego County Sanitation District: Annexation	Meghan Traynor	Application submitted in July 2025 on behalf of the Pine Valley Improvement Club requesting out-of-agency wastewater services to accommodate an existing commercial building to remedy a public health risk posed by the proximity of the existing septic system to a non-conforming well on-site. The Executive Officer administratively approved the service request on July 22, 2025. The proposal was approved as a consent (information only) item as part of the Commission's August 4, 2025 meeting, conditioned on the landowner submitting a complete change of organization application to LAFCO for formal annexation into the San Diego County Sanitation District within one calendar year. The change of organization proposal was approved by the Commission on March 2, 2026. The proposal is now pending recordation following the completion of terms set forth by the Commission.
26	CO25-15	"Jaiswal – Rio Vista Road Change of Organization" - Rancho Santa Fe CSD: Annexation	Meghan Traynor	Application submitted in October 2025 by landowner petition involving annexation of approximately 2.6 acres of unincorporated territory in the San Dieguito community to the Rancho Santa Fe Community Services District for the primary purpose of establishing wastewater service. The affected territory consists of four parcels: three are developed with single-family residences, while one remains undeveloped with no current plans for development on any of the parcels. The change of organization proposal was approved by the Commission on April 6, 2026 and is now pending completion of terms and conditions set forth by the Commission.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
PENDING PROPOSAL APPLICATION SUBMITTALS (No project manager; inquiries should be directed to Keene Simonds)				
	Pending	"Harvest Hills Reorganization" - City of Escondido: Annexation		This anticipated reorganization proposal is currently undergoing development and environmental review by the City of Escondido. Submittal to LAFCO anticipated for late 2026-2027 if approved by Escondido. The anticipated proposal involves annexation of approximately 1,098 acres to the City for the primary purpose of developing a 550-lot residential subdivision. All the affected territory presently lies outside the adopted Escondido sphere. Due to the scope of the proposal area a comprehensive update of the City's sphere is warranted along with preparing the supporting municipal service review document. These and other service-related issues have been communicated to the City and are currently under joint review with other local stakeholders. Project was originally titled as "Safari Highlands".
	Pending	"Rancho Lomas Verde Reorganization" - City of Vista: Annexation		This anticipated reorganization proposal is undergoing development and environmental review by the City of Vista. The proposal involves annexation of approximately 300 acres to the City of Vista and concurrent detachments from CSA 135 and the Vista FPD to facilitate a 153-lot residential development. Close to three-fourths of the project area lies outside the adopted Vista sphere. Due to the scope of the proposal area a comprehensive update of the City's sphere is warranted along with preparing the supporting municipal service review document. These and other service-related issues have been communicated to the City and are currently under joint review with other local stakeholders.
	Pending	"Sager Ranch Reorganization" - City of Escondido: Annexation		This anticipated reorganization involves annexation of approximately 1,800 unincorporated acres to the City of Escondido and concurrent detachments from CSA 135 and the Valley Center FPD. The reorganization would facilitate the proposed development of approximately 200 acres to include 203 residential units and a 225-room resort. Portions of the project area lie outside the current City sphere. Fire protection services remain a key discussion point and the source of ongoing discussions with the proponents.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
	Pending	"Harmony Grove Village South" (TM-626) - Rincon del Diablo MWD: Annexation		This anticipated reorganization involves the unincorporated Harmony Grove Village South project and specific to accommodating sewer services (among a variety of options) for the planned development of approximately 111 acres to include 453 residential units. On January 27, 2020 the San Diego Superior Court overturned the County's development approvals for the project. Appeals are pending with no update as of this report.
	Pending	"Escondido Village – Unison Communities" - City of Escondido: Annexation		This anticipated reorganization involves annexation of approximately 17 unincorporated acres to the City of Escondido. The reorganization would facilitate connectivity to public wastewater service and in doing so accommodate the proposed development of approximately 200 residential units on the affected territory. The entire project lies within the City of Escondido sphere of influence. Complete application is pending.

Blank for Photocopying

5f

AGENDA REPORT
Consent | Information

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Joelle Burila, Analyst I
Patrick Bouteller, LAFCO Consultant

SUBJECT: **Legislative Report**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive an update on legislative proposals germane to the Commission's oversight and related interests as part of the second year of the current 2025-2026 session. This report is presented for information only with an opportunity to pull for discussion and provide general direction.

BACKGROUND

San Diego LAFCO staff actively monitors pending and proposed legislation affecting the Commission's regulatory and planning responsibilities, consistent with the workplan. Staff's monitoring draws from the Commission's membership in the Alliance of LAFCOs (Alliance) and its contracted lobbyist, Politico Group as well as consultant, Patrick Bouteller.

The California Legislature reconvened for the second year of the 2025–2026 session in January 2026. The deadline for introducing new legislation passed in February 2026, and introduced measures have since been referred to their respective policy committees. Legislation that advances through both houses must be passed by August 31, 2026, which is the deadline for bill passage for the 2026 session.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

DISCUSSION

This item is for San Diego LAFCO to receive an update on legislative proposals of interest. LAFCO staff, through the Alliance and consultant Patrick Bouteller, are tracking eight bills of interest. Three measures have been carried over from the prior year – AB 259, AB 356, and SB 802 – and five introduced in the current year – AB 1600, AB 2083, SB 910, SB 994, and SB 1291. Summaries of all eight tracked bills and their current status follow.

Introduced Legislation | Prior Session

- **AB 259 (Rubio, Blanca)**
  Open Meetings and Continued Access to Teleconferences
  This bill is of statewide interest and would extend the authorization for legislative bodies of local agencies – including LAFCOs – to use modified teleconferencing procedures during declared emergencies through January 1, 2030. It preserves existing requirements related to public notice and agenda posting. San Diego LAFCO adopted a support position in March 2025. The bill passed the Assembly in 2025 and remains in the Senate Committee on Local Government, with no new hearings scheduled at this time.

- **AB 356 (Patel, Darshana)**
  Healthcare Districts in Northern San Diego County
  This bill is of local interest and was initially introduced to establish a state-directed working group to assess healthcare access in northern San Diego County, with a focus on the Palomar Healthcare District's service area. In response to the Commission taking a support-if-amended position in June 2025, the bill has been amended to include LAFCO as a listed stakeholder, and in doing so connecting to the Commission's oversight of Palomar and current municipal service review activities. LAFCO Consultant Adam Wilson provided supportive testimony for the author in conjunction with them accepting the Commission's amendments. The bill passed the Assembly in 2025 and remains in the Senate Committee on Local Government, with no new hearings scheduled at this time.

- **SB 802 (Ashby, Angelique)**
  Sacramento Area Housing and Homelessness Agency
  This bill is locally focused with statewide implications and would restructure the joint powers authority currently operating as the Sacramento Housing and Redevelopment Agency into a new Sacramento Area Housing and Homelessness Agency, centralizing housing and homelessness services across Sacramento County under a single regional entity. The bill uniquely mandates the Sacramento LAFCO to form and appoint an independent task force to facilitate the consolidation of multiple entities into the new agency, which represents a bill-specific expansion of LAFCO duties into regional housing and homelessness governance. San Diego LAFCO is monitoring this bill, as its provisions may inform the Commission's current workplan project on homelessness services, particularly regarding governance and service delivery frameworks. The bill passed the Senate in 2025, was amended in the Assembly in January 2026, and is currently under review by the Assembly Committee on Housing and Community Development.

Introduced Legislation | Current Session

- **AB 1600 (Arambula, Joaquin)**
  Disadvantaged Communities: Farmworker Communities
  This bill is of statewide interest and would expand the definition of "disadvantaged communities" to include qualifying farmworker communities, and require CalEPA, in consultation with relevant state departments, to update screening tools and guidance to ensure their inclusion in eligibility determinations and benefit calculations. For LAFCOs, this change would affect municipal service reviews and sphere of influence updates by requiring evaluation of service needs for these newly included farmworker communities. Introduced in January 2026, the bill is currently in the Assembly Committee on Appropriations for fiscal review as of April 8, 2026.

- **AB 2083 (Jackson, Corey)**
  Moreno Valley-Perris Childcare Special District
  This bill is locally focused with statewide implications and, as the *Moreno Valley-Perris Childcare Special District Act*, would establish a new special district covering the Cities of Moreno Valley and Perris and their spheres of influence for the purpose of expanding childcare capacity and operating universal childcare programs. The district would be governed by a five-member board appointed by the two cities and other designated entities. The board would develop a plan of services for LAFCO and oversee district operations, including authority to hire staff and operate or contract for childcare facilities. Notably, the bill would establish the district directly by statute, with LAFCO oversight applying thereafter. Introduced in February 2026, the bill is in the Assembly Human Services Committee for further review as of April 21, 2026.

- **SB 910 (Seyarto, Kelly)**
  Municipal Water Districts Water Service: Indian Lands
  The bill is of statewide interest with local implications and would extend, from January 1, 20227 to January 1, 2032, the sunset on existing authority for municipal water districts to apply to LAFCO for authorization to provide water service to eligible Indian lands located outside district boundaries. If approved, the extension preserves an existing pathway utilized on multiple occasions by tribes in San Diego County. Introduced in January 2026, the bill was scheduled for its first hearing before the Senate Committee on Local Government on March 18, but was subsequently cancelled at the author's request, with no new hearings scheduled at this time.

- **SB 994 (Cabaldon, Christopher)**
  Local Government: Nondisclosure Agreements
  This bill is of statewide interest with direct LAFCO applicability and would prohibit local government officials and their staff from entering into nondisclosure agreements relating to public business that restrict information sharing among fellow officials. Introduced in February 2026, the bill passed out of the Senate Committee on Local Government and sent to the Senate Appropriations Committee on of April 22, 2026.

- **SB 1291 (Gonzalez, Lena)**
  Mutual Water Companies
  This bill is of statewide interest and would strengthen transparency and accountability for mutual water companies (MWCs) operating public water systems by requiring larger MWCs to offer teleconference meeting access, post notices and documents online at no charge, and annually distribute consumer confidence reports to customers. It also directs the State Water Resources Control Board to assess MWC governance and compliance by December 31, 2027, with a focus on disadvantaged communities, and recommend governance alternatives if current structures are found inadequate. Introduced in February 2026, this bill was amended in March 2026. As of April 22, 2026, the bill passed the Senate Environmental Quality Committee and has been referred to the Senate Appropriations Committee for review.

Pending Legislation | UC Berkely Report Legislation

Developed under the Commission's adopted workplan and informed by a University of California, Berkeley report, the proposal sought to strengthen LAFCO authority and accountability in addressing water and wastewater-related public health and safety concerns, while expanding transparency requirements for affected agencies and mobile home park community water systems. Although the bill did not advance this legislative session, San Diego LAFCO staff will continue refining the proposal with stakeholders for potential introduction in 2027. As reflected in the proposed Final Workplan for FY27 (Agenda Item 6c – Attachment 1-A), this bill is designated as a low-priority project, identified as Workplan No. 25.

ANALYSIS

None.

RECOMMENDATION

This item is presented to the Commission for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on the Commission's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

On behalf of LAFCO staff,

Joelle Burila

Joelle Burila
Analyst I

5g

AGENDA REPORT
Consent | Information

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer
Erica Sellen, Commission Clerk

SUBJECT: **Report on Special Districts Advisory Committee's Meeting | April 17, 2026**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a report on the most recent meeting of its Special Districts Advisory Committee held on April 17th. The report is in the form of draft minutes and is being presented for information only.

BACKGROUND

Special Districts Advisory Committee

The Special Districts Advisory Committee (SDAC) was established in 1971 to help inform and advise the Commission on related topics. SDAC's role has actively evolved from its initial focus on just jurisdictional changes affecting special districts to now expand into LAFCO's planning duties, highlighted by the Commission's municipal service review program. The Committee includes 15 elected members drawn from the 58 eligible independent special districts in San Diego County. The current Chair and Vice Chair are Kim Thorner (Olivenhain Municipal Water District) and Jack Beebe (Fallbrook Public Utility District), respectively.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

DISCUSSION

San Diego LAFCO will receive a report on the most recent meeting of its Special Districts Advisory Committee held on April 17th and hosted by Fallbrook Public Utility District. The report is in the form of the attached draft minutes and provides the Commission with timely updates on deliberations of its two standing agency committees—Special Districts and Cities.

ANALYSIS

None.

RECOMMENDATION

This item is presented to San Diego LAFCO for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

On behalf of the Executive Officer,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

1) DRAFT: SDAC Meeting Minutes – April 17, 2026

DRAFT
SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
SPECIAL DISTRICTS ADVISORY COMMITTEE
SPECIAL MEETING
April 17, 2026

Fallbrook Public Utility District Boardroom
990 E Mission Road
Fallbrook, California 92028

1. 10:00 A.M. – CALL TO ORDER BY CHAIR

Chair Kimberly Thorner called the meeting to order at 10:03 a.m.

Item 1a
Welcoming Comments

Chair Thorner thanked Jack Bebee for hosting the meeting.

Item 1b
Roll Call

Chair Kimberly Thorner requested a roll call from the Committee Secretary.

Members Present:	Members Absent:
Chair Kimberly Thorner (Olivenhain MWD)	None
Vice Chair Jack Bebee (Fallbrook PUD)	
Ann Baldridge (RCD Greater San Diego County)	
Paul Bushee (Leucadia WWD)	
Jeff Egkan (North County FPD)	
James Gordon (Deer Springs FPD)	
Tracy Largent (Port of San Diego)	
Albert Lau (Santa Fe ID)	
Lindsay Leahy (Valley Center MWD)	
Hector Martinez (South Bay ID)	
Rachel Mason (Fallbrook Regional HD)	
Dave McQuead (Rancho Santa Fe FPD)	
Marty Miller (Vista ID)	
Joel Scalzitti (Helix WD)	
Mike Sims (Bonita-Sunnyside FPD)	

The Committee Secretary confirmed a quorum with all (15) members present. The following members of San Diego LAFCO staff were present at roll call: Executive Officer Keene Simonds; Assistant Executive Officer Priscilla Mumpower; Local Government Analyst II Michaela Peters; Local Government Analyst I Joelle Burila; Local Government Analyst I Meghan Traynor; Communications Associate Aiden Velasquez; GIS Analyst Dieu Ngu; and Commission Clerk Erica Sellen serving as Committee Secretary. Consultants Tom Kennedy and Michael Stein were present. Chris Palmer, Senior Public Affairs Field Coordinator, CSDA, was also present.

Item 1c
Pledge Of Allegiance

Jack Bebee (Fallbrook Public Utility District) led the Pledge of Allegiance.

2. AGENDA REVIEW BY CHAIR

Chair Thorner provided an overview and stated no changes were needed to the agenda.

3. OPEN EXPRESSION

Chair Thorner asked if there were any members of the public who wished to address the Committee on a germane topic that is not directly part of the agenda.

The Committee Secretary confirmed there were no registered speakers and no live email comments.

4. CONSENT ITEMS

a) Approval of Meeting Minutes for January 16, 2026 (action)
The Committee considered draft summary minutes prepared for the last meeting held on January 16, 2026. Recommendation to approve as presented.

b) Progress Report on 2025-2026 Workplan (information)
The Committee received an update on the adopted workplan and activities related to the 30 special projects scheduled for 2025-2026. Information only.

c) Legislative Report (information)
The Committee received a legislative update on existing and anticipated bills affecting LAFCO operations, both directly and indirectly, as part of the second-year legislative session. Information only.

**

On motion by Paul Bushee (Leucadia WWD) and seconded by Mike Sims (Bonita-Sunnyside FPD), the Committee unanimously approved the Consent Calendar.

5. BUSINESS ITEMS

a) Adopted Draft Workplan and Budget for 2026-2027 (discussion + possible action)
The Committee reviewed a draft workplan and budget for 2026-2027, which were tentatively adopted by the Commission at its March 2, 2026 meeting. Both items continue current priorities and funding levels with targeted enhancements. The draft workplan largely rolls forward the existing special project commitments from this fiscal year that are expected to remain active past July 1st, anchored by continuing high-priority municipal service reviews involving wholesale water service providers, healthcare districts, and SANDAG. The total budget – combining operating and non-operating units – is proposed to decrease overall by (8.2%) to $2.904 million in balanced expenses and revenues, largely attributable to the winddown of grant activities. The operating budget is set to increase

BUSINESS ITEMS CONTINUED …

Item 5a Continued…

3.4% – or $90,379 – primarily driven by the addition of a ninth full-time position (Analyst I) and a preapproved cost-of-living adjustment, with costs partially offset through reduced consultant usage. Agency apportionments, however, are proposed to increase 18.7% – or $407,580 – over the current fiscal year, exceeding the growth in operating expenses and entirely attributable to eliminating reserves as offsetting revenues. The item was for Committee review and feedback with the opportunity to forward specific recommendations for consideration ahead of final Commission action in May.

Staff presentation provided by Local Government Analyst I Burila.

Chair Thorner invited public comments from the following registered speaker:

- Kurt Worden, Lower Sweetwater Fire Protection District

Chair Thorner thanked Mr. Worden for his comment and asked staff to address the comment. Executive Officer Simonds responded to the comment.

Chair Thorner proceeded to invite questions and/or comments from the Committee.

While no formal recommendation was made, the Committee agreed to communicate the following consensus items to the Commission:

- With respect to the proposed addition of a ninth staff member, the Committee expressed support but also noted interest in the Commission continuing to make resources available to retain consultants for technical expertise as needed.

- With respect to the potential workplan directive to pursue legislation to add a ninth voting member to the Commission, the Committee is generally supportive, with a preference that the seat be designated for an additional public member.

**

On motion by Jack Bebee (Fallbrook PUD) and seconded by James Gordon (Deer Springs FPD), the Committee unanimously recommended the Commission continue discussion and consideration of adding a ninth public member to the Commission.

b) Draft Municipal Service Review on Carlsbad-Encinitas Region (Part I): City of Carlsbad and Carlsbad Municipal Water District (discussion)

The Committee received a draft municipal service review covering two agencies within the Carlsbad subregion: the City of Carlsbad and Carlsbad Municipal Water District (MWD). The draft report represents Part I of a broader regional municipal service review encompassing the Carlsbad-Encinitas region and is being advanced as part of the Commission's adopted workplan. The draft report evaluates the availability, need, and adequacy of key public services supporting the subregion's growth and development and includes determinations required by statute to inform future LAFCO actions, including sphere of

BUSINESS ITEMS CONTINUED …

Item 5b Continued…

influence updates and potential boundary changes. At its April 6, 2026 meeting, the Commission reviewed the draft report, provided feedback to staff, and agreed the scope and content met expectations at this stage, authorizing staff to proceed with initiating a 45-day public review and comment period. The item was presented for discussion with an opportunity for the Committee to provide feedback as well as formal comments and recommendations. Given the Committee's composition, the presentation focused on the Carlsbad MWD.

Staff presentation provided by Local Government Analyst II Peters.

Chair Thorner proceeded to invite questions and/or comments from the Committee.

General discussion ensued with overall support of the report. No action.

c) Special District Spotlight: Fallbrook Public Utility District Highlights (information)
The Committee received a presentation from General Manager Jack Bebee on recent and ongoing projects at the Fallbrook Public Utility District.

6. COMMENDATION FOR COMMITTEE MEMBERS MARK ROBAK AND MIKE SIMS

Chair Thorner recognized and thanked Mark Robak (Otay Water District) and Mike Sims (Bonita-Sunnyside Fire Protection District) for their service as members of the Special Districts Advisory Committee. Chair Thorner noted that a formal commendation would be presented to Mr. Robak at a future meeting.

Chair Thorner then presented a commendation to Chief Mike Sims.

Executive Officer Simonds also thanked Chief Sims for his service on the Committee.

Following the commendation, Chair Thorner appointed Mike Smith (Bonita-Sunnyside Fire Protection District) as the newest member of the Committee, succeeding Chief Sims.

7. COMMITTEE MEMBER REPORTS

Chair Thorner invited members of the committee to provide updates and/or information regarding their respective agencies.

- Joel Scalzitti (Helix Water District) reported his agency has completed electrification of its fleet vehicles with the support of 90% grant funding.

- Albert Lau (Santa Fe Irrigation District) reported his agency recently completed a solar project expected to generate approximately $4 million in electricity savings.

- Chair Thorner noted that April 17 marked the close of the comment period for the California Air Resources Board's (CARB) Advanced Clean Fleets (ACF) Regulations.

8. EXECUTIVE OFFICER REPORT

On behalf of the Executive Officer, Consultant Tom Kennedy reported the draft County Water Authority MSR is available online for review and noted San Diego LAFCO's continued commitment to the Alliance of LAFCOs. Assistant Executive Officer Priscilla Mumpower supplemented the update with additional information regarding procedural next steps following presentation of the draft MSR to the Commission in May.

9. ADJOURNMENT

With no further business, the Special Districts Advisory Committee meeting was adjourned at 11:34 a.m.

Attest:

Erica Sellen
Committee Secretary

DRAFT

DRAFT

Blank for Photocopying

6a

AGENDA REPORT
Public Hearing | Discussion

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Draft Report | Municipal Service Review on Wholesale Water Service Providers, Part I: San Diego County Water Authority**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will hold a public hearing on a draft municipal service review covering the San Diego County Water Authority (CWA). The study represents Part I of a broader regional municipal service review evaluating the two primary wholesale water service providers serving San Diego County — the CWA and the Metropolitan Water District of Southern California (MWD) — and is being advanced as part of the Commission's adopted workplan.

The report independently assesses CWA's role to plan, fund and deliver wholesale water service to its 22 local member agencies (cities, special districts, and military base) over a 15-year reporting period spanning fiscal years 2009 through 2023. This includes written determinations addressing the factors required under statute and local policy as part of the municipal service review process. The draft report incorporates CWA comments following the completion of the 60-day administrative review period. A companion memorandum summarizing CWA comments and staff's responses is provided as an attachment.

This public hearing is presented for Commission discussion and feedback on the scope and content of the draft report. Staff requests direction on whether to (a) proceed with a formal 45-day public review and comment period ahead of preparing a final version for future consideration, or (b) return with an updated draft before going any further.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

BACKGROUND

Municipal Service Reviews

State law directs San Diego LAFCO to regularly prepare municipal service reviews in conjunction with updating each local agency's sphere of influence. The legislative intent of the municipal service review and its five-year cycle requirement is to proactively inform the Commission – and by extension the general public – regarding the availability and sufficiency of governmental services relative to current and future community needs. Municipal service reviews are statutorily required to inform required sphere of influence updates, and may also lead the Commission to take other actions under its authority, such as forming, consolidating, or dissolving one or more special districts. These documents also serve as an opportunity for the Commission to telegraph and encourage community discussion and/or action on future jurisdictional changes.

Adopted Workplan | Municipal Service Review on the Wholesale Water Service Providers: Parts I and II

San Diego LAFCO's FY 2025–2026 workplan was adopted at a noticed hearing in May 2025 and outlines 30 specific projects for the fiscal year, set in priority order. The Commission's top-ranked project in the adopted workplan involves preparing a municipal service review for the two principal wholesale water service providers serving most of the urbanized area of San Diego County: CWA and MWD.

Given the scale and complexity of the review, staff has structured the municipal service review (MSR) into two parts:

- **Part I** focuses on CWA; and
- **Part II** will focus on MWD as it relates to wholesale water service in San Diego County.

Preparation and 60-Day Administrative Review

The draft report before San Diego LAFCO covering CWA has been prepared by LAFCO staff with targeted assistance from outside consultants. This includes intergovernmental coordination provided by Patrick Bouteller and Adam Wilson and technical expertise provided by Dr. Michael Hanemann (wholesale water) and Christine O'Rourke (environmental planning). The report evaluates CWA using a 15-year reporting period spanning fiscal years 2009 through 2023. This timeframe was intentionally selected to capture long-term trends across water sales, rate setting, reserves, debt, governance, and infrastructure management.

An administrative draft of the MSR was provided to the CWA for review with a 60-day comment period concluding on March 23, 2026. CWA submitted a written comment letter that generally acknowledged several of the report's baseline observations while highlighting recent operational changes at the agency. CWA's requested changes generally fall into four principal areas: (1) more express recognition of post-reporting-period developments, (2)

technical clarifications to certain findings and supporting narrative, (3) additional context regarding the report's discussion of potential future governance and reorganization alternatives, and (4) reconsideration of the recommended timing for LAFCO's next assessment of CWA, specifically requesting a return to the standard five-year cycle in lieu of the proposed two-year addendum. Staff's responses are provided in a companion memorandum — included as Attachment Three — and reflected, where appropriate, in the revised draft. A public draft document was published and made available on the LAFCO website on April 16, 2026.

DISCUSSION

This item is for San Diego LAFCO to hold a public hearing on the draft municipal service review covering the San Diego CWA. This also includes considering CWA's written comments on the administrative draft and staff's responses. The hearing provides an opportunity for the Commission and the public to offer early input on the scope, analysis, and draft determinations, including any additional areas of interest identified by the Commission. Should the Commission conclude the document meets expectations with respect to scope and content, staff will proceed with initiating a formal 45-day public review and comment period and return with a final version for formal action as early as August 2026. Should the Commission conclude additional work is needed, staff will revise the document accordingly and return with an updated draft at a future meeting.

ANALYSIS

See draft MSR prospectus provided as Attachment One.

RECOMMENDATION

It is recommended that San Diego LAFCO hold a public hearing on the draft municipal service review covering CWA and provide direction on the draft's scope and content.

Should the Commission conclude the draft meets expectations, staff will initiate a formal 45-day public review and comment period and return with a final version for Commission action as early as August 2026.

ALTERNATIVES FOR ACTION

This item is being presented to San Diego LAFCO for discussion and feedback only.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of a public hearing. The following procedures are recommended in consideration of this item:

1) Disclose any material ex-parte communications.
2) Receive verbal presentation from staff unless waived.
3) Open the hearing and invite public testimony.
4) Discuss item and provide feedback as requested.

On behalf of the Executive Officer,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

1) Draft CWA MSR: Prospectus
2) Draft MSR on Wholesale Water Service Providers (Part I): CWA
3) Memorandum | Staff Responses to CWA Comment Letter

Municipal Service Review

WHOLESALE WATER SERVICE AGENCIES - PART I: SAN DIEGO COUNTY WATER AUTHORITY

DRAFT PROSPECTUS
APRIL 2026

Why an MSR?

Municipal service reviews are best contextualized through the lens of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Municipal Service Reviews (MSR) serves as a centerpiece to this law, representing comprehensive studies on the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs generally prepare municipal service reviews to explicitly inform subsequent sphere determinations. LAFCOs also prepare municipal service reviews irrespective of making any specific sphere determinations to obtain and furnish information to contribute to the overall orderly development of local communities.

LAFCOs' municipal service reviews vary in scope and can focus on a particular agency or governmental service. LAFCOs may use the information generated from municipal service reviews to initiate other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies. Advisory guidelines on the preparation of municipal service reviews were published by the Governor's Office of Planning and Research in 2003 and remain the lone statewide document advising LAFCOs in fulfilling this mandate. All municipal service reviews – regardless of their intended purpose – culminate with LAFCOs preparing written statements addressing specific service factors listed under G.C. Section 56430. This includes infrastructure needs or deficiencies, growth and population trends, and financial standing.

Why Now?

The study represents Part I of a broader regional municipal service review evaluating the two primary wholesale water service providers serving San Diego County – the County Water Authority (CWA) and the Metropolitan Water District of Southern California (MWD). The report's central purpose is to independently assess how CWA and MWD deliver wholesale water services to San Diego County – and whether those services are positioned to meet current and future community needs. The assessment applies statutory review factors and locally adopted policy criteria, framed within LAFCO's prescribed growth management responsibilities under state law. This report marks the first stand-alone municipal service review of wholesale water services in San Diego LAFCO's history – its origins tracing directly to insights gained during the Commission's recent review of the Fallbrook and Rainbow communities' detachment proposals, which exposed structural challenges facing wholesale providers that the Commission had not previously encountered. The report independently assesses whether CWA and MWD are positioned to meet current and future community needs and may inform jurisdictional changes the Commission believes merit consideration.

Central Themes and Conclusions

CWA stands at a pivotal point in its 80-year history. The agency's decision in the early 1990s to expand beyond its original role of regional conveyance and storage into independent supply acquisition – prompted by drought and reliability concerns – has produced meaningful supply diversity. It has also produced a structural mismatch: a largely fixed cost base – reflecting debt service and long-term take-or-pay supply commitments – set against revenues that remain variable and tied to water sales.

The consequences flow downstream to CWA's 22 member agencies and the 3.1 million residents they serve. Wholesale rates have increased more than 150% during the 15-year period ending in 2023 – more than triple regional inflation, and well above MWD's 87% increase over the same period. Take-or-pay agreements with Imperial Irrigation District and Channelside Water Resources (the Carlsbad desalination plant operator) anchor this trajectory. CWA's annual deliveries are projected to fall below the take-or-pay floor as early as 2027, meaning ratepayers may soon fund water the region does not use. The projected declines reflect state-mandated conservation and, more significantly, local supply development by CWA's own member agencies – including the City of San Diego.

Overarching Theme: Scarcity to Affordability...

In seeking to insulate the region from supply disruption through investment in more reliable alternative supplies, CWA has introduced a different vulnerability: water insecurity measured not in availability but in affordability. The resulting strain on the agency's finances, and by extension, its governance, is the central theme of this review.

The financial pressure is already producing political consequences. Fallbrook PUD and Rainbow MWD recently detached after a contested process. The City of San Diego – CWA's largest member at 42% of Board voting power – declined in October 2025 to authorize extended rate increases, approving instead a two-year structure to evaluate CWA's response. Other member agencies have expressed similar sentiments through their Board representatives.

Recent leadership changes provide measured optimism. Decades of litigation with MWD have ended, opening remarketing pathways previously foreclosed. Leadership has also publicly acknowledged that the take-or-pay terms – particularly with Channelside – are unfavorable, reflecting a shift from past defensive posturing toward solutions.

LAFCO's assessment is that change is needed – either through continued internal reform or more fundamental organizational restructuring. Three reorganization concepts are identified that may warrant a full evaluation should circumstances require:

- Reorganize and dissolve CWA into subregional wholesale agencies.
- Reorganize and reset CWA to a regional conveyance, treatment, and storage role and return supply responsibilities to MWD.
- Reorganize and expand CWA to consolidate retail operations regionwide.

Why Reorganization Alternatives are on the Table…

LAFCO does not raise organizational alternatives lightly and recognizes any change would be challenging. These alternatives are raised because the affordability trajectory facing the region's ratepayers demands a response commensurate with the scale of the challenge.

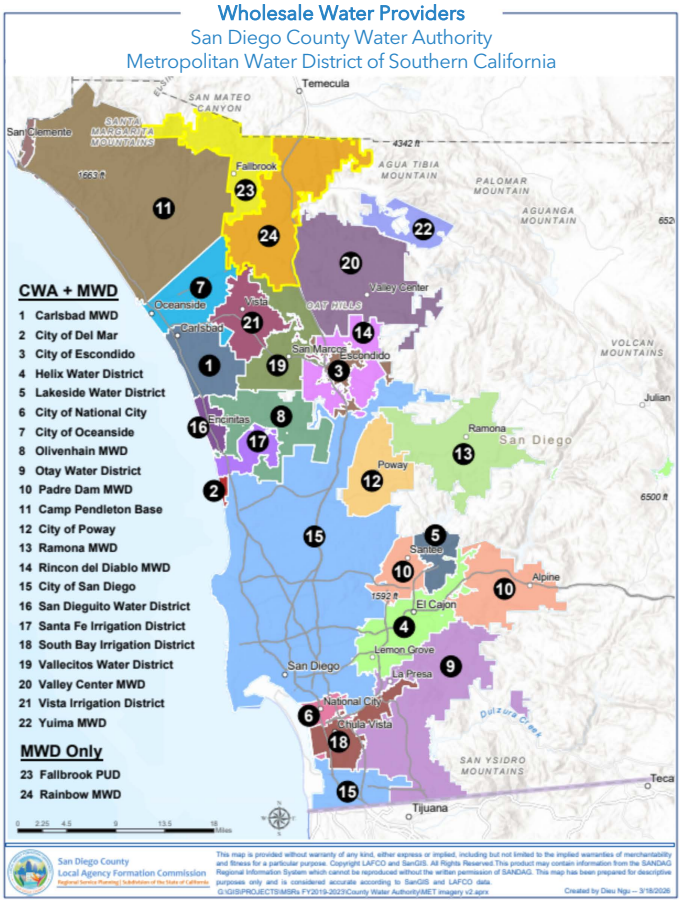


Why a Measured Pause on Next Steps…

Recent positive changes at CWA – new leadership, the MWD settlement, and execution of long-term water transfer agreements – warrant time to demonstrate effectiveness. LAFCO will prepare an addendum within 24 months to assess progress and whether a full evaluation of restructuring is warranted

Given recent positive developments – new leadership, the Business Model Review Process, the MWD settlement, and emerging remarketing opportunities – LAFCO believes it is appropriate to allow internal reforms time to demonstrate effectiveness. An addendum prepared within 24 months should assess whether measurable results warrant continued confidence or trigger a full evaluation of restructuring. This timeline aligns with the City of San Diego's two-year rate authorization. Events may outpace it: the City Council has proposed capping future payments to CWA – a move that, if implemented, would force the reorganization question outright.

Wholesale Water Providers
San Diego County Water Authority
Metropolitan Water District of Southern California



Key Conclusions

No. 1
1990s Decision to Change Business Model is Not Aging Well

CWA's transition in the early 1990s from owning and operating a countywide water conveyance and storage system delivering MWD supplies to becoming an independent wholesale supplier with its own treatment facilities was a strategic choice – one that prioritized drought-proofing over long-term affordability and has proven questionable. The take-or-pay agreements with Imperial Irrigation District and Channelside Water Resources have locked in supply commitments totaling 322,000 acre-feet annually for decades – volumes that now exceed projected demand – passing premium costs approaching $150 million annually to ratepayers at the close of the 15-year reporting period. The pursuit of supply independence has also set a precedent now repeating at smaller scale: CWA's own member agencies are rolling off to develop local supply alternatives, eroding CWA's customer base and mirroring the very strategy CWA employed against MWD.



Treated Water Hydrating San Diego Crops

No. 2
Structural Strain: Financial

CWA is financially stable but structurally strained. The fixed portion of the agency's expenses has jumped nearly 30 percentage points over the 15-year reporting period, now accounting for more than four-fifths of all costs – driven primarily by take-or-pay supply agreements that do not flex with falling demand. The combination of obligations to purchase more expensive – albeit more reliable – supplies and declining demand has produced cascading effects, most obviously with CWA's wholesale rate for untreated water increasing 164% over the same period – more than triple the rate of inflation and nearly double the change in MWD's rates. Less obvious is the significant drop in liquidity, with CWA's days' cash falling from nearly 19 months of operating reserves at the period's start to five months at its close, while rate reserves were cut in half over just the last few years to help soften rate impacts. Debt service has consumed more than $1.7 billion during this period, but only 30% has gone to principal – reflecting a continued focus on interest-heavy payments. Looking ahead, CWA projects deliveries may fall below the 322,000 acre-foot take-or-pay floor by 2027, triggering payments for water not used unless remarketed to third parties outside the San Diego region. Member agency potable reuse projects – led by the City of San Diego – are separately expected to permanently reduce CWA sales by an estimated one-third, or 111,000 acre-feet annually, by 2035, compounding revenue pressure further still.

No. 3
Structural Strain: Governance

CWA's weighted voting structure, based on cumulative financial contributions, works when all member agencies are equally invested in the agency's trajectory – it does not work well otherwise. Weighted voting is becoming increasingly strained as roll-offs accelerate, widening the gap between decision-making authority and the member agencies bearing financial consequences - particularly smaller agencies with fewer alternatives that typically serve more economically constrained communities. Ratesetting, debt management, and ...

No. 3 (cont.)

capital improvement prioritization are most vulnerable to short-term maneuvering. The City of San Diego now holds 42% of Board voting power and has historically served as CWA's anchor member and de facto north star – including supporting and advocating for the take-or-pay agreements with Imperial Irrigation District and Channelside Water Resources. This dynamic is changing. The City's October 2025 decision to limit its rate authorization to two years signals a divergence in priorities — and potentially the beginning of an adversarial posture with CWA. This opens CWA to uncharted governance territory: the agency cannot easily achieve the quorum necessary for closed session if the City of San Diego is the opposing party, directly or indirectly, complicating its ability to navigate disputes with its dominant member.

No. 4
Tipping Point

CWA's financial model — and by extension its supporting governance system — is approaching an important and potentially breaking point. CWA's entire rate structure has been premised on selling enough water to member agencies to cover contractual commitments. Notwithstanding actions by new leadership to remarket take-or-pay supplies, renegotiate contractual commitments, or implement other mitigating measures, this assumption is projected to come undone beginning in 2027 when CWA begins paying for water it cannot sell. Under this scenario, every unsold acrefoot below the 322,000 take-or-pay floor represents unrecoverable financial loss that must be recovered through higher rates on remaining sales — which presumably accelerates member agency roll-off to local supply alternatives. The spiral is selfreinforcing, and the math becomes increasingly unfavorable, as evident in the lopsided rate-increase-to-sales-decline ratio of 4-to-1 over the reporting period (meaning for every 1% decline in volume, rates increased 4% to break even). Applying this ratio to the expected loss of 111,000 acre-feet from planned potable reuse alone, CWA's rates are positioned to increase by another 133% between 2023 and 2035 — the equivalent of an 11% average annual increase passed on to member agencies, who add their own cost increases before billing ratepayers.

No. 5
Alignment Tension: City 10 + City Council

The City of San Diego's CWA representatives – the City 10 – have not consistently aligned with the priorities of the City Council, whether directly or indirectly through the Council's governing role over the City's Public Utilities Department. This misalignment has most notably surfaced on rate-setting and the Pure Water program, where the City 10 and the City Council have taken opposing positions. The disconnect contributes to governance that is fragmented and less predictable for CWA as a whole to navigate, while leaving City Councilmembers to answer to ratepayers for decisions they did not make. This fragmentation is further complicated by the City 10's own voting practice: if six or more representatives vote in a particular direction, the City's entire 42% voting share at CWA is cast accordingly – meaning six appointees can effectively shape regional water policy for 3.1 million residents, potentially over the objections of the elected officials they ostensibly represent.

No. 6
Positive Leadership Changes

CWA's leadership changes beginning at the close of the 15-year reporting period in 2023 have been clearly positive, reflecting a purposeful shift toward greater accountability and rigor. Some changes have drawn understandable public attention, marked by a more transparent and collaborative approach with regional partners after years of adversarial positioning. Others have been less publicly prominent but equally important — most notably CWA's recent decision to discontinue the use of outside consulting services under legal privilege to advise Board members serving on MWD, an important step that removes the appearance of outsized influence by external interests in favor of improved transparency. These and other developments detailed in this report suggest the new leadership team is moving with purpose to the benefit of the region.

No. 7
Agency in Transition

Three years separate the close of this review's 15-year reporting period from its anticipated finalization – a period characterized by meaningful changes that merit the Commission's attention. Since the end of the reporting period in 2023, through new leadership, CWA has experienced a succession of material developments – some long anticipated, others newly forged – that collectively show an agency in active transition. These developments are not reflected in the financial analysis and written determinations that follow, which are properly anchored to the reporting period. They are, however, material and directly relevant to how LAFCO interprets the analysis and what it concludes about the appropriate next steps. The most significant developments since the close of the reporting period follow:

- **Membership Changes |**
  Fallbrook PUD formally detached from CWA in January 2024, followed by Rainbow MWD in November 2024 – completing a contested exit process that had been underway during the reporting period and reshaping CWA's member agency composition and revenue base.

- **MWD Settlement |**
  CWA and MWD reached a settlement in June 2025, resolving fifteen years of active litigation over water rates and exchange terms. The settlement reopens pathways for regional collaboration that had been foreclosed throughout the reporting period and establishes a clearer framework for remarketing CWA's surplus QSA supplies.



- **Water Exchange Agreements |**
  CWA executed two separate 21-year water exchange agreements in March and April 2026, respectively, with Western MWD and Eastern MWD in Riverside County. The Western agreement commits 10,000 acre-feet annually at $1,304 per acre-foot – a price that exceeds CWA's own QSA supply cost of $1,050 per acre-foot and escalates at 4.0% annually. The agreement also includes an upfront pre-purchase of 30,000 acre-feet generating approximately $39.1 million in near-term revenue. The Eastern agreement, similarly, ramps up to a commitment of 10,000 acre-feet annually over 21 years at $1,350 per acre-foot and includes an advance purchase of approximately 30,000 acre-feet for roughly $19 million, with total revenue estimated at approximately $74 million over the first five years. Additional exchange agreements are reportedly in negotiation. Taken together, these transactions represent the first concrete showing of CWA's ability to convert surplus QSA obligations – costs that would otherwise be absorbed as ratepayer losses – into a net revenue stream. Whether the exchange program can be executed at sufficient scale to meaningfully offset the structural imbalance documented in this review remains an open question.

- **Bureau of Reclamation MOU |**
  CWA's Board approved a Memorandum of Understanding in February 2026 with the United States Bureau of Reclamation and other Colorado River parties to explore an interstate exchange framework that could deliver CWA's desalinated supplies to Arizona and Nevada – potentially opening new long-term revenue markets beyond Southern California.

- **Business Model Review Process |**
  CWA initiated a structured Business Model Review Process in early 2026 involving its management team and member agency general managers, focused on evaluating financial, governance, and cost allocation reforms. The process is in its early stages with no final recommendations to date.

No. 8
Change is Needed

CWA's structural challenges – fiscal and governance – warrant potential consideration of restructuring options ranging from internal reforms to more fundamental organizational changes. Relative to its oversight role, LAFCO believes three reorganization concepts have sufficient merit to warrant full evaluation should circumstances require. These concepts would include an analysis of cost, legal, operational, equity, and affordability impacts, and assess whether restructuring can address CWA's and the region's wholesale water service challenges, improve service, and reduce costs. The concepts and their potential benefits are summarized below with complementary context footnoted.

- **Evolve to Subregions |**
  Dissolve CWA and concurrently form two or more new subregional wholesale agencies as designated successors that proportionally assume CWA's assets and liabilities. This option recognizes CWA encompasses communities with divergent water supply profiles that could benefit from tailored supply portfolios and rate structures – including debt service – matched to common member needs rather than blending across dissimilar service conditions.

- **Reset to Regional Conveyance Role |**
  Dissolve CWA and concurrently form a new regional water conveyance special district with treatment and storage duties as a limited successor agency to hold MWD membership, billing duties, and maintenance responsibilities; MWD would assume lead successor role for CWA's assets and liabilities. This option effectively reverses CWA's post-1991 transformation from pass-through agency to independent supplier, returning wholesale supply decisions to MWD.

- **Enhance CWA to Assume Retail Operations |**
  Reorganize and expand CWA to operate as both wholesaler and retailer, allowing the agency to assume – gradually or otherwise – full control of potable water management across the region. This option consolidates the fragmented retail landscape under unified regional management, eliminating duplicative administrative costs, optimizing treatment and distribution infrastructure regionwide, and better aligning rate structures.

No. 9
Measured Pause

Given the magnitude and positivity of recent changes – new leadership, MWD settlement, and CWA's execution of long-term water transfer agreements – it is appropriate to allow current internal reforms time to demonstrate effectiveness before committing resources to explore fundamental organizational alternatives. LAFCO should prepare an addendum to this municipal service review within 24 months to update the Commission on CWA's progress and assess whether proceeding with a full evaluation of organizational restructuring may be warranted – which may ultimately include initiating actions as authorized by the Legislature and subject to voter confirmation.



Recommendations

The following recommendations identify priority actions and policy directions for San Diego LAFCO, CWA, and/or its member agencies. Recommendations for LAFCO action are dependent on subsequent directives from the Commission through the annually adopted work plan.

1) It is recommended CWA explore reforms with its member agencies to better align its weighted voting structure with current financial responsibilities, particularly as roll-offs widen the gap between decision-making authority and the agencies bearing financial consequences.

2) It is recommended CWA explore support among its member agencies to propose a special property tax to provide supplemental fixed revenues, helping ease pressures on all ratepayers while also creating capacity for rate relief programs.

a) CWA is almost entirely reliant on local water rate increases to fund continually increasing costs. Several water districts in Southern California have an Ad Valorem Property tax to pay for costs associated with the State Water Project, and some districts, including MWD, utilize property taxes to repay their own general obligation bonds. CWA is limited in its revenue sources, increasing reliance on variable ratepayer revenue and preventing CWA from providing special rates for agriculture and/or disadvantaged communities.

3) Recent public representations by CWA officials have suggested the City of San Diego revisit and defer full implementation of its Pure Water Program. LAFCO does not share this view. It is recommended CWA support the full implementation of both Phase I and Phase II, recognizing the program's significant public benefits for regional water resilience and long-term affordability.

a) Potable reuse advances San Diego's commitment to treating wastewater to the highest practicable standard before it reaches the Pacific Ocean – an obligation underscored by the ongoing public health and environmental crisis in the Tijuana River watershed. Whatever its cross-border origins, that crisis illustrates the costs borne by coastal communities when wastewater treatment falls short. The lesson argues for greater ambition in San Diego's own program, not less.

4) It is recommended CWA and MWD proactively explore partnership opportunities to advance long-term water reliability, financial stability, and operational efficiency for the benefit of the Southern California region specific to potable reuse.



Recycled Water at Bea Evenson Fountain

5) It is recommended the City of San Diego review its appointment and governance practices for its ten CWA Board representatives to better align their actions with the policy direction of the Mayor and City Council.

a) Unlike other CWA member agencies – where board representatives also govern their own water districts and bear direct accountability for CWA decisions affecting their ratepayers – San Diego's representatives operate without a comparable alignment structure. This has led to misalignment with the City's Public Utilities Department and its governing body (the City Council) on rates, infrastructure costs, and key policy direction throughout and post the15-year reporting period. This is not without precedent: the City of Los Angeles maintains a separately appointed board overseeing its Department of Water and Power, whose members also represent the City at MWD. A comparable structure in San Diego would address the existing misalignment and improve governance predictability for both the City and CWA as a whole.

b) Further exacerbating this disconnect is the City's current bloc-voting policy. Under this policy, six of ten representatives can commit the City's entire 42% voting share – concentrating significant regional decision-making authority in appointees who, on multiple occasions, have taken positions at odds with the stated position of the City of San Diego's Public Utilities Department they represent, its governing board (the City Council), and the Mayor. This includes key issues affecting the City's largest infrastructure project (Pure Water), its relationship with MWD, and rate-setting.

6) LAFCO should prepare an addendum to this municipal service review within 24 months to update the Commission on CWA's progress and assess whether proceeding with a full evaluation of organizational restructuring is warranted – which may ultimately include initiating actions as authorized by the Legislature.

7) Notwithstanding other recommendations, LAFCO should proceed with a sphere of influence update affirming CWA's existing designation with no changes.





Recreation at San Vicente and Lake Wohlford Reservoirs

About Us

Local Agency Formation Commissions – or LAFCOs – are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties of California. LAFCOs exercise regulatory and planning powers to coordinate publicly provided services, such as water or fire protection, and match them with community needs. The goal of every LAFCO is to facilitate smart growth while avoiding urban sprawl.

San Diego LAFCO operates within the second largest county in California as measured by population and currently tasked with overseeing over 100 local governmental agencies.

San Diego LAFCO's Commission

San Diego LAFCO is governed by a 13-member "Commission" comprising county, city, special district, and public members. All Commissioners are appointed elected officials with the exception of the two public members. Commissioners serve four-year terms and divided between "regulars" and "alternates" and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. Commissioners are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process.



Kristi Becker
Chair
City of Solana Beach



Baron Willis
Vice Chair
Alpine Fire Protection



Stephen Whitburn
Past Chair
City of San Diego



Joel Anderson
Commissioner
County of San Diego



Paloma Aguirre
Commissioner
County of San Diego



Jo MacKenzie
Commissioner
Vista Irrigation



Dane White
Commissioner
City of Escondido



Bridgette Browning
Commissioner
Public Member



Eileen Delaney
Alternate
Public Member



David Drake
Alternate
Rincon Del Diablo



John McCann
Alternate
City of Chula Vista



Monica Montgomery-Steppe
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego

SAN DIEGO COUNTY
LOCAL AGENCY FORMATION COMMISSION



MUNICIPAL SERVICE REVIEW
WHOLESALE WATER PROVIDERS

PART ONE
San Diego County Water Authority

PUBLIC DRAFT
April 2026

PREPARED BY:
Priscilla Mumpower, Assistant Executive Officer, Project Manager

ASSISTED BY:
Consultant Dr. Michael Haneman, Water Economist
Consultant Patrick Bouteller, Government Relations
Consultant Adam Wilson, Government Relations
Consultant Christine O'Rourke, Environmental Planning

Blank for Photocopying

ACKNOWLEDGEMENTS

San Diego LAFCO gratefully acknowledges the time and effort of officials and staff from the San Diego County Water Authority for providing information in support of this report's preparation. This includes – but is not limited to – the following individuals:

General Manager, Dan Denham
Chief Operating Officer, Tish Berge
Assistant General Manager, Jaymie Bradford

LAFCO also extends its sincere appreciation to Chris Cate, LAFCO's former Government Relations Consultant, for his direct contributions to the development of this report and leadership in facilitating meetings of the Ad Hoc Committee specific to this review.

