San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

SAN DIEGO COUNTY
LOCAL AGENCY FORMATION COMMISSION

SPECIAL MEETING AGENDA
Monday, June 5, 2023 at 8:00 A.M.

NOTE
– Change of Meeting Room–

In-Person Participation
County Administration Center
1600 Pacific Highway, Board of Chambers Room 310
San Diego, California

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

Video Viewing Only
YouTube Channel
@sandiegolafco9909

San Diego LAFCO		
Commissioner	**Appointing Authority**	**Affiliation**
Chair Jim Desmond	Board of Supervisors	County of San Diego
Vice Chair Stephen Whitburn	Mayor of the City of San Diego	City of San Diego
Joel Anderson	Board of Supervisors	County of San Diego
Kristi Becker	Cities Selection Committee	City of Solana Beach
Jo MacKenzie	Independent Special Districts	Vista ID
Andy Vanderlaan	Commission	General Public
Dane White	Cities Selection Committee	City of Escondido
Barry Willis	Independent Special Districts	Alpine FPD
Alternate David A. Drake	Independent Special Districts	Rincon del Diablo MWD
Alternate Harry Mathis	Commission	General Public
Alternative Nora Vargas	Board of Supervisors	County of San Diego
Alternate Marni von Wilpert	Mayor of the City of San Diego	City of San Diego
Alternate John McCann	Mayor of the City of Chula Vista	City of Chula Vista

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

Remote participation by e-mail is also welcomed by sending comments to Executive Assistant Erica Sellen at erica.sellen@sdcounty.ca.gov. All e-mails received before 4:00 P.M. one business day before the meeting will be forwarded to the Commission and posted online. These comments will also be referenced at the meeting. All e-mails received during the meeting and before the item concludes will be read into the record subject to standard time limitations and subsequently posted online.

All comments are limited to three minutes for individuals and five minutes for organizations.

The Chair may authorize additional time at their discretion.

Public Accommodations:

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

Spanish language translation services are 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:

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Commission Clerk
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1. **8:05 A.M. – CALL TO ORDER BY CHAIR | ROLL CALL**

2. **PLEDGE OF ALLEGIANCE**

3. **AGENDA REVIEW**
   The Executive Officer will summarize the agenda as well as to advise of any requested changes. The Chair will also consider requests from Commissioners.

4. **PUBLIC COMMENT AND RELATED REQUESTS**

   a) **Public Comment**
   Opportunity for members of the public to communicate to the Commission on any subject matter within the Commission's growth management duties/interests but not an item listed on the agenda. Each speaker's comments may not exceed three minutes.

   b) **Public Requests to Discuss Consent Items**
   Opportunity for members of the public to request the Commission pull one or more items from the consent calendar for discussion.

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

   a) **Approval of Meeting Minutes for May 1, 2023 (action)**
   The Commission will consider action minutes prepared by the Commission Clerk for the May 1, 2023 regular meeting. Recommendation to approve as presented. (Pages 7-16)

   b) **Commission Ratification | Recorded Payments for April 2023 (action)**
   The Commission will review a report identifying all payments made and received in the month of April 2023. Recommendation to ratify. (Pages 17-24)

   c) **Proposed "For Giving LLC-Hymettus Avenue Change of Organization | Annexation to the Leucadia Wastewater District (action)**
   The Commission will consider a change of organization proposal filed by the Leucadia Wastewater District (WWD) to annex 1.2 acres of incorporated territory within its sphere of influence. The affected territory as submitted involves one legal parcel in the City of Encinitas presently developed with a single-family residence as well as a portion of the adjacent public right-of-way on Hymettus Avenue. The purpose of the proposal is to accommodate a pending subdivision to create two additional single-family residential parcels. Staff recommends conditional approval of the proposal as submitted. It is also recommended the Commission waive protest and make an exemption finding as responsible agency under the California Environmental Quality Act. The County Assessor's Office identifies the subject parcel as 254-330-13. Recommendation to approve. (Pages 25-54)

CONSENT ITEMS CONTINUED…

d) Revisions to Adopted Rule VI |
Proposed Job Classification Changes to Assistant Executive Officer Position (action)
The Commission will consider revisions to its adopted Rule No. VI to accommodate proposed job classification changes for the Assistant Executive Officer position. The proposed changes have been prepared in consultation with the Commission's contract human resources advisor – Regional Government Services Authority – and premised on modernizing the job specifications ahead of the budgeted filling beginning in July 2023. There are no fiscal impacts associated with the proposed changes. Recommendation to approve. (Pages 55-64)

e) Changes to the Adopted Salary Range for the GIS Analyst Position (action)
The Commission will consider making changes to the adopted salary range for the GIS Analyst position. The proposed changes would increase the salary range by approximately 8% and marked by raising the maximum annual pay from $90,501 to $97,489. There are no fiscal impacts associated with the proposed changes. Recommendation to approve. (Pages 65-76)

f) Designation of Labor Negotiators (action)
The Commission will consider designating its labor negotiators for purposes of negotiating any salary and benefit changes for the Executive Officer as part of their upcoming annual performance review. It is recommended the Commission formally designate Chair Desmond, Vice Chair Whitburn, and Past Chair Vanderlaan as its negotiators in step with their role as the Executive Officer Compensation Committee. Recommendation to approve. (Pages 77-78)

g) Report on Active Proposals and Related Activities (information)
The Commission will receive a status report on the 30 active proposals currently on file with LAFCO. Information only. (Pages 79-92)

h) Annual Report |
Sphere of Influence and Municipal Service Review Summary of Actions (information)
The Commission will receive an annual report chronicling sphere of influence and municipal service review actions in San Diego County. The update is marked by the Commission approving 16 distinct sphere actions as well as two regional municipal service reviews covering five local agencies in 2022. The report serves as the official registry cataloging all related actions and is being presented for information only. (Pages 93-96)

i) 2023 Local Agency Directory (information)
The Commission will receive an annual local agency directory prepared as part of the Commission's adopted workplan. The directory lists all 102 local agencies – cities and special districts – in San Diego County subject to the Commission's planning and regulatory duties and identifies current council and board members as well as senior staff members. The item is for information with the opportunity for the Commission to provide feedback on potential content changes going forward. Information only. (Pages 97-162)

j) Final Calculations for 2023-2024 Apportionments
The Commission will receive a report identifying local agency apportionments for 2023-2024. The apportionments have been calculated by the County of San Diego Auditor's Office consistent with the prescribed funding formula established under LAFCO law and based on the $2.034 million total contribution amount set by the Commission at May 1, 2023 meeting. Information only. (Pages 163-166)

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) COMBINED PUBLIC HEARING SET FOR 8:30 A.M.
Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services" | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04) (action)

The Commission will consider two separate reorganization proposals filed by Fallbrook Public Utility District and Rainbow Municipal Water District that have been administratively combined for hearing purposes by the Executive Officer. The proposals seek LAFCO approvals to transfer wholesale water service responsibilities within the applicants' jurisdictional boundaries from the San Diego County Water Authority to Eastern Municipal Water District. The purpose of the proposals is to achieve cost-savings to the applicants and their retail ratepayers based on the difference in charges between the two wholesalers. Five distinct alternative actions are available to the Commission as detailed. Staff recommends Option Two to conditionally approve both proposals with special terms – including the payment of an exit fee to the County Water Authority divided over a five-year period. Ancillary recommendations include conforming sphere of influence actions involving Eastern Municipal Water District and County Water Authority as well as making exemption findings under the California Environmental Quality Act. Any proposal approvals would be subject to voter confirmation within the applicants' jurisdictional boundaries. A parallel action to take an "oppose" position on Assembly Bill 530 is also recommended. (Pages 167-708)

b) Proposed "Yung-La Presa Avenue Change of Organization" | Annexation to San Diego County Sanitation District and Conforming Sphere of Influence Action (CO22-17) (action)

The Commission will consider a change of organization initiated by a landowner to annex approximately 0.16 acres of unincorporated territory to the San Diego County Sanitation District. The affected territory as submitted is presently undeveloped and located in the La Presa unincorporated community. The affected territory is also immediately adjacent to the existing San Diego County Sanitation District jurisdictional boundary and sphere of influence. The proposal purpose is to establish public wastewater service and in doing so accommodate the planned development of a 2,500 square-foot single family residence. Staff recommends conditional approval of the proposal as submitted with a conforming sphere amendment. Staff also recommends waiver of protest proceedings and exemption findings under the California Environmental Quality Act. The County Assessor's Office identifies the subject parcel as 584-200-34. (Pages 709-748)

(continued)

7. BUSINESS CALENDAR

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

a) Final Report on Ag Trends and Related Policy Opportunities | Sustainable Agricultural Lands Conservation Grant Update (action)

The Commission will receive a final report tied to its two-year planning grant from the State of California and its Sustainable Agricultural Lands Conservation (SALC) program. The final report marks the completion of the Commission and its partner Resource Conservation District (RCD) of Greater San Diego County's evaluation of agricultural trends in San Diego County and related preservation and enhancement considerations. Staff recommends the Commission formally receive the report and take support positions on its recommendations. (Pages 749-758)

b) LAFCO Brochure: Diamond Anniversary Edition (information)

The Commission will receive a copy of the newest LAFCO informational brochure outlining key duties and responsibilities that is made available to the general public as part of a planned 60-year anniversary. The brochure incorporates several special features as part of the diamond anniversary – including a timeline of key events, historical commissioner, staff, and counsel rosters, and alumni profiles. Information only. (Pages 759-775)

8. EXECUTIVE OFFICER REPORT

9. COMMISSIONER ANNOUNCEMENTS & REQUESTS FOR FUTURE ITEMS

10. CLOSED SESSION

11. ADJOURNMENT TO NEXT REGULAR MEETING

August 7, 2023

Attest to Posting:



Tamaron Luckett
Commission Clerk

5a

AGENDA REPORT
Consent | Action

June 5, 2023

TO: Commissioners

FROM: Tamaron Luckett, Commission Clerk

SUBJECT: **Approval of Meeting Minutes | Regular Meeting of May 1, 2023**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider draft minutes prepared for the regular meeting held on May 1, 2023. The minutes are in action-form and being presented for formal Commission approval.

BACKGROUND

The Ralph M. Brown Act was enacted by the State Legislature in 1953 and – among other items – requires public agencies to maintain written minutes for qualifying meetings.

DISCUSSION

This item is for San Diego LAFCO to consider approving action minutes for the May 1, 2023, regular meeting. The attendance record for the meeting follows.

- All regular Commissioners were present except Kristi Becker (City of Solana Beach), Andy Vanderlaan (Public) and Barry Willis (Alpine Fire Protection District).
- All alternate Commissioners were present except Nora Vargas (County of San Diego) and Marni von Wilpert (City of San Diego).

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Joel Anderson, County of San Diego
Nora Vargas, Alt., County of San Diego
Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Vice Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Jo MacKenzie, Vista Irrigation
Barry Willis, Alpine Fire Protection
David Drake, Alt., Rincon del Diablo
Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

ANALYSIS

The attached draft minutes for the May 1, 2023, regular meeting accurately reflect San Diego LAFCO's deliberations as recorded by the Commission Secretary. 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 May 1, 2023, regular meeting as presented. This recommendation is consistent with Alternative One outlined in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):
Approve the attached draft minutes prepared for the May 1, 2023 with any requested corrections or clarifications.

Alternative Two:
Continue item to the next regular meeting and provide direction to staff 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,



Tamaron Luckett
Commission Clerk

Attachment:

1) Draft Meeting Minutes for May 1, 2023

DRAFT MINUTES
SAN DIEGO LAFCO
May 1, 2023 REGULAR MEETING

1. CALL TO ORDER BY CHAIR | ROLL CALL

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

Regulars Present:	Joel Anderson, County of San Diego Jim Desmond, County of San Diego (CHAIR) Jo MacKenzie, Vista Irrigation District Stephen Whitburn, City of San Diego Dane White, City of Escondido
Alternates Present:	David Drake, Rincon del Diablo Municipal Water District (voting) Harry Mathis, Public (voting) John McCann, City of Chula Vista (voting)
Members Absent:	Kristi Becker, City of Solana Beach (regular) Andy Vanderlaan, Public (regular) Nora Vargas, County of San Diego (alternate) Marni von Wilpert, City of San Diego (alternate) Barry Willis, Alpine Fire Protection District (regular)

The Commission Clerk confirmed a quorum was present with eight voting members present with Alternate Commissioners Mathis voting in absence of Commissioner Vanderlaan, Commissioner McCann voting in absence of Commissioner Becker, and Commissioner Drake voting in place of Commissioner Willis. Also present at the time of roll call were the following LAFCO staff members: Executive Officer Keene Simonds; Commission Counsel Holly Whatley; Local Government Analyst II Priscilla Mumpower; Local Government Analyst I Carolanne Ieromnimon; Local Government Analyst I Michaela Peters; GIS/IT Analyst Dieu Ngu; Executive Assistant Erica Sellen; and Commission Clerk Tamaron Luckett.

2. PLEDGE OF ALLEGIANCE

Alternate Commissioner Drake led the Pledge of Allegiance.

3. AGENDA REVIEW

Chair Desmond asked the Executive Officer and Commissioners if there were requests to remove or rearrange items on the agenda. Executive Officer Keene Simonds stated no changes were needed to the agenda and gave an outline of the day's meeting along with noting a supplemental correspondence was received for agenda item 6a. The Executive Officer also provided instructions for members of the public on how to participate and provide comments with referenced to the agenda cover page.

4. PUBLIC COMMENT AND RELATED REQUESTS

Item 4a
Public Comment
Chair Desmond 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 registered speakers or live e-mail comments.

Item 4b
Public Requests to Discuss Consent Items
Chair Desmond invited the public to request discussion on any agenda item from the consent calendar. The Commission Clerk confirmed there were no requests.

5. CONSENT ITEMS

Item 5a
Approval of Meeting Minutes for May 1, 2023
Item presented to approve draft action minutes prepared for the Commission's May 1, 2023 regular meeting. Recommendation to approve.

Item 5b
Commission Ratification | Recorded Payments for February and March 2023
Item presented to ratify recorded payments made and received by the Executive Officer for the months of February and March 2023. Recommendation to ratify.

Item 5c
Budget Update for 2022-2023 |
3rd Quarter Actuals with Year-End Projections
Item presented to review a report comparing budgeted and actual transaction through the third quarter of 2022-2023. Recommendation to receive.

Item 5d
Protest Hearing Results |
"Borrego Springs FPD Reorganization" (RO22-19)
Item presented to receive the results of the protest hearing for the "Borrego Springs FPD. Reorganization". The reorganization was conditionally approved in March 2023 and involves the dissolution of Borrego Springs Fire Protection District and the transfer of its fire protection, emergency medical and ambulance functions to the San Diego County FPD as the successor agency via a concurrent annexation. The noticed protest hearing was held on April 13th without generating written opposition. Recommendation to receive and file.

Item 5e
Progress Report on Adopted Workplan
Item presented to receive a report on the adopted workplan for 2022-2023. Recommendation to receive and file.

CONSENT ITEMS CONTINUED…

Item 5f
Report on Active Proposals and Related Activities
Item presented to receive a status report on the active proposals on file with LAFCO. Information only.

**

Motion by Commissioner MacKenzie with second from Alternate Commissioner McCann (voting) to approve the consent calendar items with staff recommendations (Alternative One) as presented.

Roll call requested:

AYES:	Anderson, Desmond, Drake (voting), MacKenzie, Mathis (voting), McCann (voting), Whitburn and White
NOES:	None
ABSENT:	Becker, Vanderlaan, Vargas, von Wilpert and Willis
ABSTAINING:	None

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

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

Item 6a
Proposed "Cumming Ranch Change of Organization" |
Expansion of Ramona Municipal Water District's Activated Wastewater Service Area and Related Sphere of Influence Action (CO22-16)
Item presented to consider a change of organization filed by resolution of the Ramona Municipal Water District (MWD) to expand its activated wastewater service area. The affected territory as submitted comprises one contiguous area consisting of multiple undeveloped parcels under common ownership that collectively totals 390 acres. The purpose of the proposal is to facilitate the availability of public wastewater service area to the affected territory and in doing so, accommodate the planned development of 125 single-family residences and ancillary improvements known as the "Cumming Ranch" subdivision. Staff recommends conditional approval of the proposal along with a conforming amendment to Ramona MWD's secondary sphere involving its wastewater function. Staff also recommends waiver of protest proceedings and findings under the California Environmental Quality Act.

Chair Desmond invited any disclosures from Commissioners on material ex parte communications. No disclosures reported.

Chair Desmond asked for the staff presentation. Local Government Analyst I Carolanne Ieromnimon proceeded with the staff presentation and detailed the recommendations.

(continued)

PUBLIC HEARING ITEMS CONTINUED…

Item 6a Continued
Chair Desmond proceeded to open the public hearing and invited comments by speakers to address the Commission beginning with audience members.

The Commission Clerk confirmed one audience registration was received from the applicant's representative Chris Brown providing support for the staff recommendation and availability to address question as needed. No other registrations were received from the audience.

The Executive Assistant also confirmed there were no registered remote speakers or comments (video, phone, or email).

Chair Desmond invited Commissioner comments. No discussion followed.

Chair Desmond proceeded to close the public hearing.

**

Motion by Commissioner Anderson with a second from Alternate Commissioner Drake (voting) to approve the staff recommendation (Alternative One) as listed in the agenda report.

Roll call requested:

AYES:	Anderson, Desmond, Drake (voting), MacKenzie, Mathis (voting), McCann (voting), Whitburn and White
NOES:	None
ABSENT:	Becker, Vanderlaan, Vargas, von Wilpert and Willis
ABSTAINING:	None

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

Item 6b
Proposed Final Workplan and Budget for 2023-2024 and Related Actions
Item presented to consider recommendations from the Executive Officer in adopting a final workplan and budget for 2023-2024. Both items return following their draft adoption in March and subsequent public review. The workplan remains substantively unchanged in outlining 30 specific projects in priority order. Revisions tie to adding four projects from the current year that are now expected to continue through June 30th. The budget is unchanged and continues to total $2.750 million. More than four-fifths of total expenses - $2.261 million – covers operating costs and represents an increase of 12.6% and primarily tied to funding an additional staff position. Agency apportionments continue to represent nine-tenths of all operating revenues and set to increase by 13.0% via the combination of additional operating expenses plus reduction in budgeted use of reserves.

Chair Desmond invited any disclosures from Commissioners on material ex parte communications. No disclosures reported.

PUBLIC HEARING ITEMS CONTINUED…

Item 6b Continued
Chair Desmond asked for the staff presentation. Executive Officer Keene Simonds proceeded with the staff presentation and detailed the key recommendations.

Chair Desmond proceeded to open the public hearing and invited comments by speakers to address the Commission beginning with audience members .

Commission Clerk confirmed there were no registrations from the audience.

Commission Clerk confirmed one remote registration was received. The Chair proceeded to invite comments from the following speaker:

- Hannah Gbeh, Building Industry Association of San Diego County

The Executive Assistant confirmed there were no other remote comments.

Chair Desmond invited Commissioner comments.

Commission discussion followed.

Chair Desmond proceeded to close the public hearing.

**

Motion by Alternate Commissioner McCann (voting) with a second from Alternate Commissioner Drake (voting) to approve the staff recommendation (Alternative One) as listed in the agenda report.

Roll call requested:

AYES:	Anderson, Desmond, Drake (voting), MacKenzie, Mathis (voting), McCann (voting), Whitburn and White
NOES:	None
ABSENT:	Becker, Vanderlaan, Vargas, von Wilpert and Willis
ABSTAINING:	None

The Commission Secretary confirms the motion passed 8-0.

(continued)

7. BUSINESS ITEMS

Item 7a
CONTINUED |
Proposed Policy Update on Municipal Service Reviews
Item presented to consider approving a policy update guiding municipal service review activities. The proposed update has been continued from the February 6th meeting and returns to the Commission substantively intact. Reviews are limited to further refining a proposed waiver process that otherwise requires new municipal service reviews for proposals requiring sphere amendments if the last one is more than five years old. The balance of the proposed policy remains and represents a comprehensive revision to reflect current and best practices.

Chair Desmond asked for the staff presentation. Local Government Analyst II Priscilla Mumpower proceeded with the staff presentation and summarized the report.

Chair Desmond invited anyone from the public to address the Commission beginning with the audience.

The Commission Clerk confirmed there were no registered speakers from the audience.

The Executive Assistant also confirmed there were no registered remote speakers or comments (video, phone, or email).

**

Motion by Commissioner MacKenzie and second from Alternate Commissioner McCann (voting) to approve the staff recommendation (Alternative One) as listed in the agenda report.

Roll call requested:

AYES:	Anderson, Desmond, Drake (voting), MacKenzie, Mathis (voting), McCann (voting), Whitburn and White
NOES:	None
ABSENT:	Becker, Vanderlaan, Vargas, von Wilpert and Willis
ABSTAINING:	None

The Commission Secretary confirms the motion was approved 8-0.

Item 7b
Proposed Policy Amendments |
Amending Rule No. 2 and Votes Need to Carry a Motion
Item presented to consider approving two related amendments to its adopted policies governing the conducting of meetings – Rule No. 2. The proposed amendments have been agendized at the request of the Chair and are specific to existing language that requires five affirmative votes to carry any motion. The amendments would change the threshold to a majority of the quorum present.

BUSINESS ITEMS CONTINUED…

Item 7b Continued

Chair Desmond asked for the staff presentation. Executive Officer Keene Simonds proceeded with the staff presentation and summarized the report.

Chair Desmond invited anyone from the public to address the Commission beginning with audience members.

The Commission Clerk confirmed there were no registered speakers from the audience.

The Executive Assistant also confirmed there were no registered remote speakers or comments (video, phone, or email).

The Chair proceed to invite comments from the Commission. Discussion followed.

**

Motion by Chair Desmond and second from Alternate Commissioner McCann (voting) to approve the staff recommendation (Alternative One) as listed in the agenda report to proceed with amending the rules to require only an affirmative vote of the quorum majority present.

Additional discussion on the motion.

Motion of the maker (Desmond) agreed to an amendment by Commissioner Whitburn to revise the motion to set a "floor" to require no less than four affirmative votes to pass a successful motion. The second maker of the motion (McCann) agreed to the change.

Roll call requested:

AYES:	Anderson, Desmond, Drake (voting), Mathis (voting), McCann (voting), Whitburn and White
NOES:	MacKenzie
ABSENT:	Becker, Vanderlaan, Vargas, von Wilpert and Willis
ABSTAINING:	None

The Commission Secretary confirms the motion was approved 7-1.

Item 7c
Report on Outside Travel to the CALAFCO Staff Workshop
Item presented to receive a verbal report from staff on their overnight attendance at the CALAFCO Staff Workshop held on April 26th-28th in Murphys. Local Government Analyst I Michaela Peters proceeded with a verbal report.

8. EXECUTIVE OFFICER REPORT

Executive Officer Keene Simonds noted the Fallbrook PUD-Rainbow MWD Reorganizations will be heard at the Commission meeting on June 5th.

9. COMMISSIONER ANNOUNCEMENTS | REQUESTS FOR FUTURE ITEMS

None

10. CLOSED SESSION

None

11. ADJOURNMENT TO NEXT MEETING

With no further business the Chair adjourned the meeting at 9:00 a.m.

I hereby attest the minutes above accurately reflect the deliberations of the Commission at its May 1, 2023 meeting.

ATTEST,

Tamaron Luckett
Commission Clerk

5b

AGENDA REPORT
Consent | Action

June 5, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Erica Sellen, Executive Assistant

SUBJECT: **Commission Ratification | Recorded Payments for April 2023**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a report identifying payments made and received for April 2023. The payments cover all recorded transactions for the one-month period and include $0.200 million in total distributions made by the Executive Officer. Three-fifths of these payments are tied to the County of San Diego for payroll reimbursements as well as charges for general overhead and information technology services. The payments received total $0.019 million with the majority tied to two new applicant payments filed in April.

BACKGROUND

Accounting Policies and Procedures

San Diego LAFCO's policies provide direction to the Executive Officer to maintain appropriate accounting controls for all financial transactions on behalf of the Commission. Spending allowances are specified and include bid procedures for financial transactions at or above $10,000 (unless waived due to unique circumstances) and separate Commission approval for any transactions at or above $125,000.

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John McCann Alt., City of Chula Vista
Vice Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Jo MacKenzie, Vista Irrigation
Barry Willis, Alpine Fire Protection
David Drake, Alt., Rincon del Diablo
Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

DISCUSSION

This item is for San Diego LAFCO to consider ratification of all payments made and received by the Executive Officer in April 2023. A detailing of these transactions is provided in Attachment One. The item separately provides the Commission the opportunity to provide feedback and inform potential changes in accounting procedures going forward.

ANALYSIS

San Diego LAFCO's recorded payments made by the Executive Officer covering April 2023 total $200,056 with 60% – or $120,807 – tied to transactions with the County of San Diego. This includes payroll reimbursements covering two pay periods as well as expenses for general overhead and information technology services. All expenses are consistent with the adopted budget with the qualification additional consultant costs are being expended due to the extended vacancy in one of the analyst positions for the balance of the fiscal year. Revenues collected total $19,118 and largely tied to applicant payments.

RECOMMENDATION

It is recommended San Diego LAFCO ratify the payments made and received by the Executive Officer for April 2023 as presented. This recommendation is consistent with Alternative One in the proceeding section.

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 in April 2023 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
Executive Assistant

Attachment:

1) Recorded Transactions in April 2023

Blank for Photocopying

SAN DIEGO LAFCO
Expenses by Vendor Detail
April 2023

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
E | 3MC Strategies LLC						
	4/21/2023	52370.F · Professional Services	7,820.00	Consultant Services | Financial Analysis	electronic	1000 · County Account (44595)
E | Ace Parking						
	4/24/2023	52530 · Office Lease	960.00	Monthly Parking Rent	electronic	1000 · County Account (44595)
E | ADW Consulting LLC						
	4/5/2023	52370.F · Professional Services	9,712.50	Consultant Services | Planning + Governance Analysis	electronic	1000 · County Account (44595)
	4/21/2023	52370.F · Professional Services	11,925.00	Consultant Services | Planning + Governance Analysis	electronic	1000 · County Account (44595)
			21,637.50			
E | After Effects (Adobe)						
	4/12/2023	52270 · Memberships	20.99	Monthly Video Editing Software Subscription	credit card	3558-60 · SDCCU Visa Credit Card
	4/16/2023	52270 · Memberships	19.99	Monthly Adobe DC Pro Upgrade	debit card	3558 · SDCCU Checking
			40.98			
E | Ambius						
	4/19/2023	52344 · Stores Unallocated	109.94	Monthly Service for Office Plants	check	3558 · SDCCU Checking
E | ARCO Gas						
	4/30/2023	52622 · Training/Registration Out-County	49.93	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card
E | Big Horn Burgers						
	4/13/2023	52610 · Non-Travel/In-County	19.82	CI Travel for Borrego Springs FPD Protest Hearing	credit card	3558-60 · SDCCU Visa Credit Card
E | Blue Barn Creative LLC						
	4/21/2023	52370 · Professional Services	2,000.00	Website Photography: Headshots	electronic	1000 · County Account (44595)
E | Brian J. Brady						
	4/21/2023	52370.F · Professional Services	4,900.00	Consultant Services | Water-Wastewater Analysis	electronic	1000 · County Account (44595)
E | Chase Design Inc						
	4/14/2023	52334 · Printing	6,225.00	Graphic Design Services | Fallbrook + 60-Year Project	electronic	1000 · County Account (44595)
E | Colantuono, Highsmith & Whatley						
	4/14/2023	52370.B · Professional Services	11,515.79	Commission Counsel Services	electronic	1000 · County Account (44595)
E | Corodata						
	4/19/2023	52330 · Office Expense	56.16	Document Storage	check	3558 · SDCCU Checking
E | Costco						
	3/16/2023	52610 · Non-Travel/In-County	126.25	Meetings Refreshments for Cities + Districts' Advisory Committee	debit card	3558 · SDCCU Checking
E | County of San Diego						
	4/1/2023	52354 · Mail/Postage ISF	1,696.39	Mail/Postage Services	electronic	1000 · County Account (44595)
	4/1/2023	52178 · Vehicle Maintenance	152.92	Vehicle Maintenance Services	electronic	1000 · County Account (44595)
	4/1/2023	52182 · Vehicle Fuel	50.28	Vehicle Fuel	electronic	1000 · County Account (44595)
	4/1/2023	52758 · Vehicle Lease	165.49	Vehicle Lease	electronic	1000 · County Account (44595)
	4/1/2023	52721 et al. · Communications (IT) Services	10,945.64	County IT Services (ITRACK)	electronic	1000 · County Account (44595)
	4/3/2023	52504 · Equipment Rental	2.45	County Surcharge | Xerox	electronic	1000 · County Account (44595)
	4/14/2023	51110 et al. · Employee Payroll	48,885.47	Payroll | Pay Period 2023-21	electronic	1000 · County Account (44595)
	4/28/2023	51110 et al. · Employee Payroll	51,031.93	Payroll | Pay Period 2023-22	electronic	1000 · County Account (44595)
	4/28/2023	52504 · Equipment Rental	2.14	County Surcharge | Xerox	electronic	1000 · County Account (44595)
	4/30/2023	52550.B · County Overhead Costs	7,841.38	A-87 4th Quarter	electronic	1000 · County Account (44595)
	4/30/2023	52550.B · County Overhead Costs	32.88	County Surcharge | A-87 3rd & 4th Quarter	electronic	1000 · County Account (44595)
			120,806.97			
E | Dieu Ngu						
	4/19/2023	52610 · Non-Travel/In-County	207.24	Travel Reimbursements | Meetings in Escondido & Borrego	check	3558 · SDCCU Checking
E | Embroidme of La Mesa						
	4/7/2023	52330 · Office Expense	111.06	Service Appreciations for Fallbrook Et Al. Ad Hoc Committee	credit card	3558-60 · SDCCU Visa Credit Card
E | Fax Plus						
	4/9/2023	52330 · Office Expense	9.17	Monthly Fax Machine Payment	debit card	3558 · SDCCU Checking
E | Gold Country Roasters						
	4/30/2023	52622 · Training/Registration Out-County	18.87	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card
E | Government Finance Officers Assoc.						
	3/1/2023	52270 · Memberships	150.00	Annual Membership	debit card	3558 · SDCCU Checking
E | Hertz						
	4/30/2023	52622 · Training/Registration Out-County	42.46	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card
E | Jayna Gyro						
	4/30/2023	52622 · Training/Registration Out-County	56.53	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card

SAN DIEGO LAFCO
Expenses by Vendor Detail
April 2023

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
E | Kendall's Café						
	4/14/2023	52610 · Non-Travel/In-County	18.92	CI Travel for Borrego Springs FPD Protest Hearing	credit card	3558-60 · SDCCU Visa Credit Card
E | Leaf & Cole LLP						
	4/24/2023	52370.H · Professional Services	2,630.00	Accounting & Audit Prep Services	electronic	1000 · County Account (44595)
E | Murphys Pizza Company						
	4/26/2023	52622 · Training/Registration Out-County	48.55	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card
E | News Library						
	4/6/2023	52490 · Publications	29.90	60-Year Project	debit card	3558 · SDCCU Checking
	4/12/2023	52490 · Publications	19.95	60-Year Project	debit card	3558 · SDCCU Checking
			49.85			
E | Palm Canyon Hotel						
	4/14/2023	52610 · Non-Travel/In-County	193.32	CI Travel for Borrego Springs FPD Protest Hearing	credit card	3558-60 · SDCCU Visa Credit Card
E | Peet's Coffee						
	4/27/2023	52622 · Training/Registration Out-County	58.27	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card
E | Planwest Partners Inc						
	4/7/2023	52370.F · Professional Services	13,090.00	Consultant Services | Oceanside MSR	electronic	1000 · County Account (44595)
E | Price Self Storage						
	4/14/2023	52504 · Equipment Rental	122.00	Storage Unit Monthly Payment	credit card	3558-60 · SDCCU Visa Credit Card
E | Ready Refresh Water						
	4/26/2023	52330 · Office Expense	45.36	Monthly Water Service	credit card	3558-60 · SDCCU Visa Credit Card
E | San Diego Union Tribune						
	4/14/2023	52330 · Office Expense	1143.32	Annual Subcription for Office Newspaper	debit card	3558 · SDCCU Checking
	4/19/2023	52490 · Publications	4,486.72	PHNs | RO22-16, RO22-19 & FY23-24 Budget	check	3558 · SDCCU Checking
			5,630.04			
E | Sierra Hills Market						
	4/26/2023	52622 · Training/Registration Out-County	18.23	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card
E | Stater Bros.						
	4/30/2023	52330 · Office Expense	16.97	Refreshments for Commission Meeting	debit card	3558 · SDCCU Checking
E | Tamaron Luckett						
	4/19/2023	52610 · Non-Travel/In-County	272.23	Travel Reimbursements | Meetings in Escondido & Borrego	check	3558 · SDCCU Checking
E | The Tolls Road						
	4/7/2023	52610 · Non-Travel/In-County	2.24	Tolls	debit card	3558 · SDCCU Checking
E | Twitter						
	4/23/2023	52074 · Telecommunications	7.01	Social Media Services	debit card	3558 · SDCCU Checking
E | V Restaurant Bistro						
	4/27/2023	52622 · Training/Registration Out-County	76.81	PM, CI & MP Travel for CALAFCO Staff Workshop	credit card	3558-60 · SDCCU Visa Credit Card
E | Xerox						
	4/10/2023	52504 · Equipment Rental	395.78	Xerox Rental	electronic	1000 · County Account (44595)
E | Yeti						
	4/7/2023	52330 · Office Expense	484.88	Service Appreciations for Fallbrook Et Al. Ad Hoc Committee	credit card	3558-60 · SDCCU Visa Credit Card
E | Zoom						
	4/4/2023	52270 · Memberships	15.99	Staff Monthly Video Conferencing Subscription	debit card	3558 · SDCCU Checking
	4/12/2023	52270 · Memberships	15.99	EO Monthly Video Conferencing Subscription	debit card	3558 · SDCCU Checking
			31.98			
EXPENSE TOTAL			200,056.11			

SAN DIEGO LAFCO
Expenses by Vendor Detail
April 2023

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
R | County of San Diego						
	4/30/2023	49200 · Interest & Dividends	5.20	Interest Payment to Account 46725	electronic	1001 · Committed - Stablization (min. balance of $250k)
	4/30/2023	49200 · Interest & Dividends	3.02	Interest Payment to Account 46726	electronic	1002 · Committed - Opportunity (min. balance of $300k)
	4/30/2023	49200 · Interest & Dividends	22.70	Interest Payment to Account 46727	electronic	1003 · Assigned - Executive Officer (up to $125k)
			30.92			
R | Deborah Gutierrez						
	4/27/2023	46234 · Applications	6,405.00	Processing Fees (CO23-04)	check	3558 · SDCCU Checking
R | Hallmark Development Company LLC						
	4/27/2023	46234 · Applications	12,681.90	Processing Fees (RO23-06)	check	3558 · SDCCU Checking
REVENUE TOTAL			19,117.82			

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AGENDA REPORT
Consent | Action

June 5, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Carolanne Ieromnimon, Analyst I

SUBJECT: **Proposed "For Giving LLC-Hymettus Avenue Change of Organization" | Annexation to the Leucadia Wastewater District (CO22-18)**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider a change of organization proposal filed by the Leucadia Wastewater District (WWD) to annex 1.2 acres of incorporated territory within its sphere of influence. The affected territory as submitted involves one legal parcel in the City of Encinitas presently developed with a single-family residence as well as a portion of the adjacent public right-of-way on Hymettus Avenue. The purpose of the proposal is to accommodate a pending subdivision to create two additional single-family residential parcels. Staff recommends conditional approval of the proposal as submiited. It is also recommended the Commission waive protest and make an exemption finding as responsible agency under the California Environmental Quality Act.

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City of Escondido
John McCann, Alt.
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Vista Irrigation
Barry Willis
Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

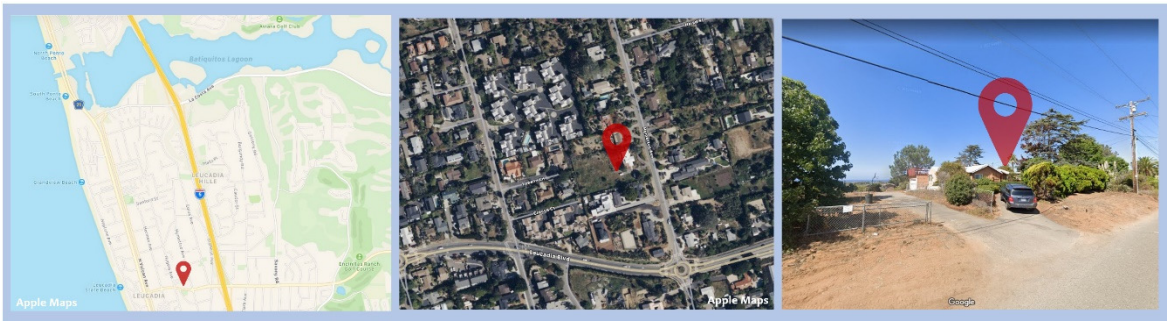
BACKGROUND

Applicant Filling & Requested Terms

San Diego LAFCO has received a resolution of application from Leucadia WWD on behalf of an interested landowner – For Giving LLC (Matt Anderson) – requesting approval to annex approximately 1.2 acres of incorporated territory within the City of Encinitas. The affected territory as submitted comprises one entire parcel currently developed with a 1,739 square foot single-family residence at 936 Hymettus Avenue. An adjacent portion of the public right-of-way is also included in the submitted proposal. The residence was built in 1947, includes equestrian facilities, and presently served by a conventional onsite septic system consisting of an underground tank and drain field. The annexation request is specific to connecting to Leucadia WWD's public wastewater system. The County of San Diego Assessor's Office identifies the subject parcel as 254-330-13. Requested terms are limited to Leucaida WWD assigning all processing and ancillary costs to the landowner.

Regional Setting

The affected territory is located within the City of Encinitas in its northern and largely residential "Leucadia" neighborhood, west of Interstate 5 and south of Batiquitos Lagoon. Principal access to the affected territory is provided by Leucadia Boulevard, which is approximately 300 feet to the south via Hymettus Avenue. The affected territory lies within County Supervisorial District No. 3 (Terra Lawson-Remer), Assembly District No. 77 (Tasha Boerner Horvath), and Senate District No. 38 (Catherine Blakespear). Maps showing the affected territory and its regional and immediate setting follows.



Subject Agency

The proposed change of organization filed with San Diego LAFCO involves one subject agency: Leucadia WWD.[1] A summary of the subject agency in terms of governance, resident population, municipal functions, and financial standing follows.

[1] State law defines "subject agency" to mean any district or city for which a change of organization or reorganization is proposed.

- **Leucadia WWD** is an independent special district governed by a five-member board with members appointing among their ranks a president to preside over meetings. An appointed general manager – Paul Bushee – oversees day-to-day activities, and this includes a current full-time budgeted staff of 19. Leucadia WWD currently provides two active municipal functions: wastewater (collection, treatment, and discharge classes) and recycled water (wholesale and retail classes) with the latter being geographically restricted.[2] [3] The jurisdictional boundary spans 9,600 acres or 15 square miles and generally divided between the City of Carlsbad on the north and the City of Encinitas on the south with an overall projected District population of 60,773. LAFCO most recently updated Leucadia WWD's sphere in 2013 with a larger-than-agency designation that includes 547 non-jurisdictional acres. The most recently prepared audit shows Leucadia WWD's net position at $146.4 million as of June 30, 2022. This accrued amount reflects an overall three-year change of (0.41%) and includes an unrestricted portion of $23.2 million that adjusts to $24.2 million less retiree obligations. The balance sheet separately shows the General Fund ending the period with an unrestricted balance of $7.95 million, which equates to covering 12 months of recent actual costs.

Affected Local Agencies

The affected territory presently lies within the jurisdictional boundaries and/or spheres of influence of eight local agencies directly subject to San Diego LAFCO's planning and regulatory responsibilities. These agencies qualify as "affected agencies" relative to the proposed change of organization for noticing purposes and listed below.[4]

- City of Encinitas
- County Service Area No. 135 (regional communications)
- Metropolitan Water District of Southern California
- North County Transit District
- San Diego County Water Authority
- San Diego County Flood Control District
- San Diego County Street Lighting District
- San Dieguito Water District

The affected territory also lies within the following school and college districts, and accordingly received notice of the proposal: Mira Costa Community College; San Dieguito High Union; and Encintas Elementary Union.

[2] Key wastewater infrastructure includes 218 miles of collection lines that convey wastewater for treatment and discharge to the Encina Wastewater Authority; a joint-powers authority co-membered by the District and operator of the Encina Wastewater Pollution Control Facility in Carlsbad.

[3] Leucadia WWD's recycled water function (wholesale and retail) is authorized within an approximate 215-acre site currently developed as a golf course and part of the Omni La Costa Resort and Spa. This authorization is drawn from a grandfather determination made by the Executive Officer in January 2020 following receipt of a related request for clarification by Carlsbad Municipal Water District.

[4] State law defines "affected local agency" as any entity that contains, or would contain, or whose sphere contains or would contain, any territory for which a change of organization is proposed or ordered. Notice of the proposal and hearing were provided to the agencies.

DISCUSSION

This item is for San Diego LAFCO to consider approving – with or without discretionary modifications to the physical footprint – the change of organization proposal to annex the affected territory to Leucadia WWD. The Commission may also consider applying conditions so long as it does not directly regulate land use, property development, or subdivision requirements. Additional discussion with respect to proposal purpose, development opportunities, and Commission focus follows.

Proposal Purpose

The purpose of the proposed change of organization before San Diego LAFCO is to authorize wastewater services within the affected territory from Leucadia WWD and in doing so accommodate a planned three-lot subdivision to create two additional single-family residential parcels. The timing of proposal follows the landowner initiating a development application with the City of Encitas in September 2021. Extension of wastewater would add to existing services available to the affected territory that include community planning, parks, public safety, and roads from the City of Encitas as well as domestic water from San Dieguito Water District.

Development Opportunities

The City of Encinitas General Plan designates the affected territory as Residential (R-3) along with a matching zoning assignment. The zoning assignment provides a minimum parcel size of 0.33 acres. This provides a maximum potential density of three parcels within the affected territory. The zoning assignment also allows for additional intensity with each developed single-family residential parcel eligible to construct one accessory dwelling unit.

Commission Focus

San Diego LAFCO's current sphere of influence designation for Leucadia WWD includes the affected territory and can readily accommodate the proposed change of organization. This existing sphere determination narrows the Commission's consideration to two central and sequential policy items. These take the form of determinations and orient the Commission to consider the stand-alone merits of the (a) timing of the change of organization and (b) whether discretionary modifications or terms are appropriate. The Commission must also consider other relevant statutes in and outside LAFCO law as detailed.

ANALYSIS

San Diego LAFCO's analysis of the proposed change of organization is divided into two subsections. The first subsection pertains to evaluating the central issues referenced in the preceding section relative to both statutory and local policy considerations. The second subsection considers other germane issues and highlighted by applicability under the California Environmental Quality Act (CEQA).

Central Policy Items

Item No. 1 | Change of Organization Timing

San Diego LAFCO's consideration of the proposed change of organization's timing draws on analyzing baseline factors required in statute as well as applicable policies set by the Commission. Most of the baseline factors in statute focuses on disclosing and otherwise addressing compatibility issues with external goals and policies of other State, regional, and local agencies as well as assessing the ability of subject agencies providing services going forward.[5] Applicable local policies prompted for consideration are headlined by L-107 and its attention to disclosing and/or addressing any known or perceived jurisdictional disputes.

Analysis of these two related timing factors follows.

- Timing Factor No. 1:
  Baseline Considerations: Regional Policies + Service Relationships

  State law prescribes the mandatory consideration of certain and multifaceted factors anytime LAFCOs consider jurisdictional changes. These factors range in substance from disclosures – such as the affected territory's current land uses, assessed values, register voter counts, and so on – to discretionary analyses. This latter category is highlighted by evaluating the proposed annexation's relationship to community needs as well as the service capacities and related financial resources of the subject agencies. A summary of key conclusions generated in reviewing these discretionary matters for the proposed change of organization regarding (a) service needs, (b) service availability and capacities, and (c) related financial considerations follow.

  - With respect to **service needs**, the affected territory's present and planned residential uses merits public wastewater services. Annexation of the affected territory to Leucadia WWD for purposes of making available public wastewater service accommodates this need and serves as a preferred alternatve to – if permissible – operating one or more onsite septic systems. Relatedly, the Commission previously contemplated and affirmed this need in step with including the affected territory within Leucadia WWD's sphere of influence.

  - With respect to **service availability and capacities**, Leucadia WWD has established public wastewater services to adjacent properties to the immediate south of the affected territory. Physical access to the collection system is available in the public right-of-way on Hymettus Avenue and would involve an approximate 208-foot extension of the public main. It is projected the maximum average day wastewater flow generated within the affected territory in the near-term via three dwelling units (three single-family residence) is 666 gallons.[6] This projected amount can be readily accommodated by Leucadia WWD and represents 0.021% of its available treatment capacity remaining within its wastewater system based

[5] Reference to Government Code Section 56668.
[6] Based on a per unit daily demand estimate of 222 gallons.

on recent demands.[7] Ultimate buildout based on current zoning involves a total of six dwelling units (three single family residences and three accessory dwellings) and would notionally increase the maximum average day demand to 1,332 gallons and take up 0.042% of the available and remaining daily contracted capacity allocated to Leucadia WWD. These projected demands can be readily accommodated without additional public resources.

- With respect to **related financial considerations**, Leucadia WWD has adequate financial resources and administrative controls to provide wastewater service to the affected territory without impacts to current ratepayers. The most recent audited statements show Leucadia WWD's finished 2021-2022 with high and otherwise favorable liquidity and capital levels based on a current ratio of 79 to 1 and debt ratio of 4.4%, respectively. Leucadia WWD also finished with positive total margins in each of the last three years with an overall period average of 33.4%. Additional details are footnoted.[8]

- Timing Factor No. 2:
  Consideration of Policy L-107

San Diego LAFCO adopted L-107 in May 2010 to require all applicants to disclose jurisdictional disputes or related matters that are associated with their proposal filings. If applicable, and unless waived by the Executive Officer, the policy requires applicants and/or their representatives to consult with opponents to resolve any known issues – concerns, disputes, etc. – before the item is formally considered by the Commission.[9] If an agreement is reached through the consultation process, the policy states the Commission shall consider the provisions as part of the application. If an agreement is not reached despite exhausting good-faith efforts, the policy states the Commission shall proceed to consider the application as submitted.

No jurisdictional disputes have been disclosed by Leucadia WWD in filing the change of organization proposal. LAFCO staff, similarly, has not identified any disputes or related concerns involving other local agencies in the administrative review.

CONCLUSION |
MERITS OF CHANGE OF ORGANIZATION TIMING

The timing of the change of organization involving the annexation of the affected territory to Leucadia WWD is sufficiently warranted. Justification is marked by the preceding analysis and highlighted by appropriately syncing to an existing and planned increasing need for public wastewater within an urbanizing area through readily accessible public infrastructure and capacities. Additional analysis supporting the conclusion is provided in Appendix B.

[7] Current available capacity assigned to Leucadia WWD is 3.1 million gallons.
[8] Leucadia WWD last performed a rate study in 2018 in step with informing current wastewater charges, which include a one-time connection fee of $5,089 per EDU as well as an annual usage charge of $416 per unit.
[9] The Executive Officer retains discretion to determine the extent of consultation needed.

Item No. 2 |
Modifications and Terms

No physical modifications to the submitted change of organization have been identified by San Diego LAFCO staff meriting Commission consideration at this time. This includes noting annexation of the affected territory to Leucadia WWD would not result in any unserved corridors or other boundary irregularities. Staff is recommending applying standard terms of approval under Government Code Section 57302 along with incorporating the requested terms included in Leucadia WWD's resolution of application, which are provided as Attachment Two and include the annexed property being subject to capacity fees, sewer service fees and all other District-wide ordinances and resolutions.

CONCLUSION |
MODIFICATIONS AND TERMS

No modifications to the proposed change of organization appear merited as detailed. Standard approval terms are recommended along with incorporating all requested terms forwarded by Leucadia WWD.

Other Statutory Considerations

Exchange of Property Tax Revenues

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before San Diego LAFCO can consider any jurisdictional change unless an applicable master agreement applies. The associated statutes also empower the County of San Diego to make all related property tax exchange determinations on behalf of special districts. Staff has confirmed the County Board of Supervisors has adopted a master agreement to govern the tax exchange for the proposed change of organization. The master agreement specifies no transfer of property taxes would occur following the annexation of the affected territory to Leucadia WWD.

Environmental Review

Leucadia WWD's initiating actions involving the proposal require it to assess potential impacts and specifically the annexation and extension of public wastewater service to the affected territory as lead agency under CEQA. In this role as lead agency, Leucadia WWD has made findings that the proposal qualifies as a project but is exempt from further review under State CEQA Guidelines Section 15319(a). Staff independently concurs this exemption appropriately applies given the affected territory contains an existing private structure developed to the density allowed by current zoning and the corresponding need for an expansion of public infrastructure is less than significant.

Protest Proceedings

Protest proceedings for the proposed change of organization may be waived by San Diego LAFCO should the Commission proceed with an approval under Government Code Section 56662. Proceeding with a waiver appropriately applies under this statute given the affected territory is uninhabited as defined under LAFCO law, the subject agency is the applicant and consents to the waiver, and the landowner has consented to the annexation.[10]

RECOMMENDATION

Staff recommends approval of the change of organization proposal as submitted along with standard terms. This recommendation is consistent with the action outlined as Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO:

Alternative One (recommended):
Adopt the attached draft resolution conditionally approving the proposal as submitted (without modifications) along with making required findings under CEQA. Protest proceedings would also be waived.

Alternative Two:
Continue consideration to the next regular meeting.

Alternative Three:
Disapprove the change of organization proposal with direction to staff to return at the next regular meeting with a conforming resolution for adoption.

PROCEDURES FOR CONSIDERATION

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.

On behalf of the Executive Officer,



Carolanne Ieromnimon
Analyst I

Appendices:

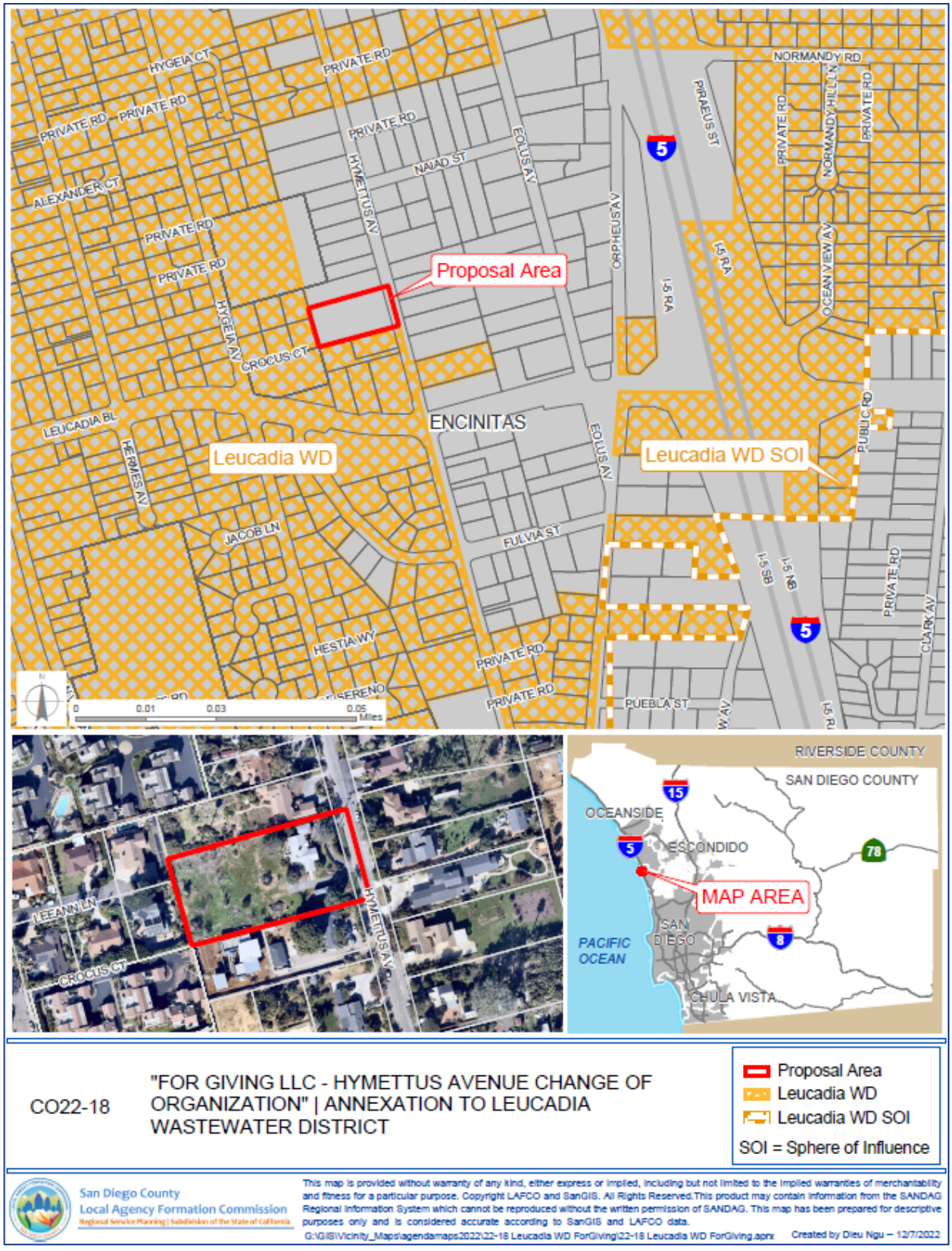
A) Map of the Affected Territory
B) Analysis Boundary Change Factors

Attachments:

1) Draft LAFCO Resolution of Approval
2) Resolution of Application from Leucadia WWD

[10] LAFCO law defines uninhabited as territory in which less than 12 registered voters reside.

APPENDIX A
Vicinity Map of the Affected Territory



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APPENDIX B
Government Code Section 56668
Mandatory Proposal Review Factors

a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent areas, in the next 10 years.

The affected territory as submitted comprises one entire parcel currently developed with an occupied single-family residence as well as an adjacent segment of the public right-of-way to the centerline. The subject parcel is approximately 1.2 acres in size and located at 936 Hymettus Avenue in the City of Encinitas. Ancillary equestrian uses and related improvements are also located within the subject parcel. Additional residential development (density and intensity) is expected within the surrounding area over the next 10 years consistent with the graduate transition of semi-rural residences to residential estates with accessory dwelling units. Total assessed land value (excludes improvements) of the subject parcel is $2.4 million with the last transaction recorded in December 2021.

b) The need for municipal services; the present cost and adequacy of municipal services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

The City of Encinitas serves as the primary purveyor of general governmental services to the affected territory. These governmental services include community planning, roads, lighting, and public safety (police and fire protection). Other pertinent services involve retail water service from the San Dieguito Water District. This proposal affects only wastewater and is the focus of the succeeding analysis.

- **Extending Public Wastewater to Affected Territory**
  The affected territory and its existing residential use are currently dependent on a conventional onsite underground septic disposal system. Following annexation, the existing septic system would be backfilled and abandoned as part of the connection to Leucadia WWD's wastewater system. Connection to Leucadia WWD is readily available through an approximate 208-foot extension to an existing wastewater main located within right-of-way on Hymettus Avenue. The projected average maximum daily wastewater flow for the affected territory in the near term to accommodate three units (three single family residences) is 666 gallons. This projected amount represents 0.021% of the current 3.1 million gallons of available and remaining daily contracted capacity allocated to Leucadia WWD through the Encina Wastewater Authority. Ultimate buildout of the subject parcel under current zoning would increase the total number of units to 6 (three single-family residences and three accessory dwelling units) and raise the maximum average day demand to 1,332 gallons and take up 0.04% of the available/remaining capacity.

c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on local governmental structure.

Approving the change of organization and annexation therein to Leucadia WWD would strengthen existing economic and social ties between the District and the affected territory that tie back to LAFCO placing the lands within the District sphere of influence. This existing designation signals the explicit policy expectation of the lands meriting wastewater services from Leucadia WWD when the timing is separately deemed appropriate and orderly.

d) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies/priorities set forth in G.C. Section 56377.

Approving the proposed change of organization and annexation to Leucadia WWD would facilitate the extension of public wastewater services to the affected territory and accommodate an existing single-family residence and the probable construction of two additional units as part of a three parcel lot split (two single family residences). Approval would be consistent with the Commission's adopted policies to sync urbanized uses with urbanized services. The affected territory does not contain "open-space" as defined under LAFCO law and no conflicts exists under Government Code Section 56377. Additional analysis concerning conformance with germane Commission policies follows.

- San Diego LAFCO Policy L-107 requires applicants to disclose and address potential jurisdictional issues associated with their proposals and if applicable requires a consultation process with affected agencies, interested parties, or organizations to help discuss and potentially remedy concerns unless waived by the Executive Officer. No jurisdictional disputes or related concerns were identified or disclosed by the applicant or by affected agencies or interested parties in the review of the proposal.

e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

The affected territory does not presently contain "prime agricultural land", or "agricultural land" as defined under LAFCO law. Specifically, the affected territory does not contain lands currently used for any of the following purposes: producing an agricultural commodity for commercial purposes; left fallow under a crop rotational program; or enrolled in an agricultural subsidy program. Approval of the proposal and annexation to Leucadia WWD – would not adversely affect the physical or economic well-being of agricultural lands.

f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment, the creation of islands or corridors of unincorporated territory, and other similar matters.

LAFCO is in receipt of a draft map and geographic description of the affected territory that

details metes and bounds that appears consistent with the standards of the State Board of Equalization and conforming with lines of assessment. LAFCO approval would be conditioned on approval of the map and geographic description by the County Assessor's Office and address any modifications enacted by the Commission.

g) A regional transportation plan adopted pursuant to Section 65080.

The proposed change of organization would extend wastewater service to one existing single-family residence and the probable construction of two additional units. The proposal and its anticipated outcomes do not generate any known conflicts with *San Diego Forward*, the regional transportation plan adopted by the San Diego Association of Governments.

h) Consistency with the city or county general and specific plans.

The affected incorporated territory is presently designated for moderate-density single-family residential use under the adopted land use policies of the City of Encinitas. The affected territory is zoned as R-3, which prescribes a minimum parcel size of 0.33 acres. Extending public wastewater services to accommodating the planned two additional units is consistent with the City General Plan and Zoning Ordinance.

i) The sphere of influence of any local agency affected by the proposal.

The affected territory lies entirely within the sphere of influence designated for the Leucadia WWD. Annexation is consistent with this existing designation.

j) The comments of any affected local agency or other public agency.

Notice of the submitted change of organization proposal was distributed to all affected and subject agencies as required under LAFCO law. Notices were also provided to all local college and school districts. No written comments on the proposal were received ahead of preparing this agenda report for distribution on May 30, 2023.

k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Information collected and reviewed as part of this proposal indicates Leucadia WWD has sufficient and available financial resources and administrative controls therein relative to providing public wastewater to the affected territory without adversely impacting existing ratepayers. This statement is supported by the following factors.

- Leucadia WWD's last audit covers 2021-2022 and shows the District finished with high liquidity levels with an agency-wide current ratio of 79 (i.e., $79.00 in current assets for every $1.00 in current liabilities).

- Leucadia WWD finished 2021-2022 with high capital levels and marked by a low debt ratio of 2.5% (i.e., only $2.50 out of every $100.00 in net assets are financed.)

- Leucadia WWD finished 2021-2022 with an overall total margin of 31.6%.

l) Timely availability of adequate water supplies for projected needs as specified in G.C. Section 65352.5.

The affected territory's existing residential uses are presently within and connected to San Dieguito Water District retail domestic water system with wholesale supplies provided by the San Diego County Water Authority and Metropolitan Water District of Southern California. Approval of the proposed change of organization would not affect the timely availability of water supplies to the affected territory.

m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments.

The proposed change of organization would not impact any local agencies in accommodating their regional housing needs. All potential units tied to the lands are already assigned to the City of Encinitas by the region's council of governments (SANDAG). The annexation to the Leucadia WWD would not affect this assignment.

n) Any information or comments from the landowners, voters, or residents.

The affected territory is considered uninhabited as defined by LAFCO law (containing 11 registered voters or less). The landowners support the proposed change of organization and have provided written consent to the proceedings.

o) Any information relating to existing land use designations.

See above analysis for (h).

p) The extent to which the proposal will promote environmental justice.

The change of organization is intended to replace an aging septic system and make available public wastewater service to the affected territory and accordingly serves to promote environmental justice through additional accountability for all residents - including groups that have been historically marginalized and/or susceptible to pollution burdens and their effects. This latter category – notably – consists of low-income communities, communities of color, tribal nations, and other disadvantaged groups. Consideration of existing environmental justice factors within the affected territory draw on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two composite percentile rankings for the affected territory are generated within this analysis and involves (a) pollution burdens and (b) susceptible population to pollution burdens relative to all census tracts in California and are shown in the proceeding tables.

- The affected territory's composite **pollution burdens** ranking falls in the 52 percentile. Six pollution burden measurements exceed the 50 percentile and considered relatively high. These six measurements comprise (a) one exposure involving ozone as well as (b) five environmental effects involving pesticides, traffic, groundwater threats, impaired water, and solid waste sites.

- The affected territory's composite **at-risk population** ranking falls in the 1 percentile. All at-risk population measurements fall below the 40 percentile and considered moderately low.

Census Tract 6073017601
Pollution Burdens and Susceptible Population
Table 2.6a (Source: California Environmental Protection Agency and SD LAFCO)

Factor	Census Tract 6073017601 + Surrounding Lands
No. of Census Tracts	1
Estimated Population	5,584
Pollution Burden	**Weighted Percentile**
... Composite Score	**52.52**
... Percentile	**1.55**
Indicator | Air Quality: Ozone	32.15
Indicator | Air Quality: PM 2.5:	40.85
Indicator | Air Quality: Diesel PM:	50.55
Indicator |Pesticides:	59.14
Indicator | Toxic Releases:	18.44
Indicator |Traffic:	81.39
Indicator | Drinking Water Contaminants:	30.62
Indicator | Lead in Housing:	12.35
Effects | Cleanup Sites:	0.00
Effects | Groundwater Threats:	92.48
Effects | Hazardous Waste:	31.38
Effects | Impaired Water:	66.74
Effects | Solid Waste:	52.90
Sensitive Population	**Weighted Percentile**
... Percentile	**0.37**
Population | Asthma:	2.54
Population | Low Birth Weight:	4.36
Population | Cardiovascular Disease:	9.07
Population | Education:	10.31
Population | Linguistic Isolation:	5.64
Population | Poverty:	6.08
Population | Unemployment:	0.00
Population | Housing Burden:	24.46

q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone or maps that identify land determined to be in a state responsibility area, if it is determined that such information is relevant to the affected territory.

The City of Encinitas General Plan contains a hazard mitigation plan for potential fire, flooding, and earthquakes. The affected territory lies outside any identified threat designations.

r) Section 56668.3(a)(1) Whether the proposed annexation will be for the interest of the landowners or present or future inhabitants within the district and within the territory proposed to be annex to the district.

Approval of the change of organization would be in the best interest of the current and future landowners and/or residents of the affected territory by providing access to reliable public wastewater service going forward.

RESOLUTION NO._____

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

MAKING DETERMINATIONS, APPROVING, AND ORDERING A CHANGE OF ORGANIZATION

"FOR GIVING LLC-HYMETTUS AVENUE CHANGE OF ORGANIZATION"
ANNEXATION TO THE LEUCADIA WASTEWATER DISTRICT (CO22-18)
LAFCO FILE NO. CO22-18

WHEREAS, on October 24, 2022, Leucadia Wastewater District (WD) filed a resolution to initiate proceedings and an application with the San Diego County Local Agency Formation Commission, hereinafter referred to as "Commission," pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the application seeks approval of a change of organization to annex approximately 1.2 acres of incorporated territory within the City of Encinitas to the Leucadia Wastewater District; and

WHEREAS, the affected territory as proposed includes one legal parcel that is developed with a single-family residence and identified by the County of San Diego Assessor's Office as 254-330-13; and

WHEREAS, an applicable master property tax transfer agreement applies to the proposed change of organization dated December 14, 1982; and

WHEREAS, the Commission's Executive Officer has reviewed the proposed change of organization and prepared a report with recommendations; and

WHEREAS, the Executive Officer's report and recommendations on the proposal have been presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a noticed public meeting on the proposal on June 5th, 2023; and

WHEREAS, the Commission considered all the factors required by law under Government Code Sections 56668 as well as adopted local policies and procedures.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The public meeting was held on the date set therefore, and due notice of said meeting was given in the manner required by law.

2. At the public meeting, the Commission considered the Executive Officer's report.

3. The Commission serves as responsible agency for environmental review of the proposed reorganization under the California Environmental Quality Act (CEQA) as detailed in the Executive Officer's report. The Commission's findings follow.

    a) Leucadia Wastewater District serves as lead agency under CEQA for assessing potential impacts of the proposal and specifically the concurrent annexation of the affected territory to the Leucadia Wastewater District. In this role as lead agency, Leucadia Wastewater District has made findings that the proposal qualifies as a project but is exempt from further review under State CEQA Guidelines Section 15319(a). The Commission independently concurs this exemption appropriately applies given the affected territory contains an existing private structure developed to the density allowed by current zoning and the corresponding need for an expansion of public infrastructure is less than significant.

4. The Commission APPROVES the change of organization without modifications as described below and subject to conditions as provided. Approval involves all of the following:

    a) Annexation of the affected territory to the Leucadia Wastewater District is shown in "Exhibit A-1" and described in "Exhibit A-2."

5. The Commission CONDITIONS all approvals on the following terms being satisfied by June 5, 2024 unless an extension is requested in writing and approved by the Executive Officer:

    a) Completion of the 30-day reconsideration period provided under Government Code Section 56895.

    b) Submittal to the Commission of final map and geographic description of the affected territory as approved by the Commission conforming to the requirements of the State Board of Equalization – Tax Services Division.

    c) Submittal to the Commission of the following payments:

        - A check made payable to LAFCO in the amount of $50.00 for the County of San Diego-Clerk Recorder to reimburse for filing a CEQA Notice of Exemptions consistent with the findings in the resolution.

        - A check made payable to the State Board of Equalization for processing fees in the amount of $350.00.

6. The Commission assigns the proposal the following short-term designation:
   "For Giving LLC- Hymettus Avenue Change of Organization"

7. The affected territory as designated by the Commission is uninhabited as defined in Government Code Section 56046.

8. The Commission waives conducting authority proceedings under Government Code Section 56662.

9. The Leucadia Wastewater District is a registered-voter districts.

10. The Leucadia Wastewater District utilizes the County of San Diego assessment roll.

11. The affected territory will be liable for any existing bonds, contracts, and/or obligations of the Leucadia Wastewater District as provided under Government Section 57328.

12. The effective date of the approval shall be the date of recordation but not before the completion of a 30-day reconsideration period and only after all terms have been completed as attested by the Executive Officer.

13. As allowed under Government Code Section 56107, the Commission authorizes the Executive Officer to make non-substantive corrections to this resolution to address any technical defects, errors, irregularities, or omissions.

14. The Executive Officer is hereby authorized and directed to transmit copies of this resolution as provided in Sections 56880-56882 of the Government Code.

15. The Executive Officer is further authorized and directed to prepare, execute, and record a Certificate of Completion, make the required filings with the County Assessor, County Auditor, and the State Board of Equalization as required by Section 57200, et seq., of the Government Code.

**

PASSED AND ADOPTED by the Commission on June 5, 2023 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

**

Attest:

_____
Keene Simonds
Executive Officer

EXHIBIT A-1
MAP OF THE AFFECTED TERRITORY

-Placeholder-

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EXHIBIT A-2
GEOGRAPHIC DESCRIPTION OF THE AFFECTED TERRITORY

-Placeholder-

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RESOLUTION NO. 2385

A RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF LEUCADIA WASTEWATER DISTRICT REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO TAKE PROCEEDINGS FOR THE PROPOSED FOR GIVING LLC CHANGE OF ORGANIZATION

RESOLVED, by the Board of Directors of the Leucadia Wastewater District, that

WHEREAS, the Board of Directors of the LEUCADIA WASTEWATER DISTRICT (LWD), San Diego County, State of California, desires to initiate proceedings pursuant to the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000, Division 3, commencing with Section 56000 of the California Government Code for the proposed For Giving LLC Change of Organization; and

WHEREAS, the proposed For Giving LLC Change of Organization includes annexation of the For Giving LLC territory ***(APN 254-330-13-00)*** to the LWD; and

WHEREAS, the reasons for this proposed Change of Organization are as follows:

1. LWD is empowered to and is engaged in the collection, treatment, and disposal of wastewater and has existing facilities to provide wastewater service to the territory proposed to be annexed.
2. The owners of the territory desire to utilize the LWD facilities.
3. The territory to be annexed is within LWD's Sphere of Influence.

WHEREAS, the territory subject to the proposed Change of Organization is inhabited, and a description of the external boundary of the territory is set forth in Exhibit "A" and a map thereof is set forth in Exhibit "B", both attached hereto and by this reference incorporated herein; and

WHEREAS, LWD requests that the proposed Change of Organization be subject to the following terms and conditions:

1. The annexed property is thereafter subject to capacity fees, sewer service fees, and all other district-wide Ordinances and Resolutions of LWD.

WHEREAS, LAFCO is authorized to approve this proposed Change of Organization without notice or hearing and without an election. If no express effective date is indicated, the effective date of the Change of Organization shall be the date of recordation of the Certificate of Completion and Resolution ordering the change of organization by the County Recorder.

WHEREAS, the staff of LWD has reviewed this proposed Change of Organization under the California Environmental Quality Act (CEQA) and has found it to be categorically exempt from CEQA pursuant to Section 15319 (a) of the California Environmental Quality Act.

NOW, THEREFORE, this Resolution of Application is hereby approved and adopted by the Board of Directors of the LEUCADIA WASTEWATER DISTRICT. The Local Agency Formation Commission of San Diego County is hereby requested to take proceedings for the proposed Change of Organization that includes the territory as described in Exhibit "A" and shown in Exhibit "B", according to the terms and conditions stated above and in a manner provided by the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000.

PASSED AND ADOPTED at a Regular meeting of the Board of Directors held on October 12th, 2022 by the following vote:

AYES:	Hanson, Sullivan, Brown, Roesink, Omsted
NOES:	None
ABSTAIN:	None
ABSENT:	None

Judy Hanson, President

ATTEST:

Paul Bushee, General Manager
(SEAL)

EXHIBIT "A"

936 HYMETTUS AVENUE ANNEXATION

TO LEUCADIA WASTEWATER DISTRICT

GEOGRAPHIC DESCRIPTION

ALL THAT CERTAIN PROPERTY, SITUATED IN A PORTION OF LOT 16 IN BLOCK 8 OF SOUTH COAST PARK, IN THE CITY OF ENCINITAS, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO 1776, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID SAN DIEGO COUNTY ON JANUARY 11, 1924 AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF HYMETTUS AVENUE AND THE EASTERLY PROLONGATION OF THE SOUTHERLY LINE OF LOT 16 AS SHOWN ON SAID MAP 1776; THENCE

1. SOUTH 74°16'30" WEST 326.02 FEET TO THE SOUTHWESTERLY CORNER OF SAID LOT 16; THENCE

2. NORTH 15°43'30" WEST 160.00 FEET; THENCE

3. NORTH 74°16'30" EAST 326.02 FEET TO THE CENTERLINE OF HYMETTUS AVENUE; THENCE

4. SOUTH 15°43'30" EAST 160.00 FEET ALONG THE CENTERLINE OF HYMETTUS AVENUE TO THE POINT OF BEGINNING AND CONTAINING 1.20 ACRES OF LAND MORE OR LESS.

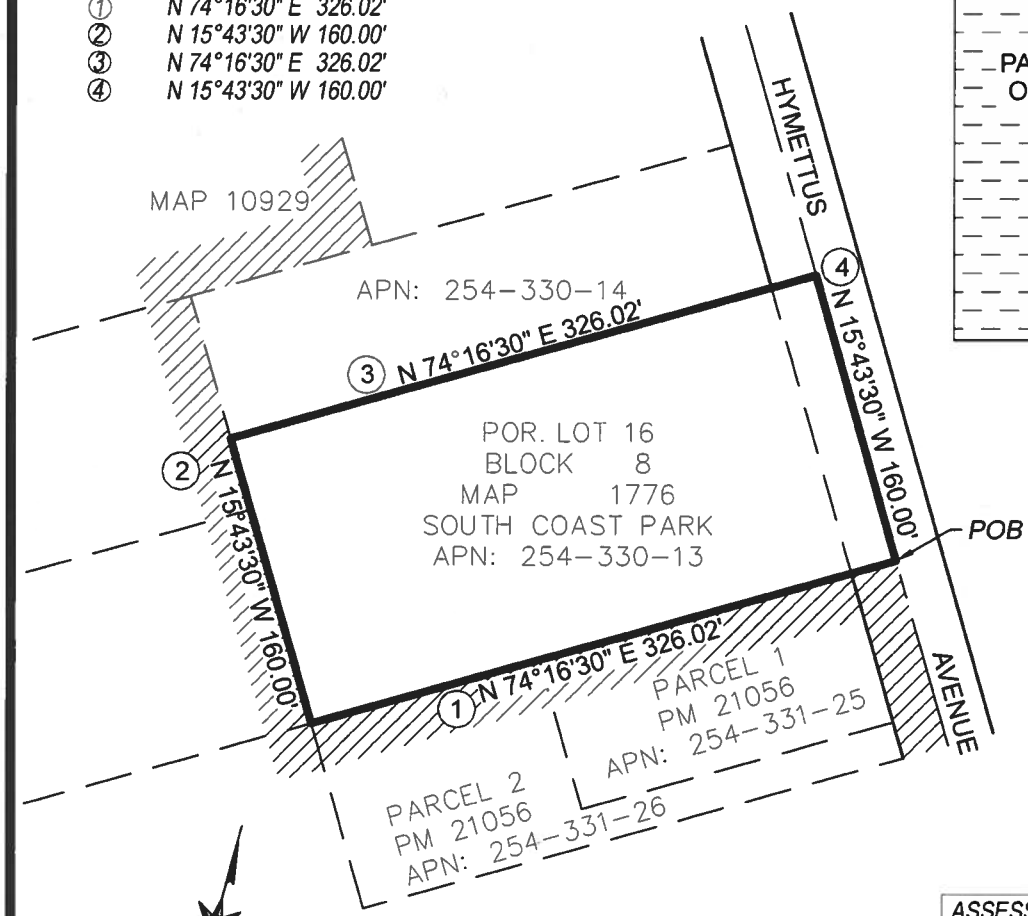
FOR ASSESSMENT PURPOSES ONLY. THIS DESCRIPTION OF LAND IS NOT A LEGAL PROPERTY DESCRIPTION AS DEFINED IN THE SUBDIVISION MAP ACT AND MAY NOT BE USED AS THE BASIS FOR AN OFFER FOR SALE OF THE LAND DESCRIBED.

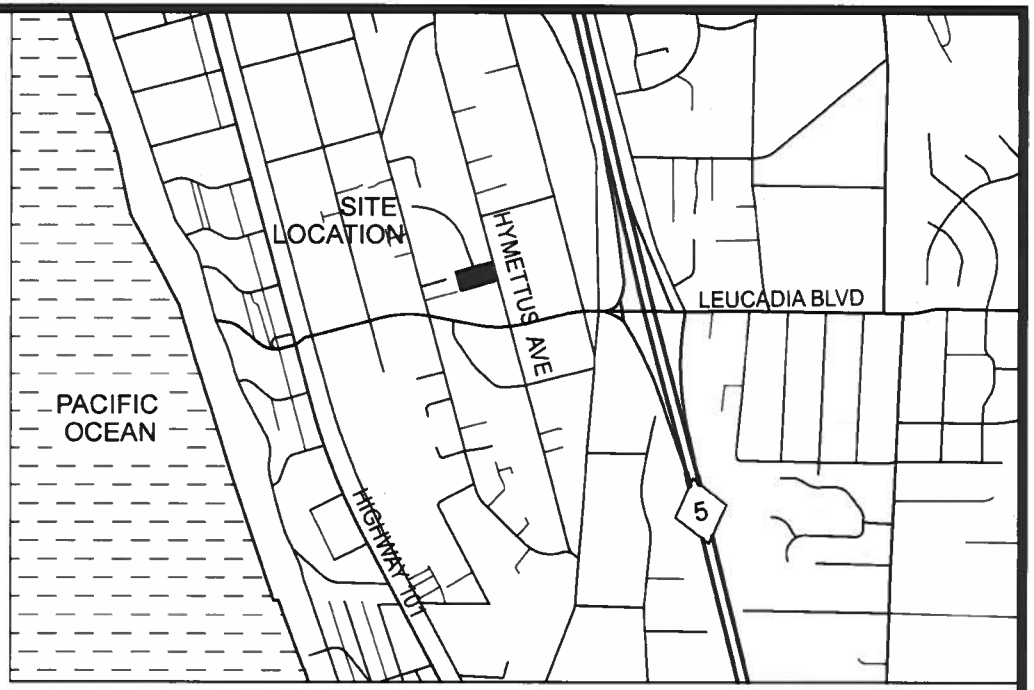


EXHIBIT "B"
LWD SEWER ANNEXATION
936 HYMETTUS AVENUE CHANGE OF ORGANIZATION
APN: 254-330-13

COURSES:

① N 74°16'30" E 326.02'
② N 15°43'30" W 160.00'
③ N 74°16'30" E 326.02'
④ N 15°43'30" W 160.00'





VICINITY MAP
NOT TO SCALE

LEGEND

PARCEL "A" METES & BOUNDS B & D
EXISTING LWD BOUNDARY IN LWD
PARCEL TO BE ANNEXED

PROFESSIONAL LAND SURVEYOR
JOSEPH C. YUHAS
LS 5211
STATE OF CALIFORNIA

GRAPHIC SCALE 1"=100'

0 100 200 300

PLSA 3420

ASSESSOR'S PARCEL NUMBER:	LAFCO REFERENCE NO.	ACREAGE	DATE	SCALE
254-330-13	C022-	1.20 AC	7-05-22	1"=100'

LEUCADIA WASTEWATER DISTRICT ANNEXATION

MAP 1776, PORTION LOT 16 IN BLOCK "8" OF SOUTH COAST PARK

PASCO LARET SUITER & ASSOCIATES
San Diego | Encinitas | Orange County
Phone 858.259.8212 | www.plsaengineering.com

Notice of Exemption

Appendix E

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk
County of: San Diego
1600 Pacific Highway, Room 260
San Diego, CA 92101

From: (Public Agency): Leucadia Wastewater District
1960 La Costa Avenue
Carlsbad, CA 92009
(Address)

Project Title: For Giving LLC Annexation

Project Applicant: Matthew Anderson (949) 702-2302

Project Location - Specific:

936 Hymettus Avenue, Encinitas, CA 92024

Project Location - City: Encinitas Project Location - County: San Diego

Description of Nature, Purpose and Beneficiaries of Project:
Annexation of 1.2 acres, which includes 1 parcel with an existing-family residence and a proposal to create 2 new parcels each with a single-family residence, into the Leucadia Wastewater District for the purpose of providing sewer service to the residences. The existing parcel is on a septic system. APN 254-330-13-00.

Name of Public Agency Approving Project: Leucadia Wastewater District (LWD)

Name of Person or Agency Carrying Out Project: Annex. by LWD, sewer connection by property owner

Exempt Status: **(check one):**

- ☐ Ministerial (Sec. 21080(b)(1); 15268);
- ☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
- ☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- ☒ Categorical Exemption. State type and section number: 15319 (a)
- ☐ Statutory Exemptions. State code number: _____

Reasons why project is exempt:
The action is exempt in accordance with CEQA Guidelines: 15319, Annexation of Existing Facilities and Lots for Exempt Facilities, Class 19, Section (a). Annexation of the parcel into LWD is for the sole purpose to connect to the existing sewer public system (sewer system). The property will owner be required to connect the new private sewer laterals to the extended public sewer system on Hymettus Avenue.

Lead Agency Contact Person: Mr. Paul J. Bushee Area Code/Telephone/Extension: 760-753-0155

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project?. ☐ Yes ☐ No

Signature: _____ Date: 10/20/2020 Title: General Manager

☒ Signed by Lead Agency ☐ Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____

Revised 2011

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5d

AGENDA REPORT
Consent | Action

June 5, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Susanne St. Clair, Contract Human Resources Advisor

SUBJECT: **Revisions to Adopted Rule VI |**
Proposed Job Classification Changes to Assistant Executive Officer Position

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SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider revisions to its adopted Rule No. VI to accommodate proposed job classification changes for the Assistant Executive Officer position. The proposed changes have been prepared in consultation with the Commission's contract human resources advisor – Regional Government Services – and premised on modernizing the job specifications ahead of the budgeted filling of the position beginning in July 2024. Key changes are marked by broadening relatable job qualifications to capture non-government service, expanding previous material experience from four to five years, and diversifying core abilities in support of LAFCO's decision-making. There are no fiscal impacts associated with the proposed changes.

BACKGROUND

Assistant Executer Officer Position

San Diego LAFCO's existing job classification for the Assistant Executive Officer position is provided under Rule No. VI and last revised in 2011. The position has been vacant since the last position holder – Shirley Anderson – retired in November 2013. The Commission has re-budgeted the position for 2023-2024. The established salary range is $105,102 to $171,745.

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619-321-3380
www.sdlafco.org
lafco@sdcounty.ca.gov

Chair Jim Desmond, County of San Diego
Joel Anderson, County of San Diego
Nora Vargas, Alt., County of San Diego
Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Vice Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Jo MacKenzie, Vista Irrigation
Barry Willis, Alpine Fire Protection
David A. Drake, Alt., Rincon del Diablo
Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

DISCUSSION

This item is for San Diego LAFCO to consider proposed changes to the Assistant Executive Officer job description aimed at readying the filling of the position in 2023-2024 after a 10-year vacancy. The proposed revisions have been drafted with the assistance of contract advisor Susanne St. Clair with Regional Government Services (RGS) to better sync with the overall expanded activities of LAFCO and expected role therein of the Assistant Executive Officer. A summary of key revisions to the job description are listed below with copies of the current and proposed versions provided as Attachments One and Two.

- Position Reporting
  Revisions make explicit in the definition of the Assistant Executive Officer serves as the second ranking staff member under the general direction of the Executive Officer. Similarly, a "Supervision Received and Exercised Section" has been added to make clear the Assistant Executive Officer serves as front-line supervisor of other staff.

- Qualifying Skills (Knowledge and Abilities)
  Revisions establish position qualifications in best-practice format with respect to specific skills expected of the Assistant Executive Officer that are distinguished between knowledge and abilities. New qualifying knowledge not currently referenced in the job description includes understanding the composition and characteristics of local government in San Diego County as well as best principles in community development and public finance. New qualifying abilities not currently referenced in the job description include political acumen and strategic planning.

- Qualifying Background (Education and Experience)
  Revisions to qualifying experience involve broadening the relatable job experience to no longer require background in state or local government as a precondition to employment. Revisions separately expand the minimum number of relatable job experience from four to five years with at least one year involving supervisorial duties.

ANALYSIS

The proposed changes to the Assistant Executive Officer position before San Diego LAFCO represents a continued process to modernize job descriptions to reflect evolving tasks and needs in the organization in step with anticipated hirings. As detailed above, the proposed revisions have been drafted with the assistance of RGS and draws on their extensive experience in matching agency needs with best practices in placing and retaining good employees. Should the Commission approve the proposed changes, and via budgeted resources, the Executive Officer anticipates filling the Assistant Executive Officer position by the start of the new fiscal year through an internal promotion.

RECOMMENDATION

It is recommended San Diego LAFCO approve changes to Rule No. VI to accommodate the proposed revisions to the Assistant Executive Officer as described. This recommendation is consistent with taking the actions identified in the proceeding section as Alternate One.

ALTERNATIVES FOR ACTION

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

Alternative One (recommended):
Amend Rule No. VI to revise the job description for the Assistant Executive Officer position as shown in Attachment Two.

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

Alternative Three:
Take no action.

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.

Respectfully



Keene Simonds
Executive Officer

Attachments:

1) Current job description
2) Proposed revised job description

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LOCAL AGENCY FORMATION COMMISSION
SAN DIEGO COUNTY

POSITION SPECIFICATION

ASSISTANT EXECUTIVE OFFICER

Definition

Assists the Executive Officer in carrying out the policies and directives of the Local Agency Formation Commission, administering and supervising day-to-day activities, duties, and responsibilities of the Commission.

Typical Tasks

Serves as assistant to the Executive Officer and acts in place of the Executive Officer in his or her absence. Has primary responsibility, under the direction of the Executive Officer, to establish and coordinate the development, implementation and update of LAFCO functions. Directly supervises other LAFCO staff on projects identified by the Executive Officer.

Assists Executive Officer in arranging and conducting pre-meeting conferences with proponents and other interested persons and groups. Responsible for major proposal analysis, gathers and analyzes information related to LAFCO applications; prepares background reports and preliminary recommendations; and reports orally and in writing to the Commission on proposals.

To ensure compliance with the California Environmental Quality Act (CEQA), reviews proposals for adequacy of environmental review documents; reviews and prepares comments on initial studies, negative declarations, and EIRs prepared by other agencies; and conducts initial studies, prepares negative declarations and other environmental documents when LAFCO is the lead agency.

Prepares LAFCO budget materials; reviews and researches legislative topics, problems in local government, and performs other special assignments; provides information and assistance to other governmental agencies, citizens' groups, and individuals; directs studies (e.g., fiscal and governmental reorganization) related to local agencies; attends Commission and Advisory Committees meetings and staffs them when necessary; has a thorough knowledge of Commission policies and state statutes; and represents LAFCO at various governmental, educational, and citizen group meetings.

Distinguishing Characteristics

The Assistant Executive Officer position requires independent judgment, a well developed sense of direction and must be able to exercise discretion concerning sensitive matters. The individual must possess excellent communication skills and have the ability to carry out a project from the conceptual state through implementation. The Assistant Executive Officer should possess the knowledge, skills and experience to act in place of the Executive Officer when necessary.

Qualifications

Education: Graduation from an accredited four-year college or university with a bachelor's degree in public administration, political science, urban studies, economics or a related field. A Master's Degree in one of these fields is highly encouraged and desirable.

Experience: At least four years of paid, responsible experience with a state or local governmental agency, of which at least two years are with LAFCO. Previous experience should provide familiarity with issues of local government organization such as the planning process, public finance, and community development.

LOCAL AGENCY FORMATION COMMISSION
SAN DIEGO COUNTY

POSITION SPECIFICATION

ASSISTANT EXECUTIVE OFFICER

Definition

The Assistant Executive Officer is a single-class position. The position serves as the second highest ranking staff member under the general direction of the Executive Officer. The position performs a variety of complex duties including providing administrative, analytical, technical, and public relations support to the Executive Officer.

Typical Tasks

The Assistant Executive Officer supports the Executive Officer and acts in place of the Executive Officer in their absence. The position provides quality assurance in the implementation of the Commission's adopted workplan consistent with the practices and standards set by the Executive Officer. This includes helping to oversee staff deliverables as well as serving as project manager for significant and otherwise complex proposals and studies. The position prepares and reviews agenda reports, aids in the development and implementation of the annual budget, and makes verbal and written reports to the Commission. The Executive Officer is not precluded from assigning other related functions if such functions are a logical assignment for the position.

Supervision Received and Exercised

The Assistant Executive Officer receives direct supervision from the Executive Officer. The position exercises front-line supervision of other staff.

Qualifications

The examples of knowledge and abilities listed in this class specification are representative but not necessarily exhaustive. Reasonable accommodations may be made to enable qualified individuals with disabilities to perform functions on a case-by-case basis.

The position requires knowledge of all of the following:

- LAFCO statutes and related procedures at a comprehensive level
- Legislative and related rule-making processes in California
- Composition and characteristics of local government in San Diego County
- Best principles and practices of public administration, community development and planning, public finance, and human resources
- California Environmental Quality Act and how to effectively interpret and administer

- Organization and management practices as applied to the analysis and evaluation of programs, policies, and operations
- Business English
- Telephone, office, and online etiquette

The position requires of all the following abilities:

- Anticipate political implications of project alternatives and recommendations
- Simplify – writing and verbally – otherwise complex public policy topics
- Strategically develop, time, and implement and/or oversee projects
- Prioritize projects to maximize budgeted and/or available resources
- Perform high-level qualitative and quantitative analysis
- Write intricate reports with conclusions and recommendations
- Compose clear and concise written memos, e-mails, and letters
- Skillfully proof and edit others written reports, letters, etc.
- Verbally present materials clearly, concisely, and effectively
- Exercise independent judgement and initiative

Distinguishing Characteristics

The Assistant Executive Officer position requires a comprehensive understanding of LAFCO statute. The position requires independent judgment, a well-developed sense of direction, and must be able to exercise discretion concerning sensitive matters. The individual must possess excellent communication skills and have the ability to carry out a project from the conceptual state through implementation. The Assistant Executive Officer should possess the knowledge, abilities, and experience to act in place of the Executive Officer when necessary. Distinguishing characteristics include managing complex and/or controversial proposals and studies along with regularly representing LAFCO to the general public and other local governmental agencies. The position relatedly requires ongoing self-direction and astute judgement in accomplishing assigned projects and ability to independently assess political implications of findings, recommendations, and decisions. An adaptive ability to practice and cultivate effective teamwork and collaboration as a first-line supervisor for other staff also distinguishes this position.

Education and Experience

Graduation from an accredited four-year college or university with a bachelor's degree in public administration, political science, urban studies, economics, or a related field. A master's degree in one of these fields is highly encouraged and desirable.

At least five years of responsible experience that would provide the knowledge and skills to perform the typical tasks of the position with no less than one year involving supervisorial duties – whether over personnel, programs, or projects. Experience with a state or local governmental agency is considered beneficial but not required. Previous experience should provide familiarity with issues of local government organization such as the planning process, public finance, and community development.

Physical Working Conditions

Work primarily takes place in an office environment, although the position may be assigned to other work locations – including the accommodation of telework up to 50% of standard hours if authorized by the Executive Officer. Work involves exposure to computer screens and use of basic office equipment.

The physical characteristics described here are representative of those that must be met by an employee to successfully perform the essential functions of the position. Reasonable accommodations may be made to enable qualified individuals with disabilities to perform the essential functions, on a case-by-case basis. Typical and expected work duties include all of the following: continuous upward and downward flexion of the neck; frequent sitting and standing; bending and twisting of the waist; repetitive use of hands to operate computers, printers, and copiers; and lifting of objects weighing up to 20 pounds.

Established: x
Last Amended: x

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AGENDA REPORT
Consent | Action

June 5, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer

SUBJECT: **Changes to the Adopted Salary Range for the GIS Analyst Position**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider making changes to the adopted salary range for the GIS Analyst position. The proposed changes would increase the salary range by approximately 8% and marked by raising the maximum annual pay from $90,501 to $97,489. The proposed changes purposefully aligns the GIS Analyst to match the Local Governmental Analyst II position and in doing so create compensation harmony between the two positions given their comparable duties in terms of difficulty and complexity. There are no fiscal impacts associated with the proposed changes.

BACKGROUND

GIS Analyst Position

San Diego LAFCO's job classification for the GIS Analyst position is provided under Rule No. VI and was established in August 2018. The job classification specifies the incumbent provides digital mapping and ancillary information technology services involving work of greater than average difficulty and complexity. A salary range of $59,346 to $80,443 was also established at the time of the job classification to match County of San Diego' own GIS Analyst position. The salary range has been subsequently updated through approved cost-of-living adjustments and presently set at $64,813 to $90,5001.

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Jo MacKenzie
Vista Irrigation
Barry Willis
Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

DISCUSSION

This item is for San Diego LAFCO to consider proposed changes to the established salary range for the GIS Analyst position. The proposed changes would increase the range by 8% and reset the top from $90,501 to $97,489. The proposed changes purposefully aligns the GIS Analyst salary range to match the Local Governmental Analyst II range. Approval would allow greater flexibility to the Executive Officer in recruiting and/or retaining incumbents in the position.

ANALYSIS

The proposed salary range changes to the GIS Analyst position before San Diego LAFCO represents a relatively modest adjustment aimed at helping to recruit and/or retain quality employees within existing organizational norms. Specifically, the proposed changes would align the GIS Analyst to directly match the Local Governmental Analyst II position and in doing so create compensation harmony between the two positions given their comparable duties in terms of difficulty and complexity within the organization. Any associated salary increases accommodated by the proposed changes would be limited to budgeted resources.

RECOMMENDATION

It is recommended San Diego LAFCO approve the proposed changes to the GIS Analyst position salary range as provided in the proceeding section as Alternate One.

ALTERNATIVES FOR ACTION

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

Alternative One (recommended):
Approve a salary range adjustment for the GIS Analyst position to increase the low/high points to $61,963 to $97,489 effective June 5, 2023.

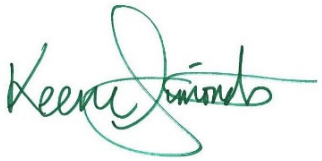
Alternative Two:
Continue the item to the next regular meeting and provide direction to staff for additional information as needed.

Alternative Three:
Take no action.

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.

Respectfully



Keene Simonds
Executive Officer

Attachments:

1) Current GIS Analyst job description
2) Existing salary ranges for all active positions

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LOCAL AGENCY FORMATION COMMISSION
SAN DIEGO COUNTY

POSITION SPECIFICATION

GEOGRAPHIC INFORMATION SYSTEMS (GIS) ANALYST

Definition

Under general supervision of the Executive Officer the incumbent serves at-will and is expected to perform geographic information system (GIS) work of greater than average difficulty and complexity in the preparation, maintenance, and amendment of a variety of digital maps and to perform other related information technology (IT) work as required.

Typical Tasks

Assigned GIS tasks comprise the majority of work responsibilities and include developing and maintaining databases, reports, and digital mapping. Specific tasks include – but not limited to – creating, organizing, and retrieving GIS data for reporting, analysis, and presentation purposes. Assigned IT tasks include working with the County of San Diego to manage all computers, networks, and related equipment and products. This also includes – but not limited to – coordinating with the County to gain and setup hardware/software/data access for staff and assist with new hardware/software installation and training. Assisting with website updates also applies and includes posting agendas, notices, and reports.

Essential Functions

1. Conducts analysis with GIS software and specified programming language(s).
2. Provides GIS technical services and expertise to LAFCO.
3. Provides production quality maps, data, and services for customers and presentations.
4. Conducts fieldwork to map, survey, and record spatial data with a mobile GIS data logging unit as needed.
5. Assists in the construction of scientific/statistical experiments and analytical computer models to support decision-making.
6. Assists in the preparation of reports detailing the results of these experiments or model outputs
7. Coordinates with the County to gain and setup hardware/software/data access for staff and assist with new hardware/software installation and training.
8. Maintains website and manages content.

Qualifications

Thorough Knowledge of:

- Terminology, symbols, and principles used in developing maps.
- GIS software ESRI ArcGIS Desktop.
- GIS computer equipment, printers, plotters, etc.
- Property legal descriptions, deeds and survey data to prepare search, establish and maintain the accuracy of a variety of maps indicating ownership boundaries and/or construction boundaries; Assessor Parcel Map system, Tax Rate Areas.
- Microsoft Windows and Office software

General Knowledge of:

- Principles of surveying, reproducible graphics, record keeping, GIS and computer systems, data management.
- Media, materials, and techniques of graphic arts.
- Computer hardware, software, systems, networks, printers, and scanners.
- Digital archiving methods and best practices.
- Website design and maintenance.

Skills to:

- Work with a minimum of supervision.
- Detail-oriented and effectively multi-task with deadlines.
- Collaborate and/or coordinate with outside vendors and contractors.

Education/Experience:

Education, training, and/or experience which would clearly demonstrate the possession of the knowledge and skills stated above. Specific requirements follow:

- Undergraduate degree from an accredited college or university in GIS or related field; OR

- Three (3) years of progressively responsible paid GIS experience administering and operating GIS applications using ArcGIS Desktop or Server or similar type software to develop GIS data, digital maps, or other digital displays for spatial analysis.

Licenses or Requirements:

- A valid California driver's license may be required by time of appointment.

Working Conditions

Office environment; exposure to computer screens.

Essential Physical Characteristics

The physical characteristics described here are representative of those that must be met by an employee to successfully perform the essential functions of this position. Reasonable accommodations may be made to enable an individual with a qualified disability to perform the essential functions of a job, on a case-by-case basis.

Continuous: upward and downward flexion of the neck. Frequent: sitting, repetitive use of hands to operate computers, printers and copiers. Occasional: walking, standing, bending and twisting of neck, bending and twisting of waist, squatting, simple grasping, reaching above and below shoulder level, and lifting and carrying of items weighing up to 40 pounds.

Background Investigation

Must have a reputation for honesty and trustworthiness. Misdemeanor and/or felony convictions may be disqualifying depending on type, number, and severity. Prior to appointment, candidates will be subject to a standard background investigation.

Probationary Period

Incumbents appointed to permanent positions in this classification shall serve a probationary period of 12 months.

Established April 4, 1994
Amended April 3, 1995
Comprehensively Updated and re-adopted March 3, 2008
Amended August 6, 2018

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County of San Diego - Human Resources Management System

Report ID: SDSALSCH — SALARY SCHEDULE BY UNION CODE AND JOB CODE

Run Date 08/05/2022
Run Time 12:39:13

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
000454	Exec Officer, LAFCO	ExOf LAFCO	SD1	SD1/003	X	Y	0	SD1

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
69.16	11,987.73	95.92	16,626.13	122.67	21,262.80
5532.80	143,852.80	7673.60	199,513.60	9813.60	255,153.60

End of Report

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
000453	Asst Executive Officer, LAFCO	AExOfLAFCO	SD2	SD2/010	E	Y	0	MGT

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
50.53	8,758.53	66.55	11,535.33	82.57	14,312.13
4042.40	105,102.40	5324.00	138,424.00	6605.60	171,745.60

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001016	GIS Analyst, LAFCO	GISLAFCO	SD2	SD2/011	E	Y	0	MGT

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
31.16	5,401.07	37.34	6,472.27	43.51	7,541.73
2492.80	64,812.80	2987.20	77,667.20	3480.80	90,500.80

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001001	Local Government Analyst I	LoGovtA1	SD2	SD2/002	E	Y	0	MGT

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
25.15	4,359.33	32.34	5,605.60	39.53	6,851.87
2012.00	52,312.00	2587.20	67,267.20	3162.40	82,222.40

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001000	Local Government Analyst II	LoGovtA2	SD2	SD2/001	E	Y	0	MGT

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
29.79	5,163.60	38.33	6,643.87	46.87	8,124.13
2383.20	61,963.20	3066.40	79,726.40	3749.60	97,489.60

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001010	Local Government Analyst III	LoGovtA3	SD2	SD2/008	E	Y	0	MGT

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
38.78	6,721.87	51.99	9,011.60	65.18	11,297.87
3102.40	80,662.40	4159.20	108,139.20	5214.40	135,574.40

End of Report

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001015	Admin Aide, LAFCO	AdmALAFCO	SD6	SD6/002	N	Y	0	CNM

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
20.50	3,553.33	26.34	4,565.60	32.19	5,579.60
1640.00	42,640.00	2107.20	54,787.20	2575.20	66,955.20

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001006	Admin Asst - Executive, LAFCO	AAExcLAFCO	SD6	SD6/001	N	Y	0	CNM

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
24.85	4,307.33	32.34	5,605.60	39.84	6,905.60
1988.00	51,688.00	2587.20	67,267.20	3187.20	82,867.20

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001007	Admin Asst - General, LAFCO	AAGenLAFCO	SD6	SD6/004	N	Y	0	CNM

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
23.39	4,054.27	31.36	5,435.73	39.32	6,815.47
1871.20	48,651.20	2508.80	65,228.80	3145.60	81,785.60

Job Code	Job Description	Job Short Description	Union Code	Plan/ Grade	O/T Elig	Vari Entry	Prob Mos	Ben Pgm
001018	Commission Clerk, LAFCO	CmClkLAFCO	SD6	SD6/005	N	Y	6	CNM

Min Hrly/Bwky	Min Mtly/Annl	Mid Hrly/Bwky	Mid Mtly/Annl	Max Hrly/Bwky	Max Mtly/Annl
27.34	4,738.93	35.57	6,165.47	43.82	7,595.47
2187.20	56,867.20	2845.60	73,985.60	3505.60	91,145.60

End of Report

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AGENDA REPORT
Consent | Action

June 5, 2023

TO: Commissioners

FROM: Holly O. Whatley, Commission Counsel

SUBJECT: **Designation of Labor Negotiators**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider designating its labor negotiators for purposes of negotiating the salary and benefits of the Executive Officer. Consistent with policy and practice, it is recommended the Commission formally designate Chair Desmond, Vice Chair Whitburn, and Past Chair Vanderlaan as its negotiators in step with their role as the Executive Officer Compensation Committee.

DISCUSSION

The Brown Act, the State's open meeting law, authorizes LAFCO to discuss its Executive Officer's compensation and benefits in closed session. "However, prior to the closed session, the legislative body of the local agency shall hold an open and public session in which it identifies its designated representatives" who will negotiate on behalf of LAFCO (Gov. Code, § 54957.6, subd. (a).)

LAFCO's internal rules establish a procedure for negotiating the Executive Officer's compensation and benefits. Under LAFCO Rule No. 6.20(6)(b), "The Executive Officer Compensation Committee shall periodically review and rate the performance of the Executive Officer and make recommendations to the full Commission for any adjustments to

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General Public
Harry Mathis, Alt.
General Public

the Executive Officer's compensation." LAFCO Rule No. 6.20(6)(a) states: "The Executive Officer Compensation Committee shall consist of three members of the Personnel Committee as provided under Rule No. 1.11 with the option of the Chair to add a fourth member at his or her discretion." LAFCO Rule No. 1.11 reads, "The Commission establishes the Personnel Committee to review matters relating to the Personnel Rules outlined in Section 6. The Committee shall be composed of three members of the Commission consisting of the Chair, Vice Chair, and Immediate Past Chair. The Chair shall make an appointment to fill the Immediate Past Chair seat on the Personnel Committee should the Immediate Past Chair no longer be on the Commission."

Therefore, consistent with the Brown Act and LAFCO Rule Nos. 1.11 & 6.20, LAFCO must designate in open session its Chair, Vice Chair, and Immediate Past Chair as labor negotiators. The Board may also appoint a fourth member, at the discretion of Chair Desmond.

RECOMMENDATION

It is recommended San Diego LAFCO designate by minute order Chair Desmond, Vice Chair Whitburn, and Commissioner Vanderlaan to serve as labor negotiators to negotiate the Executive Officer's salary and benefits.

ALTERNATIVES FOR ACTION

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

Alternative One (recommended):
Designate by minute order Chair Desmond, Vice Chair Whitburn, and Commissioner Vanderlaan to serve as labor negotiators to negotiate the Executive Officer's salary and benefits.

Alternative Two:
Continue the agenda item to another meeting.

Respectfully,

Holly O. Whatley
General Counsel

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AGENDA REPORT
Consent | Information

June 5, 2023

TO: Commissioners

FROM: Michaela Peters, Analyst I

SUBJECT: **Report on Active Proposals and Related Activities**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a status report on the 30 active proposals currently on file as well as anticipated filings based on ongoing discussions with proponents. The item is for information and concurrently satisfies LAFCO's reporting requirement involving petition-initiated proposals.

BACKGROUND

Processing Procedures and Timelines

LAFCO proceedings for jurisdictional changes are generally initiated by outside applicants through petitions (landowners or voters), and to a lesser degree by resolutions (local agencies). LAFCOs may also initiate jurisdictional changes to form, consolidate, or dissolve special districts if consistent with the recommendations of approved municipal service reviews. Most jurisdictional change filings take three to five months before they are scheduled for hearing. Applications for outside-of-agency service approvals – which are subject to separate procedures – generally take two months to process.

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Harry Mathis, Alt.
General Public

DISCUSSION

This item provides San Diego LAFCO with its regular update on active proposals on file. The item also – and for telegraphing purposes of future workload – identifies pending proposals staff anticipates being filed with LAFCO in the near term based on discussions with local agencies. It also serves to concurrently satisfy the Commission's reporting requirement to provide notice on agendas involving jurisdictional changes initiated by petitions.[1]

All active and pending proposals are outlined 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 the 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 staff,

Michaela Peters

Michaela Peters
Analyst I

Attachment:

1) Active and Pending Proposals as of May 29, 2023

[1] Government Code Section 56857 directs LAFCOs to provide notice on agendas of any proposal involving special districts that have been initiated by landowners or registered voters. The agenda notification starts a 60-day period in which the affected special districts may request termination of the proceedings due to financial or service-related concerns.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSAL APPLICATIONS | PENDING COMMISSION ACTION				
1	RO06-17	"Tobacco Road Reorganization" - City of Escondido: Annexation	Staff	Application submitted in March 2006 by landowner petition to annex six parcels to the City of Escondido. The affected territory comprises six parcels located along Tobacco Road. The application filing fulfilled an earlier Executive Officer approval in 2006 to authorize the City of Escondido to extend outside wastewater service to two of the six subject parcels due to failing septic systems. (The other four subject parcels are included in the proposal to provide connectivity to the existing City boundary.) The current number of residents within the affected territory is unknown. The application remains incomplete pending submittal of additional documentation and related information to complete the administrative review. The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.
2	RO08-09	"South Mollison Ave-Snyder Reorganization" - City of El Cajon: Annexation	Staff	Application submitted in May 2008 by landowner petition for a proposed annexation to the City of El Cajon. The affected territory includes approximately 1.25 acres and is subject to a proposed multi-family residential project. It is unknown whether there are any current residents within the affected territory. The application remains incomplete pending submittal of additional documentation and related information necessary to complete the administrative review. The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.
3	DA08-10	"Avocado Way-Potter Annexation" - Vallecitos WD: Annexation	Staff	Application submitted in March 2008 by landowner petition requesting annexation of to the Vallecitos Water District (WD) for purposes of receiving public wastewater services. The affected territory comprises two parcels developed with single-family residences located along Avocado Way. The number of current residents within the affected territory is unknown. The application remains incomplete pending submittal of additional documentation and related information necessary to complete the administrative review. The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
4	RO08-15 SA08-15	"Crestlake Estates Reorganization" - San Diego County SD: Annexation - Lakeside FPD: Annexation	Staff	Application submitted in May 2008 by landowner petition requesting a reorganization to accommodate wastewater, fire protection, and ambulance services for an approved Tentative Map allowing the development of 60 single-family residences. It is unknown if there are any current residents. The affected territory lies within all three subject agencies' spheres of influence: San Diego County Sanitation District (SD); Lakeside Fire Protection District (FPD); and County Service Area (CSA) No. 69. The application remains incomplete pending submittal of additional documentation and related information necessary to complete the administrative review. The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.
5	DA12-02	"Lorch Annexation" - Borrego WD: Annexation	Staff	Application submitted in March 2012 by landowner petition to annex approximately 9.4 acres to the Borrego Water District (WD) to provide water service to one parcel within the District's sphere. It is unknown how many residents are currently within the affected territory. Application deemed incomplete in an April 2012 status letter. A new status letter was sent in January 2018 stating the proposal will be considered abandoned unless notified otherwise. Borrego WD responded to the letter and has reinitiated discussions with the landowner regarding possible service terms. Discussions continue.
6	DA16-10	"CSA 17 Harmony Grove Annexation" - CSA 17: Annexation	Carolanne Ieromnimon	Application submitted in May 2016 by resolution from the County of San Diego to annex approximately 3,600 acres to County Service Area (CSA) No. 17 for ambulance service and done so as a cross-condition of the Commission dissolving CSA No. 107 in 2015. The affected territory is entirely unincorporated and comprises portions of the Elfin Forest and Harmony Grove communities with an estimated resident population of 29,995. The proposal remains incomplete due to a variety of reasons and marked by opposition from the CSA No. 17 Advisory Committee. Staff continues to engage the County, Advisory Committee, and other stakeholders with the objective of fulfilling the Commission's earlier directive.
7	RO16-11	"Rancho Hills Reorganization" - Rancho Santa Fe CSD: Annexation - Olivenhain MWD: Expansion of Latent Power Area - Olivenhain MWD: Latent Sphere Amendment	Priscilla Mumpower	Application submitted in October 2016 to annex a portion of a 37-lot residential subdivision titled "Rancho Hills" to Rancho Santa Fe CSD for wastewater service. A concurrent latent power expansion for Olivenhain MWD is needed to accommodate sewer to the remaining project site. The proposal was deemed incomplete in November 2016 status letter. Applicant has requested the proposal processing be placed on hold. The application is administratively paused due to incomplete and pending receipt of additional documentation and information from the applicant to complete staff's analysis. Communications remain ongoing.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
8	RO19-04	"Ortega – Old Highway 80 Change of Organization" - San Diego County SD: Annexation	Carolanne Ieromnimon	Application submitted in February 2019 by landowner petition to annex approximately 5.07 acres to the San Diego County Sanitation District (SD) for wastewater service. The affected territory comprises two parcels presently developed with single-family residences with an unknown number of residents. The purpose of the proposal is to connect sewer services for a proposed office/warehouse building development. The submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review.
9	SA19-26 RO19-26 OAS19-26	"Valiano - Eden Valley Reorganization" - City of Escondido: Extraterritorial Sewer - City of Escondido: Sphere Amendment - San Marcos FPD: Annexation - Rancho Fe FPD: Detachment - Rancho Fe FPD: Sphere Amendment	Priscilla Mumpower	Application submitted in November 2019 jointly by landowner petition and the City of Escondido and involves a reorganization and outside-of-agency service agreement as part of the "Valiano" planned development in Harmony Grove. The reorganization involves the concurrent annexation of approximately 10.8 unincorporated acres to San Marcos FPD and detachment from Rancho Santa Fe FPD and related sphere amendments. The outside-of-agency service agreement approval request involves the extension of wastewater from the City of Escondido for approximately 82.9 unincorporated acres with related sphere amendments to add to Escondido and remove from San Marcos. The application is administratively paused due to incomplete and pending receipt of additional documentation and information from the applicant to complete staff's analysis. Communications remain ongoing.
10	RO20-04	"Rainbow MWD – Eastern MWD Reorganization" - San Diego CWA: Detachment - Eastern MWD: Annexation - Eastern MWD: Sphere Action	Priscilla Mumpower	Application submitted April 2020 by resolution from the Rainbow Municipal Water District (MWD) to concurrently detach from the San Diego County Water Authority (CWA) and annex to the Eastern Municipal Water District (MWD). The affected territory spans approximately 50,857 acres covering the Rainbow and Bonsall communities with an estimated resident population of 22,130. The purpose of the proposal is to transfer the wholesale water supply provider for cost-savings. The submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review. A 10-member advisory committee has also been established by the Commission to assist staff in evaluating the proposal and its technical merits. A public hearing has been scheduled for June 5, 2023 for the Commission to begin its deliberations.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
11	RO20-05	"Fallbrook PUD – Eastern MWD Reorganization" - San Diego CWA: Detachment - Eastern MWD: Annexation - Eastern MWD: Sphere Action	Priscilla Mumpower	Application submitted April 2020 by resolution from Fallbrook Public Utility District (PUD) to concurrently detach from the San Diego County Water Authority (CWA) and annex to the Eastern Municipal Water District (MWD). The affected territory spans approximately 28,193 acres covering the Fallbrook and De Luz communities with an estimated resident population of 33,986. The purpose of the proposal is to transfer the wholesale water supply provider for cost-savings. The submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review. A 10-member advisory committee has also been established by the Commission to assist staff in evaluating the proposal and its technical merits. A public hearing has been scheduled for June 5, 2023 for the Commission to begin its deliberations.
12	CO21-09	"Otay Lakes Road Change of Organization" - City of Chula Vista: Annexation	Priscilla Mumpower	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 are presently undeveloped with no residents. The proposal is intended to facilitate a conditional development approval to construct 1,938 residential units 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 to complete staff's analysis.
13	CO22-04	"AJX Homes - Carmichael Change of Organization" - City of La Mesa: Annexation - City of La Mesa: Sphere Amendment	Carolanne Ieromnimon	Application submitted in February 2022 by landowner petition and involves annexation of approximately 0.3 acres to City of La Mesa for wastewater service. The affected territory is developed with a single-family residence and the landowner intends to update the existing site from a septic system to public wastewater system. The submitted proposal application is incomplete and pending receipt of additional documentation and information from the applicant to complete staff's analysis.
14	RO22-11	"Tummala-Rincon MWD Reorganization" - Rincon del Diablo MWD: Annexation - Metropolitan Water District: Annexation - San Diego CWA: Annexation	Priscilla Mumpower	Application submitted in October 2022 by landowner petition and involves annexation of approximately 20 acres of unincorporated territory to make available public water services. The affected territory is currently vacant and undeveloped. The proposal purpose is to position the landowner to proceed in the future with a development plan with the County of San Diego. The submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
15	CO22-17	"Yung-La Presa Avenue Change of Organization" - San Diego County SD: Annexation	Carolanne Ieromnimon	Application submitted in October 2022 by landowner petition and involves annexation of approximately 0.16 acres of unincorporated territory to the San Diego County Sanitation District to make available public wastewater services. The affected territory is currently developed with 3 residents. The proposal purpose is to position the landowner to proceed in the future with a development plan to add an additional single-family residence. The proposal is scheduled for consideration by the Commission at its June 5th, 2023 meeting.
16	CO22-18	"For Giving LLC- Hymettus Avenue Change of Organization" - Leucadia WD: Annexation	Carolanne Ieromnimon	Application submitted in October 2022 by resolution of the Leucadia Wastewater District and involves annexation of approximately 1.20 acres of unincorporated territory to make available public wastewater services. The affected territory comprises one single family residence in Encinitas and presently vacant with no residents. The proposal purpose is to position the landowner to proceed in the future with a development plan to create two single-family residences. The proposal is scheduled for consideration by the Commission at its June 5th, 2023 meeting.
17	CO22-20	"Camino De La Fuente- Wick Change of Organization" -San Diego County SD: Annexation	Carolanne Ieromnimon	Application submitted in November 2022 by landowner petition and involves annexation of approximately 35.3 acres of unincorporated territory to the San Diego County Sanitation District to make available public water and wastewater services. The affected territory is currently vacant and undeveloped. The proposal 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 is scheduled for consideration by the Commission at its August 7th, 2023 meeting.
18	RO23-01	"Tucker-Valley Road Reorganization" - National City: Annexation - South Bay ID: Detachment - Bonita FPD: Detachment - Bonita FPD: Sphere Amendment - CSA No. 135: Detachment	Carolanne Ieromnimon	Application submitted in November 2022 by landowner petition and involves annexation of approximately 35.3 acres of unincorporated territory to the San Diego County Sanitation District to make available public water and wastewater services. The affected territory is currently vacant and undeveloped. The proposal 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 submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
19	RO23-02	"Yerba Valley Road Reorganization" - Lakeside WD: Annexation - San Diego CWA: Annexation - MET: Annexation - Conforming sphere of Influence Amendments	Priscilla Mumpower	Application submitted in February 2023 by resolution from Lakeside Water District to concurrently annex approximately 80.4 acres of unincorporated territory to the Lakeside Water District, San Diego County Water Authority, and Metropolitan Water District of Southern California. The affected territory presently comprises 17 existing single-family residences with no additional planned development. The proposal purpose is to make available public water services given uncertain well water flows within the affected territory. The submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review.
20	OAS23-03	"Bryant-Felicita Road Outside-of-Agency Service Agreement" - City of Escondido: OAS	Priscilla Mumpower	Application submitted in February 2023 by landowner petition and involves an outside-of-agency service agreement for wastewater services to a single-family residence totaling 0.4 acres as a remedy to a failing septic system. The Executive Officer administratively approved the service request on February 22, 2023. The proposal is currently under administrative review and considered incomplete at this time.
21	CO23-04	"Gutierrez-Montemar Drive Change of Organization" - San Diego County SD: Annexation	Michaela Peters	Application submitted in March 2023 by landowner petition involving annexation of approximately 1.39 acres to the San Diego County Sanitation District for the primary purpose of establishing wastewater service. The affected territory as proposed includes one parcel which is presently undeveloped with plans to develop a single-family residence. The proposal is currently under administrative review and considered incomplete at this time.
22	RO23-05	"Cambier-W. El Norte Parkway Reorganization" - Vista Irrigation District: Detachment - Vallecitos Water District: Annexation	Carolanne Ieromnimon	Application submitted in March 2023 by landowner petition and involves annexation of approximately 2.53 acres to the Vallecitos Water District for the primary purpose of establishing sewer service. The affected territory is currently vacant and undeveloped. The affected territory as proposed includes two separate parcels, with the second parcel in question presently undeveloped with plans to develop a single-family residence. The proposal is currently under administrative review and considered incomplete at this time.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
23	RO23-06	"N. Iris Lane-Hallmark Development Reorganization" - City of Escondido: Annexation - CSA No. 135: Detachment - Rincon del Diablo FPD ID-E: Exclusion	Michaela Peters	Application submitted in April 2023 by landowner petition and involves annexation of approximately 7.7 acres to the City of Escondido for the primary purpose of establishing water and wastewater services. The affected territory is currently developed, with four single-family residences, each with an ADU with plans to redevelop the site to consist of 102 new condominiums units and associated infrastructure/streets. The proposal is currently under administrative review and considered incomplete at this time.
24	RO23-07	"Stanley Avenue Reorganization" - City of Escondido: Annexation - CSA No. 135: Detachment - Rincon del Diablo FPD ID-E: Exclusion	Michaela Peters	Application submitted in May 2023 by landowner petition and involves annexation of approximately 7.4 acres to the City of Escondido for the primary purpose of establishing wastewater services. The affected territory comprises 3 separate parcels; two are presently vacant with plans to develop a total of 76 single-family residences. The third parcel is currently developed with an existing single-family residence and included due to expressed interest by the landowners in annexation. The reorganization also includes concurrent detachments from County Service Area No. 135 as well as formal exclusion from Rincon Municipal Water District's ID-E wastewater function. The proposal is currently under administrative review and considered incomplete at this time.
25	RO23-08	"Colina Fuerte-Via Ascenso Reorganization" - Santa Fe ID: Annexation - Olivenhain MWD: Detachment	Michaela Peters	Application submitted in May 2023 by landowner petition and involves annexation of approximately 5.1 acres to the Santa Fe Irrigation District for the primary purpose of establishing potable water service. The affected territory as proposed includes one parcel presently undeveloped with plans to develop a single-family residence along with an accessory dwelling unit. The reorganization will also necessitate detachment from Olivenhain Municipal Water District. The proposal is currently under administrative review and considered incomplete at this time.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSALS | POST COMMISSION ACTION				
26	SA16-20 LP16-20	"CSA 135 Islands Reorganization" - CSA 135 – LP Fire Area: Latent Powers Expansion - Bonita-Sunnyside FPD: Annexation - Lakeside FPD: Annexation - San Miguel FPD: Annexation - Ramona MWD: Annexation	Staff	Proposal submitted November 2016 by resolution of the San Diego County Fire Authority. Involved annexation of remaining unserved Islands 2, 3, and 4 via reorganization of local fire service territory among five local agencies: CSA 135; Bonita-Sunnyside FPD; Lakeside FPD; Ramona MWD; and San Miguel FPD. Reorganization involved annexation to the subject agencies and expansion of CSA No. 135's latent powers to provide fire protection and emergency medical services to three unincorporated and unserved island areas totaling approximately 21,048 acres. Conforming amendments to add the affected territory to the subject agencies' spheres of influence were also required. The reorganization proposal was approved February 4, 2018 and is now pending recordation once all terms are satisfied. A noticed protest hearing was held on March 13, 2019 at the LAFCO office. No protest was received by affected registered voters or landowners. Other terms remain pending.
27	LP(E)19-27	"Fallbrook PUD Latent Powers Expansion" - Activation: Park and Recreation - Activation: Street Lighting - Activation: Roads	Priscilla Mumpower	Application submitted in November 2019 by resolution from the Fallbrook Public Utility District (PUD) seeking approval to activate specified latent powers throughout its jurisdictional boundary and its 28,193 unincorporated acres. The estimated resident population within the affected territory is 33,986. Requested power activations involve park and recreation, street lighting, and roads with the former intended to supplement existing park and recreation services provided in the region by the County of San Diego via County Service Area No. 81. The proposal was approved by the Commission on April 4, 2022, and now pending recordation once all terms are satisfied. A noticed protest hearing was held on May 31, 2022 and continued to June 14, 2022 11, 2022 at the Fallbrook Public Utilities District. Not enough protest was received by affected registered voters or landowners. Other terms remain pending.
28	CO22-15	"Toidi-Jonel Way Change of Organization" - San Diego County Sanitation District: Annexation	Carolanne Ieromnimon	Application submitted in October 2022 by landowner petition and involves annexation of approximately 2.5 acres to the San Diego County Sanitation District for wastewater service. The affected territory is developed with a single-family residence and the landowner intends to update the existing site from a septic system to public wastewater system to accommodate a future development of an additional assessor dwelling unit. The proposal was approved by the Commission on November 7, 2022, and now pending completion of terms and conditions as set forth by the Commission.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
29	RO22-19	"Borrego Springs Fire Protection District Reorganization" - Borrego Springs FPD: Dissolution - Borrego Springs FPD: Sphere Dissolution - San Diego County FPD: Annexation - San Diego County FPD: Sphere Amendment	Carolanne Ieromnimon	Application submitted November 2022 by resolution of the Borrego Springs FPD to dissolve and designate its structural fire protection and, emergency medical and rescue service functions to the San Diego County Fire Protection District as the successor agency through a concurrent annexation. The affected territory spans approximately 198,400 acres with an estimated resident population over 3,653. The County Board of Supervisors has separately adopted a resolution in support of the reorganization. The proposal was approved by the Commission on March 6th, 2023 and now pending completion of terms and conditions as set forth by the Commission.
30	CO22-16	"Cumming Ranch Change of Organization" - Ramona Municipal Water District: Annexation - County Service Area 135: Detachment	Carolanne Ieromnimon	Application submitted in October 2022 by resolution of the Ramona Water District seeking approval for latent power expansion of Ramona MWD's activated wastewater service area by approximately 389 acres. The affected territory is currently vacant and undeveloped. The proposal purpose is to establish wastewater services for the future development of 125 single family residences as part of the "Cummings Ranch Subdivision" project. The proposal was approved by the Commission on May 1st, 2023 and now pending completion of terms and conditions as 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)				
31	Pending	"Harvest Hills Reorganization" - City of Escondido		This anticipated reorganization proposal is currently undergoing development and environmental review by the City of Escondido. Submittal to LAFCO anticipated for late 2020-2021 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 of 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."
32	Pending	"Rancho Lomas Verde Reorganization" - City of Vista		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.
33	Pending	"Sager Ranch Reorganization" - City of Escondido		This anticipated reorganization involves annexation of approximate 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 lies outside the current City 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.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
34	Pending	"Harmony Grove Village South" (TM-626)		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.
35	Pending	"La Jolla Incorporation" - City of San Diego: Detachment		This anticipated special reorganization involves the detachment of 8,371 acres from the City of San Diego and the incorporation of the community of La Jolla. A draft fiscal impact analysis report is currently underway by the proponents - Association for the City of La Jolla (501c3) – to determine whether La Jolla could obtain cityhood and be economically sustainable on its own. Application is pending.

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AGENDA REPORT
Consent | Information

June 5, 2023

TO: Commissioners

FROM: Tamaron Luckett, Commission Clerk
Dieu Ngu, GIS Analyst

SUBJECT: **Annual Report |**
Sphere of Influence and Municipal Service Review Summary of Actions

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SUMMARY

The San Diego Local Agency Formation Commission (LAFCO) will receive an annual report chronicling sphere of influence and municipal service review actions in San Diego County. The update is marked by the Commission approving 16 distinct sphere actions as well as two regional municipal service reviews covering five local agencies throughout the course of 2022. The report serves as the official registry cataloging all related actions and is being presented to the Commission for formal filing.

BACKGROUND

Current Workplan

San Diego LAFCO's current workplan identifies the publication of an updated annual report tracking the Commission's municipal service review and sphere of influence amendments and/or update actions. This municipal service review and sphere of influence summary project has been part of the annual workplan since the early 2000s.

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DISCUSSION

This item is for San Diego LAFCO to receive the attached annual report chronicling approved sphere of influence and municipal service review actions in San Diego County. The report has been prepared consistent with the adopted workplan and serves as the official record of all sphere establishments and subsequent changes since 1972 as well as cataloging municipal service reviews beginning in 2001. The report also includes an appendix providing current sphere maps for all agencies under Commission oversight.

With respect to spheres of influence, 16 distinct actions were approved as follows.

Summary | 2022 Sphere of Influence Actions

No.	Date	Agencies	Resolution	Type	Acres
1	March 7, 2022	County Service Area No. 81	2022-005	Update – Affirm	77,990
2	March 7, 2022	Fallbrook PUD	2022-005	Update – Affirm	28,193
3	March 7, 2022	North County FPD	2022-005	Update – Affirm	75,833
4	March 7, 2022	Rainbow MWD	2022-005	Update – Affirm	51,543
5	March 7, 2022	Otay WD	2022-008	Amendment – Addition	0.7
6	April 4, 2022	Fallbrook PUD	2022-007	Activation Service Functions: parks and recreation, street lighting, and roads	28,193
7	June 6, 2022	Ramona MWD	2022-011	Divestiture	46,005
8	June 6, 2022	Ramona MWD	2022-011	Amendment – Reduction	3.0
9	June 6, 2022	San Diego County FPD	2022-011	Amendment – Addition	46,003
10	October 3, 2022	County Service Area No. 69	2022-017	Dissolved	40,320
11	October 3, 2022	Lakeside FPD	2022-017	Amendment – Addition	3,274
12	November 7, 2022	Vista FPD	2022-014	Amendment – Reduction	142
13	December 5, 2022	City of Escondido	2022-023	Amendment – Reduction	42,500
14	December 5, 2022	City of Escondido	2022-023	Establishment – Two Special Study Areas	3,142
15	December 5, 2022	Deer Springs FPD	2022-023	Update – Affirm	20,255
16	December 5, 2022	Rincon del Diablo MWD	2022-023	Update – Affirm	28,144

With respect to municipal service reviews, five local agencies were covered as follows.

Summary | 2022 Municipal Service Reviews

No.	Date	Municipal Service Review	File No.	Agencies
1	March 7, 2022	Fallbrook Region	MSR	County Service Area No. 81 Fallbrook PUD North County FPD Rainbow MWD
2	December 5, 2022	City of Escondido – Part II	MSR	City of Escondido

ANALYSIS

This item fulfills San Diego LAFCO's adopted workplan direction to maintain an up to date registry of all sphere of influence and municipal service review actions in San Diego County. It also has been recently augmented to include official sphere of influence and jurisdictional boundary maps of all cities and special districts under the Commission's oversight.

RECOMMENDATION

It is recommended San Diego LAFCO receive and file the item with the invitation to discuss and/or provide feedback to staff on related matters. This recommendation would be accommodated by taking the actions outlined in the succeeding section as Alternative One.

ALTERNATIVES FOR ACTION

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

Alternative One (recommended):
Receive and file as presented.

Alternative Two:
Continue consideration of item to a future meeting and provide direction to staff for more information as needed.

Alternative Three:
Take no action.

PROCEDURES

This item has been placed on the 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 staff,

Tamaron Luckett
Commission Clerk

Attachment:

1) 2022 Annual Report on Sphere and Municipal Service Review Actions (online only due to size)

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AGENDA REPORT
Consent | Information

June 5, 2023

TO: Commissioners

FROM: Tamaron Luckett, Commission Clerk

SUBJECT: **2023 Local Agency Directory**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive an annual local agency directory prepared as part of the Commission's adopted workplan. The directory lists all 102 local agencies – cities and special districts – in San Diego County subject to the Commission's planning and regulatory duties and identifies current council and board members as well as senior staff members. The directory will be made available online in print format and part of the Commission's ongoing commitment to help sunlight the scope and scale of local government. The item is for information with the opportunity for the Commission to provide feedback on potential content changes going forward.

BACKGROUND

San Diego LAFCO's current workplan was adopted at a noticed public hearing in May 2023 and includes over two-dozen project goals for the fiscal year. This includes direction to staff to prepare an update to its annual local agency directory to list all cities and special districts subject to LAFCO's regulatory and planning oversight.

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Barry Willis
Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

DISCUSSION

This item is for San Diego LAFCO to receive a local agency directory prepared as part of the adopted workplan and provided as Attachment One. The directory identifies all elected and appointed local agency officials for the 102 cities and special districts under the Commission's jurisdiction in San Diego County as of June 2023. Bounded hard copies will be provided to Commissioners following the meeting. Hard copies will also be sent to local agencies and other state and regional governmental agencies. The Commission is invited to discuss the directory and provide feedback on possible content changes ahead of future publications.

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 the 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.

Respectfully,

Tamaron Luckett
Commission Clerk

Attachment:

1) Local Agency Directory, June 2023

LOCAL AGENCY FORMATION COMMISSION
SAN DIEGO COUNTY

Local Agencies Directory

Incorporated Cities & Special Districts

JUNE 2023





Local Agency Formation Commissions (LAFCOs) were established in 1963 and responsible under State law to facilitate orderly growth and development in the most efficient manner possible while protecting against the premature conversion of agricultural and open-space resources in all 58 counties in California.



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The San Diego County Local Agency Formation Commission directory is for informational purposes.

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ABOUT SAN DIEGO LAFCO



Governor Edmund "Pat" Brown Sr.

San Diego LAFCO History

Local Agency Formation Commissions (LAFCOs) were established in 1963 and are political subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs' authority is 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. LAFCOs are comprised of locally elected and appointed officials with regulatory and planning powers delegated by the Legislature to coordinate and oversee the establishment, expansion, and organization of cities, towns, and special districts as well as their municipal service areas.

LAFCOs' creation were engendered by Governor Edmund "Pat" Brown Sr. (1959 – 1967) to more effectively address the needs of California's growing and diversifying population with an emphasis on promoting governmental efficiencies. Towards this end, LAFCOs are commonly referred to as the Legislature's "watchdog" for local governance issues. Guiding LAFCOs' regulatory and planning powers is to fulfill specific purposes and objectives that collectively construct the Legislature's regional growth management priorities outlined under Government Code Section 56301. This statute reads:

> "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. 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 in each county 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 are not subject to an outside appeal process. LAFCOs also have broad powers with respect to conditioning regulatory and planning approvals so long as not establishing any terms that directly control land uses.

San Diego LAFCO Duties & Responsibilities

The State of California delegates a broad range of growth management duties and responsibilities to LAFCOs in all 58 counties through the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000. This statute empowers LAFCOs to regulate and plan the establishment, expansion, and realignment (consolidations, mergers, etc.) of cities and most special districts and their municipal services with community needs. The statute similarly entrusts LAFCOs to achieve appropriate balance in accommodating new growth and development while protecting agricultural and open space resources from their premature conversion. This includes – pertinently – recognizing that providing housing for persons and families of all incomes is an important factor in promoting orderly development and essential to the social, fiscal, and economic well-being of the state. Additional details follow.

Regulatory Responsibilities

LAFCOs' principal regulatory responsibility date back to 1963 and involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California. LAFCOs are also tasked beginning in 2001 with overseeing the approval process for cities, towns, and special districts to provide new or extended services beyond their jurisdictional boundaries by contracts or agreements. LAFCOs also oversee special district actions to either activate new service functions and/or classes or divest existing services. LAFCOs generally exercise their regulatory responsibilities in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to State law also authorize and encourage LAFCOs to initiate jurisdictional changes to form, consolidate, and dissolve special districts consistent with community needs. A summary of all regulatory responsibilities follows.

- Incorporate cities and form special districts
- Annex and detach lands to cities and special districts
- Activate or deactivate special districts' service powers
- Consolidate two or more cities or special districts into one
- Merge special districts into cities
- Disincorporate cities and dissolve special districts
- Authorize cities and districts to provide new or extended services outside their boundaries by contracts



Planning Responsibilities

LAFCOs inform their regulatory actions through two central planning responsibilities: (a) making sphere of influence determinations and (b) preparing municipal service reviews. Sphere determinations have been a core planning function of LAFCOs since 1971 and serve as the Legislature's version of "urban growth boundaries" with regard to cumulatively delineating the appropriate interface between urban and non-urban uses within each county. Municipal service reviews, in contrast, are a relatively new planning responsibility enacted as part of the comprehensive rewrite of LAFCO law in 2001 and intended to inform – among other activities – sphere determinations. The Legislature mandates, notably, all sphere changes as of 2001 be accompanied by preceding municipal service reviews to help ensure LAFCOs are effectively aligning governmental services with current and anticipated community needs. A summary of all planning responsibilities follows.

- Establish, amend, and update spheres of influence for all cities and most special districts thereby delineating areas eligible for annexation
- Regularly prepare studies to independently assess the availability, demand and performance of local government services

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. The current Commission roster follows.



Jim Desmond
Chair
County of San Diego



Stephen Whitburn
Vice Chair
City of San Diego



Joel Anderson
Commissioner
County of San Diego



Kristi Becker
Commissioner
City of Solana Beach



Jo MacKenzie
Commissioner
Vista Irrigation



Andrew Vanderlaan
Commissioner
Public Member



Dane White
Commissioner
City of Escondido



Baron Willis
Commissioner
Alpine Fire Protection



David Drake
Alternate
Rincon del Diablo MWD



Harry Mathis
Alternate
Public Member



John McCann
Alternate
City of Chula Vista



Nora Vargas
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego

Cities Advisory Committee

The Cities Advisory Committee serves in an ad-hoc capacity and advises San Diego LAFCO on germane items of interest as requested by the LAFCO Chair or Executive Officer. The current Committee has been called by the Executive Officer to review and provide ongoing feedback to the Executive Officer on the adopted workplans. All 18 cities in San Diego County are represented on the Committee by the city manager or their designee and have one vote. Each city may also appoint one or more alternates. The Executive Officer is also a non-voting member on the Committee and serves as moderator and is responsible for scheduling meetings. The current Committee roster is below.



Paz Gomez
Deputy City Manager
City of Carlsbad

PHOTO NOT AVAILABLE

Tiffany Allen
Director
City of Chula Vista

PHOTO NOT AVAILABLE

Tina Friend
City Manager
City of Coronado



Ashley Jones
Interim City Manager
City of Del Mar



Vince DiMaggio
Assistant City Manager
City of El Cajon



Pamela Antil
City Manager
City of Encinitas

PHOTO NOT AVAILABLE

Sean McGlynn
City Manager
City of Escondido



Tyler Foltz
Community Development Director
City of Imperial Beach



Kerry Kusiak
Planning Director
City of La Mesa



Lydia Romero
City Manager
City of Lemon Grove



Brad Raulston
City Manager
City of National City

PHOTO NOT AVAILABLE

Jonathan Borrego
City Manager
City of Oceanside

Cities Advisory Committee (continued)



Chris Hazeltine
City Manager
City of Poway



Adrian Granda
Director of Department of Government Affairs
City of San Diego



Jack Griffin
City Manager
City of San Marcos



Marlene Best
City Manager
City of Santee



Greg Wade
City Manager
City of Solana Beach



John Conley
City Manager
City of Vista

Special Districts Advisory Committee

The Special Districts Advisory Committee was created in August 1971 by San Diego LAFCO and consists of 16 members collectively drawn from the 59 independent special districts in San Diego County. Members serve four-year terms and are appointed by the independent special districts through an election process administered by LAFCO staff. Committee rules also allow the Committee Chair to appoint members to fill unexpired terms as needed. The Committee is tasked with providing feedback – including recommendations – on germane topics to assist LAFCO in fulfilling its regulatory and planning functions. The Committee meets quarterly with its current roster provided below.



Kimberly Thorner
Chair
Olivenhain MWD



Jack Bebee
Vice Chair
Fallbrook PUD



Ann Baldridge
Resource Conservation District of Greater San Diego



Paul Bushee
Leucadia MWD



Jeff Egkan
North County FPD



James Gordon
Deer Springs FPD



Diane Hansen
Palomar Health District



Tom Kennedy
Rainbow MWD



Albert Lau
Santa Fe Irrigation District



Hector Martinez
South Bay Irrigation District



Dave McQuead
Rancho Santa Fe Fire Protection District



Marty Miller
Vista Irrigation District



Mark Robak
Otay Water District



Joel Scalzitti
Helix Water District

Special Districts Advisory Committee (continued)



Mike Sims
Bonita–Sunnyside FPD



Oliver Smith
Valley Center MWD



LAFCOs have been responsible since 1963 to regulate and plan the formation, expansion, and reorganization of cities and special districts and their service areas in California with limited exceptions.

Team Members

The San Diego LAFCO staff consists of professional support and technical personnel, who are independent of county government. The Executive Officer is directly appointed by the Commission. Since the San Diego LAFCO was created in 1963, the following Executive Officers have been appointed by the Commission:

- 1963–1970: Robert Small
- 1971–1976: S.M. "Skip" Schmidt
- 1977–1979: Mike Gotch
- 1980–1984: William Davis
- 1984–1992: Jane Merrill
- 1992–2017: Michael Ott
- 2017–present: Keene Simonds

Executive Management



Keene Simonds
Executive Officer



Holly O. Whatley
Commission Counsel



Aleks R. Giragosian
Assistant Commission Counsel

Staff



Priscilla Mumpower
Analyst



Carolanne Ieromnimon
Analyst



Michaela Peters
Analyst



Dieu Ngu
GIS Analyst



Tamaron Luckett
Commission Clerk



Erica Sellen
Executive Assistant



Stephen Abbott
Consultant



Dr. Brian Brady
Consultant



Chris Cate
Consultant



Adam Wilson
Consultant

Incorporated Cities

Cities operate with home rule established at the time of their incorporation with powers to regulate land use and other municipal services so long as there are no conflicts with State law. There are currently 18 cities in San Diego County with incorporation dates ranging from the City of San Diego on March 27, 1850 to Solana Beach on July 1, 1986. Twelve of the cities operate as "general-law" and follow prescribed standards set by the State with respect to their governance, finance, election, and other municipal activities. The other six cities operate as "charter-law" and empowered to establish their own standards through voters and highlighted by broader taxing authority as well as the ability to zone territory irrespective of general plan consistency.

Carlsbad

1635 Faraday Avenue, Carlsbad, CA 92008
Office: 442.339.2730 | www.carlsbad.gov

Incorporation Date: 1952
Estimated Population: 115,000

Council Members

Matt Hall, Mayor
Priya Bhat-Patel, Mayor Pro Tem
Teresa Acosta, Council
Melanie Burkholder
City Manager: Scott Hardwick

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 5:00 p.m.
Location: City Hall, Council Chambers

Chula Vista

276 Fourth Avenue, Chula Vista CA 91910-2631
Office: 619.691.5041 | cityclerk@chulavistaca.gov | www.chulavista.gov

Incorporation Date: 1911
Estimated Population: 275,378

Council Members

John McCann, Mayor
Andrea Cardenas, Council
Carolina Chavez, Council
Alonso Gonzalez, Council
Jose Preciado, Council
City Manager: Maria V. Kachadoorian

Meeting Information

Dates & Time: First Four Tuesdays of the Month | 5:00 p.m.
Location: City Hall, Council Chambers

Coronado

1825 Strand Way, Coronado, CA 92118-3099
Office: 619.522.7300 | cityclerk@coronado.ca.us | www.coronado.ca.us

Incorporation Date: 1890
Estimated Population: 20,192

Council Members

Richard Bailey, Mayor
Mike Donovan, Council
Carrie Anne Downey, Council
John Duncan, Council
Casey Tanaka, Council
City Manager: Tina Friend

Meeting Information

Dates & Time: First and Third Tuesday of the Month | 4:00 p.m.
Location: City Hall, Council Chambers

Del Mar

1050 Camino Del Mar, Del Mar, CA 92014-2604
Office: 858.755.9313 | cityhall@delmar.us | www.delmar.ca.us

Incorporation Date: 1959
Estimated Population: 4,200

Council Members

Tracy Martinez, Mayor
Dan Quirk, Deputy Mayor
Dave Drunker, Council
Terry Gaasterland, Council
Dwight Worden, Council
City Manager: Ashley Jones

Meeting Information

Dates & Time: First and Third Monday of the Month | 4:30 p.m.
Location: City of Del Mar, Town Hall

El Cajon

200 Civic Center Way, El Cajon, CA 92020-3916
Office: 619.441.1776 | www.cityofelcajon.us

Incorporation Date: 1912
Estimated Population: 103,452

Council Members

Steve Goble, Council
Gary Kendrick, Mayor Pro Tem
Michelle Metschel, Council
Phil Ortiz, Council
Bill Wells, Mayor
City Manager: Graham Mitchell

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 3:00 p.m.
Location: City Hall,Council Chambers

Encinitas

505 South Vulcan Avenue, Encinitas, CA 92024-3633
Office: 760.633.2600 | **FAX:** 760.633.2627 | **TDD:** 760.633.2700
council@encinitasca.gov | www.encinitasca.gov

Incorporation Date: 1986
Estimated Population: 61,979

Council Members

Tony Kranz, Mayor
Joy Lydes, Deputy Mayor
Allison Blackwell, Council
Bruce Ehlers, Council
Kelly Shay Hinze, Council
City Manager: Pamela Antil

Meeting Information

Dates & Time: Second, Third, and Fourth Wednesday of the Month | 6:00 p.m.
Location: City Hall, Council Chambers

Escondido

201 North Broadway, Escondido, CA 92025-2709
Office: 760.839.4617 | cityclerk@escondido.org | www.cityofescondido.gov

Incorporation Date: 1888
Estimated Population: 151,115

Council Members

Dane White, Mayor
Joe Garcia, Council
Consuelo Martinez, Council
Michael Morasco, Council
City Manager: Sean McGlynn

Meeting Information

Dates & Time: First Four Wednesday's of the Month | 4:00 p.m.
Location: City Hall, Council Chambers

Imperial Beach

825 Imperial Beach Boulevard, Imperial Beach, CA 91932-2702
Office: 619.423.8300 | citymanager@imperialbeachca.gov | www.imperialbeachca.gov

Incorporation Date: 1956
Estimated Population: 26,243

Council Members

Paloma Aguirre, Mayor
John "Jack" Fisher, Mayor Pro Tem
Mitch McKay, Council
Matthew Leyba-Gonzalez, Council
Carol Seabury, Council
City Manager: Andy Hall

Meeting Information

Dates & Time: First and Third Wednesday of the Month | 6:00 p.m.
Location: City Hall, Council Chambers

La Mesa

8130 Allison Avenue, La Mesa, CA 91942-5502
Office: 619.463.4611 | **TDD:** 619.667.1139 | www.cityoflamesa.us

Incorporation Date: 1912
Estimated Population: 60,238

Council Members

Mark Arapostathis, Mayor
Patricia N. Dillard, Council
Laura Lothian, Council
Colin Parent, Council
Jack Shu, Council
City Manager: Yvonne Garrett

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 6:00 p.m.
Location: City Hall, Council Chambers

Lemon Grove

3232 Main Street, Lemon Grove, CA 91945-1705
Office: 619.825.3800 | execassistant@lemongrove.ca.gov | www.lemongrove.ca.gov

Incorporation Date: 1977
Estimated Population: 27,000

Council Members

Raquel Vasquez, Mayor
Jennifer Mendoza, Council
George Gastil, Council
Alysson Snow, Council
Liana LeBaron, Council
City Manager: Lydia Romero

Meeting Information

Dates & Time: First and Third Tuesday of the Month | 6:00 p.m.
Location: Lemon Grove Community Center
3146 School Lane, Lemon Grove, CA 91945

National City

1243 National City Boulevard, National City, CA 91950-4397
Office: 619.336.4228 | clerk@nationalcityca.gov | www.nationalcityca.gov

Incorporation Date: 1887
Estimated Population: 61,760

Council Members

Ron Morrison, Mayor
Jose Rodriguez, Council
Marcus Bush, Council
Ditas Yamane, Council
Luz Molina, Council
City Manager: Brad Raulson

Meeting Information

Dates & Time: First and Third Tuesday of the Month | 6:00 p.m.
Location: City Hall, Council Chambers

Oceanside

300 North Coastal Highway, Oceanside, CA 92054-2824
Office: 760.435.4500 | www.ci.oceanside.ca.us

Incorporation Date: 1888
Estimated Population: 178,352

Council Members

Esther Sanchez, Mayor
Rick Robinson, Council
Eric Joyce, Council
Christopher Rodriguez, Council
Ryan Keim, Council
Peter Weiss, Council
City Manager: Johnathan Borrego

Meeting Information

Dates & Time: Two Wednesday's of the Month | 5:00 p.m.
Location: City Hall, Council Chambers

Poway

13325 Civic Center Drive, Poway, CA 92064-5755
Mailing Address: PO Box 789, Poway, CA 92074-0789
Office: 858.679.4343 | cityclerk@poway.org | www.poway.org

Incorporation Date: 1980
Estimated Population: 49,704

Council Members

Steve Vaus, Mayor
John Mullen, Deputy Mayor
Peter De Hoff, Council
Caylin Frank, Council
Barry Leonard, Council
Brian Pepin, Council
City Manager: Christopher Hazeltine

Meeting Information

Dates & Time: First and Third Tuesday of the Month | 7:00 p.m.
Location: City Hall, Council Chambers

San Diego

202 C Street, 12th Floor, San Diego, CA 92101-4806
Office: 619.236.5555 | cityclerk@sandiego.gov | www.sandiego.gov

Incorporation Date: 1850
Estimated Population: 1,394,705

Council Members

Todd Gloria, Mayor
Jennifer Campbell, Council
Raul A. Campillo, Council
Joe LaCava, Council
Kent Lee, Council
Vivian Moreno, Council
Sean Elo-Rivera, Council
Marni von Wilpert, Council
Stephen Whitburn, Council
Monica Montgomery-Steppe, Council

Chief Operating Officer: Eric Dargan

Meeting Information

Dates & Time: Monday's of the Month | 10:00 a.m. and 2:00 p.m.
Tuesday's of the Month | 10:00 a.m. to 2:00 p.m.
Location: City Administration Building, Council Chambers – 12th Floor

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San Marcos

1 Civic Center Drive, San Marcos, CA 92069-2918
Office: 760.744.1050 | cityclerk@san-marcos.net | www.san-marcos.net

Incorporation Date: 1963
Estimated Population: 83,781

Council Members

Rebecca Jones, Mayor
Sharon Jenkins, Council
Ed Musgrove, Council
María Nuñez, Council
Mike Sanella, Council
City Manager: Jack Griffin

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 6:00 p.m.
Location: City Hall, Council Chambers

Santee

10601 Magnolia Avenue, Santee, CA 92071-1266
Office: 619.258.4100 | clerk@cityofsanteeca.gov | www.cityofsanteeca.gov

Incorporation Date: 1980
Estimated Population: 56,026

Council Members

John W. Minto, Mayor
Laura Koval, Vice Mayor
Ronn Hall, Council
Rob McNelis, Council
Dustin Trotter, Council

City Manager: Marlene Best

Meeting Information

Dates & Time: Second and Fourth Wednesday of the Month | January – October | 6:30 p.m.
Second Wednesday of the Month | November – December | 6:30 p.m.
Location: City Hall, Council Chambers

Solana Beach

635 South Highway 101, Solana Beach, CA 92075-2215
Office: 858.720.2400 | aivey@cosb.org | www.ci.solana-beach.ca.us

Incorporation Date: 1986
Estimated Population: 12,941

Council Members

Lesa Heebner, Mayor
David A. Zito, Deputy Mayor
Kristi Becker, Council
Jewel Edson, Council
Jill MacDonald, Council

City Manager: Greg Wade

Meeting Information

Dates & Time: Second and Fourth Wednesday of the Month | 6:00 p.m.
Location: City Hall, Council Chambers

Vista

200 Civic Center Drive, Vista, CA 92084-6240
Office: 760.726.1340 | www.cityofvista.com

Incorporation Date: 1963
Estimated Population: 100,923

Council Members

John Franklin, Mayor
Corinna Contreras, Council
Joe Green, Council
Catherine Melendez, Council
Dan O'Donnell, Council

City Manager: John Conley

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 5:30 p.m.
First Tuesday of the Month | 2:00 p.m.
Location: Vista Civic Center, Council Chambers – 2nd Floor

Special Districts

DEPENDENT & INDEPENDENT

Special districts are separate local government entities that provide one or more municipal services within a specific geographic area – typically in an unincorporated community or collection of communities within a shared region. Most commonly, special districts in San Diego County provide water, wastewater or fire protection. Special districts are generally divided between two types of districts, enterprise districts (user charges) and non-enterprise districts (taxes and assessments) as well as independent and dependent. Independent special districts are defined as having a directly elected governing board whereas dependent special districts consist of an appointed governing board and frequently in the form of the board of supervisors or local city councils.

Alpine Fire Protection District

1364 Tavern Road, Alpine, CA 91901-3831
Office: 619.445.2635 | dpinhero@alpinefire.org | www.alpinefire.org

Type: Independent
Formation Date: 1957
Estimated Population: 17,747

Board Members

Steve Taylor, President
Chase Cromwell, Director
Bill Paskle, Director
Barry Willis, Vice-President
Tim Mehrer, Secretary

Fire Chief: Brian Boggeln | **Email:** bboggeln@alpinefire.org

Meeting Information

Dates & Time: Third Tuesday of the Month | 5:00 p.m.
Location: District Office, Board Room

Service Functions

Structural Fire Protection, Emergency Medical Services

Bonita-Sunnyside Fire Protection District

4900 Bonita Road, Bonita, CA 91902-1725
Office: 619.479.2346 | msims@bonitafd.org | www.bonitafd.org

Type: Independent
Formation Date: 1950
Estimated Population: 13,500

Board Members

Jim Marugg, Director
Mark Scott, Director
Thomas Pocklington, Director

Fire Chief: Mike Sims | **Email:** msims@bonitafd.org

Meeting Information

Dates & Time: Second Tuesday of the Month | 8:00 a.m.
Dark July and August
Location: District Office

Service Functions

Structural Fire Protection, Emergency Medical Services

Borrego Water District

806 Palm Canyon Drive, Borrego Springs, CA 92004-3101
Office: 760.767.5806 | esmeralda@borregowd.org | www.borregowd.org

Type: Independent
Formation Date: 1996
Estimated Population: 3,500

Board Members

Kathy Dice, President
Dave Duncan, Secretary/Treasurer
Gina Moran, Director
Tammy Baker, Vice President
Diane Johnson, Director

General Manager: Geoff Poole | **Email:** geoff@borregowd.org

Meeting Information

Dates & Time: Second and Fourth Wednesday of the Month | 9:00 a.m.
Location: District Office

Service Functions

District Wide: Groundwater Replenishment, Water, Vector Control
Restricted Areas: Wastewater, Flood Control, Solid Waste, Park & Recreation

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Buena Sanitation District

200 Civic Center Drive, Vista, CA 92084-6240
Office: 760.726.1340 | www.cityofvista.com

Type: Dependent
Formation Date: 1960
Estimated Population: 25,578

Board Members

John Franklin, Mayor
Joe Green, Council
Dan O'Donnell, Council
Corinna Contreras, Council
Katie Melendez, Council

City Manager: John Conley | **Email:** jconley@cityofvista.com

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 5:30 p.m.
First Tuesday of the Month | 2:00 p.m.
Location: Vista Civic Center, Council Chambers – 2nd Floor

Service Functions

Wastewater

Canebrake (County) Water District

140 Smoketree Lane, Julian, CA 92036-9336
Office: 760.765.1180 | bucheitjerry@gmail.com
www.canebrakewater.specialdistrict.org

Type: Independent
Formation Date: 1966
Estimated Population: 92

Board Members

Jerry Bucheit, President
Robert Mooney, Vice President
Ellyn Hae, Board Member
Daryl Holmes Jr., Board Member

General Manager/Board Pres.: Jerry Bucheit | **Email:** bucheitjerry@gmail.com

Meeting Information

Dates & Time: Second Saturday of the Month | 9:00 a.m.
Location: District Office

Service Functions

Water

Carlsbad Municipal Water District

5950 El Camino Real, Carlsbad, CA 92008-7314
Office: 442.339.2722 | vicki.quiram@carlsbadca.gov | www.carlsbadca.gov

Type: Dependent
Formation Date: 1954
Estimated Population: 114,974

Board Members

Matt Hall, Mayor
Priya Bhat-Patel, Mayor Pro Tem
Teresa Acosta, Council
Melanie Burkholder, Council

Executive Manager: Scott Chadwick | **Email:** manager@carlsbadca.gov

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 5:00 p.m.
Location: Council Chambers
1200 Carlsbad Village Drive, Carlsbad, CA 92008

Service Functions

Water, Wastewater, Reclaimed Water

Coachella Valley (County) Water District

51501 Tyler Street, Coachella, CA 92336-3601
Mailing Address: PO Box 1058, Coachella, CA 92236-1058
Office: 760.398.2651 | www.cvwd.org

Type: Dependent
Formation Date: 1918
Estimated Population: N/A

Board Members

John Aguilar, Director
Cástulo R. Estrada, Director
Peter Nelson, Director
Anthony Bianco, Director
John Powell, Jr., Director

General Manager: Jim Barrett | **Email:** jbarrett@cvwd.org

Meeting Information

Dates & Time: First and Second Tuesday of the Month | 8:00 a.m.
Location: Steve Robbins Administration Building
75515 Hovley Lane East, Palm Desert, CA 92211

Service Functions

Domestic Water (Riverside/Imperial), Sanitation Collection/Treatment (Riverside) Recycled Water (Riverside), Regional Stormwater (Riverside/Imperial) Flood Protection (Riverside/Imperial), Irrigation Water Import/Distribution (Riverside/Imperial)

County Service Area No. 17 (San Dieguito Paramedic)

County of San Diego, Health and Human Services Agency, Office of Emergency Services
6255 Mission Gorge Road, San Diego, CA 92120-3505
Office: 619.285.6429 | www.sandiegocounty.gov

Type: Dependent
Formation Date: 1969
Estimated Population: 120,449

Board Members

Kellie Hinze, President
Nancy Hillgren, Director
Elizabeth Shopes, Director
Barbara Cerny, Alternate
Jewel Edson, Alternate
Tucker S. Stine, Alternate
Tracy Martinez, Vice Chair
Jill MacDonald, Director
Frank Twohy, Member-at-Large
Dave Druker, Alternate
Joy Lyndes, Alternate

General Manager: Andrew Parr | **Email:** andy.parr@sdcounty.ca.gov

Meeting Information

Dates & Time: First Tuesday of the Month (February, May, August, and November) | 4:00 p.m.
Location: Solana Beach City Council
635 South Highway 101

Service Functions

Emergency Medical Service, EMS Ambulance Transport

County Service Area No. 26 (Rancho San Diego)

County of San Diego, Department of Parks and Recreation
5510 Overland Avenue, Suite 410, San Diego, CA 92123-1239
Office: 858.565.3600 | askparks.lue@sdcounty.ca.gov | www.sdparks.org

Type: Dependent
Formation Date: 1970
Estimated Population: 16,806

Board Members

Rory Jones, Director
James R. Schaefer, Director
Jack W. Reiland, Director
Michael Wagenleitner, Director

Director: Brian Albright | **Email:** Brian.albright@sdcounty.ca.gov

Meeting Information

Dates & Time: Third Thursday of the Month | 5:45 p.m.
Location: Rancho San Diego Library
11555 Via Rancho San Diego, El Cajon, CA

Service Functions

Landscape Maintenance, Open-Space Maintenance

County Service Area No. 81 (Fallbrook Local Parks)

County of San Diego, Department of Parks and Recreation
5510 Overland Avenue, Suite 410, San Diego, CA 92123-1239
Office: 858.565.3600 | askparks.lue@sdcounty.ca.gov | www.sdparks.org

Type: Dependent
Formation Date: 1976
Estimated Population: 49,616

Board Members

Stephani Baxter, Director
Kari Hoyer, Director
Sean O'Callaghan, Director
David Throop, Director
Ricardo Favela, Director
James Loge, Director
Susan Reed, Director

Region Manager: Jake Enriquez | **Email:** jake.enriquez@sdcounty.ca.gov

Meeting Information

Dates & Time: Third Thursday of the Month | 9:00 a.m.
Location: Live Oak Park Visitors Center
2746 Reche Road, Fallbrook, CA

Service Functions

Park Maintenance

County Service Area No. 83 (San Dieguito Local Parks)

County of San Diego, Department of Parks and Recreation
5510 Overland Avenue, Suite 410, San Diego, CA 92123-1239
Office: 858.565.3600 | askparks.lue@sdcounty.ca.gov | www.sdparks.org

Type: Dependent
Formation Date: 1976
Estimated Population: 33,655

Board Members

N/A

Director: Brian Albright | **Email:** Brian.albright@sdcounty.ca.gov

Meeting Information

N/A

Service Functions

Park Maintenance

County Service Area No. 122 (Otay East Mesa)

County of San Diego, Department of Public Works, San Diego County Sanitation District
5500 Overland Avenue, Suite 315, San Diego, CA 92123-1237

Type: Dependent
Formation Date: 1986
Estimated Population: 3,174

Board Members

Joel Anderson, Board of Sup.
Nathan Fletcher, Board of Sup.
Nora Vargas, Board of Sup.
Jim Desmond, Board of Sup.
Terra Lawson-Remer, Board of Sup.

Director: Daniel Brogadir | **Email:** Daniel.brogadir@sdcounty.ca.gov

Meeting Information

Dates & Time: Second and Third Tuesday of the Month | 9:00 a.m.
Location: County Administration Center
1600 Pacific Highway, Room 310, San Diego, CA 92101

Service Functions

Infrastructure Planning

County Service Area No. 128 (San Miguel Local Park)

County of San Diego, Department of Parks and Recreation
5510 Overland Avenue, Suite 410, San Diego, CA 92123-1239
Office: 858.565.3600 | askparks.lue@sdcounty.ca.gov | www.sdparks.org

Type: Dependent
Formation Date: 1991
Estimated Population: 59,698

Board Members

Victoria Abrenica, Director
Tina Carlson, Director
Carl Kasimatis, Director
Rolland E. Slade, Director
Steve Babbitt, Director
Robert Eble, Director
Braulio Sanabria, Director

Contact: Sean Hill | **Email:** sean.hill@sdcounty.ca.gov

Meeting Information

Dates & Time: First Tuesday of the Month | 6:30 p.m.
Location: Spring Valley Teen Center
838 Kempton Street Spring Valley, CA 91977

Service Functions

School Based Recreational Program, Park Maintenance

County Service Area No. 135 (Regional Com/FP and EMS)

County of San Diego Sheriff's Department (RCS), Regional Communications System
5595 Overland Avenue, Suite 101, San Diego, CA 92123-1268
Office: 858.694.3663 | rcs800mhz@sdsheriff.org | www.rcs800mhz.org

Type: Dependent
Formation Date: 1994
Estimated Population: 1,074,319

County of San Diego, San Diego County Regional Fire Authority
5510 Overland Avenue, Suite 250, San Diego, CA 92123-1239
Office: 858.974.5999 | fire@sdcounty.ca.gov | www.sdcountyfire.org

CAL FIRE Operations, San Diego Unit Headquarters
2249 Jamacha Road, El Cajon, CA 92019-4301

Board Members

Joel Anderson, Board of Sup.
Nathan Fletcher, Board of Sup.
Nora Vargas, Board of Sup.
Jim Desmond, Board of Sup.
Terra Lawson-Remer, Board of Sup.

Meeting Information

Dates & Time: Third Monday of the Month | 1:00 p.m.
Location: County Operations Center: San Diego County Fire Authority, Conference Room 241

Service Functions

Regional Communications Systems

County Service Area No. 136 (Sundance Detention Basin)

County of San Diego, Department of Public Works
5510 Overland Avenue, Suite 210, San Diego, CA 92123-1239

Type: Dependent
Formation Date: 1987
Estimated Population: 477

Board Members

Joel Anderson, Board of Sup.
Nathan Fletcher, Board of Sup.
Nora Vargas, Board of Sup.
Jim Desmond, Board of Sup.
Terra Lawson-Remer, Board of Sup.

Director: Sarah Agassi

Meeting Information

Dates & Time: Second and Third Tuesday of the Month | 9:00 a.m.
Location: County Administration Center
1600 Pacific Highway, Room 310, San Diego, CA 92101

Service Functions

Flood Control Detention Basin

County Service Area No. 137 (Live Oak Park)

County of San Diego, Department of Public Works
5500 Overland Avenue, Suite 315, San Diego, CA 92123-1239
Office: 858.514.4900 | csa137@sdcounty.ca.gov | www.sandiegocounty.gov

Type: Dependent
Formation Date: 2020
Estimated Population: 125

Board Members

Joel Anderson, Board of Sup.
Nathan Fletcher, Board of Sup.
Nora Vargas, Board of Sup.
Jim Desmond, Board of Sup.
Terra Lawson-Remer, Board of Sup.

Meeting Information

Dates & Time: Second and Third Tuesday of the Month | 9:00 a.m.
Location: County Administration Center
1600 Pacific Highway, Room 310, San Diego, CA 92101

Service Functions

Parks & Recreation

County Service Area No. 138 (Valley Center Parks and Recreation)

County of San Diego, Department of Public Works
5510 Overland Avenue, Suite 410, San Diego, CA 92123-1239
Office: 858.565.3600 | askparks.lue@sdcounty.ca.gov | www.sdparks.org

Type: Dependent
Formation Date: 2020
Estimated Population: 19,1123

Director: Brian Albright | **Email:** Brian.albright@sdcounty.ca.gov

Board Members

Karen Blair, Director
Carol Johnson, Director
Irma Hernandez, Director
Regina Roberts, Director

Meeting Information

Dates & Time: Third Monday of the Month | 3:00 p.m.
Location: Valley Center Community Hall
28246 Lilac Road, Valley Center, CA 92028

Service Functions

Parks and Recreation

Cuyamaca Water District

Cuyamaca Water District

15240 Highway 79, Julian, CA 92036-9252
Office: 760.315.1070 | cwd@cuyamacawaterdistrict.org
www.cuyamacawaterdistrict.org

Type: Independent
Formation Date: 1982
Estimated Population: 160

Board Members

Ronald Brown, Director
Tim Doyle, Director
George Merz, Director
William Dresselhaus, Director
Carolyn Hilfiker, Director
Steve Miller, Director
Board President: Ronald Brown | **Email:** cwd@cuyamacawaterdistrict.org

Meeting Information

Dates & Time: Fourth Monday of the Month | 4:00 p.m.
Location: 34560 Engineer Road
Julian, CA 92036

Service Functions

Potable Water

Deer Spring Fire Protection District

8709 Circle R Drive, Escondido, CA 92026-5802
Office: 760.749.8001 | liz@dsfd.sdcoxmail.com | www.deerspringsfire.org

Type: Independent
Formation Date: 1982
Estimated Population: 13,000

Board Members

James Gordon, Secretary/Treasurer
Mark Jackson, Vice President
Steve Kerrin, Director
Brian Holley, Director
Bret Sealey, President

Fire Chief: David Morrison | **Email:** david.morrison@fire.ca.gov

Meeting Information

Dates & Time: Second Wednesday of the Month | 4:00 p.m.
Location: District Headquarters

Service Functions

Structural Fire Protection, BLS-ALS Emergency Medical Services

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Descanso Community Water District

Descanso (Community Services) Water District

PO Box 610, Descanso, CA 91916-0610
Mailing Address: SUSP, c/o Descanso Water District, 4131 Northgate Road, Sacramento, CA 95884
Contact: 855.224.6981 | www.descansowaterdistrict.myruralwater.com

Type: Independent
Formation Date: 1982
Estimated Population: 783

Board Members

Lee Johnson, Financial Director
Gary Sanner, Vice President
Maureen Phillips, President

Contact: Maureen Phillips | **Email:** mphillipswater@gmail.com | 855.224.6981

Meeting Information

Dates & Time: Third Thursday of the Month; Quarterly | 7:00 p.m.
Location: Descanso Community Hall

Service Functions

Water

Fairbanks Ranch Community Services District

Dudek & Associates, 605 Third Street, Encinitas, CA 92024-3513
Office: 760.479.4150 | www.frcsd.com

Type: Independent
Formation Date: 1987
Estimated Population: 1,791

Board Members

Michael Conger, Director
Marlene King, President
Jim Nierman, Vice-President
Rick Heymann, Director
Daniel LaBouve, Director

General Manager: Paula Melendrez | **Email:** pmelendrez@dudek.com

Meeting Information

Dates & Time: First Monday of the Month | 6:00 p.m.
(February, May, November, and August)
Location: Fairbanks Ranch Clubhouse
17651 Circa del Norte, Rancho Santa Fe, CA 92067

Service Functions

Wastewater Treatment, Streetlight Maintenance, Roadside Landscape, Maintenance

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Fallbrook Regional Health District

138 South Brandon Road, Fallbrook CA 92028-2205
Office: 760.731.9187 | lbannerman@fallbrookhealth.org | www.fallbrookhealth.org

Type: Independent
Formation Date: 1950
Estimated Population: 56,339

Board Members

Jennifer Jeffries, Ed.D., Secretary
Terry Brown, Treasurer
Mike Stanicek, Director
Barbara Mroz, Vice Chair
William "Bill" Leach, Chair

Executive Officer: Rachel Mason, MS, MA, CEO | **Email:** rmason@fallbrookhealth.org

Meeting Information

Dates & Time: Second Wednesday of the Month | 6:00 p.m.
Location: Administrative Office
1st Floor Community Room

Service Functions

Healthcare

Fallbrook Public Utility District

990 East Mission Road, Fallbrook, CA 92028-2232
Office: 760.728.1125 | leckert@fpud.com | www.fpud.com

Type: Independent
Formation Date: 1922
Estimated Population: 35,000

Board Members

Dave Baxter, Director
Ken Endter, Director
Charley Wolk, President and Director
Jennifer DeMeo, Vice President and Director
Don McDougal, Director

General Manager: Jack Bebee | **Email:** jackb@fpud.com

Meeting Information

Dates & Time: Fourth Monday of the Month | 4:00 p.m.
Location: District Office

Service Functions

Water, Wastewater, Reclaimed Water

Grossmont Health Care District

9001 Wakarusa Street, La Mesa, CA 91942-3300
Office: 619.825.5050 | info@grossmonthealthcare.org
www.grossmonthealthcare.org

Type: Independent
Formation Date: 1952
Estimated Population: 509,560

Board Members

Robert "Bob" Ayres, Vice President
Michael Emerson, Treasurer
Randy Lenac, Board Member
Gloria A. Chadwick, RN, President
Virginia Hall, RN, Secretary

Chief Executive Officer: Christian Wallis, DHA, MBA, FACHE
Email: christian.wallis@grossmonthealthcare.org

Meeting Information

Dates & Time: Bi-monthly Monday's and Friday's | 7:30 a.m.
Location: District Office

Service Functions

Healthcare

Helix (Irrigation) Water District

7811 University Avenue, La Mesa, CA 91942-0427
Contact: 619.466.0585 | helix@helixwater.org | www.hwd.com

Type: Independent
Formation Date: 1913
Estimated Population: 273,131

Board Members

Kathleen Coates Hedberg PE, MPH, President
Mark Gracyk, Director
Joel A. Scalzitti, Director
Andrea Beth Damsky, Director
Dan McMillan EA, MS, MBA, Vice President

General Manager: Brian Olney | **Email:** brian.olney@helixwater.org

Meeting Information

Dates & Time: First, Third, and Fourth Wednesday of the month | 3:00 p.m.
Location: Administration Office

Service Functions

Water, Park and Recreation

Jacumba Community Services District

Jacumba Community Services District

PO Box 425, Jacumba, CA 91934-0425
Office: 619.766.4359 | jacumbawater@att.net | www.jacumbawater.com

Type: Independent
Formation Date: 1985
Estimated Population: 536

Board Members

Felix Bachmeier, Member
Robert Ridge, Member
Debra Yu, Member
Sarah Misquez, Vice President
Katrina Westley, President

General Manager: Emillo Gonzalez | **Email:** jacumbawater@att.net

Meeting Information

Dates & Time: Fourth Tuesday of the Month | 5:00 p.m.
Location: Highland Center
44681 Old Highway 80, Jacumba

Service Functions

Water, Park and Recreation

Julian Community Services District

Julian Community Services District

District Headquarters: 2645 Farmer Road, Julian, CA 92036
Mailing Address: PO Box 681, Julian, CA 92036-0681
Office: 760.765.0483 | JulianCSD@att.net

Type: Independent
Formation Date: 1965
Estimated Population: 315

Board Members

Scott A. Arter, Treasurer
Jim Sopher, Director
Herbert J. Dackermann, President
Roberta Zane, Director

General Manager: Harry Seifert

Meeting Information

Dates & Time: Third Tuesday of the Month
Location: Julian Sheriff Substation
2907 Washington Street, Julian, CA 92036

Service Functions

Water

Lake Cuyamaca Recreation and Park District

Lake Cuyamaca Recreation and Park District

15027 Highway 79, Julian, CA 92036-9530
Office: 760.765.0515 | info@lakecuyamaca.org | www.lakecuyamaca.net

Type: Independent
Formation Date: 1961
Estimated Population: 750

Board Members

Roland W. Eddy, Member
Thomas A. King, Treasurer
Eric Otto, Director
David Hilfiker, President
George L. Merz, Vice President
Steve Vandewalle, Secretary

General Manager: Race H. Paddock

Meeting Information

Dates & Time: First Tuesday of the Month | 10:00 a.m..
Location: 34560 Engineers Road
Julian, CA 92036

Service Functions

Recreation and Park

Lakeside Fire Protection District

12216 Lakeside Avenue, Lakeside, CA 92040-0921
Office: 619.390.2350 | info@lakesidefire.org | www.lakesidefire.org

Type: Independent
Formation Date: 1963
Estimated Population: 62,000

Board Members

Mark Baker, Director
Brent Bowser, Director
Bob Robeson, Director
Jim Bingham, Director
Pete Liebig, Director
Tim Robles, Director

Fire Chief: Don Butz | **Email:** dbutz@lakesidefire.org

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 5:30 p.m.
Location: Fire Administration Office

Service Functions

Structural Fire Protection, Emergency Medical Services

Lakeside Water District

Lakeside (Irrigation) Water District

10375 Vine Street, Lakeside, CA 92040-2440
Office: 619.443.3805 | form@lakesidewater.org | www.lakesidewater.org

Type: Independent
Formation Date: 1924
Estimated Population: 35,500

Board Members

Frank Hilliker, Director
Steve Johnson, Director
Steve Robak, Director
Pete Jenkins, Director
Eileen Neumeister, Director