Lastly, LAFCO expresses its appreciation to the members of the Ad Hoc Committee for providing valuable guidance and perspective throughout this review. This includes representatives from the following member agencies:

City of Oceanside
City of San Diego
Helix Water District
Olivenhain Municipal Water District
Otay Water District
Padre Dam Municipal Water District
Ramona Municipal Water District
San Diego County Water Authority
Santa Fe Irrigation District
Valley Center Municipal Water District
Yuima Municipal Water District

Blank for Photocopying

TABLE OF CONTENTS

CHAPTER ONE | INTRODUCTION

1.0 Local Agency Formation Commissions (LAFCO)
- 1.1 Authority and Objectives 7
- 1.2 Regulatory Responsibilities 8
- 1.3 Planning Responsibilities 9
- 1.4 LAFCO Decision-Making 11
- 1.5 Prescriptive Funding 12

2.0 San Diego LAFCO
- 2.1 Adopted Policies and Procedures 12
- 2.2 Commission Information 13
- 2.3 Administration Information 14

CHAPTER TWO | EXECUTIVE SUMMARY

1.0 Report Overview
- 1.1 Key Premises, Assumptions, and Benchmarks 16

2.0 Report Organization 21
3.0 Geographic Area 21
4.0 Conclusions + Recommendations
- 4.1 Central Themes and Conclusions 21
- 4.2 Recommendations 30

CHAPTER THREE | AGENCY PROFILE

A. SAN DIEGO COUNTY WATER AUTHORITY

1.0 Overview 33
2.0 Boundaries + Related Considerations
- 2.1 Jurisdictional Boundary 36
- 2.2 Sphere of Influence 38
- 2.3 Relationship to Local General Plans 39
- 2.4 College and School District within Boundaries 40

3.0 Demographics
- 3.1 Population and Housing 41
- 3.2 Age Distribution 45
- 3.3 Income Characteristics 46
- 3.4 Others: Unemployment and More 47
- 3.5 Unhoused Demographics 48
- 3.6 Environmental Justice 50

4.0 Organization
- 4.1 Board of Directors 58
- 4.2 Board Committees 61
- 4.3 Administration 62

5.0 Municipal Service Functions
- 5.1 Water Service 64

6.0 Finances
- 6.1 Budget and Implementation 64
- 6.2 Water Sales and Water Rates 69
- 6.3 Reserves 70
- 6.4 Financial Statements 72
- 6.5 Long Term Debt 76
- 6.6 Fiscal Indicators | Measuring Liquidity, Capital, Margin + Asset Management 77
- 6.7 Employee Pension Obligations 81
- 6.8 Other Post-Employment Benefit Obligations 85

7.0 Written Determinations
- 7.1 Growth Projections & Related Demographics 85
- 7.2 Location and Characteristics of Disadvantaged Unincorporated Communities 87
- 7.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies 87
- 7.4 Financial Ability to Provide Services 89
- 7.5 Status and Opportunities for Shared Facilities and Resources 93
- 7.6 Local Accountability and Government Restructure Options 96
- 7.7 Environmental Justice (Adopted Policy) 101

APPENDICES

Appendix A |
Background Information 103

Appendix B |
Dr. Michael Hanemann's Analysis of Wholesale Water Service 111

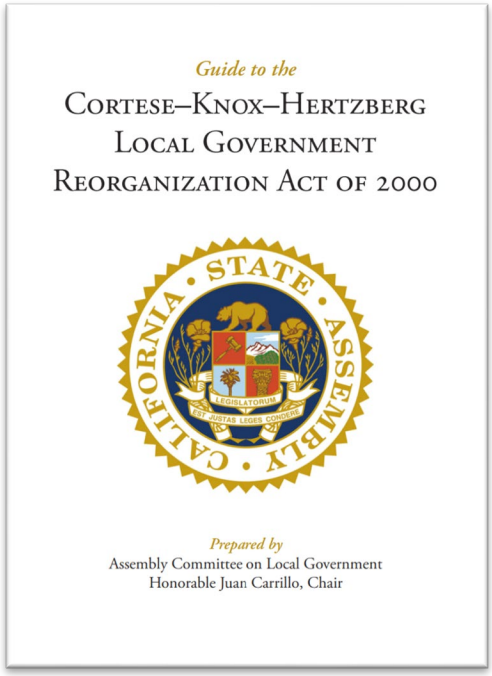
References + Sources X

CHAPTER ONE
INTRODUCTION

1.0 LOCAL AGENCY FORMATION COMMISSIONS

1.1 Authority and Objectives

Local Agency Formation Commissions (LAFCOs) are political subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs exercise regulatory and planning authority delegated by the Legislature to coordinate the establishment, expansion, and reorganization of cities, towns, and special districts – including their municipal service areas. Each LAFCO is comprised of locally elected and appointed officials who apply powers currently codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") with principal oversight provided by the Assembly Committee on Local Government. Governor Edmund "Pat" Brown Sr. established LAFCOs during his administration (1959-1967) to address the needs of California's rapidly growing and diversifying population. The underlying goal was straightforward: promote governmental efficiency by coordinating how local agencies form and evolve across the state.



LAFCOs' regulatory and planning powers are guided by specific purposes and objectives that collectively define the Legislature's regional growth management priorities, as outlined in Government Code Section 56301. This foundational statute establishes two complementary mandates for LAFCOs.

First, LAFCOs must pursue core policy goals through regulatory and planning powers:

> *"Among the purposes of the commission are discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions.*

Second, LAFCOs serve an analytical and advisory function:

> *One of the objects of the commission is to make studies and furnish information to contribute to the logical and reasonable development of local agencies and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities."*

LAFCO decisions are legislative in nature and therefore not subject to an outside appeal process – only courts can overturn LAFCO actions. This legislative authority extends to broad conditioning powers: LAFCOs may attach terms and requirements to their regulatory and planning approvals, provided those conditions do not directly impact land use density or intensity, property development, or subdivision requirements.

1.2 Regulatory Responsibilities

LAFCOs' principal regulatory responsibility involves approving or disapproving jurisdictional changes affecting the establishment, expansion, and reorganization of cities, towns, and most special districts in California.[1] Beyond boundary decisions, LAFCOs oversee the approval process when these agencies seek to provide new or extended services beyond their jurisdictional boundaries through contracts or agreements. LAFCOs also regulate special district actions to activate new service functions and service classes or divest existing services.

Overseeing Local Governments' Boundaries + Municipal Service Areas...

LAFCOs have been responsible since 1963 to oversee formation, expansion, reorganization, and dissolution actions involving cities, towns, and most special districts in California with limited exceptions.

LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH have expanded this role, authorizing LAFCOs to independently initiate certain jurisdictional changes – including the formation, consolidation, and dissolution of special districts – when consistent with community needs.

[1] CKH defines "special district" to mean any state agency formed under general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts are subject to LAFCO jurisdiction except: school districts, community college districts, assessment districts, improvement districts, community facilities districts, and air pollution control districts.

1.3 Planning Responsibilities

LAFCOs inform their regulatory actions through two central planning responsibilities: sphere of influence determinations and municipal service reviews. Sphere of influence ("sphere") determinations have been a core LAFCO function since 1971, serving as the Legislature's version of urban growth boundaries by delineating the appropriate interface between urban and non-urban uses within each county. Municipal service reviews, by contrast, represent a relatively new planning tool enacted as part of CKH in 2000 to inform – among other activities – sphere determinations as well as any associated jurisdictional changes.

Informing + Telegraphing Boundary and Service Changes...

LAFCOs are tasked with planning the location of future urban uses through two interrelated activities: (a) establish and update spheres of influence as gatekeepers to future jurisdictional changes and (b) prepare municipal service reviews to independently evaluate community needs.

The Legislature has established a structured relationship between these two planning tools and now requires spheres be reviewed and updated by LAFCOs every five years as appropriate and done so only after preparing new municipal service reviews covering the region or affected agencies. This framework, in effect since 2008, helps ensure LAFCOs effectively align governmental services with current and anticipated community needs. The function and role of each planning responsibility is detailed below.

Spheres of Influence

LAFCOs establish, amend, and update spheres for all cities, towns, and most special districts in California to designate territory representing the appropriate and probable future service areas and jurisdictional boundaries of each agency. Importantly, all jurisdictional changes – such as annexations and detachments – must be consistent with the affected agencies' spheres with limited statutory exceptions.[2] Spheres also play an increasingly important role in regional planning, as regional councils of governments consider them when allocating housing need assignments for counties, towns, and cities.

Gatekeeping Boundaries + Municipal Services...

Spheres serve as the Legislature's version of urban growth boundaries and – among other items – delineate where local agencies may seek future annexations or outside service approvals with LAFCOs.

[2] Exceptions, where jurisdictional boundary changes do not require consistency with the affected agencies' spheres, include annexations of State correctional facilities or annexations to cities involving city-owned lands used for municipal purposes.

All sphere determinations – whether self-initiated as part of the five-year update cycle or in response to individual applicants – require LAFCOs to prepare written statements addressing five specific planning factors listed under Government Code Section 56425. These mandatory factors range from evaluating current and future land uses to assessing the existence of pertinent communities of interest. The written statements are intended to orient LAFCOs toward the core principles underlying the orderly development of local agencies consistent with the needs of affected communities both now and in the future. The five mandated planning factors are summarized below.

1. Present and planned land uses, including agricultural and open space.

2. Present and probable need for public facilities and services in the area.

3. Present capacity of public facilities and adequacy of public services the agency provides or is authorized to provide.

4. Existence of any social or economic communities of interest in the area.

5. If the city or special district provides water, wastewater, or fire protection, the need for those services in any disadvantaged unincorporated communities in the sphere.

Municipal Service Reviews

Municipal service reviews serve as a centerpiece to CKH's enactment in 2001 and represent comprehensive studies on the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs generally prepare municipal service reviews to explicitly inform subsequent sphere determinations. LAFCOs also prepare municipal service reviews irrespective of making any specific sphere determinations to obtain and furnish information to contribute to the overall orderly development of local communities.

State-Required Check-Ins…

Municipal service reviews fulfill the Legislature's interests in LAFCOs regularly assessing the adequacy and performance of local governmental services in order to inform potential future actions ranging from sphere determinations to reorganizations.

LAFCOs' municipal service reviews vary in scope and can focus on a particular agency or governmental service. LAFCOs may use the information generated from municipal service reviews to initiate other actions under their authority, such as forming, consolidating, or

dissolving one or more local agencies. Advisory guidelines on the preparation of municipal service reviews were published by the Governor's Office of Planning and Research in 2003 and remain the lone statewide document advising LAFCOs in fulfilling this mandate. All municipal service reviews – regardless of their intended purpose – culminate with LAFCOs preparing written statements addressing specific service factors listed under G.C. Section 56430. This includes infrastructure needs or deficiencies, growth and population trends, and financial standing. The mandated service factors are summarized below in short form with additional details footnoted.[3]

1. Growth and population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to affected spheres of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of agencies to provide services.
5. Status and opportunities for shared facilities.
6. Local accountability for community service needs, including structure and operational efficiencies.
7. Matters relating to effective or efficient service delivery, as required by policy.

1.4 LAFCO Decision-Making

LAFCOs are generally governed by an 11-member appointed board comprising three county supervisors, three city council members, three independent special district members, and two representatives of the general public. Some larger LAFCOs – including San Diego – have additional board seats dedicated to specific cities through special legislation. All members serve four-year terms and are divided between "regular" and "alternate" designations. Appointments are made locally within

Appointments + Duties...

State law prescribes the appointment process for LAFCOs with county, city, and district members all appointed from among their elected ranks. Public members are appointed by the other appointed officials serving on LAFCOs. All members are tasked to independently discharge their responsibilities for the good of the region.

[3] Determination No. 2 was added to the municipal service review process by Senate Bill 244 effective January 1, 2012. The definition of "disadvantaged unincorporated community" is defined under G.C. Section 56330.5 to mean inhabited territory that constitutes all or a portion of an area with an annual median household income that is less than 80 percent of the *statewide* annual median household income; the latter amount currently totaling $53,735 (*emphasis*).

each membership category. Members are statutorily directed to exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO commissioners are subject to standard disclosure requirements and must file annual statements of economic interests.

LAFCOs have sole authority in administering their legislative responsibilities and decisions are not subject to an outside appeal process. All LAFCOs are independent of local government with the majority employing their own staff; an increasingly smaller portion of LAFCOs, however, choose to contract with their local county government for staff support services. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the membership. All LAFCOs must also appoint their own legal counsel.

1.5 Prescriptive Funding

CKH requires local agencies to fully fund LAFCOs' annual operating costs through a prescribed funding structure. This funding arrangement stems from early negotiations during LAFCO's creation, ensuring that local officials – rather than the Legislature – retain decision-making authority over commission operations. Counties are generally responsible for one-third of LAFCO's annual operating costs, with the remaining two-thirds divided equally between cities and independent special districts. Allocations to cities and special districts are calculated using a standard formula based on total revenues as reported by the State Controller's Office, unless an alternative method has been approved by a majority of the affected local agencies. Funding proportions may differ when LAFCOs have additional representation through special legislation.

2.0 SAN DIEGO LAFCO

2.1 Adopted Policies and Procedures

San Diego LAFCO's existing policies and procedures were largely established in the 1970s and subsequently updated in the 2000s following CKH's enactment. These policies and procedures collectively guide the Commission in implementing LAFCO law in San Diego County consistent with local regional growth management priorities. The Commission has also established specific policies and procedures for preparing sphere updates and municipal service reviews. This includes Policy L-106, which directs the Executive Officer to regularly prepare municipal service reviews of appropriate scope and detail to inform the Commission's sphere updates at approximate five-year intervals.

2.2 Commission Information

San Diego LAFCO is governed by a 13-member "Commission" comprised of county, city, special district, and public members. The Commission is further distinguished between eight regular or voting members and five alternates. All Commissioners are appointed elected officials, except for the two public members. The Commission holds regular meetings on the first Monday of each month at the County of San Diego Administration Center located at 1600 Pacific Highway in San Diego, California. Meetings start at 8:15 A.M. in Room 302 and live streamed at www.sdlafco.org. Video recordings of past meetings are also online.

The Commission roster as of May 2026.



Kristi Becker
Chair
City of Solana Beach



Baron Willis
Vice Chair
Alpine Fire Protection



Stephen Whitburn
Past Chair
City of San Diego



Joel Anderson
Commissioner
County of San Diego



Paloma Aguirre
Commissioner
County of San Diego



Jo MacKenzie
Commissioner
Vista Irrigation



Dane White
Commissioner
City of Escondido



Bridgette Browning
Commissioner
Public Member



Eileen Delaney
Alternate
Public Member



David Drake
Alternate
Rincon Del Diablo



John McCann
Alternate
City of Chula Vista



Monica Montgomery-Steppe
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego

2.3 Administration Information

San Diego LAFCO's administrative office is located in the Bankers Hill area of San Diego at 2550 Fifth Avenue, Suite 725. Street parking is readily available. While LAFCO is open to the public Monday through Friday during normal business hours (8:00 A.M. to 5:00 P.M.), appointments to discuss proposals, studies, or other matters are encouraged to ensure staff availability and can be scheduled ahead by calling 619.321.3380. Communication by e-mail is also welcome and should be directed to lafco@sdcounty.ca.gov. Additional information regarding San Diego LAFCO's programs and activities is also available online at www.sdlafco.org. LAFCO is also available on most social media platforms.

CHAPTER TWO
EXECUTIVE SUMMARY

1.0 OVERVIEW

This report represents the first of two parts comprising San Diego LAFCO's scheduled municipal service review covering public wholesale water services in San Diego County. It has been prepared by LAFCO staff, with technical assistance from outside consultants as well as an ad hoc committee comprising senior staff from several local public retail water agencies.[4] The review has been conducted in accordance with the Commission's adopted workplan and the scope of work approved by the Executive Officer pursuant to delegations established under adopted policy.[5] Consistent with this delegation, the Executive Officer has administratively organized the two parts with separate processing timelines to allow the Commission and public to give each agency's findings the focused attention they warrant, given their distinct governance and service relationships. This first part focuses on the San Diego County Water Authority (CWA). The second part will be presented separately and will cover the Metropolitan Water District of Southern California (MWD).

Wholesale Water MSR: Part I: County Water Authority...

This report represents the first of two parts of the Commission's scheduled municipal service review covering public wholesale water service providers in San Diego County. This report is the first of two parts to the review and covers the San Diego County Water Authority.

The report's central purpose is to independently assess how CWA plans, funds, and delivers wholesale water services to member agencies in San Diego County, and its relationship to current and future community needs. The assessment applies statutory review factors and locally adopted policy criteria, framed within LAFCO's prescribed growth management responsibilities under state law. This report marks the first of its kind for the Commission, reflecting a recognition of the increasing importance of wholesale water service operations in San Diego County and a deliberate decision to commit resources to evaluating these agencies in a stand-alone municipal service review – something that has not been done before.

Why This Report...

This report marks the first stand-alone municipal service review of wholesale water services in San Diego LAFCO's history – its origins tracing directly to insights gained during the Commission's recent review of the Fallbrook and Rainbow communities' detachment proposals, which exposed structural challenges facing wholesale providers that the Commission had not previously encountered.

[4] Ad hoc member agencies are listed on page 3 of this report.
[5] Reference to LAFCO Policy L-106.

LAFCO will use this report in several ways. First, it satisfies LAFCO's legislative mandate to independently prepare municipal service reviews on a regular basis to "advantageously inform" the public and local decision-makers through an objective and distinct analytical lens.[6] Second, the report is expected to inform – and potentially telegraph – jurisdictional changes the Commission believes merit consideration over the next five to ten years, providing the subject agencies and stakeholders advance notice of LAFCO's assessment and direction. Third, should circumstances warrant, the Commission may use this report as initiating authority under statute to propose one or more reorganizations affecting the subject agencies and/or their service areas – including forming new special districts, consolidating existing special districts, and/or dissolving and merging special districts into successor agencies.

1.1 Key Premises, Assumptions + Benchmarks

The Executive Officer has designed this two-part report to serve as a foundational document to be periodically drawn on, and expanded upon, by LAFCO in preparing future municipal service reviews. This foundational aspect involves devoting attention to documenting CWA and MWD historical evolution and creating a relatively extensive catalog of demographic, service, and financial information. It is expected LAFCO will revisit the report and its key assumptions and benchmarks in full approximately every five to ten years, consistent with the timetable established by the Legislature and reflected in local policy. This periodic review will enable the Commission to assess the accuracy of earlier projections and adjust its approach accordingly. Key premises, assumptions, and benchmarks underlying the report follow.

Defining Scope

Subject Agencies Covered

The report explicitly evaluates the two affected local agencies that primarily provide public wholesale water service in San Diego County and fall under the Commission's oversight: CWA and MWD. These two wholesale providers collectively serve 22 local government agencies across the urbanized footprint of San Diego County, including 17 of the region's 18 cities. Eastern MWD and the City of San Diego are the only other

Who's Covered...

The report's scope is specific to reviewing two of the four wholesale water service providers that covering the majority of residents in San Diego County: CWA (Part I) and MWD (Part II). The other two public wholesalers – Eastern MWD and the City of San Diego – have been or will be evaluated by LAFCO in separate municipal service reviews.

[6] Reference to Government Code Section 56301.

public wholesalers in the county, with the former supplying Fallbrook PUD and Rainbow MWD and the latter supplying California American Water Company for service to the City of Coronado – the only city not directly served by CWA or MWD.

Defining Scale

Extent of Municipal Services Covered

The report is scaled to review the primary active municipal service function provided by the two affected agencies – CWA and MWD – specific to wholesale water service. (Both agencies also provide hydroelectric power generation through their water conveyance systems; this function is largely omitted from the review other than incorporating its relatively modest influence on financial standing.) The review of CWA in Part I is comprehensive and includes a relatively full accounting of the agency's operations. The review of MWD in Part II is abbreviated and largely limited to the agency's operations and related footprint within San Diego County.

What's Covered...

This report focuses on wholesale water service – the primary municipal function of both CWA and MWD. The review of CWA is comprehensive; the review of MWD is limited to its operations within San Diego County. LAFCO recommends a joint municipal service review prepared in collaboration among the LAFCOs of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties to more comprehensively evaluate MWD across its full Southern California service footprint.

Looking Back

Determining Reporting Period

The reporting period for data collection has been set to cover an expanded fifteen-year fiscal period from 2009 to 2023, with limited exceptions. This represents a meaningful departure from LAFCO's typical five-year data collection window – a deliberate choice driven by the nature of wholesale water infrastructure and the significant investments made by the two subject agencies during this expanded period, most notably CWA's transition from water transporter to independent water supplier. The 2023 end date reflects the most recently completed audited fiscal year for both agencies at the time the study was initiated. The resulting data trends inform the Commission's core

Informing Years...

This report departs from LAFCO's typical five-year data window, extending to fifteen years to capture the significant investments – particularly CWA's transition to independent supplier – that now define the region's wholesale water landscape.

analysis and projections on demographics, service capacities and demands, and financial standing with particular attention to patterns most relevant for near-term forecasting.

Looking Forward

Reporting Timeframe + Coverage of Future Actions

The reporting timeframe has been oriented to cover the next five-year period through 2031, with five years serving as the analysis anchor contemplated under state law. This timeframe is consistent with the five-year cycle prescribed for municipal service reviews and will directly inform all related sphere of influence, boundary, and out-of-agency service actions affecting the two affected agencies over the next 60 months. Any sphere, boundary, or out-of-agency proposals during the reporting timeframe deemed inconsistent with the analysis provided in this report will be disfavored unless supported by additional analysis—whether in the form of an addendum or new report.

2031 Benchmark...

This report directly informs all jurisdictional actions affecting CWA and MWD through 2031. Proposals deemed inconsistent with its analysis will be disfavored unless supported by an addendum or new report.

Demographics

Calculating Population, Housing + More

Recent and current residential population and housing estimates in the report draw on data generated by Esri and its mapping analyses of census tracts overlaying the two affected agencies in San Diego County. This approach is consistent with recent LAFCO practice in preparing municipal service reviews given Esri's mapping software's ability to readily synchronize with both city and special district boundaries. Related projections over the succeeding five-year reporting timeframe are made by LAFCO and generally – unless noted otherwise – apply the estimated growth trend over the preceding fifteen years.

Data Source...

This report uses Esri demographic data – which sources its data from the American Community Survey (Census) – rather than individual agency estimates or SANDAG projections for one key reason: Esri's mapping software readily aligns with both city and district boundaries and ensures demographic consistency across all jurisdictions under LAFCO review.

Macro-Level
Systemwide Focus

The report focuses on central service outputs with respect to quantifying the availability, demand, and adequacy of the municipal functions provided by the two affected agencies within San Diego County. A prominent example involves focusing on annual system-wide demands generated during the 15-year reporting period as opposed to demands by specific member agencies or subregions. This approach informs macro-level determinations; when applicable, the report notes the need for more micro-level analysis as part of separate addendums or future reviews.

30,000 Foot View…

The analysis in this report evaluates performance at the system level – total annual demands and not specific service zones or communities. This bird's-eye approach reveals regional patterns while flagging areas where a deeper, micro-level analysis may be warranted.

Benchmarking
Infrastructure Needs + Deficiencies

Similar to the preceding factor, the report and its analysis focus on average system demands generated by the two affected agencies during the reporting period when benchmarking infrastructure needs or deficiencies. This broader focus on averages provides a more reasonable account of system demands and helps control for one-year outliers in analyzing overall relationships with capacities. Exceptions where final-year demands are prioritized are noted accordingly.

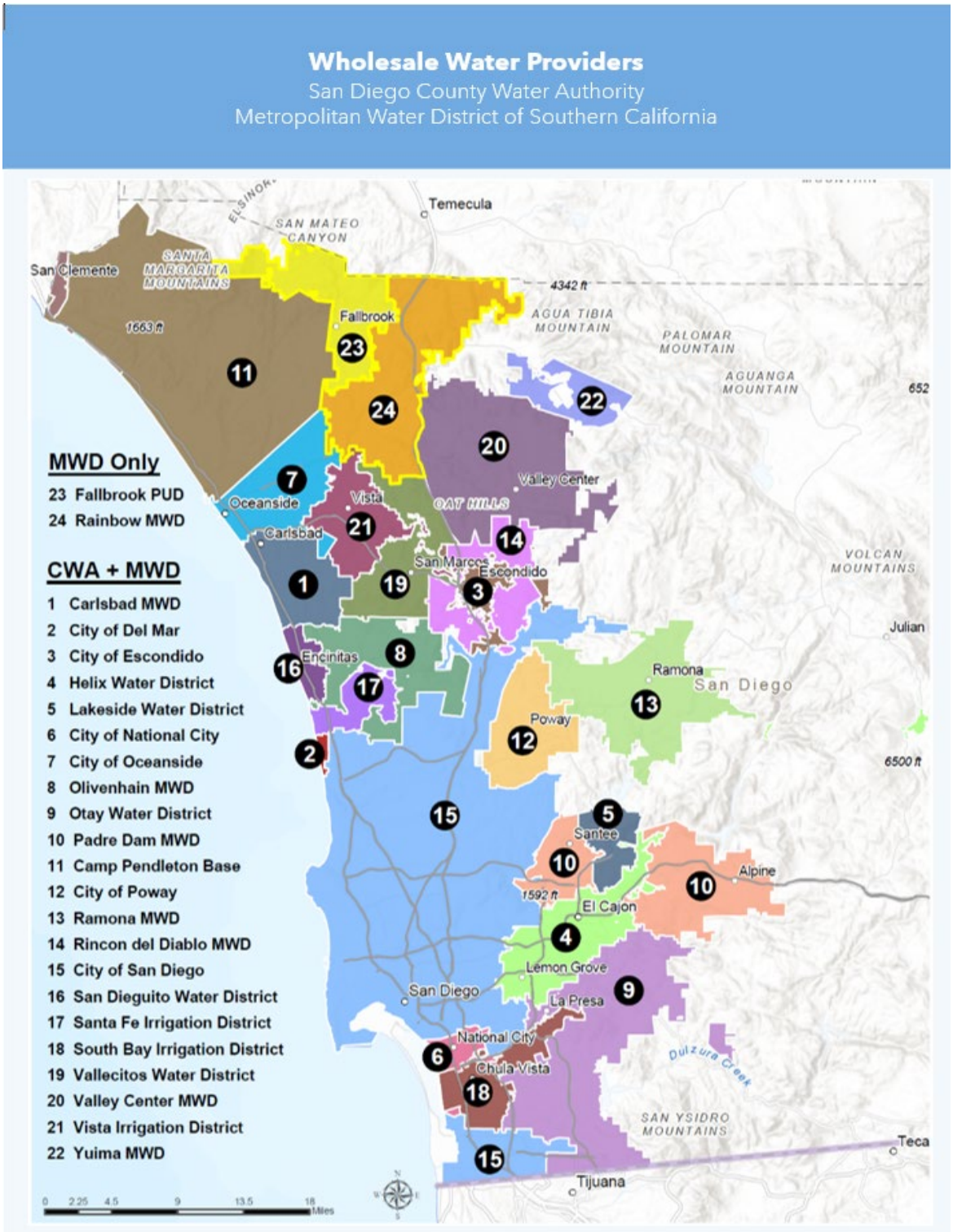
Protecting Against Outliers…

The report benchmarks infrastructure needs against average system demands over 15 years, with limited exceptions, to help control for one-year outliers. Trends are also considered with the caveat that extreme variances in the start or end period – and their effect on results – are noted accordingly.

Benchmarking
Financial Standing

Several diagnostic tools are used to assess and make related determinations in the report regarding the financial standing of the two affected agencies. This includes an emphasis on using audited financial statements whenever practical in analyzing liquidity, capital, margin, and capital asset management– with attention to both overall trends and final-year standing. This also includes drawing on industry standards in assigning value (i.e., good, fair, or otherwise).

Map No. ES-1


Wholesale Water Providers
San Diego County Water Authority
Metropolitan Water District of Southern California
MWD Only
23 Fallbrook PUD
24 Rainbow MWD
CWA + MWD
1 Carlsbad MWD
2 City of Del Mar
3 City of Escondido
4 Helix Water District
5 Lakeside Water District
6 City of National City
7 City of Oceanside
8 Olivenhain MWD
9 Otay Water District
10 Padre Dam MWD
11 Camp Pendleton Base
12 City of Poway
13 Ramona MWD
14 Rincon del Diablo MWD
15 City of San Diego
16 San Dieguito Water District
17 Santa Fe Irrigation District
18 South Bay Irrigation District
19 Vallecitos Water District
20 Valley Center MWD
21 Vista Irrigation District
22 Yuima MWD
Temecula
San Clemente
Fallbrook
Oceanside
Vista
Carlsbad
San Marcos
Escondido
Valley Center
Encinitas
Ramona
San Diego
Poway
Santee
Alpine
El Cajon
Lemon Grove
La Presa
National City
Chula Vista
Julian
Tijuana
Teca
SAN MATEO CANYON
SANTA MARGARITA MOUNTAINS
AGUA TIBIA MOUNTAIN
PALOMAR MOUNTAIN
AGUANGA MOUNTAIN
OAT HILLS
VOLCAN MOUNTAINS
SAN YSIDRO MOUNTAINS
Dulzura Creek
4342 ft
1663 ft
1592 ft
6500 ft
652
Miles

2.0 REPORT ORGANIZATION

The report is organized into three chapters. The preceding chapter – Chapter One – introduces LAFCO's authority, planning responsibilities, and the San Diego Commission. This chapter – Chapter Two – serves as the Executive Summary, outlining key conclusions and recommendations drawn from the report's analysis and is specific to CWA. The next chapter – Chapter Three – details CWA's profile, which combines narrative descriptions of the agency's background and service area development with quantitative analysis of demographic trends, service capacities, and financial standing. Determinations addressing the mandatory service and governance factors required by the Legislature and under local policy are included at the close of the profile.

3.0 GEOGRAPHIC AREA

State law requires LAFCO to formally designate the geographic area covered by a municipal service review. This report encompasses approximately 1,331 square miles and the spheres of influence of 24 local member agencies. Of these, 22 are served by both CWA and MWD, while Fallbrook PUD and Rainbow MWD are served exclusively by MET. A map showing the geographic area is provided on the preceding page.

4.0 CONCLUSIONS + RECOMMENDATIONS

4.1 Central Themes and Conclusions

This municipal service review covers CWA at a pivotal point in its 80-year history, with the agency facing acute structural challenges that may ultimately require intervention beyond internal reforms. These challenges trace most prominently to CWA's decision in the early 1990s — engendered by drought and supply reliability concerns — to expand beyond its original role of owning and operating a countywide conveyance and storage network delivering supplies purchased from MWD. The expansion added a new function: independently secure water sources to supplement MWD supplies. While the transformation has produced supply diversity and security, it also has created a rigid cost structure with fixed obligations now exceeding 80% of total expenses – contrasting sharply with revenues that remain largely variable and dependent on water sales. This mismatch significantly strains the agency's finances and, by extension, its governance.

The consequences flow downstream. CWA's 22 member agencies collectively serve more than 3.1 million full-time residents across the San Diego region — residents who, through wholesale rates passed on in their retail water bills, are now absorbing the cost of decisions proven shortsighted from a financial perspective, intentions aside. The same member agencies that supported CWA's transformation in the 1990s now find themselves in a precarious position. In seeking to insulate the region from supply disruption through investment in more reliable alternative supplies, CWA has introduced a different vulnerability: water insecurity measured not in availability but in affordability.

Overarching Theme: Scarcity to Affordability…

In seeking to insulate the region from supply disruption through investment in more reliable alternative supplies, CWA has introduced a different vulnerability: water insecurity measured not in availability but in affordability. The resulting strain on the agency's finances, and by extension, its governance, is the central theme of this review.

CWA's take-or-pay agreements with Imperial Irrigation District and Channelside Water Resources, the Carlsbad desalination plant operator (previously Poseidon Resources) have anchored the agency's transformation into a wholesale supplier; they have also directly contributed to the rates to member agencies increasing by more than 150% during the 15-year reporting period ending in 2023, more than triple regional inflation. (Comparatively, MWD's rates have increased 87% over the same period.) Current projections show CWA's annual deliveries falling below its take-or-pay commitment as early as 2027, meaning downstream ratepayers could begin paying for water they do not use – or potentially cannot readily remarket. The projected declines in sales appear driven by two factors above all: reduced demands from state-mandated conservation requirements and, more significantly, local supply development by CWA's own member agencies – including the City of San Diego.

The financial pressure on CWA is already producing political consequences. Two members – Fallbrook PUD and Rainbow MWD – recently exited CWA after a lengthy and contested detachment process. The City of San Diego — the largest member agency with 42% of Board voting power — followed more recently by declining to authorize an extended retail rate increase structure in October 2025, instead approving a limited two-year rate increase to allow time to evaluate CWA's actions to mitigate future rate pressures and potential effects on its potable reuse project. Other member agencies have expressed similar sentiments through their CWA Board representatives, urging pursuit of cost reductions and other measures to stabilize and moderate future rate increases.

Recent changes in CWA leadership provide measured optimism. These changes began in earnest during the tail end of the Fallbrook-Rainbow detachment proceedings in 2023 and have continued to the agency's credit. Leadership has ended decades of litigation with MWD, opening pathways for collaboration that were previously foreclosed – including the ability to remarket CWA's excess supplies to willing buyers. Relatedly, leadership's public acknowledgment that the take-or-pay agreements – particularly with Channelside – carry unfavorable terms, reflects a willingness to move beyond past defensive posturing and toward solutions. Whether these internal reforms prove sufficient remains to be seen; the structural imbalance persists, member agency roll-off to potable reuse will accelerate, and – absent a course redirection – the supply itself will become increasingly unaffordable to ratepayers across the region.

Consistent with delegated growth management responsibilities under state law, LAFCO's assessment is that change is needed – either through continued internal reform or more fundamental organizational restructuring. With respect to the latter, three reorganization concepts are identified that may warrant a full evaluation should circumstances require:

- Reorganize and dissolve CWA into subregional wholesale agencies.
- Reorganize and reset CWA to a regional conveyance, treatment, and storage role and return supply responsibilities to MWD.
- Reorganize and expand CWA to consolidate retail operations regionwide.

Each of these three alternatives presents distinct tradeoffs – between cost savings, local control, and regional coordination – with potentially significant financial, operational, and legal implications. They are not raised lightly, but the affordability trajectory facing CWA's member agencies and their ratepayers is itself disruptive, and the Commission's responsibility to identify and evaluate structural options is commensurate with the scale of the challenge. Given recent positive changes – new leadership, implementation of a Business Model Review Process, the MWD settlement, emerging water transfer and remarketing opportunities – LAFCO believes it is appropriate to allow internal

Why Reorganization Alternatives are on the Table…

LAFCO does not raise organizational alternatives lightly and recognizes any change would be challenging. These alternatives are raised because the affordability trajectory facing the region's ratepayers demands a response commensurate with the scale of the challenge.

reforms time to demonstrate effectiveness before considering these or other organizational alternatives that may emerge through additional analyses.

CWA's recent course corrections have earned a measured pause. LAFCO should prepare an addendum within 24 months to assess whether internal reforms are producing measurable results or whether a full evaluation of organizational restructuring is warranted. This timeline aligns with the City of San Diego's two-year rate authorization limitation, acknowledging that the region's largest retail provider and most powerful CWA Board member is signaling dissatisfaction with the status quo. This said, events may outpace this timeline. The City Council has also proposed capping future payments to CWA – a move that, if implemented, would trigger fundamental restructuring of water supply and conveyance services throughout San Diego County, forcing the reorganization question outright and well ahead of any deliberative addendum process. This 24-month window also provides CWA with both time and incentive to deliver measurable progress on the Business Model Review Process it has initiated, as well as to demonstrate the scale, durability, and revenue performance of its emerging water exchange strategy.

Key conclusions follow.

1. 1990s Decision to Change Business Model is Not Aging Well

CWA's transition in the early 1990s from owning and operating a countywide water conveyance and storage system delivering MWD supplies to becoming an independent wholesale supplier with its own treatment facilities was a strategic choice – one that prioritized drought-proofing over long-term affordability and has proven questionable. The take-or-pay agreements with Imperial Irrigation District and Channelside Water Resources have locked in supply commitments totaling 322,000 acre-feet annually for decades – volumes that now exceed projected demand – passing premium costs approaching $150 million annually to ratepayers at the close of the 15-year reporting period. The pursuit of supply independence has also set a precedent now repeating at smaller scale: CWA's own member agencies are rolling off to develop local supply alternatives, eroding CWA's customer base and mirroring the very strategy CWA employed against MWD.

2. Structural Strain: Financial

CWA is financially stable but structurally strained. The fixed portion of the agency's expenses has jumped nearly 30 percentage points over the 15-year reporting period, now accounting for more than four-fifths of all costs – driven primarily by take-or-pay supply agreements that do not flex with falling demand. The combination of obligations to purchase more expensive – albeit more reliable – supplies and declining demand has produced cascading effects, most obviously with CWA's wholesale rate for untreated water increasing 164% over the same period – more than triple the rate of inflation and nearly double the change in MWD's rates. Less obvious is the significant drop in liquidity, with CWA's days' cash falling from nearly 19 months of operating reserves at the period's start to five months at its close, while rate reserves were cut in half over just the last few years to help soften rate impacts. Debt service has consumed more than $1.7 billion during this period, but only 30% has gone to principal – reflecting a continued focus on interest-heavy payments. Looking ahead, CWA projects deliveries may fall below the 322,000 acre-foot take-or-pay floor by 2027, triggering payments for water not used unless remarketed to third parties outside the San Diego region. Member agency potable reuse projects – led by the City of San Diego – are separately expected to permanently reduce CWA sales by an estimated one-third, or 111,000 acre-feet annually, by 2035, compounding revenue pressure further still.

3. Structural Strain: Governance

CWA's weighted voting structure, based on cumulative financial contributions, works when all member agencies are equally invested in the agency's trajectory – it does not work well otherwise. Weighted voting is becoming increasingly strained as roll-offs accelerate, widening the gap between decision-making authority and the member agencies bearing financial consequences - particularly smaller agencies with fewer alternatives that typically serve more economically constrained communities. Rate-setting, debt management, and capital improvement prioritization are most vulnerable to short-term maneuvering. The City of San Diego now holds 42% of Board voting power and has historically served as CWA's anchor member and de facto north star – including supporting and advocating for the take-or-pay agreements with Imperial Irrigation District and Channelside Water Resources. This dynamic is changing. The City's October 2025 decision to limit its rate authorization to two years signals a divergence in priorities – and potentially the beginning of an adversarial posture with CWA. This opens CWA to uncharted governance territory: the agency

cannot easily achieve the quorum necessary for closed session if the City of San Diego is the opposing party, directly or indirectly, complicating its ability to navigate disputes with its dominant member.

4. Tipping Point

CWA's financial model – and by extension its supporting governance system – is approaching an important and potentially breaking point. CWA's entire rate structure has been premised on selling enough water to member agencies to cover contractual commitments. Notwithstanding actions by new leadership to remarket take-or-pay supplies, renegotiate contractual commitments, or implement other mitigating measures, this assumption is projected to come undone beginning in 2027 when CWA begins paying for water it cannot sell. Under this scenario, every unsold acre-foot below the 322,000 take-or-pay floor represents unrecoverable financial loss that must be recovered through higher rates on remaining sales – which presumably accelerates member agency roll-off to local supply alternatives. The spiral is self-reinforcing, and the math becomes increasingly unfavorable, as evident in the lopsided rate-increase-to-sales-decline ratio of 4-to-1 over the reporting period (meaning for every 1% decline in volume, rates increased 4% to break even). Applying this ratio to the expected loss of 111,000 acre-feet from planned potable reuse alone, CWA's rates are positioned to increase by another 133% between 2023 and 2035 – the equivalent of an 11% average annual increase passed on to member agencies, who add their own cost increases before billing ratepayers.

5. Alignment Tension: City 10 + City Council

The City of San Diego's CWA representatives – the City 10 – have not consistently aligned with the priorities of the City Council, whether directly or indirectly through the Council's governing role over the City's Public Utilities Department. This misalignment has most notably surfaced on rate-setting and the Pure Water program, where the City 10 and the City Council have taken opposing positions. The disconnect contributes to governance that is fragmented and less predictable for CWA as a whole to navigate, while leaving City Councilmembers to answer to ratepayers for decisions they did not make. This fragmentation is further complicated by the City 10's own voting practice: if six or more representatives vote in a particular direction, the City's entire 42% voting share at CWA is cast accordingly – meaning six appointees can effectively shape regional water policy for 3.1 million residents, potentially over the objections of the elected officials they ostensibly represent.

6. Positive Leadership Changes

CWA's leadership changes beginning at the close of the 15-year reporting period in 2023 have been clearly positive, reflecting a purposeful shift toward greater accountability and rigor. Some changes have drawn understandable public attention, marked by a more transparent and collaborative approach with regional partners after years of adversarial positioning. Others have been less publicly prominent but equally important – most notably CWA's recent decision to discontinue the use of outside consulting services under legal privilege to advise Board members serving on MWD, an important step that removes the appearance of outsized influence by external interests in favor of improved transparency. These and other developments detailed in this report suggest the new leadership team is moving with purpose to the benefit of the region.

7. Agency in Transition

Three years separate the close of this review's 15-year reporting period from its anticipated finalization – a period characterized by meaningful changes that merit the Commission's attention. Since the end of the reporting period in 2023, through new leadership, CWA has experienced a succession of material developments – some long anticipated, others newly forged – that collectively show an agency in active transition. These developments are not reflected in the financial analysis and written determinations that follow, which are properly anchored to the reporting period. They are, however, material and directly relevant to how LAFCO interprets the analysis and what it concludes about the appropriate next steps. The most significant developments since the close of the reporting period follow:

- Membership Changes
  Fallbrook PUD formally detached from CWA in January 2024, followed by Rainbow MWD in November 2024 – completing a contested exit process that had been underway during the reporting period and reshaping CWA's member agency composition and revenue base.

- MWD Settlement
  CWA and MWD reached a settlement in June 2025, resolving fifteen years of active litigation over water rates and exchange terms. The settlement reopens pathways for regional collaboration that had been foreclosed throughout the reporting

period and establishes a clearer framework for remarketing CWA's surplus QSA supplies.

- Water Exchange Agreements
  CWA executed two separate 21-year water exchange agreements in March and April 2026, respectively, with Western MWD and Eastern MWD in Riverside County. The Western agreement commits 10,000 acre-feet annually at $1,304 per acre-foot – a price that exceeds CWA's own QSA supply cost of $1,050 per acre-foot and escalates at 4.0% annually. The agreement also includes an upfront pre-purchase of 30,000 acre-feet generating approximately $39.1 million in near-term revenue. The Eastern agreement, similarly, ramps up to a commitment of 10,000 acre-feet annually over 21 years at $1,350 per acre-foot and includes an advance purchase of approximately 30,000 acre-feet for roughly $19 million, with total revenue estimated at approximately $74 million over the first five years. Additional exchange agreements are reportedly in negotiation. Taken together, these transactions represent the first concrete showing of CWA's ability to convert surplus QSA obligations – costs that would otherwise be absorbed as ratepayer losses – into a net revenue stream. Whether the exchange program can be executed at sufficient scale to meaningfully offset the structural imbalance documented in this review remains an open question.

- Bureau of Reclamation MOU
  CWA's Board approved a Memorandum of Understanding in February 2026 with the United States Bureau of Reclamation and other Colorado River parties to explore an interstate exchange framework that could deliver CWA's desalinated supplies to Arizona and Nevada – potentially opening new long-term revenue markets beyond Southern California.

- Business Model Review Process
  CWA initiated a structured Business Model Review Process in early 2026 involving its management team and member agency general managers, focused on evaluating financial, governance, and cost allocation reforms. The process is in its early stages with no final recommendations to date.

8. Change is Needed

CWA's structural challenges – fiscal and governance – warrant potential consideration of restructuring options ranging from internal reforms to more fundamental organizational changes. Relative to its oversight role, LAFCO believes three reorganization concepts have sufficient merit to warrant full evaluation should circumstances require. These concepts would include an analysis of cost, legal, operational, equity, and affordability impacts, and assess whether restructuring can address CWA's and the region's wholesale water service challenges, improve service, and reduce costs. The concepts and their potential benefits are summarized below with complementary context footnoted.[7]

- Evolve to Subregions | Dissolve CWA and concurrently form two or more new subregional wholesale agencies as designated successors that proportionally assume CWA's assets and liabilities. This option recognizes CWA encompasses communities with divergent water supply profiles that could benefit from tailored supply portfolios and rate structures – including debt service – matched to common member needs rather than blending across dissimilar service conditions.

- Reset to Regional Conveyance Role | Dissolve CWA and concurrently form a new regional water conveyance special district with treatment and storage duties as a limited successor agency to hold MWD membership, billing duties, and maintenance responsibilities; MWD would assume lead successor role for CWA's assets and liabilities. This option effectively reverses CWA's post-1991 transformation from pass-through agency to independent supplier, returning wholesale supply decisions to MWD.

- Enhance CWA to Assume Retail Operations | Reorganize and expand CWA to operate as both wholesaler and retailer, allowing the agency to assume – gradually or otherwise – full control of potable water management across the region. This option consolidates the fragmented retail landscape under unified regional management, eliminating duplicative administrative costs, optimizing treatment and distribution infrastructure regionwide, and better aligning rate structures.

[7] LAFCO may initiate changes to a special district – including formation, dissolution, consolidation, or merger – under statute. However, initiating a special district dissolution and subsequent reorganization, as described in the three concepts above, must be supported by the recommendations of a municipal service review. Actual LAFCO approval of a self-initiated action must address certain factors under Government Code Section 56881, including whether public services can be provided more efficiently and at less cost.

9. Measured Pause

   Given the magnitude and positivity of recent changes – new leadership, MWD settlement, and CWA's execution of long-term water transfer agreements – it is appropriate to allow current internal reforms time to demonstrate effectiveness before committing resources to explore fundamental organizational alternatives. LAFCO should prepare an addendum to this municipal service review within 24 months to update the Commission on CWA's progress and assess whether proceeding with a full evaluation of organizational restructuring may be warranted – which may ultimately include initiating actions as authorized by the Legislature and subject to voter confirmation.

4.2 Recommendations

The following recommendations identify priority actions and policy directions for San Diego LAFCO, CWA, and/or its member agencies. Recommendations for LAFCO action are dependent on subsequent directives from the Commission through the annually adopted work plan.

1. It is recommended CWA explore reforms with its member agencies to better align its weighted voting structure with current financial responsibilities, particularly as roll-offs widen the gap between decision-making authority and the agencies bearing financial consequences.

2. It is recommended CWA explore support among its member agencies to propose a special property tax to provide supplemental fixed revenues, helping ease pressures on all ratepayers while also creating capacity for rate relief programs.

   a. CWA is almost entirely reliant on local water rate increases to fund continually increasing costs. Several water districts in Southern California have an Ad Valorem Property tax to pay for costs associated with the State Water Project, and some districts, including MWD, utilize property taxes to repay their own general obligation bonds. CWA is limited in its revenue sources, increasing reliance on variable ratepayer revenue and preventing CWA from providing special rates for agriculture and/or disadvantaged communities.

3. Recent public representations by CWA officials have suggested the City of San Diego revisit and defer full implementation of its Pure Water Program. LAFCO does not share this view. It is recommended CWA support the full implementation of both Phase I and Phase II, recognizing the program's significant public benefits for regional water resilience and long-term affordability.

    a. Potable reuse advances San Diego's commitment to treating wastewater to the highest practicable standard before it reaches the Pacific Ocean – an obligation underscored by the ongoing public health and environmental crisis in the Tijuana River watershed. Whatever its cross-border origins, that crisis illustrates the costs borne by coastal communities when wastewater treatment falls short. The lesson argues for greater ambition in San Diego's own program, not less.

4. It is recommended CWA and MWD proactively explore partnership opportunities to advance long-term water reliability, financial stability, and operational efficiency for the benefit of the Southern California region specific to potable reuse.

5. It is recommended the City of San Diego review its appointment and governance practices for its ten CWA Board representatives to better align their actions with the policy direction of the Mayor and City Council.

    a. Unlike other CWA member agencies – where board representatives also govern their own water districts and bear direct accountability for CWA decisions affecting their ratepayers – San Diego's representatives operate without a comparable alignment structure. This has led to misalignment with the City's Public Utilities Department and its governing body (the City Council) on rates, infrastructure costs, and key policy direction throughout and post the 15-year reporting period. This is not without precedent: the City of Los Angeles maintains a separately appointed board overseeing its Department of Water and Power, whose members also represent the City at MWD. A comparable structure in San Diego would address the existing misalignment and improve governance predictability for both the City and CWA as a whole.

    b. Further exacerbating this disconnect is the City's current bloc-voting policy. Under this policy, six of ten representatives can commit the City's entire 42% voting share – concentrating significant regional decision-making authority in appointees who, on multiple occasions, have taken positions at odds with the stated position of the City of San Diego's Public Utilities Department they

represent, its governing board (the City Council), and the Mayor. This includes key issues affecting the City's largest infrastructure project (Pure Water), its relationship with MWD, and rate-setting.

6. LAFCO should prepare an addendum to this municipal service review within 24 months to update the Commission on CWA's progress and assess whether proceeding with a full evaluation of organizational restructuring is warranted – which may ultimately include initiating actions as authorized by the Legislature.

7. Notwithstanding other recommendations, LAFCO should proceed with a sphere of influence update affirming CWA's existing designation with no changes.

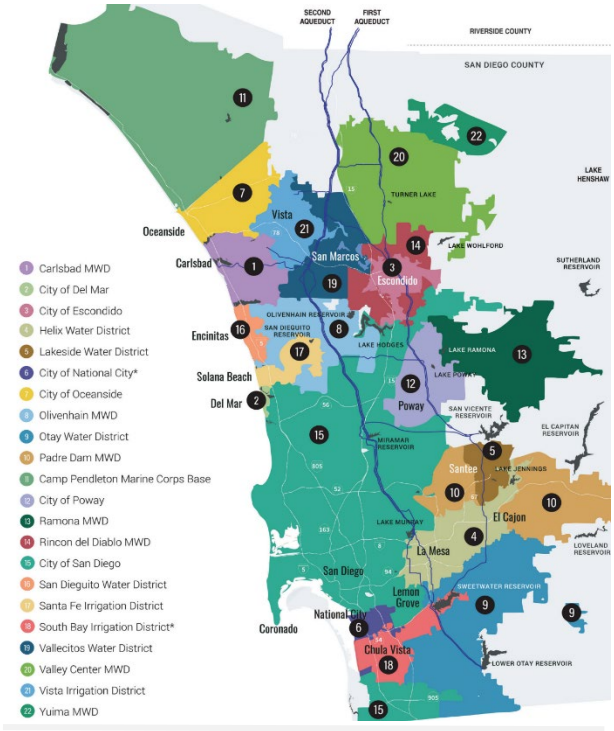
CHAPTER THREE | AGENCY PROFILE

A. SAN DIEGO COUNTY WATER AUTHORITY

1.0 OVERVIEW

The San Diego County Water Authority (CWA) is an independent district created under special legislation and approved by San Diego voters in June 1944. CWA was established to support the region's growing population and expanding military installations with the original expectation of administering the region's previously established water rights to the Colorado River and construct the infrastructure needed to import supplies to San Diego County. However, in lieu of constructing its own infrastructure, CWA negotiated an agreement to access the Colorado River as a member of the Metropolitan Water District (MWD) of Southern California. The agreement became effective in December 1946 with San Diego voters approving the annexation into MWD.

CWA Member Agencies



Map Provided by CWA

Operations at CWA remained relatively steady for its first 40 years as an explicit pass-through arm of MWD. However, a prolonged drought from the late 1980s into the early 1990s, coupled with concerns about worsening supply cuts to the San Diego region, prompted the CWA Board to fundamentally reshape the agency's business model. Most notably, the Board directed CWA's transformation into an independent supply agency – a strategic pivot that sparked ongoing litigation between CWA and MET throughout the 15-year reporting period (2009-2023).

CWA's transition into a water supply agency is marked by two consequential investments: a 2003 agreement with Imperial Irrigation District and a 2012 agreement with Channelside Water Resources (previously Poseidon Resources). These take-or-pay agreements collectively provide – and commit CWA to – 322,000 acre-feet of annual wholesale supplies for the next several decades.

During the reporting period closing in 2023, approximately 66% of CWA's wholesale water supplies tie directly to its take-or-pay contract with Imperial Irrigation District, which accesses grandfathered rights to the Colorado River via the Quantification Settlement Agreement (QSA). Another 11% of CWA's wholesale supplies during the period tie to its take-or-pay contract with Channelside Water Resources for the Carlsbad Desalination Plant. The remaining 23% of wholesale supplies tie to MWD and involve the Colorado River and Sacramento-San Joaquin Delta.[8] Overall, CWA has directly supplied slightly more than 82% of all water used by the member agencies during the period with local agency sources (runoff, groundwater, etc.) covering the remaining 18%.

Water Footprint…

Over the 15-year reporting period ending in 2023, CWA has been responsible for supplying slightly more than 82 out of every 100 gallons of water retailed by its member agencies.

Decision-making at CWA is delegated to a 34-member board of directors comprising appointees from all 22 local member agencies – six cities, five water districts, three irrigation districts, seven municipal water districts, and a military base (Camp Pendleton Marine Corps Base).[9] Appointees to the board serve two-year terms commencing on October 1st of each even-numbered year. Over the reporting period, CWA's day-to-day activities and its two active service functions – water (wholesale class) and hydroelectric power (wholesale class) – have been overseen by three General Managers: Maureen Stapleton through 2022, Sandra Kerl through 2023, and Dan Denham. Budgeted staffing has decreased by (15.1%) – or 44 – from 294 to 249 full-time positions over the same period.

Governance + Service Functions…

CWA is governed by a 34-member Board of Directors representing all 22 of its member agencies. The City of San Diego has the largest share of Board seats at 10, colloquially known as the "City 10." CWA is authorized to provide two municipal functions: water (wholesale (class) and hydrologic power (wholesale class)

[8] The Quantification Settlement Agreement (QSA) is a 2003 agreement between the State of California, the Imperial Irrigation District, and other water agencies that allocates Colorado River water and outlines conservation, transfer, and compensation measures to support regional water supply reliability in San Diego County.

[9] In 2023, the CWA's composition was adjusted following LAFCO's approval of the detachments of Fallbrook Public Utility District and Rainbow Municipal Water District, reducing the Board from 36 to 34 seats and the number of agencies from 24 to 22.

CWA uses a two-year budget process. Adopted expenses covering all activities – operations, debt service, and capital improvements – for the final two years of the reporting period (2022 and 2023) total $1.695 billion, or approximately $847 million annually. Actual expenses finished slightly under budget at $1.688 billion. Overall, actual total expenses through the reporting period have increased 20.0%, or approximately $281 million. This increase over the 15-year timeframe notably includes absorbing a much larger rise in water purchases, with these biennial actuals increasing from $532.8 million to $1.094 billion – a jump of $560.7 million, or 105.2%. The increase to CWA in water purchases has been passed on to member agencies with CWA using reserves to help smooth and soften rate increases. The cumulative result is rates for untreated water increasing from $598 to $1,579 per acre-foot between the start and close of the reporting period – a 164.0% increase.

CWA's Water Costs...

Water purchases represent CWA's largest budget commitment, accounting for two-thirds of total actual expenses during the 2022/2023 budget period – up from slightly more than one-third at the start of the 15-year reporting period. As a result, member agencies are paying $1,163 more per acre-foot of water than 15 years earlier.

The full-time population in CWA at the close of the reporting period is independently estimated by LAFCO at 3.151 million and includes 17 of the 18 incorporated cities; only Coronado is excluded. The 17 cities within CWA receive service either as direct member or through special district member agencies. The estimated change in population mirrors countywide trends with an overall increase of 217,133 full-time residents – or 15,510 annually and 42.5 daily – with a resulting annual growth rate of 0.53%. The estimated population is supported by 1.186 million housing units at period's end, translating to a housing-to-resident ratio of 1.0 unit for every 2.66 persons.

Population Footprint...

LAFCO estimates CWA's population at the end of the 15-year reporting period in 2023 has increased by 7% to 3.151 million – an amount equal to 96% of the entire estimated San Diego County population.

With respect to other material demographic features, the median household income across all CWA residents is estimated at $103,267 based on the current five-year period average. This estimate represents a sizeable increase of 31.0% over the starting period's five-year average, while also finishing well above the countywide average of $88,240. It is estimated CWA households spend approximately 28.0% of income just on rent or

mortgage payments at period's close. The estimated housing cost – rent or mortgage plus utilities – is adjusted by LAFCO to equal 30.0% of household income.[10] A recent countywide analysis – conducted by the Policy & Innovation Center on behalf of the County of San Diego's Land Use and Environment Group – further shows substantial variation in retail water costs, with single-person households paying between roughly $27 and $89 per month depending on their service provider.[11]

2.0 BOUNDARIES + RELATED CONSIDERATIONS

2.1 Jurisdictional Boundary

CWA's current jurisdictional boundary spans approximately 1,331 square miles across 852,171 acres. This equals 31.3% of all of San Diego County. Approximately one-third of the CWA's jurisdictional boundary is within incorporated territory (all cities except Coronado) and with the remaining overlaying unincorporated lands that are largely associated with establish census designated communities and headlined in size by Spring Valley, Rancho San Diego, and Lakeside.

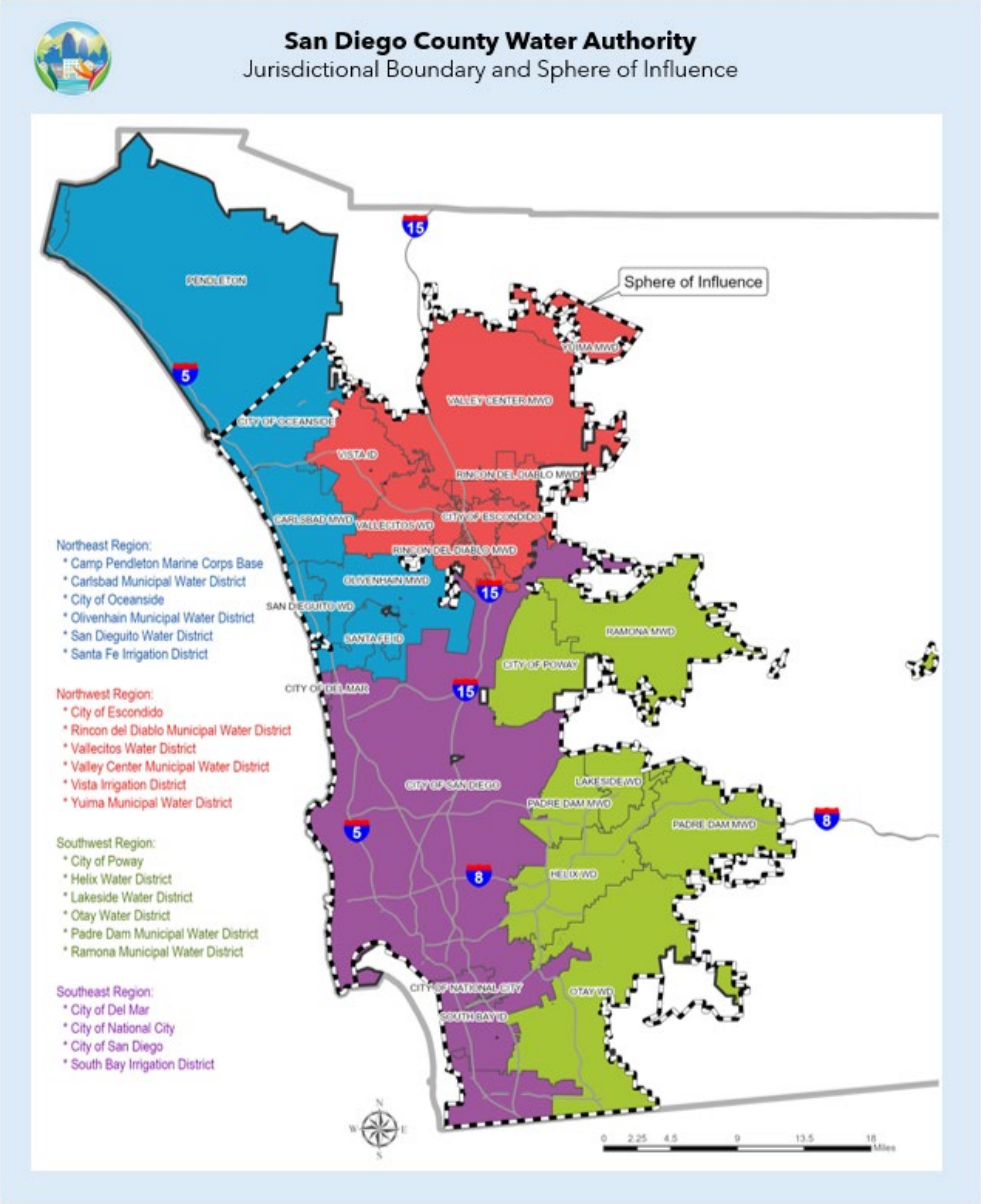
CWA's Physical Reach…
The jurisdictional boundary covers 1,330.7 square miles, or 852,171 acres – 31%. Roughly one-third of the boundary is within one of the 18 cities with the rest extending into unincorporated lands.

It is estimated CWA's jurisdictional boundary has expanded nearly nine-fold since its formation in 1944, growing from approximately 94,706 acres across nine original member agencies to 852,171 acres across 22 member agencies, with significant changes in membership over the years. This includes a recent 2023 detachment to remove close to 80,000 acres involving the jurisdictional boundaries of the Fallbrook Public Utility District and Rainbow Municipal Water District.

The total assessed value (land and structure) within the CWA has doubled during the 15-year report period from $347.9 billion to $698.8 billion. CWA's share of the 1.0% property tax collected is approximately 0.25% – or 25 cents for every $100 – and generated $15.7 million in 2023. A map showing the jurisdictional boundary follows.

Assessed Values' Doubling…
Assessed property values in the CWA have doubled during the 15-year report period ending in 2023. CWA's share of the 1% property tax (AB8) is .25% and generated $15.7 million in 2023.

[10] Utility costs are calculated by LAFCO based on multiplying the median monthly household income by 7.5%.
[11] Policy & Innovation Center (PIC).: PIC_Water-Affordability-in-San-Diego-County-1.pdf



CWA's jurisdictional boundary is currently divided into 1,012,773 assessor parcels spanning 777,301 acres. Approximately two-thirds – 67% – of the parcel acreage is within the unincorporated area.[12] Nearly all – 98.4% – of the parcel acreage within CWA falls under private ownership with most of this portion – 91% - having already been developed or improved to date based on Assessor Office records, albeit not necessarily at the highest

91% Developed...

More than nine-tenths of all privately owned acreage in the CWA's jurisdiction has been developed to date – though not necessarily at the highest density. The remaining 9% of private acreage remains undeveloped and totals 134,877 acres.

[12] The remaining 777,301 jurisdictional acres within the CWA consists of public rights-of-way and waterways.

density as allowed under local zoning. The remaining private acreage in CWA is undeveloped and consists of 93,164 vacant parcels that collectively total 134,877 acres. A summary of key boundary characteristics underlying the jurisdictional boundary follows.

San Diego CWA
Jurisdictional Boundary Characteristics
Table A – 2.1 | Source: County of San Diego + SD LAFCO

Total Jurisdictional Size	852,171 acres
Total Jurisdictional Parcels and Acreage	1,012,773 parcels totaling 777,301 acres
… Publicly Owned Parcels and Acreage	15,930 parcels totaling 183,167 acres
… Privately Owned Parcels and Acreage	996,843 parcels totaling 594,134 acres
… Undeveloped Privately-Owned Parcels and Acreage	109,094 parcels totaling 316,044 acres
Total Number of Registered Voters	1,851,910
Total Assessed Value (Land and Structures)	$698.4 billion

2.2 Sphere of Influence

CWA's sphere of influence was establishe d by LAFCO in May 2005 with a generally coterminous designation to match the spheres of the then-24 member agencies, except for Camp Pendleton. The sphere has been subsequently reviewed and affirmed by LAFCO in 2007 and 2013 as part of scheduled updates. Amendments to the sphere have separately been approved by LAFCO in coordination with enacting boundary changes involving CWA's member agencies. Most notably, this latter practice applied to a 2023 amendment to remove nearly 80,000 acres from the CWA sphere as part of a LAFCO-approved reorganization to detach the jurisdictional boundaries of Fallbrook PUD and Rainbow MWD. Other distinguishing features follow.

General Alignment with the Member Agencies…

LAFCO established CWA's sphere in May 2005 to match the member agency sphere designations except for U.S.M.C. Camp Pendleton. This orientation has held through subsequent updates and amendments – including the recent removal of Fallbrook and Rainbow communities in North County.

- No special study areas are assigned by LAFCO to the CWA sphere.
- Almost one-fifth - 17.2% - of the CWA sphere comprises lands qualifying under LAFCO adopted policy as disadvantaged unincorporated communities.

2.3 Relationship to Local General Plans

CWA's jurisdictional boundary covers 280,603 acres across 17 of the 18 incorporated cities with the remaining 571,568 acres within unincorporated San Diego County. (Only the City of Coronado lies outside the CWA boundary.) Each city, along with the County, has adopted a General Plan to guide land use within its jurisdiction. Consistent with State law, the General Plans serve as the core policy document for each land use authority, to guide and support their long-term growth and development vision. Milestone dates for each of the subject land use authorities follow.

San Diego County Water Authority:
Milestone Dates of Local General Plans
Table A – 2.3 | Source: SD LAFCO

	Original Adoption	Last Comprehensive Update	Last Amendment
Carlsbad	1966	2015	2024
Chula Vista	1964	2005	2024
Del Mar	1976	N/A	2024
El Cajon	1970	2022	2024
Encinitas	1989	2011	2024
Escondido	1972	2012	2023
Imperial Beach	1981	1994	2024
La Mesa	1965	2012	2025
Lemon Grove	1980	1996	2024
National City	1974	2012	2024
Oceanside	1970	2024	2023
Poway	1983	1991	2024
San Diego	1967	2008	2024
San Marcos	1988	2012	2021
Santee	1984	2003	2025
Solana Beach	1988	2014	2014
Vista	1975	2012	2022
County of San Diego	1979	2011	2024

Illustration Done with Anthropic AI

2.4 College and School Districts within Boundaries

CWA's jurisdictional boundary and sphere of influence lie within the following 40 college and school districts divided by LAFCO into four geographic subregions: northwest, northeast, southwest, and southeast. (A summary of key characteristics for each of these districts is deferred to the individual Municipal Service Reviews of the member agencies.)

San Diego County Water Authority:
Local School and College Districts
Table A 2.4 | Source: SD LAFCO



3.0 DEMOGRAPHICS

3.1 Population and Housing

15k+ New Residents Yearly…

LAFCO estimates 3.151 million residents in CWA's jurisdictional boundary at the end of the 15-year reporting period in 2023. The period average annual gain is 15,510 new residents *despite* minimal gains over last few years (emphasis).

The total full-time resident population within CWA's jurisdictional boundary is independently estimated by LAFCO at 3.151 million at the end of the 15-year report period in 2023. This figure represents 95.5% of the countywide population total. The full-time population within CWA's jurisdiction is also estimated to have risen overall by approximately 7.4% from 2.933 million in 2009 – an average net annual gain of 15,510 residents or 0.53%. CWA's growth rate closely parallels the overall countywide average of 0.52%. Within this period, growth patterns show a significant separation between the two census periods: the years following 2010 grew at 0.65% annually while post-2020 growth effectively flatlined with the most recent annual change showing a net gain of only 157 residents (2022 to 2023).

As referenced in the preceding section and shown in the table below, LAFCO has organized CWA's jurisdictional boundary and the 22 member agencies into four subregions – northwest, northeast, southeast, and southwest. This application largely tracks with countywide practices to divide San Diego County into geographic quads based on unifying social and economic ties. These distinctions are evident in population and growth patterns over the 15-year reporting period shown and summarized below.

San Diego County Water Authority:
Population Estimates + Subregion Breakdowns
Table A - 3.1a | Source: Esri and San Diego LAFCO

Subregion	2009	2013	2018	2023	Net	Growth	Avg Annual 2009-2020	Avg Annual 2020-2023
Southwest	1,485,368	1,519,507	1,562,181	1,579,877	+94,509	6.4%	0.52%	0.01%
Southeast	653,354	676,697	705,876	716,925	+63,571	9.7%	0.80%	-0.03%
Northeast	391,231	403,280	418,342	426,989	+35,758	9.1%	0.69%	0.21%
Northwest	403,452	412,707	424,277	426,735	+23,283	5.8%	0.47%	-0.17%
CWA Total	2,933,389	3,012,175	3,110,658	3,150,522	+217,133	7.4%	0.62%	0.01%

Notes:
Southwest: City of San Diego, City of National City, City of Del Mar, + South Bay ID
Southeast: City of Poway, Otay WD, Helix WD, Padre Dam MWD, Lakeside WD, + Ramona MWD
Northeast: City of Escondido, Vista ID, Vallecitos WD, Valley Center MWD, Rincon del Diablo MWD, + Yuima MWD
Northwest: City of Oceanside, Carlsbad MWD, Olivenhain MWD, San Dieguito WD, Santa Fe ID, + Camp Pendleton

Illustration Done with Anthropic AI

- Southwest Subregion:
  City of Del Mar, City of San Diego, City of National City, + South Bay WD

  This subregion accounts for slightly more than one-half of CWA's estimated population at the end of the reporting period in 2023 at 1,579,877, or 50.2%. This subregion also added the most residents in absolute terms over the period at 94,509, though its 6.4% overall growth rate lagged behind the eastern regions. Post-2020 growth has been essentially flat.

- Southeast Subregion:
  City of Poway, Otay WD, Helix WD, Padre MWD, Lakeside WD, + Ramona MWD

  This subregion accounts for the second highest share within CWA with an estimated population at the end of the reporting period of 716,925, or 22.3%. This subregion experienced the largest overall growth rate at 9.7% with an overall net of 63,571 despite slightly negative year-to-year trends post-2020.

- Northeast Subregion:
  City of Escondido, Vista ID, Vallecitos WD, Valley Center MWD,
  Rincon del Diablo MWD, + Yuima MWD

  This subregion accounts for the third highest share within CWA with an estimated population at the end of the reporting period of 426,989, or 13.6%. This subregion experienced the second largest overall growth rate at 9.1% with an overall net of 35,758 and notably maintained the healthiest post-2020 trajectory – continuing to grow at 0.21% annually while others stagnated or declined.

- Northwest Subregion:
  City of Oceanside, Carlsbad MWD, Olivenhain MWD, San Dieguito WD,
  Santa Fe ID, + USMC Camp Pendleton

  This subregion accounts for the smallest share in CWA with an estimated population at the end of the reporting period of 426,735, or 13.5%. This subregion experienced the slowest overall growth rate at 5.8% with an overall net of 23,283. It also is the only showing post-2020 decline at (0.17%) annually.

Looking forward, should the growth rate track with the entirety of the 15-year reporting period, the full-time population within CWA is projected to reach 3.272 million by 2030 – a net addition of approximately 121,000 residents. Should the population stay consistent

with post 2020 estimates, the CWA population is projected to stay relatively flat and increase only to 3.153 million – a net addition of about 2,200 residents.

LAFCO estimates there are 1.186 million residential housing units throughout CWA's jurisdictional boundary in 2023, representing 95.2% of the countywide total. Volume of housing within CWA have increased by 87,395 units – an 8.0% net gain since 2009 – translating to an average annual increase of 6,243 units, or 0.57%. The overall resident-to-housing ratio at the period's close is 2.66-to-1. The average ratio during the reporting period is lower at 2.49-to-1, reflecting a 6.9% improvement in housing production relative to population growth. Other distinguishing features follow.

Housing Stock Improving, Relatively…

Housing production within CWA outpaced population growth during the 15-year reporting period ending in 2023 with a resident-to-housing ratio of 2.49-to-1 – a 7% improvement over the overall ratio of 2.66-to-1.

- Slightly more than one-half – 50.1% – of all housing units within CWA's jurisdiction are owner-occupied at the reporting period's close in 2023 with the balance comprising renter-occupied at 44.2% and vacant at 5.7%.

- Among occupied housing units within CWA, the average household size is 2.96 based on a five-year average at the close of the reporting period – a (1.6%) decrease from the start of the period, likely reflecting smaller households, aging in place, and housing affordability pressures.

- The mean housing cost for monthly mortgage and rent payments within CWA's jurisdiction is $2,410 based on a five-year average covering the close of the reporting period. This figure represents a 19.8% increase over the five-year average covering the start of the reporting period.

- Households in CWA's jurisdictional boundary are spending 28.0% of their income solely on rent or mortgage payments based on a five-year average covering the close of the reporting period. Adjusting for ancillary expenses (e.g., utilities), households' real housing costs are projected to equal 30.0% of monthly income.

A breakdown of housing units within CWA's four LAFCO-organized subregions follows.

San Diego County Water Authority:
Housing Unit Estimates + Subregion Breakdowns

Table A - 3.1b | Source: Esri and San Diego LAFCO

Subregion	2009	2013	2018	2023	Net	Growth	Avg Annual 2009-2020	Avg Annual 2020-2023
Southwest	575,916	589,621	606,752	624,561	+48,645	8.4%	0.59%	0.60%
Southeast	232,298	237,129	243,169	248,542	+16,244	7.0%	0.52%	0.40%
Northeast	134,179	137,630	141,943	146,429	+12,250	9.1%	0.64%	0.64%
Northwest	156,369	159,624	163,692	166,625	+10,256	6.6%	0.52%	0.26%
CWA Total	1,098,763	1,124,005	1,155,558	1,186,158	+87,395	8.0%	0.57%	0.51%

Notes:
Southwest: City of San Diego, City of National City, City of Del Mar, + South Bay ID
Southeast: City of Poway, Otay WD, Helix WD, Padre Dam MWD, Lakeside WD, + Ramona MWD
Northeast: City of Escondido, Vista ID, Vallecitos WD, Valley Center MWD, Rincon del Diablo MWD, + Yuima MWD
Northwest: City of Oceanside, Carlsbad MWD, Olivenhain MWD, San Dieguito WD, Santa Fe ID, + Camp Pendleton

Illustration Done with Anthropic AI

- Southwest Subregion:
  City of Del Mar, City of San Diego, City of National City, + South Bay WD

  This subregion accounts for more than one-half – 52.7% - of all housing units within CWA at the end of the reporting period in 2023 at 624,561. The subregion added the most units in absolute terms over the 15-year period at 48,645, and its 8.5% overall growth rate outpaced its corresponding population growth of 6.4%. It is the only subregion experiencing an increase in annual growth post-2020.

- Southeast Subregion:
  City of Poway, Otay WD, Helix WD, Padre MWD, Lakeside WD, + Ramona MWD

  This subregion accounts for the second highest share of housing units within CWA with 248,542 – 21.0% - at the end of the reporting period. The subregion added 16,244 units with an overall growth rate of 7.0%, which falls under its corresponding population growth rate of 9.7%. The subregion also experienced a substantive drop-off in the annual rate of new housing units post-2020.

- Northeast Subregion:
  City of Escondido, Vista ID, Vallecitos WD, Valley Center MWD, Rincon del Diablo MWD, + Yuima MWD

  This subregion accounts for the third highest share of housing units within CWA with 146,429 – 12.3% – at the end of the reporting period. The subregion experienced the strongest housing growth rate at 9.1% with an overall net of 12,250 units: an amount matching its corresponding population growth. The subregion maintained the same growth rate pre- and post-2020.

- Northwest Subregion:
  City of Oceanside, Carlsbad MWD, Olivenhain MWD, San Dieguito WD, Santa Fe ID, + Camp Pendleton

  This subregion accounts for the smallest share of housing units in CWA with 166,625 units – 14.0% - at the end of the reporting period. The subregion experienced the slowest overall growth rate of the four at 6.6%, producing a net addition of 10,256 new units. The subregion also experienced the sharpest falloff in new units post-2020, although it remained in positive territory unlike population.

3.2 Age Distribution

The median age of residents within CWA's jurisdictional boundary is 37.3 based on a five-year average covering the close of the reporting period. This jurisdictional-wide amount reflects an increase of 4.8% from 35.6 over the five-year average covering the start of the reporting period. Residents in the prime working age group defined as ages 25 to 64 – and the primary tax-generating income group – make up nearly one-half of CWA's population at 48.6% and has generally held throughout the reporting period. Within the four subregions, the southwest has experienced the sharpest aging trend by rising 6.5% while the northwest remains the youngest by far at 30.3. The northwest also distinguishes itself with its percentage of prime working age residents at 37.9% while the other three are all above 51.4%.

Greying Continues, Albeit Unevenly…

The median age within CWA is 37.3 based on a five-year average covering the end of the reporting period – a 5% increase from the starting period. All four subregions experienced increases in median age, though a notable east-west divergence persists: the western subregions (northwest at 30.3, southwest at 37.1) remain substantively younger than their eastern counterparts (northeast and southeast both at 41.6).

San Diego County Water Authority:
Median Age + Prime Working Age

Table A - 3.2a | Source: Esri and San Diego LAFCO

Median Age					
Period	**Northwest**	**Northeast**	**Southeast**	**Southwest**	**CWA Total**
2007-2011 Avg	28.7	40.1	40.2	34.8	**35.6**
2012-2016 Avg	29.6	40.5	41.8	35.8	**36.6**
2017-2021 Avg	30.3	41.6	41.6	37.1	**37.3**
Trend	+5.4%	+3.7%	+3.5%	+6.5%	**+4.7%**

Prime Working Age (25-64) as % of Population					
Period	**Northwest**	**Northeast**	**Southeast**	**Southwest**	**CWA Total**
2007-2011 Avg	37.4%	53.5%	54.4%	51.0%	**48.8%**
2012-2016 Avg	37.2%	52.6%	53.8%	50.8%	**48.3%**
2017-2021 Avg	37.9%	52.7%	53.6%	51.4%	**48.6%**
Trend	+1.4%	-1.7%	-1.5%	+0.7%	**-0.5%**

Notes:
Southwest: City of San Diego, City of National City, City of Del Mar, + South Bay ID
Southeast: City of Poway, Otay WD, Helix WD, Padre Dam MWD, Lakeside WD, + Ramona MWD
Northeast: City of Escondido, Vista ID, Vallecitos WD, Valley Center MWD, Rincon del Diablo MWD, + Yuima MWD
Northwest: City of Oceanside, Carlsbad MWD, Olivenhain MWD, San Dieguito WD, Santa Fe ID, + Camp Pendleton

Illustration Done with Anthropic AI

3.3 Income Characteristics

The median household income within CWA's jurisdictional boundary is $103,267 based on a five-year average covering the close of the reporting period – a 31.0% increase compared to the starting period. This amount is separately higher than the countywide average of $88,240. Income gains have also outpaced housing cost increases, which have risen 21.3% to $2,410, though both measures fall short of regional inflation at 49.4%.[13] The poverty rate is also trending positively across CWA by falling (14.7%) over the period. Within the four subregions, the southeast leads with the highest median income at $113,047 and lowest poverty rate at 7.1%. Northwest – despite strong income gains of 33.0% – remains lowest at $88,561 with the second

Outpacing the Average, Trailing Inflation…

Median household income within CWA has increased over the 15-year reporting period by 31% to $103,267 – exceeding the countywide average of $88,240) and outpacing housing cost increases at 21.3%. However, gains still fall short of regional inflation at 49% over the same period

[13] The inflation rate for the San Diego region, based on the Consumer Price Index, was 49.4% between 2008 (CPI: 242.31) and 2023 (CPI: 362.02). This equates to an average annual inflation rate of approximately 2.73% over the 15-year period.

highest poverty rate (8.7%). Southwest showed the most improvement in poverty reduction by dropping 20.2% to 8.9%.

San Diego County Water Authority:
Median Income + Poverty Rates
Table A - 3.3a | Source: Esri and San Diego LAFCO

Median Household Income					
Period	**Northwest**	**Northeast**	**Southeast**	**Southwest**	**CWA Total**
2007-2011 Avg	$66,580	$74,039	$89,861	$83,205	**$78,838**
2012-2016 Avg	$64,828	$76,531	$90,446	$86,042	**$79,781**
2017-2021 Avg	$88,561	$103,446	$113,047	$107,870	**$103,267**
Trend	+33.0%	+39.7%	+25.8%	+29.6%	**+31.0%**

Poverty Rate (%)					
Period	**Northwest**	**Northeast**	**Southeast**	**Southwest**	**CWA Total**
2007-2011 Avg	10.6%	9.5%	7.4%	11.1%	**9.7%**
2012-2016 Avg	9.2%	9.4%	8.4%	10.4%	**9.9%**
2017-2021 Avg	8.7%	8.4%	7.1%	8.9%	**8.3%**
Trend	-17.8%	-11.7%	-4.3%	-20.2%	**-14.7%**

Notes:
Southwest: City of San Diego, City of National City, City of Del Mar, + South Bay ID
Southeast: City of Poway, Otay WD, Helix WD, Padre Dam MWD, Lakeside WD, + Ramona MWD
Northeast: City of Escondido, Vista ID, Vallecitos WD, Valley Center MWD, Rincon del Diablo MWD, + Yuima MWD
Northwest: City of Oceanside, Carlsbad MWD, Olivenhain MWD, San Dieguito WD, Santa Fe ID, + Camp Pendleton

Illustration Done with Anthropic AI

3.4 Others: Unemployment and More

Other material socioeconomic indicators show unemployment within CWA's jurisdctional boundary is 7.4% based on a five-year average covering the close of the reporting period. This figure reflects a 60.9% increase from the five-year average covering the start of the period and triple the rate of increase for all of San Diego County; the county as a whole finished lower at 6.6%. A similarly notable shift involves the share of residents in CWA collecting retirement income, which rose 37.3% and in doing so closing an earlier gap to now match the countywide rate of 21%. Within the subregions, a pronounced east–west divide shows. The two eastern subregions report higher

Uneven Returns…
Unemployment within CWA rose 61% through the 15-year reporting period – more than triple the countywide acceleration. The increase appears largely driven by a regional outlier: unemployment in the Northwest jumped 261% while the next highest subregion increased just 44%.

proportions of retirement-income households – 27% to 28% – paired with comparatively lower college attainment levels of 34% to 35%. In contrast, the southwest subregion leads in educational attainment at 48.6%. Northwest's unemployment increase of 260.9% warrants particular attention.

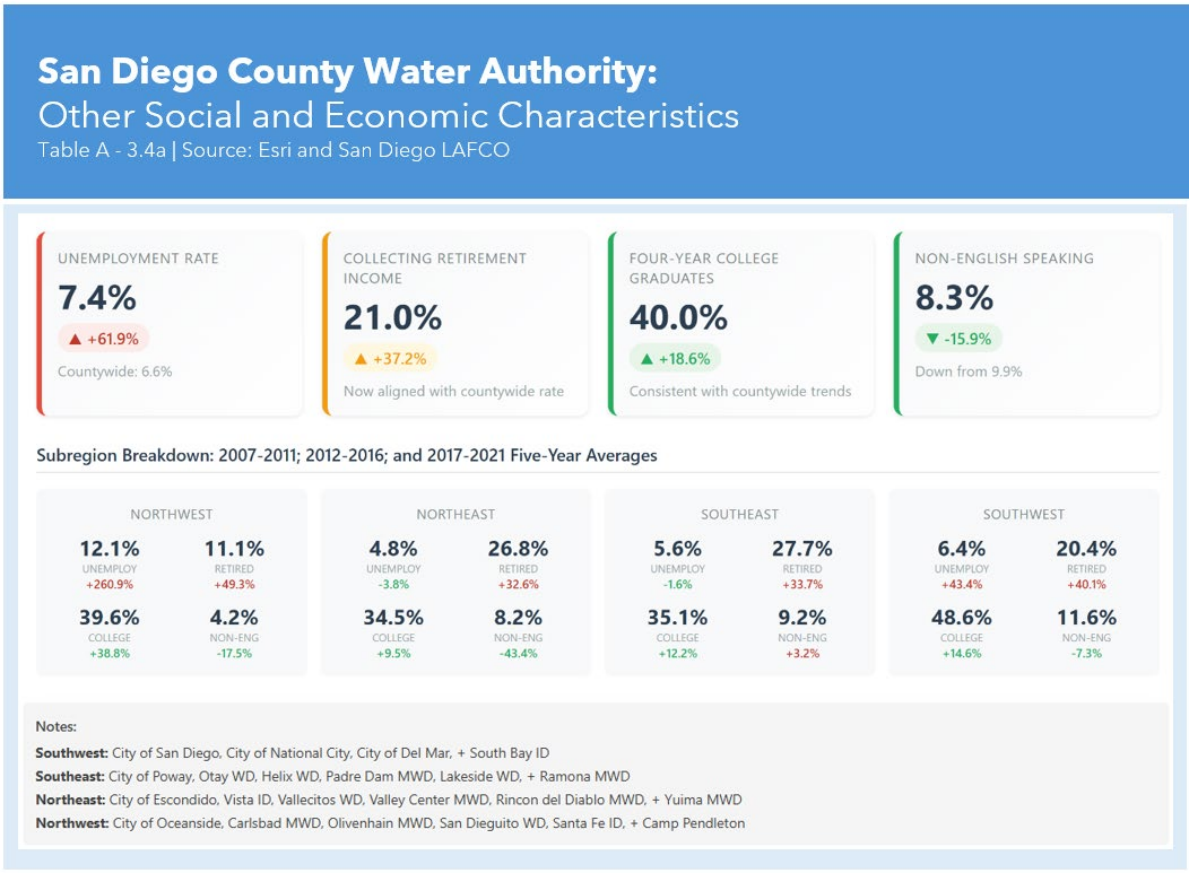


Illustration Done with Anthropic AI

3.5 Unhoused Demographics

All 17 cities within the CWA jurisdictional boundary actively participate in the annual point-in-time count of individuals experiencing homelessness, administered by the region's Continuum of Care (CoC) provider – the San Diego Regional Task Force on Homelessness (RTFH). Counts performed during the 15-year reporting period cover 2011 to 2023. These counts show an average year homeless count of about 8,800 individuals. (Earlier counts are not available.) The total number of counted homeless at

Homeless Rates Outpacing Population Growth…

Homelessness within San Diego County's core urban areas – and by extension in the CWA boundary – has grown at nearly twice the rate of overall population growth, reaching 10,264 individuals in 2023.

the end of the period in 2023 is 10,264 and reflects a rise of 13.8% since 2011 – or an average annual increase of 1.1% and double the pace of overall population growth. The 2023 count shows half – or 5,171 – of homeless are unsheltered and residing in cars, public places, or the street. The remaining 5,093 reside in some type of managed setting, such as an emergency shelter, homeless shelter, or transitional housing.

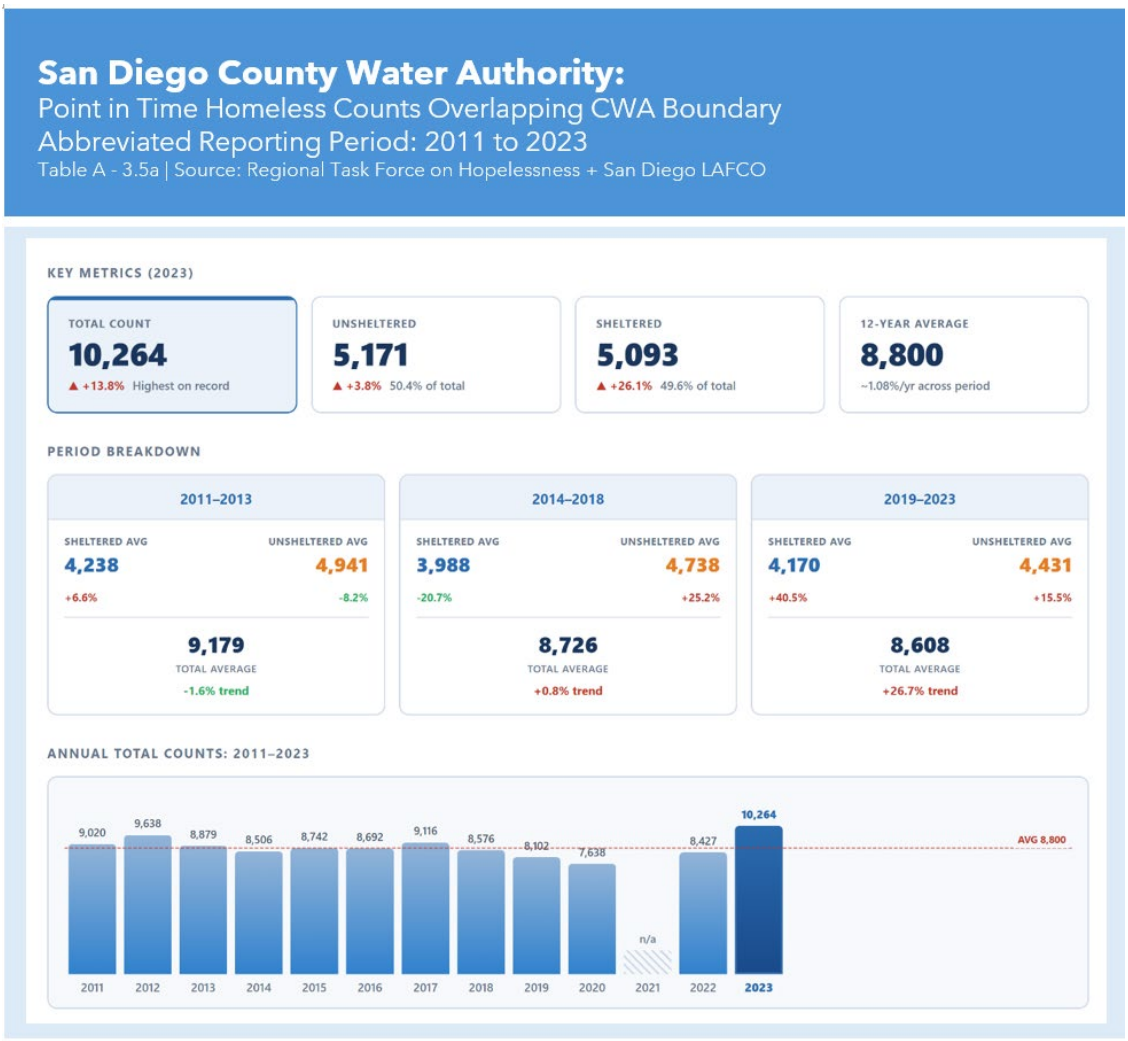


Illustration Done with Anthropic AI

Within CWA's jurisdctional boundary, the city member agencies collaborate with local nonprofit organizations that deliver a range of homeless support services within their respective incorporated limits. These services commonly include emergency shelter as well as supplemental support such as

More Capacity than Need...

At the end of the reporting period in 2023, there is a surplus of more than 8,00 beds relative to the number of counted homeless individuals in the CWA service area.

substance use treatment, mental health care, and family crisis counseling.[14] At the close of the reporting period in 2023, the region reports 18,268 shelter beds – including emergency, transitional, and safe-haven facilities – exceeding the total number of individuals experiencing homelessness by 8,004 beds. A more focused review of homeless counts and related capacity issues is deferred to a planned white paper.

3.6 Environmental Justice

State law directs LAFCO to address several factors whenever the Commission considers jurisdictional changes, including environmental justice. This factor was added to statute beginning January 1, 2008 and is defined to mean "the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services." LAFCO adopted a local policy in 2022 to formally guide its consideration of environmental justice, which includes proactively incorporating the topic – and specifically pollution burdens and their economic impacts – into the municipal service review program as a placeholder for additional analysis as needed.

As part of a macro-level assessment, consideration of environmental justice factors within CWA and its four LAFCO-organized subregion draws on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0).[15] Two percentile rankings are generated within this analysis and based on developing a weighted calculation involving census tracts covering CWA as well as overlapping adjacent areas. These rankings focus on two core dimensions: pollution burdens, which capture exposures and environmental effects, and at-risk population characteristics, which capture sensitive groups and socioeconomic factors.

Measuring EJ: State's Two-Factor Test…

LAFCO's consideration of environmental justice factors draws from the California EPA and includes percentile rankings within CWA and its four LAFCO-organized subregions relative to all jurisdictions in California. These rankings address two core dimensions: (a) pollution burdens and (b) at-risk population characteristics.

[14] State law requires all municipalities allow for the operation of emergency shelters.
[15] *The full CalEnviroScreen 4.0 report is available at:* https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40

With respect to analyzing the scores and assigning value, CalEnviroScreen combines multiple indicators into an overall percentile score, where higher scores reflect greater pollution and vulnerability. Census tracts scoring at or above the 75th percentile are considered "disadvantaged communities" under State law and receive priority for environmental justice programs, policies, and funding.

75th Percentile Threshold…

Census tracts scoring at or above the 75th percentile are considered "disadvantaged communities" under State law and receive priority for environmental justice programs, policies, and funding

CWA's overall weighted scores place its jurisdictional boundary in the 38th percentile for pollution burdens and the 25th percentile for at-risk population characteristics, indicating residents as a whole face lower-than-average environmental justice concerns relative to California statewide. The highest individual indicator for CWA is impaired water bodies with a population burden percentile of 57; all other pollution burden indicators and at-risk population characteristics fall below the 50th percentile.

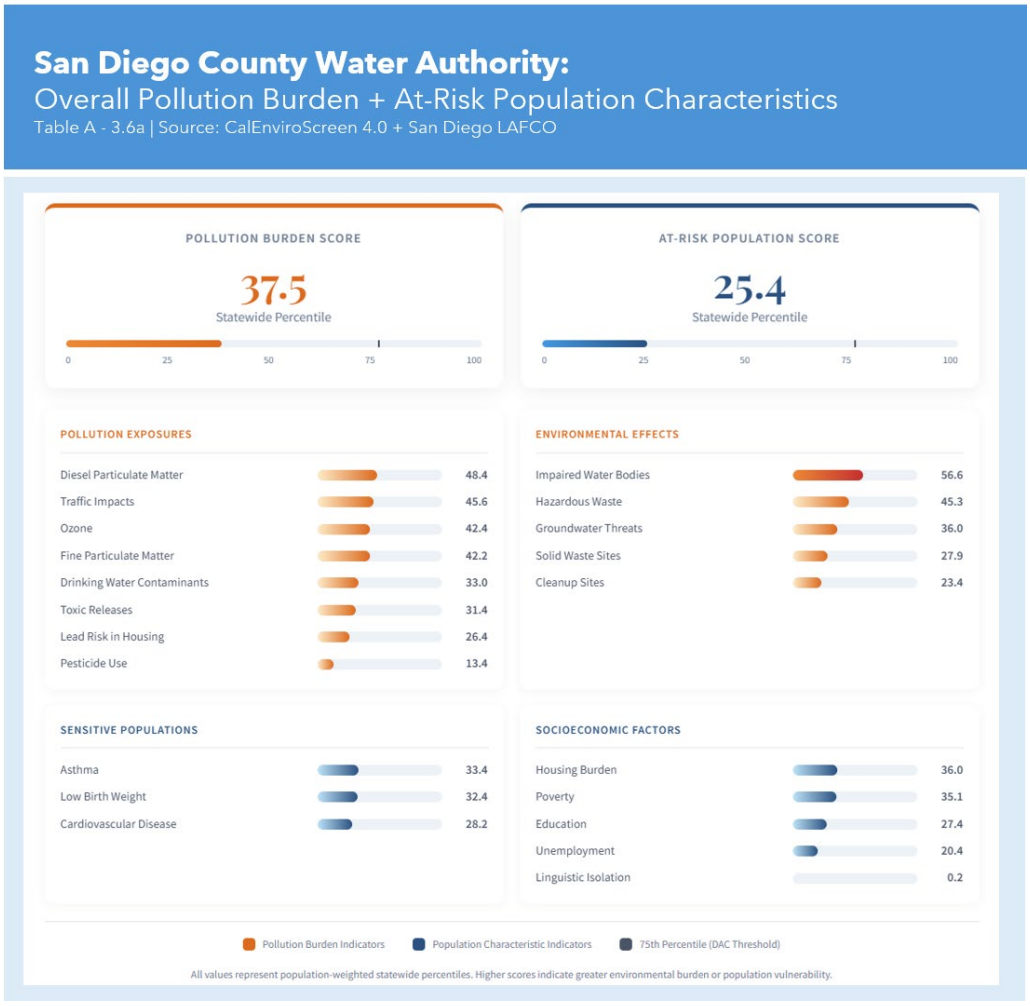


Illustration Done with Anthropic AI

While the composite scores reflect favorable conditions across the CWA jurisdiction as a whole, a closer examination of LAFCO's four-organized subregions reveals localized census tracts where pollution burdens and population vulnerabilities concentrate at levels warranting focused attention. Most notably, 50 census tracts within CWA fall at or above the 75 percentile and meet the disadvantaged community threshold, including areas in the cities of San Diego, Chula Vista, El Cajon, Lemon Grove, and National City. A summary of composite percentile rankings for pollution burdens and at-risk population characteristics within each subregion follows.

Northwest (Estimated Population: 426,735)

CWA Agencies: Camp Pendelton, City of Oceanside, Carlsbad MWD, San Dieguito WD, Olivenhain MWD, and Santa Fe ID

The northwest's composite pollution burden and at-risk population rankings fall at 39 and 19 percentiles, respectively, respectively, relative to the entire state. None of the 81 census tracts in the subregion have composite scores of 75 or higher. The two highest composite scoring tracts are in Oceanside with percentile scores of 71. Composite scores aside, the subregion shows localized pollution concerns within 31 individual tracts related to surface water quality, hazardous waste, and groundwater contamination risks. Information on these tracts follow.

- Nineteen (19) census tracts score at or above the 90th percentile for impaired water bodies in Carlsbad, Encinitas, Oceanside, Vista, and adjacent unincorporated areas.[16]

- Nine census tracts score at or above the 90th percentile for hazardous waste facilities or generators in Carlsbad, Oceanside, Vista, and adjacent unincorporated areas.[17]

- Three census tracts score at or above the 90th percentile for groundwater threats in Oceanside, Encinitas, and adjacent unincorporated areas.

[16] Six of the census tracts are also included in the Northeast region.
[17] Three of the census tracts are also included in the Northeast region.

Northeast (Estimated Population: 426,989)

CWA Agencies: Yuima MWD, Valley Center MWD, Vista ID, Vallecitos WD, City of Escondido, and Rincon del Diablo MWD

The northeast's composite pollution burden and at-risk population rankings fall at 32 and 34 percentiles, respectively, compared to the entire state. None of the 83 census tracts in the subregion have composite scores of 75 or higher. The two highest scoring census tracts are in Escondido with overall percentile scores of 61 and 65. Composite scores aside, the subregion faces localized concerns within 40 individual tracts related to surface water quality, pesticide exposure, drinking water safety, and hazardous waste activity. Information on these tracts follow.

- Twenty nine (29) census tracts score at or above the 90th percentile in Escondido, Vista, Carlsbad, and unincorporated areas for impaired water bodies.[18]
- Four census tracts score at or above the 90th percentile in Carlsbad and adjacent unincorporated areas in pesticide use, reflecting exposure risks in communities near agricultural fields. [19]
- Two census tracts score at or above the 90th percentile in Valley Center and Pala for drinking water contaminants.
- Five census tracts score at or above the 90th percentile in Vista, Oceanside, Carlsbad, and adjacent unincorporated areas for hazardous waste facilities and generators. [20]

Southwest (Estimated Population: 1,5789,877)

CWA Agencies: Cities of Del Mar, San Diego, and National City, + South Bay WD

The southwest's composite pollution burden and sensitive population rankings fall at 41 and 19 percentiles, respectively, relative to the entire state. Forty-four (44) of the 352 census tracts have composite scores of 75 or higher and are considered disadvantaged communities. These are located in San Diego (28), National City (8), and Chula Vista (8). The disadvantaged tracts generally rank high in diesel particulate matter, traffic impacts, children's lead risk from housing, hazardous waste facilities and generators, and impaired water bodies, as well as in asthma rates, unemployment,

[18] Six of these census tracts are also included in the Northwest region.
[19] One of the census tracts is also included in the Northwest region.
[20] Three of these census tracts are also included in the Northwest region.

poverty, housing-burdened households, and lower levels of educational attainment. Composite scores aside, the subregion faces more localized concerns within 198 individual tracts related to air pollution, water quality, and hazardous waste exposure. Information on these tracts follow.