General Manager: Brett Sanders | **Email:** bretts@lakesidewater.org

Meeting Information

Dates & Time: First Tuesday of the Month | 5:30 p.m.
Location: District Office

Service Functions

Water

Lemon Grove Roadway Lighting District

Lemon Grove City Hall
3232 Main Street, Lemon Grove, CA 91945
Office: 619.825.3800 | www.lemongrove.ca.gov

Type: Dependent
Formation Date: N/A
Estimated Population: N/A

Board Members

Racquel Vasquez, Mayor
Liana LeBaron, Council
Alysson Snow, Council
Jennifer Mendoza, Council
George Gastil, Council

Meeting Information

Dates & Time: First and Third Tuesday of the Month | 6:00 p.m.
Location: Lemon Grove Community Center

Service Functions

Lighting

Lemon Grove (County) Sanitation District

City of Lemon Grove Public Works
3232 Main Street, Lemon Grove, CA 91945-1705
Office: 619.825.3810 | www.lemongrove.ca.gov

Type: Dependent
Formation Date: 1947
Estimated Population: 25,857

Board Members

George Gastil, Councilmember
Jennifer Mendoza, Councilmember
Racquel Vasquez, Mayor
Liana LeBaron, Councilmember
Alysson Snow, Councilmember

City Manager: Lydia Romero | **Email:** lromero@lemongrove.ca.gov

Meeting Information

Dates & Time: First and Third Tuesday of the Month | 6:00 p.m.
Location: Lemon Grove Community Center
3146 School Lane, Lemon Grove, CA 91945

Service Functions

Wastewater Collection

Leucadia (County Water) Wastewater District

1960 La Costa Avenue, Carlsbad, CA 92009-6810
Office: 760.753.0155 | info@lwwd.org | www.lwwd.org

Type: Independent
Formation Date: 1959
Estimated Population: 62,000

Board Members

Judy Hanson, Director
Chris Roesink, Vice President
Elaine Sullivan, President
Donald Omsted, Director
Rolando A. Saldana, Director

General Manager: Paul Bushee | **Email:** pbushee@lwwd.org

Meeting Information

Dates & Time: Second Wednesday of the Month | 5:00 p.m.
Location: District Office

Service Functions

Recycled Water, Wastewater

LSFPD

Lower Sweetwater Fire Protection District

2725-B Granger Avenue, National City, CA 91950-7824
Office: 619.245.4550 | LSFPDistrict@gmail.com
www.sites.google.com/site/lsfpdistrict

Type: Independent
Formation Date: 1944
Estimated Population: 2,500

Board Members

Kevin Albers, Director
Yolanda Escamilla, Secretary
Kurt Worden, President
Russell Coniff, Director
Rodolfo Gonzalez, Vice President

General Manager/President: Kurt Worden

Meeting Information

Dates & Time: Monthly | 6:30 p.m.
Location: District Office

Service Functions

Structural Fire Protection and
Emergency Medical Services (Services Provided by the City of National City)

Majestic Pines Community Services District

1405 Banner Road, Julian, CA 92036
Mailing Address: PO Box 266, Julian, CA 92036-0266
Office: 760.765.0532 | mpcsd@sbcglobal.net | www.majesticpinescsd.org

Type: Independent
Formation Date: 1993
Estimated Population: 2,000

Board Members

Patti Thornburgh, President
Gary Darnell, Member-At-Large
Robert Markart, Secretary
Mark Taylor, Vice-President
John Jones, Treasurer

Meeting Information

Dates & Time: Third Wednesday of the Month | 3:30 p.m.
December Second Wednesday of the Month
Location: 1405 Banner Road
Julian, CA 92036

Service Functions

Water

Metropolitan Water District of Southern CA

P.O. Box 54153, Los Angeles, CA 90054-0153
Office: 213.217.6000 | www.mwdh2o.com

Type: Dependent
Formation Date: 1928
Estimated Population: 3,223,389

Board Members

38-member Board of Directors
Visit the MET website for more information:
www.mwdh2o.com/WhoWeAre/Board/Board-Meeting

Meeting Information

Dates & Time: Second Tuesday of the Month | 12:00 p.m.
Location: Metropolitan Water District
700 N. Alameda St. Los Angeles, CA 90012

Service Functions

Water

Mission Resource Conservation District

138 South Brandon Road, Fallbrook, CA 92028
Office: 760.728.1332 | www.missionrcd.org

Type: Independent
Formation Date: 1944
Estimated Population: 123,611

Board Members

Julia Escamilla, Sec./Tres.
Scott Murray, President

District Manager: Darcy Cook | **Email:** darcy@missionrcd.org

Meeting Information

Dates & Time: Third Wednesday of the Month | 7:00 p.m.
Location: 138 South Brandon Road
Fallbrook, CA 92028

Service Functions

Agricultural, Water Management, Conservation Plans, Residential Irrigation, Equestrian, Weed Management, Landscape, Community Garden

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Mootamai Municipal Water District

Mootamai Municipal Water District

PO Box 812 , Pauma Valley, CA 92061-0812
Info: mootamaimwd@gmail.com

Type: Independent
Formation Date: 1962
Estimated Population: 410

Board Members

Don Broomell, Sec./Tres.
Roland Simpson, President
Steve Wehr, Vice President
Bruce Knox, Director
Lynne Villalobos, Director

General Manager: Lori Johnson | **Email:** mootamaimwd@gmail.com | 760.802.2692

Meeting Information

Dates & Time: First Wednesday of the Month | 5:30 p.m.
As Needed
Location: Pauma Valley Community Center, 16650 Hwy 76

Service Functions

Water Rights, Structural Fire Protection and Emergency Medical Service

Morro Hills Community Services District

PO 161 , Fallbrook, CA 92088-0161
Office: 760.723.3642 | Thomas.harrington111@gmail.com | www.morrohillscsd.com

Type: Independent
Formation Date: 1961
Estimated Population: 989

Board Members

Gloria Harrington, Treasurer
Pat Meehan, Director
Leo Romero, Director
Tom Harrington, Director – President
Barbara Romero, Director – Secretary
Bill Weber, Director

President: Thomas Harrington | **Email:** Thomas.harrington111@gmail.com

Meeting Information

Dates & Time: Third Monday Quarterly | 4:00 p.m.
Location: Palomares House
1815 Stage Coach Lane, Fallbrook, CA

Service Functions

Road Maintenance

North County Cemetery District

2640 Glen Ridge Road, Escondido, CA 92027-4532
Office: 760.745.1781 | northcountycemeterydistrict@yahoo.com
www.northcountycemeterydistrict.com

Type: Independent
Formation Date: 1984
Estimated Population: 247,000

Board Members

Sharon Disney, Chair
Colleen Lukoff, Trustee
Steven Lochridge, Vice Chair
Michael D. Ott, Trustee

General Manager: Edward Serna

Meeting Information

Dates & Time: Third Monday of the Month | 5:30 p.m.
Location: District Office

Service Functions

Cemetery, Internment services

North County Fire Protection District

Administration Headquarters: 330 South Main Street, Fallbrook, CA 92028-2938
Office: 760.723.2012 | kmcreynolds@ncfire.org | www.ncfire.org

Type: Independent
Formation Date: 1987
Estimated Population: 55,000

Board Members

Cindy Acosta, Director
Ken Munson, Director
Chris Shaw, Director
Jeff Egkan, Director
Ross Pike, Director

Fire Chief: Keith McReynolds | **Email:** kmcreynolds@ncfire.org

Meeting Information

Dates & Time: Fourth Tuesday of the Month (Except November and December) | 5:00 p.m.
Second Tuesday in December (No meeting in November) | 5:00 p.m.
Location: Fallbrook PUD, Board Room
990 East Mission Road, Fallbrook, CA 92028

Service Functions

Structural Fire Protection, Emergency Medical Services, Ambulance Transportation, Community Risk Reduction

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North County Transit District

810 Mission Avenue, Oceanside, CA 92054
Office: 760.966.6500 | creports@nctd.org | www.gonctd.com

Type: Dependent
Formation Date: 1975
Estimated Population: N/A

Board Members

Priya Bhat-Patel
Jim Desmond
Jewel Edson, Board Chair
Sharon Jenkins, Vice-Chair
Matthew O. Tucker
Dane White, Executive Director
Corinna Contreras
Dave Druker
Kellie Hinze
Suheil Rodriguez
Peter Weiss
Lori A. Winfree

Meeting Information

Dates & Time: Third Thursday of the Month | 2:00 p.m.
Location: NCTD Administrative Offices

Service Functions

Pending Municipal Service Review

Oceanside Small Craft Harbor District

1540 Harbor Drive North, Oceanside, CA 92054-1090
Office: 760.435.4000 | www.ci.oceanside.ca.us

Type: Dependent
Formation Date: 1960
Estimated Population: 178,352

Board Members

James Gardner, Member
Carolynn Krammer, Member
Ernie Prieto, Member
Joe Yaglinski, Member
Les George, Member
Mark Mallaby, Member
Liz Rhea, Member

Harbor Division Manager: Ted Schiafone

Meeting Information

Dates & Time: Third Monday | 5:00 p.m.
(February, April, June, August, October, and November)
Location: Oceanside City Hall, Council Chambers – 2nd Floor
300 North Coast Hwy, Oceanside, CA

Service Functions

Public Small Marine-Craft Facility and Related Services

Olivenhain Municipal Water District

1966 Olivenhain Road, Encinitas, CA 92024-5676
Office: 760.753.6466 | skaufmann@olivenhain.com | www.olivenhain.com

Type: Independent
Formation Date: 1959
Estimated Population: 87,000

Board Members

Christy Guerin, President
Neal Meyers, Treasurer
Lawrence A. Watt, Secretary
Matthew R. Hahn, Vice President
Marco San Antonio, Director

General Manager: Kimberly A. Thorner | **Email:** kthorner@olivenhain.com

Meeting Information

Dates & Time: Second or Third Wednesday of the Month | 4:00 p.m.
Location: District Office

Service Functions

Water, Wastewater, Hydroelectric Generation, Reclaimed Water, Park and Recreation

Otay (Municipal) Water District

2554 Sweetwater Springs Boulevard, Spring Valley, CA 91978-2004
Office: 619.670.2222 | www.otaywater.gov

Type: Independent
Formation Date: 1956
Estimated Population: 233,415

Board Members

Gary Croucher, Director
Jose A. Lopez, Vice President
Tim Smith, Director
Ryan Keyes, Treasurer
Mark Robak, President

General Manager: Jose Martinez | **Email:** jose.martinez@otaywater.gov

Meeting Information

Dates & Time: First Wednesday of the Month | 3:30 p.m.
Location: District Office

Service Functions

Water, Wastewater, Recycled Water

Padre Dam Municipal Water District

9300 Fanita Parkway, Santee, CA 92071-7906
Mailing Address: PO Box 719003, Santee, CA 92072-9003
Office: 619.448.3111 | customer@padre.org | www.padredam.org

Type: Independent
Formation Date: 1976
Estimated Population: 102,106

Board Members

August Caires, Vice President
Bill Pommering, President
Suzanne Till, Director
Brian Fordyce, Director
Rocky Qualin, Director

CEO/General Manager: Kyle Swanson | **Email:** kswanson@padre.org

Meeting Information

Dates & Time: First and Third Wednesday of the Month | 4:00 p.m.
Location: District Office

Service Functions

Water – Limited, Wastewater – Limited, Recycled Water - Limited, Park and Recreation

PALOMAR HEALTH

Palomar Health

Palomar Medical Center Downtown:
2125 Citracado Parkway, Escondido, CA 92029
Office: 760.740.6345 | www.palomarhealth.org

Type: Independent
Formation Date: 1948
Estimated Population: 151,121

Board Members

Laura Barry, Treasurer
Terry Corrales, Secretary
Linda Greer, Chair
Michael Pacheco, Director
John Clark, Director
Laurie Edwards-Tate, Director
Jeff Griffith, Vice Chair

Chief Executive Officer: Diane Hansen, CPA | **Email:** Diane.hansen@palomarhealth.org

Meeting Information

Dates & Time: Second Monday of the Month | 6:30 p.m.
Location: Virtual or District Office

Service Functions

Healthcare

Pauma Municipal Water District

Pauma Municipal Water District

PO Box 706, Pauma Valley, CA 92061-0706
Office: 760.742.1736

Type: Independent
Formation Date: 1960
Estimated Population: 166

Board Members

Don Armstrong, Director
Rick Kariya, Vice President
Jon Hoxter, Secretary/Treasurer
Warren Lyall, President

Contact: Warren Lyall | **Email:** wclyall@gmail.com

Meeting Information

Dates & Time: Meetings are held when necessary per District

Service Functions

Water Rights, Emergency Medical Services

Pauma Valley Community Services District

Pauma Valley Community Services District

33129 Cole Grade Road, Pauma Valley, CA 92061-9518
Office: 760.742.1909 | pvcsdassistant@gmail.com | www.paumavalleycsd.com

Type: Independent
Formation Date: 1961
Estimated Population: 573

Board Members

Richard R. Collins, Treasurer
Jodie Lawston, President
Roland Skumawitz, Director
Michael Esparza, Vice President
Betty Potalivo, Secretary

General Manager: Bobby Graziano | **Email:** gm.pvcsd@gmail.com

Meeting Information

Dates & Time: Fourth Monday of the Month | 10:00 a.m.
Location: District Office

Service Functions

Wastewater And Collection, Treatment and Storage; Security and Patrol Services
Water Treatment; Distribution; and Private Road Management

Pomerado Cemetery District

14361 Tierra Bonita Road, Poway, CA 92064-3027
Office: 858.748.5760 | www.dearborncemetery.com

Type: Independent
Formation Date: 1950
Estimated Population: 187,573

Board Members

Kevin Haupt, Trustee
Denise L. Polito, Trustee
James Lyon, Trustee

General Manager: Carrie Perryman | **Email:** carrie@dearborncemetery.com

Meeting Information

Dates & Time: Fourth Wednesday of the Month | 3:00 p.m.
Location: District Office

Service Functions

Cemetery, Interment Services

Questhaven Municipal Water District

Questhaven Municipal Water District

20560 Questhaven Road, San Marcos, CA 92078-6810
Office: 760.744.1500 | office@questhaven.org

Type: Independent
Formation Date: 1959
Estimated Population: 13

Board Members

N/A

Meeting Information

Dates & Time: Semi-annual Meetings
Location: N/A

Service Functions

Water

Rainbow Municipal Water District

3707 Old Highway 395, Fallbrook, CA 92028-9372
Office: 760.728.1178 | www.rainbowmwd.com

Type: Independent
Formation Date: 1953
Estimated Population: 23,536

Board Members

Miguel Gasca, Director
Michael Mack, Director
Claude Hayden Hamilton, Director
Patti Townsend, Director

General Manager: Tom Kennedy | **Email:** tkennedy@rainbowmwd.com

Meeting Information

Dates & Time: Fourth Tuesday of the Month (January-October) | 1:00 p.m.
First Tuesday of the Month (November-December) | 1:00 p.m.
Location: District Office

Service Functions

Water, Wastewater Collection
District-Wide: Water distribution

Ramona Cemetery District

Ramona Cemetery District

532 Ash Street, Ramona, CA 92065-1404
Mailing Address: PO Box 211, Ramona, CA 92065-0211
Office: 760.789.0136 | ramonacemetery@sbcglobal.net | www.ramonacemeterydistrict.com

Type: Independent
Formation Date: 1959
Estimated Population: 38,000

Board Members

William Biggs, President
Daniel W. Vengler, Vice President
Robert Stuckey, Secretary

General Manager: John Vargas

Meeting Information

Dates & Time: Second Tuesday of the Month | 12:00 p.m.
Location: District Office

Service Functions

Cemetery, Internment Services

Ramona Municipal Water District

105 Earlham Street, Ramona, CA 92065-1558
Office: 760.789.1330 | customerservice@rmwd.org | www.rmwd.org

Type: Independent
Formation Date: 1956
Estimated Population: 39,000

Board Members

Jim Hickle, President
Jeff Lawler, Vice President
Jacob Zoria, Director
Gary Hurst, Treasurer
Jim Piva, Secretary

Interim General Manager: Craig Schmollinger

Meeting Information

Dates & Time: Second Tuesday of the Month | 6:00 p.m.
Location: 434 Aqua Lane, Ramona, CA 92065

Service Functions

Waster, Recycled Water, Sewer, Fire Protection and Emergency Medical Services, Park Services

Rancho Santa Fe Community Services District

Rancho Santa Fe Community Services District

District Office: 750 Second Street, Encinitas, CA 92024-4406
Mailing Address: Dudek and Associates, 605 Third Avenue, Encinitas, CA 92024-3513
Office: 760.942.5147 | www.rsfcsd.com

Type: Independent
Formation Date: 1981
Estimated Population: 7,930

Board Members

Bill Hinchy, Director
Deborah Plummer, Vice President
John Tanner, President
Laurel Lemarié, Director
John Salazar, Director

General Manager: Chuck Duffy | **Email:** cduffy@dudek.com

Meeting Information

Dates & Time: Second Monday of the Month | 1:30 p.m.
Location: Rancho Santa Fe Association
17022 Avenida de Acacias, Rancho Santa Fe, CA 92067

Service Functions

Wastewater, Reclaimed Water, Landscape, Maintenance, Utility Undergrounding, Security

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Rancho Santa Fe Fire Protection District

Administrative Office: 18027 Calle Ambiente, Suite 101, Rancho Santa Fe, CA 92067
Mailing Address: PO Box 410, Rancho Santa Fe, CA 92067-0410
Office: 858.756.5971 | www.rsf-fire.org

Type: Independent
Formation Date: 1946
Estimated Population: 38,000

Board Members

James Ashcraft, Board President
Randall Malin, Director
John C. Tanner, President
Nancy C. Hillgren, Director
Tucker Stine, Director

Fire Chief: David C. McQuead | **Email:** mcquead@rsf-fire.org

Meeting Information

Dates & Time: Third Wednesday of the Month | 1:00 p.m.
Location: Administrative Office, Board Community Room

Service Functions

Structural Fire Protection, Emergency Medical Services, First Responder
District-Wide: Fire Prevention, Shelter-In-Place, District-Wide, Community, Programs, Cert Car Seat Installation, Risk Reduction

Resource Conservation District of Greater San Diego

11769 Waterhill Road, Lakeside, CA 92040-2905
Office: 619.562.0096 | **Info:** info@rcdsandiego.org | www.rcdsandiego.org

Type: Independent
Formation Date: 1941
Estimated Population: 1,445,460

Board Members

Donald H. Butz, President
Odette Gonzalez, Secretary/Treasurer
Diane Moss, Director
Marilyn Huntamer, Vice President
Neil Meyer, Director
Maggie Sleeper, Director

Executive Director: Ann Baldridge | **Email:** ann.baldridge@rcdsandiego.org

Meeting Information

Dates & Time: Second Wednesday of the Month | 12:30 p.m.
Location: Various locations – check the District's website

Service Functions

Water and Soil, Conservation, Fish and Wildlife, Habitat Programs

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Rincon Del Diablo Municipal Water District

1920 North Iris Lane, Escondido, CA 92026-1318
Office: 760.745.5522 | admin@rinconwater.org | www.rinconwater.org

Type: Independent
Formation Date: 1954
Estimated Population: 132,076

Board Members

David Drake, Director
James Murtland, President
Inki Kim Welch, Treasurer
Ronald E. Naves, Director
Dr. Gregory Quist, Vice President

General Manager: Clint Baze

Meeting Information

Dates & Time: Second and Fourth Tuesdays of the Month | 5:00 p.m.
Location: District Office

Service Functions

Structural Fire, Protection and EMS, (Id-E), Water-Larger-Then- District, Recycled Water Larger-Then-District, Fire (Contract With City Of Escondido) , Larger-Then-District

Rincon Ranch Community Services District

Rincon Ranch Community Services District

District Office: 32859 Rincon Ranch Road, Pauma Valley, CA 92061
Mailing Address: PO Box 882, Pauma Valley, CA 92061-0882
Office: 760.802.2692

Type: Independent
Formation Date: 1963
Estimated Population: 270

Board Members

N/A

Meeting Information

Dates & Time: Quarterly
Location: District Office

Service Functions

Road Maintenance

San Diego County/Fire Protection District

County of San Diego
5510 Overland Avenue, Suite 250, San Diego, CA 92123-1239
Office: 858.974.5999 | fire@sdcounty.ca.gov | www.sdcountyfire.org

CAL FIRE Operations
San Diego Unit Headquarters: 2249 Jamacha Road, El Cajon, CA 92019

Type: Dependent
Formation Date: 2020
Estimated Population: 40,000

Board Members

Joel Anderson, Board of Supervisors
Nathan Fletcher, Board of Supervisors
Nora Vargas, Board of Supervisors
Jim Desmond, Board of Supervisors
Terra Lawson-Remer, Board of Supervisors

Director: Jeff Collins | **Email:** jeff.collins@sdcounty.ca.gov

Fire Chief: Tony Mecham

Meeting Information

Dates & Time: Annually, set by the Board of Supervisors
Location: County Operations Center, San Diego County Fire Authority, Conference Room 241

Service Functions

Fire Protection and Emergency Medical Services, Community Risk

San Diego County Flood Control District

5510 Overland Ave., Suite 410, San Diego, CA 92123
Office: 858.694.2112 | francis.miciano@sdcounty.ca.gov | www.sdcfcd.org

Type: Dependent
Formation Date: N/A
Estimated Population: N/A

Board Members

Joel Anderson, Board of Supervisors
Nathan Fletcher, Board of Supervisors
Nora Vargas, Board of Supervisors
Jim Desmond, Board of Supervisors
Terra Lawson-Remer, Board of Supervisors

District Manager: Sara Agahi

Meeting Information

Dates & Time: First Monday of the Month | 9:30 a.m.
Location: Virtual Meeting

Service Functions

Sewer Service (Wastewater)

San Diego County Sanitation District

County of Diego, Department of Public Works, Wastewater Management
5500 Overland Avenue, Suite 315, San Diego, CA 92123-1202
Office: 858.514.4990 | sewer@sdcounty.ca.gov
www.sandiegocounty.gov/content/sdc/dpw/wasteh2o.html

Type: Dependent
Formation Date: 2010
Estimated Population: 149,444

Board Members

Joel Anderson, Board of Supervisors
Nathan Fletcher, Board of Supervisors
Nora Vargas, Board of Supervisors
Jim Desmond, Board of Supervisors
Terra Lawson-Remer, Board of Supervisors

General Manager: Daniel Brogadir | **Email:** Daniel.brogadir@sdcounty.ca.gov

Meeting Information

Dates & Time: First and Third Tuesday of Each Month
Location: N/A

Service Functions

Sewer Service (Wastewater)

San Diego County Street Lighting Maintenance District

5510 Overland Avenue, Suite 410, San Diego, CA 92123
Office: 858.694.2212 | Jen.Winfrey@SDCounty.ca.gov
www.sandiegocounty.gov/content/sdc/dpw/specialdistricts/streetlight.html

Type: Dependent
Formation Date: N/A
Estimated Population: N/A

Board Members

Joel Anderson, Board of Supervisors
Nathan Fletcher, Board of Supervisors
Nora Vargas, Board of Supervisors
Jim Desmond, Board of Supervisors
Terra Lawson-Remer, Board of Supervisors

Meeting Information

N/A

Service Functions

Lighting

San Diego County Water Authority

4677 Overland Avenue, San Diego, CA 92123
Office: 858.522.6600 | www.sdcwa.org

Type: Dependent
Formation Date: 1944
Estimated Population: 3,223,389

Board Members

36-member Water Authority Board of Directors
Visit the SDCWA website for more information:
www.sdcwa.org/about-us/board-of-directors/meetings

Meeting Information

Dates & Time: Fourth Thursday of the Month | 9:00 a.m.
Location: Webcast

Service Functions

Water

San Diego Open Space Facilities District

5500 Overland Ave., Suite. 410, San Diego, CA 92123
Office: 858.966.1303 | www.sdparks.org

Type: Dependent
Formation Date: N/A
Estimated Population: N/A

Board Members

Joel Anderson, Board of Supervisors
Nathan Fletcher, Board of Supervisors
Nora Vargas, Board of Supervisors
Jim Desmond, Board of Supervisors
Terra Lawson-Remer, Board of Supervisors

Meeting Information

Dates & Time: Second Friday of the Month
Location: N/A

Service Functions

Park and Recreation

San Diego Unified Port District

3165 Pacific Highway, San Diego, CA 92101
Office: 619.686.6200 | customerservicecenter@portofsandiego.org
www.portofsandiego.org

Type: Dependent
Formation Date: 1962
Estimated Population: N/A

Board Members

Rafael Castellanos, Chairman
Ann Moore
Sandy Naranjo , Vice Chair
Michael Zucchet
Dan Malcolm
Danielle Moore, Secretary
Frank Urtasun

Meeting Information

Dates & Time: Second Tuesday of the Month | 1:00 p.m.
Location: Don L. Nay Administration Building

Service Functions

Pending Municipal Service Review

San Dieguito (Irrigation) Water District

160 Calle Magdalena, Encinitas, CA 92024-3721
Office: 760.633.2650 | waterops@sdwd.org | www.sdwd.org

Type: Dependent
Formation Date: 1922
Estimated Population: 39,823

Board Members

Allison Blackwell, Director
Kellie Hinze, Director
Tony Kranz, Vice President
Bruce Ehlers, Director
Joy Lyndes, President

General Manager: Isam Hireish

Meeting Information

Dates & Time: Third Wednesday of the Month | 5:00 p.m.
Location: Encinitas City Council Chambers
505 South Vulcan Avenue

Service Functions

Potable (Drinking) Water, Recycled Water

San Luis Rey Municipal Water District

5328 Highway 76, Fallbrook, CA 92028-7806
Office: 714.730.7083 | www.sanluisreymwd.specialdistrict.org

Type: Independent
Formation Date: 1958
Estimated Population: 119

Board Members

Victor Pankey, President
Thomas Veysey, Secretary
William Pankey, Vice President
Christian Zaleschuk, Director

Email: edunn@awattorneys.com

Meeting Information

Dates & Time: Third Wednesday of the Month | 4:00 p.m.
Location: District Office, Pankey Ranch

Service Functions

Water Rights, Water Storage Rights of Landowners

San Marcos Fire Department

1 Civic Center Drive, San Marcos, CA 92069-2918
Office: 760.744.1050 ext. 3410 | www.san-marcos.net

Type: Dependent
Formation Date: 1936
Estimated Population: 95,000

Board Members

Sharon Jenkins, Deputy Mayor
Ed Musgove, Council
Mike Sannella, Council
Rebecca Jones, Mayor
María Nuñez, Council

Fire Chief: Dan Barron | **Email:** dbarron@san-marcos.net

Meeting Information

Dates & Time: Second and Fourth Tuesday of the Month | 6:00 p.m.
Location: City Hall, Council Chamber

Service Functions

Structural fire protection, Emergency Medical Services

San Miguel Consolidated Fire Protection District

2850 Via Orange Way, Spring Valley, CA 91978-1746
Office: 619.670.0500 | info@sanmiguelfire.org | www.sanmiguelfire.org

Type: Independent
Formation Date: 1988
Estimated Population: 140,000

Board Members

Theresa McKenna, Vice President
Jeff Nelson, Director
Kim Raddatz, Director
Edward Woodruff, Director
Harry Muns, Director
Christopher Pierce, Board Secretary
Jesse Robles, President

Fire Chief: Criss Brainard | **Email:** cbrainard@sanmiguelfire.org

Meeting Information

Dates & Time: Second Wednesday of the Month | 5:30 p.m.
Fourth Wednesday of the Month (if needed) | 5:30 p.m.
Location: District Headquarters, Board Room

Service Functions

Structural Fire Protection, Emergency Medical Services

Santa Fe Irrigation District

5920 Linea del Cielo, Rancho Santa Fe, CA 92067
Mailing Address: PO Box 409, Rancho Santa Fe, CA 92067-0409
Office: 858.756.2424 | customerservice@sfidwater.org | www.sfidwater.org

Type: Independent
Formation Date: 1923
Estimated Population: 19,662

Board Members

Dana Friehauf, Vice President
Sandra D. Johnson, Director
Andrew Menshek, Director
Michael T. Hogan, President
Ron Magnaghi, Director

General Manager: Albert C. Lau | **Email:** generalmanager@sfidwater.org

Meeting Information

Dates & Time: Third Thursday of the Month | 8:30 a.m.
Location: District Office

Service Functions

Water

South Bay Irrigation District

c/o Sweetwater Authority: 505 Garrett Avenue, Chula Vista, CA 91910-2328
Mailing Address: PO Box 2328, Chula Vista, CA 91910-2328
Office: 619.427.0868 | www.sweetwater.org | boardsecretary@sweetwater.org

Type: Independent
Formation Date: 1951
Estimated Population: 200,000

Board Members

Josie Calderon-Scott, Director
Manny Delgado, Director
Paulina Martinez-Perez, Director
Steve Castaneda, Director
Hector Martinez, Director

General Manager: Carlos Quintero

Meeting Information

Dates & Time: Second Wednesday of the Month | 6:00 p.m.
Fourth Wednesday of the Month | 5:00 p.m.

Location: District Office

Service Functions

Water

Tri-City Medical Center

4002 Vista Way, Oceanside, CA 92056-4506
Office: 760.724.8411 | **Info:** inquiry@tcmc.com | www.tricitymed.org

Type: Independent
Formation Date: 1957
Estimated Population: 398,746

Board Members

Nina Chaya, M.D., Assistant Secretary
George Coulter, Assistant Treasurer
Marvin Mizell, Board Member
Tracy M. Younger, Vice President
Rocky J. Chavez, Chairperson
Gigi Gleason, Secretary
Adela I. Sanchez, RN, Treasurer

Interim President & CEO: Gene Ma, MD, FACEP

Meeting Information

Dates & Time: Fourth Thursday of the Month | 3:30 p.m.
Location: District Office, Assembly Room

Service Functions

Healthcare

Upper San Luis Rey Resource Conservation

Upper San Luis Rey Resource Conservation

PO Box 177, Pauma Valley, CA 92061-0177
Office: 760.742.3704 | www.uppersanluisreyrcd.net

Type: Independent
Formation Date: 1945
Estimated Population: 5,597

Board Members

Greg Kamin, Vice-President
Michael Perricone, Director
Andrew Lyall, President
Amy Reeh, Director

General Manager: Amy Reeh | **Email:** amy@yuimamwd.com

Meeting Information

Dates & Time: Second Thursday of the Month | 1:00 p.m.
Location: Yuima Municipal Water District, Conference Room
34928 Valley Center Road, Pauma Valley, CA 92061

Service Functions

Soil Conservation, Soil Erosion, Water Conservation and Distribution, Wildlife Enhancement

Vallecitos Water District

201 Vallecitos de Oro, San Marcos, CA 92069-1453
Office: 760.744.0460 | www.vwd.org

Type: Independent
Formation Date: 1955
Estimated Population: 108,392

Board Members

Tiffany Boyd-Hodgson, PhD. Director
Erik A. Groset, Director
James Pennock, Director
Craig Elitharp, Director
Jim Hernandez, Director

General Manager: Glenn Pruim | **Email:** gpruim@vwd.org

Meeting Information

Dates & Time: First and Third Wednesday of the Month | 5:00 p.m.
Location: District Office

Service Functions

Water, Wastewater, Reclaimed Wastewater

Valley Center Cemetery District

Valley Center Cemetery District

PO Box 645, Valley Center, CA 92028-0645
Office: 760.749.1186 | vccemetery@gmail.com | www.valleycentercemetery.org

Type: Independent
Formation Date: 1931
Estimated Population: 23,589

Board Members

Melanie Helgesen, Secretary
Joseph R. Martinez, Vice President
Bruce Uber, Trustee
Louise Kelly, President
Kathleen E. McBeath, Trustee

Contact: Claudia Johnson at 760.749.1266

Meeting Information

Dates & Time: Second Tuesday of the Month | 10:00 a.m.
Location: Valley Baptist Church
30053 Miller Road, Valley Center, CA 92082

Service Functions

Cemetery, Internment Service

Valley Center Fire Protection District

28234 Lilac Road, Valley Center, CA 92082-5413
Office: 760.751.7600 | www.valleycenterfire.com

Type: Independent
Formation Date: 1982
Estimated Population: 11,320

Board Members

Phil Bell, President
Mike O'Connor, Treasurer
Steve Hutchison, Vice President
Regina Roberts, Secretary

Fire Chief: Joe Napier | **Email:** napier@vcfpd.org

Meeting Information

Dates & Time: Third Thursday of the Month | 6:00 p.m.
Location: Valley Center MWD
29300 Valley Center Rd, Valley Center, CA 92082

Service Functions

Structural Fire Protection, ALS Emergency Medical Services, Community Risk Reduction Services

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Valley Center Municipal Water District

29300 Valley Center Road,Valley Center, CA 92082-6207
Mailing Address: PO Box 67, Valley Center, CA 92082-0067
Office: 760.735.4517 | vcwater@vcmwd.org | www.vcmwd.org

Type: Independent
Formation Date: 1954
Estimated Population: 29,709

Board Members

Enrico Ferro, Vice President
Cooper Ness, Director
Oliver Smith, Director
Daniel Holtz, Director
Robert Polito, President

General Manager: Gary Arant | **Email:** garant@vcmwd.org

Meeting Information

Dates & Time: First and Third Monday of the Month | 2:00 p.m.
Location: District Office, Board Room

Service Functions

Water, Wastewater, Recycled Water

Vista Fire Protection District

Vista Fire Protection District

450 S. Melrose Drive, Vista, CA 92081
Office: 760.688.7588 | karannals@gmail.com | www.vistafireprotectiondistrict.org

Type: Independent
Formation Date: 1944
Estimated Population: 19,000

Board Members

Jim Elliott, President
Daniel Gomez, Director
John Ploetz, Vice President
Rob Fougner, Director
Read Miller, Director

Contact: Karlena Rannals, CAP | **Email:** krannals@vistafpd.org

Meeting Information

Dates & Time Second Wednesday of the Month | 10:00 a.m.
Location: District Office

Service Functions

Structural Fire Protection, Emergency Medical Services, Advance Life Support(ALS), Fire Prevention Services including Education

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Vista Irrigation District

1391 Engineer Road, Vista, CA 92081-8840
Office: 760.597.3100 | www.vidwater.org

Type: Independent
Formation Date: 1923
Estimated Population: 111,923

Board Members

Peter Kuchinsky II, Director
Marty Miller, Director
Richard L. Vásquez, Director
Jo MacKenzie, President
Patrick H. Sanchez, Director

General Manager: Brett Hodgkiss | **Email:** bhodgkiss@vidwater.org

Meeting Information

Dates & Time: First and Third Wednesday of the Month | 9:00 a.m.
Location: District Office

Service Functions

Potable Water

Whispering Palms Community Services District

Whispering Palms Community Services District

Administrative Office: 750 Second Street, Encinitas, CA 92024-4406
Mailing Address: Dudek and Associates, 605 Third Street, Encinitas, CA 92024-3513
Office: 760.479.4150 | www.wpcsd.net

Type: Independent
Formation Date: 1987
Estimated Population: 2,708

Board Members

Byron Hanchett, Vice President
Doug Manatt, President
Al Panton, Director
Bill Haynor, Director
Ed Munsch, Director

General Manager: Chuck Duffy | **Email:** cduffy@dudek.com

Meeting Information

Dates & Time: Second Tuesday of the Month | 4:00 p.m.
Location: Morgan Run Golf Course Clubhouse
5690 Cancha de Golf, Rancho Santa Fe, CA 92091

Service Functions

Wastewater, Roadside Landscape Maintenance, Street Sign and Lightening Maintenance

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Wynola Water District

PO Box 193, Santa Ysabel, CA 92070-0193
Office: 858.775.6695 | wynolawater@gmail.com | www.wynolawaterdistrict.com

Type: Independent
Formation Date: 1969
Estimated Population: 150

Board Members

Brenden Kelso, Treasurer
Jim Madaffer, President
Ron Placa, Vice President
Steve Kincaid, Director
Sandie McCann, Director

Office Manager: Jim Madaffer | **Email:** wynolawater@gmail.com

Meeting Information

Dates & Time: Second Saturday of each Month | 9:00 a.m.
Location: Santa Ysabel Nature Center
22135 Highway 79, Santa Ysabel, CA 92070

Service Functions

Water

Yuima Municipal Water District

34928 Valley Center Road, Pauma Valley, CA 92061
Mailing Address: PO Box 177, Pauma Valley, CA 92061-0177
Office: 760.742.3704 | yuima@yuimamwd.com | www.yuimamwd.com

Type: Independent
Formation Date: 1963
Estimated Population: 2,227

Board Members

Don Broomell, Sec.-Treasurer
Bruce Knox, Director
Steve Wehr, Vice-President
Laurie Kariya, Director
Roland Simpson, President

General Manager: Amy Reeh | **Email:** amy@yuimamwd.com

Meeting Information

Dates & Time: Fourth Monday of the Month | 2:00 p.m.
Location: District Office

Service Functions

Water Service
District-wide: Structural and Wildlife Fire Protection and EMS, Emergency Medical Services
District-wide: Domestic Potable Water Service
District-wide: Municipal and Industrial: Agricultural and Wholesale



sdlafco.org

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AGENDA REPORT
Consent | Information

June 5, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Tamaron Luckett, Commission Clerk

SUBJECT: **Final Calculations for 2023-2024 Apportionments**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a report identifying local agency apportionments for 2023-2024. The apportionments are final and have been calculated by the County of San Diego Auditor's Office consistent with the prescribed funding formula established under LAFCO law and based on the $2.034 million total contribution amount set by the Commission at May 1, 2023 meeting. The report is being presented to the Commission for information only.

BACKGROUND

Prescribed Funding

State law mandates operating costs for LAFCOs shall be annually funded among their represented membership categories. San Diego LAFCO's operating costs, accordingly, are divided among four distinct membership categories that collectively cover 78 local agencies with the largest apportionment assigned to the County of San Diego at 28.57%. The independent special districts and cities – less the City of San Diego – are also apportioned funding percentages of 28.57% with individual amounts divided thereafter based on total revenue shares in a given fiscal year. The City of San Diego – and based on special legislation

Administration:
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
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Chair Jim Desmond
County of San Diego
Joel Anderson
County of San Diego
Nora Vargas, Alt.
County of San Diego
Krista Becker
City of Solana Beach
Dane White
City of Escondido
John McCann, Alt.
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Vice Chair Stephen Whitburn
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City of San Diego
Jo MacKenzie
Vista Irrigation
Barry Willis
Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

providing the City has a dedicated seat on the Commission – is responsible for the remaining 14.29% of San Diego LAFCO's annual operating costs.

DISCUSSION

This item is for San Diego LAFCO to receive a report identifying final local agency apportionments for 2023-2024 based on the contribution total of $2.034 million previously adopted by the Commission at its May 1, 2023 meeting. A full listing of individual agency apportionments is provided as Attachment One.

The report is being presented for information only.

ANALYSIS

None.

RECOMMENDATION

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

ALTERNATIVES FOR ACTION

This item is being presented for information only; no action.

PROCEDURES

This item has been placed on the 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.

Respectfully,



Tamaron Luckett
Commission Clerk

Attachment:

1) Final 2023-2024 Agency Apportionments

Auditor and Controller/Property Tax Services
LAFCO Payment Log FY 2023-24
(Fund 44595, Org. 91050, Account 45918)

Invoice Numbers	Date Received	Date of Deposit	Oracle Batch #	Fund #	Taxing Agencies	LAFCO Cost 2023/24	Amount Paid	Amount Outstanding
Special Districts								
LC22-01				**3101-00**	Alpine Fire Protection District	2,812.63		2,812.63
LC22-02				**3102-00**	Bonita-Sunnyside Fire Protection	2,312.00		2,312.00
LC22-03				**3145-00**	Borrego Springs Fire Protection	1,181.89		1,181.89
LC22-04				**6415-00**	Borrego Water District	2,947.35		2,947.35
LC22-05				**6508-00**	Canebrake County Water District	51.91		51.91
LC22-06				**6425-00**	Cuyamaca Water District	58.38		58.38
LC22-07				**3105-00**	Deer Springs Fire Protection	3,636.26		3,636.26
LC22-08				**6820-00**	Descanso Community Services District or Community Water District	402.94		402.94
LC22-09				**6825-00**	Fairbanks Ranch Community Services District	333.01		333.01
LC22-10				**6136-00**	Fallbrook Regional Health District	1,237.15		1,237.15
LC22-11				**6240-00**	Fallbrook Public Utility District	23,846.86		23,846.86
LC22-12				**6150-00**	Grossmont Healthcare District	6,075.52		6,075.52
LC22-13				**6350-00**	Helix Water District	61,232.61		61,232.61
LC22-14				**6830-00**	Jacumba Community Services District	491.68		491.68
LC22-15				**6840-00**	Julian Community Services District	215.33		215.33
LC22-16				**3860-00**	Lake Cuyamaca Recreation & Park	916.92		916.92
LC22-17				**3119-00**	Lakeside Fire Protection District	9,970.06		9,970.06
LC22-18				**6360-00**	Lakeside Water District	5,748.16		5,748.16
LC22-19				**6535-00**	Leucadia Wastewater District	7,344.11		7,344.11
LC22-20				**3121-00**	Lower Sweetwater Fire Protection	231.92		231.92
LC22-21				**6847-00**	Majestic Pines Community Services District	382.19		382.19
LC22-22				**3546-00**	Mission Resource Conservation	26.77		26.77
LC22-23				**6645-00**	Mootamai Municipal Water District	11.82		11.82
LC22-24				**6851-00**	Morro Hills Community Services District	54.72		54.72
LC22-25				**3616-00**	North County Cemetery District	2,105.59		2,105.59
LC22-26				**3107-00**	North County Fire Protection	13,482.87		13,482.87
LC22-27				**6650-00**	Olivenhain Municipal Water District	46,618.25		46,618.25
LC22-28				**6655-00**	Otay Water District	70,794.43		70,794.43
LC22-29				**6677-00**	Padre Dam Municipal Water District	47,713.56		47,713.56
LC22-30				**6160-00**	PPHS - Palomar Medical Center	23,457.26		23,457.26
LC22-31				**6160-00**	PPHS - Pomerado Hospital (Palomar Medical Cente	-		-
LC22-32				**6657-00**	Pauma Municipal Water District	14.50		14.50
LC22-33				**6860-00**	Pauma Valley Community Services District	897.83		897.83
LC22-34				**3650-00**	Pomerado Cemetery District	991.41		991.41
LC22-35				**6665-00**	Questhaven Municipal Water District	3.56		3.56
LC22-36				**6670-00**	Rainbow Municipal Water District	28,660.05		28,660.05
LC22-37				**3658-00**	Ramona Cemetery District	256.10		256.10
LC22-38				**6673-00**	Ramona Municipal Water District	23,644.95		23,644.95
LC22-39				**6870-00**	Rancho Santa Fe Community Services District	2,619.98		2,619.98
LC22-40				**3123-00**	Rancho Santa Fe Fire Protection	9,970.03		9,970.03
LC22-41				**3552-00**	Resource Conservation District of Greater SD County	671.93		671.93
LC22-42				**6675-00**	Rincon Del Diablo Muni Water District	14,860.67		14,860.67
LC22-43				**6875-00**	Rincon Ranch Community Services District	11.01		11.01
LC22-44				**6680-00**	San Luis Rey Municipal Water District	1.46		1.46
LC22-45				**3128-00**	San Miguel Consolidated Fire Protection District	15,537.58		15,537.58
LC22-46				**6363-00**	Santa Fe Irrigation District	22,558.94		22,558.94
LC22-47				**6364-00**	South Bay Irrigation District	23.64		23.64
LC22-48				**6180-00**	Tri City Hospital District	-		-
LC22-49				**3571-00**	Upper San Luis Rey Resource Conservation District	19.95		19.95
LC22-50				**6570-00**	Vallecitos Water District	45,206.96		45,206.96
LC22-51				**3665-00**	Valley Center Cemetery District	142.14		142.14
LC22-52				**3150-00**	Valley Center Fire Protection	1,762.16		1,762.16
LC22-53				**6690-00**	Valley Center Municipal Water District	31,364.85		31,364.85
LC22-55				**6230-00**	Vista Fire Protection District	2,298.50		2,298.50
LC22-56				**6368-00**	Vista Irrigation District	32,585.83		32,585.83
LC22-57				**6930-00**	Whispering Palms Community Services District	701.08		701.08
LC22-58				**6490-00**	Wynola Water District	96.22		96.22
LC22-59				**6698-00**	Yuima Municipal Water District	10,478.52		10,478.52
					Special Districts Total	**581,074.00**	**0.00**	**581,074.00**

Auditor and Controller/Property Tax Services
LAFCO Payment Log FY 2023-24
(Fund 44595, Org. 91050, Account 45918)

Invoice Numbers	Date Received	Date of Deposit	Oracle Batch #	Fund #	Taxing Agencies	LAFCO Cost 2023/24	Amount Paid	Amount Outstanding
Cities								
LC22-60				**6010XX**	City of Carlsbad	76,151.60		76,151.60
LC22-61				**6014XX**	City of Chula Vista	89,565.07		89,565.07
LC22-62				**6017XX**	City of Coronado	24,706.91		24,706.91
LC22-63				**6022XX**	City of Del Mar	7,424.94		7,424.94
LC22-64				**6035XX**	City of El Cajon	36,548.28		36,548.28
LC22-65				**6036XX**	City of Encinitas	36,727.18		36,727.18
LC22-66				**6038XX**	City of Escondido	48,442.16		48,442.16
LC22-67				**6045XX**	City of Imperial Beach	7,844.45		7,844.45
LC22-68				**6050XX**	City of La Mesa	24,819.14		24,819.14
LC22-69				**6060XX**	City of Lemon Grove	7,142.92		7,142.92
LC22-70				**6065XX**	City of National City	27,134.76		27,134.76
LC22-71				**6070XX**	City of Oceanside	73,315.91		73,315.91
LC22-72				**6075XX**	City of Poway	22,373.29		22,373.29
LC22-73				**6090XX**	City of San Marcos	29,558.06		29,558.06
LC22-74				**6091XX**	City of Santee	21,167.46		21,167.46
LC22-75				**6093XX**	City of Solana Beach	8,987.53		8,987.53
LC22-76				**6095XX**	City of Vista	39,164.34		39,164.34
					Cities Total	**581,074.00**	**0.00**	**581,074.00**
LC22-77				**6085XX**	**City of San Diego**	290,639.00		290,639.00
LC22-78	**Transfer from FAR**	**Transfer from FAR**	**Transfer from FAR**	**100100**	**County of San Diego**	581,074.00		581,074.00
					Total	**2,033,861.00**	**0.00**	**2,033,861.00**

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AGENDA REPORT
Public Hearing

June 5, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Priscilla Mumpower, Analyst II – Project Manager
Carolanne Ieromnimon, Analyst I
Chris Cate, Commission Consultant
Adam Wilson, Commission Consultant

SUBJECT: **COMBINED PUBLIC HEARING**
Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services" | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04)

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider two separate reorganization proposals filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) that have been administratively combined for hearing purposes by the Executive Officer. The proposals seek LAFCO approvals to transfer wholesale water service responsibilities within the applicants' jurisdictional boundaries from the San Diego County Water Authority to Eastern MWD. The purpose of the proposals is to achieve cost-savings to the applicants and their retail ratepayers based on the difference in charges between the two wholesalers. LAFCO staff independently estimates the average monthly cost-savings for the applicants' ratepayers is $23.50 per household. LAFCO staff separately estimates the average monthly cost-increases to the remaining County Water Authority member agencies' ratepayers at $2.20 per household.

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Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, City of Chula Vista
Vice Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Jo MacKenzie, Vista Irrigation
Barry Willis, Alpine Fire Protection
David A. Drake, Alt., Rincon del Diablo
Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

As detailed, five distinct alternative actions are available to the Commission at the conclusion of its deliberations. These alternatives are organized linearly as follows.

- Option One involves approving the proposals with only standard conditions.
- Option Two involves approving the proposal with additional conditions that include requiring the applicants to pay exit fees to County Water Authority.
- Option Three involves deferring consideration of the proposals until the completion of a scheduled municipal service review on the County Water Authority.
- Option Four involves disapproving the proposals without prejudice.
- Option Five involves disapproving the proposals.

Staff believes three of the five available alternatives – Options Two, Three, and Four – are readily merited based on the administrative reviews and distinguished by addressing different and otherwise appropriate Commission policy priorities. Among these three merited alternatives, staff recommends Option Two with special terms to require the applicants pay a combined annual exit fee payment for five years totaling $24.305 million. This alternative prioritizes the stand-alone merits of the applicants' proposals and concurrent policy enhancement of supporting a viable agriculture economy in North County. Related actions in support of the staff preferred alternative are also recommended and include making exemption findings under the California Environmental Quality Act. Any approval would be subject to voter confirmation within the applicants' jurisdictional boundaries.

BACKGROUND

Application Filings & Requested Applicants' Terms

San Diego LAFCO has received separate resolution of applications submitted in March 2020 from Fallbrook PUD and Rainbow MWD each requesting Commission approval to transfer wholesale water supply responsibilities within their jurisdictional boundaries from the County Water Authority to Eastern MWD. The resolution of applications were both approved by unanimous votes. The proposals have been administratively combined for processing and hearing purposes by the Executive Officer with the applicants' consent. The proposals individually seek two concurrent jurisdictional changes as follows:

- Fallbrook PUD is requesting the detachment of the 28,193 acres comprising its jurisdictional boundary from the County Water Authority and concurrent annexation to Eastern MWD.

- Rainbow MWD is requesting the detachment of the 50,857 acres comprising its jurisdictional boundary from the County Water Authority and concurrent annexation to Eastern MWD.

Matching approval terms are included in both resolution of applications. Requested terms include limiting any voter confirmations to electors in the Fallbrook PUD and Rainbow MWD jurisdictional boundaries. The applicants also request the County Water Authority be allowed to continue to collect any unpaid bonded indebtedness on properties within the Fallbrook PUD and Rainbow MWD jurisdictional boundaries to the extent allowed under the law.

The underlying effects of the proposals if approved under LAFCO statute is two-fold. First, the County Water Authority's legal authority, rights, and duties to exercise a wholesale water supply function within the affected territory would cease. The County Water Authority would no longer receive any revenues collected on the property tax rolls within Fallbrook PUD and Rainbow MWD's jurisdictional boundaries with additional details footnoted.[1] Second, Eastern MWD would receive legal authority to exercise a wholesale water supply function within the affected territory with the corresponding ability to seek future voter approval to establish new fees, charges, and/or parcel assessments.[2]

Affected Territory

The affected territory as submitted aligns with the existing jurisdictional boundaries of Fallbrook PUD and Rainbow MWD and totals 79,050 acres – or 123.5 square miles – with 99% involving unincorporated lands.[3] This acreage total represents 3.4% of all San Diego County. The estimated population in the affected territory is 56,116 with 32,781 registered voters. The total assessed value of the affected territory is $8.99 billion and divided between Fallbrook PUD and Rainbow MWD at $4.078 and $4.912 billion, respectively.[4] An aerial map of the affected territory and its regional setting is provided on page five of this report.

Subject Agencies

The proposed reorganizations before San Diego LAFCO involves two subject agencies: Eastern MWD and County Water Authority.[5] A summary of the subject agencies in terms of governance, population, municipal functions, and financial standings follow.

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[1] The portion of AB8 revenue (i.e., the portion of the 1% in property tax currently allocated to the County Water Authority) would be redirected in full to Eastern MWD consistent with an existing master property tax agreement adopted by the County of San Diego. The amount of AB8 revenue collected by the County Water Authority in 2021-2022 totals $0.173 million within Fallbrook PUD and $0.209 million within Rainbow MWD. County Water Authority also collects $0.266 million and $0.458 million annually in unitary and availability charges within these respective jurisdictional boundaries. These latter revenue sources would be eliminated if the proposals are approved. Additional discussion on the property tax exchange is provided in proceeding sections.

[2] Eastern MWD does not presently collect any fees, charges, or assessments on the tax roll.

[3] The affected territory is entirely unincorporated with the exception of an approximate 859.0-acre area within Rainbow MWD that overlaps with the City of Oceanside's Morro Hills neighborhood.

[4] The Fallbrook community anchors the affected territory and serves as the economic and social center for the other subject communities that include Bonsall, De Luz, Gopher Canyon, Live Oaks, Rainbow Valley, and Winterhaven. The affected territory's exterior boundary is framed by Camp Pendleton to the west, Pala to the east, Valley Center to the south, and Riverside County to the north. The population density ratio is 0.7 residents for every one acre and reflects the semi-rural character prevalent within most of the affected territory and the historical relationship with agriculture and specifically commercial nursery flower, citrus, and avocados groves.

[5] Reference to Government Code § 56077.

- **Eastern MWD** is an independent special district governed by a five-member board of directors. An appointed general manager oversees day-to-day activities, and this includes a current full-time budgeted staff of 642.0. Eastern MWD was formed in 1950 with an existing jurisdictional boundary spanning 542 square miles and includes the Cities of Hemet, Moreno Valley, Murrieta, Perris, and Temecula. The estimated jurisdictional resident population is 816,000. Eastern MWD's active municipal functions and associated classes involve potable water (retail and wholesale), wastewater (collection and treatment), and recycled water (retail). Approximately 84.3% of water supplies presently accessed by Eastern MWD for wholesaling or retailing are drawn from MET (Colorado River and Sacramento Bay-Delta) with the remainder coming from local groundwater. The most recent audit shows Eastern MWD's net position at $1.939 billion as of June 30, 2022. This accrued amount reflects an overall three-year change of 11.3% and includes an unrestricted portion of $307.290 million. The unrestricted amount is adjusted to $399.771 million less pension and related retiree dedications and equals 11.6 months of recent actuals. The current Board officers and senior management roster follows.

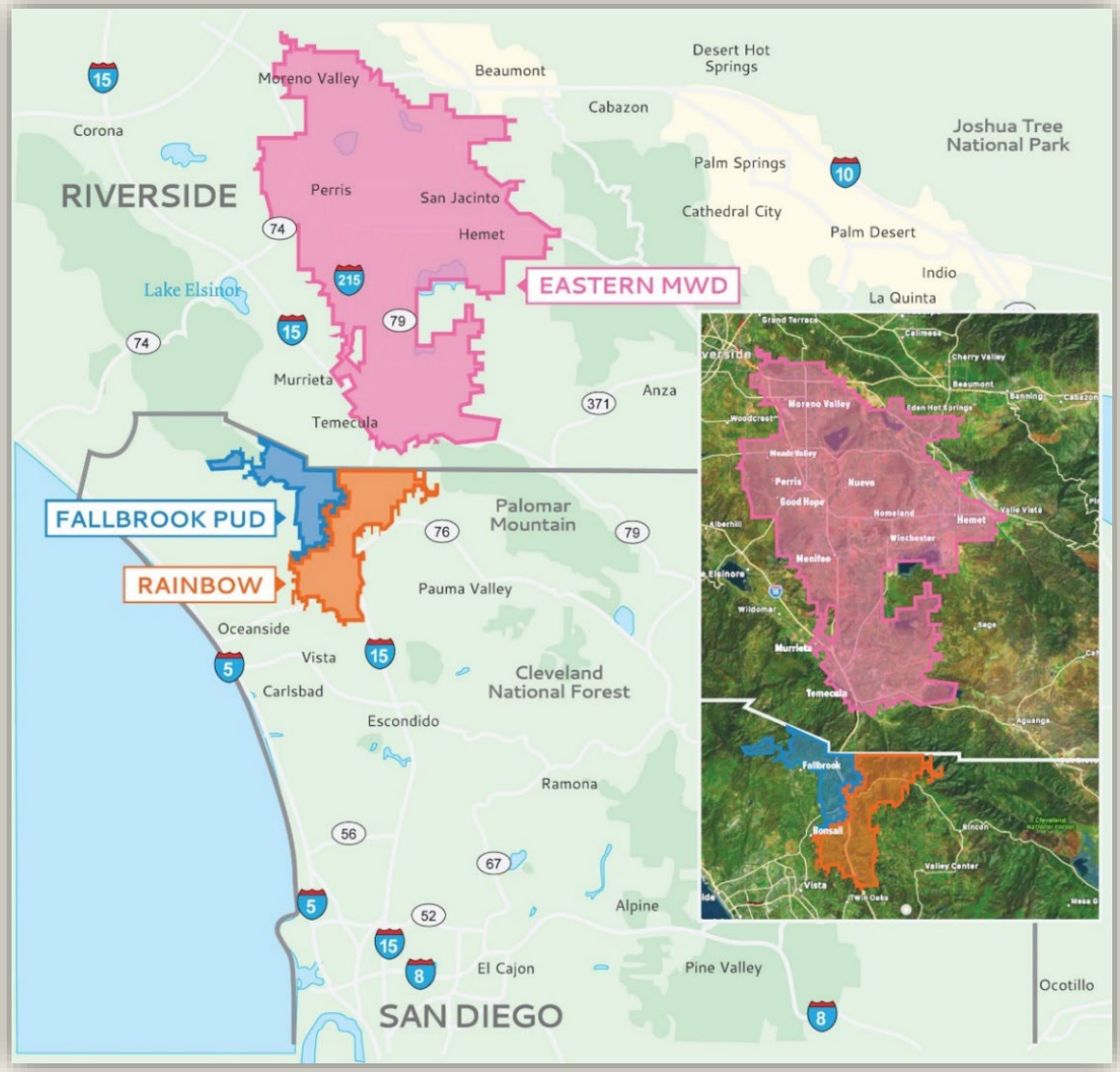
  President, Phillip E. Paule
  Vice President, Randy Record
  General Manager, Joe Mouawad
  Deputy General Manager, Laura M. Nomura
  Deputy General Manager, Nicolas Kanetis

- **County Water Authority** is an independent special district governed by a 36-member board of directors that represent 24 local member agencies. An appointed general manager oversees, and their senior staff oversees day-to-day activities, and this includes a current full-time budgeted staff of 249.50. The County Water Authority by special legislation in 1944 with an existing jurisdictional boundary spanning 1,486 square miles and includes all 18 cities in San Diego County. The estimated jurisdictional population is 3,224,678. The County Water Authority's lone active municipal service function is water (wholesale class). Approximately 75% of all wholesale supplies are drawn from the Imperial Irrigation District (Colorado River). Another 15% of wholesale water supplies are drawn from the County Water Authority's own desalination facility in Carlsbad. The remaining 10% of wholesale supplies are drawn from MET (Colorado River and Sacramento Bay Delta). The most recent audit shows County Water Authority's net position at $1.625 billion as of June 30, 2022. This accrued amount reflects an overall three-year change of 1.9% and includes an unrestricted portion of $318.232 million. The unrestricted amount is adjusted to $364.076 million less pension and related retiree dedications and equals 5.5 months of recent actuals. The current Board officers and senior management roster follows.