- 109 tracts, primarily in San Diego, with additional tracts in National City (2), Poway (1), and unincorporated areas (4), score at or above the 90th percentile for impaired water bodies. [21]

- Forty-nine (49) tracts, mostly in San Diego with some in National City and Chula Vista, score at or above the 90th percentile for diesel particulate matter. [22]

- Forty (40) tracts, predominantly in San Diego with some in Chula Vista, National City, and Coronado, score at or above the 90th percentile for hazardous waste facilities and generators.

Southeast (Estimated Population: 716,925)

CWA Member Agencies: Otay WD, Helix WD, Padre Dam MWD, Lakeside WD, Ramona MWD, and City of Poway

The southeast's composite pollution burden and sensitive population rankings fall at 33 and 37 percentiles, respectively, relative to the entire state. Eight (8) of the 154 census tracts have composite scores of 75 or higher and are considered disadvantaged communities. These are located in El Cajon (4), Lemon Grove (2), Chula Vista (1), and San Diego (1). These tracts generally rank high for diesel particulate matter, groundwater threats, and hazardous waste facilities, and show elevated rates of low birth weight, unemployment, poverty, and housing burden.[23] Composite scores aside, the subregion faces more localized concerns within 39 individual tracts related to surface water quality, solid waste, and groundwater contamination. Information on these tracts follow.

- Nineteen (19) tracts in San Diego, Lemon Grove, Poway, and unincorporated areas score at or above the 90th percentile for impaired water bodies. [24]

[21] Eight of these census tracts are also included in the Southeast region.
[22] One of these census tracts is also included in the Southeast region.
[23] One tract in Chula Vista and one in San Diego also overlap with the Southwest region.
[24] Eight of these census tracts are also included in the Southwest region.

- Fourteen (14) tracts in Chula Vista, El Cajon, Lemon Grove, San Diego, and unincorporated areas score at or above the 90th percentile for solid waste sites/facilities. [25]

- Six tracts in Lemon Grove, Chula Vista, El Cajon, and La Mesa score at or above the 90th percentile for groundwater threats.

A summary comparison of composite pollution and at-risk population burden rankings in the four subregions follow with more detailed information provided as an appendix.

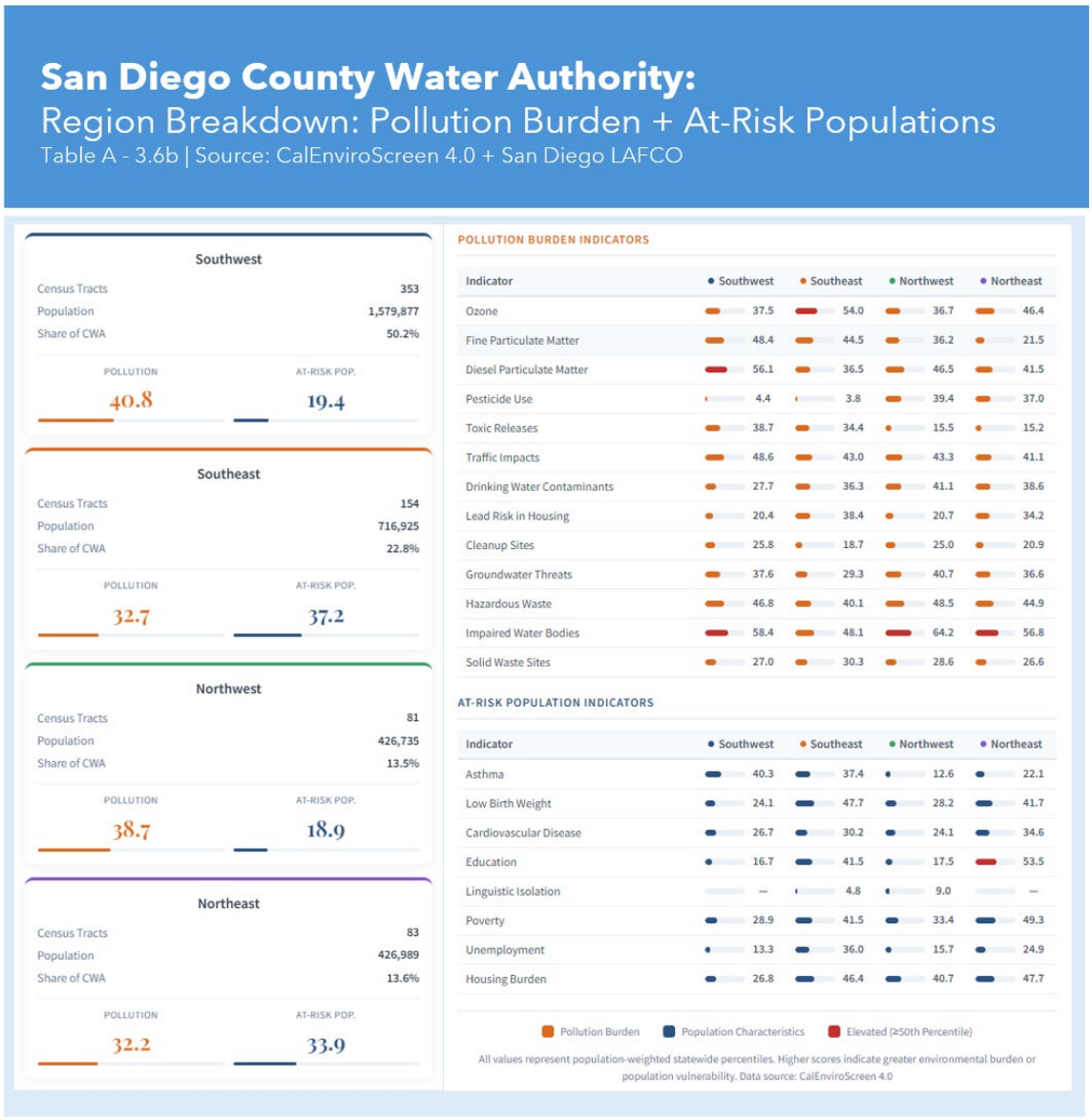


Illustration Done with Anthropic AI

[25] Five of these census tracts are also included in the Southwest region.

As noted above, five cities – Chula Vista, El Cajon, Lemon Grove, National City, and San Diego – within CWA's jurisdictional boundary contain disadvantaged communities as defined by CalEnviroScreen 4.0. Most, but not all, of the cities have adopted environmental justice elements as summarized below.[26]

- Chula Vista – Adopted an Environmental Chapter within its General Plan addressing environmental justice concerns in December 2005. The Element includes policies related to equitable land use planning, distribution of public facilities and services, overconcentration of industrial uses, and promotion of transit-oriented development.

- El Cajon – Adopted an Environmental Justice Element in July 2021. The Element identifies two CalEnviroScreen-designated and nine additional low-income communities. It includes health indicator analysis and establishes policies to reduce disproportionate impacts, ensure equitable siting of public facilities, and promote environmental justice principles.

- Lemon Grove – Its 1996 General Plan does not address environmental justice.

- National City – Adopted a Health and Environmental Justice Element as part of its General Plan in January 2012. The Element identifies public health risks and environmental justice concerns and establishes policies to improve air quality, promote physical activity, expand access to healthy food and health care, eliminate health risks from contaminants such as lead paint, facilitate meaningful public involvement, and integrate environmental justice into land and facility planning.

- San Diego – Adopted a comprehensive Environmental Justice Element in July 2024. The Element identifies environmental justice communities using four datasets, including CalEnviroScreen 4.0, and establishes goals, policies, and actions related to inclusive public engagement, pollution exposure and air quality, active recreation, healthy food access, safe and healthy housing, climate change and resilience, and equitable public facilities and infrastructure.

Additional considerations of environmental justice factors can be found by analyzing elements from the Climate Action Plan's (CAP) of the jurisdictions that overlap the CWA

[26] Local governments with disadvantaged communities are required to include environmental justice elements in their general plans. These elements must include policies to reduce pollution exposure, improve access to public facilities and healthy housing, promote civic engagement, and prioritize programs addressing the needs of disadvantaged communities.

jurisdictional boundary. A CAP serves as a jurisdictions roadmap to reducing greenhouse gas (GHG) emissions and generally include the following three components.

- A baseline GHG emissions inventory and projected future emissions
- Future GHG emissions targets
- A set of strategies to meet the selected targets.

Among the 17 cities within CWA's jurisdictional boundary, 15 have adopted CAPs. with the exceptions being El Cajon and Poway. The County has also adopted a CAP. While the structure and content of CAPs vary by jurisdiction, they typically include strategies in the following key areas: energy and buildings, water and wastewater, solid waste, transportation and land use, and agriculture and forestry. Most acknowledge climate change can disproportionally harm disadvantaged, low-income, and vulnerable communities. As shown below, most CAPs also contain measures that address environmental justice.

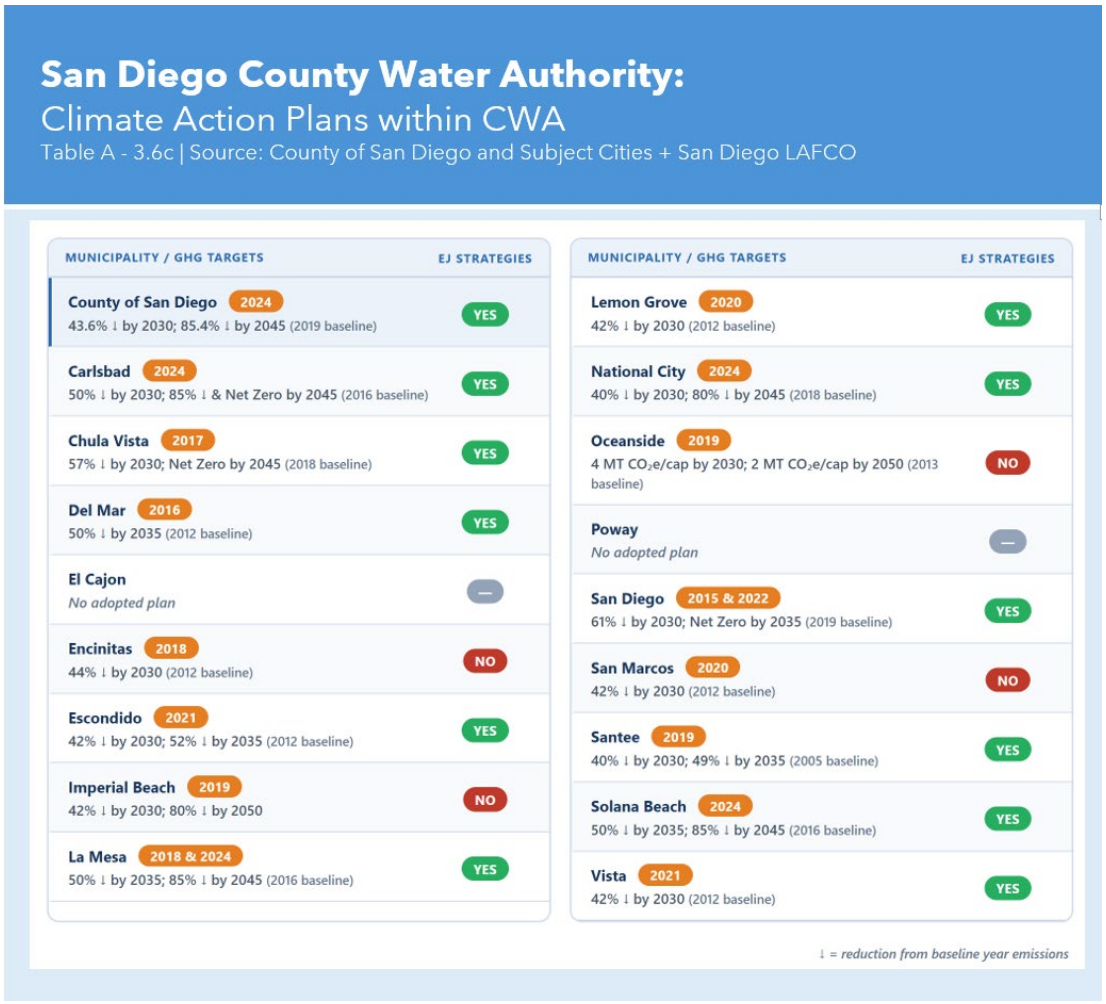


Illustration Done with Anthropic AI

CWA adopted its own CAP in June 2020, establishing a greenhouse gas reduction target consistent with the statewide goal of 40% below 1990 levels by 2030. The CAP outlines strategies to reduce the agency's operational emissions through:

- Electricity emissions – increasing the use of renewable energy sources.
- Vehicle emissions – improving efficiency of Water Authority fleet vehicles and reducing carbon intensity of employee and fleet transportation.
- Customer water demand – expanding water conservation programs to lower overall water-related emissions.

4.0 ORGANIZATION

4.1 Board of Directors

CWA was formed as an independent special district with powers established under special legislation – the "CWA Act" – and confirmed by voters in June 1944. CWA's nine charter members included the Cities of Chula Vista, Coronado, National City, Oceanside, and San Diego as well as the Fallbrook Public Utility District, Lakeside Irrigation District, Ramona Irrigation District, and the La Mesa, Lemon Grove, and Spring Valley Irrigation Districts. Initial governance expectations for CWA focused on overseeing operations to secure access to Colorado River water rights held by the County of San Diego and the City of San Diego to support the region's growing population and expanding military installations. However, rather than constructing its own conveyance infrastructure, CWA negotiated an agreement to access Colorado River supplies as a member of MWD beginning in 1946. This arrangement – and its associated governance implications – remained in place until the 1990s, when CWA transitioned away from its role as an exclusive MWD transportation agent and began developing its own water supply portfolio, as further detailed in Section 5.0.

CWA is currently authorized under both its special legislation and LAFCO statute to provide two active municipal functions – water service (wholesale class only) and hydroelectric power generation (wholesale class only). Governance is vested in a 34-member Board of Directors, consisting of at least one director from each of the 22 current agencies. A 35th non-voting member is also part of the governance structure and represents the County of San Diego.

Decision-Making at CWA…

Governance is provided by a 34-member Board of Directors, including at least one director from each of the 22 member agencies. The Board establishes policies, with decision-making authority distributed among agencies based on their financial contributions. A 23rd agency – County of San Diego – is a non-voting member.

CWA's 34-member Board establishes and administers policies, while an appointed General Manager oversees day-to-day operations in support of the Board's policies and Strategic Plan. Board representation is based on assessed property valuation with each member agency entitled to one seat for every 5% share of the total valuation in the CWA jurisdictional boundary. Voting is done on a weighted system and based on each member agency's cumulative financial contributions to CWA since its formation.[27] Under this system, each Director receives one vote for every $5 million (or major fraction) contributed to date, with totals recalculated annually on January 1 based on the previous fiscal year. At the end of the 15-year reporting period in 2023, the City of San Diego has the largest vote share at CWA with 39.9% following by Helix WD at 6.6%.

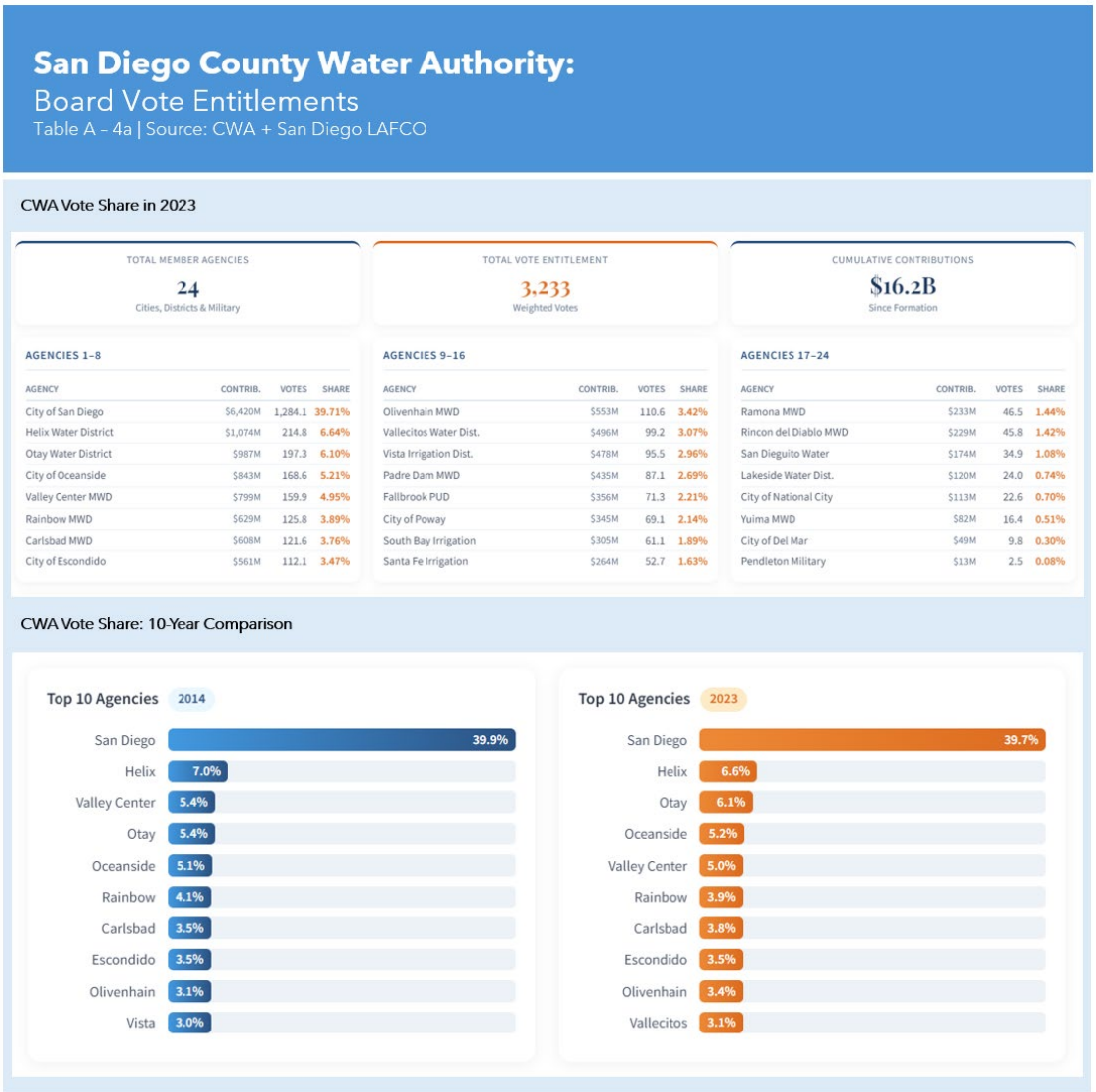


Illustration Done with Anthropic AI

[27] "Total financial contribution" includes all taxes, assessments, fees, and charges paid to the authority for property within member agency boundaries, as determined by the Board at the end of each fiscal year. It also includes amounts paid to the Metropolitan Water District of Southern California for property within member agency boundaries, excluding treatment costs.

Note | Subsequent to the close of the 2023 reporting period, the redistribution of voting entitlements resulting from the detachments of Fallbrook PUD and Rainbow MWD led – among other effects – to an increase in the City of San Diego's voting share to 42.9 percent.

CWA's Board of Directors hold regular meetings typically on the fourth Thursday of each month, with the exception of November and December. Meetings are conducted in the Board Room of the CWA Headquarters Building, located at 4677 Overland Avenue in San Diego (Kearny Mesa). Board meetings are streamed live and may be accessed through CWA's website (sdcwa.org). Board members do not receive compensation – whether in the form of per diems, stipends, or other payments – from CWA; instead, members may receive compensation from their respective appointing authorities. The table below presents the current CWA roster and summarizes their respective backgrounds.

San Diego County Water Authority:
Current Board of Director Roster
Table A – 4b | Source: CWA + San Diego LAFCO

34 BOARD MEMBERS	23 MEMBER AGENCIES	4.6 AVG. YEARS SERVED
Nick Serrano, Chair City of San Diego *Deputy Chief of Staff* — 4	**Frank Hilliker, Vice Chair** Lakeside WD *Agricultural Producer* — 18	**Joy Lyndes, Secretary** San Dieguito WD *Landscape Architect* — 3
Burt Williams Camp Pendleton *Engineer & Veteran* — <1	**Teresa Acosta** Carlsbad MWD *Small Business Owner* — 2	**Amanda Flesse** Carlsbad MWD *Civil Engineer* — 1
Mel Katz City of Del Mar *Business Owner* — 7	**Rick Paul** City of Escondido *Businessman* — 1	**Ditas Yamane** City of National City *Real Estate Broker* — 3
Lindsay Leahy City of Oceanside *Professional Engineer* — 3	**Eric Heidemann** City of Poway *Public Works Director* — 5	**Ismahan Abdullahi** City of San Diego *Community Affairs Dir.* — 5
Jimmy Ayala City of San Diego *Non-Profit Director* — 1	**Jerry Butkiewicz** City of San Diego *Labor Union Rep.* — 9	**Lois Fong-Sakai** City of San Diego *Civil Engineer* — 11
Valentine Macedo Jr. City of San Diego *Labor Union Rep.* — 3	**Jim Madaffer** City of San Diego *Policy & Agriculture* — 13	**Venus Molina** City of San Diego *Chief of Staff* — 1
Stephen Whitburn City of San Diego *Councilmember* — 2	Vacant City of San Diego — —	**Kathleen Hedberg** Helix WD *Civil Engineer* — 1
Joel Scalzitti Helix WD *Business Owner* — 8	**Neal Meyers** Olivenhain MWD *Attorney* — 2	**Francisco Rivera** Otay WD *Retired Fire Chief* — <1
Mark Robak Otay WD *Commercial Broker* — 1	**Rocky Qualin** Padre Dam MWD *Banking/Insurance Exec.* — 1	**Princess Norman** Ramona MWD *Retired IT Program Mgr.* — 1
Evan Wahl Rincon MWD *Military + Pharma* — 1	**Dana Friehauf** Santa Fe ID *Civil Engineer* — 1	**Steve Castaneda** South Bay Water *Land Use Consulting* — 3
Jennifer Kerschbaum Vallecitos WD *Civil Engineer* — <1	**Gary Arant** Valley Center MWD *District General Mgr.* — 20	**Marty Miller** Vista ID *Business Owner* — 14
Amy Reeh Yuima MWD *District General Mgr.* — 6		

Leadership Board Member Years shown indicate tenure on CWA Board

Illustration Done with Anthropic AI

4.2 Board Committees

CWA utilizes six standing committees to help inform decision-making on topics of elevated interest to the agency. Each Committee receives its appointments from the Chair with consultation from the other two Board officers – Vice-Chair and Secretary. Each committee is assigned 14 regular voting members with the exception of the Audit Committee which is limited to five members.

The Administrative & Finance Committee has been the most active of CWA's standing committees, convening 207 meetings during the 15-year reporting period ending in 2023. The next most active committees – Water Planning and Engineering & Operations – each have held approximately 200 meetings. Two additional committees, Imported Water and Legislation & Public Outreach, convened at least 188 meetings each during the period.[28]

Most Active Committees...

CWA's Administrative & Finance Committee has been the most active standing committee by holding an average of 14 meetings annually during the 15-year report period. The next two most active committees – Water Planning and Engineering & Operations – both met an average of 13 times a year.

Standing Committees

Administrative & Finance Committee | Provides advisory recommendations to the Board on administrative, finance, and general business operation matters – including rates, fees, charges, and human resources. This Committee has held 207 meetings during the review period for an annual average of 14 meetings a year.

Audit Committee | Provides advisory recommendations to the Board on the selection of the independent auditor, the audit contract, annual or supplemental audits, and on any recommendations or communications made by the outside auditor. This Committee has held a total of 49 meetings during the review period for an annual average of 3 meetings a year.

Engineering & Operations Committee | Provides advisory recommendations to the Board on matters related to design, construction, replacement, maintenance and operation of facilities, property and equipment including the CWA's Capital Improvement Program (CIP). This Committee has held a total of 198 meetings during the review period for an annual average of 13 meetings a year.

[28] Additional details on each standing committees' rules and responsibilities are available within the CWA's Administrative Code (Sections 2.00.060 and 2.00.066).

Imported Water Committee | Provides advisory recommendations to the Board on navigating matters related to imported water supply, including issues with MET, the Colorado River, QSA Water, and other concerns involving water sourced outside the San Diego region. This Committee has held a total of 195 meetings during the review period for an annual average of 13 meetings a year.

Legislation & Public Outreach Committee | Provides advisory recommendations to the Board on community and governmental affairs including legislation, community relations, media relations, and outreach programs. This Committee has held a total of 188 meetings during the review period for an annual average of 13 meetings a year.

Water Planning & Environmental Committee | Provides advisory recommendations to the Board on matters related to local water supply and development efforts, including shortage allocation, water supply forecasting, seawater desalination, water reclamation and conservation, environmental management, and urban water management plans. This Committee has held a total of 201 meetings during the review period for an annual average of 13 meetings a year.

4.3 Administration

The CWA Board of Directors makes two at-will appointments to oversee agency activities: General Manager and General Counsel.

- The current General Manager – Dan Denham – was appointed in late 2023 and previously served as the Deputy General Manager. During the fifteen-year review period ending in 2023, the CWA has had two other individuals serve as General Managers: Maureen Stapleton (1995–2019) and Sandra L. Kerl (2019-2023).

- The current General Counsel – David J. Edwards – was appointed in late 2022 and previously served with a public agency in the Los Angeles region. Two others have served in the position during the reporting period: Dan Hentschke (1998-2015) and Mark Hattam (2016 to 2022).[29]

CWA's organizational structure is divided into 10 departments: Administrative Services Engineering, Finance, General Manager's Office, General Counsel's Office, Human Resources, Imported Water, Operations and Maintenance, Public Affairs, and Water

[29] Annual salary compensation for the General Manager and General Counsel at the end of the reporting period in 2023 is $345,000 and $315,000, respectively (source: Transparent California).

Resources. All heads report to the General Manager except for the General Counsel. CWA's total number of budgeted positions at the end of the report period in 2023 is 249.5 full-time equivalent employees – the lowest tally over the preceding 15-year span. The overall change in budgeted positions across the period has been (15.1%).

San Diego County Water Authority:
Budgeted Staffing Levels
Table A – 4.3a | Source: CWA + San Diego LAFCO

FY 2009 STAFFING	FY 2023 STAFFING	TOTAL CHANGE	PERCENT CHANGE
294.0	249.5	-44.5	-15.1%

Metric	FY 2009	FY 2023	Change
Budgeted Staffing (FTE)	294.0	249.5	-44.5 (-15.1%)
Staffing Per 1,000 Residents	0.26	0.26	0.00 (0.0%)



Illustration Done with Anthropic AI

5.0 MUNICIPAL SERVICE FUNCTIONS

CWA currently provides two active municipal functions as defined by LAFCO – water (wholesale class only) and hydroelectric power, gas, and electric generation (wholesale class). This report and its analysis focuses only on CWA's water service function consistent with the scope of work authorized by the Executive Officer. A brief summary of CWA's hydroelectric energy services is footnoted with a more complete evaluation deferred to future study.[30]

Two Active Service Functions...

This MSR focuses on the CWA's primary municipal function – water service, and provided as Appendix A. Its second municipal function – hydroelectric power, gas, and electric generation - is excluded in the analysis and will be deferred and evaluated as part of a future study.

5.1 Water Service

A detailed analysis of CWA's wholesale water service function is provided as an appendix. The analysis has been prepared by the Commission's contracted consultant and water economist, Dr. Michael Hanemann.

6.0 FINANCES

6.1 Budget and Implementation

CWA's average two-year adopted budget total covering all operating and non-operating expenses during the 15-year reporting period ending in 2023 is $1.568 billion – or $784 million split between the two years. The closing-year budget covering the last two years (2022 and 2023) totals $1.694 billion and 8.0% above the period average and reflects an overall change of 14.8%. Throughout the reporting period, the single largest budgeted expense category has been water supply purchases and treatment for subsequent resale by CWA's member agencies. This

Game Planning Expenses...

CWA's average two-year adopted budget covering both operating and non-operating activities during the 15-year reporting period has been $1.568 billion. The largest planned expense has been water purchases, which accounts for slightly more than half allocations over the period and up to two-thirds at the period's close.

[30] CWA began selling electricity in 1985 with the construction of its first two hydroelectric facilities. Since that time, the District has constructed two additional hydroelectric facilities and received a Boulder Canyon Project (Hoover Dam) federal power allocation. With these hydroelectric resources, the CWA sold electricity at wholesale to private corporations and provided electricity to San Diego Gas & Electric through the Renewable Energy Self-Generation Bill Credit Transfer tariff. CWD currently sells electricity at wholesale on the California Independent System Operator (CAISO) market and to Clean Energy Alliance, one of San Diego County's Community Choice Aggregators. CWA's electricity sales methods have evolved over the years to maximize revenue and cost savings opportunities while minimizing contracting risk and water operation impacts.

largely fixed cost – driven by take-or-pay agreements with Imperial Irrigation District and Channelside Water – accounts for 55.3% of total planned expenditures over the period, rising to 65.5% by the close. The next largest category involves capital improvement projects, accounting for 18.7% of all planned expenditures, falling to 10.1% by the close.

A breakdown of total budgeted biennial costs over the reporting period follows.

San Diego County Water Authority:
Total Budgeted Expenses
Table A – 6.1a | Source: CWA + San Diego LAFCO

Fund Category	FY08-09	FY10-11	FY12-13	FY14-15	FY16-17	FY18-19	FY20-21	FY22-23	Avg.	Trend
Water Purchases	539,934	747,082	688,013	816,339	933,515	1,029,543	1,078,463	1,110,422	867,914	105.7%
CIP Expenditures	618,639	555,700	321,129	259,602	136,825	118,618	162,222	170,381	292,890	(72.5%)
Debt Service	200,836	240,008	280,394	281,531	282,804	280,945	297,432	256,064	265,002	27.5%
QSA Mitigation	24,893	22,792	12,461	16,417	24,011	18,829	4,711	5,891	16,251	(76.3%)
Operating Departments	84,909	94,451	87,715	92,570	94,143	103,202	108,503	113,407	97,363	33.6%
Hodges Pump Storage	-	-	6,052	4,133	4,204	-	-	-	3,597	-
Equipment Replacement	3,616	3,805	1,220	3,103	4,219	4,855	6,024	4,907	3,969	35.7%
Grant Expenditures	-	-	-	-	18,108	27,135	26,323	29,003	25,142	60.2%
Other Expenditures	2,287	30,646	20,449	20,900	1,000	1,000	3,888	3,423	10,449	49.7%
Total ($ Billions)	1.475	1.695	1.417	1.495	1.499	1.584	1.688	1.694	1.568	14.8%

Illustration Done with Anthropic AI

Note | Figures reflect CWA's Multi-Year Budgets.

Transitioning towards implementation, CWA's average actual two-year expense covering all operating and non-operating activities during the reporting period has been $1.439 billion – or $719.5 million split between the two years. The closing-year actual covering the last two years (2022 and 2023) totals $1.688 billion and 17.4% above the period average and reflects an overall change of 20.0%. Overall, CWA's actuals have produced a favorable average period annual variance of 8.3% and translates to an biennial

Expense Outcomes: 8.3% Favorable Variance Rate…

CWA's average actual biennial expenditures for operating and non-operating activities over the 15-year reporting period is $1.439 billion, reflecting a favorable variance of 8.3% relative to adopted allocations. Actuals have come in under budget every single period – often by substantial margins – with CIP deferrals representing the most consistent and significant source of savings.

budget savings of $129.7 million. The variance gap, however, has been increasingly narrowing – most notably within operating departments where the average variance rate has dropped from 7.2% during the first half of the reporting period to just 1.0% in the second half, reflecting a significant reduction in budgetary cushion.

A breakdown of actual biennial costs over the reporting period follows.

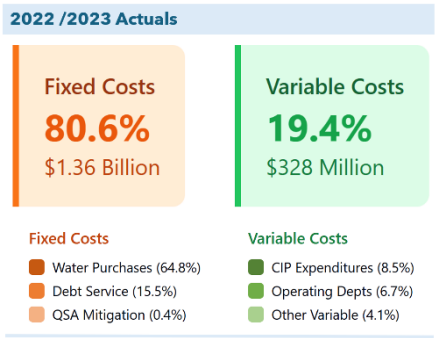
San Diego County Water Authority:
Total Actual Expenses
Table A - 6.1b | Source: CWA + San Diego LAFCO

Fund Category	FY08-09	FY10-11	FY12-13	FY14-15	FY16-17	FY18-19	FY20-21	FY22-23	Avg.	Trend
Water Purchases	532,769	566,485	683,705	833,738	889,767	892,553	964,147	1,093,504	807,084	105.2%
CIP Expenditures	556,634	350,701	241,118	187,131	146,661	131,713	108,603	144,346	233,363	(74.1%)
Debt Service	197,861	220,750	265,395	270,743	271,561	292,624	266,846	261,554	255,917	32.2%
QSA Mitigation	24,336	22,792	12,461	16,417	24,011	18,829	4,711	5,933	16,186	(75.6%)
Operating Departments	79,602	80,774	82,042	91,095	94,396	96,277	111,956	112,727	93,609	41.6%
Hodges Pump Storage	-	-	1,716	-	-	-	-	-	429	-
Equipment Replacement	3,282	2,820	1,189	2,987	4,029	3,775	3,089	3,022	3,024	(7.9%)
Grant Expenditures	-	-	-	11,671	20,712	19,485	16,556	15,261	13,948	30.8%
Other Expenditures	12,020	9,463	10,050	-	11,079	3,830	50,769	52,103	18,664	333.5%
Total ($ Billions)	1.407	1.254	1.298	1.414	1.462	1.459	1.527	1.688	1.439	20.0%

Illustration Done with Anthropic AI

Note | Figures reflect CWA's Multi-Year Budgets.

An analysis of CWA's actual expenses by cost type shows a pronounced 27-percentage-point swing during the reporting period to the detriment of budget flexibility. Fixed costs have increased from 53.7% to 80.6% of actual expenditures, with water purchases under take-or-pay agreements driving the rise – increasing on their own by 105.2%. Variable expenses have concurrently decreased from 46.3% to 19.4% with capital improvement projects declining on their own (74.1%).



CWA's budgeted revenues covering all operating and non-operating resources have aligned with expense totals throughout the 15-year reporting period, averaging $1.568 billion biennially and reaching $1.694 billion at the close (2022/2023). Water sales to member agencies account for the largest share of biennial budgeted revenues with an average of $1.105 billion, or 70.4% of total sources, with the period closing are CWA's infrastructure access charges, which has averaged $63.1 million biennially – 4.0% of total – and reached $95.0 million at the period's close. Reserve withdrawals constitute the primary balancing mechanism, averaging $250.3 million – or 16.0% of total sources – and enable CWA to adopt balanced budgets throughout the 15-year period. A breakdown of budgeted biennial revenues over the reporting period follows.

Game Planning Revenues...

CWA's adopted revenues have matched expenses throughout the 15-year reporting period ending in 2023 with a biennial average of $1.568 billion. Reserve withdrawals serve as a primary balancing tool – averaging $250.3 million – or 16.0% - of total planned resources.

San Diego County Water Authority:
Total Budgeted Revenues
Table A – 6.1c | Source: CWA + San Diego LAFCO

Revenue Category	FY08-09	FY10-11	FY12-13	FY14-15	FY16-17	FY18-19	FY20-21	FY22-23	Avg.	Trend
Gross Water Sales	706,753	964,292	943,802	1,106,664	1,162,792	1,302,329	1,306,919	1,343,494	1,104,631	90.1%
Infrastructure Access Charge	37,614	45,551	56,978	59,054	61,295	67,991	81,656	94,955	63,137	152.4%
Property Taxes & In-Lieu	17,702	20,846	21,078	22,320	23,400	25,361	28,304	32,361	23,922	82.8%
Investment Income	57,334	26,876	13,002	12,715	9,233	10,422	11,501	5,652	18,342	(90.1%)
Hydroelectric Revenue	4,348	2,613	1,800	5,440	7,000	7,106	7,350	5,772	5,179	32.8%
Grant Reimbursement	-	-	-	-	16,708	26,635	27,327	28,717	24,847	71.9%
Build America Bond Subsidy	-	-	-	-	20,978	22,606	21,104	21,317	21,501	1.6%
Other	3,203	30,867	43,609	43,506	523	985	2,528	3,658	16,110	14.2%
Capacity Charges	69,038	12,400	21,365	29,784	30,500	33,424	33,220	34,186	32,990	(50.5%)
Water Standby Charges	22,344	22,245	22,233	22,549	22,500	22,245	22,221	22,400	22,342	0.3%
Contributions in Aid of CIP	9,138	22,143	8,220	15,860	3,668	1,683	1,855	1,612	8,022	(82.4%)
Subtotal Revenues	927,474	1,147,833	1,132,087	1,317,892	1,358,597	1,520,787	1,543,985	1,594,124	1,317,847	71.9%
Fund Balance Withdrawals	547,640	546,651	285,347	176,703	140,231	63,341	143,581	99,372	250,358	(81.9%)
Total ($ Billions)	1.475	1.694	1.417	1.495	1.499	1.584	1.688	1.694	1.568	14.8%

Illustration Done with Anthropic AI

Note | Figures reflect CWA's Two-Year Budgets.

CWA's average actual biennial revenue covering all operating and non-operating activities during the reporting period matches expenses at $1.439 billion – or $719.5 million split between the two years. Excluding reserve withdrawals, actual revenues have increased 79.4% from $907.8 million to $1.629 billion, aided directly by continual rate increases to member agencies. Water sales closed the period accounting for $0.79 of every $1.00 in collected revenues (less reserve withdrawals), reflecting a period increase of 83.9% – from $703.4 million to $1.293 billion. Water sales also involve the lone notable variance during the period relative to budgeted amounts by generating a persistent shortfall – biennial averages of (5.3%) and ($58.4 million).

As Goes Water Sales...

Approximately 70% of CWA's actual revenue during the 15-year reporting period has come from a single source: water sales to member agencies – rising to 80% by the close of the period. Water sales also involve the lone notable variance during the period with actuals falling short of budgeted amounts in six of eight biennial budgets cycles.

A breakdown of actual biennial revenues over the reporting period follows.

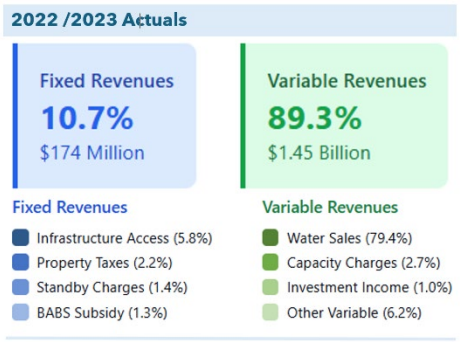
San Diego County Water Authority:
Total Actual Revenues
Table A – 6.1d | Source: CWA + San Diego LAFCO

Revenue Category	FY08-09	FY10-11	FY12-13	FY14-15	FY16-17	FY18-19	FY20-21	FY22-23	Avg.	Trend
Gross Water Sales	703,407	770,793	966,803	1,177,868	1,103,992	1,171,415	1,182,217	1,293,359	1,046,232	83.9%
Infrastructure Access Charge	36,848	45,749	56,376	59,101	61,579	65,685	80,864	94,703	62,613	157.0%
Property Taxes & In-Lieu	20,771	18,938	20,679	22,618	24,981	28,420	31,759	35,637	25,475	71.6%
Investment Income	39,217	18,225	8,432	8,596	8,223	12,615	11,746	16,079	15,392	(59.0%)
Hydroelectric Revenue	2,009	1,745	3,868	7,547	6,368	7,786	6,432	3,846	4,950	91.4%
Grant Reimbursement	-	-	-	16,465	18,508	17,441	16,482	14,572	16,694	(11.5%)
Build America Bond Subsidy	-	-	-	20,745	21,071	21,133	21,276	21,317	21,108	2.8%
Other	16,838	28,322	29,780	3,978	9,060	14,122	50,797	65,713	27,326	290.3%
System Capacity Charges	37,149	20,620	28,808	36,375	36,919	47,963	36,698	43,157	35,961	16.2%
Water Standby Charges	22,568	22,496	22,388	2,244	22,180	22,257	22,333	22,358	19,853	(0.9%)
Contributions in Aid of CIP	29,014	5,000	11,943	7,128	1,011	16	4,150	18,007	9,534	(37.9%)
Subtotal Revenues	907,821	931,888	1,149,077	1,362,665	1,313,892	1,408,853	1,464,754	1,628,748	1,270,962	79.4%
Fund Balance Withdrawals	498,684	321,899	148,599	51,115	148,325	50,234	61,925	59,702	167,560	(88.0%)
Total ($ Billions)	1.407	1.254	1.298	1.414	1.462	1.459	1.527	1.688	1.439	20.0%

Illustration Done with Anthropic AI

Note | Figures reflect CWA's Multi-Year Budgets.

An analysis of CWA's actual revenues by type shows – unlike expenses – consistency throughout the reporting period, albeit favoring less certainty. Fixed revenues remain in the minority although increasing from 8.8% to 10.7% during the period. Infrastructure access charges account for more than half of the closing amount of fixed revenue with property taxes representing another quarter. Variable revenues – headlined by water sales – are the majority and finished the period at 89.3% of all actuals.



6.2 Water Sales and Water Rates

As referenced, more than four-fifths of CWA's total revenues collected during the 15-year reporting period ending in 2023 tie directly to water sales collected from member agencies. And while water sale revenue has increased by nearly double during the reporting period, it is not the result of more water being sold.[31] Instead, the increase in water sale revenue ties to repreated increases in water rates.

Demands Down, Rates Up...

CWA's water sales have steadily fallen nearly 40% during the 15-year reporting period ending in 2023. Ongoing rate increases throughout the period have covered declining volume and contributes to actual water sale revenues almost doubling from $703 million to $1.3 billion.

CWA's all-in water rate reflects the total blended cost per acre-foot charged to member agencies for wholesale water, covering commodity charges, fixed charges, and pass-through costs for supplies from the Imperial Irrigation District, Posidon (Carlsbad Desalination Plant), and MWD. Both untreated and treated all-in rates have increased each year during the 15-year reporting period. The untreated all-in rate has more than doubled, rising from $598 per acre-foot in 2009 to $1,579 per acre-foot in 2023 – an increase of 164.5%. The treated all-in rate has increaesd by slightly less over the same period, going from $766 to $1,929 per acre-foot – an increase of 151.8%.

[31] As detailed in this report, CWA's water sales volume has fallen 39.9% during the period from 555,787 acre-feet in 2009 to 333,792 acre-feet in 2023. The magnitude of this decline is further amplified by the final-year amount falling 20.0% short of the 15-year average of 437,278 acre-feet

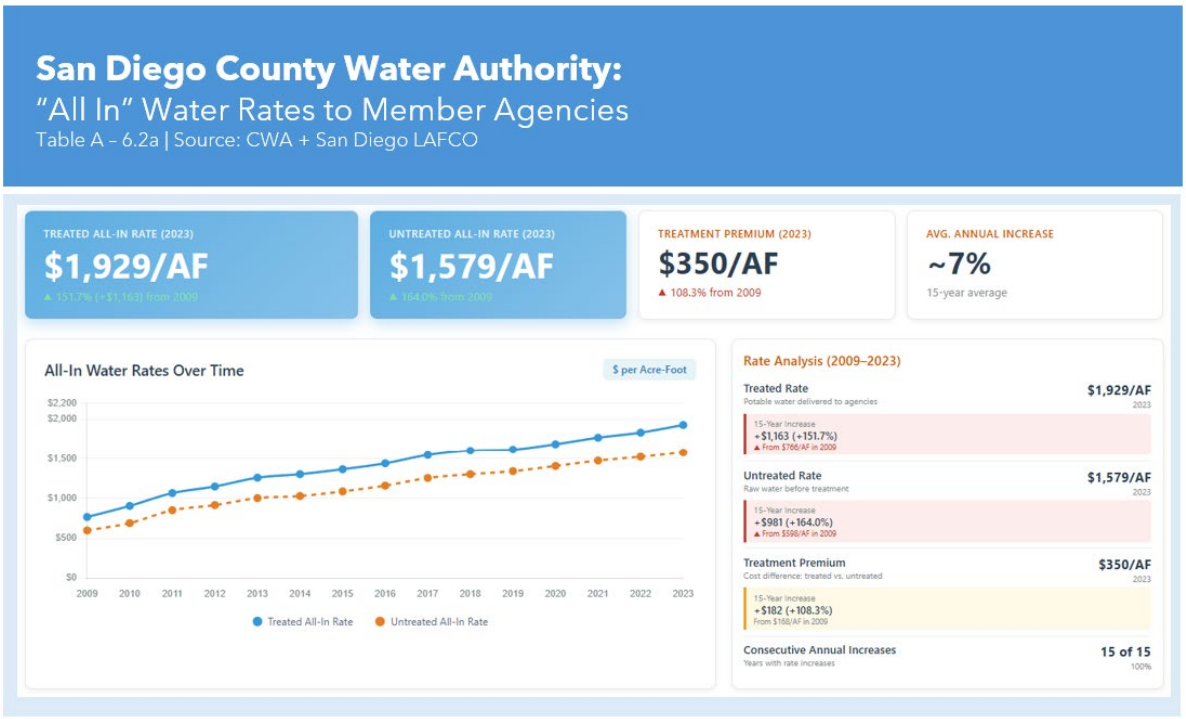


Illustration Done with Anthropic AI

6.3 Reserves

CWA maintains seven financial reserve funds collectively totaling $414.7 million at the end of the 15-year reporting period in 2023. The monies are divided between restricted and unrestricted funds with a period-ending split of 40-to-60 percent. Restricted funds total $173.5 million and cover debt service, capital improvements, and pay-as-you-go construction. Unrestricted funds total $241.2 million and cover operating reserves, rate stabilization, equipment replacement, and canal maintenance. Nearly all of the unrestricted portion at period's close is committed to the operating and rate stabilization funds with additional details below.

Restricted + Unrestricted…

CWA's total reserves equal $414.7 million in 2023, an overall change of (21%) over the 15-year reporting period and largely attributed to completing several construction projects. The unrestricted portion accounts for the majority of the ending balance at $241.2 million.

Operating Fund | Provides working capital and emergency funding. The fund is anchored by two policy prescriptions: a $5.0 million emergency reserve and a maximum balance of 45 days of average annual operating expenditures less Board authorization. The balance at period's close is $160.9 million – equivalent to 97 days

of operating expenses while separately providing for the emergency reserve. The fund has increased $108.2 million – 205.2% - overall, with most growth occurring after the period low of $8.2 million in 2015.[32]

Rate Stabilization Fund | Provides mitigation against burdensome rate increases and supports debt service coverage. The fund captures excess net revenues when water sales exceed expenditures or when coverage exceeds the Board's 1.5x debt service target. CWA sets target and maximum balances equal to 2.5 years (target) and 3.5 years (maximum) of wet weather or mandatory drought restrictions – currently assuming a 15% reduction in water sales. The balance at period's close is $78.5 million, an overall increase of $35.2 million or 81.2%. However, the fund has absorbed a sizeable rise-and-fall by climbing steadily to a peak of $157.7 million in 2019 before falling every subsequent year – losing half its value in just four years.

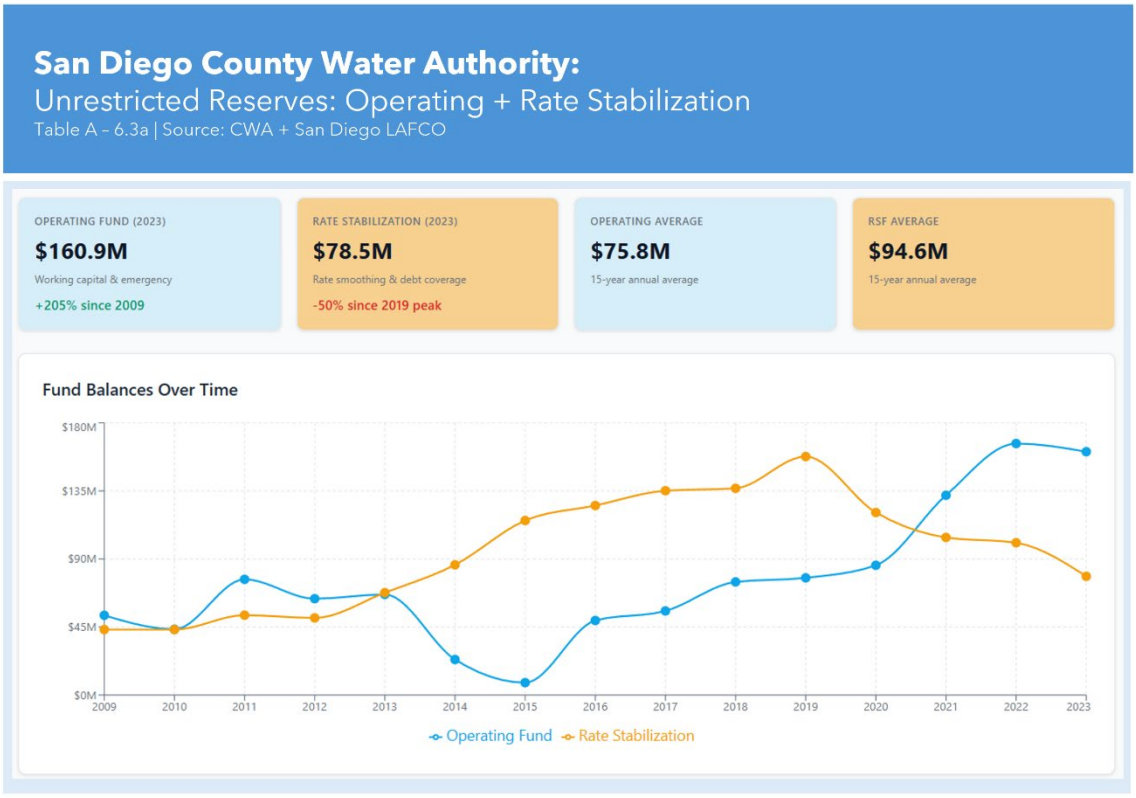


Illustration Done with Anthropic AI

[32] CWA's total operating expense in 2023 is $586.5 million.