  Chair, Mel Katz (City of Del Mar)
  Vice Chair, Nick Serrano (City of San Diego)
  Secretary, Frank Hilliker (Lakeside Water District)
  General Manager, Sandra Kerl

Deputy General Manager, Dan Denham
Assistant General Manager, Tish Berge

MAP NO. 1
SUBJECT AGENCIES + REGIONAL SETTING



Affected Local Agencies

The affected territory lies within the jurisdictional boundaries and/or spheres of influence of 22 local agencies directly subject to San Diego LAFCO as listed below. These agencies qualify as "affected local agencies" and have been provided notice of the proposed actions.[6]

[6] Reference to Government Code 56014

- City of Oceanside
- County Service Area No. 135 (regional communications)
- County Service Area No. 81 (parks)
- Deer Springs Fire Protection District
- Fallbrook Regional Healthcare District
- Metropolitan Water District of Southern California
- Mission Resource Conservation District
- Morro Hills CSD
- North County Fire Protection District
- North County Cemetery District
- North County Transit District
- Oceanside Small Craft Harbor District
- Palomar Health Healthcare District
- Resource Conservation District of Greater San Diego County
- San Diego County Water Authority
- San Diego County Fire Protection District
- San Diego County Flood Control District
- San Diego County Street Lighting District
- Tri-City Healthcare District
- Upper San Luis Rey Resource Conservation District
- Valley Center Cemetery District
- Vista Fire Protection District

The affected territory also lies in the following college and school districts and received notice of the proposed actions: Mira Costa and Palomar College Districts and Valley Center-Pauma Unified and Vista Unified School Districts.[7]

Proposals' Preambles

The following actions were taken by San Diego LAFCO either in anticipation or in response to the proposed reorganization filings in consultation with the applicants and subject agencies.

- Preamble No. 1
  Approval of Memorandum of Understanding with Riverside County LAFCO

  At its October 2019 meeting, and based on preliminary discussions with the applicants, San Diego LAFCO entered into a memorandum of understanding (MOU) with Riverside LAFCO to establish responsibilities should the proposal filings proceed forward. The MOU delegates San Diego the responsibility to process any proposal submittals and prepare related analyses – including, but not limited to – a municipal service review on Eastern MWD to inform a conforming sphere of influence action.

[7] Voluntary notice of the proposed actions has also been provided to all other County Water Authority member agencies.

The MOU specifies San Diego shall actively consult with Riverside LAFCO in processing the reorganizations and related studies.

- Preamble No. 2
  Approval for Alternative Conducting Authority Proceedings

At its May 2020 meeting, San Diego LAFCO approved requests from the County Water Authority to apply alternative conducting authority proceedings should the Commission approve Fallbrook PUD and/or Rainbow MWD's reorganization proposals. Approval of the alternative process was based on the County Water Authority meeting certain criteria under statute. The substantive result means any approval of the proposals will bypass standard protest proceedings in LAFCO statute and directly proceed to a confirmation election of registered voters consistent with the County Water Authority's principal act.[8]

- Preamble No. 3
  Establishment of an Advisory Committee

At its June 2020 meeting, San Diego LAFCO approved the establishment of an advisory committee to directly assist the Executive Officer in the administrative review of the reorganization proposals. The establishment of the "Ad Hoc Committee" included the Commission setting the composition at 10 members with the overall task of addressing disputes among the subject agencies consistent with the provisions of the Commission's Legislative Policy 107 (L-107). The Ad Hoc Committee roster was subsequently finalized by the Executive Officer with consultant Adam Wilson contracted to serve as moderator. The Ad Hoc Committee membership as of the date of this agenda report follows.

TABLE NO. 1
Ad Hoc Committee
Moderator Adam Wilson

Member	Title	Agency	Representation
Jack Bebee	General Manager	Fallbrook PUD	Applicant
Tom Kennedy	General Manager	Rainbow MWD	Applicant
Nick Kanetis	Assistant General Manager	Eastern MWD	Subject Agency
Sandy Kerl	General Manager	County Water Authority	Subject Agency
Gary Croucher	Board Member	County Water Authority	CWA Appointee
Nick Serrano *	Board Member	County Water Authority	CWA Appointee
Lydia Romero	City Manger	City of Lemon Grove	Cities Committee
Kimberly Thorner	General Manager	Olivenhain MWD	Districts Committee
Brian Albright	Parks Director	County of San Diego	At-Large
Keith Greer **	Regional Planner	SANDAG	At-Large

* Successor appointee following resignation of David Cherashore
** Successor appointee following resignation of Rachel Cortes

[8] The Commission separately took no action involving two other related requests by the County Water Authority to suspend work on the reorganization proposals due to COVID-19 and condition any future approvals on an expanded vote in all member agencies' jurisdictions.

- Preamble No. 4
  Completion of the Fallbrook Region Municipal Service Review

  At its March 2022 meeting, San Diego LAFCO received a final report on a scheduled municipal service review on the Fallbrook region and the local agencies operating therein subject to the Commission's oversight – including Fallbrook PUD and Rainbow MWD. The final report and its accompanying prospectus outline nine central conclusions relative to LAFCO's growth management tasks and interests that collectively address the availability, need, and adequacy of municipal services in the Fallbrook region and based on data collected and analyzed between 2016 and 2020. Markedly, this includes finding Fallbrook PUD and Rainbow MWD have experienced clear and measurable financial stress during the report period and reflected in substantive declines in their liquidity, capital, and margin levels. The Commission formally received the final report and in doing so attested to its completeness in making the required determinations under the municipal service review statute, which were separately adopted by resolution.

DISCUSSION

This item is for San Diego LAFCO to consider the merits of the proposed reorganizations and the principal actions to transfer wholesale water service responsibilities within the affected territory – Fallbrook PUD and Rainbow MWD's jurisdictional boundaries – from the County Water Authority to Eastern MWD. The Commission may consider exercising discretion to modify the physical scope of the reorganizations by adding and/or subtracting lands. The Commission may also consider applying conditions so long as it does not directly regulate land uses, property developments, or subdivision requirements. Additional discussion on the proposals' purpose, ancillary development considerations, and the Commission's focus under statute and policy follows.

> State law delegates broad discretion to LAFCOs in acting on proposed jurisdictional changes. Within this broad discretion, statute orients LAFCOs' decision-making to consider the proposals' overall effects in facilitating accountable and efficient local government while also recognizing the potential to weigh competing goals.

Proposals' Purpose

The stated purpose of the proposed reorganizations before San Diego LAFCO is to accommodate cost-savings for the two applicants and by extension their retail ratepayers by transitioning wholesale water services within their jurisdictional boundaries from the County Water Authority to Eastern MWD. The immediate timing of the proposals follows the applicants negotiating agreeable terms with Eastern MWD for wholesale water service and memorialized in an MOU signed in August 2019.[9] The MOU specifies Eastern MWD offers to provide wholesale supplies to the applicants should the reorganizations be approved at the current MET rate plus a commodity charge of $11 per acre foot. The substantive effect would

[9] The applicants' MOU with Eastern MWD extends through August 2025.

adjust the current wholesale supply costs to the applicants from $1,608 under the County Water Authority to $1,195 per acre-foot under Eastern MWD – a savings of (34.6%).

The applicants' proposals similarly attest the following four key justifications for filing their respective reorganization proposals with LAFCO:

1. The reorganizations will produce cost-savings for the applicants and their ratepayers by only paying for infrastructure used for the delivery of wholesale water from Eastern MWD.

2. The applicants' direct access to MET eliminates the need for new infrastructure costs to their ratepayers to accommodate the change in wholesale water service.

3. The applicants' estimate the cost-impact to the County Water Authority and its other retail member agencies will be limited with a monthly household increase of $0.40 cents or $5.00 dollars per year.

4. The applicants' consultant analysis confirms Eastern MWD has a reliable water supply to meet their ratepayers' respective needs going forward.

Current and Planned Development & Related Policies

No development plans are associated with the reorganization proposal. Exactly 99.0% of affected territory is unincorporated and under the land use authority of the County of San Diego and its adopted policies. Specific development policies for this portion of the affected territory are largely delegated in the County General Plan to the Bonsall, Fallbrook, and Rainbow Community Plans, which are three of 22 designated communities identified by the Board of Supervisors meriting stand-alone land use provisions. These three Community Plans collectively cover more than four-fifths of the affected territory and implemented with the direct participation of separately elected advisory sponsor groups.[10] The principal function of the sponsor groups is to serve as information links between the communities and the County on matters dealing with planning and land uses within their respective areas. Premising land use goals within each Community Plan follows.

Fallbrook Community Plan

"Perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth." G-LU-1.1

Bonsall Community Plan

"A unique balance of Bonsall's rural agriculture, estate lots, ridgelines, equestrian uses, and open space land uses in the community, including open space and low-density buffers

[10] The remaining portion of the unincorporated lands comprising the affected territory is covered under the incomplete Pendleton-De Luz Community Plan.

separating the community from adjacent cities and unincorporated community and new development that conserves natural resources and topography." G-LU-1.1

Rainbow Community Plan

"Land use that retains and enhances the rural character of the community." G- LU-1-1.

Commission Focus

Three central and sequential topics underlie San Diego LAFCO's consideration of the proposed reorganizations and the decision to approve, approve with conditions, or disapprove relative to facilitating accountable and efficient local government. These policy items ultimately take the form of determinations and orient the Commission to consider the interrelated merits of (a) accommodating sphere of influence actions for both subject agencies, (b) timing of the reorganization, and (c) whether modifications or approval terms are appropriate. Consideration of these three policy items – markedly – includes the Commission balancing competing interests and goals as needed.

ANALYSIS

San Diego LAFCO's analysis of the proposed reorganizations is divided into two subsections. The first subsection evaluates the central topics referenced in the preceding section. This involves analyzing the merits of conforming sphere of influence actions for the two subject agencies and the role spheres serve as the Commission's principal planning tool in directing orderly growth and development. This also involves assessing the overall public value of the reorganizations' themselves and their timing under statute and policy with the latter marked by addressing the inter-jurisdictional disputes underlying both proposals consistent with Policy L-107. Potential modifications and terms – including those requested by the applicants and subject agencies – round out the first subsection's analysis. The second subsection considers other germane statutory issues and includes making related findings under the California Environmental Quality Act (CEQA).

Central Topics

Item No. 1 |
Conforming Sphere of Influence Actions

The proposed reorganizations necessitate San Diego LAFCO to consider conforming sphere of influence actions for the two subject agencies to achieve consistency with the requested jurisdictional changes as required under statute. Consideration of the amendments are premised on LAFCO's statutory responsibility to designate spheres to demark the affected agencies' appropriate jurisdictional boundary and/or service areas now and into the immediate future as determined by the Commission. This includes demarking the Commission's expectation of exclusive responsibilities for one or more municipal services.

Specific actions prompted by the proposed reorganizations involve (a) establishing a sphere for Eastern MWD specific to its wholesale function to include the affected territory and concurrently (b) removing these lands from the County Water Authority sphere. The proceeding analysis focuses on the lead action involving Eastern MWD as the receiving entity and organized to consider three related factors necessitated under statute and local policy. The statutory factors are divided between macro and micro considerations and involve overall agency information analyzed in a municipal service review paired with addressing the notional relationship between the agency and affected territory.[11] Local policies involve consideration of L-102 and its provisions to guide sphere actions in San Diego County. Analysis of these three sphere factors follow.

> The analysis of the conforming sphere actions is three-fold. The first two factors tie to statute and involve considering Eastern MWD's overall standing via a recent municipal service review plus addressing the notional relationship between Eastern and the affected territory. The third factor ties to local policy and LAFCO's use of spheres for various policy purposes in San Diego County.

- Sphere Factor No. 1:
  Consideration of a Municipal Service Review

  Statute requires LAFCO to prepare municipal service reviews to inform its connected planning task to establish or update local agencies' spheres of influence. The statute further directs LAFCO perform sphere updates every five years as needed. The most recent municipal service review germane to these proposals covers Eastern MWD and was completed by Riverside LAFCO in May 2019.[12] The document evaluates Eastern MWD's full complement of active service functions (potable water, wastewater, and recycled water) as part of a regional report on western Riverside County. The municipal service review largely draws on data collected between 2014 and 2018 and generally affirmative with regards to assessing Eastern MWD's overall service capacities and related administrative controls.

  In consultation with Riverside LAFCO through the MOU process, and as part of the administrative reviews of the applicants' reorganization proposals, San Diego LAFCO has prepared an addendum to the municipal service review. The addendum provides gap analysis on Eastern MWD with specific attention to its potable water function and financial standing through data collected between 2017 to 2021. Among other topics, and as outlined in the accompanying prospectus, the addendum concludes Eastern MWD maintains adequate infrastructure to meet current and anticipated potable water demands (retail and wholesale) with available capacity to accommodate additional growth. This conclusion is reflected in average annual and daily system demands for Eastern MWD equaling less than one-third of its available capacities (supplies and associated infrastructure) during the 60-month period. The addendum

[11] Reference to Government Code Sections 56430 and 56425, respectively.
[12] Municipal service reviews serve as a centerpiece to the most recent rewrite of LAFCO statute in 2001 and represent comprehensive studies on the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs are tasked with preparing municipal service reviews to explicitly inform subsequent sphere of influence actions and done so to provide the Commission a holistic assessment of the subject agencies with respect to certain designated topics. These designated topics are headlined by growth and population projections, infrastructure needs and financial standing. LAFCOs are relatedly required to update spheres every five years.

also concludes Eastern MWD is fiscally sound overall and marked by finishing with positive total margins in the last four of the five years covered.

- Sphere Factor No. 2:
  Consideration of the Agency-Affected Territory Relationship

  The Legislature prescribes consideration of five factors anytime LAFCOs act on spheres of influence. These factors parallel the macro topics in municipal service reviews with a notional focus on the relationship with the affected territory – including service needs and adequacy of available services. The factors also orient the Commission to broadly consider the relationship between current and planned land uses in the affected territory plus – and as needed – effects on qualifying disadvantaged unincorporated communities. The factors and staff analysis follow.

  - With respect to **present and planned land uses**, the affected territory as submitted spans 79,050 acres with 99% being unincorporated.[13] Close to three-fourths of the affected territory is subject to the County of San Diego's Fallbrook Community Plan.[14] Four distinct subregions comprise the affected territory and include Bonsall, De Luz, Fallbrook, and Rainbow. Fallbrook and its "village" setting headlines the four subregions with its cultural, retail, medical offices, schools, and entertainment venues that residents in the other subregions regularly patron. The region overall remains mostly rural in character outside Fallbrook's "town" core and continues to function as a community separator between the more urban uses to the north (Temecula) and south (Escondido) along the Interstate 15 corridor. As addressed in LAFCO's recent municipal service review on the Fallbrook region, it appears the affected territory is at a pivot point with respect to substantive changes in development and land uses. Specifically, the affected territory's historical immersion in agriculture with avocados being the primary cash crop over the last 60 plus years appears to be waning. Measuring this transition is marked by the loss of nearly one-fifth – or (18.7%) – of the total number of avocado acreages in the affected territory over a recent five-year period. Some of this acreage has already been converted into housing with nearly 600 new units added over the same five-year period; an amount equal to an overall 2% increase in the housing stock and above historical averages. More of this acreage appears to have been left fallow and suggests – among other items – the cost of growing avocados in the "Avocado Capital of the World" for many local farmers has become unsustainable.

  - With respect to **present and probable need for one or more public services**, the affected territory's existing and planned land uses merit a full range of municipal services. The present needs tie directly to the affected territory's current estimated population of 56,116, which makes it the one of the largest unincorporated communities with a resident total that exceeds 7 of the 18 cities in San Diego County. It is also reasonable to assume the need for a full range of municipal services will

[13] The remaining portion of the affected territory – totaling 859 acres – lies in Oceanside and part of the Morro Hills neighborhood.
[14] The Fallbrook Community Plan is premised on the following land use goal: "perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth."

further intensify given the expectation of further growth and development within the affected territory. This assumption ties to the critical demand for housing in San Diego County paired with the region's available land supply with more than two-fifths of private acreage remaining undeveloped paired with existing jurisdictional access to wholesale water supplies. Further, and whether for residential or agricultural purposes, the lack of available local water resources accentuates the paramount importance of imported supplies and related infrastructure to the area.

- With respect to **overall adequacy of the agency's public services**, a comprehensive evaluation of Eastern MWD was most recently prepared as part of a regional municipal service review by Riverside LAFCO. The municipal service review was completed in May 2018 and evaluates Eastern MWD's full complement of active service functions – potable water, wastewater, and recycled water – and largely based on data collected between 2014 and 2018. This municipal service review is generally affirmative with regards to assessing Eastern MWD's overall service capacities and administrative controls without the identification of any substantive infrastructure deficiencies. An addendum to the municipal service review prepared by San Diego LAFCO provides gap analysis to include data up to 2021 and similarly attests to Eastern MWD's overall service capacities and related administrative controls specific to its potable water function.

- With respect to **social or economic communities of interest if relevant to the agency**, the affected territory's existing development and land uses largely tie back to earlier annexations to the County Water Authority and Metropolitan Water District of Southern California ("MET"). These annexations and the associated availability of wholesale water supplies made available to the affected territory materially underlies its social and economic welfare. It is reasonable to assume these social and economic communities of interests within the affected territory tied to the provision of wholesale water supplies are transferable and would be readily assumed by Eastern MWD should the reorganizations be approved.

- With respect to **present and probable need for agency services involving any disadvantaged unincorporated communities** within the existing sphere of influence, two distinct considerations are identified. First, there are currently 22 distinct qualifying areas – or DUCs – located within Eastern MWD's existing sphere based on information independently evaluated by Riverside LAFCO. These DUCs range in size from 13.3 to 4,232.2 acres in size with the latter involving the Good Hope community with an estimated resident population of 8,681. Eastern MWD currently serves 5 of these 22 existing DUCs. Second, there are two DUCs located within the affected territory – comprising approximately 15% and 3% of Fallbrook PUD's and Rainbow MWD's jurisdictional boundaries – and generally cover the Fallbrook Village and Gopher Canyon communities.

- Sphere Factor No. 3:
  Consideration of Policy L-102

San Diego LAFCO's policies guiding sphere of influence actions are primarily codified under L-102. This policy was adopted in August 1990 and last substantively updated in June 2000. It directs the Commission to utilize spheres to guide deliberations on future changes of organizations and in doing so – and among other growth management objectives – help reflect and preserve community identities. The policy further directs LAFCO to use spheres to discourage duplication of municipal services and similarly encourages local agency consolidations, whether functional or political. The policy separately includes a provision for LAFCO to maintain a sphere for the County Water Authority that is coterminous with the spheres of its member agencies.[15]

The sphere of influence actions necessary to accommodate the proposed reorganizations – and precisely establishing a sphere for Eastern MWD to include the affected territory while removing the lands from the County Water Authority sphere – conforms with L-102. Most notably, the sphere actions would continue to designate one agency – Eastern MWD – as the chosen singular wholesale water service provider for the affected territory. The sphere actions would also establish a new and otherwise meritorious policy statement consistent with L-102 by recognizing a cohesive identity within the affected territory that is substantively distinct from adjacent areas.

CONCLUSION |
MERITS OF CONFORMING SPHERE OF INFLUENCE ACTIONS

The conforming sphere of influence actions to accommodate the Commission separately considering the proposed reorganizations appear sufficiently justified under both statute and local policy. Justification is marked by the preceding analysis and largely premised on the following two assumptions:

- First, it is assumed the Commission determines the municipal service review and associated addendum prepared by Riverside and San Diego LAFCOs, respectively, adequately informs the decision-making process in evaluating the overall service and fiscal standing of Eastern MWD with respect to its potable water function.

- Second, it is assumed the Commission determines the affected territory shares relevant communities of interests that are distinct from adjacent lands in San Diego County and can be appropriately preserved through placement in Eastern MWD's sphere.

Should either of these premising assumptions misalign with Commission preferences, it would be appropriate to disapprove or term the conforming sphere actions and remedy as needed.

[15] The referenced policy provision deemphasizes the stand-alone function of the County Water Authority's sphere of influence under statute given any changes made therein are responses to changes to the spheres of the member agencies.

Item No. 2 | Reorganizations' Timing

The analysis of the reorganizations' timing is three-fold. The first factor ties to statute and involves addressing multiple topics with most directed towards Eastern MWD's ability to provide wholesale water services to the affected territory. The second factor involves addressing consistency with local policies and headlined by L-107 and its provisions to address jurisdictional disputes. The third factor involves other local considerations identified by LAFCO staff.

San Diego LAFCO's consideration of the proposed reorganizations' timing draws on analyzing baseline factors required in statute as well as applicable policies set by the Commission and related project-specific considerations identified by the Executive Officer. Most of the baseline factors in statute focuses on disclosing and otherwise addressing compatibility issues with external goals and policies of other State, regional, and local agencies as well as assessing the ability of Eastern MWD – as the receiving agency – to provide services.[16] Applicable local policies prompted for consideration are headlined by L-107 and its attention to addressing jurisdictional disputes, which are germane to the proposals given the numerous objections raised by the County Water Authority and some of its member agencies. LAFCO staff has also identified several other considerations underlying the proposal's timing and merits/demerits therein based on the administrative reviews of the proposals.

Analysis of these three related timing factors follows.

- Timing Factor No. 1:
  Consideration of Eastern MWD's Ability to Serve

  State law prescribes the mandatory consideration of certain and multifaceted factors anytime LAFCOs consider jurisdictional changes. These factors range in substance from disclosures – such as the affected territory's current land uses, assessed values, registered voter counts, and so on – to discretionary analyses. This latter category is highlighted by evaluating the proposed jurisdictional changes' relationship to community needs as well as the service capacities and related financial resources of Eastern MWD as the receiving agency in contrast to baseline conditions. A summary of key conclusions generated in the review of these discretionary matters for the proposed reorganizations regarding (a) service needs, (b) service availability and capacities, and (c) related financial considerations follow.

  - With respect to **service needs**, the provision of imported wholesale water supplies associated with the proposed reorganizations has proven necessary due to the overall limitation on local sources in the affected territory. These needs underlie the previous actions by both applicants' governing boards to pursue annexations to the County Water Authority to establish access to imported water supplies from the Colorado River and later Sacramento-Bay Delta.[17] The applicants assert the increasing costs for imported water supplies from the County Water Authority –

[16] Reference to Government Code Section 56668.
[17] The Fallbrook Public Utility District annexed upon their formation in 1944. The Rainbow Municipal Water District annexed shortly after their formation and in 1954 to provide access to Colorado River water supplies.

however – have begun to adversely affect the quality of life within the affected territory, and most notably for agricultural users. The applicants quantify the adverse impact by estimating an average cost increase in water rates at 8% annually over the preceding decade. The applicants relatedly attribute the size of the cost increases in large part to sustaining an expanding County Water Authority infrastructure portfolio that does not proportionally benefit the affected territory.

There are no disagreements that imported wholesale water supplies remain a critical need within the affected territory. These needs are paramount within Rainbow MWD given their absolute dependency – now and within the foreseeable future – on imported supplies given the lack of alternative local resources. These needs remain present also within Fallbrook PUD, albeit to a lesser extent. This distinction ties to Fallbrook PUD's recent investment in a conjunctive use project with Camp Pendleton that has the potential to provide PUD annually up to 4,200 acre-feet of potable water – or 46% of its current average annual demand – from the Santa Margarita Watershed.

There similarly appears to be sufficient evidence that the quality of life within the affected territory has been adversely affected by the otherwise significant rise in the County Water Authority's imported water supplies. The adverse effects tied to the rise in imported water costs on agricultural users also appears substantiated. This comment draws on the recent municipal service review prepared on the Fallbrook region (2022) and related analysis showing an estimated loss of nearly (one-fifth) of avocado acreage in the affected territory over the preceding five-year period. Further, and irrespective of other market factors, the increase in imported water costs is more than one-third the corresponding change in the per pound price of avocados in California in the last ten years.[18]

- With respect to **service availability and capacities**, the approval of the reorganizations would transfer wholesale water supply responsibilities – including all rights and duties – within the affected territory from the County Water Authority to Eastern MWD. The mechanics of this transfer are addressed in the applicants' plans of service and draw on a three-party MOU with Eastern MWD. Key items covered in the applicants' plans of service filed with LAFCO regarding access, supply and reliability, and contingency planning follows.

[18] According to the California Association of Avocados Growers, the average price of Hass avocados per pound has increased from $0.84 to $1.22 in the last nine years and reflects a 45.5% increase.

Access. Fallbrook PUD currently maintains four connections to receive wholesale water supplies from County Water Authority via MET's Skinner Water Treatment Facility in Riverside County. Three of these connections are to pipelines owned by MET that extend into San Diego County. The fourth connection involves a pipeline owned by the County Water Authority. Post reorganization approval, Fallbrook PUD states it would continue to receive wholesale supplies from Skinner via Eastern MWD using only the three connections owned by MET. (The fourth connection to pipeline owned by the County Water Authority would be abandoned.)

The applicants' attest no new infrastructure is needed to access wholesale water from Eastern MWD with one qualifier. This qualifier involves Rainbow MWD and its preference to enter into a wheeling agreement with County Water Authority to continue to access four connection points along the San Diego Aqueduct to dependably supply Rainbow's southern distribution system. Absent a wheeling agreement, Rainbow would need to build new infrastructure.

Rainbow MWD currently maintains eight connections to receive wholesale supplies from the County Water Authority. These connections are equally divided between four pipelines owned by MET serving the northern distribution system and four pipelines owned by the County Water Authority serving the southern distribution system. Like Fallbrook PUD, nearly all of the wholesale water delivered to Rainbow MWD arrives from Skinner. However, and unlike Fallbrook PUD, Rainbow MWD can also receive wholesale water for its southern distribution system via the County Water Authority's Twin Oaks Treatment Facility under certain hydraulic conditions. Post reorganization approval, Rainbow MWD would exclusively receive wholesale supplies from Skinner via Eastern MWD using all eight existing connections – including the four pipelines owned by the County Water Authority under a future wheeling agreement. If a wheeling agreement is not reached, Rainbow MWD would use its existing distribution system to pump wholesale water from Eastern MWD – via four northern connections – as well as construct new infrastructure to ensure service delivery to its southern service area. A wheeling agreement involving the City of Oceanside's Weese Filtration Plant will also need to be executed.[19]

Supply and Reliability. Fallbrook PUD and Rainbow MWD currently receive wholesale water supplies from County Water Authority that are imported from the Colorado River and Sacramento Bay-Delta. The quantity of supplies is unrestricted and based on overall availability. Until recently, the County Water Authority's imported supply from the Colorado River was exclusively purchased through MET. This changed in 2003 when the County Water Authority began to separately purchase Colorado River supplies also from the Imperial Irrigation District (ID), which have high-priority rights in the event of limitations enacted by the Federal

[19] The Weese Filtration Plant is presently located in Rainbow MWD's service area. Rainbow MWD and the City of Oceanside entered into an agreement that commits the parties to the transfer and treatment of raw water – at the Weese Filtration Plant – and in doing so utilizing unused capacity. Should detachment be approved, the City of Oceanside, Rainbow MWD, the Water Authority, and Eastern MWD would need to establish a wheeling agreement.

government.[20] Access to purchased Colorado River supplies from Imperial ID, however, remains entirely dependent on MET conveyance facilities at this time.[21]

> Post reorganization approvals, Fallbrook PUD and Rainbow MWD would continue to receive wholesale supplies from the Colorado River and Sacramento Bay-Delta. These supplies – whether through County Water Authority or Eastern MWD – have proven reliable with neither wholesaler curtailing availability over the last five years due to any shortfalls. Nonetheless, the Colorado River supplies available to the applicants post reorganizations would be materially lessened given they would no longer include access to grandfather rights currently held by the County Water Authority through its agreement with Imperial ID.

The applicants attest to the overall reliability of the County Water Authority's wholesale supplies relative to their demands. This includes attesting neither the County Water Authority or MET have taken actions to curtail the availability of supplies to its member agencies at any time during the last five years (i.e., all requested demands have been accommodated). Post reorganization approvals, Eastern MWD would provide Fallbrook PUD and Rainbow MWD with wholesale supplies. These wholesale supplies, however, would be generated only from MET and purposefully excludes any of Eastern MWD's own local resources. This limitation is part of the current three-party MOU and would result in the applicants becoming entirely dependent on MET's two supply sources: Colorado River and Sacramento Bay Delta. This contractual arrangement mirrors existing wholesale relationships for Eastern MWD in supplying seven local retailers within its jurisdictional boundary. These existing wholesale relationships were established between 1964 and 2003 and divided between three cities (Hemet, Perris, and San Jacinto), three special districts (Lake Hemet MWD, Western MWD, and Rancho Water District), and one private entity (Nuevo Water Company).[22] Eastern MWD has not issued any of its own curtailments on wholesale deliveries at any time during the last five years.

Rainbow MWD's application materials include supplemental analysis on the topic of reliability and differences between the County Water Authority and Eastern MWD via MET. This supplemental analysis has been prepared by Ken Weinberg and includes three pertinent and intertwined conclusions.[23] The first conclusion states the County Water Authority supply is comparatively more certain given recent investments to diversify both imported and local resources. The second conclusion asserts planned MET investments to improve reliability paired with continued decreases in demands will reduce the existing margin of difference going forward. The third conclusion serves as a carveout for agricultural users and states these customers may experience an overall improvement in reliability as a result of the reorganizations. This carveout ties to eliminating the County Water Authority's

[20] The Colorado River Quantification Settlement Agreement (QSA) signed in 1998 – between Imperial Irrigation District (IID) and the SDCWA – was a result of severe droughts in 1990 and 1991 which led SDCWA to seek less dependency on MWD for its water supplies. The agreement held the SDCWA financially responsible for the lining of the All-American and Coachella Canals while also legally binding MWD to delivering QSA water supplies from IID to the SDCWA. The agreement took effect in October 2003 and has since facilitated the SDCWA's reduced reliance on MWD for water and reflected in a 75% decrease since 1991 (95% in 1991 to 20% in 2022).

[21] The applicants also materially benefit from the County Water Authority's seawater supply generated from its Carlsbad (Bud Carlson) Desalination Treatment Facility, which serves to increase the overall reliability of supplies available to Fallbrook PUD and Rainbow MWD.

[22] All seven of these wholesale users rely on Eastern to supplement their systems and own local supplies.

[23] Ken Weinberg is the principal with Weinberg Water Resources Consulting LLC.

Transitional Special Agricultural Water Rate (TSAWR) program, which provides eligible users with reduced costs in exchange for being subject to higher cutbacks in the event of supply shortages.

Contingency Planning. During an emergency event, causing disruption to water pipelines, facilities, and service delivery to residents the agencies would continue to receive water under storage programs available via the County Water Authority or – should detachment be approved – the Eastern MWD through Metropolitan. When implemented, these storage programs have the capacity to accommodate a 75% level of service to its member agencies. A distinguishing factor among the County Water Authority's program in comparison to Metropolitan's is that ratepayers under the TSAWR program, would not experience a higher cutback, which under CWA is equivalent to a 59% level of service. Should service be completely cutoff, Metropolitan maintains that repairs would be completed within 14 days. During this time, Rainbow MWD and Fallbrook PUD would need to supplement the loss of water with local supplies. Rainbow MWD's total storage capacity is 695.0 acre-feet and is equivalent to accommodating 15 days of average day demands without recharge. Should the emergency result in more than a 14-day lapse in service, Rainbow MWD has signed an MOU with Fallbrook PUD committing Fallbrook PUD to supply them with local potable water supplies from its Santa Margarita River Conjunctive Use Project and through an imported water system. The Fallbrook PUD has a total storage capacity of 1,453 acre-feet and is equivalent to accommodating 58 days of average day demands without recharge.

- With respect to **financial considerations**, the Fallbrook PUD and Rainbow MWD presently pay the County Water Authority $1,565 and $1,536, respectively, for every acre-foot of wholesale treated water delivered. These wholesale charges are incorporated into each applicants' adopted retail water use rates along with recovering operation and maintenance costs. The retail rates are similarly distinguished by both applicants into two demand classes – agricultural and municipal and industrial – with different charges based on customer types (i.e., commercial agriculture rate v. special agricultural rate). The average portion of retail rates tied to recovering wholesale supply costs from the County Water Authority is approximately 65% for Fallbrook PUD and 79% for Rainbow MWD over the last five available years. Post reorganization approvals, and based on the negotiated MOU, the applicants would pay Eastern MWD $1,195 for every acre-foot of wholesale treated water delivered. This equates to an introductory annual cost-savings to Fallbrook PUD and Rainbow MWD of 23.7% and 22.2%, respectively.

> Fallbrook PUD and Rainbow MWD's wholesale water supply costs currently account for 65% to 79% of their respective retail rates. Post reorganization approvals, Fallbrook PUD and Rainbow MWD would experience an approximate 24% and 22% annual savings in wholesale water supply costs.

- Timing Factor No. 2:
  Consideration of Policy L-107 &
  Associated Findings by Dr. Michael Hanemann

San Diego LAFCO adopted L-107 in May 2010 to require all applicants to disclose jurisdictional disputes associated with their proposal filings. If applicable, and unless waived by the Executive Officer, the policy requires applicants and/or their representatives to consult with opponents to resolve any known issues – concerns, disputes, etc. – before the item is formally considered by the Commission. The Executive Officer retains discretion to determine the extent of consultation needed. If an agreement is reached through the consultation process, the policy states the Commission shall consider the provisions as part of the application. If an agreement is not reached, and the Executive Officer concurrently determines good-faith efforts have been satisfied, the policy states the Commission shall proceed to consider the application as submitted.

Consistent with the reporting requirements under L-107, Fallbrook PUD and Rainbow MWD both disclosed objections to the proposed reorganizations from the County Water Authority in filing the coordinated applications with LAFCO in March 2020. The applicants summarized the objections from the County Water Authority at the time of the filings into three topical items. Two of the items overlap and involve a dispute over the County Water Authority's request that the applicants' detachments not cause any net loss in revenue ("revenue neutrality") or require exit fee payments. The third item involves a dispute over the County Water Authority's request that any detachment elections be conducted within its entire jurisdictional boundary as opposed to only Fallbrook PUD and/or Rainbow MWD. The applicants also disclosed a fourth objection raised by the Otay Water District with regards to the applicants' using Class 20 exemptions as lead agencies under CEQA.

At its June 2020 meeting, and at the recommendation of the Executive Officer, the Commission approved the establishment of an advisory committee to satisfy the consultation process required under L-107 given the above-referenced dispute disclosures. The establishment of the Fallbrook-Rainbow Ad Hoc Committee ("Ad Hoc") included the Commission setting the composition at 10 members as detailed in an earlier section and tasked with advising the Executive Officer through the administrative review process on specific disputes and/or controversies tied to the proposals – including but not limited to the items disclosed by the applicants.

Fallbrook PUD and Rainbow MWD each disclosed four jurisdictional disputes to their reorganization proposals at the time of filing in March 2020 as follows.

1. Request by CWA for detachments to show revenue neutrality.
2. Request by CWA for exit fees in lieu of revenue neutrality.
3. Request by CWA that any detachment elections include voters throughout its (CWA) jurisdictional boundary.
4. Objection by Otay WD to exempt the detachments under CEQA Class 20.

The Ad Hoc subsequently held 13 public meetings between December 2020 and April 2023. Most of the meetings were dedicated to addressing three overlapping topics – (a) water supply reliability, (b) financial impacts, (c) potential exit fees – selected by the Ad Hoc with their related tasking of Dr. Michael Hanemann with Arizona State University to provide expert analysis. Dr. Hanemann proceeded to issue a draft report on all three topics to the Ad Hoc in September 2021 followed by a formal public review and comment period. A final report was presented to the Ad Hoc in February 2022 with the following key summary conclusions.

- With respect to **water supply reliability**, Dr. Hanemann concludes both the County Water Authority and Eastern MWD have established reliable wholesale supplies. Dr. Hanemann finds County Water Authority supplies are more reliable given they are more diversified and marked by having direct access to desalinated water. However, Dr. Hanemann does not define the reliability differences between the two as substantive relative to industry standards.

- With respect to **financial impacts**, Dr. Hanemann concludes the net cost-savings to Fallbrook PUD and Rainbow MWD if they detach and change wholesalers will be $2.9 million and $4.8 million each year, respectively, and generate a combined net annual savings of $7.7 million. The individual amounts represent net savings of 35% for Fallbrook and 21% for Rainbow. Concurrently, Dr. Hanemann concludes the County Water Authority will lose $4.1 million each year if Fallbrook PUD detaches and $8.5 million each year if Rainbow MWD detaches. The combined annual loss for the County Water Authority should both applicants detach is $12.6 million and represents a net loss of (2%) for the County Water Authority.

- With respect to **potential exit fees**, Dr. Hanemann concludes payments to the County Water Authority are economically justified for both Fallbrook PUD and Rainbow MWD if they depart. Dr. Hanemann defers to LAFCO to consider various options in deciding an appropriate metric in devising an exit fee. One specific option offered by Dr. Hanemann involves tying an annual exit fee to recover the applicants share of the County Water Authority's annual payment to Imperial Irrigation District for direct and grandfathered supplies to the Colorado River. These supplies are referred to as Quantification Settlement Agreement water or "QSA" water. Dr. Hanemann calculates an annual exit fee based on QSA recovery for Fallbrook PUD and Rainbow MWD at $5.3 million and $7.7 million, respectively. The combined annual exit fee is $13.0 million (rounded). Dr. Hanemann further concludes it would be reasonable to require Fallbrook PUD and Rainbow MWD to pay an annual exit fee to the County Water Authority for no less than three years and no more than 10 years.

In receiving the final report in February 2022, each Ad Hoc member was asked to go on the record with respect to determining whether they believe Dr. Hanemann's analysis positions LAFCO to make informed decisions on each of the three topics. The Committee unanimously responded "yes." A copy of the final report is attached.

- Timing Factor No. 3:
  Other Material L-107 Considerations

  LAFCO staff has identified a range of other considerations relative to L-107 meriting the Commission's attention in assessing the overall timing of the proposed reorganizations and related merits and/or demerits. These other considerations incorporate topics largely sourced to affected agencies – including the County Water Authority and several of its member agencies – that have been generated during the approximate three-year span of the administrative reviews. Other topics are sourced to comments received by the Cities and Special Districts Advisory Committees as well as the general public. A listing of these other considerations number eighteen and are summarized below along with staff analysis.

  - (a) MET's Position on the Detachments

    The applicants – Fallbrook PUD and Rainbow MWD – and the subject agencies – Eastern MWD and County Water Authority – are all members of MET. The MET Board has taken no formal position on the proposed reorganizations. However, LAFCO staff is in receipt of two separate comment letters from MET officials outlining their own observations on the proposals. These comments are materially divergent from one another as summarized below.

    The first comment letter was received on September 17, 2020, from then MET General Manager Jeffrey Knightlinger. These comments, which followed formal notice of the proposals by LAFCO to all affected agencies, addresses several germane technical and policy topics. The substance of these topics ranges from describing the blended nature of supplies available to Eastern MWD and County Water Authority to assessing governance impacts at MET should the detachments proceed. The comments conclude with the following statement:

    > *"In conclusion, the proposed reorganization would not impact Metropolitan's ability to provide reliable water supplies to its 26 member agencies. Nor would it increase the demands on the Bay Delta. It would have only a de minimis impact on voting entitlements and representation by SDCWA and Eastern at Metropolitan. It would not affect the County Assessor's ability to collect taxes to be distributed throughout Metropolitan's service area." (Knightlinger, September 17, 2020)*

    The second comment letter was received on March 22, 2023 from current Chair Adán Ortega. These comments followed the publication of an original draft report on the proposals for discussion at the Cities and Special District Advisory Committees' March 17th meetings and address several concerns with the reorganization proposals. This includes citing the proposals' potential to prioritize water affordability among MET members at the expense of regional water supply adaptation measures. These comments conclude with the following statement:

> *"If permitted by LAFCO in San Diego County, the implication of its decision would be relevant to Metropolitan's current master planning process. Efforts toward climate adaptation through investments in long-term water supply planning could become trapped in the immediate issues of affordability that could otherwise be addressed over the long-term. This would occur as communities chase after the lesser rates among adjacent Metropolitan Member Agencies in a potential race to the bottom compromising past investments."*

- (b) SANDAG's Position on the Detachments

During the administrative reviews the County Water Authority has raised various topics relating to the potential impacts of the detachments on SANDAG. Specifically, the County Water Authority has commented the detachments would counter SANDAG's efforts to coordinate regional water planning among all land use authorities in San Diego County. Staff proceeded to communicate these topics directly to SANDAG in an April 19, 2022 letter to the Chief Executive Officer's Office with the invitation to provide comments. No comments have been received, and accordingly staff believes it is reasonable to assume there are no direct conflicts tied to the detachments with respect to SANDAG policies or programs.[24]

- (c) Financial Differences Between "Roll-Offs" and Detachments at CWA

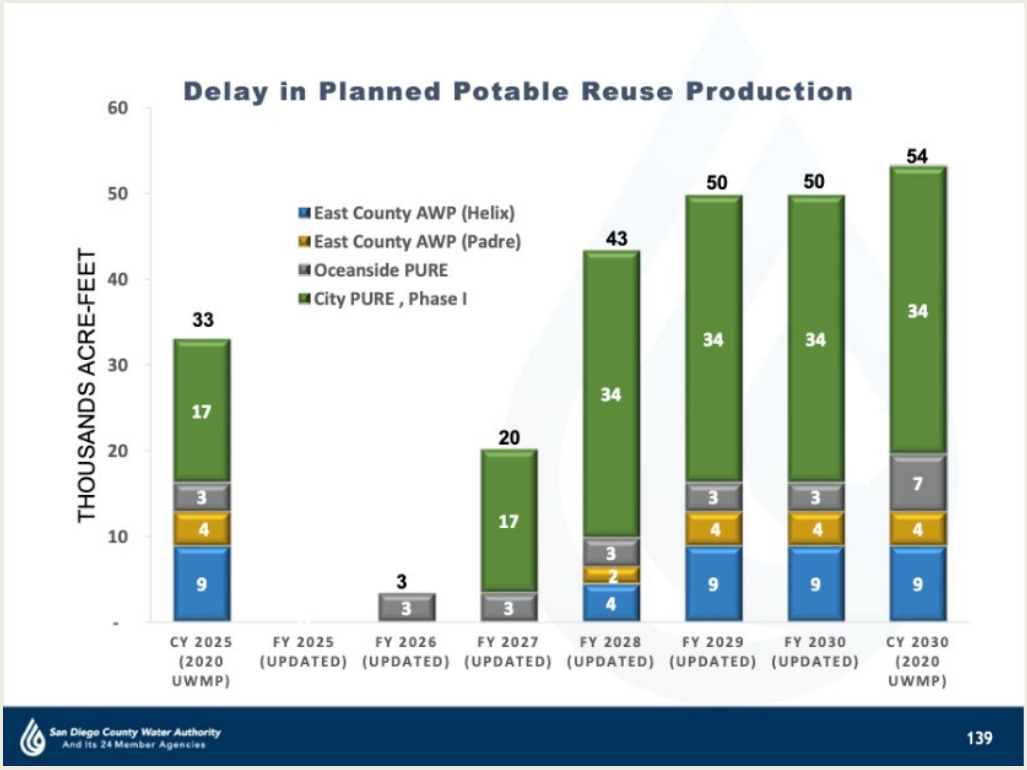
The topic of "roll off" has been cited regularly during the administrative reviews and frequently by the applicants and their proponents as context to considering the financial impacts tied to detachment. The Ad Hoc Committee tasked a working group to independently address the topic and specifically key differences between roll-off and detachment with regard to financial impacts to the County Water Authority.[25] The working group's summary follows.

> *"It is important to note that there is no obligation for any member agency to take any amount of supply from SDCWA. However, a member agency that remains as a member of the SDCWA will still have to pay fixed costs to SDCWA, even if they do not take a drop of water. The elephant in the room is not if detachment and roll off are the same. They are not. The impacts of detachment and roll off are different in that an agency that rolls off will still be a member agency of the SDCWA and will be contributing to future cost increases and rates set by the SDCWA board. A detachment, once completed, means that a member agency is no longer a member agency of SDCWA and will not be contributing to future costs – unless an exit fee is conditioned by LAFCO for a certain time period. The true elephant in the room is that unless SDCWA reduces (or leverages to others) its fixed take or pay supplies; it will have more fixed take or pay supplies than it will have demand in the next ten years if its member agencies fully develop all of their local supply projects. Dr. Hanemann also noted in his presentation to the LAFCO Detachment Workgroup that there is a "Financial exposure to reduction in water sales. With current rates, I*

[24] This conclusion is further supported given a SANDAG appointee has continually participated as an at-large member on the Ad Hoc Committee.
[25] The Ad Hoc Committee's working group included the following members: Kim Thorner; Lydia Romero; Brian Albright; and Keith Greer.

estimate that for every 1,000 AF less that SDCWA delivers to member agencies, its net revenue falls on average by almost $1M. This is of some concern given that SDCWA is projected to experience a reduction of about 60,000 AF in deliveries to member agencies by around 2030." If member agencies roll off to the tune of 60,000 acre feet by 2030 through the development of local supplies, (according to Dr. Hanemann) this will reduce the SDCWA net revenue by $60,000,000. By way of comparison, FY 2022 Net Water Sales Revenue by SDCWA (in its annual budget) is $108,586,236. A loss of $60 million in net revenue is more than half of SDCWA's total current annual net revenue. This is not a sustainable future and does not bode well for future rate affordability. This topic should be explored in depth via the upcoming SDCWA MSR. Any MSR review of SDCWA should also include a review of MWD and its operations and agreements within the SDCWA region." (Ad Hoc Working Group Memo, August 11, 2022)

In further considering the topic, the County Water Authority recently presented to its Board of Directors an update on planned potable reuse projects and expected production (graph below). The presentation focused on three known and otherwise certain reuse projects that will generate roll-offs: City of San Diego Pure Water; City of Oceanside Pure Water; and East County Advanced Water Purification. The County Water Authority estimates these three projects will collectively generate annual potable resuse supplies starting at 3,000 acre-feet in 2025-2026 and incease to 50,000 acre-feet by 2028-2029.



Based on the financial estimate provided by Dr. Hanemann – and specifically the cost to the County Water Authority of $0.940 million for each unsold acre-foot – the annual loss of water sale revenue tied to the three reuse projects would start at $2.82 million in 2025-2026 and increase to $47.0 million in 2028-2029. LAFCO staff has further apportioned the loss revenue among the member agencies as part of a rate recovery adjustment by the County Water Authority as shown in the following table with additional details footnoted. [26] In terms of translating revenue loss to a percentage impact on rates, the County Water Authority has stated as a rule of thumb that every $5.0 million equates to a 1% rate impact.[27] This latter principle suggests the financial impact of roll-offs tied to the three resuse projects would produce an approximate 9.4% increase to ratepayers by the end of the decade. Conversely – and detailed further in (e) – the detachments financial impact would produce an approximate 2.5% increase to ratepayers by the end of the decade applying the same principle and absence (completed or omitted) of any exit fees.

TABLE NO. 2
Estimate of Roll-off Impacts to Member Agencies
Involving San Diego, Oceanside, and East County Reuse Projects
(Source: SD LAFCO)

Agency	% of 2022 Revenue Total	Year 2026 3k AF	Year 2027 20k AF	Year 2028 43k AF	Year 2029 50k AF
Carlsbad MWD	4.02%	$113,434	$756,227	$1,625,887	$1,890,567
City of Del Mar	0.27%	$7,660	$51,068	$109,797	$127,671
City of Escondido	3.28%	$92,537	$616,915	$1,326,366	$1,542,286
Fallbrook PUD	0.00%	$0	$0	$0	$0
Helix WD	6.60%	$186,198	$1,241,319	$2,668,837	$3,103,298
Lakeside WD	0.99%	$28,014	$186,762	$401,539	$466,906
City of National City	n/a	n/a	n/a	n/a	n/a
City of Oceanside	5.94%	$167,425	$1,116,167	$2,399,759	$2,790,417
Olivenhain MWD	4.91%	$138,467	$923,112	$1,984,692	$2,307,781
Otay WD	9.27%	$261,475	$1,743,164	$3,747,803	$4,357,911
Padre Dam MWD	3.17%	$89,490	$596,602	$1,282,695	$1,491,506
Camp Pendleton	0.01%	$362	$2,410	$5,182	$6,025
City of Poway	2.57%	$72,468	$483,121	$1,038,710	$1,207,802
Rainbow MWD	0.00%	$0	$0	$0	$0
Ramona MWD	1.27%	$35,846	$238,971	$513,788	$597,427
Rincon MWD	1.60%	$45,154	$301,030	$647,214	$752,575
City of San Diego	39.79%	$1,122,131	$7,480,874	$16,083,880	$18,702,186
San Dieguito WD	1.07%	$30,051	$200,343	$430,738	$500,858
Santa Fe ID	1.78%	$50,260	$335,069	$720,398	$837,672
South Bay ID	1.17%	$33,039	$220,263	$473,565	$550,657
Vallecitos WD	3.51%	$98,930	$659,535	$1,418,000	$1,648,838
Valley Center MWD	4.84%	$136,407	$909,382	$1,955,171	$2,273,454
Vista ID	2.57%	$72,365	$482,435	$1,037,235	$1,206,088
Yuima MWD	1.32%	$37,349	$248,992	$535,332	$622,479
Contract Water	0.03%	$936	$6,238	$13,411	$15,595
	100.00%	**$2,820,000**	**$18,800,000**	**$40,420,000**	**$47,000,000**

[26] It is assumed each member agency's apportioned share to true-up the County Water Authority's rates to recover the full revenue loss associated with the three reuse project will be the same percentage in collected water sale revenue. Additionally, the apportionment assumes the approval of detachment by Fallbrook and Rainbow.
[27] CWA presentation to Board of Directors. March 23, 2023. Slide 144.

Table Notes:
1) Assumes detachments of Fallbrook PUD and Rainbow MWD proceed.

- (d) Detachments' Impact on CWA's Credit Rating

At multiple intervals during the administrative reviews, representatives from the County Water Authority have asserted the proposed detachments would produce significant determinantal impacts on its credit rating. A recent review on the topic shows the County Water Authority's credit ratings via the three principal reporting agencies (Moody's, Standard & Poor's, and Fitch) have remained steady with high to highest placements since the detachments were filed in March 2020. These high to highest placements – at least notionally – position the County Water Authority to readily secure lower interest rates when seeking debt financing through the public bond market with repayment based on the pledge of future revenues – including water sales. The rating agencies have also provided the County Water Authority with "stable" outlook assignments over the same three-year period with one notable exception. This exception occurred during 2020-2021 with Standard & Poor's modifying the outlook assignment from "stable" to "negative." The following passage is drawn from Standard & Poor's March 2021 report and, among other considerations, cites the potential impacts from detachments:

> *"The authority has a higher degree of litigation and member discord than is standard in the sector, in our opinion. This includes ongoing rate litigation with Metropolitan Water District, some of which has been settled in the authority's favor and some of which is ongoing. In addition, the authority is currently resolving a $6.1 million lawsuit with Vallecitos Water District regarding overcharges. Lastly, two member agencies have petitioned the Local Agency Formation Commission (LAFCO) for detachment from the authority because they believe they can receive their water supply more affordably directly from Metropolitan Water District (through an arrangement with Eastern Municipal Water). Given the geographic location of the members, they reportedly believe that they do not receive sufficient benefit from remaining with the authority. LAFCO may deny the detachments or approve the detachments with conditions. The authority's management reports that the LAFCO process will likely take up to two years with a draft report anticipated in Spring 2021. The authority has hired a consultant to advise on the proceedings and the authority intends to seek reimbursement for associated debt and costs attributable to the two agencies. Management believes they could adjust supply requirements through resource planning. While we do not believe any of the aforementioned issues will have a financial effect in the near-term, we do believe ongoing litigation has associated costs and introduces potential longer term political risk--especially if an approved detachment sets a precedent if members can easily detach from the authority. This would be further exacerbated if the two members are not required to pay for their portion of the associated debt and infrastructure costs that the authority has undertaken to provide reliable water sources." (Standard & Poor's Report on CWA, March 17, 2021)*

Standard & Poor's reverted and upgraded its outlook assignment for the County Water Authority in 2022 to stable.

Given Standard and Poor's own observations on the topic, it is reasonable to assume detachments would impact the County Water Authority's credit rating. It is also reasonable to presume the impact would be less than significant given two factors. First, Standard & Poor's identified several reasons other than detachments contributing to downgrading the County Water Authority's outlook in 2021. Standard & Poor's decision to subsequently upgrade the outlook one year later suggests the detachments were not a primary reason in the original downgrading decision. Second, Standard & Poor's stated concerns with detachments tie to the uncertainty of whether the applicants will pay their share of outstanding debt and the potential precedent of other member agencies pursuing detachments. These latter concerns appear sufficiently controlled with the imposition of exit fees and the related true-up for the County Water Authority over a period of time to meet its pledge of future revenues in paying bonded long-term debt. The precedent concerns are separately controlled based on the geographic conditions that uniquely position Fallbrook PUD and Rainbow MWD to propose detachments given their ready ability to connect to the MET transmission line.

- (e) Financial Impacts from Detachments:
  Remaining County Water Authority Member Agencies + Ratepayers

Dr. Hanemann's final report calculates a total net revenue loss to the County Water Authority – and by extension the remaining member agencies – from detachments at $12.581 million each year over the first 10 years ("short-run) based on 2022 projections.[28] The loss of net revenues attributed to Rainbow MWD accounts for two-thirds of the total at $8.517 million. Fallbrook PUD accounts for the remaining one-third net revenue loss at $4.064 million. Dr. Hanemann calculates the net revenue loss would decline to $10.988 million (2022 base year) annually after the tenth year ("long-run"). Dr. Hanemann did not calculate total net revenue losses beyond 2022 given the existence of too many external variables as stated below:

> *"I will not present a multi-year analysis. I feel that there is now too much uncertainty about future water supply, future water demand, and future rate schedules to justify making a projection of the annual financial impact over the coming decade. Therefore, I restrict my analysis to an estimate of the financial impact in CY 2022." (Hanemann, December 31, 2021)*

Both the applicants – Fallbrook PUD and Rainbow MWD – and the County Water Authority have separately forwarded their own estimates to LAFCO on financial impacts tied to the detachments. The County Water Authority estimates their total annual net-revenue loss associated with the detachments at $16.884 million.[29]

[28] The calculation assumes the loss of all property taxes for County Water Authority that are currently received within the affected territory. This assumption has been separately confirmed by the County Auditor's Office.
[29] This amount is detailed in the County Water Authority's formal response to the notice of the reorganizations dated September 18, 2020.

Fallbrook PUD and Rainbow MWD estimate the total annual net-revenue loss to the County Water Authority due to the detachments at $5.600 million.[30] Dr. Hanemann reviewed both estimates prior to making his own independent conclusion.

Using Dr. Hanemann's total estimated annual net-revenue loss for the County Water Authority at $12.581 million (based on 2022), LAFCO staff has proceeded to calculate individual cost impacts for remaining member agencies and their ratepayers (equivalent meter units). The calculation assumes the County Water Authority would recover the full revenue loss by passing it in full to the remaining member agencies by increases in the wholesale rates going forward. The calculation uses the County Water Authority's water sale revenues over a recent five-year period as a baseline in identifying individual percentage shares among all member agencies. The share collectively tied to Fallbrook PUD and Rainbow MWD equals 6.0% and is the amount staff has reapportioned and added to the remining member agencies' share to keep the County Water Authority whole post detachments.