6.4 Financial Statements

CWA engages independent accounting firms to externally audit its financial statements under governmental accounting standards to attest to their credability. Outside audits prepared during the 15-year reporting period ending in 2023 have been performed by three auditor firms: Lance, Soll, and Lunghard, LLP (Irvine) from 2009 to 2011, Macias, Gini, & O'Connell LLP (San Diego) from 2012 to 2016, and Davis Farr, LLP (Irvine) from 2017 to 2023. The audited statements for the final year in 2023 show CWA's overall accumulated net position at $1.564 billion. Adjusting to pre GASB 68 and GASB 75 reporting standards and the listing of agencies' proportionate share of pension and other post-employment benefit liabilities, CWA's overall net position increases to $1.645 billion.[33] The accompanying letter to the Board of Directors did not identify any material weaknesses or significant deficiencies. A detailing of year-end totals and trends during the report period follows with respect to assets, liabilities, and net position.

Agency Assets

CWA's assets at the end of the reporting period in 2023 total $4.009 billion. This closing amount is slightly above the period yearly average of $3.940 billion and reflects an overall change of 24.7% - or $794.2 million – since 2009. CWA's asset holdings peaked in 2014 at $4.174 billion and, following an immediate drop and partial recovery, largely flatlined through the end of the period. Assets classified as current with the expectation they can be liquidated within a year make up a tenth of the total at $438.9 million, or 11.0%, and have declined (26.3%). The decline in current assets is largely attributable to a sharp drop in combined cash and investments as bond proceeds have been expended on capital projects. In contrast, assets classified as noncurrent and not readily liquid make up nine-tenths of the total at $3.570 billion and have increased 36.3%. This increase includes adding $823.0 million in net capital assets during the period with more than half of the gain involving the $440.0 million project to raise San

Assets: Maintaining + Adding...

CWA's assets have increased by $794 million - or 24.7% - to $4.01 billion over the 15-year period ending in 2023, driven largely by long-term infrastructure investments and marked by completing the raising of the San Vicente Dam.

[33] The adjustment to the net position is calculated by LAFCO and not part of the audited financial statements.

Vicente Dam and create approximately 157,000 acre-feet of emergency water supply. Overall, the 24.7% increase in CWA's total assets favorably outpaces per capita asset growth of 16.4% over the period – from $1,096 to $1,272.

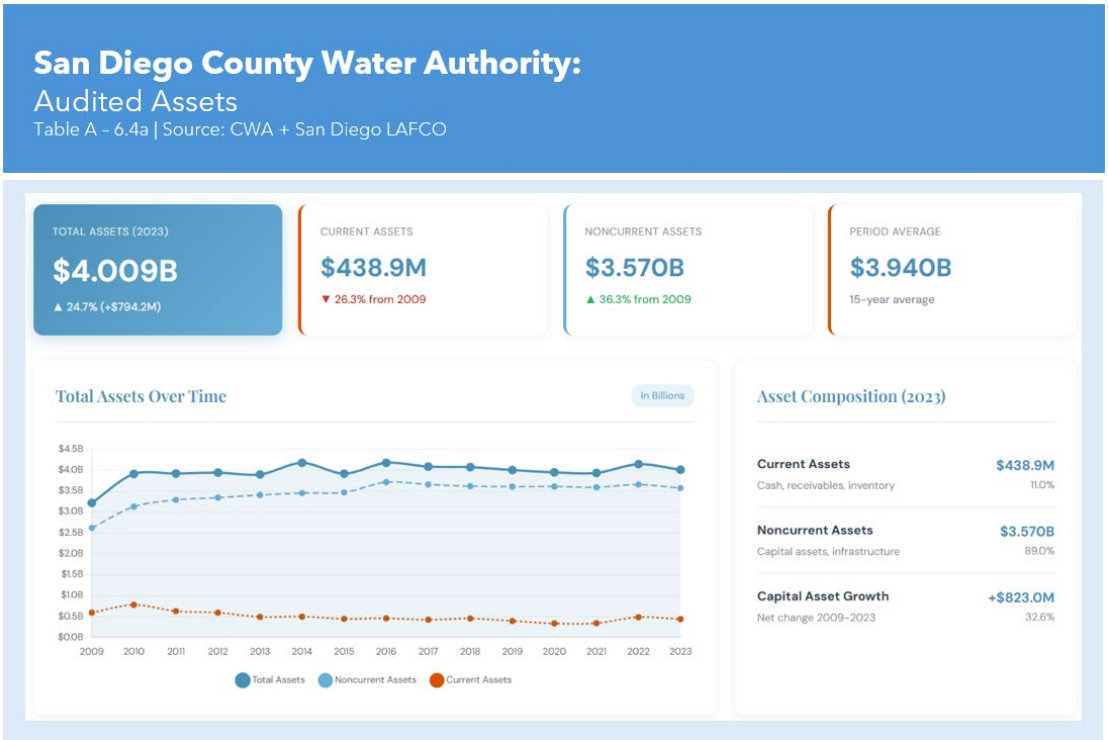


Illustration Done with Anthropic AI

Agency Liabilities

CWA's liabilities at the end of the reporting period in 2023 total $2.472 billion. This closing amount is slightly below the average year sum of $2.509 billion with an overall period change of 18.4% – or $384.3 million – since 2009. CWA's liabilities peaked in 2016 at $2.721 billion and declined somewhat steadily to a low of $2.361 billion in 2021 before rising to the closing amount in step with new bond issuances as well as refinancing existing bonds. Liabilities classified as current with the expectation they are due within a year make up almost one-fifth of the total at $427.9 million while also adjusting downward (24.1%) over the period. The drop in short-term debts largely ties to CWA reducing the

Liabilities : Adding + Paying Down ...

CWA's liabilities have increased $384.3 million – or 18.4% – to $2.47 billion over the 15-year period ending in 2023, driven primarily by now booking pension obligations and issuing new bonds totaling $696.1 million. CWA has helped offset these additions by reducing short-term debt (commercial paper) by $215 million and paying down long-term debt (bond principal) by over $440 million.

amount of bridge financing (commercial paper lending) from a period start of $460.0 million to a closing sum of $245.0 million. Liabilities as noncurrent representing long-term debts make up the majority of the total at $2.044 billion and have increased 34.1% largely due to two factors: booking pension liability starting in 2015 and issuing new bonds in 2010 and 2022 totaling $696.1 million – most notably to fund the raising of the San Vicente Dam. Overall, the 18.4% increase in CWA's total liabilities outpaces per-capita liability growth of 10.2% over the period – from $712 to $785. This gap indicates that while CWA increased its overall obligations to support system needs, it did so without materially increasing the per-resident share of that burden.

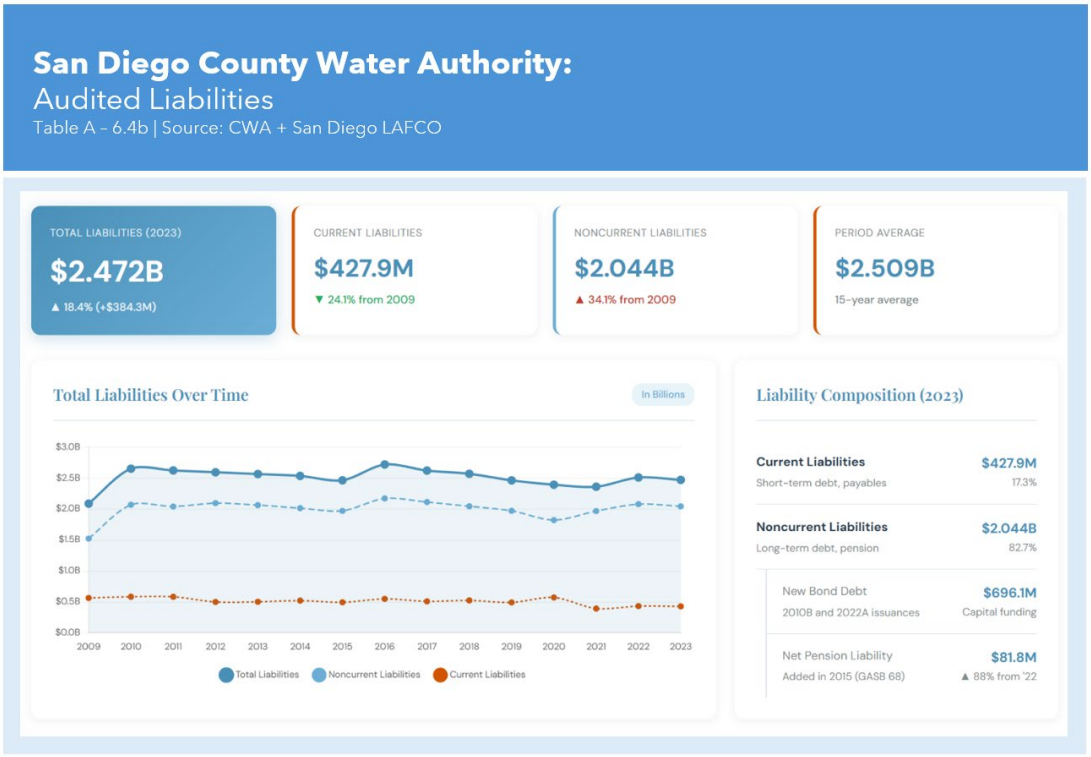


Illustration Done with Anthropic AI

Net Position

CWA's overall audited net position at the end of the reporting period in 2023 totals $1.564 billion and reflects the agency's assets minus liabilities with accounting adjustments for pension-related deferred inflows and outflows. The closing net position is 6.1% higher than the average year ending of $1.471 billion generated over the 15-year reporting period and contributes to the overall

Streak Comes to an End...

CWA's net position has increased by 29.5% over the 15-year reporting period ending in 2023, closing at $1.564 billion. While up overall, the net position dropped $46.4 million over the final year and marks the first decline over the 15-year review period.

period change of 29.5%. Close to four-fifths of the net position – $1.228 billion – involves capital assets, which has experienced the largest increase in absolute terms by growing $264.2 million over the reporting period, a change of 27.4%. The remaining balance of the net position is split between restricted funds totaling $23.6 million and unrestricted funds totaling $311.6 million. The restricted portion has declined from a 2014 peak of $202.2 million with an overall period change of (70.7%) and reflects a drawdown in bond proceeds and other dedicated reserves in step with CWA completing several major infrastructure projects. The unrestricted portion, in contrast, has increased 91.4% – nearly doubling from $162.7 million to $311.6 million. This growth coincides with the completion of CWA's major infrastructure projects and the associated release of construction reserves as well as proceeding with refinancing bonded debt most recently in 2015, 2016 and 2020. Overall, the 29.5% increase in CWA's net position outpaces per-capita growth of 18.2% over the period – from $412 to $496. This gap helps explain the improvement in CWA's net position extends beyond population growth and is proportionally more capital-driven.

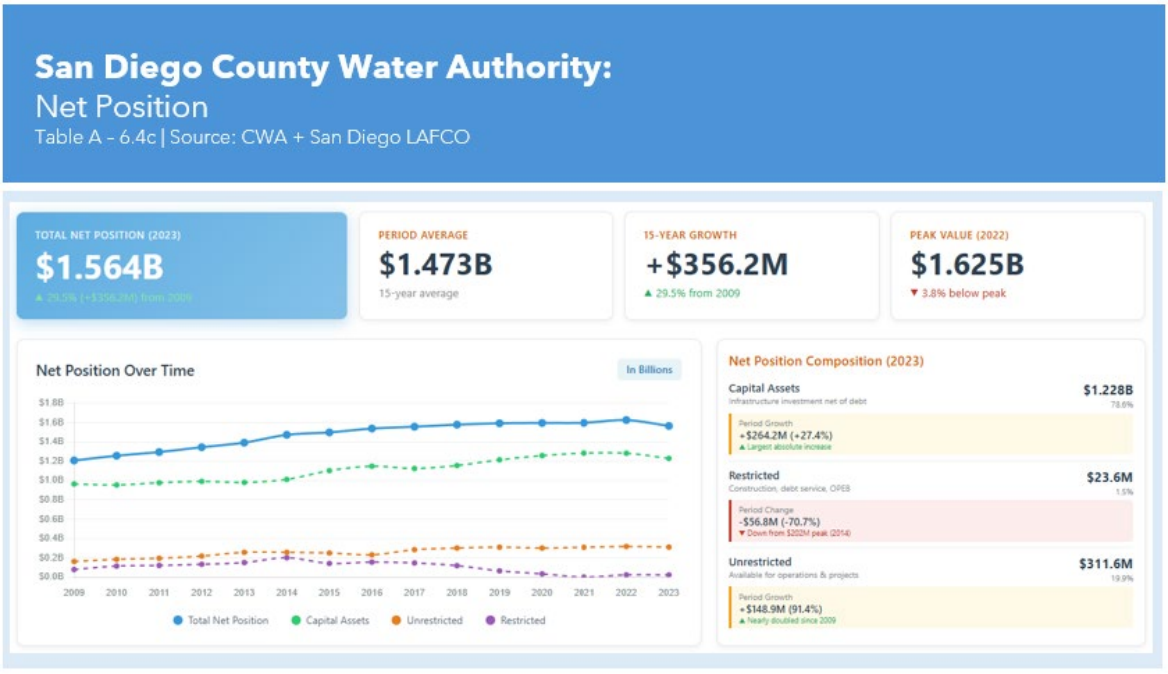


Illustration Done with Anthropic AI

6.5 Long Term Debt

Balancing Cash and Debt to Fund CIP with Interest Top of Mind…

CWA funds capital projects through a mix of PAYGO and debt proceeds. It has paid more than $1.7 billion in debt service over the 15-year reporting period ending in 2023 with 70% directed toward interest. This reflects, in part, CWA's continued interest-only payments on certain long-term obligations and marked by the 2010 Build America Bonds, which remain at their original principal amount.

CWA funds capital improvement projects (CIP) through a combination of cash and debt, targeting a long-term mix of 65% pay-as-you-go (PAYGO) and 35% debt proceeds. Since the start of the 15-year reporting period, average annual senior lien debt service payments have been $107.7 million, and totaling over $1.7 billion – approximately 70% of which, or $1.2 billion, has gone toward interest. Since 2015, CWA has issued $1.5 billion in long-term debt, with $1.8 billion currently outstanding across multiple series. CWA's latest maturities extend to 2052. The longest-standing obligation – the 2010 Build America Bond – remains at its original principal amount of $526,135,000 as of 2023, reflecting CWA has made interest-only payments on this debt since issuance. The bond's structure includes a federal subsidy covering 35% of interest costs – worth approximately $150 million to CWA over the reporting period – which substantively reduces what member agencies and their ratepayers would otherwise owe, and reflects a deliberate strategy of preserving the principal balance to maximize federal cost-sharing over the life of the bond.

San Diego County Water Authority:
Long Term Debt Issuances
Table A – 6.5a | Source: CWA + San Diego LAFCO

Revenue Bonds	Issue Date	Final Maturity Date	Original Amount	Balance Outstanding June 30, 2023
Build America Series 2010A	2010	2027	$98,495,000	--
Build America Series 2010B	2010	2049	$526,135,000	$526,135,000
Series 2015A	2015	2029	$184,795,000	$114,800,000
Series 2016B	2016	2027	$197,395,000	$17,865,000
Series 2019	2019	2046	$183,155,000	$180,600,000
Series 2020A	2020	2034	$283,470,000	$283,470,000
Series 2021A	2021	2031	$117,690,000	$102,965,000
Series 2021S-1	2021	2028	$146,490,000	$146,490,000
Series 2021B	2021	2038	$271,455,000	$271,455,000
Series 2022A	2022	2052	$170,000,000	$167,370,000
Long Term Debt Totals			**$2,179,080,000**	**$1,811,150,000**

Illustration Done with Anthropic AI

CWA anticipates issuing $165.0 million in new debt in Fiscal Year 2027. A key driver in setting water rates is the debt service coverage ratio – defined as annual net revenues (excluding operating expenses) divided by annual debt service. While CWA is contractually required to maintain a minimum 1.20x coverage on senior lien debt, the Board sets rates to meet a higher internal target of 1.50x. Rates are established to ensure sufficient annual revenue to meet these targets, factoring in potential use of reserves.

6.6 Fiscal Indicators | Measuring Liquidity, Capital, Margin + Asset Management

LAFCO's review of CWA's audited financial statements covering the 15-year reporting period ending in 2023 across liquidity, capital, margin, and asset management measurements presents a mixed picture. CWA's liquidity levels have fallen sharply and are reflected in the agency's days' cash measurement going from nearly 19 months to five months of coverage. Capital levels have been comparatively stable, though without paying down and reducing long-term debt. Margins remain positive but increasingly compressed and attributable to interest expenses. CWA's assets are relatively young in accounting age overall, but reinvestment has slowed considerably. These trends collectively suggest an agency transitioning from expansion mode to holding pattern. Summaries on all four measurements follow.

Liquidity (Short-Term Outlook)

CWA's average year-ending current ratio during the reporting period has been 1-to-1, meaning the agency has exactly $1.00 in available assets (cash, investments, and receivables) for every $1.00 in near-term debts or liabilities. The final year ratio of 1.03-to-1 marks an overall period decline of (3.0%) and sits well below the standard 2-to-1 benchmark for public agencies. The cash ratio – which excludes less liquid assets like receivables – has a period average of 0.6-to-1, reflecting CWA's dependency to convert non-cash assets to cover near-term debts. Days' cash magnifies CWA's loss of liquidity during the period. The agency began with 567 days of operating cash in 2019 before hitting a period low of 78 days in 2021. While the period-end amount improved to 150 days in 2023, the overall decline is (73.4%).

Narrowing Cash Buffer...

CWA has experienced sharp declines in standard liquidity measurements during the 15-year reporting period ending in 2023. This decline is most visible in CWA's days' cash ratio with the agency holding nearly 19 months of operating cash in reserves at the start of the period and finishing with five.

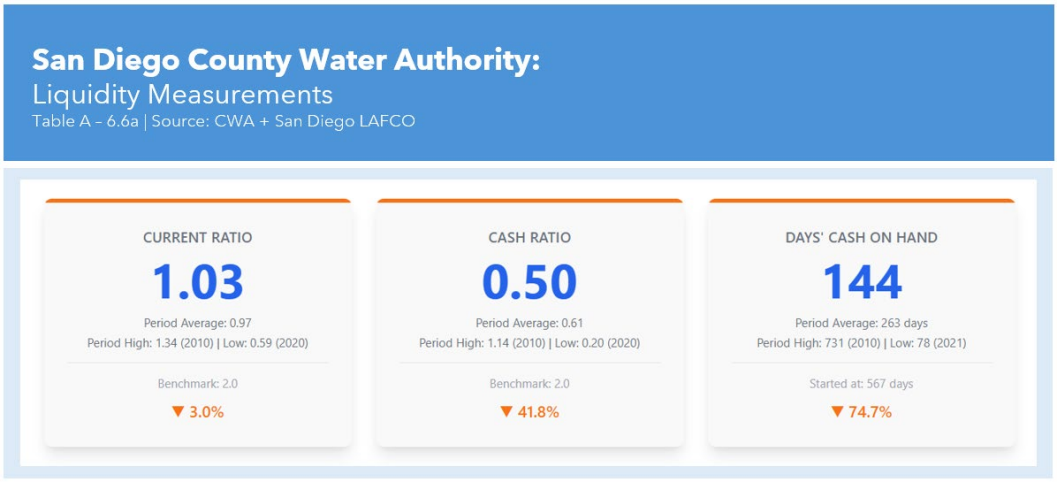


Illustration Done with Anthropic AI

The current ratio provides a macro measurement of near-term financial health by comparing current assets against current liabilities on a dollar-to-dollar basis. A higher ratio indicates stronger liquidity and greater capacity to meet short-term obligations with a standard minimum benchmark for municipalities of 2.0 to 1.0. The cash ratio is similar to current ratio but excludes receivables. The days cash metric is a micro-level measure of near-term financial health that compares an agency's available cash and cash equivalents to its average daily operating expenses, excluding depreciation. A higher value indicates stronger liquidity and greater capacity to sustain operations without new revenue with a standard minimum benchmark for municipalities of 90 days.

Capital (Long-Term Outlook)

CWA's average annual **debt-to-net position** during the 15-year reporting period equals 136.1%. This measurement shows CWA's average year-ending net worth has been exceeded – specifically by 36.1% – by its long-term debts. The final year figure in 2023 is 131.2%, reflecting an overall period increase of 3.9%. A separate capital measurement shows CWA's average annual **debt ratio** over the reporting period at 63.1%. This measurment has adjusted from 65.0% in 2009 to 61.3% in 2023, a modest 5.6% improvement largely the result of assuming no significant new long-term debt since the 2010 bond series while making scheduled payments focused on interest more than principal reduction. Both measurements show only slight adjustments over the 15-year period and suggest CWA's capital structure has remained largely unchanged with debt levels staying the course without either significant new capital investment

Holding Pattern...

CWA's debt-to-net position closes the 15-year reporting period in 2023 at 131%, meaning long-term liabilities exceed total net worth by nearly one-third. The debt ratio closes at 61% - a financed-to-equity split of assets at 60-to-40. Both metrics have held steady for 15 years – but whether this consistency reflects stability or inertia requires additional analysis.

or substantive debt paydowns. This leads to CWA's capital structure being both stable and stagnant. As detailed in Section 6.5, approximately 70% of the CWA's debt service payments since 2009 have gone toward interest, reflecting reliance on long-term borrowing.

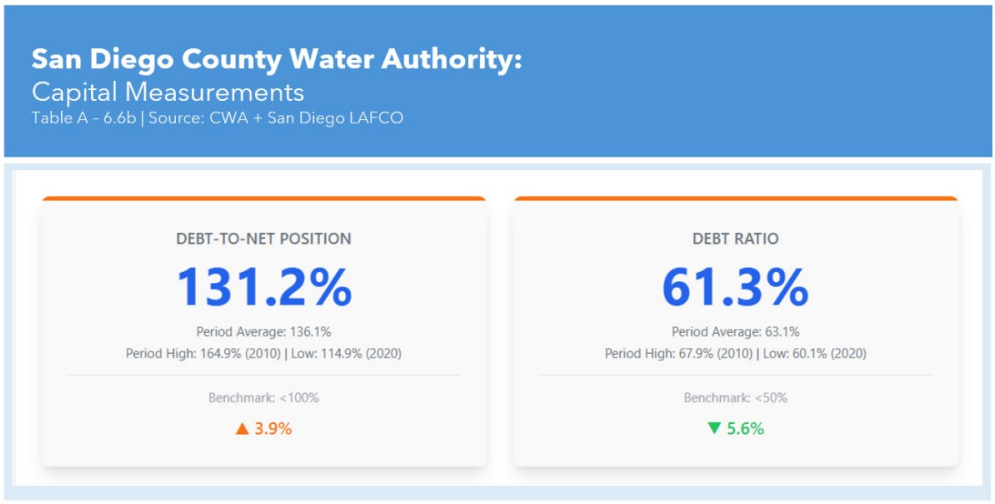


Illustration Done with Anthropic AI

The debt ratio is a macro-level measure of long-term financial health that shows the percentage of an agency's assets financed by debt. A lower ratio indicates stronger solvency with 70% commonly cited as a cautionary threshold for public utilities. The debt-to-net position ratio is a more micro-level measure of long-term financial health that expresses an agency's debt obligations relative to its net position. A lower ratio reflects greater financial flexibility, with 50% commonly used as a cautionary threshold.

Margin (Net Income)

CWA's average annual **operating margin** over the 15-year reporting period has been 9.5% with positive totals generated each year. This measurement is also improving going from 5.8% in 2009 to 6.3% in 2023, a change of 8.9%. This measurement indicates CWA's core water delivery activtiy is structurally sound and provides cost recovery with modest surpluses. Broadening the lens, CWA's average annual **total margin** falls lower by half at 4.4%; it also has been declining with an overall period change of (67.0%) from a start of 6.4% to a close of 2.1%. This difference between operating and total margin is attributable to a widening gap where non-operating revenues have

Stable Operations, Weakening Bottom Line...

CWA posted a positive operating margin every year over the 15-year period ending in 2023, averaging 9.5%. Total margin, however, has averaged less than half at 4.4% and helps spotlight the magnitude of non-operating costs on CWA – most notably interest expenses (namely debt serve) – which have increased from $41 million to $81 million.

grown 84% over the reporting period while non-operating expenses – predominantly debt service – have increased at nearly double the rate at 156%. These measurements collectively indicate CWA is optimizing internal efficiencies while being increasingly challenged by legacy debt decisions.

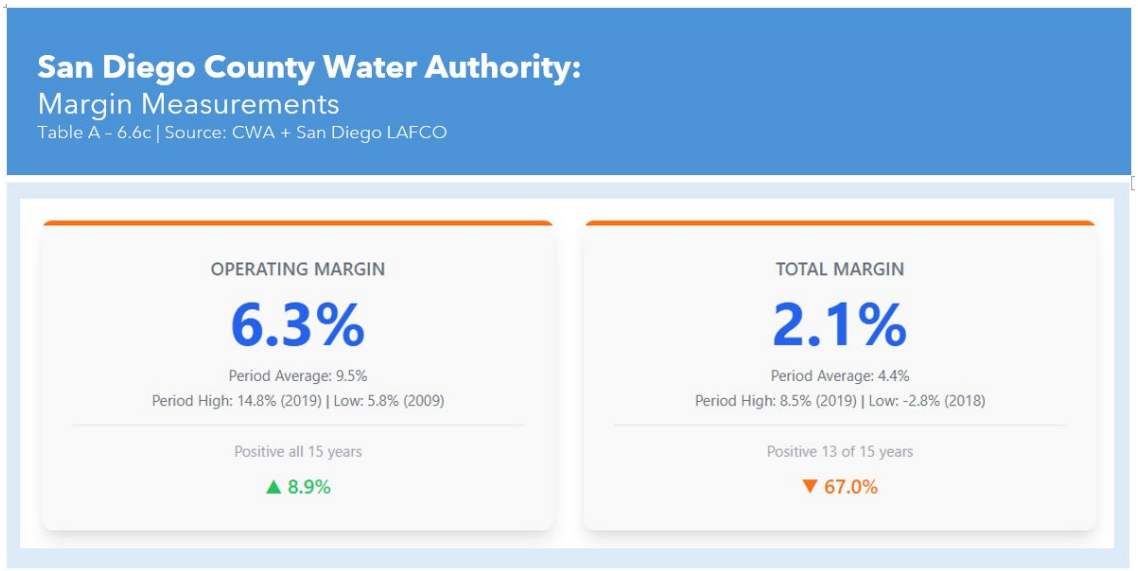


Illustration Done with Anthropic AI

The operating margin measures fiscal sustainability by identifying the proportion of ratepayer revenues that remain after covering day-to-day costs. A higher percentage is favorable with an industry benchmark of no less than 5%. The total margin measures the share of all revenues – including user charges and non-operating sources such as property taxes – that remain after covering all expenses. A higher percentage is favorable with an industry benchmark of no less than 10%.

Asset Management

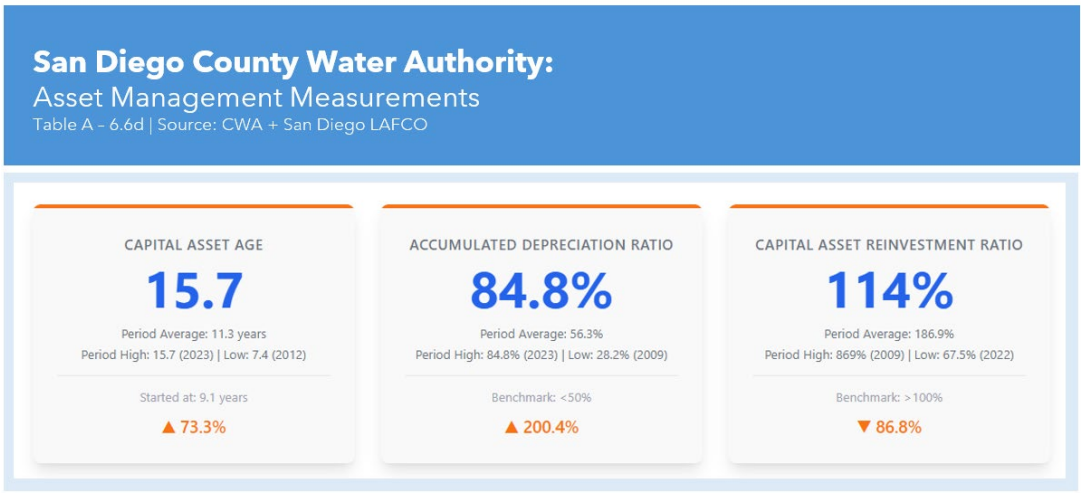
CWA's average **capital assets' age** during the 15-year reporting period is 11.3 years.[34] This accounting measure of asset age – including pipelines, dams, buildings, facilities, machinery and equipment – has increased from 9.1 years in 2009 to 15.7 years in 2023, representing a 73.3% increase. The **accumulated depreciation ratio** reinforces this aging trend, moving from 28.2% to 84.8% – a 200.4% increase that indicates CWA's assets overall are approaching the end of their useful life based on scheduled depreciation.

Young but Aging...

CWA's infrastructure is relatively young in accounting terms at 15.7 years at the close of the 15-year reporting period in 2023, but the underlying trends suggest accelerating age ahead – especially for short-lived assets. Annual depreciation has more than doubled while reinvestment has fallen sharply - a widening gap that, if sustained, will push the asset base toward the end of its useful life faster than the current age implies.

[34] The CWA's capital assets comprise both non-depreciable and depreciable categories. Non-depreciable assets include land,

Underlying these indicators, the capital asset reinvestment ratio has declined sharply from 869.2% to 114.3%, an (86.8%) reduction. This shift reflects a transition from proactive system expansion toward a greater – though not exclusive – emphasis on maintaining existing assets. Annual depreciation expense influences all three measures by having more than doubled over the reporting period from $30.0 million to $66.3 million.



The capital assets' age provides a macro-level indicator of the average age of an agency's depreciable facilities, equipment, buildings, and infrastructure relative to their replacement schedule. A range between 40 and 60 years is generally considered manageable and reflects infrastructure at a mature stage – neither new or approaching the end of its useful life. The accumulated depreciation ratio offers additional context by measuring the proportion of useful life already consumed for these same assets. Ratios above 100% are considered cautionary and signals an aging asset given accumulated depreciation now exceeds the current book value of assets. The capital asset reinvestment ratio measures how much an agency is spending on renewing or replacing its infrastructure compared to the amount it is depreciating each year and shows whether it is keeping pace with the aging of its system. Ratios below 100% mean the system is aging faster than it is being renewed.

Illustration Done with Anthropic AI

6.7 Employee Pension Obligations

CWA provides a defined pension benefit to its employees through an investment risk-pool contract with the California Public Employees Retirement System (CalPERS). This pension contract provides employees with specified retirement benefits based on the date of hire and number of service years. Additional pension details based on actuarial valuations issued by CalPERS during the reporting period ending in 2023 with respect to formulas, enrollees, contributions, and funded status follows.

easements, mitigation bank credits, and construction in progress. Depreciable assets include pipelines and dams; buildings and other facilities; machinery and equipment; right-to-use lease assets; software; and intangibles such as mitigation improvements, participation and capacity rights, and water-storage rights. The CWA monitors and maintains these assets to ensure reliable service and implements replacement on established schedules—or sooner if conditions warrant.

Pension Enrollees and Funding Formulas

CalPERS reports 729 total participants in CWA's pension program as of its 2023 annual valuation. Since 2020, the program has added 42 new enrollees, reflecting a four-year increase of 6.1% – approximately 1.5% annually. (Information prior to 2020 has not been reviewed.) Enrollees are classified by status: active, separated or transferred, or retired. As of the 2023 valuation close, CWA's ratio of active employees to retirees stands at 0.70-to-1.00. This measurment has also fallen (15.7%) during the four-years of available information from 0.83-to-1.00 in 2020.

Active Enrollees + Contribution Pressures...

At the end of the 15-year reporting period in 2023, CWA has 729 total enrollees in its CalPERS program. CWA's ratio of active employees to retirees at the reporting period's close stands at 0.70-to-1.00, which means the agency has fewer workers contributing to the pension system than drawing retirees.

San Diego County Water Authority
Pension Enrollee Information
Table A – 6.7a | Source: CalPERS and SD LAFCO

	2019	2020	2021	2022	2023	Average	Trend
Active	--	242	233	232	235	236	(2.9%)
Transferred or Separated	--	154	145	118	158	144	2.6%
Retired	--	291	312	324	336	316	15.5%
Total Enrollees	--	687	690	674	729	695	6.1%
Active to Retiree Ratio	--	.83	.75	.72	.70	.75	(15.7%)

CWA employees hired prior to January 1, 2013, and any employees hired on or after this date who are not considered "New Members" within the meaning of the Public Employees' Pension Reform Act of 2013 (PEPRA) are Tier 1 members or "Classic Members." Tier II members are employees hired on or after January 1, 2013 and are considered "New Members" as defined by PEPRA. Additional details on pension benefit formulas during the report period follows.

San Diego County Water Authority
Employer Pension Benefit Formula Comparison
Table A – 6.7b | Source: CalPERS and SD LAFCO

Category	Classic Members Hired *Prior to* 1-1-2013	PEPRA Members Hired *On or After* 1-1-13
Benefit Formula	2.5% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Required *Employee* Contribution Rates	8.00%	6.75%
Required *Employer* Contribution Rates	32.22%	32.22%

Annual Contributions

CWA's total annual pension contribution at the end of the reporting period in 2023 is nearly $10.0 million. This latest contribution amount represents 31.1% of the payroll total. The most recent pension contribution also reflects an increase of 120.9% over the 15-year report period and contrasts with payroll concurrently increasing by 12.7%. This latter distinction means CWA's pension costs are rising nearly 10 times faster than payroll. In the last three years reviewed, CWA made additional contributions above the Actuarially Determined Contribution to help reduce overall unfunded liability and potentially reduce future pension payments.

Climbing Pension Costs...

CWA's total contributions have increased by 121% over the 15-year reporting period ending in 2023 at $10 million, equal to 31% of the agency's payroll. Pension contributions have also increased almost 10 times faster than payroll.

San Diego County Water Authority:
Employer Pension Contributions
Table A – 6.7c | Source: CalPERS + San Diego LAFCO

CONTRIBUTION GROWTH	PAYROLL GROWTH	BURDEN INCREASE
120.9%	12.7%	96.8%
$4.53M → $10.00M	$28.58M → $32.19M	15.8% → 31.1%

YEAR	CONTRIB.	PAYROLL	% PAYROLL
2009	$4.53	$28.58	15.8%
2010	$4.77	$28.92	16.5%
2011	$4.68	$28.01	16.7%
2012	$5.19	$25.58	20.3%
2013	$5.18	$24.96	20.8%
2014	$5.27	$26.83	19.7%
2015	$5.77	$26.98	21.4%
2016	$6.20	$26.69	23.2%
2017	$6.58	$26.81	24.5%
2018	$5.97	$27.64	21.6%
2019	$6.62	$27.36	24.2%
2020	$7.51	$28.38	26.5%
2021	$8.29	$30.11	27.5%
2022	$9.05	$29.99	30.2%
2023	$10.00	$32.19	**31.1%**
AVG	$6.38	$27.94	22.8%
15-YR	↑ 120.9%	↑ 12.7%	96.8%

Contribution and payroll figures in millions

Illustration Done with Anthropic AI

Funding Status

CWA's total composite unfunded liability at the end of the 2023 reporting period totals ($103.432) million. This amount represents accrued pension obligations owed to agency employees (current and past) that are not covered by the market value of existing plan assets. Based on this shortfall, CWA's composite funded ratio stands at 70.2%. Overall, CWA's funded ratio – defined as the proportion of market assets relative to projected pension liabilities – has improved over the prior 11 years from 67.7% in 2013 , based on the earliest comparable data available from CalPERS within the 15-year reporting period. This improvement, however, has not been generated through steady gains; instead the funded ratio has swung from a low of 65.9% in 2016 to a high of 83.2% in 2021.

Pension Coverage Improving, Funding Gap Expanding…

CWA's pension funded ratio – i.e., the pension coverage percentage – has statistically improved from 67.7% in 2013 to 70.2% in 2023. (This covers the last 11 of 15 years of this reporting period; information for 2009 to 2012 is not available from CalPERS at this time.) The coverage percentage aside, the gap in CWA's unfunded accrued liability has jumped 79% over the same period from $57.8 million to $103.4 million.

San Diego County Water Authority:
Pension Funded Ratio
Table A – 6.7d | Source: CalPERS + San Diego LAFCO

CLOSING	HIGH	LOW
70.2%	83.2%	65.9%
6/30/2023	6/30/2021	6/30/2016

DATE	ACCRUED LIAB.	ASSETS	UAL	FUNDED
6/30/2013	$179.2M	$121.4M	$57.8M	67.7%
6/30/2014	$199.5M	$144.7M	$54.8M	72.6%
6/30/2015	$212.9M	$148.9M	$64.0M	70.0%
6/30/2016	$227.0M	$149.7M	$77.3M	65.9%
6/30/2017	$239.8M	$175.9M	$63.9M	73.4%
6/30/2018	$259.0M	$190.5M	$68.5M	73.6%
6/30/2019	$274.5M	$201.8M	$72.7M	73.5%
6/30/2020	$290.2M	$208.7M	$81.5M	71.9%
6/30/2021	$305.4M	$254.2M	$51.2M	83.2%
6/30/2022	$325.1M	$231.9M	$93.2M	71.3%
6/30/2023	$346.5M	$243.1M	$103.4M	70.2%

11-YR	↑ 93.4%	↑ 100.2%	↑ 78.9%	↑ 2.5 pts

All dollar figures in millions

Illustration Done with Anthropic AI

6.8 Other Post-Employment Benefit Obligations

Analysis pending.

7.0 WRITTEN DETERMINATIONS

LAFCO is required to prepare written determinations addressing the governance factors enumerated under Government Code Section 56430 as part of its municipal service review of wholesale water agencies in San Diego County. The determinations that follow are specific to CWA and represent independent statements drawn from information collected, analyzed, and presented in this report and the associated technical appendix prepared by Dr. Michael Hanemann. Collectively, they provide a succinct and sequential account of the organization, delivery, and funding of CWA's municipal services – framed within LAFCO's growth management responsibilities and interests under state law.

Legislative Mandate...

These written determinations address factors required by the Legislature in municipal service reviews. They reflect factual statements and reasonable deductions based on LAFCO's analysis of the 15-year reporting period ending in 2023, and where appropriate, inform recommendations included in the Executive Summary.

7.1 Growth Projections & Related Demographics

(a) Population growth within CWA has continued throughout the 15-year reporting period ending in 2023, expanding by more than 7% – albeit with a noticeable slowdown after 2020.

(1) LAFCO estimates CWA's jurisdictional boundary has added 217,133 full-time residents over the reporting period, bringing the total to 3,150,522 – an average net increase of 15,510 each year, or almost 43 per day.

(2) Population growth within CWA's jurisdictional boundary has decelerated sharply, with 2020 marking a clear inflection point. Annual growth averaged 0.6% between 2009 and 2020; since then, it has stagnated at 0.01%

(b) LAFCO projects near-term population growth will continue relatively flat and align with post-2020 trends at approximately 0.01% annually.

(1) Under this projection, the full-time population in CWA is expected to increase modestly to 3,151,939 by 2028 and 3,152,570 by 2030 – a net increase of just 2,048 residents from 2023.

(c) LAFCO acknowledges an unknown volume of non-fulltime residents – including tourists, students, and seasonal workers – are not captured in the population estimates but generate significant demand on CWA infrastructure.

(1) LAFCO should consider developing a methodology to estimate transient populations in future municipal service reviews.

(d) Housing construction has outpaced population growth within CWA in proportional terms over the 15-year reporting period ending in 2023.

(1) LAFCO estimates a net increase of 87,395 housing units within CWA during the reporting period, representing an 8% expansion in supply and bringing the total housing inventory to 1,186,158 units. This growth equates to an average annual addition of 6,243 units – or 17 per day.

(2) Housing availability has improved modestly over the reporting period. The resident-to-housing ratio within CWA has decreased from 2.66-to-1 (historical) to 2.49-to-1 (reporting period) – a 7% improvement.

(e) Housing costs – absolute and proportional - are escalating with owner-occupied units comprising a slight majority.

(1) Mean housing cost in CWA is $2,410, based on a five-year average covering the close of the reporting period – representing a 20% increase over the five-year average at the start.

(2) Housing consumes approximately 30% of household income. LAFCO estimates the average monthly housing cost – mortgage or rent plus utilities – equals 30.0% of typical household income at the reporting period close.

(3) Owner-occupied units account for exactly 50% of CWA's housing inventory at the close of the reporting period. The balance is divided between renter-occupied units at 44% and vacant units at 6%.

7.2 Location and Characteristics of Any Disadvantaged Unincorporated Communities (DUCs) and Relevant Information on Potable Water, Wastewater, and Fire Protection

(a) A fifth of CWA's jurisdictional boundary qualifies as a DUC under LAFCO policy, meaning the median household income within the affected census tract is less than 80 percent of the statewide median income threshold.

(1) Three-fifths of all DUC-designated areas within CWA are located within Camp Pendleton. Potable water, wastewater, and fire protection services in this area are provided internally by Marine Corps operations. The availability and adequacy of these services are not evaluated in this report.

(2) The remaining two-fifths of DUC-designated areas within CWA are distributed across all four subregions. Assessment of potable water, wastewater, and fire protection services for these areas are best addressed in municipal service reviews covering CWA's member agencies.

7.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies + Related Topics

(a) LAFCO's evaluation of CWA's municipal services is limited to its potable water function – which is classified as wholesale only and includes both pre-treated and treated classes.

(1) CWA's wholesale water function extends throughout its jurisdictional boundary. CWA self-attests that it does not provide out-of-agency service at the end of the 15-year reporting period in 2023.

(2) CWA's wholesale supplies have been generated from three distinct source providers during the reporting period ending in 2023: Imperial Irrigation District via the Quantification Settlement Agreement (QSA), Carlsbad Desalination Plant via agreement with Poseidon Water, and MWD.

(3) Approximately two-thirds of CWA's wholesale water supplies provided to its member agencies during the reporting period involve QSA water from the Imperial Irrigation District. The remaining one-third is split between MWD at 23% and Carlsbad Desalination Plant at 11%.

(A) The portion of CWA's water purchases from MWD has fallen pointedly over the reporting period, from representing 88% of all supplies in 2009 to 19% of all supplies in 2023.

(4) Costs to CWA vary significantly among its three sources, with MWD being the most cost-effective at the close of the reporting period.

(A) MWD water costs CWA $942 per acre-foot.

(B) QSA water costs CWA $1,050 per acre-foot – a $108 per unit premium, or 11.5% compared to MWD. With contractual commitments to purchase 280,000 acre-feet annually through 2048, this represents approximately $30.2 million in additional annual costs.

(B) Carlsbad water costs CWA $3,110 per acre-foot – a $2,168 per unit premium, or 230%. With contractual commitments to purchase 42,000 acre-feet annually through 2042, this represents approximately $91.1 million in additional annual costs.

(5) Member agencies remain dependent on CWA for imported water, with CWA accounting for 82% of all supplies retailed during the reporting period.

(6) CWA's water sales have fallen 40% during the reporting period – from 555,787 acre-feet in 2009 to 333,792 acre-feet in 2023 – and expected to continue to decrease for the foreseeable future.

(A) Potable reuse projects among member agencies are expected to permanently displace 115,000 acre-feet of CWA supplies by 2035 – cutting water sales by more than one-third compared to 2023.

(B) Conservation and land use changes are expected to further diminish water sales beyond potable reuse impacts given lowering per capita trends and regional shifts toward higher-density housing.

(7) CWA's distribution system has substantial unused capacity.

(A) Average potable water demand during the reporting period is estimated at 12% of CWA's maximum available supplies based on infrastructure capacities. This estimate rises to 22% when applying average peak-day demands.

(B) It is reasonable to assume CWA's distribution system will have adequate near-term capacity, as per capita water demand declined by approximately 31% (from 168 to 116 gallons) during the reporting period, more than offsetting a 7% increase in population.

(8) CWA's storage supplies are relatively tight.

(A) It is estimated CWA's available potable water storage capacity can accommodate up to 2.6 days of normal usage based on average demands generated over the reporting period without requiring recharge. This amount falls below the industry standard of maintaining no less than 3.0 days of potable supply. However, the significance of this condition is moderated by broader regional operating conditions, including interconnected system operations and emergency preparedness expectations applicable to member agencies, which includes maintaining additional local storage.

(b) Additional information is needed to determine the number of mutual water companies and associated infrastructure conditions in the region as prompted under LAFCO statute and their potential connectivity to CWA's wholesale activities. The Commission defers this analysis to a future informational report.

(c) LAFCO defers evaluation of CWA's other active municipal function – hydroelectric power – to a future municipal service review.

7.4 Financial Ability to Provide Services

(a) CWA is financially stable but structurally strained.

(1) The combination of continuing rate increases, drawing on reserves, and deferring capital improvements has provided operational stability for CWA during the 15-year reporting period ending in 2023.

(A) CWA's average actual biennial expense for operating and non-operating activities over the reporting period is $1.439 billion. The closing amount is $1.688 billion, reflecting a 20% overall increase.

(B) CWA's average actual biennial revenue – excluding reserve withdraws – for operating and non-operating activities over the reporting period is $1.271 billion. The closing amount is $1.629 billion, reflecting a 79% overall increase.

(C) Reserves have been budgeted and used each year during the reporting period at an average yearly amount of $167.6 million – equal to 12% of total actual expenses.

(D) CWA is almost entirely reliant on local water rate increases to fund continually increasing costs. Several water districts in Southern California have an Ad Valorum Property tax to pay for costs associated with the State Water Project, and some districts, including Metropolitan Water District, utilize property taxes to repay their own General Obligation Bonds. CWA is limited in its revenue sources, increasing reliance on ratepayer revenue and preventing CWA from providing special rates for Agriculture and/or disadvantaged communities. LAFCO would encourage looking into the prospect of alternative revenue sources to ease the burden on ratepayers.

(E) CWA management has actively assessed and controlled expenses over the reporting period to stay within the adopted budget.

i) CWA's actual overall expenses have consistently finished below budget amounts, generating an average biennial favorable variance of 8.3% – translating to $129.7 million in average savings.

ii) Half of the favorable variance generated during the reporting period is attributable to underspending in the Capital Improvement Program (CIP), with biennial actuals averaging $233.4 million compared to $292.9 million in average budgeted appropriations.

(2) CWA's financial strain is reflected in its unrestricted reserves.

(A) CWA's Rate Stabilization Fund has experienced significant swings during the 15-year reporting period, peaking at $157.7 million in 2019 before dropping to $78.5 million by 2023 – a 50% decline.

(B) The drawdown in the Rate Stabilization Fund is magnified when juxtaposed with CWA's rate increases over the reporting period – 165% for untreated water and 152% for treated water.

(3) CWA's financial strain is rooted in its two take-or-pay agreements.

(A) Fixed costs have grown from 53% to 81% of total expenses during the 15-year reporting period ending in 2023, while fixed revenues have remained flat at 9% to 11%.

(B) The structural imbalance between fixed costs (high) and revenues (low) leaves CWA with limited ability to reduce expenditures in response to declining water sales – the agency must pay for contracted water whether or not member agencies purchase it.

(b) CWA's balance sheet has improved during the 15-year reporting period ending in 2023, marked by an expanding net position – but underlying trends reveal mounting pressures, especially involving liquidity.

(1) CWA's audited net position has increased during the reporting period by $356.2 million – or 30% – from $1.207 billion in 2009 to $1.564 billion in 2023 with four-fifths involving capital assets.

(A) Total assets have increased by $794 million – or 25% – to $4.01 billion, driven largely by long-term infrastructure investments and marked by completing the raising of the San Vicente Dam.

(B) Total liabilities have increased $384.3 million – or 18% – to $2.47 billion, driven primarily by the recognition of pension obligations and the issuance of new bonds totaling $696.1 million.

(C) While up overall, the net position declined by $46.4 million over the final year, marking the first drop during the reporting period. Four-fifths of this one-year decline is attributable to CWA writing off $36.5 million in storage rights at Lake Hodges Reservoir after state regulators restricted water levels due to dam safety concerns.

(2) CWA has experienced sharp declines in standard liquidity measurements during the reporting period.

(A) Liquidity declines are most visible in CWA's days' cash ratio, with the agency holding nearly 19 months of operating cash in reserves at the reporting period start and finishing with five months – a 74% decline.

(3) CWA's capital levels and ability to service debt have held during the reporting period – but in doing so reveal a focus on interest-only payments.

(A) CWA closes the reporting period with a debt-to-net position ratio of 131%, meaning long-term liabilities exceed net worth by nearly one-third. The debt ratio stands at 61%, reflecting a financed-to-equity asset split of approximately three-to-two. Both metrics have held steady for 15 years and – pertinently – reflect a holding pattern consistent with a focus on interest-only payments on long-term debt.

(B) CWA has paid over $1.7 billion in debt service during the reporting period, 70% of it toward interest. This reflects continued interest-only payments on certain obligations – most notably the 2010 Build America Bond series, which carries a federal subsidy covering 35% of interest costs, and has incentivized CWA to preserve the full principal balance accordingly. While this approach generates substantive federal cost-sharing benefits during the life of the bond, the original principal of $526.1 million remains fully intact at the close of the period and will ultimately be borne by member agencies and their ratepayers.

(4) CWA posted a positive operating margin every year over the reporting period ending in 2023, averaging 9.5%. Total margin, however, has averaged less than half at 4.4% and helps spotlight the magnitude of non-operating costs on CWA – most notably interest expenses (i.e., debt service) – which have increased from $41 million to $81 million.

(5) CWA's infrastructure is relatively young in accounting terms at 15.7 years overall at the close of the reporting period in 2023, but underlying trends suggest accelerating aging ahead – especially for short-lived assets.

(A) Annual depreciation has more than doubled while reinvestment has fallen sharply - a widening gap that, if sustained, will push the asset base toward the end of its useful life faster than the current age implies.