Overall, LAFCO staff estimates the remaining member agencies' ratepayers would experience an average increase to their water bills of $26.41 annually and $2.20 monthly. These amounts vary among the remaining member agencies and most notably based on the dependency level on wholesale supplies and their economies of scale to spread out costs among a larger pool of households. As the largest member agency, the City of San Diego's annual recovery share to make up for the loss net revenue should the detachments proceed is calculated by staff at $4.979 million. This amount translates to annual and monthly ratepayer increases of $12.60 and $1.05, respectively. In contrast, the smallest member agency is Yuima MWD and their annual recovery share to make up for the loss revenue for the County Water Authority is calculated by staff at $0.134 million. This amount translates to annual and monthly ratepayer increases of $224.56 and $18.71, respectively.

The calculated cost increases for the remaining member agencies should the detachments proceed is shown below with a full breakdown attached.

(continued)

[30] This amount is detailed in the applicants' joint formal response to the notice of the reorganizations via London Moeder Advisors and dated September 20, 2020.

TABLE NO. 3
LAFCO's Estimate of Detachment Impacts to Member Agencies + Ratepayers: Applies Asset Shares (Water Sales) Between FY2017 and FY2022
(Source: SD LAFCO Staff)

Agency	Annual Agency Impact	Annual Ratepayer Impact	Monthly Ratepayer without Exit Fee	Monthly Ratepayer with Exit Fee
Carlsbad MWD	642,432	17.56	1.46	0.00
City of Del Mar	40,152	16.02	1.34	0.00
City of Escondido	388,136	10.90	0.91	0.00
Helix WD	749,504	11.44	0.95	0.00
Lakeside WD	107,072	13.06	1.09	0.00
City of National City	66,920	n/a	n/a	0.00
City of Oceanside	722,736	12.40	1.03	0.00
Olivenhain MWD	562,128	19.81	1.65	0.00
Otay WD	1,070,721	17.64	1.47	0.00
Padre Dam MWD	374,752	13.86	1.15	0.00
City of Poway	294,448	17.24	1.44	0.00
Ramona MWD	173,992	16.85	1.40	0.00
Rincon MWD	200,760	19.27	1.61	0.00
City of San Diego	4,978,851	12.60	1.05	0.00
San Dieguito WD	133,840	8.71	0.73	0.00
Santa Fe ID	227,528	21.55	1.80	0.00
South Bay ID	187,376	4.33	0.36	0.00
Vallecitos WD	615,664	22.42	1.87	0.00
Valley Center MWD	562,128	38.27	3.19	0.00
Vista ID	347,984	9.65	0.80	0.00
Yuima MWD	133,840	224.56	18.71	0.00
TOTALS	**$12,580,968**	**$26.41**	**$2.20**	**0.00**

Table Notes:

1) Full breakdown of the LAFCO calculation provided as an attachment.

2) The calculation assumes the County Water Authority would recover the full revenue loss – i.e., the $12.581 million – by passing it in full to the remaining member agencies by increases in the wholesale rates going forward. The calculation uses the County Water Authority's water sale revenues over a recent five-year period as a baseline in identifying individual percentage shares among all member agencies.

3) The County Water Authority's estimated individual member agency impacts tied to the detachments and net-revenue losses is listed on page 59 (Table 4.9) of its September 18, 2020 formal response to the reorganization proposals. The Authority's estimated base year rate impact for the City of San Diego is $7.338 million and represents a 47.4% difference above the estimate calculated by LAFCO staff. This difference would similarly adjust the projected individual ratepayer impacts in San Diego to $18.57 annually and $1.55 monthly.

4) The final column in the table reflects impacts to ratepayers within the five-year exit fee period and assuming an annual exit fee of $12.581 million is applied.

5) For illustrative purposes, a narrative detailing of the calculation for the City of San Diego is footnoted.[31]

[31] Step One. San Diego contributed $1.286 billion in water sales revenue over the five-year period. This amount equals 37.2% of the $3.459 billion collected by the County Water Authority over the 60-month period. Step Two. San Diego's proportional share of the County Water Authority's net revenue loss of $12.581 million should Fallbrook PUD and Rainbow MWD detach before any true-up is $4.680 million. This amount equals 37.2% of the total. Step Three. San Diego's proportional share of the County Water Authority's net revenue loss of $12.581 million should Fallbrook PUD and Rainbow MWD detach plus making up for the agencies' 6.0% contribution to water sales revenue over the five-year period is 39.6%. This post true-up adds 2.4% to San Diego's share of cost-recovery and the result of dividing 37.2% into 6.0%. Step Four. San Diego's proportional annual share for the County Water Authority to make up the net revenue loss of $12.581 million should Fallbrook PUD and Rainbow MWD detach is $4.979 million. This annual agency amount is the result of dividing 39.6% out of $12.581 million. Step Five. San Diego's proportional annual share for the County Water Authority to make up the net revenue loss of 12.581 million should Fallbrook PUD and Rainbow MWD detach among its ratepayers is $12.60. This annual ratepayer amount is the result of dividing the agency total of $4.979 million by its 395,266 equivalent meter units. Step Six. San Diego's proportional monthly share for the County Water Authority to make up the net revenue loss of 12.581 million should Fallbrook PUD and Rainbow MWD detach among its ratepayers is $1.05. This monthly ratepayer amount is the result of dividing the annual ratepayer estimate of $12.60 by 12.

At the March 17th Special Districts Advisory Committee meeting, staff was asked to assess the "net" impact of detachment to the CWA's remaining member agencies to account for any proposed discounting (further detailed in (j)).[32] The below table reflects a high-level approximation of the resulting impact of detachment to each member agency, prior to the payment of the exit fee documented within the Hanemann Report. The figures are however inclusive of cost savings – or cost avoidance – associated with the construction of the ESP North County Pump Station divided over the five years. The below analysis utilizes the Fiscal Year 2022 revenue share by member agency as provided by CWA to LAFCO staff.[33]

TABLE NO. 4
LAFCO's Estimate of Net Detachment Impacts to Member Agencies with Discount: Based on Actual 2022 Revenues with Cost Escalators
(Source: SD LAFCO Staff)

Agency	2022 Revenue Share	Annual Agency Impact	(a) Annual Impact w/ 7% Cost Escalator	(b) Less ESP Cost Savings	(c) Less ESP 7% Cost Escalator
	100%	**$12,580,968**	**$13,461,636**	**$4,858,168**	**$5,738,836**
Carlsbad MWD	4.02%	$506,067	$541,492	$195,419	$230,844
City of Del Mar	0.27%	$34,175	$36,567	$13,197	$15,589
City of Escondido	3.28%	$412,839	$441,738	$159,419	$188,318
Fallbrook PUD	0.00%	$0	$0	$0	$0
Helix WD	6.60%	$830,691	$888,840	$320,773	$378,922
Lakeside WD	0.99%	$124,982	$133,730	$48,262	$57,011
City of National City	n/a	n/a	n/a	n/a	n/a
City of Oceanside	5.94%	$746,939	$799,225	$288,432	$340,718
Olivenhain MWD	4.91%	$617,747	$660,990	$238,544	$281,787
Otay WD	9.27%	$1,166,526	$1,248,183	$450,457	$532,114
Padre Dam MWD	3.17%	$399,247	$427,194	$154,170	$182,117
Camp Pendleton	0.01%	$1,613	$1,726	$623	$736
City of Poway	2.57%	$323,305	$345,936	$124,845	$147,476
Rainbow MWD	0.00%	$0	$0	$0	$0
Ramona MWD	1.27%	$159,919	$171,114	$61,753	$72,948
Rincon MWD	1.60%	$201,449	$215,551	$77,790	$91,892
City of San Diego	39.79%	$5,006,204	$5,356,639	$1,933,157	$2,283,591
San Dieguito WD	1.07%	$134,070	$143,455	$51,771	$61,156
Santa Fe ID	1.78%	$224,228	$239,924	$86,586	$102,282
South Bay ID	1.17%	$147,400	$157,718	$56,919	$67,237
Vallecitos WD	3.51%	$441,361	$472,256	$170,433	$201,328
Valley Center MWD	4.84%	$608,559	$651,158	$234,996	$277,595
Vista ID	2.57%	$322,846	$345,445	$124,668	$147,267
Yuima MWD	1.32%	$166,625	$178,289	$64,343	$76,007
Contract Water	0.03%	$4,174	$4,467	$1,612	$1,904

[32] In the staff report, Option Two outlines a recommendation to the Commissioner that includes the payment of an exit fee over a five-year period. If inclusive of the cost savings associated with the ESP North County Pump Station would result in an net exit fee payment of $24.305 million, or an annual payment of $4.861 million for five years.

[33] CWA Letter to LAFCO August 10, 2022.

Table Notes:

1) The County Water Authority's forecasted rate impact of detachment, and corresponding 2022 Estimated Revenue Share percentages is outlined in the County Water Authority's June 9, 2022 correspondence.

2) In the June 9, 2022 County Water Authority Correspondence, the Authority costs have increased by 7% since 2021. The columns in the table reflect amounts with and without this cost escalation.

3) The County Water Authority's Fiscal Year 2022-2023 Adopted Budget indicates a cost of $38.6 million for the North County Emergency Storage Project. This amount, with and without a 7% cost inflation factor are divided amongst the member agencies using the revenue share apportionment provided by the County Water Authority.

4) Fallbrook Public Utility District and Rainbow Municipal Water District show an impact of $0.00 as this table assumes detachments are approved.

- (f) Assessing the "Significance" of the Financial Impacts to CWA + Ratepayers

Parallel to the preceding differences addressed in (d) involving the overall financial impact of the detachments, the applicants – Fallbrook PUD and Rainbow MWD – and the County Water Authority similarly have disparate views on assessing the associated "significance." LAFCO staff believes assessing the overall significance on the calculated financial impacts on the County Water Authority relative to inflation serves as a reasonable and certain measurement for purposes of this analysis. The appropriate period to determine the comparative inflation rate, however, is less certain and could reasonably involve one-year or multiple-years. Relying on the current one-year inflation rate – 6.4% in the San Diego-Carlsbad region – appears most reasonable given it best aligns with Dr. Hanemann's analysis.[34] Using this inflation benchmark, LAFCO staff has focused on two distinct one-year measurements in assessing whether the financial impacts to the County Water Authority are significant. The first measurement ties to Dr. Hanemann's calculated annual net-revenue impact to the County Water Authority of $12.581 million based on one-year estimates for 2022. This measurement represents 4.4% of the County Water Authority's 2023 gross water sales revenue requirement and below the one-year inflation rate of 6.4%, and therefore reasonably considered less than significant.[35] The second measurement ties to staff's calculated average annual ratepayer impacts among the remaining member agencies of $26.41 based on reapportioning the full net-revenue loss identified by Dr. Hanemann. This measurement represents a 3.6% increase in ratepayer charges and below the one-year inflation rate of 6.4%, and it too is considered reasonably less than significant.[36]

A second reasonable measurement to assess the significance of the proposed detachments and their financial impacts involves recent rate adjustments approved by the County Water Authority. This measurement draws on the calculation made in (e) to estimate the overall rate impact on the remaining member agencies should the detachments proceed is 2.5% less any exit fees. Since 2019, rate adjustments enacted by the County Water Authority has generated average annual rate increases above

[34] Reference to U.S. Bureau of Labor Statistics at http://data.bls.gov. Inflation rates for the San Diego-Carlsbad region over the preceding ten and five year periods have been 3.6% and 4.6%.
[35] The County Water Authority's CY2023 Cost of Service Study states Gross Water Sales Revenue Requirement for 2023 is $282.97 million.
[36] Measurement further utilizes methodology established in section (e) by dividing annual average revenues by total number of EMU's to establish annual EMU baseline.

detachment at 3.8% for untreated water and 3.9% for treated water. This second measurement on detachments also produces a less than significant outcome.

- (g) Merits and Options to Impose Exit Fees and Other Payments: Mitigating Net Revenue Losses and/or Outstanding Debt

As discussed in considerable detail during the Ad Hoc Committee process, the applicants – Fallbrook PUD and Rainbow MWD – and County Water Authority have articulated distinct positions on the merits of LAFCO requiring exit fees and other payments as conditions to any detachment approvals. The applicants assert no payments are necessary given there are no provisions within the County Water Authority principal act to require exit fees should any of its member agencies leave. In contrast, the County Water Authority and several of its member agencies are on record with LAFCO requesting exit fees and related measures apply to help protect the Authority from any financial disadvantages – including net revenue losses and long-term debts – that tie to the detachments. Towards this end, the County Water Authority estimates its total net revenue losses tied to detachments at $16.401 million annually. The County Water Authority – however – does not calculate a proportional share of the applicants' share of the Authority's $21.1 billion in long-term debt given the "*practical impossibility for Fallbrook and Rainbow to pay no matter how much time the debt might be stretched over.*"[37]

With respect to merits, LAFCO staff believes it is reasonable to require exit fees on the applicants should the detachments proceed. This conclusion aligns with the uniformly accepted acknowledgment from all sides – albeit with different estimates – that the detachments will result in unavoidable financial impacts on the County Water Authority in the near term. As detailed in (e), while not necessarily meeting the threshold of significance as defined by LAFCO staff, these impacts are to the left of a decimal point and merit attention. Dr. Hanemann similarly has attested exit or departure fees are economically justified in the near term with the following statement in his final report to the Ad Hoc Committee:

> "*The purpose of a departure fee is to assist SDCWA in covering its financial obligations that are fixed, ongoing and unavoidable for a limited period while it adjusts to the changed financial situation.*" *(Hanemann, December 31, 2021)*

With respect to options, focusing on mitigating annual net revenue losses appears most appropriate in setting exit fees for the detachments. This focus addresses the most concrete and quantifiable impact to the County Water Authority and independently calculated by Dr. Hanemann at $12.581 million annually. Materially, focusing on mitigating annual net revenue losses also covers long-term debt in the near term by helping to keep the County Water Authority whole and its ability to service debt on an annual basis. Any exit fees set to also recover outstanding debt over the same time would appear as double-counting.

[37] Reference to page 62 to the County Water Authority's formal response to the notice of the reorganizations filed with LAFCO, September 18, 2020.

Establishing a dedicated payment from the applicants over a longer period to recover their proportionate share of the outstanding long-term debt obligations of the County Water Authority's appears impractical. This impractically ties to the uncertainty in fairly calculating each member agency's proportionate share of each debt issuance by the County Water Authority until maturity, while also reconciling the amount of water purchased by each member agency for the duration of the debt. As referenced above, the County Water Authority's rate-setting process includes determining the revenue requirements to satisfy annual debt service payments and covenants, which are thus included in the rates paid by member agencies. Relatedly, member agencies appear to be under no financial obligation to pay an annual pre-determined fixed amount towards the County Water Authority's debt obligations – or at least they do not appear to be readily disclosed.

- (h) Identifying the Appropriate Length of an Exit Fee

Dr. Hanemann advised LAFCO and the Ad-Hoc Committee that a reasonable length of period to apply an exit fee to the applicants was three to ten years. Dr. Hanemann further advised any term beyond 10 years would be unreasonable. Drawing from this parameter, it appears five-years is a good and reasonable benchmark given the three relatable considerations. First, the Ad Hoc's working group made note that the best predictor of future cost allocations is to look at past rolling averages and a five-year period account for high water and low water demand years. (This five-year period was then used in their evaluation in determining the specific rate impacts to the City of Poway, City of San Diego and Valley Center.) Second, Urban Water Management Plans are prepared by urban water suppliers every five years and are submitted to the state for their review. These plans support the suppliers' long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. Third, municipal service reviews serve as a centerpiece to the comprehensive rewrite to LAFCO law in 2001 and represent comprehensive studies of the level, range, and performance of governmental services provided within defined geographic areas. Statute provides MSRs be prepared every five years.

- (i) LAFCO's Authority to Require Exit Fees:
  Reconciling the County Water District Act and Cortese-Knox-Hertzberg Act

The applicants – Fallbrook PUD and Rainbow MWD – have been consistent in their comments during the administrative reviews that the principal act governing the County Water Authority does not contemplate the imposition of exit fees should a member agency leave. The applicants advise instead the principal act provides only the continued payment of property taxes to cover any "bonded and other indebtedness." Though the principal act does not require the imposition of an exit fee beyond, when applicable, the continuation of property taxes for purposes of bonded indebtedness should a member agency leave, it also does not prohibit imposing one, and LAFCO staff does not believe the principal act precludes the Commission's authority to condition approval on payment of such a fee. This

conclusion draws on LAFCO's authority in its own principal act – Cortese-Knox-Hertzberg Act – and the following material sections in California Government Code:

> *"56100. (a) Except as otherwise provided in Section 56036.5 and subdivision (b) of Section 56036.6, this division provides the sole and exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts. All changes of organization and reorganizations shall be initiated, conducted, and completed in accordance with, and as provided in, this division." (Cortese-Knox-Hertzberg Act, 2022 Update)*
>
> *"56886. Any change of organization or reorganization may provide for, or be made subject to one or more of, the following terms and conditions. However, none of the following terms and conditions shall directly regulate land use, property development, or subdivision requirements."*
>
> *"56886. (v) Any other matters necessary or incidental to any of the terms and conditions specified in this section."*

While concluding LAFCO has authority to condition approval on payment of an exit fee, LAFCO staff does not believe it has authority to condition approval on the continued imposition and collection of the San Diego County Water Authority's Availability Charges. Once detached territory is excluded from the County Water Authority, the County Water Authority will no longer be authorized to impose such charges. Thus, the conditional continuation of such fees to mitigate the financial impacts of detachment is not an option.

Additionally, the applicants have also commented during the administrative reviews that LAFCO's authority to impose exit fees as part of any approval conditions without their consent are not options given *Antelope Valley-East Kern v. Los Angeles County LAFCO* (1988). Commission Counsel concludes the reference court decision does not impact LAFCO's decision-making on the topic of exit fees. *Antelope Valley* involved a detachment where LAFCO purported to relieve the detaching territory of tax obligations that the district's principal act provided would continue upon detachment. There, the court of appeal determined that LAFCO's general powers did not extend to "relieve detached territory of the tax obligations which the Legislature has deemed essential to the successful financing of the state water project." LAFCO's resolution purporting to relieve the territory of that obligation directly conflicted with the principal act. Here, LAFCO does not suggest that the applicants' territory be relieved of any tax obligation the Authority's principal act mandates continue post-detachment. And nothing in the Authority's principal act prohibits LAFCO from conditioning detachment on payment of a fee. At most, the principal act sets the floor for a fee—at a minimum, any existing property tax or assessment that funds bonded indebtedness must continue. It does not set a ceiling for other possible fees on detachment. Thus, the proposed exit fee does not conflict with the principal act and otherwise falls within LAFCO's discretion.

- (j) Discounting Exit Fees:
  Accounting for the Budgeted but Unbuilt ESP North County Pump Station

The County Water Authority has plans to implement the final phase of its multi-phase Emergency Water Storage Project (ESP) to extend emergency water supply service to the northernmost portions of San Diego County. To extend ESP service to these areas, the ESP North County Pump Station phase proposes two new pump stations which together will lift and convey water to these northern service areas. Due to the potential detachments, the CWA Board directed that all work ceases on the project segments serving these members agencies (Fallbrook PUD and Rainbow MWD) until the detachment proposals are resolved.

The topic of crediting Fallbrook PUD and Rainbow MWD for the cost-avoidance to the County Water Authority involving the ESP North County Pump Station should the detachments proceed was evaluated by a working group formed by the Ad Hoc Committee. None of the working group members are affiliated with the applicants or subject agencies. The working group's conclusion on the topic follows.

> *"Fallbrook and Rainbow assert that there is a cost savings to the remaining member agencies if they detach as the ESP North County Pump Station does not need to be built if they detach. SDCWA asserts that there is no cost savings, as construction of the ESP North County Pump Station is not included in their current budget. Both of these statements are true. However, almost $21 million was identified in the SDCWA 2010/2011 Budget for the ESP North County Pump Station. According to a mid-term budget review, this project was deferred in 2011, however bond documents appear to show inclusion of this project in 2008. If debt was already issued to pay for this project and rates were set accordingly, there should be some costs that are avoided by not having to build this pump station. SDCWA should look at its older documents to identify and address this issue. This was a project included in the CIP (and some funds were spent on design) that set rates and debt issuance over a decade ago to pay for construction this project." (Ad Hoc Working Group Memo, August 11, 2022)*

The County Water Authority more recently referenced the ESP North County Pump Station to cost "*about $40.0 million*" as indicated in footnote on Page 61 of their September 18, 2020 response to LAFCO.

> *"A planned Water Authority infrastructure program for the Rainbow/Fallbrook service areas has been temporarily deferred by the Water Authority Board, with the concurrence of the applicants, pending this reorganization proceeding. If the Water Authority did not have to construct this infrastructure, it would save about $40 million in planned costs. This would in essence cover roughly about 2.5 years of uncompensated Rainbow/Fallbrook detachment under the base year."*

Additionally, the CWA in its adopted budget for FYs 2022 and 2023, identifies the ESP North County Pump Station in their Capital Improvement Program. While the project components related to Rainbow and Fallbrook remain in a holding pattern, the work associated with serving Valley Center and Yuima remains on-going which results in a $6.85M increase to the total project cost due to updated design and construction estimates. This brings the total estimated project cost to the ESP North County Pump Station to $45.4 million. Extracting the on-going portion (Valley Center and Yuima), this leaves the total project cost associated with Rainbow and Fallbrook at $38.6 million. (Page 148 – Adopted FY 22-23 CWA budget).

The preceding analysis provides sufficient justification to apply a full discount to Fallbrook PUD and Rainbow MWD should any exit fees apply between $21.0 million and $38.6 million. The latter amount would align with the most recent estimate provided by the County Water Authority.

Additional discussion is footnoted.[38]

- (k) Risks to Applicants in Greater Reliance on the Sacramento Bay-Delta and Related Policy Considerations

Dr. Hanemann has advised there are potential risks to applicants and their ratepayers with respect to increased reliance on the Sacramento Bay-Delta. As detailed in section (l), Dr. Hanemann concludes that while the applicants may face challenges if they switch wholesale suppliers, ultimately the challenge rests in *"paying a higher price than they had anticipated to get by in a drought"* rather than that of running out of water. *(Hanemann, December 31, 2021)* This identified risk is further illuminated by recent events involving cutbacks to the historically reliable water supplies of the Colorado River, which may inevitably result in cutbacks to MET. The State Water Resources Control Board's Delta Watermaster, Michael Patrick George, also provided insight on this topic with the following submitted comment:

> *"[T]he two agencies would be increasing reliance on the Delta because they would abandon a less Delta-dependent supply mix (available through their SDCWA membership) in favor of a more Delta-reliant supply mix (available under the contract with Eastern MWD)." (May 6, 2022)*

Dr. Hanemann further advised the Ad-Hoc Committee:

[38] It is material to assume that future costs and material will only increase over time resulting in a higher total cost to the project. Therefore, we have a significant range between costs to the proposed ESP North County Pump Station based on old and new figures. At minimum it would appear appropriate to assess a discount to the proposed detachment fee in the tune of $21.0 million based on 2010/2011 figures; however, it would also be fair and reasonable to assess a discount of $40M based on CWA 2020 correspondence and further affirmed in their FY2022-2023 Adopted Budget, as these are the most up-to-date costs associated with the project. Bottom line: the development of the ESP North County Pump station and the associated costs are contingent – one way or another – on the proposed detachment. Should approval of the detachments be granted, it is a reasonable consideration to conditionally credit the applicants $38.6 million for the total project costs. Notably, comments have been received that any credit to the ESP North County Pump Station should be proportional to the respective contributions for each member agency. However, since detachment is "directly dependent" to the development of the ESP North County Pump Station it would result in an overall "cost-avoidance" which means Rainbow and Fallbrook have mitigated or eliminated any potential costs to the project for the CWA and all remaining agencies. Based on this a full credit is with merit and warranted.

> *"If FPUD and RMWD switch from SDCWA to EMWD, they will switch from relying on SWP water for 24% of their supply to relying on SWP water for 63% of their supply." (Hanemann, August 16, 2021)*

Notwithstanding the above comments and based on Hanemann's estimate of a combined reliance of 63.0% on the State Water Project (SWP) – representing 16,320 acre-feet of the applicants' total demand – and a 5-year review of SWP's deliveries through the Delta this would equate to a flow increase of 0.84% over baseline conditions.[39] If the applicants demand were to increase to 100% reliance on the Bay-Delta water supply this would result in an impact of 1.65%.

- (l) Risks to Applicants in Changes to MET Wholesale Rates

Dr. Hanemann advised on this topic within his final report submitted to LAFCO:

> *"While FPUD and RMWD are taking something of a gamble on supply reliability if they switch from SDCWA to EMWD, the gamble ultimately is not one of running out of water but, rather, paying a higher price than they had anticipated to get by during a drought. For surface water users in Southern California (unlike some groundwater users) the risk is not that the tap runs dry but, rather, that a temporary solution in a drought emergency turns out to be a rather expensive proposition." (Hanemann, December 31, 2021)*

LAFCO staff later confirmed with Dr. Hanemann that he refers to a "financial gamble," in which applicants risk paying more for water in the long run.

- (m) Detachments' Impact on CWA's Voting Power at MET

Eastern MWD presently has one representative while the County Water Authority has four representatives on the, MET Board. MET's principal act governs both director and vote entitlement for member public agencies. Under Section 52, assessed valuation is used to determine how many representatives an agency has on the MET Board. Each member agency is entitled to one board member and may appoint an additional representative for each full 5 percent of MET's assessed valuation of taxable property that is within each member agency's service area. Under Section 55, each member of the Board shall be entitled to vote on all questions, orders, resolutions, and ordinances coming before the board, and shall be entitled to cast one vote for each ten million dollars ($10,000,000), or major fractional part thereof, of assessed valuation of property taxable.

As of August 2021, Eastern MWD's service area assessed valuation constituted 2.81% of the total MET service area and entitles Eastern to 9,492 votes at MET. The County Water Authority's service area assessed valuation constituted 17.26% of the total MET service area and entitles the Authority to 58,302 votes at MET. If the

[39] LAFCO staff reviewed the Department of Water Resources Bulletin 132 reports from Fiscal Years 2014 through 2018.

applicants' – Fallbrook PUD and Rainbow MWD – service areas are detached from the County Water Authority the weight of the Authority's vote will be reduced by 1,021 votes and the weight of Eastern's vote will be correspondingly increased.[40] This would substantively result in a 0.3% transfer of voting power at MET from the County Water Authority to Eastern MWD.

In assessing the significance of the 0.3% transfer in voting power, LAFCO staff reviewed the last 900+ votes of the MET Board during the last 10 years. Within this period there have only been two votes in which the decision was within the margin of voting rights that would be shifted. These two votes follow.

> On March 9, 2021, a motion to approve Director Michael Camacho as a non-officer member of the Executive Committee was approved. This motion was approved by a margin of 0.28%.
>
> On June 8, 2021, a motion to hold a vote on the appointment of the new general manager until after the Board had the opportunity to speak with the final candidate in open session. This motion was approved by a margin of 0.09%.

Neither of the two above votes appear significant in terms of generating long-term impacts on MET's member agencies. A third and otherwise substantive vote did come close to the margin difference and therefore does create an outlier in the Commission's consideration on the topic. This outliner involves the appointment of the current General Manager Adel Hagekhalil, which was approved by the MET Board on June 8, 2021 with a margin of 0.42%.

Additional discussion is footnoted.[41]

- (n) Detachments' Effect on Pure Water and Other Reuse Projects

The proposed reorganization of Rainbow MWD and Fallbrook PUD does not appear to have any material direct impacts on the City of San Diego's Pure Water project or other regional reusable projects such as Pure Water Oceanside and East County Advanced Water Purification. In offering this conclusion, staff is making a distinction that these reusable projects are predominately developed to resolve wastewater issues, such as treatment costs and therefore are on a separate merit track to proceed with the ancillary benefit of enhancing local supply portfolios. Updated projections for when these projects will be operational indicate a delay from the timelines provided in CWA's most recent Urban Water Management Plan. These delays do not appear to be associated with, or the result of, detachment proceedings

[40] See attachment.

[41] In evaluating the topic during the administrative reviews, LAFCO staff proposed two potential conditions that would serve as mediation to any impacts related to voting shift changes. The two following options were explored and presented. First it was proposed LAFCO impose a 5-year waiting period to the filing of the project's certificate of completion, as this would provide a benefit of delay and a transitional adjustment period to any shift in voting rights power. Second, it was proposed LAFCO require a MOU between Eastern MWD and the County Water that would outline terms and conditions related to the assignment and timeframe to any voting rights shift. Both options were opposed and gained no further traction with the latter also having legality issues being raised from all parties including MET.

or any potential financial impacts thereof. Indirect impacts – nonetheless – apply given these reuse projects will lessen the agencies (San Diego, Oceanside, etc.) reliance and associated demand on supplies from the County Water Authority, which will reduce sale revenues.

As stated by the County Water Authority, by 2029 regional potable reuse projects will account for 50 thousand acre-feet of water supply, thereby reducing annual water sales revenue to the wholesaler by $47 million, based on the analysis by LAFCO staff and Dr. Hanemann. This is a long-term impact that CWA and its member agencies will have to address in order increase fixed revenues to cover fixed costs.

- (o) Emergency Supplies During a Catastrophic Event

This topic has been raised by the County Water Authority and specific to raising concerns with regards to the applicants' – Fallbrook PUD and Rainbow MWD – ability to serve their ratepayers if entirely dependent on MET supplies via Eastern MWD should a catastrophic event disrupt flows from the north. LAFCO staff believes existing MET policy paired with supplemental analysis provided by Eastern MWD provides sufficient assurances these risks are reasonably controlled. The following two passages are drawn from Eastern MWD's Technical Memorandum filed with LAFCO on February 12, 2020 and materially states:

> *"FPUD and RMWD rely on the imported water that is transported through the San Diego Aqueduct operated by Metropolitan. Pipelines 4 and 5, which are part of this aqueduct system, cross the Elsinore Fault Zone in the Temecula Valley, with portions of the pipelines in areas with moderate to high liquefaction potential and may consequently be subject to disruption in the event of a major earthquake. However, Metropolitan maintains an emergency response plan for maintaining or quickly restoring service to its member agencies following a major earthquake or other catastrophic event" (Page 24).*
>
> *"Metropolitan has also adopted a policy that allows for isolation of Metropolitan's system for the purpose of conveying potable water. This would allow either EMWD or Rancho California Water District (an agency covering much of the Temecula area that receives wholesale water service from EMWD and the Western Municipal Water District) to provide potable water through existing connections to the Metropolitan system to supply water to FPUD and RMWD in the event of an emergency." (Page 25).*

LAFCO separately notes Eastern MWD via MET has the capacity to provide 75% level of service in an emergency based on current storage. Should pipelines or infrastructure completely disrupt service delivery, MET has a 14-day timeline for repairs. In the interim, and independent of MET, Rainbow MWD and Fallbrook PUD have a combined total local water storage capacity of 2,148.0 acre-feet and equivalent to accommodating 73 days of average day demands without recharge.

- (p) Effect of Stipulated CEQA Settlements on LAFCO:
  Otay Water District v. Rainbow MWD, Case No. 37-2020-00001510-CU-MC-CTL
  Otay Water District V. Fallbrook PUD, Case No. 37-2020-00004572-CU-MC-CTL

In early 2020 and shortly after the receipt of the applicants' – Fallbrook PUD and Rainbow MWD – detachment proposals the Otay Water District filed separate petitions for writs of mandate asserting they had failed to comply with the California Environmental Quality Act (CEQA). The writs challenged the applicants' separate findings as lead agencies that the proposals qualified for exemptions under Class 20 (CEQA Guidelines Section 15320) and instead asserted additional environmental review was required under statute. The parties – the applicants and Otay Water District only as LAFCO was not named in the suit – subsequently entered into court-mandated settlement discussions and agreed to stipulated judgements. The parties agree the stipulated judgements do not bind LAFCO to the role of responsible agency under CEQA and could assume lead agency roles for the proposals and make different findings. However, and significantly, Otay Water District asserts the stipulated judgements prohibit LAFCO from remaining a responsible agency and relying on the applicants' Class 20 findings (i.e., LAFCO needs to do an initial study or a full environmental impact report.) The County Water Authority is on record in supporting the position of Otay Water District. The applicants believe otherwise and assert nothing in the stipulated judgements prevent LAFCO from retaining its responsible agency role under CEQA and relying on the applicants' findings as lead agencies that the Class 20 exemptions appropriately apply.

Irrespective of the dispute between the parties regarding the scope of the stipulated judgements, LAFCO staff does not believe there is any material impact on the Commission's decision-making and related discretion under CEQA. LAFCO is not a party to the stipulated judgements. Accordingly, and as advised by Commission Counsel, LAFCO is not bound – however the parties choose to interpret – by the stipulated judgements' provisions.

- (q) Determining the "Affected Territory" for Election Purposes

Should the Commission approve one or both of the proposed detachments the registered voters within the affected territory would take up the item for purposes of confirmation based on a majority of votes cast (50% plus 1). The direct confirmation of registered voters deviates from standard process in LAFCO statute to hold a protest hearing and the results therein determine if an election is necessary. This direct confirmation follows the earlier request of the County Water Authority via their application for "non-district" status, which affects the Commission's discretion regarding protest and election proceedings. The County Water Authority had the option to seek "non-district" status, and it did so here as to Part 4 of the Cortese-Knox-Hertzberg Act on April 2, 2020. The Commission approved the County Water Authority's application on May 4, 2020.

The issue of defining the affected territory specific to establishing registered voter eligibility in a confirming election for the detachments that extends beyond the applicant's jurisdictional boundaries (Fallbrook PUD and Rainbow MWD) has been a topic of interest during the administrative reviews. The County Water Authority and some of its member agencies are on record requesting any confirming votes be expanded to include all registered voters within the Authority. The substantive difference of expanding any confirming election from the applicants' jurisdictional boundaries to include all of the County Water Authority is a 51-fold increase in registered voters from 36,664 to 1,878,136. The applicants object to the request with an otherwise fair observation that defining the affected territory beyond the area directly subject to the jurisdictional changes through LAFCO's conditioning powers would be precedent setting. It would also considerably increase election costs.

Commission Counsel has reviewed the topic and concludes LAFCO's otherwise available discretion to expand the affected territory for purposes of expanding registered voter eligibility in a conforming election per the County Water Authority request is not available. The following summary in support of this conclusion is provided by Commission Counsel and commences with the material relevance of the non-district status request approved by the Commission on May 4, 2020:

"Government Code section 56036.6, subdivision (b) addresses the implications of such a determination:

> If the commission determines that an entity described in this section is not a 'district' or 'special district,' any proceedings pursuant to Part 4 (commencing with Section 57000) for a change of organization involving the entity shall be conducted pursuant to the principal act authorizing the establishment of that entity.

Government Code section 56128 also states:

> If the commission determines that any applicant district, agency, or authority enumerated in subdivision (a) of Section 56036.6 is not a district or special district, for purposes of Part 4 (commencing with Sections 57000) or Part 5 (commencing with Section 57300), then those provisions shall not apply to the change of organization or reorganization described in the application and proceedings for the change of organization or reorganization shall be taken under and pursuant to the principal act.

Government Code section 56036.6, subdivision (b), makes clear that if an agency is determined to not be a district, then protest and election proceedings take place under that agency's principal act, not Part 4 of CKH. An agency that is not a district is still subject to Parts 1–3 and, unless it requested exemption, Part 5 of CKH.

Because CKH does not apply to the protest or election proceedings regarding detachment, SDCWA's Principal Act, the County Water Authority Act, applies instead (Water App. Code, §45-1 et seq.) Water Code Appendix Section 45-11, subdivision (a)(2) states:

> Any public agency whose corporate area as a unit has become or is a part of any county water authority may obtain the exclusion of the area therefrom in the following manner: The governing body of any public agency may submit to the electors thereof at any general or special election the proposition of excluding from the county water authority the corporate area of the public agency.

The "electors thereof" refers to the electors of the public agency seeking exclusion. In this case, Rainbow and Fallbrook voters would be the electors under the county water authority law, not the entire territory of SDCWA.

CKH's general provisions in Gov. Code §§ 56876 and 56886 do not permit the Commission to place conditions of approval regarding elections that override SDCWA's Principal Act. Under well-established rules of statutory construction, these general statutory provisions must give way to the specific provisions of Gov. Code § 56036.6, which expressly governs the rules regarding protests and elections when a district has been granted "non-district" status. The specific controls over the general, and as a result the Commission cannot place conditions that would ignore the provisions of SDCWA's Principal Act regarding elections to confirm the two detachments if approved.

Eastern MWD, by contrast, did not request a determination from the Commission regarding its exemption under Government Code section 56127. In the absence of such an exemption, CKH controls the election proceedings as they relate to annexation. Government Code section 56876 provides the Commission with the option to order an election, if required, regarding annexation just within the territory of Rainbow or Fallbrook or within all or a portion the territory of Eastern MWD."

- (r) Role of Agriculture in the Proposals + LAFCO Decision-Making

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A central premise to the applicants' – Fallbrook PUD and Rainbow MWD – detachment proposals involve providing economic relief to their agricultural customers by securing less expensive water supplies from Eastern MWD. The economic relief ties to the approximate 26% cost-savings in the current "all-in" acre-foot charge between the County Water Authority and Eastern MWD (via MET). This cost-savings looms significant for both applicants. Agricultural customers presently represent 36% of all retail sales in Fallbrook PUD and 65% of all retail sales in Rainbow MWD; despite each applicant incurring no less than a (one-fourth) decline is ag user water sales over the preceding five-year period.

The specter of agriculture loss is a prominent consideration under LAFCO statute and adopted policy. Although independent, LAFCO is expected to act within a set of State-mandated parameters encouraging "planned, well-ordered, efficient urban development patterns" while concurrently providing for the "preservation of agriculture and open-space lands." This includes specific consideration of the effects of jurisdictional changes on agriculture. (Government Code Section 56668). LAFCO recently updated its own implementing policies relevant to preserving agriculture in September 2020 and – among other items – added a section to "enhance" agriculture in San Diego County. Staff believes the substantive tie between statute and policy in relationship considering the detachment proposals is the added allowance to treat agriculture as a unique and/or protected group and in doing make special accommodations as the Commission deems appropriate.

CONCLUSION | REORGANIZATION MERITS & TIMING

The analysis of the proposed reorganizations' timing and connectivity with statutory and local policy considerations produces three distinct and otherwise merited options. Consideration of these three options are prefaced on the Commission applying its collective preferences in assigning priorities in balancing public benefits and interests. These three options are:

Approve with Exit Fees (Option Two)
Approve the proposals with conditions that are marked with a total exit fee of $62.905 million spread out over five consecutive year payments less the $38.6 million most recently budgeted by the County Water Authority to construct the ESP North County Pump Station. The total adjusted exit fee with the discount is $24.305 million and translates to an annual payment of $4.861 million. This option is appropriate should it be the Commission's collective priority to address the stand-alone merits of the applicants' proposals with the explicit paring of a policy enhancement of supporting a viable agriculture economy in North County. This policy enhancement provides justification in balancing the financial impact of detachments on the County Water Authority in tandem with applying an exit fee to cover the estimated revenue loss over the first five years less the cost-avoidance associated with the ESP North County Pump Station.

(continued)

Pause Consideration (Option Three)
Administratively hold consideration of the reorganization proposals until the completion of the Commission's scheduled municipal service review covering the County Water Authority. This option would be appropriate should it be the Commission's collective priority to comprehensively assess the County Water Authority with respect to current and planned service levels, community needs, and financial standing *before* taking any potential actions to change baseline conditions – such as the proposed detachments. The option – notably – ties to the analysis of the proposals to date and what appears as major structural challenges for the County Water Authority going forward in balancing declining water sale revenues (roll-offs, etc.) versus fixed and increasing costs.

Disapprove without Prejudice (Option Four)
Disapprove the proposals without prejudice. This option would be appropriate should it be the Commission's collective priority to retain and reinforce the role of the County Water Authority as the most appropriate policy vehicle to singularly govern and plan regional wholesale water supplies for all of San Diego County. This option – notably – would recognize the applicants' proposals in-and-of-themselves have merit, but the external considerations and overall detrimental impacts on the region, including loss of voting power at MET, negate the specific benefits to the Fallbrook and Rainbow communities. This option could also be merged into a hybrid alternative involving the completion of a municipal service review on the County Water Authority.

Item No. 3 | Modifications and Terms

No modifications to the submitted reorganization have been identified by San Diego County LAFCO staff meriting Commission consideration at this time. This includes noting annexation of the affected territory to Eastern MWD would not result in any unserved corridors or other boundary irregularities for the subject agency.

Analysis of potential approval terms will be separately address in a staff memorandum.

CONCLUSION | MODIFICATIONS AND TERMS

No modifications to the proposed reorganization appear merited as detailed. Approval terms will be addressed under separate cover.

Other Statutory Considerations

Exchange of Property Tax Revenues

California Revenue and Taxation Code Section 99(b)(6) requires the County of San Diego and subject agencies to submit an adopted resolution to LAFCO agreeing to accept the exchange of property tax revenues associated with the proposed reorganization. The County has determined one of their adopted master property tax transfer resolutions apply to the proposed reorganization. The application of the County's adopted master exchange resolution will result in 100% of all AB8 monies (the portion of the 1% in property taxes biannually collected) transferring to Eastern MWD. In the absence of consent of the applicants and affected agencies, LAFCO does not have the power to override application of the master exchange resolution. The total value of the property tax transfer is $0.382 million and divided between $0.173 within Fallbrook PUD and $0.209 million in Rainbow MWD. (All remaining revenues collected by the County Water Authority off of the property tax roll within the affected territory involves unitary fees and availably charges would immediately cease at the time of recordation. These other revenues currently total $0.723 million.)

Environmental Review

San Diego County LAFCO is responsible under CEQA to assess whether environmental impacts would result from activities approved under the Commission's authority. Accordingly, the Commission is tasked with making two distinct findings under CEQA in consideration of the proposed reorganization. Staff's analysis follows.

- San Diego County LAFCO serves as lead agency under CEQA for the conforming sphere of influence actions associated with accommodating the reorganizations. It is recommended the Commission find these actions – and specifically establishing a sphere for Eastern MWD covering its wholesale function to include the affected territory and concurrently removing these lands from the County Water Authority sphere – collectively qualify as a project under CEQA but exempt from further review under State Guidelines 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and any associated actions (establishment, update, or amendment) in and of itself does not change the environment or authorize any new uses or services.

- Fallbrook PUD's and Rainbow MWD's initiating actions involving the reorganization proposals position these agencies to serve as lead agencies in assessing the potential impacts - and specifically the annexation to Eastern MWD and detachment from County Water Authority - under CEQA. In their roles as lead agency, both Fallbrook PUD and Rainbow MWD have made findings that the proposal qualifies as a project but is exempt from further review under State CEQA Guidelines Section 15320. Staff independently concurs this exemption appropriately applies given the underlying action involves the transfer of existing municipal service functions within the same area with no additional powers or expansions therein.

Alternative Conducting Authority Proceedings

San Diego LAFCO previously approved requests from the County Water Authority to apply alternative conducting authority proceedings should the Commission approve Fallbrook PUD and/or Rainbow MWD's reorganization proposals. Approval of the alternative process was based on the County Water Authority meeting certain criteria under statute and substantively means any approval of the proposals will bypass standard protest proceedings and directly proceed to a confirmation of registered voters with the applicant's service areas.

RECOMMENDATION

It is recommended San Diego LAFCO consider its collective policy priorities relative to the five alternative actions identified in the proceeding section. Staff believes three of these alternatives – Options Two, Three, and Four – have the most merit based on the preceding analysis. Staff recommends Option Two.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO and all premised on the Commission directing staff to return with conforming resolutions for formal action at the next regular meeting:

Option One
Approve both reorganization proposals as submitted (no modifications) with standard conditions. No exit fees would apply given deference to the County Water Authority principal act and its silence on the topic. Approval is prefaced on prioritizing the stand-alone merits of the proposals and its local benefits – including direct support to agriculture in North County. Approval includes exemption findings under CEQA and subject to confirmation by registered voters within the affected territory.

Option Two (recommended)
Approve both reorganization proposals as submitted (no modifications) with special conditions. This includes requiring the applicants to pay a combined adjusted exit fee of $24.305 million divided equally over five years. Approval is prefaced on the stand-alone merits of the proposals and its local benefits – including direct support to agriculture in North County – while also providing net-revenue protection to the County Water Authority and its member agencies for the first 60 months. Approval includes exemption findings under CEQA and subject to confirmation by registered voters within the affected territory.

Option Three:
Continue consideration of the reorganization proposals in conjunction with completing a holistic assessment of wholesale water supply issues in San Diego County via the scheduled municipal service review on the County Water Authority.

Option Four:
Disapprove the reorganization proposals without prejudice. Disapproval is prefaced on weighing the external disbenefits of the proposals to the County Water Authority and its member agencies as of date. This option could be combined with Option Three.

Option Five:
Disapprove the reorganization proposals. Disapproval is prefaced on weighing both the local and external disbenefits of the proposals.

PROCEDURES FOR CONSIDERATION

This item has been placed on San Diego LAFCO's agenda for action as part of a noticed public hearing. The following procedures are suggested.

1. Commissioner disclosures, if any.
2. Receive verbal presentation from staff and consultants.
3. Presentation from applicant Fallbrook PUD.
4. Presentation from applicant Rainbow MWD.
5. Open the public hearing and invite testimony beginning with the subject agencies.
6. Discuss item and consider the staff recommendation.

On behalf of the Executive Officer,



Priscilla Mumpower
Analyst II

Appendices:

A) Analysis of Proposal Review Factors

Report Attachments:

1) Fallbrook PUD Application to LAFCO
2) Rainbow MWD Application to LAFCO
3) County Water Authority Principal Act
4) San Diego + Riverside LAFCOs MOU
5) County Water Authority Request for Non-District Status for Fallbrook PUD Proposal
6) County Water Authority Request for Non-District Status for Rainbow MWD Proposal
7) San Diego LAFCO MSR on Fallbrook Region: Prospectus
8) San Diego LAFCO MSR Addendum on Eastern MWD: Prospectus
9) Dr. Michael Hanemann Final Report for Ad Hoc Committee
10) LAFCO Spreadsheet Calculating Ratepayer Impacts

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APPENDIX A

Government Code Section 56668
Mandatory Proposal Review Factors

a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to populated areas; the likelihood of significant growth in the area, and adjacent areas, in the next 10 years.

The affected territory as proposed comprises the entirety of Rainbow MWD's and Fallbrook PUD's jurisdictional boundaries located in north San Diego County. The affected territory is entirely unincorporated with the exception of an approximate 859.0-acre area within Rainbow MWD that overlaps with the City of Oceanside's Morro Hills neighborhood. LAFCO estimates the total resident population within the affected territory is 56,116. The elevation ranges from 673 feet to 1,800 feet above sea level with the latter point recorded on the foothills between the Aqua Tibia Mountain and Santa Margarita Mountain. Predominant land uses largely involve rural residential and agricultural uses. Total assessed value (land) within the affected territory is a combined $8.99 billion and divided between $4.078 billion within Fallbrook PUD and $4.912 billion within Rainbow MWD.

b) The need for municipal services; the present cost and adequacy of municipal services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

The County of San Diego serves as the primary purveyor of general governmental services to the affected territory. These services include community planning, roads, street lighting, and law enforcement. Other pertinent service providers include Rainbow MWD, Fallbrook PUD, County Service Area No. 81, and North County Fire Protection District. The proposal affects only Rainbow MWD and Fallbrook PUD's functions and the proposed transfer of wholesale water services to Eastern MWD and is the focus of the following analysis.

- **Transferring Wholesale Water Services to Eastern MWD**
  Rainbow MWD and Fallbrook PUD have experienced overall limitations on local sources of wholesale water in the affected territory. This is marked by the increasing costs of wholesale water supplies from the County Water Authority which has begun to adversely impact the quality of life for residents within the affected territory – most notably for agricultural users. Both Fallbrook and Rainbow quantify the adverse impact by estimating the average cost increase in water rates at 8% annually over the preceding decade. The two agencies relatedly attribute the size of the costs to sustaining an expanding County Water Authority's infrastructure portfolio that does not proportionally benefit the affected territory. The need for imported wholesale

water supplies remains critical given Rainbow's absolute dependency on imported supplies due to the lack of other local resources. The same applies to Fallbrook albeit to a lesser extent.

c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on local governmental structure.

None.

d) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies/priorities set forth in G.C. Section 56377.

Approval of the recommended reorganizations to transfer wholesale water supply from the County Water Authority to Eastern MWD serves as a viable alternative. Additionally, the proposal would not induce or otherwise facilitate the loss of open-space lands, and as such does not conflict with the provisions of Government Code Section 56377.

e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

Portions of the affected territory qualify as agricultural land under LAFCO law. The reorganization proposal, nonetheless, is specific to transferring wholesale water supply services between three local governmental agencies and would not adversely affect the physical or economic well-being of the agricultural lands.

f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment, the creation of islands or corridors of unincorporated territory, and other similar matters.

LAFCO is in receipt of a draft map and geographic description of the affected territory that details metes and bounds that appears consistent with the standards of the State Board of Equalization and conforming with lines of assessment. LAFCO approval would be conditioned on approval of the map and geographic description by the County Assessor's Office and address any modifications enacted by the Commission.

g) A regional transportation plan adopted pursuant to Section 65080.

The reorganizations would not conflict with San Diego Forward, the regional transportation plan established by the San Diego Association of Governments (SANDAG).

h) Consistency with the city or county general and specific plans.

The affected territory recommended for reorganization is 99% unincorporated and subject to the land use policies of the County of San Diego. The County's implementing land use policy documents for the affected territory are the Fallbrook, Rainbow, Bonsall, and yet to be completed, Pendleton-De Luz Community Plan's. These documents guide development toward enhancing and preserving the existing rural character of the communities marked by semi-rural and rural lower density development. The incorporated portion of the affected territory lies within the City of Oceanside and part of the Morro Hills neighborhood. The Oceanside General Plan – which was last updated in September 1986 – designates the area for low density residential use.

i) The sphere of influence of any local agency affected by the proposal.

See agenda report analysis.

j) The comments of any affected local agency or other public agency.

Notice of the submitted reorganization proposals was distributed to all affected and subject agencies as required under LAFCO law. Notices were also provided to all local college and school districts. Copies of all correspondence received on the proposals has been posted online and available on a dedicated page cited at www.sdlafco.org.

k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Eastern MWD is primarily funded through user fees and charges. Eastern MWD is currently in good financial standing and marked by Eastern MWD having an unrestricted fund balance, less pension and related employee obligations, equal to almost 20 months of operating expenses.

l) Timely availability of adequate water supplies for projected needs as specified in G.C. Section 65352.5.

The affected territory lies within Rainbow MWD and Fallbrook PUD and eligible to receive potable water service with water supplies currently dependent on local and imported water supplies. The reorganization does not change these baseline conditions.

m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs.

The proposed reorganization would not impact any local agencies in accommodating their regional housing needs.

n) Any information or comments from the landowners, voters, or residents.

All correspondence received from landowners, voters, and/or residents on the proposed reorganizations has been posted online and available on a dedicated page cited at www.sdlafco.org.

o) Any information relating to existing land use designations.

See above analysis for (h).

p) The extent to which the proposal will promote environmental justice.

The reorganization has the potential to promote environmental justice by reducing wholesale water supply costs within the affected territory and for any groups that are susceptible to pollution burdens and their effects. This latter category – notably – low-income communities, communities of color, tribal nations, and other disadvantaged groups. Consideration of existing environmental justice factors within the affected territory draw on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two composite percentile rankings for the affected territory are generated within this analysis and involves pollution burdens (exposures and environmental effects) and at-risk population characteristics (sensitive populations and socioeconomic factors) relative to all census tracts in California. Key results are summarized below followed by fulling table listings.

- The affected territory's composite **pollution burdens** ranking falls in the 35 percentile. Six pollution burden measurements exceed the 50 percentile and considered relatively high. These five measurements comprise (a) three exposures involving ozone, pesticides, and traffic as well as (b) three environmental effects involving groundwater threats, impaired water and solid waste sites.

- The affected territory's composite **at-risk population** ranking falls in the 26 percentile. Two at-risk population measurements exceed the 50 percentile and considered relatively high. These two measurements comprise two socioeconomic factors involving poverty and housing burden.

TABLE NO. 5
Pollution Burdens and At-Risk Population within the Affected Territory
(Source: California Environmental Protection Agency and SD LAFCO)

Factor	Rainbow MWD + Fallbrook PUD
No. of Census Tracts	28
Estimated Population	245,597
Pollution Burden	**Weighted Percentile**
... Percentile	**35.29**
Indicator | Air Quality: Ozone	54.07
Indicator | Air Quality: PM 2.5:	21.04
Indicator | Air Quality: Diesel PM:	20.91
Indicator |Pesticides:	63.95
Indicator | Toxic Releases:	12.15
Indicator |Traffic:	58.57
Indicator | Drinking Water Contaminants:	47.42
Indicator | Lead in Housing:	29.36
Effects | Cleanup Sites:	47.42
Effects | Groundwater Threats:	52.42
Effects | Hazardous Waste:	49.44
Effects | Impaired Water:	74.78
Effects | Solid Waste:	56.19
At Risk Population Characteristics	**Weighted Percentile**
... Percentile	**26.59**
Sensitive Population | Asthma:	13.23
Sensitive Population | Low Birth Weight:	34.27
Sensitive Population | Cardiovascular Disease:	30.83
Socioeconomic Factor | Education Attainment:	30.84
Socioeconomic Factor | Linguistic Isolation:	19.78
Socioeconomic Factor | Poverty:	50.67
Socioeconomic Factor | Unemployment:	30.84
Socioeconomic Factor | Housing Burden:	55.63

q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone or maps that identify land determined to be in a state responsibility area, if it is determined that such information is relevant to the affected territory.

The County of San Diego General Plan contains a hazard mitigation plan for potential fire, flooding, and earthquakes. The affected territory lies between Moderate to Very-High Fire Hazard Severity Zone.

r) Section 56668.3(a)(1) Whether the proposed annexation will be for the interest of the landowners or present or future inhabitants within the district and within the territory proposed to be annex to the district.

To be determined by the Commission.

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RESOLUTION NO. 4985

A RESOLUTION OF APPLICATION BY THE FALLBROOK PUBLIC UTILITY DISTRICT (FPUD) REQUESTING THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO COMMENCE PROCEEDINGS FOR THE DETACHMENT/ EXCLUSION OF FPUD FROM THE SAN DIEGO COUNTY WATER AUTHORITY AND ANNEXATION INTO THE EASTERN MUNICIPAL WATER DISTRICT AS MORE PARTICULARLY DESCRIBED HEREIN AND FINDING THAT THE ACTION IS EXEMPT FROM CEQA

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

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

WHEREAS, FPUD is a member of the San Diego County Water Authority ("County Water Authority") from which it purchase water to serve its rate payers; and

WHEREAS, the County Water Authority is organized under the provisions of the County Water Authority Act (Water Code Appendix Chapter 45); and

WHEREAS, the County Water Authority is a member agency of the Metropolitan Water District of Southern California ("Metropolitan"), which serves as the County Water Authority's largest supplier; and

WHEREAS, since the formation of the County Water Authority in 1944, with FPUD as a charter member, FPUD has contributed almost $300 Million to construct and operate assets owned by the County Water Authority; and

WHEREAS, over the last 25 years, the County Water Authority has made major investments in new storage and treatment facilities located well south of the FPUD service area, which investments have increased the cost of water to FPUD ratepayer adding several hundred dollars per acre foot to the cost of water; and

WHEREAS, to date FPUD receives the majority of its water directly from Metropolitan pipelines and FPUD's water distribution system is not directly able to receive deliveries from the County Water Authority's new storage and treatment facilities, and as a result FPUD's rate payers currently do not receive the full benefit of these County Water Authority's investments; and

WHEREAS, FPUD's mission is to benefit the community of Fallbrook by providing efficient and reliable services and as part of its efforts to fulfill this mission, FPUD seeks to identify opportunities to reduce the cost of providing efficient and reliable services to its ratepayers; and

WHEREAS, to that end FPUD is currently under contract for the construction of the Santa Margarita River Conjunctive Use Project, which after complete will provide FPUD with a local water supply equal to roughly 30 percent of its current total water supply, providing a

buffer from escalating imported water costs and creating an additional shield against the impacts of drought; and

WHEREAS, Eastern Municipal Water District ("Eastern"), located in Riverside County, is a member agency of Metropolitan receiving water supplies from Metropolitan, which water it provides to retail waster service agencies such as cities and special districts in Riverside County; and

WHEREAS, FPUD has evaluated the possibility of annexing to Eastern as a means of obtaining a lower cost supply of reliable water; and

WHEREAS, based on FPUD's evaluation, the reliability of supplies from Eastern to FPUD in combination with FPUD local supply resources are sufficient to meet FPUD's needs; and

WHEREAS, Eastern has indicated its support of the possible annexation of FPUD into its boundaries; and

WHEREAS, if FPUD detaches from the County Water Authority, the County Water Authority and its remaining member agencies will realize future savings associated with no longer needing to complete construction of the North County EPS pump stations to serve FPUD and Rainbow Municipal Water District, which project is currently on hold, but is budgeted at $40 million; and

WHEREAS, if FPUD detaches from the County Water Authority, the reduction in demand from FPUD for water supplies and expanded water facilities will result in benefit the County Water Authority and its remaining member agencies in that it will increase reliability of supplies from County Water Authority in times of drought and reductions in imported water supplies; and

WHEREAS, Board of Directors of FPUD desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Division 3, commencing with Section 56000 of the California Government Code for the exclusion/ detachment of FPUD from the County Water Authority and annexation of FPUD into Eastern (the "Reorganization"); and

WHEREAS, the detachment of FPUD from the County Water Authority is expressly permitted and authorized by the County Water Authority Act, specifically Section 45-11; and

WHEREAS, the Riverside Local Agency Formation Commission and the San Diego Local Agency Formation Commission have executed a memorandum of understanding dated October 24, 2019 by which San Diego Local Agency Formation Commission will undertake the processing of any application by FPUD to proceed with the Reorganization; and

WHEREAS, the reasons for the proposed Reorganization are as follows:

1. Due to the combination of rising wholesale water costs and FPUD infrastructure needs, the Reorganization will help stabilize long-term water costs to address affordability and sustainability issues for FPUD for the benefit of its ratepayers.

2. The Reorganization will enable FPUD to better provide water supplies to those within its boundaries undertaking agricultural activities, in support of the local economy.

3. FPUD already obtains its water supplies directly off of Metropolitan's infrastructure instead of off of County Water Authority's infrastructure, which is unique for County Water Authority member agencies but similar to other cities and special districts receiving water supplies from Eastern. Accordingly, the Reorganization requires no modifications to FPUD infrastructure and the water supply from Eastern can be obtained at significantly lower cost.

3. The Reorganization would permit FPUD to cease funding County Water Authority infrastructure throughout the County that it does not need nor use.

4. The Reorganization would benefit the County Water Authority and its remaining member agencies by permitting the County Water Authority to save, in the future, the $40 million budgeted for completing construction of the North County EPS pump stations to serve FPUD and Rainbow Municipal Water District should Rainbow Municipal Water District also detach.

5. The Reorganization would benefit the County Water Authority and its remaining member agencies because the reduction in demand from FPUD for water supplies and expanded water facilities will result in increased reliability of supplies from County Water Authority in times of drought and reductions in imported water supplies; and

WHEREAS, the Reorganization is supported by the draft Plan for Providing Services required by Government Code section 56653 attached hereto as Exhibit "A," and by this reference incorporated herein; and

WHEREAS, the external boundaries of FPUD, County Water Authority and Eastern are generally depicted in the maps attached hereto as Exhibit "B," and by this reference incorporated herein; and

WHEREAS, FPUD is inhabited; and

WHEREAS, the Reorganization is not a project within the meaning of CEQA because it does not have the potential to result in a direct physical change in the environment or a reasonably foreseeable indirect physical change to the environment (Pub. Res. Code § 21065; CEQA Guidelines § 15378(a).) The Reorganization will not require the construction of any new infrastructure or any changes to the manner in which FPUD receives its water supplies; and

WHEREAS, even if the Reorganization is a "project" within the meaning of CEQA, it is exempt under the Class 20 exemption for changes in the organization of local agencies. (CEQA Guidelines § 15320.) Under section 15320, changes in the organization of local governmental agencies are exempt if the changes do not modify the geographical area in which previously existing powers are exercised. The Reorganization is a change in FPUD's organization structure that does not modify FPUD's service area; and

WHEREAS, even if the Reorganization is a "project" within CEQA's meaning, it is exempt under State CEQA Guidelines section 15061(b)(3)-Common Sense Exemption as "it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment." The Reorganization will not change the type, intensity, or manner of service that FPUD provides. Further, the Reorganization will not result in construction or other physical alteration of the environment because the Reorganization will not require any new infrastructure or any changes to the manner in which FPUD receives its water supplies. None of the exceptions identified in CEQA Guidelines § 15300.2, which prohibit the use of an exemption, apply here. The Reorganization does not present any unusual circumstances that would create a significant effect on the environment. Further, the Reorganization would not create cumulative impacts, damage scenic resources, be utilized on a hazardous waste site, or impact any historic resources.

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

1. **Recitals.** The forgoing recitals are true and correct and are incorporated herein and are made an operative part of this Resolution of Application.

2. **Proposal.** A proposal is hereby made by FPUD to the San Diego Local Agency Formation Commission for a Reorganization as follows:

    a. This proposal for the Reorganization is made pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 commencing with Section 56000 of the California Government Code.

    b. The nature of the proposed Reorganization is detachment of FPUD from the County Water Authority and annexation of FPUD into Eastern.

    c. FPUD is inhabited.

    d. The boundaries of the proposal area are described in the legal description, and depicted on the corresponding maps attached hereto as Exhibit "B," and by this reference incorporated herein.

    e. The reasons for proposed Reorganization are as follows:

        i. Due to the combination of rising wholesale water costs and FPUD infrastructure needs, the Reorganization will help stabilize long-term water costs to address affordability and sustainability issues for FPUD for the benefit of its ratepayers.

        ii. The Reorganization will enable FPUD to better provide water supplies to those within its boundaries undertaking agricultural activities, in support of the local economy.

        iii. FPUD already obtains its water supplies directly off of Metropolitan's infrastructure instead of off of County Water Authority's infrastructure, which is unique for County Water Authority member agencies but similar to other cities and special districts receiving water supplies from

Eastern. Accordingly, the Reorganization requires no modifications to FPUD infrastructure and the water supply from Eastern can be obtained at significantly lower cost.

iv. The Reorganization would permit FPUD to cease funding County Water Authority infrastructure throughout the County that it does not need nor use.

v. The Reorganization would benefit the County Water Authority and its remaining member agencies by permitting the County Water Authority to save, in the future, the $40 million budgeted for completing construction of the North County EPS pump stations to serve FPUD and Rainbow Municipal Water District should Rainbow Municipal Water District also detach.

vi. The Reorganization would benefit the County Water Authority and its remaining member agencies because the reduction in demand from FPUD for water supplies and expanded water facilities will result in increased reliability of supplies from County Water Authority in times of drought and reductions in imported water supplies; and

g. It is desired by FPUD that the proposed Reorganization provide for and made subject to the following terms and conditions:

i. Pursuant to the express provisions of the applicable portion of Section 45-11(a)(2) of the County Water Authority Act, establishing the process for detachments from a county water authority, that the portion of the Reorganization involving detachment from the County Water Authority be subject to the following conditions:

(1) That the matter of detachment of FPUD from the County Water Authority be submitted to a vote by only the electors of FPUD. (Water Code Appendix Section 45-11 (a)(2).)

(2) That to the extent that there is any, that the taxable property to be detached from the County Water Authority, i.e., FPUD, shall continue to be taxable by the County Water Authority for the purpose of paying the bonded and other indebtedness of the County Water Authority outstanding or contracted for at the time of the detachment and until the bonded or other indebtedness has been satisfied. (Water Code Appendix Section 45-11 (a)(2).)

(3) That if the taxable property to be detached from the County Water Authority is, at the time of detachment, subject to special taxes levied or to be levied by the County Water Authority pursuant to the terms and conditions previously fixed under Water Code Appendix Section 45-10 (c) or (d) for the annexation of the property to be detached County Water Authority, the taxable property within the excluded area so subject to the special taxes shall continue to be taxable by the County Water

Authority for the purpose of raising the aggregate sums to be raised by the levy of special taxes upon taxable property within the respective annexing areas pursuant to the terms and conditions for the annexation or annexations as so fixed and until the aggregate sums have been so raised by the special tax levies. (Water Code Appendix Section 45-11 (a)(2).)

The full text of Water Code Appendix Section 45-11 (a)(2) is attached hereto as Exhibit "C," and by this reference incorporated herein.

ii. That upon the effective date of the Reorganization, the County Water Authority shall retain FPUD's share of and interest in any County Water Authority infrastructure.

iii. That upon the effective date of the Reorganization, that the County Water Authority ceases collection of the Standby Water Availability Charge from the properties within FPUD.

iv. That upon the effective date of the Reorganization, that Eastern commence collection of its Standby Assessment/Fee from the properties within FPUD.

3. **CEQA Compliance.**

a. For all the reasons set forth in the above Recitals, and based upon all of the substantial evidence in the record as a whole, the Board of Directors finds that proposed Reorganization: (1) is not a "project" subject to environmental review under CEQA pursuant to Public Resources Code § 21065 and State CEQA Guidelines § 15378(a); (2) alternatively, is exempt from CEQA under the Class 20 exemption as a "change in organization" (State CEQA Guidelines § 15320); and (3) alternatively, is exempt from CEQA under the "common sense" exemption because it can be seen with certainty that there is no possibility that Reorganization would have a significant effect on the environment. (CEQA Guidelines § 15061(b)(3)); and (4) none of the exceptions to the application of the exemptions exist under State CEQA Guidelines § 15300.2.

b. The Board of Directors hereby directs that all documents and other materials constituting the record of proceedings related to this Resolution of Application for approval of the power to exercise the Activated Powers, be maintained by the General Manager of the Fallbrook Public Utility District, or his designee, on file at the Fallbrook Public Utility District 990 East Mission Road, Fallbrook, CA 92028.

c. The Board of Directors directs Staff to file a Notice of Exemption with the County Clerk for the County of San Diego.

4. **Adoption.** This Resolution of Application is hereby adopted and approved by the Board of Directors of the Fallbrook Public Utility District and San Diego Local Agency Formation Commission is hereby requested to initiate proceedings as authorized and

in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 for the Reorganization described herein.

5. **Plan for Services.** The Board of Directors directs the Fallbrook General Manager to finalize the draft Plan for Services attached hereto as Exhibit "A," and by this reference incorporated herein.

6. **Submission of Resolution of Application and other Application Materials.** The Board of Directors further authorizes and directs the Fallbrook General Manager to file a certified copy of this Resolution of Application together with the required LAFCO application, finalized Plan for Services, maps, other documents with the Executive Officer of the San Diego Local Agency Formation Commission. The Fallbrook General Manager is further authorized and directed to pay the required application filing fee and to pay such additional sums as may be invoiced from the San Diego Local Agency Formation Commission for services rendered in the processing of the Reorganization application.

7. **Effective Date.** This Resolution shall take effect immediately upon adoption by the Board of Directors of the Fallbrook Public Utility District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 9th day of December, 2019, by the following vote:

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

President, Board of Directors

ATTEST:

Secretary, Board of Directors

List of Exhibits:
Exhibit A: Plan for Providing Services
Exhibit B: Maps
Exhibit C: Text of County Water Authority Act Section 45-11 (A)(2)

EXHIBIT A
PLAN FOR PROVIDING SERVICES

DRAFT

Fallbrook Public Utility District

Plan for Providing Service

Application for Proposed Reorganization

December 2019

DRAFT

1.0 INTRODUCTION

This document is part of the application for Reorganization from the Fallbrook Public Utility District (FPUD) to the San Diego County Local Agency Formation Commission ("LAFCO"). FPUD is requesting a governmental reorganization consisting of a) the detachment of FPUD from the San Diego County Water Authority (SDCWA) and b) annexation to the Eastern Municipal Water District (EMWD). The plan provides FPUD, LAFCO, affected property owners and voters, and other interested persons with information regarding existing and proposed local government services for the proposed reorganization.

2.0 MUNICIPAL SERVICES

2.1 Description of Service Territory

2.1.1. Fallbrook Public Utility District (FPUD)

History

Fallbrook is an unincorporated community in San Diego County. The first permanent recorded settlement in Fallbrook was in 1869, in the east area of FPUD, which later became Live Oak County Park. While agriculture has always played a major role in the community, the first plantings were olives and citrus. These crops were replaced in the 1920's by avocados and it wasn't long before Fallbrook became generally recognized as the "Avocado Capital of the World."

Fallbrook Public Utility District (FPUD), organized under the provisions of the Public Utility District Act, Public Utilities Code section 15500 et seq., was formed on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, FPUD began to grow. Annexations into FPUD have expanded the service area from 500 acres to 28,000 acres (44 square miles). To meet the growing demand for water, additional ground water supplies were developed along both the San Luis Rey and Santa Margarita rivers.

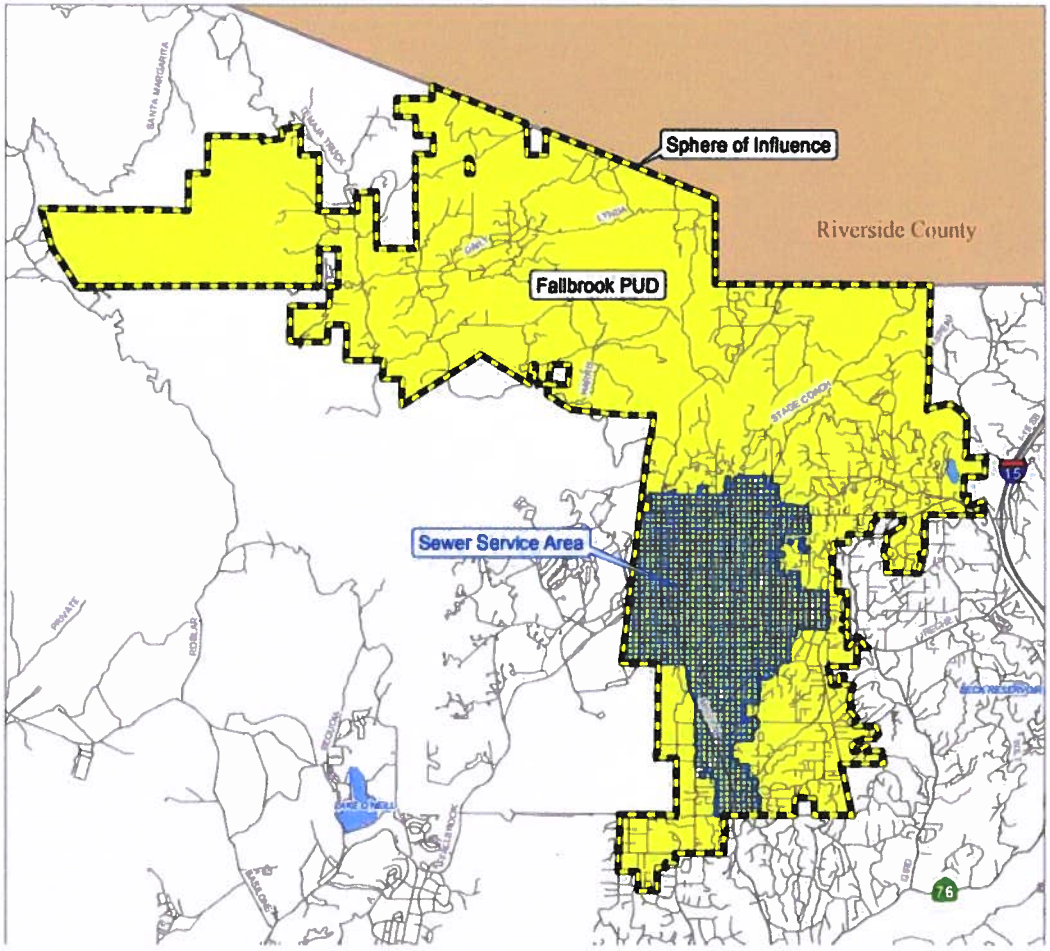
FPUD became a member of the San Diego County SDCWA (SDCWA) at its formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted by the Metropolitan Water District of Southern California (MWD). When Colorado River water became available in 1948, consumption within FPUD gradually increased to approximately 10,000 acre-feet per year by 1959. Then in 1978, MWD augmented its supply system with water from the California State Water Project and began delivering water from both systems to San Diego County. Today, virtually all of FPUD's water supplies are from the Colorado River and California State Water Project.

FPUD's scope of operations grew in the 1990's with both the 1990 dissolution of the DeLuz Heights Municipal Water District and annexation of its 12,000-acre service area to FPUD, and the 1994 dissolution of Fallbrook Sanitary District, which was located entirely within FPUD's boundaries. The Sanitary District had provided parts of Fallbrook with recycled water and wastewater service within a 4,200 acre area of downtown. FPUD took over those services, and the same year the playing fields at Fallbrook High School started receiving reclaimed water as its source of irrigation water. So did two new large nurseries. For the next ten years, FPUD's Reclamation Plant (Plant) began receiving a series of awards for safety in operations. In 2015, FPUD completed a major overhaul, upgrade and expansion of the Plant. The $27 million project took three years to complete, replacing aged and aging equipment, and allowed for a substantial expansion of FPUD's recycled water distribution system. The overhaul involved upgrades to the existing Plant to improve reliability in operation and created much-needed storage space for recycled water.

FPUD provides residents, businesses and agricultural customers with full-service water, wastewater and recycled water services within all or part of its boundaries. **Figure 1** shows FPUD's service area and boundaries.

Because of its geographic location, FPUD is unique and mostly independent of the SDCWA Aqueduct system, its reservoirs and its water treatment plant. Almost all of FPUD's water is treated and delivered through MWD owned facilities. Although FPUD pays SDCWA for emergency water service, due to the lack of regional SDCWA infrastructure directly to FPUD, it cannot physically receive deliveries from SDCWA to serve the vast majority of it's service area in a catastrophic emergency or in the event of an extended SDCWA shutdown for repair.

FIGURE 1—FPUD Service Area



Governance and Organizational Structure

FPUD is governed by a 5-member Board of Directors who serve staggered 4-year terms. Each Director is elected by the registered voters of the subdistrict in which he or she resides. Previous to 2016 FPUD's Board of Directors were elected as at-large representatives. Legislation passed in 2016 allows FPUD to elect its directors by subdistrict. To run for office, a candidate must be a resident and qualified elector of the subdistrict they are running to represent. FPUD is administered by 68 Full Time employees organized by functional departments. The General Manager of FPUD is Jack Bebee, P.E.

Service Area and Local Economy

Currently, FPUD serves an area of 28,000 acres. Approximately 40% of the annual water deliveries are for agricultural use. This number is significantly lower than in prior years. The remainder is for municipal, residential and industrial uses. Total growth in population over the past 20 years has been about 24%, or about 1.6% annually. It increased from a population of 28,200 in 1995 to a population of 33,476 in 2015. Annual water consumption increased to a high of 19,597 acre-feet/year in 2007, then decreased to 9,000 in 2018 with a projection of even lower sales in 2019. This decrease in water consumption was due to the drought, water use restrictions placed on customers, as well as the increased cost of water.

As an unincorporated area of San Diego County, land use authority for Fallbrook resides with the County Board of Supervisors. The Fallbrook Community Plan (FCP), which is part of the County of San Diego General Plan, was adopted on Dec. 31, 1974 by the Board of Supervisors and updated in November 2015. The FCP did not project land use for intermediate future years but rather produced an ultimate land-use plan. While the Community Plan specifies land use, it does not constitute zoning. All future zoning is legally required to be consistent with the adopted community goals and objectives presented in the FCP.

The following general goal has been adopted in the FCP:

> *"Perpetuate the existing rural charm and village atmosphere while accommodating growth in such a manner that it will complement and not sacrifice the environment of our rustic, agriculturally oriented community."*

The FCP attempts to fulfill this goal by limiting future multiple-use and high-density development to the designated town center and is referred to in the County General Plan as a "Country Town." Land outside the designated town center, extending to the community's boundaries, is intended for agricultural uses and rural, residential development and has parcel size limits of 1, 2, 4 or 8 acres, depending on topography and steepness of the land. Most population increase is occurring within the Country Town as land is developed into subdivisions and apartment units. Outside the Country Town land subdivision has been occurring gradually as 40-and 80-acre parcels are split up over many years down to the permissible minimum size of 2 or 4 acres. Based on the updated General Plan, larger parcels further from roads and utilities may be limited to minimum lot sizes, much larger than 2 to 4 acres.

Agricultural land use has been undergoing a gradual change from primarily avocados and citrus to a mixture of crops including other subtropical fruit and nut orchards such as macadamias, persimmons, kiwis, cherimoyas, grapes, dragon fruit, etc. In addition, ornamental flowers and commercial nurseries are increasing in prominence and will tend to preserve the agricultural orientation of the community. Decreases in agriculture, due to increasing water cost as well as development, are expected to remain close to the historic long-term trend.

2.1.2 San Diego County Water Authority (SDCWA)

History

SDCWA was established pursuant to legislation adopted by the California State Legislature in 1943 (County Water Authority Act) to provide a supplemental supply of water as the San Diego region's civilian and military population expanded to meet wartime activities. Because of the strong military presence, the federal government arranged for supplemental supplies from the Colorado River in the 1940s. In 1947, water began to be imported from the Colorado River via a single pipeline that connected to MWD's Colorado River Aqueduct located in Riverside County. To meet the water demand for a growing population and economy, SDCWA constructed four additional pipelines between the 1950s and early 1980s that are all connected to MWD's distribution system and deliver water to San Diego County. SDCWA is now the county's predominant source of wholesale water, supplying from 75% to 95% of the region's wholesale water needs depending upon weather conditions and yield from local surface, recycled, and groundwater resources and projects.

Governance & Organizational Structure

The decision-making body of SDCWA is its 36-member Board of Directors. Each of the 24 member agencies of SDCWA has at least one representative on the SDCWA Board of Directors. Member agencies may appoint one additional representative for each additional 5% of total assessed value of property taxable by the CWA for purposes within the public agency's boundaries. As a result, FPUD is entitled to representation by 1 director. The City of San Diego, the largest member agency in terms of assessed value is entitled to 10 Directors.

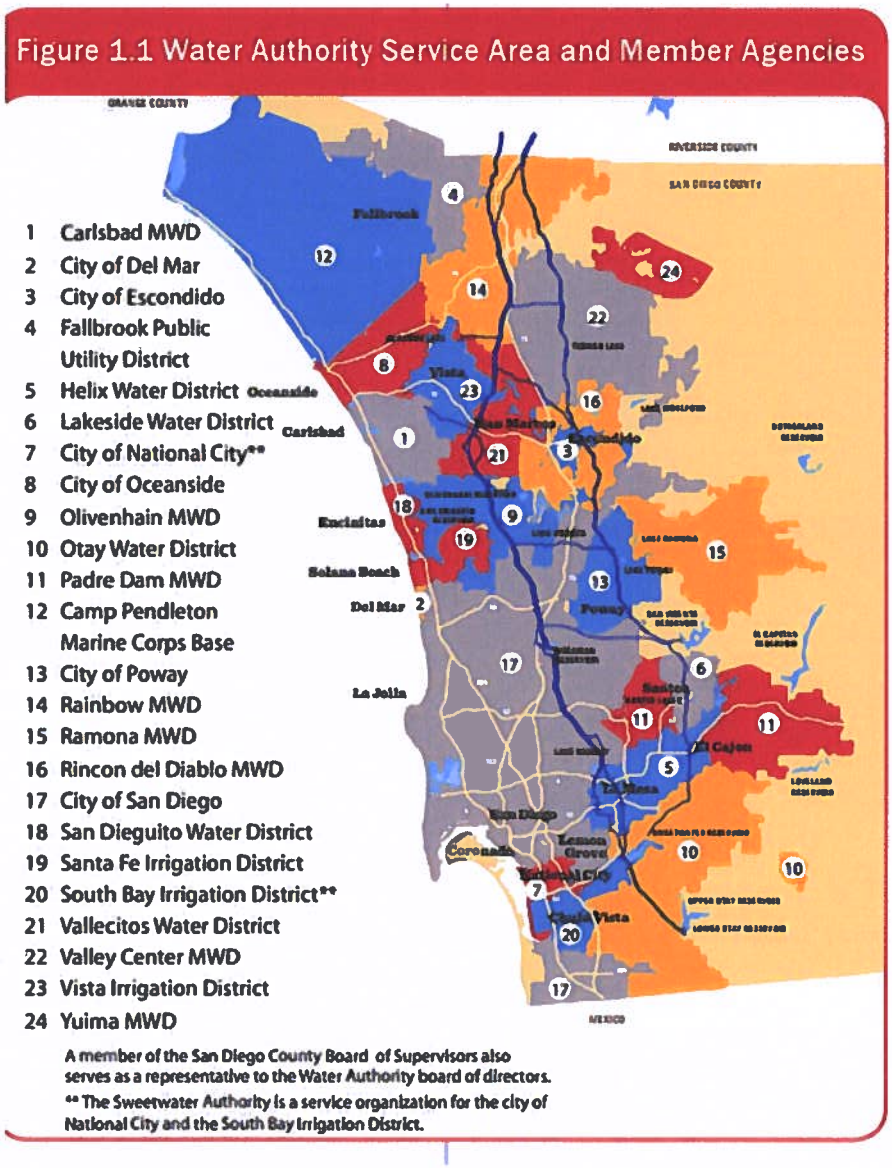
Under the CWA Act, a member agency's vote is based on its "total financial contribution" to the CWA since the CWA's organization in 1944. Total financial contribution includes all amounts paid in taxes, assessments, fees, and charges to or on behalf of SDCWA or MWD. The CWA Act authorizes each CWA Board of Directors member to cast one vote for each $5,000,000, or major fractional part thereof, of the total financial contribution paid by the member agency. Based on this formula, FPUD is entitled to 2.32% of the total vote in Calendar Year 2019. For comparison purposes the City of San Diego is entitled to 39.81% of the total vote in calendar year 2018. The four largest urban water agencies (City of San Diego, City of Oceanside, Helix Water District and Otay Water District) have a combined vote total over 58% in calendar year 2018.

Service Area and Local Economy

SDCWA's boundaries extend from the border with Mexico in the south, to Orange and Riverside counties in the north, and from the Pacific Ocean to the foothills that terminate the coastal plain in the east. With a total of 951,000 acres (1,486 square miles), SDCWA's service area encompasses the western third of San Diego County. **Figure 2** shows SDCWA's service area, its member agencies, and aqueducts (shown as blue lines). SDCWA's 24 member agencies purchase water from SDCWA for retail distribution within their service territories. The member agencies (six cities, five water districts, eight municipal water districts, three irrigation districts, a public utility district, and a federal military reservation) have diverse and varying water needs.

In terms of land area, the City of San Diego is the largest member agency with 210,726 acres. The smallest is the City of Del Mar, with 1,159 acres. Some member agencies, such as the cities of National City and Del Mar, use water almost entirely for municipal and industrial purposes. Others, including Valley Center, Rainbow, and Yuima Municipal Water Districts, deliver water that is used mostly for agricultural production.

FIGURE 2 –SDCWA Service Area and Member Agencies



Facilities

Imported water supplies from MWD are delivered to SDCWA member agencies through a system of large-diameter pipelines, pumping stations, and reservoirs. The pipelines deliver supplies from MWD are divided into two aqueduct alignments, both of which originate at Lake Skinner in southern Riverside County and run in a north to south direction through the SDCWA service area. MWD's ownership of these pipelines extends to a "delivery point" six miles into San Diego County. From there, Pipelines 1 and 2 comprise the First San Diego Aqueduct, which reaches from the delivery point to the San Vicente Reservoir. Pipelines 3, 4, and 5 from the Second San Diego Aqueduct. These pipelines are located several miles to the west of the First San Diego Aqueduct.

Storage facilities are used by SDCWA to both manage daily operations and provide reserves for seasonal, drought, and emergency storage needs. SDCWA seasonal, drought, and emergency storage capacity currently includes 234,000 AF of in-region surface water. In addition to the Twin Oaks Valley WTP, SDCWA entered into an agreement with the Helix Water District to purchase 36 MGD of treatment capacity from the R.M. Levy WTP. Water from the Levy plant supplements treated water service to eastern San Diego County, storage and 70,000 AF of out of region leased groundwater storage in the San Joaquin Valley.

Economy

SDCWA's service area characteristics have undergone significant changes over the last several decades. Driven by an average annual population increase of 50,000 people per year, large swaths of rural land were shifted to urban uses to accommodate the growth in population. This shift in land use has resulted in the region's prominent urban and suburban character. San Diego County also has a rich history of agriculture, beginning with the large cattle ranches established in the 18th century and continuing through the diverse range of crops and products grown today. Although the total number of agricultural acres under production has declined, the region maintains a significant number of high value crops, such as cut-flowers, ornamental trees and shrubs, nursery plants, avocados, and citrus. Based on the 2009 Crop Statistics and Annual Report by the San Diego County Department of Agricultural Weights and Measures, the region has 6,687 farms—more than any other county in the nation. San Diego County agriculture is a $1.5 billion dollar per year industry, and ranks first in the state in gross value of agricultural production for flowers, foliage, and nursery products.

Today, San Diego boasts an economy that is not dominated by any one sector; in fact, no sector accounts for more than 15% of the regional economy. Several sectors are "economic drivers," specifically tourism, the military, and the "innovation" sector, which together make up a third of the regional economy. Tourism is an obvious strength, due in part to the weather, the beaches, the San Diego Zoo, and the Convention Center. The military is pivoting toward Asia and has committed to San Diego, as have many military contractors, like General Dynamics (makers of the Predator drone) and ViaSat (satellite communications leaders). Moreover, innovation will continue to drive San Diego's economy, with forward-looking technologies with massive growth potential from companies like QUALCOMM (pioneers in mobile phone technology), Illumina

(revolutionized DNA sequencing with tremendous potential to improve healthcare and quality of life), and ESET (cybersecurity experts). San Diego also fares well in industries like healthcare, education, and a lean government sector. These sectors are generally population-driven—they rise in tandem with population—and, like the economic driver sectors, have proven through the Great Recession to be less affected by economic cycles. In sum, "recession-resilient" sectors account for over 60% of the San Diego economy.

2.1.3 Eastern Municipal Water District (EMWD)

History

EMWD is a public water agency formed in 1950 by popular vote. In 1951, it was annexed into the MWD and gained access to a supply of imported water from the Colorado River Aqueduct. When EMWD was formed in 1950 it was a small agency, primarily serving agricultural customers. Since then, potable water use in EMWD's service area has shifted from primarily agricultural to urban use. The reduction in agricultural demand has two major causes: rural farmland has been transformed to urban housing, and most remaining agricultural demands have been shifted to the recycled water system. EMWD is organized under the provisions of the Municipal Water Law of 1911, Water Code section 71000 et seq.

Today, EMWD remains one of MWD's 26 member agencies and receives water from Northern California through the State Water Project (SWP) in addition to deliveries through the Colorado River Aqueduct. EMWD's initial mission was to deliver imported water to supplement local groundwater for a small, mostly agricultural, community. Over time, EMWD's list of services has evolved to include groundwater production, desalination, water filtration, wastewater collection and treatment, and regional water recycling. EMWD provides both retail and wholesale water service covering a total population of over 750,000. EMWD's mission is "to provide safe and reliable water and wastewater management services to our community in an economical, efficient, and responsible manner, now and in the future."

Governance and Organizational Structure

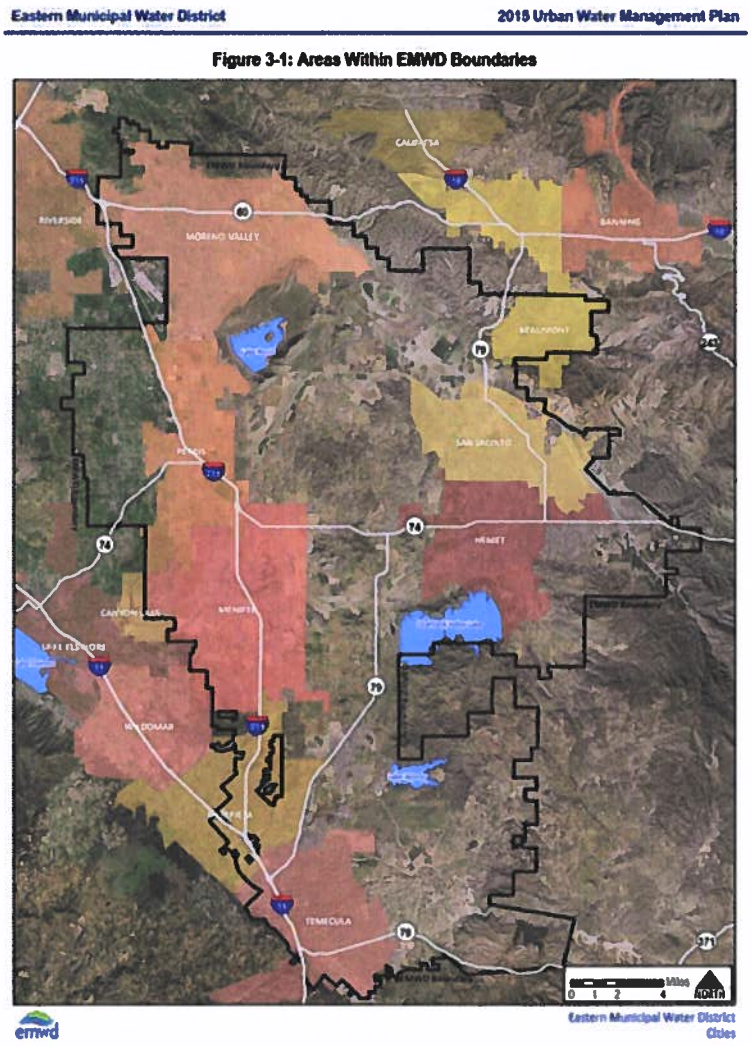
EMWD is governed by a 5-member Board of Directors who serve staggered 4-year terms, representing the district division they were elected to represent. As a member agency of MWD, EMWD also has a member appointed to the MWD Board.

Service Area and Local Economy

EMWD is located in western Riverside County, approximately 75 miles east of Los Angeles. (Figure 3.) EMWD provides potable water, recycled water, and wastewater services to an area of

approximately 555 square miles in western Riverside County. The 555 square mile service area includes seven incorporated cities in addition to unincorporated areas in the County of Riverside.

FIGURE 3—EMWD Service Area



EMWD is both a retail and wholesale agency, serving a retail population of 546,146 people and a wholesale population of 215,075 people. The agency was initially formed in 1950 to bring imported water to the area and in 1951 was annexed into the MWD. EMWD is now one of MWD's 26 member agencies.

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Facilities

The majority of EMWD's supplies are imported water purchased through MWD from the State Water Project (SWP) and the Colorado River Aqueduct. Imported water is delivered to EMWD either as potable water treated by MWD, or as raw water that EMWD can either treat at one of its two local filtration plants or deliver as raw water for non-potable uses. EMWD's local supplies include groundwater, desalinated groundwater, and recycled water. Groundwater is pumped from the Hemet/San Jacinto and West San Jacinto areas of the San Jacinto Groundwater Basin. Groundwater in portions of the West San Jacinto Basin is high in salinity and requires desalination for potable use. EMWD owns and operates two desalination plants that convert brackish groundwater from the West San Jacinto Basin into potable water. EMWD also owns, operates, and maintains its own recycled water system that consists of four Regional Water Reclamation Facilities and several storage ponds spread throughout EMWD's service area that are all connected through the recycled water system. As of 2014, EMWD has used 100% of the recycled water it produces.

As stated above, since its formation as a water agency, EMWD has shifted from primarily serving agricultural uses to primarily serving urban uses. Today, EMWD's retail customers are mostly residential, with other uses consisting of commercial, industrial, institutional, landscape and agricultural. In addition to retail potable water demand, EMWD delivers water to seven wholesale customer agencies.

Economy

As the population within EMWD's service area continues to grow, the characteristics of the service area are continually changing. Tract homes, commercial centers and new industrial warehouses are replacing areas of agriculture and vacant land. Over the next 25 years, EMWD's total population is projected to grow by over 500,000 people, a 67% increase over the current population.

As part of the broader Inland Empire Southern Riverside county's economy reflects strong sectors in logistics, construction, health care, manufacturing, professional, management & scientific, and finance, insurance and real estate. Construction has historically been the major driver of the economy given its undeveloped land and Southern California's need for single family homes, apartments, industrial facilities, and infrastructure. Health Care firms are expanding in the Inland Empire. These same economic sectors are reflected within EMWD's service area. Much of the service area is characterized by being above the national average in median household income.

EMWD has a history of boom and bust development cycles. From the mid- 1980's to 1990's, population growth in EMWD routinely exceeded 10% per year. In the early 1990's, growth slowed during an economic recession. During the late 1990's, growth began to steadily increase, and the first five years of the 2000's again brought accelerated population growth to the area. Growth within EMWD's service area reached its peak rate in 2005, but then there was a major decline in housing development and growth slowed again. Starting in 2006 EMWD saw a sharp decline in

the number of new connections added, reaching a low point in 2010. Since 2010, new connections have slowly been increasing; but they remain well below the peak levels of new development seen in the early 2000's.

2.2 Existing Service Providers and Service Provider after Reorganization

Table 1 provides the current public services provider for the FPUD service area and the responsible public service provider if LAFCO's approved the reorganization.

Table 1—Summary of Municipal Services

Municipal Service	Current Provider	Provider After Reorganization
Wastewater Collection and Treatment	Fallbrook Public Utility District	Fallbrook Public Utility District
Water Service	Fallbrook Public Utility District **Imported Water from SDCWA*	Fallbrook Public Utility District **Imported Water from EMWD*
Recycled Water	Fallbrook Public Utility District	Fallbrook Public Utility District

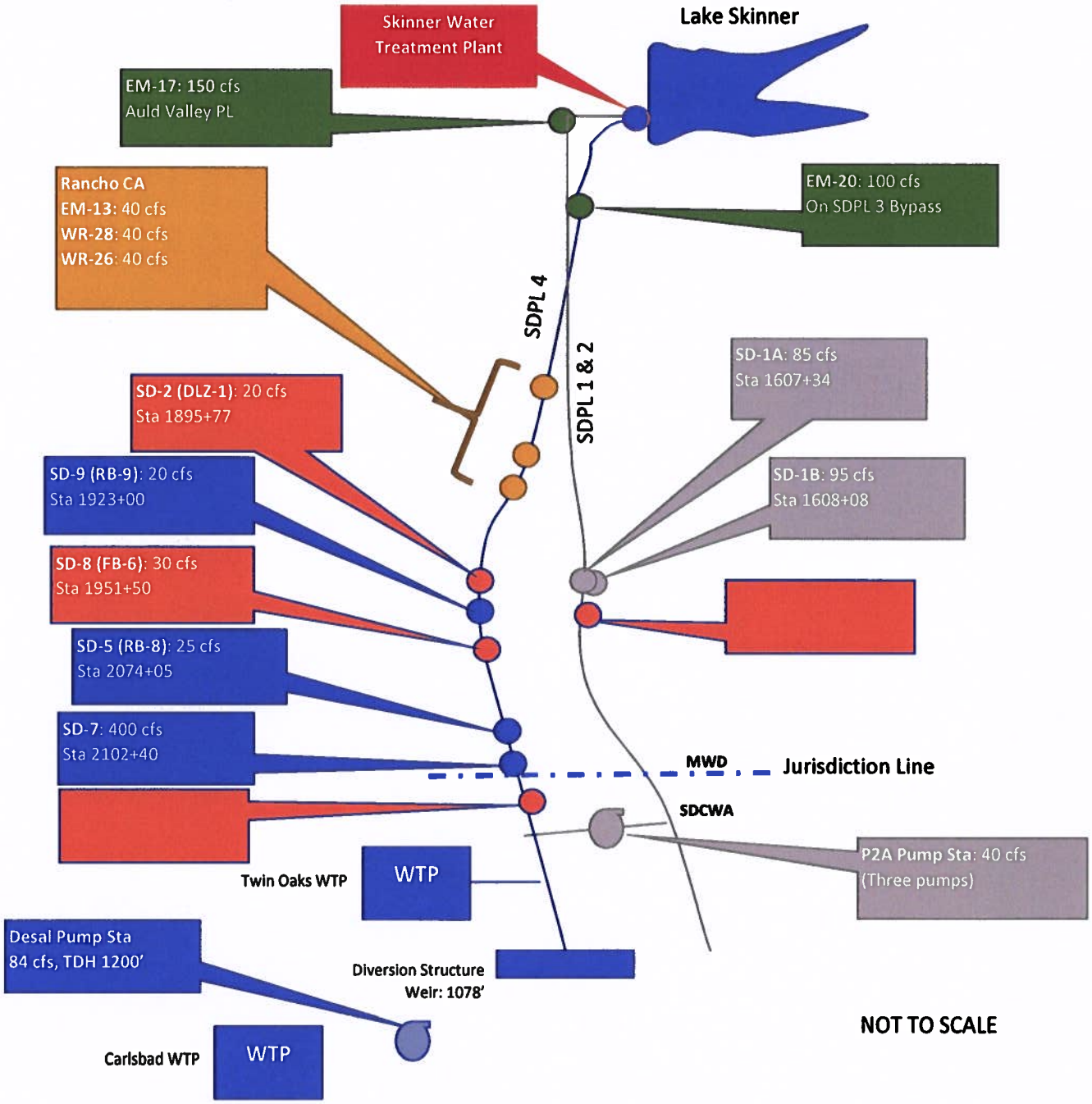
2.2.1 Level and Range of Services To Be Provided

Imported Water

FPUD imports 99% of its potable water from SDCWA with the remaining 1% coming from a local well. FPUD has four connections to SDCWA's system. **Figure 4** provides a schematic of how imported water is delivered to FPUD. Three of these connections are to pipelines owned by the MWD and one connection is to a pipeline owned by SDCWA. SDCWA currently purchases treated water from MWD that is treated at the Skinner Water Treatment Plant (WTP) and delivered to FPUD's connections. With approval of the reorganization, imported water treated at Skinner WTP will continue to be delivered to the same FPUD connections with no physical or operational changes necessary. FPUD does currently have the ability to take deliveries to occur on one connection it has to SDCWA owned pipeline, but FPUD has recently determined that continued deliveries through this connection are not necessary and FPUD will stop taking deliveries on this connection. Because there are no physical or operational change in the delivery of imported water to FPUD under reorganization there are no facilities to be built by EMWD or FPUD to begin service at the same level as today.

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FIGURE 4—How FPUD Receives Water Deliveries



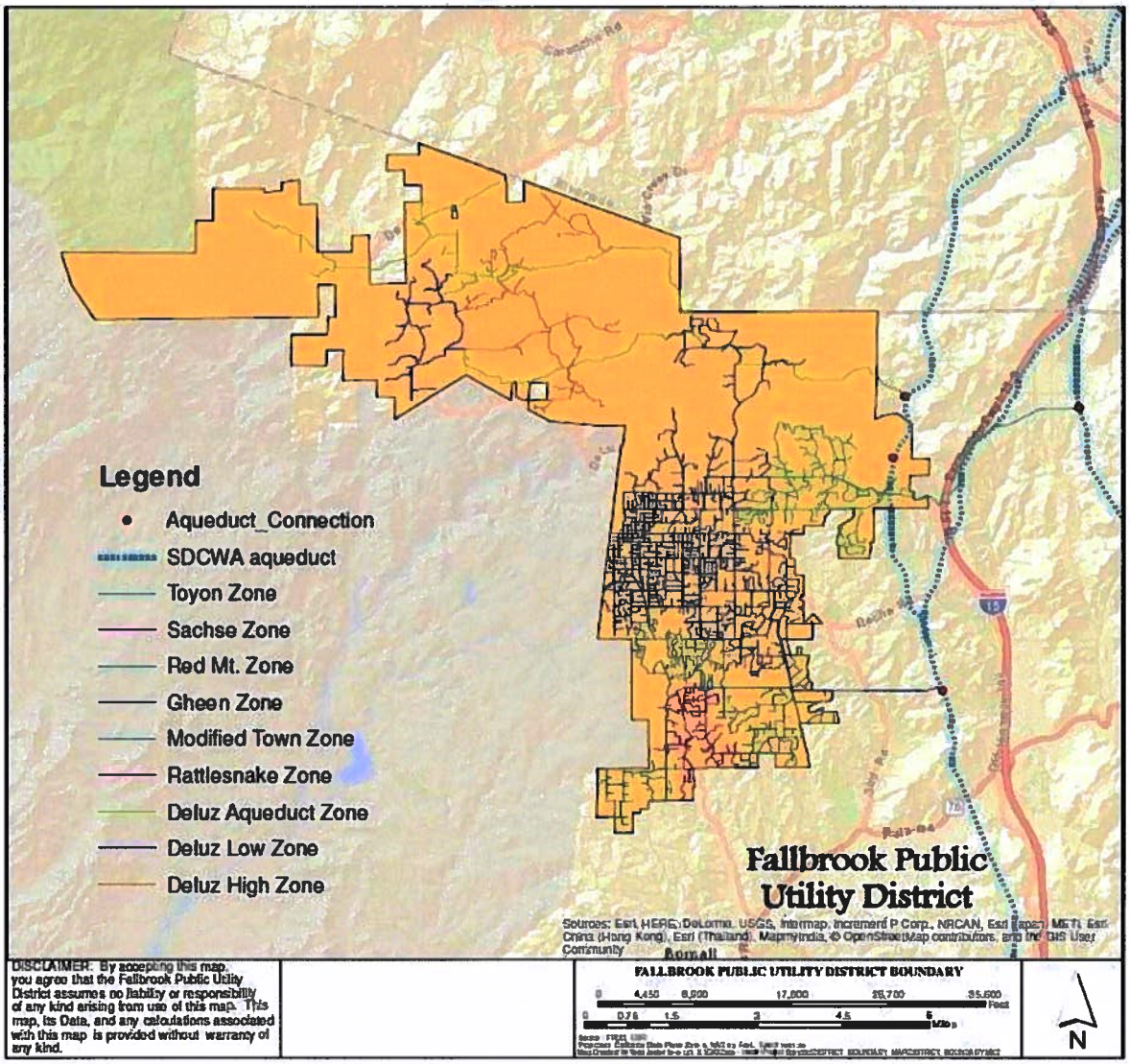
LEGEND

Signifies FPUD Connection to Imported Water System

Retail Water Distribution

FPUD's water distribution system (**Figure 5**) is comprised of 270 miles of pipeline, 6,800 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 300-million-gallon treated water reservoir, five pump stations and plans for a groundwater treatment plant. District staff operates the system, and conduct all system maintenance and repairs. FPUD is in the middle of an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use. Reorganization will not result in any changes to retail water distribution in FPUD's service area.

FIGURE 5—FPUD Water Distribution System



FPUD Local Water Supply

FPUD also recently signed an agreement with U.S. Marine Corps Base Camp Pendleton to share local water in the Santa Margarita River, of the SMRCUP. The river is expected to provide 30%-40% of FPUD's total water needs, reducing reliance on imported water. Construction of a bi-directional pipeline and groundwater treatment plant is expected to begin in the Fall of 2019 and be operational by 2023. These construction activities and the provision of a new, more reliable water supply will occur as planned under annexation to EMWD which will not affect the provision or cost of this service to District customers.

FPUD's five-year average annual water sales is 10,375 acre-feet. Residential and commercial customers represent 59% of sales, and agricultural customers make up the remaining 41%. FPUD's historic sales trend is down due to improved water efficiency for both residential and commercial indoor and outdoor use, combined with sharp decreases in agricultural water demands. The decrease in agricultural water demands is due to drought restrictions and the increases in water costs over the last decade driven by a sharp rise in the cost of the water we purchase. FPUD's agricultural water sales have reduced from 7,000 acre-feet in Fiscal Year 2008 to 3,200 in Fiscal Year 2017.

No Change In Water Operations

Since there is no change in service boundaries or inclusion of additional territory, FPUD will be able to continue to serve its customers in the same manner if the reorganization is approved. Reorganization approval will not result in the need for any additional infrastructure that would not otherwise be needed if reorganization were not approved and FPUD remained a member of SDCWA.

Other Services

Certain services provided by SDCWA to FPUD will be provided under similar circumstances by EMWD. These include current MWD funded water conservation programs available to FPUD customers under similar conditions as currently provided. Commercial, Multi-Family and Residential rebate programs similarly available as a member agency of SDCWA would be available to FPUD customers under membership in EMWD. Similar to SDCWA, EMWD provides supplement to MWD funding for water conservation programs to its member agencies.

EMWD does not offer agricultural customers a discount water program in exchange for lesser reliability equivalent to SDCWA's Transitional Special Agricultural Water (TSAWR) Program. The SDCWA Board recently took actions to move towards making TSAWR into a Special Agricultural Water Rate Program (SAWR) and allowing new customers to qualify for the program. In exchange for a lesser level of reliability in a water shortage commercial agricultural customers participating in the TSAWR receive a substantial discount on the price of water purchased from SDCWA. However, EMWD has proposed a nominal wholesale charge or mark up to the cost of

MWD water that results in a lower cost to FPUD customers than SDCWA's TSAWR. **Table 2** compares the different calendar year 2020 SDCWA water rates (TSAWR and Full Service (FS)) to those proposed by EMWD.

Table 2—2020 SDCWA TSAWR, Full Service M&I and Potential EMWD Charges

Rate	*TSAWR*	*SDCWA FS*	*EMWD*
Treated	$1,231	$1,686	$1,078
RTS	28	28	82
CC	24	24	24
IAC	43	43	0
EMWD			11
Total	$1,326	$1,781	$1,195
Rate Differential From SDCWA FS	($455/AF)		($586/AF)

Source :SDCWA and MWD websites
Note: IAC is converted to $ per AF based on FPUD/RMWD 2020 shares divided by FPUD/RMWD 3 year average of SDCWA deliveries
MWD RTS is based on FPUD and RMWD 2020 shares divided by FPUD and RMWD 10 year deliveries
MWD CC is based on FPUD and RMWD actual 2020 shares divided by FPUD RMWD 3 year average
Stand-By Availability charge is considered equivalent regardless of membership and not shown

Reliability

In contrast to SDCWA, EMWD is both a retail and wholesale water supplier. As a retailer, approximately 50% of EMWD's supplies consist of local groundwater and recycled water. The remainder are deliveries of imported water from MWD. As a wholesale water supplier EMWD delivers only imported water from MWD. In terms of delivery of water to FPUD, EMWD would act in its wholesale capacity and take delivery of MWD water in the same manner as SDCWA and FPUD would receive delivery of water from EMWD in the same manner as it receives deliveries of wholesale water from SDCWA. While the method of deliver is exactly the same, there are some potential changes in the overall reliability of the imported water supplies from EMWD versus SDCWA during cutbacks that are described in more detail below.

Over the last 25 years SDCWA as a wholesale water supplier, and many of its retail member agencies, have been successfully diversifying the region's water supply portfolio by developing local recycled water, groundwater and seawater desalination supplies. SDCWA has also invested in surface water storage and out-of-region groundwater storage to improve reliability in both drought related and catastrophic emergencies. Because of the success of supply diversification and the significant reduction in water demand through conservation, SDCWA's dependence on imported water from MWD has been reduced and the reliability of its service area has substantially

improved in the last two drought as compared to the maximum of 32% combined agricultural and non-agricultural shortages SDCWA experienced in 1991-1992 prior to the region's diversification program. The more reliable local supplies available to MWD member agencies, the less reliant they are on MWD imported water supplies in a drought induced shortage, and the higher the agencies level of reliability.

As noted previously, FPUD's TSAWR customers receive a lesser level of reliability in exchange for discounted water from SDCWA. TSAWR customers reliability in a shortage is set at the level of reliability and cutbacks that MWD places on its member agencies. TSAWR customers do not benefit from the reliability investments made through SDCWA's diversification and Carryover Storage Program. If the reorganization is approved FPUD's current TSAWR customers would not benefit from EMWD's local supplies or groundwater storage programs and would similarly be subject to a pass-through of MWD cutbacks.

The benefits of SDCWA's diversification program are realized by FPUD's non TSAWR customers (also referred to as Municipal & Industrial or M&I) in higher levels of reliability during drought related shortages. However, MWD and its member agencies (including SDCWA) have also made significant investments in reliability over the last 25 years and will continue to do so. Local supply development and water conservation has reduced demand on MWD for imported water by just over half of its peak demand. That result along with MWD investments in in-region and out-of-region storage has significantly bolstered its ability to withstand multiyear droughts at cutback levels much lower than 20% experienced by MWD M&I customers in the peak cutback year of 1991. Although MWD planning documents anticipate that it will not experience cutbacks if its assumptions on local and imported supplies are fulfilled, they have experienced two rounds of cutbacks within the last 10 years. Both instances (2010-2011 and 2015-2016) resulted in a maximum cutback level of 15%.

A comparative analysis, which follows, was conducted to estimate the reliability and cutback level FPUD would experience in shortage similar to the maximum cutback of 15% from MWD initiated in the last two droughts. In this analysis it is assumed that FPUD has fully implemented the SMR CUP currently under construction. Both SDCWA and MWD have detailed computer models that calculate member agency allocations including the various adjustments for highly reliable local supplies, extraordinary conservation and population growth used by both agencies. The final allocations to an individual member agency consider what other member agencies supplies and demands are in the allocation year. The analysis contained below uses simplified assumptions based on the allocation methodologies and supply and demand amounts contained in the most recent UWMPs for 2030. (**Table 3**.)

The analysis is for a single dry year in a prolonged multi-year drought event. The range includes whether SDCWA has carryover storage supplies and in circumstances where it has exhausted those supplies. Shortages under EMWD reduce available MWD supplies by the level of the overall MWD cutback and does not attempt to apply any adjustments to EMWD that may result in it receiving a higher allocation. The analysis also assumes EMWD does not provide FPUD any of its local or stored water supplies. For more accurate estimates of what FPUD's shortage allocation would be it would be necessary to request that SDCWA and potentially MWD run their allocation

models. A more complete report was prepared for Rainbow Municipal Water District, providing much of the background on SDCWA and MWD reliability planning for the assessment of water reliability that applies also to FPUD. (See **Attachment A** - Analysis of RMWD Water Supply Reliability November 2019.)

Table 3—Reliability Analysis Summary

FPUD Reliability Single Dry Year 2030
15% MWD Cutback

	M&I Cutback		TSAWR Cutback	Combined Cutback	
	Low*	High*		Low	High
SDCWA	0%	4%	15%	3%	8%
EMWD	10%		10%	10%	

* Range is based on use of Carryover Storage supplies and allocation under MWD Water Shortage Allocation Plant (WSAP) or Preferential Rights

Although the above reliability analysis supports that the overall range in reliability is better under SDCWA, FPUD believes the differences in the severity of the shortage will not have a significant impact given the rural characteristics of the District's service area and ability to encourage reduced outdoor water use to achieve the cutback target. FPUD benefits from both improved MWD reliability through local supply development and reduced demand on MWD and its own groundwater conjunctive use project. The range of shortages indicated above are well within the historic shortages managed by FPUD without economic harm to its customers. Article 26 of FPUD's Administrative Code provides the detailed actions FPUD takes in a water shortage. Additionally, the State of California through the Urban Water Management Planning Act (Water Code Section §10610 et seq.) requires preparation of a Shortage Contingency Plan. The Shortage Contingency Plan identifies the stages of action to be undertaken by the urban water supplier in response to water supply shortages, including up to a 50% reduction in water supply, and an outline of specific water supply conditions which are applicable to each stage.

Managing a Water Shortage

In SDCWA's 2008 Model Drought Response Ordinance provided to its member agencies for regional consistency in drought management, SDCWA established an up to 10% conservation target considered to be a voluntary stage prior to imposing mandatory restrictions. This is reflected in FPUD's Administrative Code Article 26 and its UWMP Shortage Contingency Plan.

Table 11-2. Correlation between WSDRP Stages and Model Drought Ordinance Levels

WSDRP STAGE	DROUGHT RESPONSE LEVEL	USE RESTRICTIONS	CONSERVATION TARGET
Voluntary (Stage I)	1 - Drought Watch	Voluntary	Up to 10%
Supply Enhancement (Stage II)	1 - Drought Watch	Voluntary	Up to 10%
	2 - Drought Alert	Mandatory	Up to 20%
Mandatory Supply Cutback (Stage III)	2 - Drought Alert	Mandatory	Up to 20%
	3 - Drought Critical	Mandatory	Up to 40%
	4 - Drought Emergency	Mandatory	Above 40%+

Source: SDCWA Urban Water Management Plan

Although a 10% shortage has resulted in mandatory water use restrictions in previous droughts. Achieving that goal is considered very manageable by most water suppliers. Because FPUD residential customers typically have larger lot sizes that are irrigated a reduction in 10% has been achievable and surpassed in the recent past. A 10% reduction in water use by commercial agricultural customers has also been achievable and is less than those customers would experience under continued participation in TSAWR in a similar 15% MWD cutback.

During the most recent drought, the State of California imposed an Emergency Conservation Regulation that required reduced water use over what was necessary given available MWD and SDCWA supplies. Below (**Table 4**) is an excerpt from an FPUD Water Supplier monthly report to the state of California addressing FPUD's performance during implementation of the Emergency Regulation. It compares monthly water use for the summer of 2015 at the height of the last drought and imposition of the most severe restrictions with pre-drought water use for the same months in 2013.