(c) CWA's pension obligations reflect a growing pressure with the unfunded liability increasing despite the agency more than doubling its contributions.

(1) CWA's annual contributions to its employee pension program under CalPERS have more than doubled over the 15-year reporting period from $4.5 million in 2009 to $10.0 million in 2023.

(2) The employee pension program's status in proportional terms has improved with the funded ratio increasing from 67.7% in 2013 to 70.2% in 2023. (Data for the preceding four years in the period is not available.)

(3) The employee pension program's status in absolute terms has declined with the total unfunded accrued liability increasing from 57.8 million in 2013 to 103.4 million in 2023. (Data for the preceding four years in the period is not available.)

(4) The ratio of active employees to retirees at the reporting period's close stands at 0.70-to-1.00, meaning CWA has fewer workers contributing to the pension system than drawing retirees.

(d) Additional analysis is pending with respect to CWA's other post-employment benefits (medical) and related costs to the agency.

7.5 Status and Opportunities for Shared Facilities and Resources

(a) CWA maintains an important and mutually beneficial relationship with MWD to access and deliver wholesale water supplies from the Colorado River and State Water Project sources.

(1) This relationship allows CWA to rely on a regional conveyance system rather than construct duplicative infrastructure that would otherwise be borne by local ratepayers, while also providing MWD with a broader customer base to spread fixed costs for the benefit of Southern California as a whole.

(2) CWA has relied on MWD's regional conveyance system to access 90% of its wholesale water supplies over the 15-year reporting period ending in 2023.

(b) Since the early 1990s, CWA has invested a substantial amount of financial and administrative resources into reshaping its relationship with MWD and reduce reliance on MWD's governance, supplies, and infrastructure – transitioning from a water transporter to a water supplier.

(1) These investments have achieved independence on two of three fronts: CWA now controls its supply portfolio and is no longer bound by MWD Board allocation decisions.

(2) The third front remains unchanged: CWA continues to depend on MWD's regional conveyance system to access QSA supplies as well as MWD's regional system for supplemental and emergency deliveries.

(c) CWA's new leadership has signaled a willingness to collaborate with MWD that stands in contrast to earlier administrations marked by deflection, litigation, and public disputes.

(1) The positive change in CWA leadership opens opportunities to partner with MWD on several mutually beneficial projects involving the regional conveyance system – like MWD's Local Supply Exchange Program and potential East-West Conveyance improvements.

(d) Potable reuse poses a strategic challenge for CWA from below and above with high stakes for the agency to pivot into opportunity through collaboration to best manage risks and the potential for destabilization.

(1) From below, CWA's largest member agencies are developing potable reuse projects that will reduce their purchases from CWA by an estimated one-third by 2035, mirroring the independence strategy CWA itself pursued with MWD beginning in the 1990s.

(2) From above, MWD's planned Pure Water Southern California project will add billions in costs – directly and indirectly – that will be recovered through higher rates spread among its member agencies, including CWA.

(e) CWA and MWD share a mutual interest in managing the disruptive potential of uncoordinated potable reuse development. While these projects offer clear environmental and community benefits and are encouraged, independent deployment will undermine both agencies' sales bases and leave fixed infrastructure costs stranded – a lose-lose outcome.

(1) A potential path forward with greater regional value would be a joint CWA–MWD investment to integrate local potable reuse projects into the broader network – avoiding fragmented decision-making – and deliver supplies to support agricultural users in Southern California, where water remains a core cost constraint and fallowing pressures threaten rural economies.

(f) CWA has negotiated allowances with MWD to sell up to 50,000 acre-feet annually of its QSA water to MWD and/or other MWD member agencies, enabling surplus supplies to be redirected to communities in need while mitigating ratepayer cost burdens associated with the take-or-pay agreement.

(g) CWA's recent exploration of constructing a new aqueduct to connect the San Diego region to the Colorado River was a curious joint-use project that has been appropriately shelved due to an engineering and economic feasibility evaluation of the project.

(1) In 2019, CWA began investing several million dollars to study a new aqueduct through San Diego County's backcountry – bypassing MWD to connect directly with Imperial Irrigation District for QSA deliveries. Outside consultants concluded the approximate $5.0 billion project was feasible and could yield ratepayer savings by 2075, contingent on several assumptions, including outside partnerships. The project advanced on a split Board vote to a second phase but has since been removed from the CWA's project list and budget.

7.6 Local Accountability and Government Restructure Options

(a) CWA's leadership changes beginning at the close of the 15-year reporting period in 2023 have been clearly positive, reflecting a purposeful shift toward greater accountability and rigor.

(1) Leadership's acknowledgment the take-or-pay agreements with the Imperial Irrigation District and – to a greater extent – Channelside Water Resources are unfavorable represents a meaningful departure from prior public positions. This acknowledgement contributes to improved transparency and public trust by aligning agency messaging more closely with observed outcomes.

(2) The June 2025 settlement with MWD concludes decades of costly litigation prior CWA leadership chose to continue without sufficient public justification – most notably persisting after former San Diego Mayor Kevin Faulconer publicly called on the Board to accept a proposed settlement in December 2019. The prolonged litigation foreclosed opportunities for earlier resolution, contributed to public perception of misaligned priorities, and raised questions about outside influence on agency decision-making.

(3) The July 2025 decision to discontinue the use of outside consulting services under legal privilege to advise Board members serving on MWD marks an important and corrective step in CWA's post-litigation posture. It helps avoid the appearance of overusing attorney-client privilege to circumvent otherwise expected and reasonable levels of public transparency.

(4) CWA's engagement during this municipal service review has been constructive. Leadership provided requested information transparently, engaged substantively with LAFCO's analytical assessment – including those identifying financial and structural concerns – and participated in good-faith dialogue.

(5) CWA has indicated its most recent financial analysis and rate model are intended to position the agency for a more sustainable future than the 2024 financial model evaluated in this MSR. LAFCO's approach is to trust but verify – acknowledging the financials as they currently stand while recognizing leadership has already begun taking steps in the right direction.

(6) CWA has initiated a Business Model Review process involving its management team and the general managers of its member agencies. An initial workshop was held in February 2026 to establish a foundational understanding of CWA's current business model and frame subsequent discussions regarding issues and challenges warranting further evaluation, along with potential solutions aligned with the regional service objectives of CWA and its member agencies. Resulting recommendations are expected to be presented to the CWA Board and the governing bodies of its member agencies for consideration.

(b) CWA's decades-long pursuit of supply independence prioritized drought proofing over affordability, and as a result has produced a secure water supply with a burdensome cost structure borne by downstream ratepayers across the San Diego region that current leadership cannot readily reverse.

(1) The take-or-pay supply agreement with the Imperial Irrigation District for QSA water carries a cost of $1,050 per acre-foot compared to $942 per acre-foot for equivalent MWD supplies – an 11.5% premium. With contractual commitments to purchase 280,000 acre-feet annually through 2048, this translates into approximately $30.2 million in additional annual costs.

(2) The take-or-pay supply agreement with Channelside Water Resources for desalinated water from the Claude "Bud" Lewis Carlsbad Desalination Plant carries a cost of $3,110 per acre-foot – a 230% premium over equivalent MWD supplies. With contractual commitments to purchase 42,000 acre-feet annually through 2045, this translates into approximately $91.1 million in additional annual costs.

(3) Over the 15-year reporting period ending in 2023, CWA's wholesale rate for untreated water has increased by 165%, while the rate for treated water has increased by 152%. Both increases materially exceed San Diego regional inflation of approximately 49% over the same period.

(c) CWA's decades-long pursuit of supply independence has materially complicated MWD's responsibility to provide effective regional coordination of imported water supplies benefiting all ratepayers in Southern California.

(1) MWD was established to represent the collective interests of Southern California and achieve economies of scale in purchasing and delivering imported water through shared investment and benefit across the region.

(2) CWA's decision to secure independent supplies established a precedent for MWD member agencies to prioritize individual supply security over regional coordination – a scenario now repeating at smaller scale as CWA's own members pursue local alternatives that erode CWA's customer base.

(d) CWA is approaching a critical tipping point under its two take-or-pay agreements as annual demand trends toward – and increasingly below – the combined contractual obligation of 322,000 acre-feet per year, requiring member agencies and their ratepayers to pay for unused water supplies.

(1) Current CWA leadership has publicly acknowledged that beginning in 2027, CWA will deliver less water annually than required under its two take-or-pay agreements – a significant departure from prior assurances.

(e) CWA's weighted voting structure, based on cumulative financial contributions, works when all member agencies are equally invested in the agency's trajectory.

(f) Weighted voting at CWA is becoming increasingly challenging in the era of roll-offs, creating a growing misalignment between decision-making authorities and the member agencies incurring the financial consequences.

(1) Member agencies with access to newer and lower-cost supply alternatives – most notably potable reuse – are positioned to retain outsized influence over decision-making despite declining reliance on CWA supplies.

(2) Rate-setting, capital investment, and debt management decisions are most vulnerable to short-term decision-making, with agencies holding voting control less incentivized to pursue holistic approaches that best serve the San Diego region.

(g) Further compounding the weighted-vote dynamic at CWA is a City of San Diego policy prescribing its ten board representatives to vote as a bloc based on a majority vote. As a result, six of the ten City representatives can determine how

all ten City votes are cast, effectively enabling six board members to control approximately 42% of the total voting power of the CWA.

(h) A disconnect exists between the City of San Diego's representatives on the CWA board and the City's public utilities governance structure (the Mayor and City Council), resulting in regional governance that is fragmented and less predictable. This is evidenced by City representatives publicly opposing the City's own Pure Water program, diverging from Mayoral and Council direction on the 2019 settlement with the Metropolitan Water District, and supporting water rate increases that have been met with significant concern – and deemed unacceptable – by the City Council. This dynamic is distinct from other member agencies, where the CWA board representatives are also responsible for governance of their own water districts, resulting in more closely aligned priorities and objectives.

(h) CWA's structural challenges — take-or-pay commitments exceeding projected demand, expense-revenue imbalance, and governance constraints — warrant consideration of restructuring options ranging from internal reforms to more fundamental organizational changes.

(1) Internal reforms are currently underway by CWA and focus on realigning the agency's revenue and cost structures, expanding financial flexibility through water transfer opportunities, and rebuilding cooperative relationships with MWD following the June 2025 settlement.

(2) A preliminary assessment of available organizational changes identifies three concepts LAFCO believes have sufficient merit to warrant a full comprehensive evaluation – including an analysis of potential cost, legal, operational, equity, and affordability impacts – should the Commission determine it appropriate. These concepts are summarized below.

- Evolve to Subregions | Dissolve CWA and concurrently form two or more new subregional wholesale agencies as designated successors that proportionally assume CWA's assets and liabilities. This option recognizes CWA encompasses communities with divergent water supply profiles that could benefit from tailored supply portfolios and rate structures — including debt service — matched to common member needs rather than blending across dissimilar service conditions.

- Reset to Regional Conveyance Role | Dissolve CWA and concurrently form a new regional water conveyance special district with treatment and storage duties as a limited successor agency to hold MWD membership, billing duties, and maintenance responsibilities; MWD would assume lead successor role for CWA's assets and liabilities. This option effectively reverses CWA's post-1991 transformation from pass-through agency to independent supplier, returning wholesale supply decisions to MWD.

- Enhance CWA to Assume Retail Operations. Reorganize and expand CWA to operate as both wholesaler and retailer, allowing the agency to assume – gradually or otherwise – full control of potable water management across the region. This option consolidates the fragmented retail landscape under unified regional management, eliminating duplicative administrative costs, optimizing treatment and distribution infrastructure regionwide, and better aligning rate structures.

(i) Given the magnitude and positivity of recent changes – new leadership, MWD settlement, water transfer opportunities, and CWA's recent execution of two new long-term water transfer agreements – it would be appropriate to allow current internal reforms time to demonstrate effectiveness before committing resources to explore fundamental organizational changes.

(j) LAFCO should prepare an addendum to this municipal service review within 24 months to update the Commission on progress made by CWA in its internal reforms and whether it is appropriate to proceed with fully exploring fundamental organizational changes, which may include ultimately initiating actions as authorized by the Legislature and subject to voter confirmation.

(1) The two-year addendum timeline purposefully aligns with the City of San Diego's recent action to limit authorization of future retail increase associated with CWA's wholesale pass-through costs to two years with concurrent direction to City staff to maximize rate relief efforts.

(2) A two-year period would also provide CWA with both time and incentive to deliver measurable progress on the Business Model Review Process it has initiated, as well as to demonstrate the scale, durability, and revenue performance of its emerging water exchange strategy.

(3) Separately, the two-year window preserves LAFCO's ability – consistent with its oversight responsibility – to revisit CWA's fiscal and operational trajectory before a more significant structural inflection point may occur.

7.7 Environmental Justice (Adopted Policy)

(a) LAFCO should prioritize future proposals within CWA that promote environmental justice and provide benefits - direct and indirect – to marginalized communities on a case-by-case basis.

(b) The following determinations apply to CWA, drawing from climate action plans (CAPs) that collectively cover the agency's jurisdictional boundary, and address the cascading effects of greenhouse gas (GHG) emissions and outline strategies to mitigate related environmental and social impacts.

(1) 16 of the 18 land use authorities overlapping CWA have adopted CAPs, with most targeting 40–61% GHG reductions by 2030 and 80–100% or net zero by 2045. The City of San Diego sets the most ambitious near-term goal – 61% by 2030 and carbon neutrality by 2035 – while recent plan updates in Carlsbad, Solana Beach, and the County of San Diego align closely with statewide climate targets. El Cajon and Poway have yet to adopt CAPs.

(2) CWA proactively adopted its own CAP in June 2020, establishing a GHG reduction target consistent with the statewide goal of achieving a 40% reduction below 1990 levels by 2030. The plan focuses on reducing operational emissions through three primary strategies: (1) increasing the use of renewable energy to lower electricity-related emissions, (2) improving the efficiency and carbon performance of the CWA's fleet and employee transportation, and (3) expanding water conservation programs to reduce customer demand and associated water-related emissions.

(c) Future LAFCO reports should revisit and expand analyses on CWA policy efforts to reduce greenhouse gas emissions and related efforts to address and promote environmental justice.

Blank for Photocopying

Appendix A
Background Information

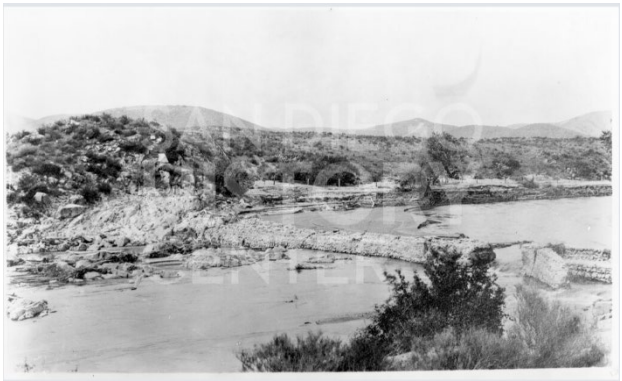
Community Development

The development of the CWA's present-day jurisdictional boundary and its role in providing water supplies to the San Diego County region dates back thousands of years to the Kumeyaay people who stewarded the lands and waters across contemporary San Diego and northern Baja California. The Kumeyaay established permanent villages and seasonal camps, relying on rivers, streams, and coastal resources to sustain their communities and practicing sophisticated land- and water-management techniques that shaped the region's ecology. By the late 1700s, other indigenous groups such as the Payomkawichum people, also known as the Luiseños by Spanish settlers, also established permanent villages along the Santa Margarita and San Luis Rey Rivers.

It was during the late 1700s Spanish settlement began in the area with the founding of California's first mission, Mission San Diego de Alcalá, on July 16, 1769 by Franciscan priest Saint Junípero Serra, becoming the Mother of the Missions. Originally situated on a hill overlooking the bay, the mission was relocated near the San Diego River in 1774 due to a drought that necessitated access to more reliable water for agricultural purposes. This mission was the first in a series of 21 missions built along a 600-mile stretch of road – known as El Camino Real – in California, ending in Sonoma at San Francisco Solano.

Mission San Diego de Alcalá led to the construction of the Old Mission Dam – or Padre Dam – in 1803 to strengthen its water supply for the Mission and irrigation. The dam was completed in 1813 in the Misson Gorge area with its ruins preserved as part of the Mission Trails Regional Park. A round this same time, families from the San Diego Presidio began to settle in what would become Old Town San Diego, bringing the population to over six hundred. Notably, in 1824, Pio Pico, who would later become the Governor of California in 1832, completed his adobe home in the area.

Old Mission Dam
Mission Gorge Area: San Diego, California -- (C 1900)



Credit: San Diego History Center

In 1835, San Diego held its first election as a pueblo, with Juan Osuna elected as its first alcalde – or mayor – defeating Pio Pico. Over the next century, significant events unfolded, including Mexico's independence from Spain, which resulted in the mission being granted to Santiago Arguello. The U.S.-Mexican War followed, culminating in the Treaty of Guadalupe Hidalgo in 1848, which ceded control of the area to the United States. The military occupied the mission and surrounding lands until 1857. By 1863, the region was heavily impacted by floods and followed by a "Great Drought", which severely affected California's cattle industry.

In 1868, the Kimball Brothers acquired 26,400 acres of Rancho de la Nación, now known as National City. By 1888, the Kimball Brothers' San Diego Land and Town Company completed the construction of Sweetwater Dam, the first major dam in the county, which stood at 98 feet. This development provided a reliable water source, fueling the growth of their newly acquired land, which includes what are now Chula Vista and National City. The San Diego Flume Co. was not far behind and completed the Cuyamaca Dam in 1888 which continues to be a key part of the San Diego water supply system via the Helix WD.

Sweetwater Dam
William Dickinson and Frank A. Kimball -- (C 1888)



Credit: San Diego History Center

Similar water supply efforts took place in northern San Diego, as agricultural canals were being constructed to divert flows from the San Dieguito River System to San Pasqual Valley. This also included construction of the Escondido Canal which began diverting flows from the San Luis Rey River to serve farms in Escondido and Vista. While these projects advanced agriculture, they also reduced river flows through Luiseño reservations such as Pala, Pauma, Rincon, and La Jolla, creating disputes over tribal water rights.

By 1900, San Diego County's population had reached 35,090, a 43-fold increase from the 798 residents in 1850. By 1930, the population surged to approximately 209,659. As the population continued to grow and the region's military presence expanded during World War II, securing a reliable water supply became a critical concern, leading to the formation of the CWA. In 1944, at the direction of President Franklin D. Roosevelt, the federal government ordered the construction of the first barrel of the San Diego Aqueduct to link San Diego with the MWD's Colorado River Aqueduct. The federal government also recommended CWA pursue annexation negotiations with MWD. These discussions initiated shortly after and culminated in the CWA's annexation into MWD in 1946.

First Pipeline to the Colorado River
San Diego, California -- (C 1940)



Credit: San Diego County Water Authority

2.2 Formation Proceedings

CWA was created under special legislation in response to a growing need for a reliable water supply in San Diego County, particularly as the region's population increased and its military presence expanded during World War II. The State Legislature sought to create an option for voters to form a public agency responsible for administering pre-established water rights to the Colorado River.

CWA was comprised of nine charter members that had all taken action to consent to their participation subject to voter approval: Cities of Chula Vista, Coronado, Oceanside, San Diego, and National City, as well as Fallbrook Public Utility District, Lakeside Irrigation District, La Mesa, Lemon Grove & Spring Valley Irrigation Districts, and Ramona Irrigation District. A special election was held on May 16, 1944, with voters approving formation by more than 90%.



THE TRIBUNE-SUN

Cassino Totters as Allies Storm Adolf Hitler Line

Germans Trapped In Bastion; Gustav Positions Cracked

ABBEY GAINING; SHELL, ROBBINS, AUSTIN LEAD

Voters Insure Water Rights

Authority Backed 53,712 to 3824

Creation of a San Diego county water authority as a step toward assuring a future supply of stand-by water from the Colorado river was approved overwhelmingly by the voters yesterday in the most lopsided balloting of the elections.

The authority was approved by a vote of 53,712 to 3824, in 541 of 588 precincts, thereby leaving the way open to renewal of a contract with the federal government on Colorado river water rights when the current one expires in 1946.

Application for extension of the agreement, which now guarantees 100,000,000 gallons a day from the Colorado, will be based on the fact that San Diego county communities have expressed their approval of the water authority. Five cities and four irrigation districts have voted on the plan.

San Diego civic leaders have pointed out that San Diego already is consuming almost twice its safe net yield of water now accumulated in back-country reservoirs through rainfall runoffs, and that establishment of a water authority as a future safeguard was essential.

2.3 Notable Post-Formation Activities + Events

A summary of notable activities or events following CWA's formation involving the community or CWA government follows.

1940s

The United States Navy declares a wartime emergency in late 1944 and begins constructing an aqueduct, built by the Bureau of Reclamation, to transport Colorado River water to the San Diego region.

The U.S.-Mexico Water Treaty goes into effect on November 8, 1945, allocating a portion of Colorado River water to Mexico, with provisions for the use of the Colorado and Tijuana Rivers, and the Rio Grande.

San Diego assumes responsibility for financing the completion of the San Diego Aqueduct, with voters approving $2 million in water bonds and the annexation of the CWA to the MWD in 1946. San Diego's 112,000-acre-foot share of Colorado River water is transferred to MWD; a negotiated allocation dating back to a 1933 contract with the U.S. Department of the Interior, which granted San Diego fifth-priority water rights from the Colorado river.
The San Diego Aqueduct opens in 1947, delivering Colorado River water into San Vicente Reservoir at a capacity of 65,000 acre-feet per year.

1950s

The United States' census count in 1950 estimates 556,808 residents in San Diego County, and a drought raises concerns about water shortages, compounded by growing population and the limitations of Pipeline 1.

The second pipeline to the First Aqueduct is completed in 1954, doubling delivery capacity, but still insufficient to meet demand. The CWA expands to 18 member agencies and serves an area four times larger than initially.

1960s

California voters approve a bond measure in 1960 to fund the State Water Project, including the California Aqueduct, to transport water from Northern to Southern California, including San Diego. By this time, the CWA had tripled its water deliveries to 156,858 acre-feet and doubled its infrastructure to meet the needs of San Diego County's 1.03 million residents (U.S. Census).

Pipeline 3 is completed in 1961 and boosts the Second Aqueduct's capacity by 80%, increasing annual delivery by 170,000 acre-feet and ensuring stable supply for 95% of the county's residents.

In 1964, The U.S. Supreme Court ruled that California and Arizona must equally divide surplus Colorado River water, with California permitted to use more than its share, provided Arizona had no immediate need. This decision would impact San Diego's water supply in 1985, when Arizona completed its Central Arizona Project and began exercising its claim to the surplus water.

1970s

Pipeline 4 in the Second Aqueduct is completed in 1973, doubling the CWA's delivery capacity to match the first three pipelines, addressing rising demand from a population exceeding 1.3 million (per the U.S. Census).

Water from the Sacramento-San Joaquin Delta reaches San Diego via the State Water Project in 1978, further diversifying the region's water resources.

1980s

The United States' census count in 1980 estimates nearly 1.9 million residents in San Diego County. Water deliveries approximate 310,000 acre-feet across 210 miles of infrastructure. The CWA has expanded to 24 member agencies, including Marine Corps Base Camp Pendleton.
The completion of Pipeline 5 in the Second Aqueduct in 1982 increases the water delivery capacity to one million acre-feet per year, marking the fifth and last pipeline built in the system.

1990s

The MWD imposes a 31% supply cut in 1991—20% for urban and 50% for agricultural users. In response, the CWA explores reducing reliance on MWD. CWA also sponsors state legislation requiring low-flow toilets for conservation.

CWA and IID sign an agreement in 1998 to transfer up to 300,000 acre-feet of water annually, a result of negotiations that began in 1995.

2000s

California amends the CWA Act in 2000, expanding the Water Authority's powers to include the construction of electric and natural gas facilities.

The Olivenhain Dam, completed in 2003, was the first major dam constructed in the county in over 50 years and serves as a cornerstone of the Emergency Storage Project, enhancing regional drought and emergency preparedness.

The Quantification Settlement Agreement (QSA) is signed in 2003, establishing the largest water conservation and transfer deal in U.S. history. It secures additional water from lining the All-American and Coachella canals, meeting over half of the region's demand by 2023. The Coachella Canal lining is completed in 2007, followed by the All-American Canal in 2010.

The Delta Reform Act of 2009 is enacted by the State of California to ensure a more reliable water supply while protecting the Bay-Delta ecosystem. The act also focuses on reducing dependence on the Bay-Delta and boosting regional self-sufficiency—goals the CWA had been pursuing through its water supply diversification strategy.

2010s

The CWA signs a 30-year Water Purchase Agreement with Poseidon Water, owner of the Claude "Bud" Lewis Carlsbad Desalination Plant, in 2012; for up to 56,000 acre-feet of desalinated seawater annually, covering approximately 10% of the region's water demand. At the end of the 30-year term, the CWA has the option to acquire the plant for $1.

The San Vicente Dam Raise is completed in 2014, doubling storage capacity to 154,000 acre-feet, from its previous 90,000 acre-feet.

The Claude "Bud" Lewis Carlsbad Desalination Plant, the largest desalination plant in the United States, begins operations in 2015, adding further diversity to the CWA's water supply portfolio.

2020s

CWA challenged MWD's rate structure in 2021 via a ratepayer protection lawsuit, arguing it unfairly burdened local ratepayers. This resulted in the CWA securing a $90 million settlement, which was returned to its member agencies.

CWA is awarded a patent for its pipeline inspection system in 2022 delivering nearly 400,000 acre-feet of water through 310 miles of pipeline to over 3.3 million residents.

Assembly Bill (AB) 530, introduced by Assemblymember Boerner, is gutted and amended to revise the CWA Act in May 2023. The revision mandates a confirming vote from the entire electorate of the CWA if any member agency is approved by LAFCO to detach. The amended bill was sponsored by the City of San Diego and renumbered as AB 399.

While outside of the reporting period, a notable event took place, before the draft report published, on June 2, 2025 when the CWA and MWD settled 15 years of litigation over QSA water transport fees. The new agreement replaces variable charges with a fixed fee, adjusted annually for inflation based on the Consumer Price Index.

Blank for Photocopying

San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

MEMORANDUM

DATE: April 16, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Comment Letter From CWA and Staff Reponses | Wholesale Water Service Agencies Municipal Service Review – Part One: San Diego County Water Authority**

This memorandum summarizes the principal written comments received from the San Diego County Water Authority (CWA) during the 60-day review process for the administrative draft of the Wholesale Water Service Agencies Municipal Service Review – Part One: San Diego County Water Authority and identifies the corresponding revisions made by staff in preparing the public draft report for the Commission's consideration.

CWA submitted a comment letter dated March 23, 2026, at the close of the 60-day administrative review period. Staff has reviewed the letter in full and made several targeted revisions to the final report to improve clarity, incorporate additional context, and acknowledge certain material developments occurring after the close of the report's 15-year data collection period in 2023. In other instances, staff determined no substantive revision was warranted and has retained the report's original analysis and conclusions.

CWA's March 23, 2026 comment letter is provided as Attachment One.

The principal comment topics raised by CWA, along with staff's corresponding response and any revisions made to the public draft report, are summarized below.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

1. Dated Material and Post-Reporting Period Developments

CWA commented that several material developments occurring after the close of the report's 15-year reporting period in 2023 were not sufficiently reflected in the public draft and have direct implications on the report's conclusions and recommendations.

Staff Response: Agrees in part.
Staff revised the final report to more fully acknowledge several material post-2023 developments identified by CWA. Most notably, staff added a new headlining conclusion titled "Agency in Transition" in the Executive Summary to expressly recognize that significant developments have occurred since the close of the reporting period and that these developments are relevant to how LAFCO interprets the appropriate next steps. These additions include discussion of: (a) the completed detachments of Fallbrook PUD and Rainbow MWD, (b) the June 2025 settlement with the Metropolitan Water District of Southern California (MWD), (c) recent long-term water exchange agreements, (d) the Bureau of Reclamation memorandum of understanding, and (e) the ongoing Business Model Review Process (BMRP).

As part of this refinement, staff also revised Conclusion No. 6 "Reasons for Measured Optimism" conclusion to better focus on leadership-related and governance-related improvements, while relocating broader post-reporting-period developments to the new "Agency in Transition" Conclusion No. 7 to improve organization and reduce redundancy.

Staff did not retroactively incorporate these developments into the report's core financial analysis or written determinations, which remain intentionally anchored to the adopted 2009–2023 reporting period.

2. Reorganization and Dissolution Alternatives

CWA commented that the report's discussion of potential future restructuring concepts should more fully acknowledge the legal, operational, financial, and governance complexities associated with such alternatives.

Staff Response: Agrees in part.
The three reorganization concepts that are identified in the MSR are presented as conditional frameworks for potential future study — not recommendations for immediate action. The document explicitly acknowledges that recent positive developments at CWA warrant allowing internal reforms time to demonstrate effectiveness before any organizational alternatives are considered and calendared. Should the Commission determine following the two-year addendum that a formal governance study is merited, a full evaluation would include the legal, operational, financial, and governance considerations CWA flags in the comment letter. This said, CWA's characterization of the governance alternatives as carrying significant complexity and risk merits response.

LAFCO agrees — each of the three reorganization concepts would presumably generate substantial legal, operational, and financial challenges as suggested by CWA. However, the alternatives are identified precisely because the situation warrants their consideration. The rate increases member agencies have absorbed over the 15-year reporting period — more than 150% for wholesale water, more than triple the rate of inflation – poses risks. LAFCO's identification of the three reorganization concepts is not intended as a provocation; it is an acknowledgment of the seriousness of baseline conditions and the full range of governance responses those conditions may require.

Staff retained the discussion of these conceptual alternatives as appropriate under LAFCO's statutory planning role.

3. Recommended 24-Month Addendum

CWA commented that the draft report's recommendation for a 24-month addendum is too short and that a standard five-year cycle would be more appropriate given the scale of reforms already underway. CWA requested LAFCO delay revisiting the agency until the next 5-year review cycle.

Staff Response: Disagrees.
Staff retained the recommendation that LAFCO prepare an addendum to the municipal service review within 24 months. This timing is deliberate and appropriate given: (a) the City of San Diego's recent action to limit authorization of future retail rate increases associated with CWA's wholesale pass-through costs to a two-year period, (b) the early-stage status of CWA's Business Model Review Period, and (c) the seriousness of the situation, marked by the financial and governance strain documented in the report.

Staff views the two-year addendum as measured and constructive, providing CWA time to demonstrate whether current reforms are producing meaningful results while preserving the Commission's ability to reassess the CWA's trajectory in a timely manner.

4. Conclusion No. 5 "Tipping Point" / Continued Member Roll-Off Risk

CWA commented that the report's reference to a possible "tipping point" and the potential for accelerating member agency roll-off relies on speculation and is inconsistent with current demand projections.

Staff Response: Disagrees.
Staff retained this comment given it is not speculative — it is anchored to a documented (40%) decline in CWA water sales over the 15-year reporting period that finished 2023 at 334,000 acre-feet, which is slightly above the take-or-pay via QSA and Carlsbad Desalination breaking point of 322,000 acre-feet. The comment is further substantiated given the structural changes underlying CWA's potable sales with three independent potable reuse projects coming online that are expected to permanently reduce more

than 100,000 acre-feet in demand that would otherwise be covered by CWA. The Western and Eastern Municipal Water District exchange agreements are an encouraging development, but at 20,000 acre-feet annually it addresses a fraction of the projected demand loss from potable reuse alone. Nonetheless, the two-year addendum provides LAFCO an opportunity to assess whether exchange agreements are making up for gradual decreases in demand via efficiencies as well as the arrival of potable reuse.

5. Pure Water San Diego / Tijuana River Watershed Reference

CWA commented that language in the draft report incorrectly implied the City of San Diego's Pure Water Program addresses the ongoing wastewater and public health crisis in the Tijuana River watershed.

Staff Response: Disagrees, but further clarified the text.
Staff does not agree that the administrative draft suggested the City of San Diego's Pure Water Program is designed to resolve the cross-border wastewater discharges affecting the Tijuana River watershed. Rather, the reference was intended to underscore a broader policy point regarding the public health and environmental consequences when governments fail to adequately manage wastewater.

That said, staff revised the final report to further clarify the intended point and avoid any potential misreading. The revised language continues to support the City of San Diego's implementation of the Pure Water Program, while more precisely distinguishing between: (a) local benefits of potable reuse and advanced wastewater treatment in San Diego, and (b) the separate cross-border wastewater crisis affecting the Tijuana River watershed. Staff believes the revision improves clarity without changing the underlying policy conclusion.

6. Carlsbad Desalination Plant Unit Cost

CWA commented that the draft report's use of a $3,732 per acre-foot figure for Carlsbad Desalination Plant water in FY 2023 was overstated and that the more accurate figure, based on total plant production of 48,000 acre-feet, is approximately $3,110 per acre-foot.

Staff Response: Agrees.
Staff revised the final report to reflect the FY 2023 unit cost of approximately $3,110 per acre-foot using the full 48,000 acre-foot plant production basis identified by CWA.

7. Treated Water Storage / System Operations

CWA commented that the draft's discussion of treated water storage should more clearly acknowledge the regional nature of storage planning, including CWA's administrative requirement that member agencies maintain ten days of storage.

Staff Response: Agrees in part.
Staff revised the final report to provide additional context that CWA's available treated water storage at the wholesale level falls below the commonly cited three-day benchmark when measured independently, while also acknowledging the broader regional framework in which member agency storage requirements help mitigate this concern. Staff retained the wholesale-level storage figure as a relevant data point.

8. Alternative to the Colorado River Aqueduct Reference

CWA commented that the report's reference to a previously studied pipeline concept for direct delivery of Quantification Settlement Agreement (QSA) supplies to San Diego referenced an outdated concept that has since been set aside.

Staff Response: Agrees in part.
Staff revised the final report to better clarify the status of the concept is no longer active – the Board removed it from the CWA project list and budget following engineering and economical review. Staff has retained the reference, however, as an illustrative example of capital planning decisions that raise broader questions in the context of CWA's recent history. The decision to ultimately set the project aside is appropriate and reflects the more disciplined posture under current leadership.

9. Fixed Versus Variable Costs and Revenues

CWA commented that the report's classification of fixed versus variable costs and revenues was overstated and inconsistent with the analysis in Dr. Hanemann's analysis (provided as an Appendix), particularly with respect to the treatment of water purchases as fixed costs.

Staff Response: Disagrees.
Staff retained the fixed-versus-variable framework used in the administrative draft. Staff believes the method is reasonable and appropriately grounded in CWA's adopted budget documents and service obligations. The classification of fixed versus variable costs is reasonable — meaning the closing period figures of 80.6% fixed costs versus 10.7% fixed revenues are real. This includes us treating "water purchases" as a fixed cost, which is sound given CWA is prioritizing purchases from its QSA and Carlsbad commitments, which together total 322,000 acre-feet annually. As documented in the MSR, CWA delivered approximately 334k acre-feet in 2023 — an amount just barely above the combined 322k acre-foot take-or-pay floor. At current delivery levels as of 2023, virtually the entire water purchases line at the close of the reporting period is a fixed cost, and the variability of MWD purchases — which are volumetric as CWA cites — is largely academic.

No revision to the fixed/variable classification is therefore warranted.

10. Financial Metrics, Liquidity, and Related Indicators

CWA commented that the draft report's treatment of liquidity and other fiscal indicators omitted relevant context and did not apply standard financial metrics in a sufficiently nuanced manner.

Staff Response: Disagrees.
LAFCO assesses agency liquidity using three standard diagnostic measurements — current ratio, cash ratio, and days' cash on hand — with each evaluated against an established benchmark and the 15-year period average to establish direction. This approach shows CWA's liquidity has declined against established benchmarks across all three measurements:

- The **current ratio** — measuring available assets against near-term liabilities — carries a standard benchmark of 2.0 for public agencies. CWA's 15-year period average of 0.97-to-1 and closing figure of 1.03-to-1 both fall short of that benchmark, reflecting an agency that has carried fewer liquid assets than the prudent standard throughout the entirely of the reporting period.

- The **cash ratio** — which excludes less liquid assets like receivables — averaged 0.61-to-1 over the 15-year period and finished at 0.50-to-1 in 2023, (41.8%) below the report period average.

- **Days' cash on hand** started at 567 days at the period's open and finished at 144 days at the close — (45.2%) below the 15-year period average of 263 days.

11. Build America Bond

11.1 Agency Profile Discussion

CWA commented that the draft report's discussion of the 2010 Build America Bond was incomplete because it noted the bond remains at its original principal balance while omitting the federal subsidy structure that offsets 35% of interest costs.

Staff Response: Agrees.
Staff revised the agency profile discussion in the final report to expressly acknowledge that the 2010 Build America Bond includes a federal subsidy covering 35% of interest costs. The revised text further notes that this structure has generated substantial cost-sharing benefits during the life of the obligation and provides context for CWA's strategy in preserving the principal balance over the life of the bond.

11.2 Written Determination

CWA commented that the related written determination addressing debt service similarly omitted the federal subsidy context and, in doing so, overstated the negative implication of the interest-only structure.

Staff Response: Agrees in part.
Staff revised the written determination to acknowledge that the 2010 Build America Bond carries a federal subsidy covering 35% of interest costs and that this feature has incentivized preserving the full principal balance during the life of the bond. At the same time, staff retained the core analytical point that the original principal remains fully intact at the close of the reporting period and remains an obligation ultimately borne by member agencies and their ratepayers.

Appendices:

A) Breakdown of Fixed/Variable Costs and Revenues
B) Liquidity Measurements

Attachment:

1) CWA Written Comment Letter Dated March 23, 2026 with Margin Markings

Appendix A
CWA Fixed/Variable Costs and Revenues

CWA: Fixed v. Variable COSTS + REVENUES

Source: Biennial CWA Budget Documents, FY2009 to FY 2023

Category	FY08-09	FY10-11	FY12-13	FY14-15	FY16-17	FY18-19	FY20-21	FY22-23	Avg.	Trend	% of Total
EXPENSES ($ Thousands)											
Fixed Costs											
Water Purchases	532,769	566,485	683,705	833,738	889,767	892,553	964,147	1,093,504	807,084	105.2%	74.79%
Debt Service	197,861	220,750	265,395	270,743	271,561	292,624	266,846	261,554	255,917	32.2%	23.71%
QSA Mitigation	24,336	22,792	12,461	16,417	24,011	18,829	4,711	5,933	16,186	-75.6%	1.50%
Subtotal Fixed Costs....	**754,966**	**810,027**	**961,561**	**1,120,898**	**1,185,339**	**1,204,006**	**1,235,704**	**1,360,991** 0	**1,079,187**	**80.3%**	**100%**
Variable Costs											
CIP Expenditures	556,634	350,701	241,118	187,131	146,661	131,713	108,603	144,346	233,363	-74.1%	64.93%
Operating Departments	79,602	80,774	82,042	91,095	94,396	96,277	111,956	112,727	93,609	41.6%	26.05%
Other Variable	15,302	12,283	12,955	14,658	35,820	27,090	70,414	70,815	32,417	362.8%	9.02%
Subtotal Variable Costs...	**651,538**	**443,758**	**336,115**	**292,884**	**276,877**	**255,080**	**290,973**	**327,888** 0	**359,389**	**-49.7%**	**100%**
TOTAL COSTS	**1,406,504**	**1,253,785**	**1,297,676**	**1,413,782**	**1,462,216**	**1,459,086**	**1,526,677**	**1,688,879**	**1,438,576**	**20.1%**	
Fixed Costs as % of Total	53.68%	64.61%	74.10%	79.28%	81.06%	82.52%	80.94%	80.59%	74.6%	50.1%	
Variable Costs as % of Total	46.32%	35.39%	25.90%	20.72%	18.94%	17.48%	19.06%	19.41%	25.4%	-58.1%	
REVENUES ($ Thousands)											
Fixed Revenues											
Infrastructure Access Charges	36,848	45,749	56,376	59,101	61,579	65,685	80,864	94,703	62,613	157.0%	51.69%
Property Taxes & In-Lieu	20,771	18,938	20,679	22,618	24,981	28,420	31,759	35,637	25,475	71.6%	21.03%
Water Standby Charges	22,568	22,496	22,388	2,244	22,180	22,257	22,333	22,358	19,853	-0.9%	16.39%
Build America Bond Subsidy	0	0	0	20,745	21,071	21,133	21,276	21,317	13,193	n/a	10.89%
Subtotal Fixed Revenues	**80,187**	**87,183**	**99,443**	**104,708**	**129,811**	**137,495**	**156,232**	**174,015**	**121,134**	**117.0%**	**100.00%**
Variable Revenues											
Gross Water Sales	703,407	770,793	966,803	1,177,868	1,103,992	1,171,415	1,182,217	1,293,359	1,046,232	83.9%	91.00%
System Capacity Charges	37,149	20,620	28,808	36,375	36,919	47,963	36,698	43,157	35,961	16.2%	3.13%
Other Variable	87,078	53,292	54,023	43,014	43,270	51,980	89,607	118,202	67,558	35.7%	5.88%
Subtotal Variable Revenues	**827,634**	**844,705**	**1,049,634**	**1,257,257**	**1,184,181**	**1,271,358**	**1,308,522**	**1,454,718** 0	**1,149,751**	**75.8%**	**100.00%**
TOTAL REVENUES	**907,821**	**931,888**	**1,149,077**	**1,361,965**	**1,313,992**	**1,408,853**	**1,464,754**	**1,628,733** 0	**1,270,885**	**79.4%**	**100.0%**
Fixed Revenues as % of Total	8.83%	9.36%	8.65%	7.69%	9.88%	9.76%	10.67%	10.68%	9.53%	21.0%	
Variable Revenues as % of Total	91.17%	90.64%	91.35%	92.31%	90.12%	90.24%	89.33%	89.32%	90.47%	-2.0%	
TRUE-UP											
Fixed Costs %	53.68%	64.61%	74.10%	79.28%	81.06%	82.52%	80.94%	80.59%	74.6%		
Fixed Revenues %	8.83%	9.36%	8.65%	7.69%	9.88%	9.76%	10.67%	10.68%	9.53%		
Gap (percentage points)	**44.84%**	**55.25%**	**65.44%**	**71.60%**	**71.19%**	**72.76%**	**70.27%**	**69.90%**	**65.07%**		

Blank for Photocopying

Appendix B
Liquidity Measurements on CWA

LIQUIDITY	2009	2010	2011	2012	2013	2014	2015
Current Ratio							
... Current Assets	595,737,124	781,860,240	629,513,361	595,263,796	492,921,589	499,138,671	447,262,088
... Current Liabilities	563,525,850	582,833,021	582,946,098	498,521,921	502,399,232	521,451,352	493,802,199
	1.057	**1.341**	**1.080**	**1.194**	**0.981**	**0.957**	**0.906**
Quick Ratio							
... Cash	485,336,970	662,525,397	530,439,340	471,517,009	357,026,638	338,676,061	282,003,468
... Recievables	77,583,709	89,320,769	73,740,045	100,004,409	115,175,524	128,235,113	108,193,183
... Current Liabilities	563,525,850	582,833,021	582,946,098	498,521,921	502,399,232	521,451,352	493,802,199
	0.999	1.290	1.036	1.146	0.940	0.895	0.790
Cash Ratio (Right Here/Now...)							
... Cash	485,336,970	662,525,397	530,439,340	471,517,009	357,026,638	338,676,061	282,003,468
... Current Liabilities	563,525,850	582,833,021	582,946,098	498,521,921	502,399,232	521,451,352	493,802,199
	0.861	1.137	0.910	0.946	0.711	0.649	0.571
Cash Flow from Operations Percent							
... Operating Revenues	363,559,972	392,836,278	383,556,608	444,867,027	526,033,898	537,630,595	588,740,124
... Total Revenues	417,321,314	436,366,629	443,929,911	503,939,050	581,989,056	662,918,385	651,984,497
	87.1%	90.0%	86.4%	88.3%	90.4%	90.2%	90.3%
Days' Cash							
... Cash + Equilvents * 365	177,147,994,050	241,821,769,905	193,610,359,100	172,103,708,285	130,314,722,870	123,616,762,265	102,931,265,820
... Operating Expenses	342,597,766	361,437,481	352,033,776	401,662,275	465,094,285	518,592,276	513,686,584
... Depreciation Expense	30,038,388	30,657,250	37,364,821	51,705,749	52,259,977	56,589,618	57,751,284
	566.77	**731.06**	**615.28**	**491.79**	**315.66**	**267.57**	**225.76**

LIQUIDITY	2016	2017	2018	2019	2020	2021	2022	2023	15-Yr Avg	Trend
Current Ratio										
... Current Assets	460,480,101	425,988,030	454,606,259	395,663,736	338,064,151	343,585,351	485,609,852	438,868,156	492,304,167	
... Current Liabilities	549,351,301	508,639,776	524,224,902	491,906,446	571,693,515	393,283,664	431,714,788	427,860,796	509,610,324	
	0.838	**0.838**	**0.867**	**0.804**	**0.591**	**0.874**	**1.125**	**1.026**	**0.966**	**-3.0%**
Quick Ratio										
... Cash	238,166,371	205,967,312	224,667,018	183,657,425	111,422,721	108,797,440	263,721,987	214,563,208	311,899,224	
... Recievables	117,047,749	118,397,317	128,955,127	106,245,563	118,564,087	126,432,664	138,649,425	122,338,605	111,258,886	
... Current Liabilities	549,351,301	508,639,776	524,224,902	491,906,446	571,693,515	393,283,664	431,714,788	427,860,796	509,610,324	
	0.647	0.638	0.675	0.589	0.402	0.598	0.932	0.787	0.830	-21.2%
Cash Ratio (Right Here/Now...)										
... Cash	238,166,371	205,967,312	224,667,018	183,657,425	111,422,721	108,797,440	263,721,987	214,563,208	311,899,224	
... Current Liabilities	549,351,301	508,639,776	524,224,902	491,906,446	571,693,515	393,283,664	431,714,788	427,860,796	509,610,324	
	0.434	0.405	0.429	0.373	0.195	0.277	0.611	0.501	0.612	-41.8%
Cash Flow from Operations Percent										
... Operating Revenues	528,174,649	582,784,360	595,862,501	584,171,430	569,099,481	619,966,447	673,405,554	625,791,436	538,432,024	
... Total Revenues	602,567,570	651,941,264	676,491,525	666,713,713	654,879,936	747,968,180	805,886,215	724,864,297	615,317,436	
	87.7%	89.4%	88.1%	87.6%	86.9%	82.9%	83.6%	86.3%	87.5%	-0.9%
Days' Cash										
... Cash + Equilvents * 365	36,930,725,415	75,178,068,880	82,003,461,570	67,034,960,125	40,669,293,165	39,711,065,600	96,258,525,255	78,315,570,920	113,843,216,882	
... Operating Expenses	487,739,351	540,273,126	555,525,673	497,570,741	505,131,860	570,874,280	611,866,743	611,866,743	489,063,531	
... Depreciation Expense	64,023,664	67,086,517	62,842,596	62,719,586	64,041,389	64,408,571	64,893,002	66,333,231	55,514,376	
	205.16	**158.88**	**166.44**	**154.16**	**92.20**	**78.41**	**175.98**	**143.56**	**262.6**	**-74.7%**

Blank for Photocopying

San Diego County Water Authority
Comments on Preliminary Draft LAFCO Municipal Service Review (MSR)
March 23, 2026

1. Introduction

Thank you for the opportunity to review and comment on the Administrative Draft Municipal Service Review (MSR) regarding wholesale water services in San Diego County. We appreciate your care compiling the draft and the constructive intent behind the MSR process to strengthen regional water service delivery and public trust in the San Diego County Water Authority (Water Authority).

We recognize the statutory role of the San Diego Local Agency Formation Commission (LAFCO) in conducting MSRs pursuant to Government Code §56430 and the importance of periodic, impartial assessments of public agencies to inform governance, financial stewardship, and service reliability. We also acknowledge the considerable effort over the past few years by Executive Officer Keene Simonds, Assistant Executive Officer Priscilla Mumpower, Dr. Michael Hanemann, Patrick Bouteller, and LAFCO staff in developing the current administrative draft.

Our goal with this response is to advance a collaborative dialogue and to contribute updated information and context that can support LAFCO in finalizing a thorough, balanced MSR and public record. Our comments are intended to be positive, respectful, and constructive. Specifically, we aim to assist LAFCO in ensuring the accuracy and completeness of the information contained in the MSR, including its key findings and conclusions, and to provide timely updates on recent actions and initiatives by the Water Authority that materially affect those conclusions and better reflect current and anticipated future conditions.

Three overarching observations guide our input.

Comment No. 1 First, several sections of the draft rely on outdated or conflicting information and erroneous assumptions, and these issues are compounded by a misalignment between the data presented and the conclusions drawn. Including updated information regarding the Water Authority's recent rate restructuring actions, financial stabilization strategies, and supply portfolio management actions will materially improve the accuracy of the final report and its usefulness to decision-makers. Important examples of this include the Water Authority's recent execution of an agreement with the federal government to develop a system for interstate water transfers, as well as approval of a long-term water supply agreement with Western Municipal Water District and ongoing negotiations with two other Southern California water agencies, all of which are expected to generate hundreds of millions of dollars in new revenues for the agency over the next two decades. These actions will directly and materially mitigate the financial impacts of the Water Authority's existing water supply contracts, which are repeatedly referenced in the draft MSR and underpin several of its findings and conclusions. More broadly, these emerging partnerships reflect a new paradigm of regional collaboration at the Water Authority. As a result, the Water Authority as portrayed in the MSR does not reflect the current and future realities of an

agency that has made material changes in its rate structure, revenue generation and strategic supply management.

Comment No. 2 Second, we recommend a more thorough and balanced discussion of the three potential reorganization alternatives identified in the MSR to ensure the report identifies the full range of cost implications, legal constraints, operational risk considerations, and equity and affordability impacts on the retail water suppliers in the region. At present, the MSR only identifies potential benefits of these alternatives, and provides no analysis, critical assessment or discussion of unintended consequences, or the identification of the significant downsides and uncertainties associated with each. This leaves the reader with an incomplete understanding of the viability and desirability of considering these reorganization alternatives in the future.

Comment No. 3 Third, in recognition of the many reforms that are well underway at the Water Authority and progress that has been made on several of the key issues identified in the draft MSR, we respectfully request that the recommendation in the draft MSR for a two-year review be revised to put the Water Authority on a standard five-year track for its next MSR review. In addition to the progress made in several key areas described above and later in this letter, the Water Authority has initiated a full Business Model Review Process among its management team and member agency general managers. This Business Model Review Process is designed as a consensus-based initiative with a goal of providing specific financial, operational and decision-making structural recommendations for consideration by both the Water Authority's Board and the governing bodies of the member agencies. A five-year review period allows time for further progress to be made on existing reforms and initiatives, while also providing a more realistic timeline for recommendations developed through the Business Model Review Process to be successfully implemented.

2. Areas of Agreement

At the outset, it is important to affirm that the MSR identifies several foundational strengths that underpin the Water Authority's role as the region's wholesale water provider. We appreciate the report's recognition of the Water Authority as the backbone of San Diego County's regional water infrastructure – an integrated system that, when combined with the member agencies, has supported one of the nation's largest economies for decades in a region with very few natural water resources.

The MSR's acknowledgment of the Water Authority's investments in supply reliability further reinforces this point. Over three decades, the Water Authority has deliberately diversified and fortified its water supply portfolio to protect the region from hydrologic volatility and statewide system constraints; an effort complemented by a governance model that provides direct member agency representation. We also appreciate the MSR's recognition of the Water

Authority's financial stability, which reflects deliberate planning, disciplined Board policies, and ongoing financial management.

In addition, we value the MSR's recognition of the Water Authority's recent changes in leadership that have established a new way of doing business. While there is more work to be done, the report appropriately highlights how leadership actions in the past three years have strengthened alignment, transparency, and collaboration. External interagency relationships have improved, bringing with them opportunities for collaboration and regional benefits. The Water Authority's successful settlement with the Metropolitan Water District of Southern California (MWD) in 2025 marks a major turning point – one that resolves longstanding challenges, provides financial benefits to ratepayers, and opens new avenues for cooperative regional water management. The settlement also has created significant new opportunities to "exchange" water outside the Water Authority's service area, generating new revenues and better balancing our water supplies. These positive developments and several others reflect a meaningful shift towards constructive problem-solving and partnerships.

We also agree with the MSR's identification of industry-wide challenges, including declining water sales, evolving demand patterns, inflationary pressures, climate change, and the fluctuating mix of regional and local supplies. These pressures are not unique to San Diego County. In fact, the Water Authority has been ahead of the investment curve in water reliability. Today, similar challenges are facing MWD, which has announced 9.5% rate increases for the next two years even as it weighs additional multi-billion-dollar investments that will accelerate its costs. We appreciate that the MSR recognizes these broader dynamics that are shaping the water sector.

Importantly, the MSR acknowledges the Water Authority's awareness of these issues and the methodical, proactive steps already underway. For instance, our newly adopted 2026 Long-Range Financing Plan and financial stabilization efforts continue to guide prudent fiscal decision-making and ensure long-term resilience. The results of this work are evident in the most recent Moody's Ratings credit opinion that reaffirmed our stable outlook, citing "robust planning" and "strong management practices despite challenges associated with variable precipitation and demand levels, rising costs, and required capital investments." This confirmation is particularly important as we prepare to enter the debt market this year, reinforcing our ability to manage costs for ratepayers.

Looking ahead, our supply portfolio management strategy includes leveraging opportunities associated with the MWD settlement and exchange arrangements. It positions the San Diego region to take full advantage of existing assets in a way that is unique in the arid West. The MSR notes new board policies and other initiatives that reflect our commitment to continuous improvement and regional benefit. Together, these and additional initiatives such as the Business Model Review Process demonstrate that the Water Authority is not only aware of emerging challenges but is actively and collaboratively addressing them.

3. Water Authority Business Model Review Process

One of the primary ways the Water Authority is addressing emerging challenges is through the implementation of a comprehensive Business Model Review Process (BMRP) involving the Water Authority's management team and the General Managers of the Authority's member agencies. While mentioned briefly earlier in this letter, this section provides additional detail on the BMRP, which directly addresses many of the core issues identified in the MSR, and its inclusion in the final MSR will provide relevant context on regional efforts underway to address these issues.

The BMRP was initiated by the Water Authority executive management team and began in early 2026. Through this process, the Water Authority and its member agencies are collaboratively evaluating financial, governance, service delivery, and cost allocation topics which correspond directly with issues raised in the MSR. These include long-term financial stability, the alignment between fixed and variable cost structure and water sales, the allocation of costs and risks among the Water Authority and its member agencies, governance and decision-making considerations, and the role of the Water Authority in maintaining imported water service as member agencies continue to develop additional local water supplies. The BMRP provides a structured process through which member agencies and the Water Authority are working together to systematically address these issues and evaluate potential improvements to the Water Authority's business model.

The BMRP follows a structured, multi-step framework that was introduced to member agency managers during the initial workshop on February 11, 2026. The early stages of the process focus on developing a shared understanding of the Water Authority's current business model and defining the role and value of the Water Authority as a regional wholesale agency. Participants examine several core elements of the current business model, including the Water Authority's value proposition to the region, the services provided to member agencies, the methods used to recover costs for those services, and the manner in which financial and operational risks are allocated among the Water Authority and its member agencies. These discussions are intended to establish a foundational understanding before addressing specific issues and potential solutions.

The next steps in the process focus on identifying the full range of issues and challenges associated with the current business model, including financial pressures resulting from changing demand patterns, the relationship between fixed contractual obligations and variable revenues, governance and decision-making dynamics, and the evolving balance between regional imported supplies and increasing local supply development. These topics correspond closely with several of the MSR's central themes related to financial structure, decision making, and long-term service delivery.

Subsequent workshops will prioritize the most significant issues requiring further evaluation and develop an overarching objective statement and associated goals for wholesale water service

in the region. This work is intended to ensure that as issues are addressed and refinements to the Water Authority's business model are developed, proposed solutions align with the regional service objectives defined by the Water Authority and its member agencies.

The final stages of the process will involve developing and refining potential changes to Water Authority's business model and preparing related recommendations. These may include adjustments to financial policies, rate structure and fixed revenue sources, service delivery approaches, and governance practices. Concepts will be discussed and evaluated with supporting technical analyses to determine whether they effectively address identified challenges.

The BMRP is structured as a consensus-based effort among the Water Authority and its member agencies, with participants working toward recommendations that can be broadly supported and implemented. As the process continues through 2026 and into early 2027, the resulting recommendations are intended to be presented to both the Water Authority Board and the member agencies' governing bodies for consideration.

4. Technical and Factual Clarifications to Improve Accuracy of the MSR

Comment No. 1 (cont.)

LAFCO initiated its current MSR in Fiscal Year (FY) 2023-24. This review covers a 15-year study period (FY 2009-2023) to analyze infrastructure, financial, and governance frameworks. However, several sections of the MSR rely on or present outdated or conflicting information. Updating the document with the Water Authority's financial stabilization efforts and current water portfolio management actions will significantly improve the report's accuracy and usefulness. This section outlines some specific areas where technical and factual clarifications would improve the accuracy of the MSR.

LAFCO's use of 2023 as the end date of its analysis creates a substantial gap in the Draft MSR's financial assessment. Consequently, key data are now outdated, inconsistent, or inaccurate. Given the importance of the financial issues raised in the MSR, the Water Authority believes updating this data will help strengthen the technical accuracy and factual foundation of the document. Since 2023, the Water Authority has implemented several significant financial and rate adjustments – many of which directly address core financial themes in the MSR. These material developments are not reflected in the current draft.

The Water Authority's intent is not to conduct a line-by-line correction, but rather to clarify several potential fundamental misunderstandings about how the agency's revenues and costs are structured which materially affect many of the MSR's core conclusions. One key example is the MSR's assertion that more than 80% of the Authority's expenses are fixed while revenues remain primarily variable. This conclusion is inconsistent with LAFCO's own analysis in Appendix B1 and is based on misclassified expenditure data.

The Authority's financial structure is complex, and a more nuanced analysis is necessary for an accurate and balanced evaluation. Across revenues, costs, reserves, and debt, the MSR often relies on generalized statements, omits important context, or does not apply standard financial metrics. Basing recommendations on the draft MSR would not provide a reliable foundation for policy decisions.

We have provided detailed information and clarification below for consideration, specifically in the following areas:

- Continued Roll-Off
- Local Supply Development
- Desalination Plant
- System Operation and Storage
- Colorado River Aqueduct
- Fixed Versus Variable Costs and Revenues
- Financial Metrics and Indicators
- Debt Portfolio
- Extended Review Period

Comment No. 4 *Continued Roll-Off (Conclusion 5. Tipping Point, page 25)* –The MSR makes a statement that the financial strain created by the region's contracted supply will, "presumably accelerate member agency roll-off to local supply alternatives". This is speculative. It wouldn't make sense for member agencies to pursue local supply projects that are significantly more expensive than the Water Authority's supply rate. There are no "cheap" new water supply options in the region. In addition, current demand projections provided by the member agencies do not show that contracted supplies will fall below member agency demands in 2027 as stated in the MSR. The MSR should base its conclusions on current information.

Comment No. 5 *Local Supply Development (Recommendation 4, page 28)* – "LAFCO expressly supports the City's continued pursuit of both Phase I and Phase II, recognizing the program's significant public benefits for regional water resilience and long-term affordability." This statement would appear to contradict one of LAFCO's key underlying arguments in the MSR. In terms of water supply resilience, the MSR consistently states the San Diego region is over-subscribed, with contracted supplies that exceed regional demand. The MSR presents "reliability" as a driver for additional local supply development, even though regional reliability has largely been achieved. The long-term affordability benefit would also appear to be misstated, in that the cost for new local supply projects exceeds what member agencies pay for Water Authority supplies. Also of note, language in the MSR referencing the Tijuana River watershed implies that a benefit of the Pure Water San Diego project is to stop the discharge of raw sewage. That is inaccurate. The Tijuana River watershed problem is the result of a direct discharge of raw sewage from Mexico, which is not the condition the City is addressing with its Pure Water San Diego project.

Comment No. 6 *Desalination Plant (Sections 7.3(a)(4)(B) and 7.6(b)(2), pages 84 and 92)* –The MSR reports the cost of water produced by the Carlsbad Desal Plant as $3,732/AF for FY 2023. It is unclear how this unit rate was derived. The average rate for FY2023 was approximately $3,110/AF. It appears that the analysis in the MSR uses operating budgeted cost information from the Water Authority's Adopted Budget and divides that number by the regional production quantity of 42,000 AF. The actual unit costs, as reported in the Water Authority's Adopted Budget, are for the entire plant production of 48,000 AF, resulting in a $3,110/AF unit cost. This more accurate unit cost should be used throughout the MSR.

Comment No. 7 *System Operation and Storage (Section 7.3(a)(8)(A), page 85)* –The MSR makes a determination that the Water Authority lacks sufficient treated water storage. Storage capacity in the region should be viewed regionally, not solely at the wholesale level. The Water Authority's Administrative Code requires member agencies to maintain ten days of storage to provide sufficient capability to meet demands should treated water supply sources become unavailable. This administrative code requirement acknowledges the regional nature of the treated water system and is intended to avoid overinvestment at the wholesale level by considering aggregate storage at a regional level that is comprised of wholesale and retail storage. The fact that the Water Authority has three distinct treated water sources - the Carlsbad Desalination Plant, Twin Oaks Valley Water Treatment Plant, and treated water deliveries from MWD - further insulates the region from the risk of not having enough treated water.

Comment No. 8 *Colorado River Aqueduct (Section 7.5(g), page 91)* –The MSR's reference to the Water Authority's 2019 study of a new pipeline to deliver QSA supply directly to San Diego as a potential way to reduce costs is a reference to an outdated item. The pipeline project was removed from the Water Authority's project list and budget based on an engineering and economic feasibility evaluation of the project. As a result, it does not warrant inclusion in the MSR except insofar as it illustrates the Water Authority's thorough evaluation of innovative concepts and willingness to set them aside when such concepts are not economically justified.

Comment No. 9 *Fixed Versus Variable Costs and Revenues* – Both the Draft MSR and Appendix B1 include derivations of fixed versus variable costs and revenues, but present differing results. The Draft MSR reports that 80.6% of expenditures are fixed, based largely on the assumption that water purchases are fixed costs. Much of the Water Authority's water purchases, particularly those from MWD, occur on a variable, volumetric basis. Likewise, the MSR's estimate that fixed revenues are only 10.7% is both inaccurate and inconsistent with the analysis in Appendix B1. While the Authority does not fully agree with the fixed versus variable cost classifications in Appendix B1, as discussed in more detail below, the values presented in the appendix more closely reflect actual conditions than those in the Draft MSR.

In Appendix B1, however, certain costs are misclassified as fixed, such as MWD wheeling charges and portions of the costs for the Carlsbad Desal Plant, when these costs are partially or fully volumetric. When correctly classified, water purchases are approximately 52% fixed and 48% variable, a difference of roughly $550 million. Applied to the full budget, fixed costs represent about 49.5% of expenditures - far less than the 80.6% stated in the MSR.

Similar issues appear on the revenue side. The MSR's statement that fixed revenues are 10.7% and "…have remained flat…" conflicts with Appendix B1, which identifies fixed revenues at 28.5% and acknowledges that the Authority's recent rate design changes have increased fixed revenues from 14.7% to 24.1%.

Taken together, these items significantly affect the MSR's primary conclusion that the Authority faces a pronounced imbalance between fixed costs and variable revenues. When analyzed with more detailed and accurate classifications, fixed revenues and fixed costs are 28.5% and 52%, respectively – a far more balanced picture

Comment No. 10 *Financial Metrics and Indicators* – The MSR presents conflicting and incomplete assessments of the Water Authority's financial indicators. For instance, it describes a "…narrowing cash buffer…" while unrestricted reserves (i.e., "cash") actually increased from $106.8 million in FY 2009 to $241.2 million in FY 2023, a 126% increase. Much of the cited decline in total cash relates to planned spending of debt proceeds on capital projects, which are not included in standard liquidity (i.e., "cash") metrics. Including debt proceeds in liquidity calculations, as the MSR does, departs from industry standards and inaccurately portrays the Water Authority's financial position. When measured using industry standards, the Water Authority ended FY 2023 with stronger liquidity than at the start of the review period.

Debt Portfolio –Similarly, the MSR's characterization of the Water Authority's debt portfolio does not fully align with industry assessments. The MSR references a "…focus on interest only payments…" yet acknowledges that the Water Authority paid more than $1.7 billion in debt service, including $510 million in principal. Moody's January 2025 rating report further notes that the Water Authority's amortization rate is only slightly below average.

Comment No. 11 While the Water Authority does, at times, utilize some interest-only financing during periods, the MSR does not fully reflect the corresponding financial benefits associated with this approach. For example, the Build America Bonds (BABs) includes a unique funding provision where the Water Authority receives a subsidy payment from the US Treasury equal to 35% of the interest payable. This detail is omitted in the MSR, but it translates to revenue of roughly $150 million over the MSR review period. Additionally, using interest-only debt can be a positive financial strategy under specific, controlled circumstances. Specifically, it is beneficial for improving short-term cash flow, maximizing investment capital, and managing temporary revenue fluctuations, all of which support the Water Authority's ability to maintain relatively smooth and predictable rate increases.

Comment No. 1 (cont.)

Extended Review Period – To improve the accuracy of the MSR, the 15-year review period used in the financial analysis should be adjusted to account for inflation, onetime events, non-operating items, and investment and debt cycles. Without these adjustments, the resulting financial insights do not fully reflect a complete and accurate picture. Additionally, the selected timeframe excludes much of the Authority's most significant capital investment, which occurred from 2001 to 2008, during which outstanding debt increased by 225% compared to 7% during the review period, and therefore does not capture the full context or long-term value of those investments.

Finally, relying on 2023 period end data for a report that will be finalized in mid-2026 results in the MSR's conclusions being materially misaligned with current circumstances. Since the close of FY 2023 (June 2023), the Authority has experienced several significant and material events: (1) the detachment of Fallbrook Municipal Utilities District (Jan 2024) and the Rainbow Municipal Water District (Nov 2024), (2) execution of a multi-year landmark water exchange designed to boost water levels in Lake Mead (selling 100,000 AF and saving over $40 million for the Authority), (3) settlement of a 15-year legal dispute with MWD over rates and the price and terms of the exchange agreement with a corresponding savings of $138 million compared to MWD's most recent 10-year rate forecast, and (4) negotiations with multiple MWD member agencies on long-term purchase agreements offering to sell up to 50,000 AF, including finalization and approval of an agreement with Western Municipal Water District in Riverside County that will generate $13.5 million in annual revenue for the Authority, provide nearly $40 million in upfront cash beginning in April 2026 and in total produce a net present value savings of $330 million over the first term of the agreement. These developments significantly influence the Water Authority's financial outlook and should be reflected in the final draft and conclusions of the MSR. As additional water transactions are completed prior to the conclusion of the MSR process, the Water Authority will communicate these updates to LAFCO accordingly.

5. Response to Reorganization and Dissolution Alternatives

Comment No. 2 (cont.)

The draft MSR includes in the Wholesale Water Services section a discussion of potential reorganization and dissolution alternatives that may be considered by LAFCO in the future should the Authority not address key regional wholesale water issues identified in the report. These alternatives appear in the Executive Summary (page 26) and in Section 7.6 – Local Accountability and Government Restructure Options (pages 94–95). This section provides comments and recommended revisions intended to offer more relevant and balanced information in the MSR regarding the reorganization and dissolution alternatives. Preparing MSRs is one of the core statutory responsibilities of LAFCO. Although the MSR itself is not self-executing, it can provide information and useful context for considering potential future organizational changes. Because MSRs may be referenced by LAFCO and other interested parties as part of the

analytical foundation for considering reorganization or dissolution alternatives, it is critical that the MSR provide information on these alternatives that is well-supported and balanced.

Specifically, the final MSR should present both the potential advantages and the significant legal, operational, financial, and governance risks associated with the alternatives identified. Presenting only potential advantages, without a corresponding discussion of the complexities and risks, creates an incomplete record for determining the need or desirability of considering such alternatives in the future. The comments provided below are intended to help ensure the final MSR provides a more comprehensive and balanced analysis of the implications of the three concepts identified for potential future study.

LAFCO Authority and Legal Requirements for Organizational Changes

To provide important legal context for readers of the MSR, it would be helpful to add clarifying language regarding LAFCO's authority under the Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH) to evaluate alternative governance structures and potential organizational changes as part of the MSR process in order to assess opportunities for improving the efficiency and affordability of infrastructure and service delivery (Gov. Code, § 56430). In this regard, and as noted earlier, the MSR itself principally serves as an informational and analytical document.

Any LAFCO-initiated proposal involving dissolution or major reorganization of a special district must ultimately satisfy specific statutory findings under Government Code § 56881. Under that statute, LAFCO must determine that a proposed reorganization would reduce service costs, improve service efficiency, and promote the public interest, and that no alternative actions could achieve the same objectives more effectively. These findings require substantial evidence demonstrating that a dissolution or reorganization would result in improved service delivery relative to existing institutional arrangements.

Accordingly, the MSR should clearly acknowledge that the identification of potential restructuring concepts for future study does not, by itself, establish the basis for LAFCO to initiate dissolution or reorganization proceedings. Providing additional discussion of the operational, legal, and financial considerations associated with the alternatives would help provide context for evaluating whether the statutory findings could reasonably be supported in the future.

The section of the MSR discussing potential reorganization alternatives should also acknowledge relevant requirements of the County Water Authority Act (CWA Act), under which the voters of San Diego County approved the formation of the Authority in 1944. The CWA Act establishes the Authority's governance framework and provides that the Authority shall "…[h]ave perpetual succession…" (Wat. Code, App. § 45-5). The Act also includes detailed

procedures governing annexation and the exclusion of territory from the Authority, including specified voting requirements (see, e.g., Wat. Code, App. §§ 45-10.1–10.3, 45-11).

Given this statutory framework, it would be helpful for the MSR's discussion of potential alternatives to include how those alternatives align with the provisions and intent of the CWA's Act, particularly with respect to the processes established for changes in the Water Authority's 's jurisdiction and organizational structure.

Comment No. 2 (cont.)

Overview of Alternatives Identified in the Administrative Draft MSR

The draft MSR identifies three conceptual alternatives that could be evaluated in the future if internal reforms at the Water Authority were deemed insufficient to address regional wholesale water issues identified in the report. These alternatives include:

1. Dissolving the Water Authority and forming subregional wholesale water agencies ("Evolve to Subregions").
2. Restructuring the Water Authority as a conveyance-only agency ("Reset to Regional Conveyance Role").
3. Expanding the Water Authority to assume regional retail water service responsibilities ("Enhance CWA to Assume Retail Operations").

The MSR notes "potential benefits" associated with each concept. However, because the alternatives represent significant changes to the existing regional water management framework, additional discussion of potential disadvantages, risks, and implementation challenges would help ensure the MSR provides a balanced and more complete description.

Option 1 - Evolve to Subregions

The concept of dissolving the Water Authority and forming multiple subregional wholesale agencies presents particularly significant legal, operational, and financial challenges that warrant additional discussion in the final MSR.

The Water Authority currently operates a highly integrated regional water supply and conveyance system that combines imported water from MWD and the Colorado River conserved transfer supplies under the QSA, desalinated water, treatment facilities, aqueducts, pump stations, and regional storage reservoirs into a single coordinated system. Dividing this system among multiple successor agencies would introduce complex challenges related to infrastructure ownership, operational coordination, and supply portfolio management, as discussed below.

Fragmentation of an Integrated Regional Water System - The current regional system integrates multiple supply sources, including MWD supplies, Colorado River supplies, and desalinated water, with a coordinated conveyance and storage network. Fragmenting this

integrated system among multiple wholesale agencies could reduce operational flexibility and complicate drought response planning. Each successor agency would likely need to independently manage supply portfolios, contract obligations, and operational decisions. This fragmentation could lead to inconsistent reliability standards, inequitable access to supplies, or duplication of infrastructure investments across the region.

Infrastructure Ownership and Capacity Allocation - Dissolving the Water Authority would require the allocation of a substantial portfolio of regional infrastructure assets, and liabilities, among multiple successor agencies. These include aqueducts, reservoirs, treatment facilities, and associated assets, equipment and staff resources. Determining equitable ownership shares and capacity rights, and allocation of staff, equipment and resources, would require complex negotiations involving historical investments, operational requirements, legal agreements, and future service needs. If the history of water in the West is any indication, these determinations would be contentious and time consuming, resulting in lengthy disputes and litigation regarding asset valuation, capacity allocations, debt, and operational control. In the meantime, management of the region's most valuable natural resource would likely become even more fractured and political, undermining the very goals that LAFCO presumably aims to promote.

Contractual and Supply Agreement Risks – The Water Authority maintains a number of long-term water supply agreements and infrastructure financing arrangements. Dissolution could raise significant questions regarding the ability to assign or transfer these contracts to successor agencies. Both the Exchange Agreement with MWD and the Water Authority's QSA supplies are are governed by contracts and thus legally non-transferable to a third party. This reality results in higher costs, reduced supply flexibility, and a loss of favorable contractual terms that currently benefit the entire region. The Water Purchase Agreement (WPA) with Channelside follows similar legal pathways. While the WPA states that an assignment of rights may occur with another "Governmental Body", such a body must be "legally capable of discharging" all Water Authority obligations. The Water Authority, however, exists by virtue of California law and no other governmental body exists which can assume Water Authority legal and fiscal obligations, absent statutory amendments.

Financial and Debt Allocation Challenges – The Water Authority currently holds outstanding long-term debt associated with regional infrastructure investments that totals $1.7 billion at the close of FY 2025. Dissolution would require allocating this debt among successor agencies or creating a mechanism for continued repayment via mechanisms based on population or assessed valuation of property within a new service area. Additionally, the Water Authority has a current net pension liability of $93.2 million. This obligation would become the burden of a successor agency with a smaller rate-base than that of the Water Authority, which would further serve to exacerbate the infeasibility of transferring financial obligations of a wholesaler to that of a smaller successor agency. Such restructuring could negatively affect credit ratings, borrowing capacity, and financing costs for successor agencies. Smaller successor entities may

face higher borrowing costs or reduced financial flexibility relative to the current regional agency.

Operational and Administrative Cost Impacts – Creating multiple wholesale agencies would likely require duplicating administrative, governance, and operational functions that are currently consolidated within the Water Authority. Separate agencies would require independent executive leadership, governance, financial systems, legal support, regulatory compliance programs, and operational staff. The loss of economies of scale could materially increase overall regional costs for wholesale water service delivery.

MWD Representation Considerations – The Water Authority currently provides unified representation for San Diego County within the governance structure of the MWD. Dissolution could create multiple entities with independent or varying interests at MWD, thus fragmenting the region's representation and reducing the effectiveness of coordinated regional advocacy. The MWD Act does not provide an automatic mechanism for successor entities to inherit membership. Each entity would need to apply for membership and obtain approval from the MWD Board, and it is unclear whether MWD would support the addition of new member agencies.

Option 2 – Reset to Regional Conveyance Role

Another concept discussed in the MSR would involve restructuring the Water Authority into a conveyance-only agency responsible for operating regional aqueducts, treatment facilities, and storage assets while supply procurement and other regional responsibilities shift elsewhere.

While this structure could simplify certain aspects of the agency's role, it would fundamentally alter the integrated planning framework that currently links supply acquisition, storage management, and transmission system operations. In addition, this alternative could significantly diminish the high level of supply reliability the Water Authority has established by reverting to a structure in which water supplies, and the allocation of those supplies during shortages, would be controlled by third parties. This would be a step backward for the region.

As previously noted, the Water Authority's long-term water supply and financing agreements may not be readily assignable and could require renegotiation with third parties, potentially increasing costs, reducing supply flexibility, or eliminating favorable contractual terms that currently benefit the region. There is also significant uncertainty under this option whether another entity such as MWD, or multiple entities such as the Water Authority's member agencies, would be willing to assume such contractual assignments.

Option 3 – Enhance the Water Authority to Assume Retail Operations

A third alternative identified in the MSR would involve expanding the Water Authority's responsibilities to include retail water service throughout the region. While consolidation of wholesale and retail operations could theoretically reduce administrative duplication in some areas, it would represent an extreme restructuring of local governance and water service delivery in San Diego County.

This alternative would require the consolidation of numerous independent retail water providers into a single regional entity, raising significant governance, financial, logistical, legal, and operational challenges. Local agencies currently provide retail services tailored to the needs of their communities as directed by leaders elected by their community, and consolidating these functions could reduce local responsiveness and require extensive regulatory and legal restructuring. It would also require cities and water districts throughout the county to transfer their systems, assets, and retail customer service responsibilities to the Water Authority, which would likely face significant political and institutional resistance, not to mention the complications of an agency incorporating hundreds of thousands of new customer accounts to manage, service and bill.

In summary, it is important that the final MSR expand the discussion of the alternatives identified on page 26 and pages 94-95 to include both the potential advantages and the significant legal, operational, financial, and governance considerations associated with these concepts, as described above. The existing Water Authority structure provides important regional benefits including coordinated infrastructure planning, integrated supply portfolio management, unified regional representation, and countywide water supply and system reliability. Given the complexity and risks associated with the reorganization options identified in the MSR, the document should also acknowledge that governance and policy reforms within the existing institutional framework will likely be a more practical approach to addressing current challenges than reorganization.

6. Update on Financial Planning and Exchange Opportunities

Since the inception of the MSR, there have been several important actions regarding the Water Authority's water supply exchange program that will result in material benefits to the Authority's finances and potentially alter some of the findings and conclusions contained in the draft MSR. The actions described in this section should be considered for inclusion in the MSR and reflected in its relevant findings and conclusions.

In June 2025, the Water Authority executed an Amended and Restated Exchange Agreement with MWD (Exchange Agreement), resolving a longstanding dispute over water rates and

establishing an improved operational framework for conducting water transfers with agencies throughout Southern California. The agreement significantly enhances the Water Authority's flexibility to pursue regional transfer opportunities, optimize the timing and deployment of stored supplies, and market surplus water when financially advantageous. The Water Authority now operates under a clear and durable legal structure governing water transfers with both MWD and its member agencies.

Following the adoption of the Exchange Agreement, the Water Authority notified MWD's member agencies in October 2025 that up to 50,000 acre-feet of water could be available for transfer. Consistent with its obligation to comprehensively explore regional opportunities, the Water Authority conducted an extensive outreach effort between October 2025 and March 2026. During this period, staff met with 17 MWD member agencies and subagencies across approximately 45 meetings to assess the potential for mutually beneficial exchanges.

In March 2026, this outreach resulted in the approval of an Exchange Water Delivery Agreement between the Water Authority and Western Municipal Water District (Western), a wholesale and retail water provider in Riverside County. Under this agreement, Western will receive 10,000 AF of exchange water annually for a 21-year term, with options for extension. The pricing structure reflects the Water Authority's QSA supply costs and includes upfront payments for pre-purchased water, totaling approximately $40 million. In addition to the annual delivery commitment, Western has agreed to backstop any excess Water Authority supplies at a reduced rate. While this backstop mechanism is not expected to be used as a first resort option, it meaningfully reduces financial risk in a worse-case supply and demand imbalance scenario.

Importantly, the agreement with Western demonstrates a practical, market validated proof of concept for the Water Authority's exchange program. It also reflects broader recognition of the long-term value of the Water Authority's highly reliable supplies, even during a period in which MWD maintains historically high storage reserves. The agreement further signifies a notable shift in the Water Authority's position and standing within the MWD member agency community.

In addition, the Water Authority is actively advancing additional transfer agreements, with a high likelihood of securing at least one additional arrangement in the near term that would have comparable operational and financial benefits. Together, with the Western agreement and additional ongoing water management actions, the Water Authority anticipates minimal risk of surplus supplies in the next two years. Nevertheless, the agency recognizes the sustained importance of developing additional exchange capacity and flexibility to support long-term supply and demand balance.

In parallel, the Water Authority has been pursuing expanded exchange opportunities with the federal government and other states that are reliant solely on the Colorado River. In February 2026, the Water Authority's Board approved a Memorandum of Understanding (MOU) with the United States Bureau of Reclamation and other potential Colorado River parties to explore the

development of an exchange framework that could facilitate the delivery of Water Authority desalinated supplies to the states of Arizona and Nevada. Such a framework would enhance regional operational flexibility, enable optimized use of existing investments, and potentially create access to new interstate markets.

While the MOU represents an important step toward expanded supply flexibility, it also marks a significant advancement in the Water Authority's relationship with MWD. Specifically, MWD's decision to join the MOU in March 2026 demonstrates a shared commitment by both agencies to proactively explore collaborative opportunities that support long-term reliability, financial sustainability, and operational efficiency.

7. Closing

The Water Authority appreciates LAFCO's careful review and the constructive spirit in which the MSR is being developed and its ultimate conclusion that no action is required at this time. We reaffirm our commitment to working collaboratively with the commission given our shared interest in strengthening regional water governance. As we continue advancing significant organizational, financial, and operational reforms, we remain fully committed to transparency, accountability, and continuous improvement. These principles are essential to building trust, ensuring sound stewardship of public resources, and delivering long-term value to the communities we collectively serve.

At the same time, we reaffirm the long-term value and success of the Water Authority's regional structure. For more than eight decades, the collaborative investment of our member agencies has created one of the most resilient, diverse, and strategically managed water supply portfolios in the West. That regional framework remains fundamental to ensuring long-term reliability and affordability for all ratepayers. Recent successes mean that the Water Authority has taken on additional responsibility as a keystone player in next-generation water supply management in Southern California and the arid Southwest.

We also reaffirm our commitment to continued, meaningful engagement with our member agencies. Their leadership in the BMRP, financial planning discussions, and ongoing operational coordination is critical to shaping the next generation of regional water solutions. We look forward to deepening that partnership in the months and years ahead.

To improve the MSR, we respectfully request that LAFCO substantially revise its draft MSR to account for or acknowledge the fact that several sections rely on outdated and conflicting information. Specifically, updating the document with financial stabilization efforts and current water portfolio management actions will significantly improve the report's accuracy and usefulness. This is more than window-dressing; so much has changed since LAFCO's initial collection of data that the Water Authority is in many ways a different agency than what LAFCO set out to study.

It's also critical that the three alternatives presented in the draft receive more rigorous analysis before they are given any public credence. As written, they create a risk that readers will misinterpret them as viable options despite their substantial uncertainties and the significant potential for unintended consequences. A more thorough vetting before publicly presenting these options will help ensure that any discussion of additional structural changes reflects both opportunities and true costs, supporting informed and balanced decision-making for the region.

Finally, in recognition of the substantial reforms already underway, we request that LAFCO allow sufficient time for these efforts to be fully developed, implemented, and demonstrated. The ongoing member agency led BMRP is actively addressing cost allocation, supply management, governance, and long-term financial strategies, while new initiatives, including out of region water transfers and updated financial policies, are expected to strengthen revenues and improve rate stability. Given the scale and timing of these changes, revisiting the MSR in five years, consistent with the standard review cycle, would allow these reforms to mature and provide a more accurate and complete assessment of regional water governance and service delivery.

We appreciate LAFCO's attention to these issues and remain dedicated to supporting a final MSR that reflects current realities, acknowledges ongoing reforms, and helps guide thoughtful, evidence-based governance for the region's future.

Blank for Photocopying

6b

AGENDA REPORT
Public Hearing | Action

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer

SUBJECT: **Annual Workforce Vacancy Report**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider an annual workforce vacancy report addressing position vacancies at LAFCO as of May 2026. The report satisfies LAFCO's requirement under AB2561 to publicly address the status of all agency vacancies. This item is for the Commission to formally receive and file.

BACKGROUND

This is San Diego LAFCO's second annual workforce vacancy report under AB 2561, which amended the Meyers-Milias-Brown Act in 2024 to require public agencies – including LAFCOs – to hold at least one public hearing each fiscal year to address staffing vacancies and recruitment and retention efforts. The hearing must take place prior to final budget adoption. Where recognized employee organizations exist, they are permitted to make presentations during the hearing on these topics. For agencies with vacancies exceeding 20% of authorized full-time positions, additional disclosures may be required. The Commission first addressed these requirements in May 2025.

DISCUSSION

This item is for San Diego LAFCO to receive and file the Annual Workforce Vacancy Report, as required under AB 2561. Key details follow.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

Status of Vacancies

San Diego LAFCO is currently authorized and budgeted for eight full-time positions, including: one Executive Officer, one Assistant Executive Officer, three Analysts, one GIS Analyst, one Communications Associate, and one Commission Clerk. All authorized positions are presently filled, and there are no current vacancies.

Looking ahead, the proposed FY2027 budget includes funding to add a fourth Analyst position, expanding LAFCO's authorized full-time positions to nine. Recruitment for this position would follow Commission adoption of the budget, and the resulting vacancy would be addressed in next year's annual workforce vacancy report.

Hiring Obstacles

Staff has reviewed LAFCO's current policies, procedures, and recruitment activities and identified no obstacles to hiring at this time.

Recruitment and Retention Efforts

LAFCO's current staff composition has remained relatively stable in recent years. Recruitment and retention efforts focus on providing competitive wages and promoting work-life balance. To remain competitive in support of retention, the proposed budget includes an approximate 3.0% salary buffer to accommodate merit-based adjustments for eligible employees. This is in addition to budgeting a cost-of-living adjustment (COLA) of 3.0% that would apply to all employees. LAFCO also continues to offer a hybrid work model as a recruitment and retention tool, allowing staff to work remotely up to two days per week.

ANALYSIS

None.

RECOMMENDATION

It is recommended San Diego LAFCO conduct the public hearing and receive and file the Annual Workforce Vacancy Report. This recommendation is consistent with Alternative Action One in the following section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):
Receive and file the Annual Workforce Vacancy Report.

Alternative Two:
Continue the item to the next regular meeting and provide direction to staff as needed.

Alternative Three:
Take no action.

PROCEDURES

This item has been placed on the agenda for action as part of a noticed public hearing. The following procedures, accordingly, are recommended in the Commission's consideration.

1) Disclose any ex-parte communications.
2) Open the hearing and invite comments from the public, if any.
3) Close the public hearing, discuss item, and consider recommendation.

Respectfully,



Keene Simonds
Executive Officer

Blank for Photocopying

6c

AGENDA REPORT
Public Hearing | Action

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer
Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Proposed Final Workplan and Budget for 2026-2027 and Related Actions**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider recommendations to adopt a final workplan and budget for 2026-2027. Both items return substantively intact following draft adoption in March and subsequent public review — including presentations to LAFCO's Cities and Special Districts Advisory Committees. The proposed workplan continues to list 30 special projects. Revisions are limited to six material changes. Two projects have been restored from the current workplan – the homeless services white paper and the Encinitas region municipal service review – both now expected to extend past June 30th. Four new projects have been added: a policy review on L-107 (jurisdictional disputes), a legislative proposal to add a ninth voting member to the Commission, administrative processing of upcoming nominations and elections for two of the three special district seats, and administrative processing of a new four-year appointment to the alternate public member seat. The final budget is identical to the adopted draft in setting overall expenditures at $2.904 million, with operating expenses increasing by 3.3%, or $90,379. The lone revision is a technical refinement – the reclassification of OPEB bond debt service – which does not alter the proposed total apportionment to member agencies of $2.589 million. The 18.7% year-over-year change in apportionment is largely a byproduct of the elimination of reserves as an offsetting revenue source. It is recommended the Commission adopt both items with any revisions by resolution along with related actions as specified.

Administration:
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Monica M. Steppe, Alt., County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David A. Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

BACKGROUND

San Diego LAFCO is required under State law to adopt a proposed budget by May 1st and a final budget by June 15th. A mandatory review by all local funding agencies occurs between the two adoption periods. State law further specifies the proposed and final budgets must equal the budget adopted for the previous fiscal year unless LAFCO formally finds that reduced funding will still allow it to meet its regulatory and planning duties.

DISCUSSION

This agenda item is for San Diego LAFCO to consider recommendations by the Executive Officer to adopt a coordinated final workplan and budget for 2026-2027 along with related implementation actions. Both items return substantively intact from their initial presentation and adoption in draft form on March 2nd, following the 45-day public review period. Discussion on public outreach and comments received, followed by summaries of both proposed final documents, is provided below.

Outreach and Comment

Following the adoption of a draft workplan and budget at the March meeting, staff published an advertisement inviting public review and comment in the San Diego Union-Tribune on March 11th in both English and Spanish. Staff supplemented the newspaper notice through the Commission's online platforms and social media channels and transmitted direct notice to each of the Commission's funding agencies – the County, all 18 cities, and the independent special districts. Staff also presented the items to the Cities Advisory Committee at its March 19, 2026 meeting and to the Special Districts Advisory Committee at its April 17, 2026 meeting. Both meetings were open to the public, live-streamed, and available for archive viewing online. Results of the outreach follow:

- Both of the Commission's Advisory Committees communicated support for the budget and workplan as presented. The Special Districts Advisory Committee offered two additional observations for the Commission's consideration. First, the Committee expressed support for the proposed addition of a ninth staff member while encouraging the Commission to continue making resources available to retain consultants as needed for technical expertise associated with the municipal service review program. Second, the Committee communicated its preference that, should the Commission pursue the addition of a ninth voting member, priority be given to making that position a second public member seat.

- Two written comments were received during the public review period, submitted by Lower Sweetwater Fire Protection District on April 6 and 10, 2026.

    - The first letter raises two related concerns regarding workload capacity and prioritization. First, it questions whether the proposed reduction in consultant funding, coupled with reliance on a single additional analyst position,

adequately aligns with the scope and complexity of the proposed workplan, particularly given the number of municipal service reviews, policy updates, and discretionary studies proposed. Second, it requests clearer differentiation between statutorily required work, such as municipal service reviews, and discretionary special projects to better reflect prioritization should staffing constraints arise. These comments are noted.

- The second letter raises four concerns regarding: the treatment of non-operating expenses, the distribution of costs among the County, cities, and independent special districts, the dataset used in the apportionment calculation, and the inclusion of the District in the apportionment pool. LAFCO staff has reviewed each point carefully and has made one refinement in the final budget as a result: the $33,000 appropriation for debt service on the Commission's OPEB bond has been reclassified from non-operating expense to services and supplies, more closely aligning the classification with the underlying compensation-related nature of the obligation. The reclassification does not alter the total amount apportioned to local agencies. Staff's responses to the other three comments are footnoted, with the full letter provided as an attachment.[1]

Proposed Final Workplan

The proposed final workplan before the Commission continues to build on the current fiscal year workplan and has been further refined based on Commission and Advisory Committee feedback, together with the rolling five-year study schedule. These inputs result in a 30-project workplan organized across three priority tiers – high, medium, and low – with placement generally following a queuing order and with active and new projects largely divided between the top and bottom halves, respectively. More than 35 additional projects are identified as bullpen items – activities the Commission may choose to advance now or reserve for future workplans.

The majority of the draft adopted in March is retained in the proposed final version – including the overall workplan architecture: the 30-project structure, the three-tier priority framework, and the top priority focus on municipal service reviews (MSRs) involving the wholesale water service providers, healthcare districts, and SANDAG. Priority rankings are unchanged for most items. What has changed is limited to targeted revisions, as summarized below.

[1] Staff acknowledges, but does not agree with, the remaining three concerns raised by Lower Sweetwater Fire Protection District regarding the proposed budget. First, Government Code Section 56381(b) assigns responsibility for calculating the apportionment among the County, cities, and independent special districts to the County Auditor, not to LAFCO. Second, the "Special Districts Annual Report" referenced in Section 56381(b)(1)(C) has not been published in its cited form since 2014, in step with the State Controller's Office transitioning to a continuously updated data portal that provides the County Auditor with appropriate information for calculating apportionments based on agencies' related filing requirements. Third, staff has verified that Lower Sweetwater Fire Protection District information is accessible through the portal for apportionment purposes.

- **New Projects** | Four projects have been added. A review of Policy L-107 (medium priority) and a legislative item involving a ninth Commission member (low) have been added based on Commission input. A special districts nominations and elections item involving two of the three seats (low) and an alternate public member appointment (low) have been added by staff based on additional analysis.

- **Restored Projects** | Two projects have been restored from the current fiscal year workplan. The Encinitas subregion MSR and the homeless services white paper both remain underway and are now expected to extend past June 30th, and as a result have been carried forward into next year's workplan. Both are ranked as high priority.

- **Lower Priority Categories** | Two projects have been downgraded from high priority to medium priority. These involve MSRs on the San Diego Unified Port District and the Solana Beach–Del Mar region, at the request of the subject agencies to help lessen the time demand on their end given recent staff turnover. (These projects' high priority designations have been redirected to the two restored projects listed above.)

- **Removed Projects** | Six projects have been moved to the bullpen. This was done to accommodate the additions and restorations above while maintaining the overall 30-project structure. Items shifted include a governance study on the Escondido/Rincon region – which was supported by the subject agencies – a Commissioner onboarding program, legislator outreach, website and social media tracking, County planning group presentations, and digital outreach enhancements.

A full listing of all workplan projects is provided as Exhibit A to the attached draft resolution.

Proposed Final Budget

The proposed final budget before the Commission remains unchanged from the draft adopted in March, setting total expenditures in 2026-2027 at $2,904,049 with operating expenses increasing by 3.3%, or $90,379. This increase is primarily attributable to maintaining existing resource levels and associated inflationary changes – including a pre-approved cost-of-living adjustment – plus budgeting for a ninth staff member to help advance the Commission's MSR program. Cost savings from reducing budgeted use of professional services, together with reductions in calculated pension contributions, help to limit the overall increase. Agency apportionments also remain unchanged from the draft and are set to increase by 18.7% to $2,589,049. This reflects both the 3.3% operating expense increase and the elimination of budgeted reserves as an offsetting revenue source.

As mentioned in the review of public comments received on the draft, one technical refinement has been incorporated in the final budget: the $33,000 appropriation for debt service on the Commission's OPEB bond has been reclassified from non-operating expense to services and supplies, more closely aligning the classification with the underlying compensation-related nature of the obligation. The reclassification does not alter total expenditures or the amount apportioned to member agencies. To maintain year-over-year

comparability, prior year categorizations have been similarly adjusted to reflect OPEB debt service as an operating charge. As a result, the 3.3% operating increase referenced above is presented on a consistent basis across years, rather than appearing as an additional increase attributable to the reclassification itself.

A full listing of all budget is provided as Exhibit b to the attached draft resolution.

ANALYSIS

San Diego LAFCO's proposed final workplan and budget for 2026-2027 remain largely consistent with the March draft, with limited revisions as detailed in the preceding section. Combined, the two documents align the Commission's resources with its statutory and strategic priorities for the coming fiscal year. The workplan's 30 projects reflect a sustained focus on high-value MSRs — wholesale water, healthcare, and SANDAG — alongside the La Jolla incorporation proposal and a set of timely administrative and legislative initiatives. The budget, in turn, provides the staffing and professional services necessary to deliver that workplan: the expansion from 8.0 to 9.0 full-time equivalents adds internal capacity in advancing the MSR program, while the professional services line preserves – albeit at reduced levels – flexibility to retain consultants for specialized technical work. The elimination of reserves as an offsetting revenue source returns the budget to a self-sustaining model, and in doing so helps protect the Commission's ability to meet its reserve policies.

RECOMMENDATION

It is recommended San Diego LAFCO approve the proposed final workplan and budget as presented with any desired changes and related implementation actions. This recommendation is provided as Alternate One below.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):

(a) Adopt the attached resolution provided as Attachment One approving the proposed final workplan (Ex. A) and budget (Ex. B) for 2026-207 with any desired changes.

(b) Authorize the Executive Officer to invoice the affected local agencies under statute formula for FY2026-2027 in the total amount of $2,589,063.00.

(c) Approve an increase in per diems consistent with practice to align with inflation from $305 to $320 effective July 1, 2026.

Alternative Two:
Continue consideration of the item to its next regular meeting.

PROCEDURES FOR CONSIDERATION

This item has been placed on the agenda for action as part of a noticed public hearing. The following procedures, accordingly, are recommended in the Commission's consideration.

1) Disclose any ex-parte communications.
2) Receive verbal report from staff unless waived.
3) Open the hearing and invite comments from the public.
4) Close the public hearing, discuss item, and consider recommendation.

Respectfully,



Keene Simonds
Executive Officer

Attachments:

1) Draft Resolution Approving a Proposed Final Workplan and Budget for FY2027
   - Exhibit A: Proposed Final Workplan
   - Exhibit B: Proposed Final Budget
2) Comment Letters Received: Lower Sweetwater Fire Protection District

RESOLUTION No. ___

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
ADOPTING A PROPOSED FINAL WORKPLAN AND BUDGET
FISCAL YEAR 2026-2027

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires the San Diego County Local Agency Formation Commission ("Commission") to perform certain regulatory and planning duties to facilitate orderly and accountable local government; and

WHEREAS, the Commission is required to annually adopt proposed and final budgets by May 1st and June 15th, respectively; and

WHEREAS, the Executive Officer has prepared a written report and recommendations on a proposed final workplan and budget for 2026-2027; and

WHEREAS, the Commission has heard and fully considered all the evidence on a proposed final workplan and budget for 2026-2027 presented at a public hearing held on May 4, 2026;

WHEREAS, the adoption of a workplan and budget are not projects under the California Environmental Quality Act.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The proposed final workplan for 2026-2027 shown as Exhibit A is APPROVED.

2. The proposed final budget for 2026-2027 shown as Exhibit B is APPROVED.

3. Pursuant to Section 56381(a), in approving the proposed final budget for 2026-2027, the Commission finds the reduced overall program costs will nevertheless allow the agency to fulfill its purposes.

The foregoing resolution was duly and regularly adopted by the Commission at a public hearing held on May 4, 2026 by the following vote:

Yes: _____

No: _____

Abstain: _____

Attest:

_____
KEENE SIMONDS
Executive Officer

Blank for Photocopying

Proposed Final Workplan FY 27

Rank	Level	Type	Name	Description
	HIGH PRIORITY			
1	High	Statutory	MSR | Wholesale Water Service Providers	Service-specific study on principal wholesale water suppliers – CWA (comprehensive) + MET (abbreviated)
2	High	Statutory	MSR | San Diego County Healthcare Districts	Service-specific study of healthcare districts in San Diego County; macro focus with micro addendum separately planned
3	High	Statutory	MSR | SANDAG	Agency-specific study of SANDAG covering core municipal functions: transportation, housing, + climate adaption
4	High	Statutory	MSR | Carlsbad-Encinitas Region: Part II	Second Part of Regional Study Covering Encinitas Subregion (Encinitas, Leucadia WD, Olivenhain MWD + San Dieguito WD)
5	High	Statutory	La Jolla CFA	Perform independent assessment of financial viability - including developing key assumptions and service benchmarks
6	High	Administrative	White Paper | Homeless Services	Evaluate the scope-scale of homeless services in SD County + potential governance options
7	High	Statutory	MSR | San Marcos Region	Regional study on City of San Marcos + local special districts: Vallecitos WD, San Marcos FPD, Vista ID
8	High	Statutory	MSR | Vista Region	Regional study on City of Vista and local special districts: Buena SD
9	High	Administrative	White Paper | Public Recreation @ City Reservoirs	Examine public recreation at City of SD's unincorporated reservoirs + potential governance options to enhance access
10	High	Administrative	Recruit + Onboard New Analyst	Expand staffing from 8.0 to 9.0 FTE through recruitment and onboarding
	MEDIUM PRIORITY			
11	Medium	Statutory	Special Study | Oceanside SCHD	Financial analysis of SCHD revenues/expenses and potential governance alternatives with stakeholder group
12	Medium	Administrative	Alliance of LAFCOs	Formalize Alliance organization, scope, and deliverables with member partners
13	Medium	Administrative	Website Refresh + Content Expansion	Consultant-led redesign with enhanced end-user features and expanded content
14	Medium	Administrative	Policy Update | L-107	Review and update - as appropriate - policy covering jurisdictional disputes involving applicant proposals
15	Medium	Statutory	MSR | San Diego Unified Port District	Agency-specific study of the Port and core functions: harbor, recreation, public safety, + community development
16	Medium	Statutory	MSR | Solana Beach – Del Mar Region	Regional study of mid coast I-5 municipalities - Solana Beach and Del Mar - and special districts: Santa Fe ID
17	Medium	Administrative	Special Districts Advisory Committee	Administrative support with benchmark of holding three SDAC meetings in FY2026
18	Medium	Administrative	Cities Advisory Committee	Administrative support with benchmark of holding two CAC meetings in FY2026
19	Medium	Statutory	MSR | South Coast Region I – Cities	Region-specific study on south coast cities: Chula Vista and National City
20	Medium	Statutory	MSR | South Coast Region II - Districts	Region-specific study on south coast districts: South Bay WD, Sweetwater, Bonita Sunnyside FPD, Sweetwater FPD
	LOW PRIORITY			
21	Low	Administrative	Legislative | Adding a Ninth Member	Work with legislature to expand to nine voting members to resolve the structural tie-vote vulnerability
22	Low	Administrative	Outside Audit | FY2026	Independent audit of FY26 financial statements with supplemental information
23	Low	Administrative	Nominations + Elections | Special Districts	Process nominations and elections on behalf of ISDSC for new four-years terms for Regular (Willis) and Alternate (Drake) seats
24	Low	Administrative	Alternate Public Member	Process noticing and recruitment for new four-year term for Alternate
25	Low	Administrative	Legislative | UC Berkely Report	Work with stakeholders in developing bill consistent with UCB report and find author for 2027 session
26	Low	Administrative	Legislative | AB 356 (Darshana Patel)	Support two-year bill and stakeholder group assessing north county healthcare needs
27	Low	Statutory	MSR | Healthcare Districts: Addendum	Assess community healthcare needs, resources, and potential governance alternatives;
28	Low	Administrative	Annual Local Agency Directory	Update and publish annual local agency directory subject to LAFCO oversight
29	Low	Statutory	RCD Ad Hoc Committee: Part II	Complete part II of RCD boundary true ups to inform sphere updates for local RCDs
30	Low	Administrative	Annual SOI-MSR Registry	Update and publish registry of all recorded SOI and MSR actions

BULLPEN - Queued for Future Consideration and/or Action

Statutory	Policy Review | Health + Safety Fee Reductions	Review options to revise existing fee reductions for proposals/requests involving public health or safety threats
Statutory	Special Study | Escondido + Rincon	Study options to consolidate (functional and political) the City of Escondido and Rincon del Diablo MWD services
Administrative	Commissioner Onboarding	Develop digital toolkit to orient new Commissioners to LAFCO operations
Administrative	Legislator Outreach	Launch formal outreach program with benchmark of meeting with each local State representative in FY27
Administrative	Website and Social Media Tracking	Launch digital performance tracking program to measure visits, media reach, + engagement; establish baselines
Administrative	County Planning Groups	Establish formal communications with County Planning/Sponsor Groups; benchmark of three presentations in FY2026
Administrative	Digital Outreach	Produce videos spotlighting special projects and explaining LAFCO duties
Statutory	Policy | Budget Committee	Adopt policies establishing and tasking a standing budget committee and related guiding provisions
Statutory	Pilot Grant Program	Establish pilot program to explore grant opportunities to help fund special projects at LAFCO
Statutory	MSR | City of San Diego	Agency-specific study and core municipal service functions (water, wastewater, public safety, etc.)
Statutory	MSR | Silver strand Cities	Region specific study covering Cities of Imperial Beach and Coronado
Administrative	Policy | Officer Rotations	Adopt policies formalizing chair and vice chair rotation system and related guiding provisions
Administrative	Legislative Proposal | SD LAFCO Composition	Explore options and pursue preferred composition change to establish odd number of voting members
Statutory	MSR | San Diego County Wastewater JPAs	Service-specific study covering three JPAs providing public wastewater services: Encinitas, San Elijo, and Metro
Statutory	White Paper | Community Choice	Evaluate the scope and scale of CCAs in SD County and connectivity to LAFCO duties and interests
Statutory	Outreach to Sunset/Melrose "Island"	Targeted outreach to the island between Oceanside + Vista to assess service needs + possible annexation interests
Administrative	Service + Fiscal Indicators	Develop online browser feature to depict service + fiscal indicators among local agencies in SD County
Administrative	Liaison with Local Tribes	Establish communication protocols with respect to shared interests in regional services + CEQA consultations
Statutory	Morro Hills CSD Follow Up	Coordinate and/or otherwise facilitate discussions with County Sheriff to enhance traffic enforcement within the CSD
Administrative	LAFCO Meeting Room	Explore opportunities to secure a dedicated LAFCO meeting room with scaled dais and A/V enhancements
Statutory	White Paper | Garbage + Landfill Services	Evaluate the scope and scale of garbage collection and disposal services in SD County
Statutory	White Paper | School Districts	Evaluate scope and scale of school districts and their baseline capacities for reference in municipal service reviews
Statutory	Policy Review | Island Annexations	Consider options to define "substantially surrounded" and provide related mapping services
Administrative	LAFCO Workshop	Organize a special workshop for the Commission to discuss strategic objectives over the next five-year period
Administrative	Public Access Television	Establish public broadcasting LAFCO meetings on local government channels
Administrative	Procedural Flow Charts	Create user friendly flow charts for various LAFCO statutory processes for online publication
Statutory	Policy | Fee Schedule Update	Review and update fee schedule to sync with current costs and related considerations
Statutory	Policy | CEQA Guidelines	Review and update existing CEQA Implementation guidelines relative to current statute and best practices
Statutory	Disadvantaged Unincorporated Communities	Update DUC mapping designations (DUC) in San Diego County based on current census information
Statutory	Applicant Procedures	Streamline application materials and establish updated filing protocols
Administrative	Local Agency Finder Tool	Develop online feature for users to enter address to identify all overlapping local jurisdictions (cities and districts)
Statutory	Policy | Commission Rule No. 4	Modernize Rule No. 4 and its provisions to regulate special districts' service functions and classes
Statutory	White Paper | JPAs	Evaluate the status of JPA filings in SD County relative to LAFCO's task in SB 1261
Administrative	Policy | Cities Advisory Committee	Coordinate with CAD in updating bylaws and related procedures to sync with current interests/priorities
Statutory	Legislative Proposal | G.C. 56133	Sponsor/facilitate amendments to clarify LAFCOs' authority to determine out-of-agency exemptions in (e)

San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

		FY2025			FY2026			FY2027		
EXPENSES		**Adopted**	**Amended**	**Actuals**	**Adopted**	**Amended**	**Projected**	**Proposed Final**	**Change $**	**Change %**
Salaries and Benefits Unit										
Account	Description									
51110 +	Salaries and Per Diems	898,906	898,906	892,617	986,200	986,200	965,247	1,144,898	158,698	16.1%
51410	Retirement - SDCERA	350,146	350,146	352,251	384,503	384,503	371,374	316,454	(68,050)	-17.7%
51415	Retirement - OPEB	10,196	10,196	9,047	11,112	11,112	7,585	12,521	1,409	12.7%
51450	Payroll Taxes	65,044	65,044	63,697	71,457	71,457	66,413	79,762	8,305	11.6%
51510 +	Group Insurance	143,481	143,481	115,039	134,394	134,394	121,065	164,931	30,537	22.7%
51560	Unemployment Insurance	1,000	1,000	362	1,000	1,000	500	1,000	-	0.0%
		1,468,773	1,468,773	1,433,013	1,588,667	1,588,667	1,532,184	1,719,566	130,899	8.2%
Services and Supplies Unit										
Account	Description									
52074	Communications	42,299	42,299	40,596	50,726	50,726	39,789	46,960	(3,766)	-7.4%
52138	General Liability Insurance	14,194	14,194	15,599	15,599	15,599	16,775	16,775	1,176	7.5%
52178	Vehicle - Maintenance	1,000	1,000	1,814	1,000	1,000	1,500	1,100	100	10.0%
52182	Vehicle - Fuel	500	500	490	500	500	300	500	-	0.0%
52270	Memberships	38,736	38,736	25,467	34,807	34,807	21,500	48,893	14,086	40.5%
52304	Miscellaneous	50	50	18	50	50	8	50	-	0.0%
52330	Office: General Support	12,380	12,380	11,066	13,217	13,217	12,500	7,500	(5,717)	-43.3%
52332	Office: Postage USPS	250	250	495	250	250	200	250	-	0.0%
52334	Office: Design + Printing	23,000	23,000	12,090	22,500	22,500	19,500	24,500	2,000	8.9%
52344	Office: Supplies + Furnishings	12,100	12,100	13,998	10,300	10,300	10,300	10,500	200	1.9%
52354	Office: County Mail Services	10,000	10,000	7,817	10,000	10,000	10,000	10,000	-	0.0%
* 52370.1	Professional Services - Consultants	445,767	698,558	698,558	566,600	566,600	538,345	415,000	(151,600)	-26.8%
* 52370.2	Professional Services - Legal	-	-	-	-	-	-	80,000	80,000	
52490	Publications + Legal Notices	8,500	8,500	21,142	7,000	7,000	10,000	7,700	700	10.0%
52504	Leases: Equipment	4,500	4,500	3,335	4,000	4,000	3,269	4,000	-	0.0%
52530	Leases: Office Space	154,308	154,308	157,167	158,688	158,688	163,397	166,959	8,271	5.2%
52550	Special: AB87 County Overhead	33,000	33,000	57,293	58,000	58,000	60,724	60,724	2,724	4.7%
52566	Special: Minor Equipment	-	-	3,699	-	-	2,277	-	-	0.0%
52610	Training-Continued Education	2,700	2,700	14,193	2,700	2,700	3,000	8,040	5,340	197.8%
52612	Employee Auto + Reimbursements	8,700	8,700	11,068	8,700	8,700	8,700	8,700	-	0.0%
52622	Out of County Training-Outreach	15,050	15,050	23,771	15,050	15,050	9,500	21,000	5,950	39.5%
52721	IT Reimbursements: Network	18,000	18,000	18,193	18,000	18,000	19,143	18,000	-	0.0%
52723	IT Reimbursements: Data Center	30,000	30,000	12,504	27,000	27,000	9,062	27,000	-	0.0%
52725 +	IT Reimbursements: Financial Systems	25,000	25,000	18,083	23,000	23,000	16,115	23,000	-	0.0%
52732	IT Reimbursements: Desktop	30,000	30,000	26,744	30,000	30,000	27,948	30,000	-	0.0%
52734	IT Reimbursements: Help Desk	2,331	2,331	1,608	2,331	2,331	1,483	2,331	-	0.0%
52750	IT Reimbursements: Equipment	25,000	25,000	6,389	10,000	10,000	4,582	10,000	-	0.0%
52758	Fleet Reimbursements: Lease	2,000	2,000	1,986	2,000	2,000	2,000	2,000	-	0.0%
51421	Debt Service: OPEB Bonds	34,092	34,092	33,591	33,000	33,000	34,017	33,000	-	-
		993,456	1,246,247	1,238,774	1,125,018	1,125,018	1,045,934	1,084,482	(40,535)	-3.6%
	OPERATING EXEPENSE TOTAL	2,462,230	2,715,021	2,671,787	2,713,685	2,713,685	2,578,118	2,804,049	90,364	3.3%

Note: It is proposed Professional Services be divided into two accounts going forward begining FY27: Consultants and Legal
It is proposed Debt Services: OPEB Bonds be reclassified from a non-operating expense to an operating expense beginning in FY27. Prior-year columns have been restated

EXPENSES CONTINUED...		FY2025			FY2026			FY2027		
		Adopted	Amended	Actuals	Adopted	Amended	Projected	Proposed Final	Change $	Change %
Non Operating Unit										
Account	Description									
85000	Grant Award Payments	450,000	450,000	198,478	450,000	450,000	450,000	100,000	(350,000)	-78%
		450,000	450,000	232,069	450,000	450,000	450,000	100,000	(350,000)	-78%
	EXPENSE TOTALS	2,912,230	3,165,021	2,903,856	3,163,685	3,163,685	3,028,118	2,904,049	(259,636)	-8.2%

REVENUES		FY2025			FY2026			FY2027		
		Adopted	Amended	Actuals	Adopted	Amended	Projected	Proposed Final	Change $	Change %
Intergovernmental Unit										
Account	Description									
45918.1	Apportionments | County	623,744	623,744	623,997	654,902	654,902	654,902	739,691	84,789	12.9%
45918.2	Apportionments | Cities (less SD)	623,744	623,744	623,997	654,902	654,902	654,902	739,691	84,789	12.9%
45918.3	Apportionments | San Diego	311,981	311,981	312,108	327,566	327,566	327,566	369,975	42,409	12.9%
45918.4	Apportionments | Special Districts	623,744	623,744	734,786	544,113	544,113	544,113	739,691	195,578	35.9%
		2,183,212	2,183,212	2,294,888	2,181,483	2,181,483	2,181,483	2,589,049	407,566	18.7%
Service Charges Unit										
Account	Description									
46234	Application Fees	200,000	200,000	212,386	200,000	200,000	100,000	200,000	-	0.0%
		200,000	200,000	212,386	200,000	200,000	100,000	200,000	-	0.0%
Miscellaneous										
Account	Description									
44105	Interest and Dividends	15,000	15,000	9,084	15,000	15,000	2,000	15,000	-	0.0%
47540	Reserves	64,018	182,378	182,378	317,202	317,202	317,202	-	(317,202)	-100.0%
		79,018	197,378	191,462	332,202	332,202	319,202	15,000	(317,202)	-95.5%
	OPERATING REVENUE TOTAL	2,462,230	2,580,590	2,698,736	2,713,685	2,713,685	2,600,685	2,804,049	90,364	3.3%
Non-Operating Unit										
Account	Description									
85000	Grant Awards	450,000	450,000	172,415	450,000	450,000	450,000	100,000	(350,000)	-77.8%
		450,000	450,000	172,415	450,000	450,000	450,000	100,000	(350,000)	-77.8%
	REVENUE TOTALS	2,912,230	3,030,590	2,871,151	3,163,685	3,163,685	3,050,685	2,904,049	(259,636)	-8.2%
TOTAL NET		-		(32,705)	-		22,567	-		

BEGINNING CASH BALANCE - July 1st
(spendable - unrestricted)

	Total	/ Committed	/ Assigned	/ Unrestricted	% of Budget	Budgeted Op. Expenses
FY 2020	1,317,700	550,000	125,000	642,700	33.54%	1,916,300
FY 2021	1,690,769	550,000	125,000	1,015,769	53.01%	1,916,300
FY 2022	1,637,178	750,000	125,000	762,178	39.36%	1,936,348
FY 2023	1,547,565	750,000	62,500	735,065	36.61%	2,007,776
FY 2024	1,637,356	750,000	125,000	762,356	33.72%	2,260,986
FY 2025	1,732,010	750,000	100,000	882,010	35.82%	2,462,230
FY2026	**1,671,791**	**650,000**	**100,000**	**921,791**	**33.97%**	**2,713,685**

-----Original Message-----
From: Kurt Worden <lsfpdistrict@gmail.com>
Sent: Monday, April 6, 2026 7:18 PM
To: Sellen, Erica A <Erica.Sellen@sdcounty.ca.gov>
Subject: [External] Public Comment – Proposed LAFCO San Diego FY 2026–2027 Workplan

Dear Ms. Sellen,

Please accept the following public comments on the Proposed FY 2026–2027 Workplan for inclusion in the agenda materials.

Comment 1:
The workplan outlines a substantial number of Municipal Service Reviews (MSRs), policy updates, and discretionary studies. At the same time, the proposed budget reduces consultant funding and relies on a single additional analyst to absorb a significant increase in analytical workload. This creates a clear mismatch between planned deliverables and available capacity. Aligning the scope of work with available staffing and consultant resources is essential to ensure that statutory responsibilities can be completed at the required level of rigor.

Comment 2:
The workplan presents statutory MSRs and discretionary initiatives on similar footing. MSRs are mandatory under state law and should be clearly distinguished from optional efforts. Without this distinction, it becomes difficult to understand how staff time will be allocated when capacity constraints arise. Clear prioritization supports transparency and ensures that statutory work remains the foundation of the annual workplan.

Thank you for including these comments in the public record.
Sincerely,
Kurt Worden,
President, Lower Sweetwater Fire Protection District.

Blank for Photocopying



LOWER SWEETWATER FIRE PROTECTION DISTRICT

April 10, 2026

To: Erica Sellen
2550 Fifth Avenue,
Suite 725,
San Diego, California 92103

Re: **Comments on Proposed FY 2026–2027 Budget and Apportionment Methodology**

Dear Ms. Sellen,

Thank you for the opportunity to comment on the proposed FY 2026–2027 budget and apportionment methodology. These comments address three statutory issues under Government Code §56381:

1. The requirement that only net operating expenses be apportioned,
2. The requirement that counties, cities, and independent special districts each bear one-third of those costs, and
3. The risks associated with non-compliance with these statutory requirements.

1. NON-OPERATING EXPENSES ARE INCLUDED IN THE APPORTIONMENT BASE, CONTRARY TO §56381

Government Code §56381(b)(1)(A) limits apportionment to net operating expenses.

However, the proposed FY 2026–27 budget includes several categories that fall outside this definition, including:

- reserves and contingencies,
- discretionary or non-recurring studies, and
- overhead items not tied to annual operations.

Including non-operating items inflates the total cost before the statutory one-third shares are calculated. This results in apportionments that exceed what §56381 authorizes.

To comply with statute, the apportionment base must be limited to net operating costs only, excluding non-operating or discretionary items.

2. THE PROPOSED APPORTIONMENT DOES NOT MEET THE STATUTORY ONE-THIRD REQUIREMENT AND INCLUDES LSFPD DESPITE ITS ABSENCE FROM THE STATUTORY DATASET

Government Code §56381(b)(1)(B) requires that the County, Cities, and Independent Special Districts each bear one-third of LAFCO's net operating costs. However, under the proposed FY 2026–27 methodology, the actual cost distribution is:

Group	Proposed Share	Statutory Share	Difference
County	~30%	33.33%	–3.33%
Cities	~30%	33.33%	–3.33%
Independent Special Districts	~40%	33.33%	**6.67%**

A contributing factor is that LAFCO included LSFPD in the apportionment pool even though LSFPD did not appear in the statutory revenue dataset required by §56381(b)(1)(C). The State Controller's Office has since confirmed that LSFPD was omitted from the FY 2023–24 dataset due to a classification error and has corrected its records for future years. However, the proposed FY 2026–27 apportionment still reflects the structural imbalance created when LSFPD was included as a payer without being included in the statutory revenue denominator used to calculate proportional shares.

This mismatch—counting LSFPD in the cost pool while LSFPD was absent from the statutory dataset—mathematically inflated the special district share and contributed to the disproportionate burden placed on independent special districts.

2A. LAFCO APPEARS TO HAVE USED A NON-STATUTORY DATASET RATHER THAN THE DATASET REQUIRED BY §56381(B)(1)(C)

Government Code §56381(b)(1)(C) requires LAFCOs to base apportionments on: "the total revenues reported in the State Controller's Special Districts Annual Report."

However, the apportionment tables published by LAFCO indicate that the Commission:

- used raw revenue data rather than the statutory dataset,
- applied multi-year averaging, which is not authorized by statute,
- included districts that do not appear in the statutory dataset,
- excluded districts that do appear in the statutory dataset, and
- constructed a custom revenue table that does not match the structure or field definitions of the State Controller's report.

Using a non-statutory dataset—particularly one that differs materially from the State Controller's published report—creates inconsistencies in both the denominator used to calculate proportional shares and the composition of the apportionment pool. This deviation directly contributed to the disproportionate allocation of approximately 40% of total costs to independent special districts, rather than the statutory 33.33%.

To ensure compliance with §56381, the apportionment must be based on the unaltered statutory dataset published by the State Controller's Office, without modification, averaging, or reconstruction.

3. RISKS ASSOCIATED WITH NON-COMPLIANCE WITH §56381

Failure to adhere to the statutory requirements of §56381 creates several material risks:

A. **Statutory Compliance Risk**

Departures from the definitions of “net operating expenses” and the required one-third shares expose the Commission to challenges regarding the legality of its apportionment methodology.

B. **Fiscal Equity Risk**
Charging independent special districts ~40% of total costs—well above the statutory 33.33%—creates a disproportionate burden on one funding group and undermines the equity principles embedded in §56381.

C. **Precedent and Governance Risk**
Budgeting practices that exceed statutory authority may establish precedents that normalize non-operating apportionments and complicate future compliance efforts.

D. **Transparency and Accountability Risk**
The statutory framework is designed to ensure predictable, equitable, and transparent apportionments. Deviations from these requirements may raise concerns among funding agencies and the public.

4. REQUESTED ADJUSTMENTS FOR THE FY 2026-27 BUDGET

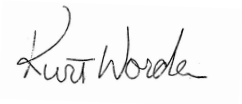
To ensure compliance with §56381, LSFPD respectfully requests that the Commission:

1. Limit the apportionment base to net operating expenses, excluding reserves, contingencies, and non-operating items.
2. Rebalance the apportionment so that each group—County, Cities, and Independent Special Districts—pays one-third, as required by statute.
3. Confirm that the corrected statutory dataset will be used going forward, ensuring proportional equity among all independent special districts.

These adjustments will bring the FY 2026–27 budget and apportionment methodology into alignment with the statutory requirements of §56381 and ensure equitable treatment of all funding groups.

Thank you for your consideration and for the Commission’s continued work. The District is available to provide any additional information that may be helpful.

Sincerely,



Kurt Worden, Board President
Lower Sweetwater Fire Protection District
lsfpdistrict@gmail.com • 619-245-4550

cc: Assembly Local Government Committee staff (for awareness)
cc: Office of Assemblymember Alvarez (for awareness)
cc: Supervisor Aguirre’s office (for awareness)

Blank for Photocopying

San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

7a

AGENDA REPORT
Business | Action

May 4, 2026

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer
Michaela Peters, Analyst II

SUBJECT: **Proposed Out-of-Agency Services | Buena Sanitation District Request to Provide Out-of-Agency Wastewater Services to 3144 Roadrunner Road (File No. OAS26-05)**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider a request by the Buena Sanitation District (Buena SD) for authorization to provide extended out-of-agency wastewater services to a 0.53-acre parcel located within the City of San Marcos. The affected territory at 3144 Roadrunner Road is currently developed with a single-family residence (SFR) built in 2016. Buena SD has provided wastewater service to the existing SFR since construction under a grandfathered 1989 agreement between Buena SD and the City of San Marcos. The purpose of the request is to redirect the existing authorization directly between Buena SD and the landowner as well as extend authorization to facilitate and serve a planned accessory dwelling unit (ADU). Staff recommends approval with standard terms. Staff also recommends the Commission waive its customary practice of conditioning approval on the landowner filing a future annexation proposal with LAFCO, given local conditions as detailed in this report. Staff additionally recommends the Commission find the request qualifies as a project under the California Environmental Quality Act (CEQA) but is exempt from further review under State CEQA Guidelines Section 15319(b).

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
www.sdlafco.org

Paloma Aguirre, County of San Diego
Joel Anderson, County of San Diego
Vacant, County of San Diego
Chair Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

BACKGROUND

Legislation + Local Policy

State statute requires cities and special districts to obtain LAFCO approval before providing out-of-agency services, subject to limited exemptions. Agencies may be authorized to serve outside territory within their spheres of influence in anticipation of future annexation. Outside their spheres, services may only be authorized by LAFCO in response to documented threats to public health and safety.

San Diego LAFCO's policies authorize the Executive Officer to approve out-of-agency water and wastewater service requests involving documented and direct threats to public health and safety, with such administrative approvals reported to the Commission for information only. All other out-of-agency service requests require Commission approval.

Applicant Request

Buena SD requests San Diego LAFCO's authorization, on behalf of landowner Anne Allen, to provide extended out-of-agency wastewater service to a 0.53-acre parcel developed with an existing 2,630-square-foot SFR at 3144 Roadrunner Road within the City of San Marcos (APN 217-232-32). The subject parcel is approximately 1,200 feet from Buena SD's jurisdictional boundary at its nearest point. An aerial map of the affected territory and its regional setting follows, with a more detailed map provided as Attachment One.



DISCUSSION

This item is for San Diego LAFCO to consider Buena SD's request under Government Code Section 56133 to authorize extended out-of-agency wastewater service to 3144 Roadrunner Road – redirecting the existing service arrangement directly between Buena SD and the landowner and expanding capacity to accommodate a planned ADU. The Commission maintains discretion to approve the request with or without conditions, so long as any terms do not directly regulate land use, property development, or subdivision requirements. Additional discussion on purpose, land uses, and applicable sphere considerations follows.

Purpose

The purpose of the request is twofold: 1) to formally redirect under LAFCO's statutory authority the existing out-of-agency wastewater service arrangement – currently authorized under the 1989 Buena SD/City of San Marcos agreement – to a direct service relationship between Buena SD and the landowner; and 2) to authorize extended service to accommodate a planned ADU. The timing of the request ties to the landowner soliciting a will-serve letter from Buena SD as part of the ADU permitting process required by the City of San Marcos.

Current and Planned Land Uses

The affected territory comprises one parcel currently developed with a SFR built in 2016. The City of San Marcos designates the parcel with an Estate (R-1-20) zoning assignment, which sets a minimum lot size of 20,000 square feet (0.46 acres) and allows a maximum density of two units per acre. The planned ADU would comply with these allowances, maximizing the permissible density on the parcel.[1]

Applicable Sphere Considerations

The affected territory lies outside Buena SD's transitional sphere – also referred to as a zero sphere – which LAFCO approved in 1984 in recognition the District's service responsibility should ultimately be assumed by the City of Vista. The implications of this designation for the present request are discussed in the Analysis below.

ANALYSIS

The following analysis addresses two sequential policy considerations for San Diego LAFCO in considering the merits of Buena SD's request to provided extended out-of-agency wastewater services to the affected territory: (a) timing of the service request and (b) whether discretionary terms are appropriate.

[1] The affected territory is not within a disadvantaged unincorporated community (DUC).

Policy Consideration | Timing of the Out-of-Agency Wastewater Service

The Commission must determine whether extending municipal wastewater service is merited and readily available, and whether out-of-agency extension is the appropriate mechanism given local conditions. Staff's analysis of these factors follows.

- Need and Availability of Service
  The affected territory consists of a 0.53-acre parcel located within an urbanized area of the City of San Marcos and developed with a SFR. Buena SD currently provides wastewater service to the existing residence pursuant to a 1989 out-of-agency service agreement between Buena SD and the City of San Marcos. Buena SD's request seeks LAFCO approval to redirect this existing service arrangement to a direct relationship with the landowner and authorize additional wastewater service to accommodate the planned construction of an ADU.

  Buena SD's wastewater service is readily available to the affected territory. The existing SFR generates an estimated demand of approximately 196 gallons per day. Following construction of the ADU, total maximum average day wastewater demand is projected to increase to 333 gallons per day.[2] This increase can be readily accommodated without adverse impacts, as it would represent approximately 0.033% of the system's existing available capacity.

- Out-of-Agency Service v. Annexation
  Annexations are the preferred method under LAFCO law for implementing boundary changes that formalize the relationship between land and service providers, unless local conditions suggest otherwise. In this case, local conditions justify an out-of-agency service extension as the most effective means to provide wastewater services to the affected territory; annexation would not be orderly or efficient at this time. Most notably, Buena SD's transitional sphere was established in 1984 with the expectation the District's service responsibility would ultimately be assumed by the City of Vista. Given the affected territory lies within the City of San Marcos, and a land swap between the cities is improbable, the out-of-agency service extension is the appropriate mechanism to meet the immediate service need while preserving alignment with the Commission's long-term planning goals.

[2] Buena SD's average daily demand per Equivalent Dwelling Unit (EDU) is 196 gallons per day (gpd). A single-family residence is assigned 1.0 EDU (196 gpd), while an accessory dwelling unit (ADU) is assigned 0.7 EDU (137 gpd). The property currently has 1.0 EDU for the existing residence and will add 0.7 EDU for the ADU, resulting in a total demand of 1.7 EDU (333 gpd).

Policy Consideration | Potential Terms

Staff supports conditioning approval to limit service to two residential units (the existing single-family residence and one accessory dwelling unit). Standard approval terms otherwise apply, including payment of any outstanding fees per the San Diego LAFCO fee schedule. Staff further supports the Commission departing from its customary practice of conditioning approval on the landowner filing a future annexation proposal with LAFCO. As discussed above, Buena SD's transitional sphere anticipates eventual absorption by the City of Vista, and the affected territory sits within the City of San Marcos. A land swap between the two cities is improbable. Under these circumstances, a future-annexation condition is not actionable, and staff believes proceeding without it better reflects known local conditions.

RECOMMENDATION

It is recommended San Diego LAFCO conditionally approve Buena SD's request — redirecting and extending out-of-agency wastewater service to 3144 Roadrunner Road for the existing single-family residence and one accessory dwelling unit — subject to the scope and conditions described in this report. This recommendation and its supporting CEQA finding are consistent with Alternative One below.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO and can be accomplished through a single-approved motion.

Alternative One (recommended):

a) Approve the requested out-of-agency wastewater service authorization allowing Buena SD to provide service to the affected territory at 3144 Roadrunner Road — redirecting the existing service arrangement to a direct relationship with the landowner and extending capacity to accommodate a planned ADU — subject to the scope and conditions set forth in this report.

b) Find the request qualifies as a "project" under the California Environmental Quality Act but is exempt from further review under State CEQA Guidelines Section 15319(b), given no more than four dwelling units are planned for development.

Alternative Two:
Continue item to a future meeting.

Alternative Three:
Disapprove the request.

PROCEDURES

This item has been placed on the agenda for action as part of San Diego LAFCO's business calendar. The following procedures are suggested in the consideration of this item:

1) Receive verbal report from staff unless waived.
2) Discuss item and consider recommendation.

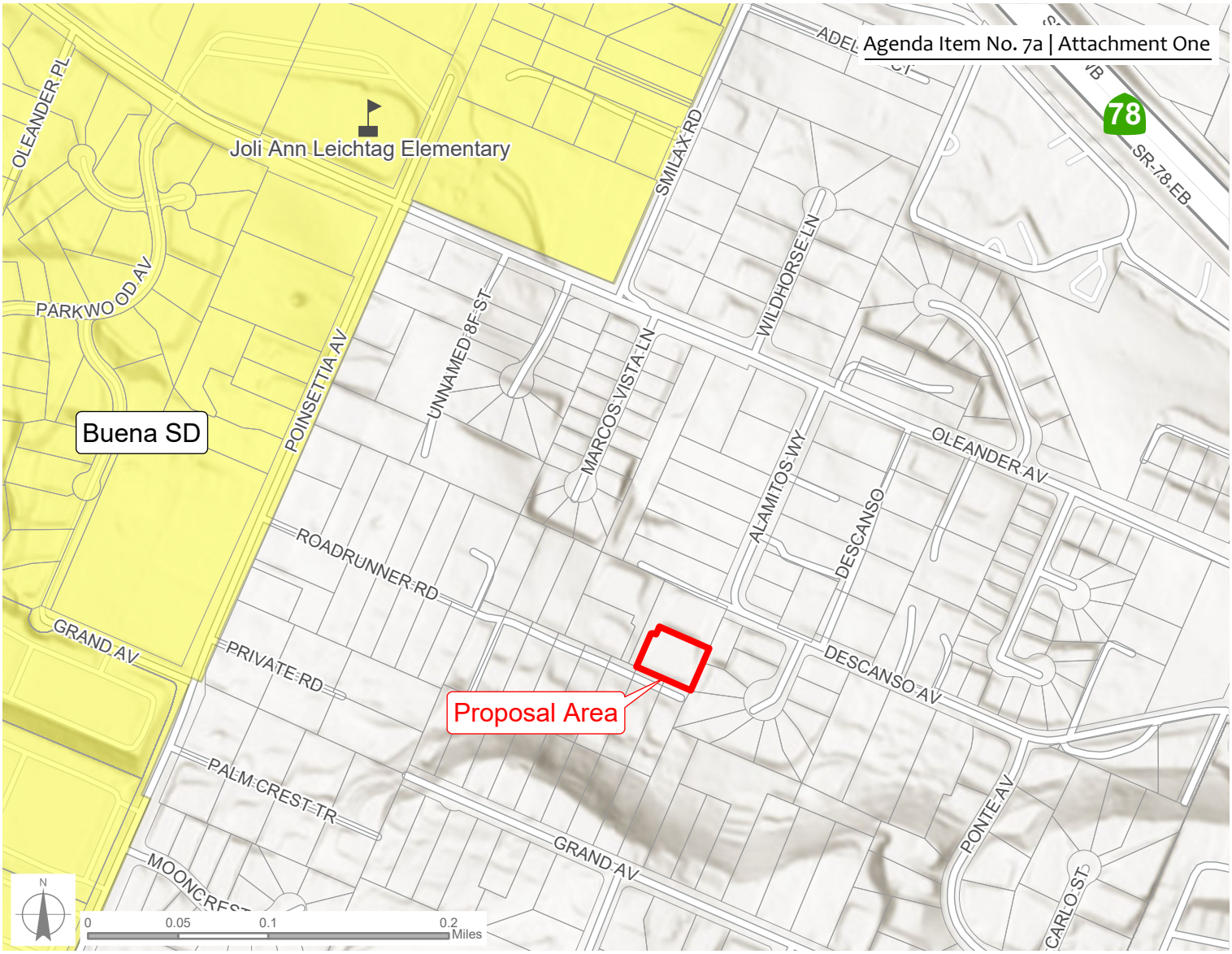
On behalf of the Executive Officer,



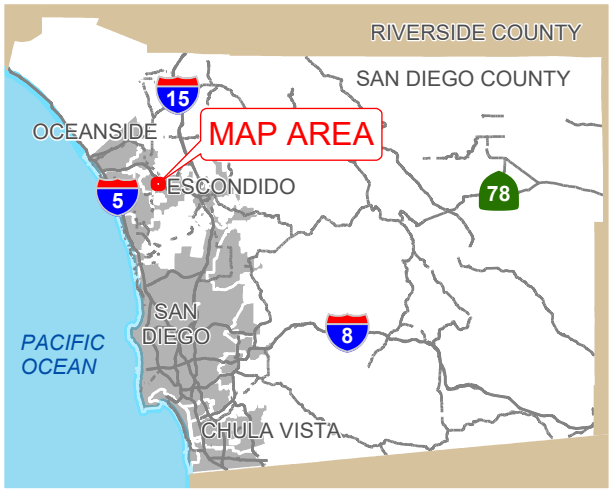
Michaela Peters
Analyst II

Attachments:

1) Map of the Affected Territory
2) Related Requested Documents







OAS26-05

"3144 ROADRUNNER ROAD OUT-OF-AGENCY WASTEWATER SERVICES" | BUENA SANITATION DISTRICT

Proposal Area
Buena SD

San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

This map is provided without warranty of any kind, either express or implied, including but not limited to the implied warranties of merchantability and fitness for a particular purpose. Copyright LAFCO and SanGIS. All Rights Reserved.This product may contain information from the SANDAG Regional Information System which cannot be reproduced without the written permission of SANDAG. This map has been prepared for descriptive purposes only and is considered accurate according to SanGIS and LAFCO data.

G:\GIS\Vicinity_Maps\agendamaps2026\26-05 OAS Roadrunner Buena SD.aprx

Created by Dieu Ngu -- 4/15/2026

Blank for Photocopying

CONTRACTUAL SERVICE AGREEMENT APPLICATION FORM

In addition to the materials required for any change(s) of organization, submit the following items:

1. One copy of either an approved Resolution of the City Council/District Board of Directors or a letter from the City Manager/District General Manager requesting approval for a contractual service agreement.

2. One copy of the contract or agreement stipulating the terms and conditions of extending service to the property signed by the property owner(s) and the agency that is to provide the service.

3. LAFCO processing fee. Contact the LAFCO office or refer to fee schedule.

Print/Type Name: Steve Nowak - City of Vista

Property Address: 3144 Roadrunner Rd., San Marcos, CA

Phone #: 760-643-5403 Date: 1-29-26

This application is used by LAFCO staff to provide supplemental information for contractual service agreement requests.

1. What type or types of public service(s) will be provided? Sewer

2. Why is the service needed? If the service agreement is in response to an emergency health and safety situation, such as a failed septic system, provide information documenting the circumstances (e.g., letter from the County Department of Environmental Health).

3. If a jurisdictional change, such as annexation, is not possible at this time, explain the circumstances that prevent annexation and when the jurisdictional change is anticipated. Located outside BSD boundary within incorporated San Marcos. LAFCO has state they would not support annexation to BSD.

4. Are there any jurisdictional issues associated with the proposed contractual service agreement? ☐ YES ☑ NO
(If yes, please complete the LAFCO Policy L-107 form)

San Diego Local Agency Formation Commission
2550 Fifth Ave., Suite 725
San Diego, CA 92103
(619) 321-3380

Revised November 2022

CITY OF VISTA
CALIFORNIA
BUENA SANITATION DISTRICT

January 29, 2026

San Diego County LAFCO
Attn: Keene Simonds
2550 Fifth Avenue, Suite 725
San Diego, California 92103

Re: Out of Area Service Agreement Request – 3144 Roadrunner Rd., San Marcos, CA

Dear Mr. Simonds,

The Buena Sanitation District is requesting approval from San Diego LAFCO to provide wastewater services to an existing single-family residence and a new accessory dwelling unit at 3144 Roadrunner Rd., San Marcos, CA (APN 217-232-32-00) which is outside of the Buena Sanitation District boundary.

The existing residence is currently served by Buena Sanitation District and has been since its construction in 2016. The new accessory dwelling unit will connect to the existing onsite plumbing with no new service connections. Pursuant to the August 1989 Agreement between the City of San Marcos and Buena Sanitation District, and the 2007 Amendment, BSD is willing to offer sewer service to this property. The agreement will be memorialized with an Out-of-Area Sewer Service Agreement, recorded in the office of the County Recorder.

Pursuant to direction received from your office, a check for $2,021.50 is included with this request for the application and CEQA fees.

I appreciate your consideration in this manner. Please feel free to reach out to Steve Nowak at 760-643-5403 or snowak@vista.gov with any questions you may have.

Sincerely,

John Conley
District Manager

FIRST AMENDMENT TO
AGREEMENT BETWEEN THE CITY OF SAN MARCOS AND BUENA SANITATION DISTRICT EMPOWERING DISTRICT TO PERFORM SERVICES FOR CITY

This First Amendment to Agreement Between The City of San Marcos and Buena Sanitation District Empowering District To Perform Services for City dated August 8, 1989 ("Agreement") is entered into as of June 1, 2007 ("Amendment") by and between the City of San Marcos, a chartered municipal corporation, (hereinafter referred to individually as "CITY") and the Buena Sanitation District, a county sanitation district (hereinafter referred to individually as "BSD" or "DISTRICT" and collectively as "PARTIES"), with respect to the following facts:

RECITALS

1. The DISTRICT currently provides sewer services to a limited number of property owners located within the CITY pursuant to the Agreement.

2. The purpose of this Amendment is to more fully define the duties of each of the Parties with respect to the collection of fees and charges relating to the sewer services provided to the property owners within the CITY.

3. An additional purpose of the Amendment is to fully define the duties of the Parties with respect to sewer spills occurring within the area in the City served by BSD.

4. The PARTIES agree that authorizing BSD to collect sewer service fees and charges directly from the CITY'S property owners subject to the terms and conditions of this Amendment will result in a more efficient operation of the sewer sanitation collection system.

NOW, THEREFORE, in consideration of the mutual promises, obligations and covenants set forth herein, the CITY and BSD agree:

ARTICLE I: COLLECTION OF CHARGES

A. The CITY has the primary responsibility for collecting sewer service fees and charges from property owners within its jurisdiction. The CITY hereby requests and authorizes BSD to directly levy sewer fees and charges to CITY property owners served by DISTRICT pursuant to this Agreement on behalf of the CITY and in the same amount and manner as for all other customers of BSD, including, but not limited to, the imposition and collection of fees and charges for sewer connection, plan check and inspection fees; emergency responses; and the placement of fees and charges on the property tax roll. The full payment of which shall go to reimburse the DISTRICT for the provision of sewer services on behalf of the CITY.

B. In the event the sewer service fee or charge cannot be placed on the property tax roll of the property served, or non-payment or protested payment, BSD shall invoice the CITY who will pay BSD fees and charges on the behalf of the property owner. CITY may take any means available to collect the delinquent sewer fee or charge from the property owner directly and may request additional BSD support services such as service disconnections.

C. BSD hereby agrees to provide the requested services and to provide due notice any time rates or charges are changed to facilitate the CITY'S annual adoption of charges as required by law.

ARTICLE II: ACCOUNTING AND AUDITS

BSD shall maintain full financial records showing all expenses associated with or related to the services covered hereby. These records shall conform to generally accepted accounting principles of the United States, and shall be examined by a certified public accountant as a part of BSD's annual audit.

ARTICLE III: LIABILITY

The CITY shall, to the fullest extent allowed by law, indemnify, defend and hold BSD, their officers, directors, agents and employees, harmless from any and all claims, demands, liens, actions, liabilities, costs, and expenses, including attorneys' fees, based upon or arising out of or claimed to have arisen out of any act or omission by BSD related to this Memorandum, other than actual intentional or otherwise willful misconduct of an BSD employee, officer or agent.

The CITY also agrees to hold harmless and defend such agencies and BSD, their officers, agents, and employees with respect to claim or legal proceedings or judgment made, filed, or presented against the foregoing, by reason of the CITY's or their officers', agents', or employees' negligence, intentional or otherwise willful misconduct during the term of this Memorandum.

ARTICLE IV: SEWER SPILL RESPONSE AND MUTUAL AID

It is understood that by State law BSD is responsible for responding to and reporting all spills and is liable for all spills caused by the public sewer main, and that the CITY is responsible for protection of its municipal separate storm sewer systems and enforcing plumbing and building codes. The parties agree that the indemnification and hold harmless provisions of Article III (Liability), above, do not apply to the obligations set forth in the preceding sentence. The private property owner is responsible for maintaining the private lateral and is liable for any spills caused by said lateral. Any backcharges or adjustments shall be made in accordance with Article I. The PARTIES hereby agree to coordinate, openly communicate, and mutually assist each other in meeting spill response and reporting obligations. The PARTIES agree to reflect these responsibilities in internal operational policies and procedures which shall be subject to review upon request of the other party.

ARTICLE V: DURATION OF MEMORANDUM; TERMINATION

This Memorandum shall be in effect immediately upon execution by the Parties and remain in effect until the AGREEMENT is terminated by either party according to Article 15 of the AGREEMENT.

ARTICLE VI: NOTICES

All notices, statements, demands, requests, consents, approvals, authorizations, agreements, appointments, terminations, or designations hereunder shall be given in writing and addressed to the Buena Sanitation District Manager at 600 Eucalyptus Avenue, Vista, CA 92085-1988; and the City of San Marcos City Manager at City of San Marcos, 1 Civic Center Drive, San Marcos, CA 92069.

The provisions hereof shall be binding upon and shall inure to the benefit of the successors of the parties. The agreement may not be assigned by any party without the written consent of the other parties.

ARTICLE VIII: GOVERNING LAW

The entire agreement is to be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, we have hereunto set our hands and seals.

BUENA SANITATION DISTRICT,
a county sanitation district

By: _____
Morris B. Vance, Chairman

CITY OF SAN MARCOS
a chartered municipal corporation

By: _____
Paul Malone, City Manager

ATTEST:
Marci Killian, Clerk of the Board

By: _____

ATTEST:

_____
Susie Vasquez, City Clerk

APPROVED AS TO FORM:
Darold Pieper, District Counsel

By: _____

APPROVED AS TO FORM:
Helen Holmes Peak, City Attorney

By: _____

RISK MANAGEMENT REVIEW
Steve Dunn, Administrative Services Director

By: _____

BETWEEN THE CITY OF SAN MARCOS
AND
BUENA SANITATION DISTRICT
EMPOWERING DISTRICT TO PERFORM SERVICES FOR CITY

This agreement is entered into this 8th day of August, 1989, by and between the City of San Marcos, a political subdivision of the State of California, hereinafter referred to as the City and the BUENA SANITATION DISTRICT, a county sanitation district, hereinafter referred to as the District.

WITNESSETH:

WHEREAS, the City and the District are authorized by Government Code Section 38900 and Health and Safety Code Section 4741 respectively, to construct, operate, maintain and repair sewage disposal systems within their respective boundaries; and

WHEREAS, Sections 6500, et seq., Government Code, authorize the City and the District, by agreement entered into respectively by them, jointly to exercise any power or powers common to them both; and

WHEREAS, THE District presently has a competent staff trained to design, construct and operate sewage disposal systems while the City does not have such a staff;

NOW THEREFORE, The City and the district hereby agree as follows:

I. Whenever the term "Buena Sanitation District" or "District" is used herein, it shall mean the Board of Directors of the Buena Sanitation District, a county sanitation district, acting for and on behalf of the Buena Sanitation District. Acts to be performed by the Buena Sanitation District shall be accomplished by such agents or representatives (herein or hereafter designated) of the District shall be accomplished by such agents or representatives (herein or hereafter designated) of the District as are or may be from time to time authorized by the Board of Directors.

COUNTY CONTRACT
NO. 27841-A

2. Whenever the term "City of San Marcos" or "City" is used herein, it shall mean the City Council of the City of San Marcos acting for and on behalf of the City of San Marcos. Acts to be performed by the City of San Marcos shall be accomplished by such agents or representatives (herein or hereafter designated) of the City as are or may from time to time be authorized by the City Council.

3. As used herein, the term "shall" shall be mandatory; the term "may" shall be permissive.

4. The Director of Department of Public Works of the County of San Diego is hereby empowered to act as Engineer of the District unless some other person is appointed Engineer by the Board of Directors of the District.

5. The District, upon request or direction of the City, may prepare all reports ordered by the City pursuant to Section 4748 of the Health and Safety Code or other provision of the County Sanitation District Act or other law.

6. The District, upon request or direction of the City may prepare plans, specifications, contract documents and do all other things necessary for or incidental to the preparation for the construction of a sanitary sewer system including sewage treatment plants, sewer lines, and all things appurtenant or incidental thereto, and, for that purpose, may conduct preliminary negotiations with other persons and public agencies which may be concerned in such construction and may employ experts, consultants and other persons and corporations to facilitate the preparation of such plans and specifications.

7. The District, upon request or direction of the city may perform all services necessary or convenient to acquire for the City by gift, purchase, condemnation or otherwise, any real property including leases and rights-of-way, any permits and any personal property, and may employ experts, consultants and other persons and corporations to facilitate the performance of such services.

8. The County Purchasing Agent acting as purchasing agent of the District and in furtherance of this agreement, when requested by the City, is authorized to make purchases and engage independent contractors to perform sundry services on behalf of the City and to cause said purchases and services to be paid for out of the City's funds.

9. The District, in furtherance of this agreement is hereby empowered to supervise the performance of any construction contracts requested by the City.

10. The District is hereby empowered, subject to direction of the City Engineer, to prepare a budget, to operate, maintain and repair the sanitary sewer system of the City now in existence or hereafter constructed, and to perform all services incidental thereto.

11. The District is hereby empowered to construct extensions and/or additions to the pump stations and/or sewer lines of the City and/or to make connections and install laterals to said sewer lines and to do all work incidental thereto, provided the cost of such work shall not exceed the limitations specified in the provisions of the public contract and/or Government Code applicable to construction of public works by the City.

12. In making connections to the City's sewers and installing sewer laterals connected to the City's sewers, the City, through its Department of Development Services, shall collect the connection and permit fees for such services prescribed by the City Council, in accordance with the current District fee structure by existing or future City ordinances. The District shall be paid said fees and shall apply said fees in payment of the actual costs incurred by the District for such connections and installations and costs of system expansion.

13. Except as provided in paragraph 12, in consideration of the performance of this work by the District, the City shall compensate the District through the annual sewer service charges collected on behalf of the

City. Such charges shall be in accordance with the current District annual sewer service charge rate into structure. All receipts and disbursements by the District in the performance of these functions shall be carefully and accurately reported to the City and to the Board of Directors of the Buena Sanitation District, and all funds received by the District for this operation shall be strictly and accurately accounted for both to the District and to said City County.

14. In addition to the above-mentioned services, the District may perform such other services as may be requested from time-to-time by the City and the City shall pay for such services as specified in paragraph 13.

15. This agreement shall continue until rescinded or terminated. It may be terminated by either the District or the City by giving one (1) year's notice in writing to the other party of intention to terminate. Any such termination shall be effective only at the end of a fiscal year.

16. Upon the rescission or termination of this agreement, any property acquired by the District, as a result of this agreement shall be disposed of, divided or distributed among and between the City and the District in accordance with the source of funds for its acquisition, and any surplus monies which the District may have received from the City over and above the cost of performance of these functions shall be returned to the City.

17. This agreement shall become effective upon the finalization of the San Marcos West City IV detachment from Buena Sanitation District.

IN WITNESS WHEREOF the parties hereto have caused this agreement to be executed the day first above written pursuant to authorization of their respective governing bodies.

APPROVED BY THE
DISTRICT BOARD OF DIRECTORS
AUGUST 8, 1989 (2, BUENA)

Kathryn A. Wilson
CLERK OF THE DISTRICT BOARD OF DIRECTORS

BUENA SANITATION DISTRICT

By Kathryn A. Wilson
Clerk of the Board of Directors

CITY OF SAN MARCOS

Sheila A. Kennedy

By Sheila A. Kennedy
City Clerk

4/3-024mas

APPROVED AS TO FORM AND CONTENT:

Daniel S. Hentschke
City Attorney

APPROVED AS TO FORM AND LEGALITY
COUNTY COUNSEL
BY [illegible]
DEPUTY
7-25-89