Table 4—FPUD Water Use Report (2015)

Supplier Name	Stage Invoked	Mandatory Restrictions	Reporting Month	REPORTED Total Monthly Potable Water Production	REPORTED Total Monthly Potable Water Production 2013	Redcution in Water Use
Fallbrook Public Utility District	Stage 2	Yes	Sep-19	960.8	1454.2	51%
Fallbrook Public Utility District	Stage 2	Yes	Aug-19	1097.5	1514.9	38%
Fallbrook Public Utility District	Stage 2	Yes	Jul-19	1006.9	1513	50%
Fallbrook Public Utility District	Stage 2	Yes	Jun-19	945.5	1307	38%

Source:https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/2019sept/uw_supplier_data090319.xlsx

FPUD can manage the differences in shortages between SDCWA and EMWD though demand management during a shortage consistent with its UWMP Shortage Contingency Plan. The large

amount of outdoor irrigation provides FPUD customers with a cushion with which to reduce water usage during a shortage without inflicting economic harm or hardship. FPUD considers this to be more cost effective for its customers than to consistently pay significantly more for its water supply as a member agency of SDCWA.

The most noticeable trend in reliability since the last drought (2015-2016) has been the continued decline in water use. (**Table 5**.)This continued drop in water use pertains to SDCWA an MWD as large wholesale agencies and to FPUD as an individual water district. In comparing FPUD's monthly water use in the summer of 2018 to its 2013 water use shows a continuance of lower water demand.

Table 5—FPUD Water Use Report (2018)

Supplier Name	Stage Invoked	Mandatory Restrictions	Reporting Month	REPORTED Total Monthly Potable Water Production	REPORTED Total Monthly Potable Water Production 2013	Redcution in Water Use
Fallbrook Public Utility District	Stage 1	Yes	Sep-18	944.8	1454.2	54%
Fallbrook Public Utility District	Stage 1	Yes	Aug-18	1143	1514.9	33%
Fallbrook Public Utility District	Stage 1	Yes	Jul-18	1201.7	1513	26%
Fallbrook Public Utility District	Stage 1	Yes	Jun-18	928.3	1307	41%

Source:https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/2019sept/uw_supplier_data090319.xlsx

Although the 2015 updates of the UWMP were used in conducting the above reliability analysis, updates will be prepared in 2020 with new water demand forecasts. It is assumed that continued decreases and slower growth rates will be included in UWMPs throughout the MWD service area. These lower demand forecasts along with continued local supply development will reduce demand on imported water and strengthen the reliability of imported water supplies from MWD. This continued trend will likely reduce the margin of difference for FPUD in reliability as a member agency of EMWD and SDCWA.

Catastrophic Emergency

For the last 20 years SDCWA has been implementing the Emergency Storage Project (ESP). The ESP is a system of new, existing and expanded reservoirs, pipelines and pump stations that will ensure that its member agencies receive a 75% Level of Service during a catastrophic earthquake that severs San Diego County form MWD's imported water system. SDCWA's ESP manages the risk of seismic events on the San Andreas, San Jacinto and Elsinore faults. Although FPUD has been paying for the ESP through it water rates for 20 years, it is not able to receive ESP service due to a yet to be constructed pump station and appurtenant facilities by SDCWA. It should be noted that SDCWA's planning documents for these facilities indicate that SDCWA will need to use MWD's aqueduct system to make ESP deliveries to FPUD.

If the facilities are constructed FPUD's customers would be able to receive ESP water in a catastrophic emergency. FPUD's M&I customers would receive a 75% level of service while

FPUD's TSAWR customers would be cut at twice the rate of non-TSAWR customers (50% cutback compared to 25% for non-TSAWR customers). This lower level of reliability is in exchange for the discounted water rate TSAWR customers pay and in recognition that in an emergency outdoor irrigation water will be a low priority.

MWD also has an Emergency Response Plan and emergency water storage for its member agencies and their sub-agencies. MWD maintains sufficient storage in its 800,000 acre foot Diamond Valley Lake and other storage reservoirs to provide a similar 75% Level of Service in the event of earthquakes on the San Andreas and San Jacinto earthquake faults that would sever the imported water conveyance system for the State Water Project and Colorado River. The difference between SDCWA and MWD emergency storage programs is the response to a seismic event on the Elsinore Fault in southern Riverside County that disrupts service from MWD's treatment plants, reservoirs and local pipelines. The Elsinore Fault is considered the least active of the 3 earthquake faults, and MWD in its Emergency Response Plan intends to complete repairs on those facilities within 14 days of the seismic event and restore service to at least the 75% level. When facilities for SDCWA's ESP are completed it expects to provide emergency water for a 75% Level of Service to FPUD customers following the seismic event on the Elsinore Fault and the interruption of imported water deliveries.

In an effort to address the proposed reorganization's potential for 14 days with limited or no service in the event of an earthquake on the Elsinore Fault, FPUD customers will receive local water supply during an emergency from its Santa Margarita River Conjunctive Use Project (SMRCUP). FPUD is constructing the SMRCUP in partnership with U.S. Marine Corps Base Camp Pendleton to share local water in the Santa Margarita River through a groundwater storage and recovery project. Local supply from the SMRCUP will provide an additional layer of water supply reliability to the FPUD service area. Construction of a bi-directional pipeline and groundwater treatment plant is expected to begin in the Fall of 2019 and be operational by 2023. These construction activities and the provision of a new, more reliable water supply will occur as planned under reorganization which will not affect the provision or cost of this service to FPUD customers.

The SMRCUP is planned to produce approximately 9 acre feet per day on average and can meet all the daily indoor health and safety of FPUD residents for the 14 day expedited repair period. Additional drinking water will be available from the SMRCUP, FPUD's Red Mountain Reservoir and other storage tanks to meet very limited irrigation needs of M&I and agricultural customers during this period as well.

The below **Table 6** reflects the Level of Service FPUD customers can expect during a catastrophic emergency as a member agency of SDCWA and under reorganization as a member agency of EMWD.

Table 6—FPUD Reliability During a Catastrophic Emergency

FPUD Reliability Catastrophic Emergency				
	San Andreas & San Jacinto Faults		Elsinore Fault	
	M&I Level Of Service	TSAWR Level of Service	M&I Level Of Service	TSAWR Level of Service
SDCWA	75%	37%	75%	37%
EMWD	75%	NA	20% to 75%**	NA
**Range is based on MWD emergency planning for seismic event on Elsinore fault is to expedite repairs to facilities in southern Riverside county to restore service within 14 days. Indoor Health and Safety water use minimum level of service form local supplies and storage for 14 day period. SDCWA plans to provide emergency deliveries with earthquake on Elsinore Fault.				

While the SMRCUP is designed to be a baseline supply for FPUD and Camp Pendleton, FPUD is considering entering into an MOU with Rainbow Municipal Water District (RMWD) that will allow a portion of this FPUD's local water to be provided to RMWD in the event of a catastrophic emergency on the imported water system, such as an earthquake along the Elsinore Fault. A small amount of SMRCUP supply will be provided to RMWD during this 14 day period to supplement RMWD stored supplies in its local reservoirs and storage tanks.

3.0 FINANCING

In California, funding for special districts comes in two distinct types, based on their source (or sources) of revenue: Enterprise Districts and Non-Enterprise Special Districts.

Non -Enterprise Districts deliver services that provide general benefits to entire communities. They are primarily funded by property taxes. Enterprise Districts finance district operations via fees for public service, similar to a business. Under this model, the customers that consume goods or services such as drinking or irrigation water, waste disposal, or electricity, pay a fee. Rates are set by a governing board and there is a nexus between the costs of providing services and the rates customers pay. Sometimes enterprise district may also receive property taxes which comprise a portion of their budget.

FPUD operates as an enterprise fund, which has a set of self-balancing accounts that record the financial position of each of FPUD's services. The service funds track revenues from service fees and operating expenses specific to each service. This, in turn, makes each service fund independent and self-sufficient, and also ensures service fees are set to recover only costs associated with the particular service.

FPUD's accounting system and practices are based upon Generally Accepted Accounting Principles (GAAP) and are kept on an accrual basis. Under the accrual basis, revenues are recognized when earned and expenditures are recognized when a liability is incurred. FPUD's budget is prepared on a cash basis, which means that projected revenues are recognized when cash is assumed to be received and projected expenses are recognized when cash is disbursed.

Annual Budget Process

Each year, FPUD develops and adopts a new budget for the upcoming fiscal year. The budgeting process begins in January and starts with the budget message. The budget message establishes the priorities of FPUD in the next fiscal year and provides budget managers with guidance on how to prioritize their budget needs.

The capital and operating budget are included in FPUD's preliminary budget. Once assembled, the preliminary budget is reviewed by the General Manager and staff in a series of meetings. Adjustments are made to the preliminary budget and the revised preliminary budget is reviewed by the FPUD Board of Directors Fiscal Policy and Insurance Committee. Once the Committee's comments are incorporated and the proposed budget developed, budget workshops with the Board, if required, are held. The final proposed budget is then sent to the Board for review. Once Board comments are incorporated into the document, a public hearing, if necessary, is held and the recommended budget is adopted.

Budget adjustments are made if projects or expenditures are needed that fall outside FPUD's adopted budget. These items are brought to the Board for approval and to appropriate the funds. A mid-year budget update is also provided to the Board each year to update spending trends and identify early any potential shortfalls or surpluses. FPUD maintains a balanced budget, which means that sources of funds equals uses of funds in instances of shortfall. Reserve fund withdrawals, if necessary, provide a source of funds. Likewise deposits to reserves are a use of funds and are unappropriated balances.

Financial Impacts of Reorganization

The proposed reorganization will have financial impacts to FPUD, EMWD, and CWA. While FPUD has pursued discussions with SDCWA to identify a potential cost structure for detachment, the parties have not made significant progress on reaching consensus. The last communication requested that FPUD meet with each SDCWA member agency separately to negotiate a solution. While FPUD did in fact reach out to each member agency and met with many of them and provided potential concepts for a cost structure for detachment, the general consensus from these meetings is that development of separate agreements with each SDCWA member agency is unworkable. This is because any impacts or benefits to SDCWA resulting from the reorganization, if approved, will impact SDCWA's rate setting process, and the impact on each member agency will vary over time with that agency's water demands.

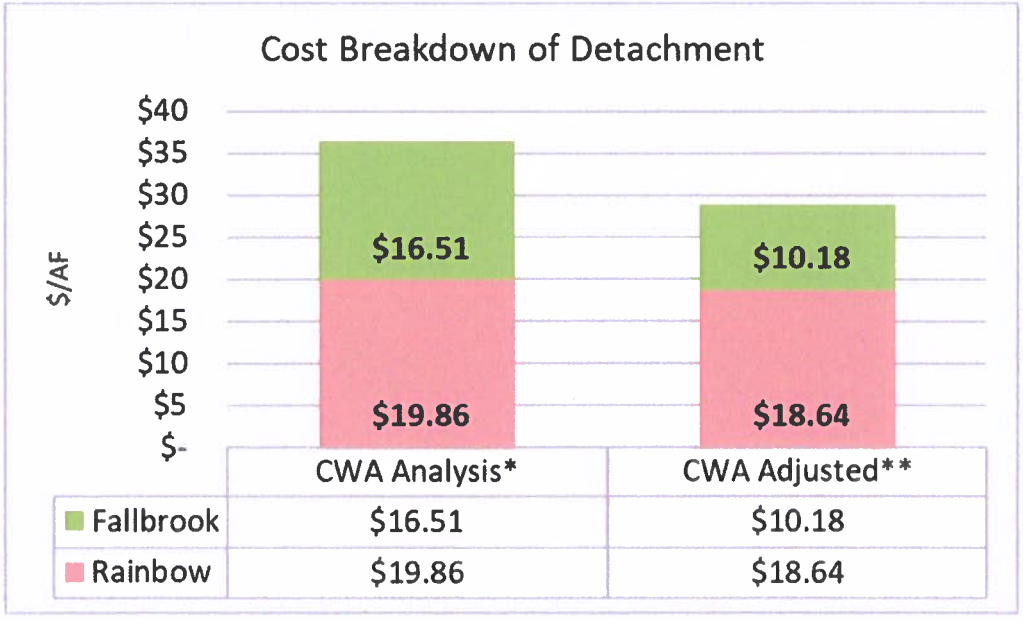
In absence of a negotiated agreement with SDCWA, FPUD proposes that the detachment from SDCWA be consistent with the County Water Authority (CWA) Act (Water Code Appendix section 45-1 et seq.), the law under which SDCWA exists and is organized. Section 45-11 of the CWA Act sets forth certain requirements a member agency must follow in order to detach (called an "exclusion" in the CWA Act) from SDCWA. In accordance with this provision if the detachment is successful, taxable property within the detaching member agency may still continue

to be taxable by SDCWA for the purpose of paying bonded and other indebtedness outstanding or contracted for at the time of detachment/exclusion. The amount currently collected annually from FPUD customers is roughly $150,000. These payments would continue after detachment pursuant to the CWA Act even though FPUD will cease to receive any benefit from any SDCWA facilities.

The remaining SDCWA member agencies would also benefit from past investments made by FPUD in regional infrastructure. As of January 1, 2018 FPUD has contributed approximately $300 million to help build SDCWA's infrastructure. These investments helped fund storage projects, emergency water supply projects and secure lower cost water supplies from canal lining projects. These investments will continue to provide benefits to the remaining SDCWA member agencies and FPUD will not recover any value from these regional investments that will continue to support all other member agencies of SDCWA. Further, there is no outstanding SDCWA debt associated with SDCWA facilities that only serve FPUD and that will, consequently, have no benefit to other remaining agencies after detachment.

Figure 6 shows the anticipated impact on SDCWA rates based on current FPUD and RMWD demand projections, including the reduction in SDCWA demands from the local groundwater development. As shown in **Figure 6**, the relative projected impact to SDCWA from FPUD detachment is $10.18/AF. The current SDCWA rate is approximately $1686/AF, so this represents an increase of 0.6%. The average rate increase experienced by FPUD over the last 10 years from SDCWA is over 8%. Using recent water usage for the City of San Diego of 91 gallons per capita per day (gpcd) and a rate impact of $10.18 per AF for FPUD, the average person from the City of San Diego would see an annual cost impact of $1 per year. Currently the average person from the City of San Diego pays an additional $41 per year for SDCWA's desalinated water (excluding the conveyance pipeline costs) and Imperial Irrigation District's transfer water.

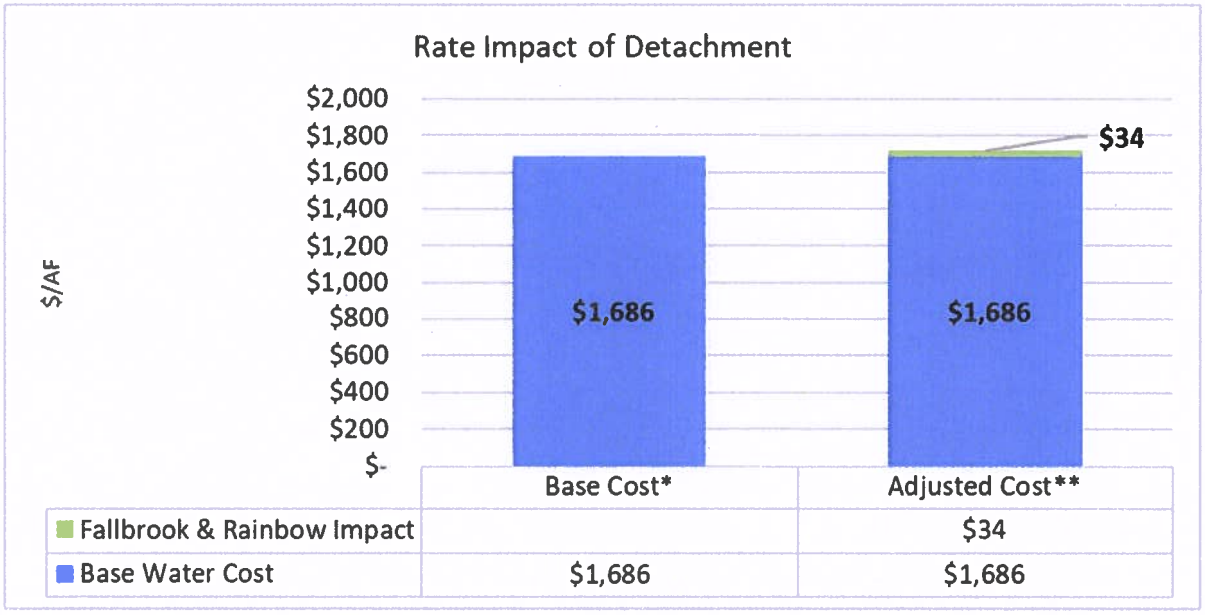
FIGURE 6—Rate Impact of FPUD/RMWD Detachment.



* Based upon SDCWA's August Preliminary Financial Impact Analysis | De-Annexation.
** Based upon updated water sales projections and includes 3,100 AF of local supplies.

Although all the water purchased by FPUD is received directly from MWD, there will be a reduction in revenue for SDCWA if FPUD began to purchase wholesale water through MWD. SDCWA prepared a summary of the anticipated costs based on FY 2018 water demands and CY 2020 rates in August 2019. This analysis results in an estimated revenue reduction to CWA of approximately $36.37/AF on top of the existing rate of $1686/AF for remaining agencies from the detachment of FPUD and RMWD based on their being no cost reduction in SDCWA operations due to detachment. (**Figure 7.**)

FIGURE 7—SDCWA Projected Rate Impact



* Based upon CWA's Recommended Calendar Year 2020 Rates and Charges presentation.
** Based upon updated water sales projection for CWA of 338,958 AF.

SDCWA's estimate is higher than the actual projected impact for two key reasons:

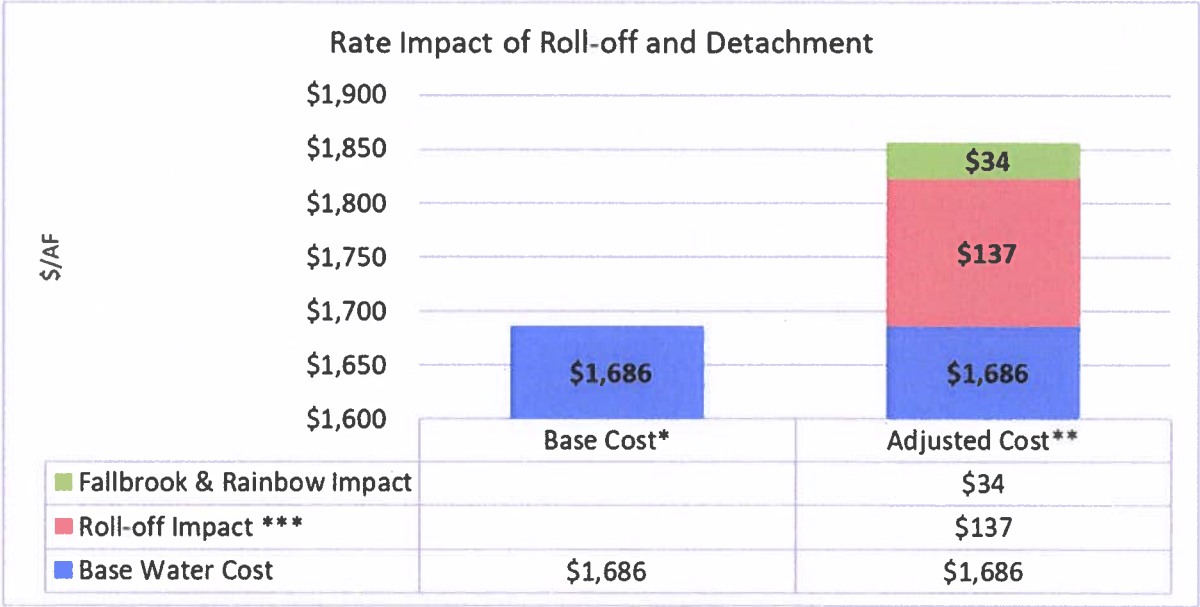
1. The FY 2018 flows are higher than current and projected flows largely due to a continued decline in agriculture in the region.
2. FPUD is constructing a new groundwater treatment plant that will supply 30-40% of anticipated annual water demands.

These factors will reduce the water demands on SDCWA, which will reduce the cost impact of on SDCWA of detachment.

SDCWA has also argued that the detaching agency must ensure revenue neutrality for the remaining agencies. Under this concept, FPUD would continue to make the same net payment to SDCWA, but would receive no services. In turn, SDCWA would use this money to subsidize other member agencies rates to be able to offset the potential 0.56% rate increase associated with the detachment of FPUD. We feel this concept is flawed at a number of levels:

1. This approach is inconsistent with the CWA act and would not have any cost of service basis and would violate proposition 26.
2. Currently member agencies can build local projects and reduce their water demands with a similar effect as detachment. The vast majority of rates allocated to a member agency are based on demands. While some are rolling averages, the costs paid by a District to SDCWA are largely proportional directed to water demands. **Figure 8** shows an example of the rate impacts to other member agencies for three local supply projects that are underway. These projects include Phase I of the City of San Diego Pure Water Program, Pure Water Oceanside and the East County Advanced Purification Facility.

FIGURE 8—Rate Impact of Roll-Off and Detachment



* Based upon SDCWA's Recommended Calendar Year 2020 Rates and Charges presentation.

** Based upon updated water sales projection for SDCWA of 338,958 AF.

*** Pure Water Phase I, East County AWP, Pure Water Oceanside.

As shown in **Figure 8**, the impact of these projects to other remaining member agencies is approximately $137 per AF or over ten times times the projected impact of the FPUD detachment. If FPUD was required to make each agency revenue neutral for the impact of their reduced water

purchases then the same concept would need to be in place for entities that are rolling off SDCWA and shifting existing SDCWA costs to the remaining agencies including FPUD and RMWD if detachment is not successful.

The majority of water used by FPUD is currently delivered from MWD through MWD facilities, and FPUD pays SDCWA for this water. The cost of treated MWD water to SDCWA is $1,184/AF. Currently, FPUD is charged by SDCWA over $450/AF on top of the MWD price versus an additional $11/AF if the water was supplied by EMWD (**See Figure 9**). If FPUD detaches from SDCWA and attaches to EMWD, there is a substantial long-term savings to FPUD customers due to this difference in unit water costs.

Figure 9 shows the projected water rate increases for FPUD with and without detachment. As shown in **Figure 9**, without detachment an annual increase of 8% is anticipated over the next three years. With the reorganization it is anticipated that no rate increase could be achieved for 3 years or rates could be slightly decreased based on the reduction in the cost of water with on-going savings in wholesale water costs of over 25%.

FIGURE 9—Wholesale Water Costs

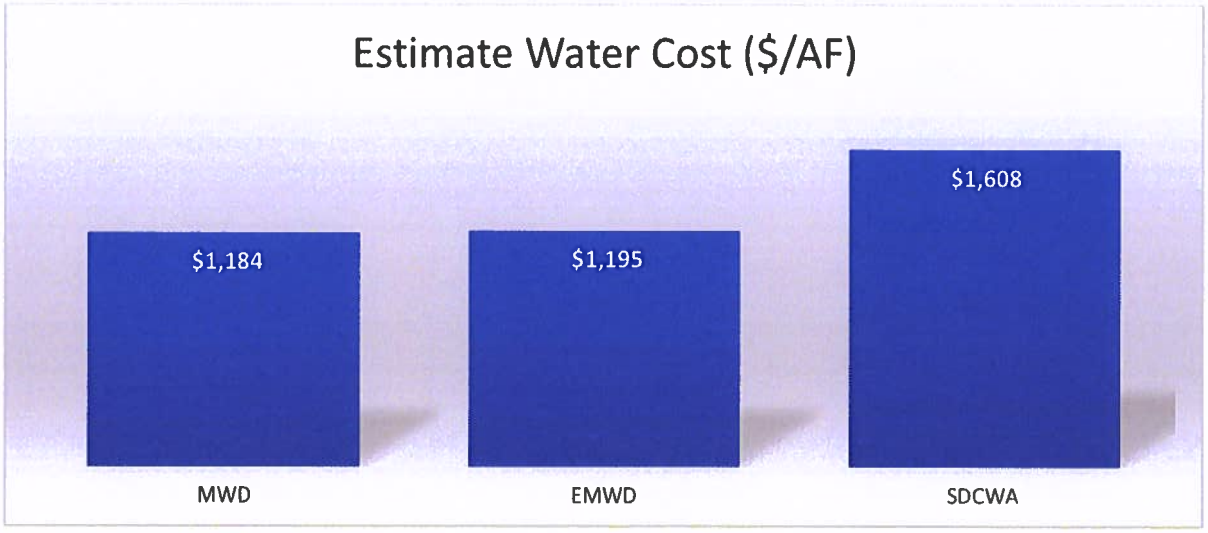
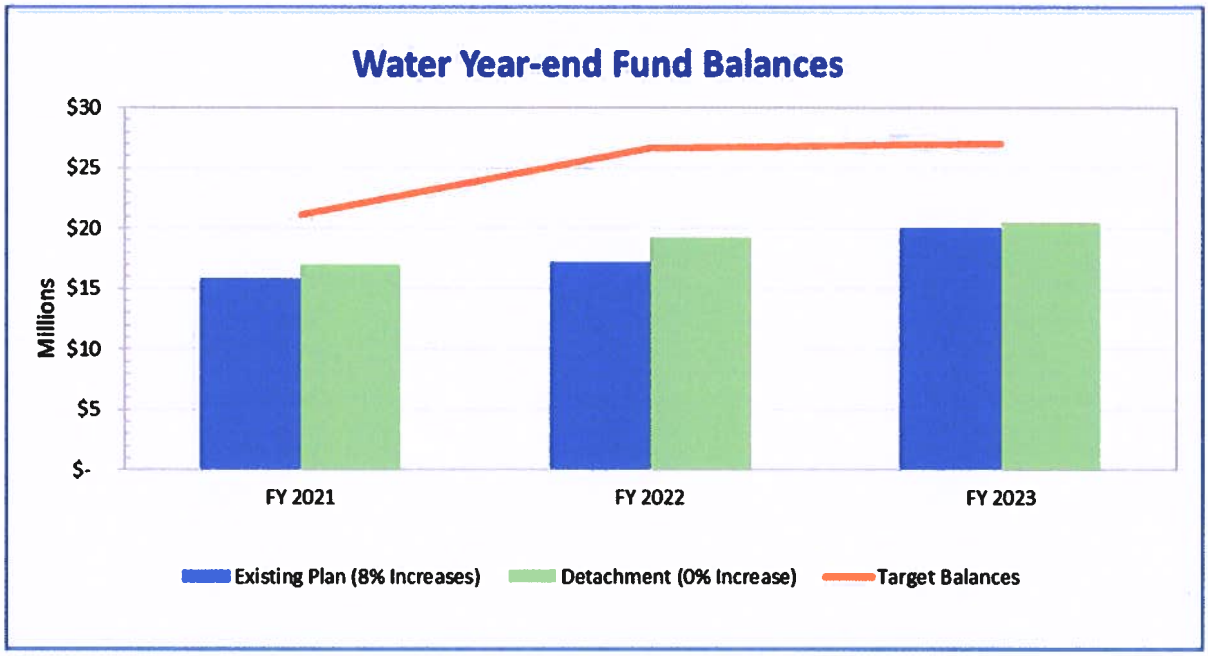


FIGURE 10—Projected Rate Impacts of Detachment



FPUD has had to implement significant rate increases over the past decade to address the combined impacts of increased water supply costs, declining sales and aging infrastructure needs. Increasing water rates has had a significant impact on the quality of life in our community due to the loss of agriculture and the inability to afford the water costs to maintain a rural lifestyle. These trends will continue into the future and further negatively impact our community unless LAFCO supports efforts by FPUD to reduce its water costs through the process of detachment from SDCWA and annexation to EMWD.

RESOLUTION NO. 19-15

RESOLUTION OF THE BOARD OF DIRECTORS OF RAINBOW MUNICIPAL WATER DISTRICT AUTHORIZING THE GENERAL MANAGER TO PREPARE AND SUBMIT AN APPLICATION TO THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO DETACH FROM THE SAN DIEGO COUNTY WATER AUTHORITY AND ANNEX TO EASTERN MUNICIPAL WATER DISTRICT

WHEREAS, Rainbow Municipal Water District was established in 1953 and is organized under Section 71000 of the California Water Code; and

WHEREAS, Rainbow Municipal Water District is a special district that provides – among other services – water to the unincorporated communities of Rainbow, Bonsall, and portions of Vista, Oceanside, and Fallbrook; and

WHEREAS, Rainbow Municipal Water District is a member of the San Diego County Water Authority; and

WHEREAS, over the last 25 years, the San Diego County Water Authority which supplies water to individual water districts in San Diego County, has made major investments in new storage and treatment facilities located well south of the Rainbow Municipal Water District service areas; and

WHEREAS, these investments have increased the cost of water to customers of Rainbow Municipal Water District, adding several hundred dollars per acre foot to the cost of water for the customers of Rainbow Municipal Water District, many of whom are engaged in agricultural activities; and

WHEREAS, while most water districts in San Diego County rely entirely on San Diego County Water Authority pipelines for the water they distribute to their customers, Rainbow Municipal Water District has connections directly to the Metropolitan Water District of Southern California (MWD)'s pipelines; and

WHEREAS, Eastern Municipal Water District located in Riverside County is adjacent to Rainbow Municipal Water District, is a special district that also receives water supplies from Metropolitan Water District and provides retail water service to cities and special districts in Riverside County, and has consented to the possible annexation of Rainbow Municipal Water District; and

WHEREAS, Eastern Municipal Water District was in October of 2019 awarded a $36.3 million grant from the State Water Resources Control Board which will improve groundwater quality and supplies and reduce its reliance on imported water supplies; and

WHEREAS, since 1954 Rainbow Municipal Water District has contributed over $500 million to construct assets owned by San Diego County Water Authority, which assets will be retained by the San Diego County Water Authority and used for the benefit of its remaining member agencies; and

WHEREAS, if Rainbow Municipal Water District detaches from the San Diego County Water Authority, the San Diego County Water Authority will not have to spend the $40 million budgeted to complete construction of the North County EPS pump stations to serve Rainbow Municipal Water District and Fallbrook Public Utility District; and

WHEREAS, Rainbow Municipal Water District's detachment from San Diego County Water Authority will lessen the North County area's demand for expanded water facilities and will permit the remaining member agencies of the San Diego County Water Authority to have increased reliability of supplies from San Diego County Water Authority in times of drought and reductions in imported water supplies; and

WHEREAS, the reliability of supplies from Eastern Municipal Water District to the Rainbow Municipal Water District will be equivalent to the supplies received from the San Diego County Water Authority, and

WHEREAS, the Rainbow Municipal Water District and the Fallbrook Public Utility District have entered into a Memorandum of Understanding which would allow Rainbow Municipal Water District to receive emergency supplies from the Fallbrook Public Utility District's Santa Margarita River Conjunctive Use Project that will serve the residents of Rainbow Municipal Water District in the very unlikely scenario where an earthquake or other emergency condition constricts supplies coming from Metropolitan Water District facilities in Riverside County, and

WHEREAS, the detachment of Rainbow Municipal Water District from the San Diego County Water Authority and annexation to Eastern Municipal Water District will be mutually beneficial in that the ratepayers of Rainbow Municipal Water District will obtain water supplies at a lower rate permitting the continuation of agricultural activities as well as general ratepayer reductions in costs while the remaining member agencies of the San Diego County Water Authority will be relieved of expenses of providing water supplies to the North County and will have greater reliability of water supplies in times of drought; and

WHEREAS, the detachment of Rainbow Municipal Water District from the San Diego County Water Authority is authorized by Section 45-11 of the California County Water Authority Act, the law governing the creation and existence of the San Diego County Water Authority; and

WHEREAS, the commencement of such a proceeding is initiated by an application to a Local Agency Formation Commission in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Riverside Local Agency Formation Commission and the San Diego Local Agency Formation Commission have executed a memorandum of understanding dated October 24, 2019 by which San Diego Local Agency Formation Commission will undertake the processing of any application by Rainbow Municipal Water District to proceed with a reorganization involving modifications of spheres of influence, detachment from San Diego County Water Authority and annexation to Eastern Municipal Water District; and

WHEREAS, the process will require the preparation of various documents and the payments of filing fees and subsequent expenses,

NOW, THEREFORE, the Board of Directors resolves as follows:

1. The General Manager is authorized to prepare and submit to the San Diego Local Agency Formation Commission the application for the proposed reorganization and to provide any and all additional or supplemental forms, data, information, plans and documentation as the San Diego Local Agency Formation Commission staff may request and require from time to time during the processing of the application.

2. The General Manager is authorized to pay the filing fee to the San Diego Local Agency Formation Commission and to pay such additional sums as may be invoiced from the San Diego Local Agency Formation Commission for services rendered in the processing of the application.

3. The General Manager is authorized to coordinate his efforts with such resources as may be needed to process the application and to pay the invoices for the resources with whom he coordinates.

4. This proposal is to be made pursuant to Part 3 of the Cortese-Knox-Hertzberg Local Government Reorganization Act.

5. The nature of the proposal is a reorganization to detach Rainbow Municipal Water District from the San Diego County Water Authority and to annex the Rainbow Municipal Water District to Eastern Municipal Water District in Riverside County.

6. All property within the boundaries of the Rainbow Municipal Water District as it now exists shall be included, and the General Manager is to provide a legal description and map to be provided to the Local Agency Formation Commission.

7. The proposal suggests the following terms and conditions:

    - That pursuant to the express provisions of Section 45-11 of the County Water Authority Act which provide for detachments from a county water authority, the matter be submitted to a vote only by those electors residing within the boundaries of Rainbow Municipal Water District.
    - That pursuant to Section 45-11 of the County Water Authority Act that the taxable property within the excluded area shall continue to be taxable by the county water authority for the purpose of paying the bonded and other indebtedness of the county water authority outstanding or contracted for at the time of the exclusion and until the bonded or other indebtedness has been satisfied; provided further, that if the taxable property within the excluded area or any part thereof is, at the time of the exclusion, subject to special taxes levied or to be levied by the county water authority pursuant to the terms and conditions previously fixed under subdivision (c) or (d) of Section 10 for the annexation of the excluded area or part thereof to the county water authority, the taxable property within the excluded area or part thereof so subject to the special taxes shall continue to be taxable by the county water authority for the purpose of raising the aggregate sums to be raised by the levy of special taxes upon taxable property within the respective annexing areas pursuant to the terms and conditions for the annexation or annexations as so fixed and until the aggregate sums have been so raised by the special tax levies.

8. The reasons for the proposal are as follows:

- Rainbow Municipal Water District will be better positioned to provide water supplies to its customers at significantly lower rates;
- Rainbow Municipal Water District will be better positioned to provide water supplies to those within its boundaries who undertake agricultural activities, a major effort in support of the local economy.
- Rainbow Municipal Water District already receives water supplies from Metropolitan Water District which also supplies water to Eastern Municipal Water District as it does to San Diego County Water District.
- The detachment from San Diego County Water Authority will reduce both currently planned and future capital expenditures necessary to provide its water supplies to the North County area.
- The detachment from San Diego County Water Authority will also eliminate the need to share its reduced water supplies in times of drought conditions and permit the remaining member agencies to share the allocation that would otherwise be made to Rainbow Municipal Water District.

PASSED AND ADOPTED at a Regular meeting of the Board of Directors of Rainbow Municipal Water District held on the 3rd day of December 2019 by the following vote, to wit:

AYES: Directors Brazier, Gasca, Hamilton, and Rindfleisch
NOES: None
ABSENT: Director Mack
ABSTAIN: None

Helene Brazier, Board President

ATTEST:
Dawn Washburn, Board Secretary

Rainbow Municipal Water District

Supplemental Information Package for Reorganization Application

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Introduction

The Board of Director of the Rainbow Municipal Water District (hereafter "RMWD" or "District") has adopted a resolution approving an application to the San Diego Local Agency Formation Commission (SDLAFCO) for a Change in Organization (Exhibit A). Specifically, the District seeks actions from SDLAFCO to detach from the San Diego County Water Authority (SDCWA) and annex the District into Eastern Municipal Water District (EMWD). This application is being made to SDLAFCO in accordance with a Memorandum of Understanding (MOU) between SDLAFCO and Riverside County LAFCO dated October 24, 2019 that established SDLAFCO as the primary agency for consideration of this Change in Organization (attached as Exhibit B).

This action is sought to provide more efficient water service to the customers of the District due to the unique circumstances regarding the distribution of wholesale water in this part of San Diego County.

Executive Summary

RMWD is one of the last rural agricultural areas of San Diego County. Agriculture is the only significant economic activity in the District with 65% of its water demands serving the needs of growers. In over 80 square miles there are only about a dozen street lights, no Starbucks, no typical grocery store, no 7-11's – it is a rural place. Agriculture has been hit hard over the last 20 years by ever increasing water costs. Avocado production – the most famous of San Diego County exports – is down tens of thousands of acres. The I-15 is named 'The Avocado Highway" but that is at risk due to high water prices.

When the District joined SDCWA nearly 70 years ago, it did so in accordance with the rules contained in the County Water Authority Act. This Act set the terms for both entering and leaving SDCWA. In order to attempt to preserve the main economic activity of this part of the County, the Board of Directors at the District has decided to apply the methods outlined in State Law to detach from SDCWA and annex into the neighboring imported water wholesaler, EMWD.

This application to SDLAFCO is firmly grounded in both the County Water Authority Act and the LAFCO processes contained in the Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH). It seeks the approval of SDLAFCO for RMWD to detach from SDCWA and then annex into EMWD – the water wholesaler that serves the exact same water to neighboring Districts in Southwest Riverside County. As part of this change, our customers will have the exact same water quality and reliability as they do with SDCWA. The water will come from the same treatment plant, through the same pipelines, and be conveyed through to the District just as before. The only change is that the water will cost significantly less.

Under the County Water Authority Act, SDCWA will still have access to certain property tax revenue from properties within the District. The cost impact to other agencies will be minimal – the increase in costs will be about 1% to other agencies. RMWD's detachment could increase costs per acre-foot about $16.75. For comparison, the current wholesale cost for water from SDCWA is just under $1700 per acre foot. At the household level since an acre foot will serve about four typical households for a year so the increased cost per household will be about $5 ***per year***.

The District has been attempting to engage with SDCWA in meaningful discussions about this proposed detachment since May of 2019. To date, SDCWA has refused to discuss its interpretation of the County Water Authority Act, saying that they would address this through the LAFCO process. While the District would rather have worked out details with SDCWA in advance of filing this application, their stance left no other options than to file now.

Background

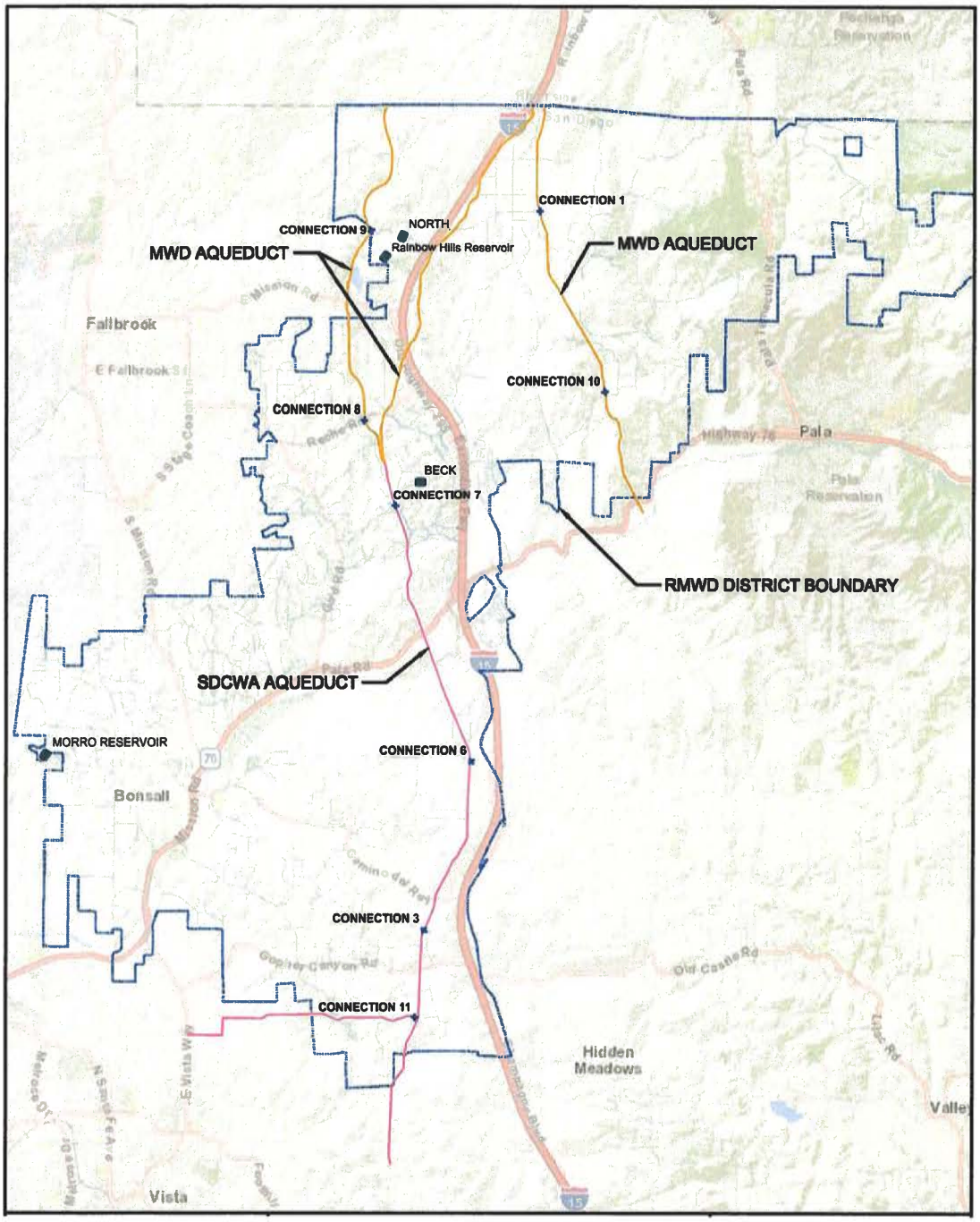
During World War II, the population of San Diego County increased rapidly due to wartime buildup of the Navy and other military bases in San Diego County. As local water supplies were insufficient to support this effort, the Federal Government began the construction of the first pipelines to bring Colorado River water into San Diego County. This pipeline connected to the existing Colorado River Aqueduct owned and operated by the Metropolitan Water District of Southern California (MWD). The first pipeline was connected to MWD's system near San Jacinto, CA and extended to the San Vicente Reservoir just east of San Diego.

MWD is allowed by statute only to sell water to public agencies who are members of MWD, so as part of the process of bringing imported water into San Diego County, the State of California formed SDCWA in 1944 to operate as the MWD member agency for San Diego County. The first water deliveries to the region began in 1947.

In 1952, as RMWD was forming, an application was made to SDCWA to join as a member agency. Over several months there was quite a bit of discussion and some controversy as to whether RMWD should be a member of SDCWA or simply connect directly to MWD as the pipelines were within the RMWD service area. After a series of back and forth actions by both SDCWA and MWD, RMWD was finally admitted to SDCWA in 1954. This history demonstrates that the question who should serve as our water wholesaler has been around since our inception.

The District is Unique in San Diego County

While the original political boundaries of SDCWA followed the County line as a separation, the engineers who designed the pipelines did not use those boundaries. For the first aqueduct, the separation between MWD and SDCWA was set at the halfway point between the connection near San Jacinto and the San Vicente Reservoir. The first aqueduct this separation point is several miles into San Diego County, located roughly where the aqueduct crosses State Highway 76 just east of I-15. MWD owns and operates stretches of the second, third, and fourth aqueducts well into San Diego County with the separation points being shown on the map below.



Both RMWD and the Fallbrook Public Utility District (FPUD) have connections directly to MWD's pipeline with no use of SDCWA facilities. For FPUD, all but one connection is on MWD's pipelines. For RMWD, four of the eight connections are on MWD's pipelines with one of the connections to SDCWA's pipeline being just 3000 feet from the point of separation.

The Districts are the only SDCWA member agencies who have direct connections to MWD. They are unique in the County – no other SDCWA member agency has now, nor practicably could have in the future, direct connections to MWD's system. Further, in MWD's service area SDCWA is the only MWD member agency that operates a large distribution system. In other MWD member agencies, MWD owns and operates the large wholesale pipelines and the member agency simply acts as the water purchasing coordinator.

No Real Benefit to Customers of the District Received from SDCWA Over EMWD

In the years following the construction of the aqueducts water was cheap and the arrangement worked well for all parties. However, over the last 25 years, SDCWA has made significant investments in the Emergency Storage Project (ESP) to construct new storage and treatment facilities located well south of the District. These investments have increased the cost of water significantly – adding several hundred dollars per acre foot to the cost of water.

While these investments may be good for agencies south of the District, RMWD does not receive commensurate benefits from these improvements. Virtually all the water delivered to the District comes from the Skinner Water Treatment Plant, owned and operated by MWD in Southwest Riverside County. The hydraulics of the aqueduct system are such that water flows from north to south, so apart from rare and unusual hydraulic conditions, all the water served to the District comes from an MWD owned treatment plant and is delivered through MWD pipelines into the service area. RMWD is more similar to water retailers in Southwest Riverside County than to other SDCWA member agencies.

Further, the ESP facilities constructed to date cannot properly serve the District. SDCWA has been implementing the ESP since 1996 and had contemplated constructing new pump stations to move water to the north, but those pump stations have not been constructed. SDCWA is still in planning stages for these facilities and no formal design work has commenced for their construction. RMWD ratepayers have paid ~$25 Million in ESP related fees over the years to construct the ESP and yet can derive no benefit from it other than in a few areas in the southern part of the District.

RMWD and EMWD have performed an analysis of the relative reliability of water supply comparing being a member agency of SDCWA vs being a member agency of EMWD. This analysis shows that the reliability of supply from EMWD is higher than that from SDCWA. A full analysis is included in this application package.

Efficiency and Affordability of Service Would Be Much Higher From EMWD vs SDCWA

Since the District is not strictly reliant on SDCWA facilities and have no access to treatment plants and ESP facilities located to the south, it would be more efficient and affordable for the District to be annexed into EMWD. The Cortese-Knox-Hertzberg Local Government Reorganization Act (CKH) requires LAFCOs to evaluate the relative efficiency and affordability of municipal services when considering how a service is provided in a given geographic area. Should a change from SDCWA to EMWD is approved, customers within the District would see zero changes to the sources, quality, and reliability of the water service they receive from the District.

They would, however, see a significant improvement in efficiency and affordability. For RMWD, continued service from EMWD represents a decrease of approximately 20-25% in wholesale water costs over SDCWA.

The District Has a Pressing Need for Pipeline Rehabilitation

Prior to the establishment of the District in 1953, a good deal of this area was served by several Mutual Water Companies that served agricultural users in the area. Once imported water became available, all of these Mutual Water Companies eventually folded into the Rainbow system and the District assumed ownership of those pipelines. Many of these pipelines predate the District and are now well beyond their useful lifespan. Further, the hilly topography creates extremely high system pressures. These factors have lead to a high risk of pipeline failures that needs to be addressed.

The District embarked on a comprehensive Condition Assessment Program that carefully scrutinized pipeline failure history, pipeline materials, system pressure, age, and soil conditions. The result of this analysis conclusively showed that the District needs to make investments of at least $4 Million per year just to hold the current water main breakage rate steady over time. More money will be needed to lower the break rate. While the break rate is a significant challenge now, with significant impact to customers in terms of property damage and water outages, failure to act will only cause more main breaks, water outages, and property damage.

While the District could just raise its rates, doing so would further damage the already challenged agricultural economy in our area. A sharp increase in rates would put even more farmers out of business and decrease volumetric water sales at the District. This would create a negative feedback loop as rates would need to rise again to offset the lower sales. Needless to say, the Board of Directors at Rainbow MWD are committed to avoiding that cycle.

The savings realized by moving to EMWD will allow the district to more aggressively deal with our ageing infrastructure. Detachment would provide the District the ability to both pass some of these savings on to our customers and allow us to invest in the rehabilitation and replacement of infrastructure at the same time.

Existing Infrastructure Requires Few Changes

With the change from SDCWA to EMWD as the wholesaler, no physical changes are required to provide wholesale water service to RMWD. RMWD has four existing connections to the MWD system and four on the SDCWA system. Due to the decline in agricultural water use related to high imported water costs, the four direct MWD connections now provide adequate capacity to serve the demands of the entire RMWD service area. Each connection to the aqueduct system was paid for by the District at the time of connection and ownership was granted to SDCWA. The only requirement to effect the change is the transfer of the SDCWA ownership of those connections to EMWD.

The remaining challenge is serving a few higher elevation areas in RMWD's southern service area during brief peak summertime demand periods. RMWD has done extensive studies to identify the best methods to serve these areas. The results of these studies determined that improvement projects that are included in previous Water Master Plans and other Capital Improvement Project forecasts would need to be moved up in time should the detachment be approved. These include:

- A new pipeline from the Rice Canyon Tank westerly to the area of new development north of Hwy 76 and east of Interstate 15
- Replacement of seasonal pumping facilities with more robust pump stations at the Moosa, Line P, and Gopher pump station sites
- Replacement of a short section of main (<2000 feet) along Gird Road that was slated for replacement in previous Condition Assessment studies
- Completion of Weese Treatment Plant Interconnect with the City of Oceanside
- Minor expansion or interconnection of a few other key points in the distribution system

There are other options to meet peak summertime demands through demand management. RMWD is currently developing demand management programs that would fund agricultural efficiency projects in the southern zones of the District to shave the peak summertime demands. Demand management can reduce, or eliminate, the need for some of the mentioned capital improvements.

The cost estimates for these projects range from $10 - $15 Million. While all of these projects were in the planning stages and slated for construction over the next ten years, detachment would necessitate them to move forward more quickly. During the process of review of this application by LAFCO staff, the District would like to have a discussion on the timing of potential approval, the resulting election, and when the actual detachment would take place so that we can efficiently coordinate project priorities and timing.

Since approval of this application is not guaranteed, the District does not want to use its precious capital on these facilities until the outcome of the proceeding is a bit more certain. As noted above, while these projects have been in the long-term plan for some time, moving them up ahead of other projects only makes sense in the context of the significant imported water cost reduction that would result from detachment. This cost reduction would accelerate other necessary pipeline replacement and rehabilitation projects.

The County Water Authority Act

The County Water Authority Act (Water Code Appendix sections 45-1 et seq.), the law under which SDCWA exists and is organized, provides the organizational framework for county water authorities formed in California. Section 45-11 of the SDCWA Act sets forth certain requirements a member agency must follow in order to annex into or detach from SDCWA. RMWD followed the terms for annexation in 1953 when it joined SDCWA, including the requirement to make a payment as a condition of annexation in accordance with the Act. With respect to detachment, the Act contains provisions for bonded indebtedness that is secured by property taxes as well as a requirement for an election of the electors of the member agency seeking detachment.

The process for detachment/exclusion of the Districts from SDCWA and annexation of the Districts into EMWD, must be brought before the applicable Local Agency Formation Commissions (LAFCO) pursuant of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code section 56000 set seq.) (CKH Act). Under the CKH Act, LAFCOs are charged with conducting hearings, making

determinations, and imposing conditions on the approval of proposed changes in certain public agency boundaries within the county in which the LAFCO sits. Here the exclusion from SDCWA, and annexation of RMWD into EMWD, would result in EMWD being located in more than one county (San Diego and Riverside) and therefore proceedings before both San Diego LAFCO and Riverside County LAFCO would be involved. In October 2019, the San Diego and Riverside County LAFCOs entered into a Memorandum of Understanding in which San Diego LAFCO has exclusive jurisdiction over all proceedings related to the detachment of RMWD from SDCWA as well as the sphere of influence changes required for EMWD.

Ultimately, should RMWD's application to San Diego LAFCO for detachment from SDCWA be approved, the reorganization would not take effect until after the electors of RMWD vote in support of the reorganization. If the election is successful, the taxable property within the detaching member agency may still continue to be taxable by SDCWA for the purpose of paying bonded and other indebtedness outstanding or contracted for at the time of the detachment/exclusion. (Water Code Appendix section 41-11(a)(2).) This is separate from any debt obligations of SDCWA that are not secured by property taxes and is limited to SDCWA share of ad-valorem taxes.

Financial Implications of Detachment

The proposed reorganization will have financial impacts to RMWD, EMWD, and SDCWA. RMWD has pursued discussions with SDCWA to discuss how to interpret the County Water Authority Act in meetings that started in May 2019. We held a number of meetings over the summer in an attempt to gain some consensus between RMWD and SDCWA as to how to interpret the act, all to no avail. The last formal meeting with SDCWA was held on October 9, 2019 in which we, once again, were unable to discuss the matter. In fact, in an email that was a follow up to that meeting (dated October 10, 2019), SDCWA General Manager Sandra Kerl stated the following:

> *"Finally, you said that you wanted to know our Agency's legal interpretation of the applicable law as to why your agencies should pay anything upon detachment. This is an issue that will be addressed in the course of LAFCO proceedings."*

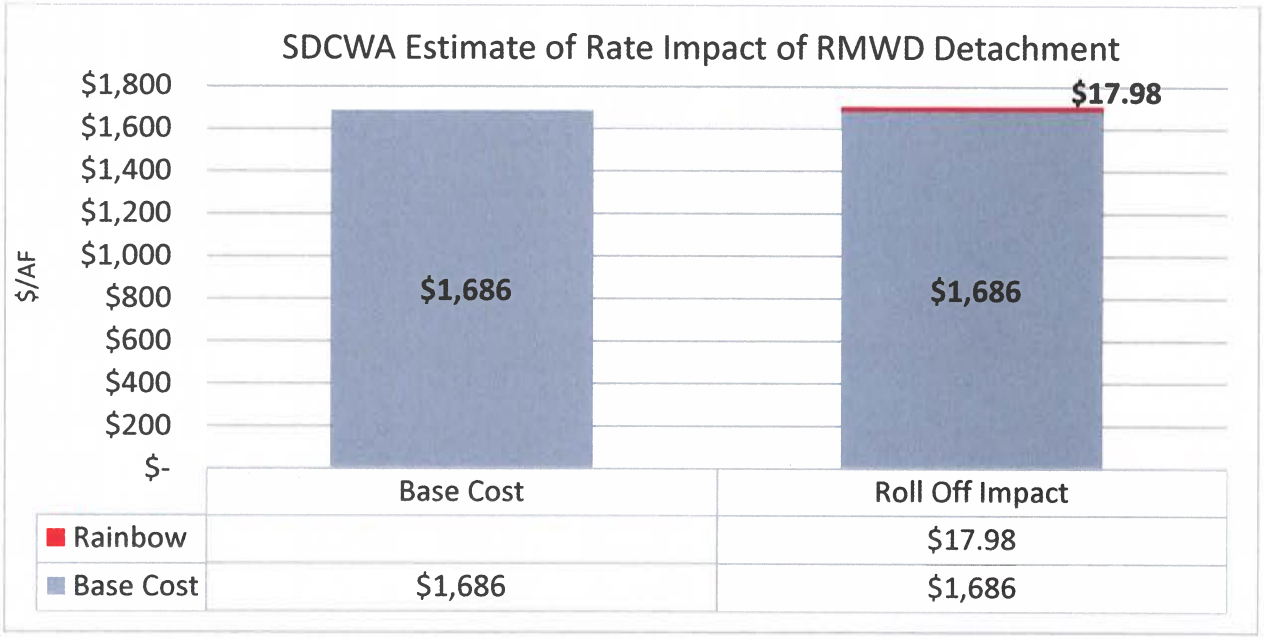
RMWD like to make it clear to LAFCO that we made multiple attempts to come to some sort of common understanding of the requirements of the SDCWA Act with SDCWA, but as Ms. Kerl's email indicates, they would rather address this at the commission level. Further, in her last communication, Ms. Kerl requested that RMWD and FPUD meet with each SDCWA member agency separately to negotiate a solution. While RMWD and FPUD reached out to each member agency and met with many of them and provided potential concepts for a cost structure for detachment, the general consensus from these meetings is the proposed approach to develop a separate agreement with each member agency is unworkable.

In absence of a negotiated agreement, RMWD is proposing that the detachment be consistent with the County Water Authority Act (Water Code Appendix section 45-1 et seq.), the law under which SDCWA exists and is organized. Section 45-11(a)(2) of the SDCWA Act sets forth certain requirements a member agency must follow in order to detach from SDCWA. In accordance with this provision if the detachment is successful taxable property within the detaching member agency may still continue to be taxable by SDCWA for the purpose of paying bonded and other indebtedness outstanding or contracted for at the time of detachment/exclusion.

The amount currently collected annually from RMWD customers is roughly $175,000. These payments would continue after detachment per the SDCWA Act even though the District will not receive any benefit of any SDCWA facilities.

The remaining member agencies would also benefit from past investments made by RMWD in regional infrastructure. As of June 30, 2019, RMWD has contributed over $560 million to help build infrastructure in San Diego County. These investments helped fund storage projects, emergency water supply projects and secure lower cost water supplies from canal lining projects. These investments will continue to provide benefits to the remaining agencies and RMWD will not recover any value from these regional investments that support all other member agencies of SDCWA. There is no outstanding SDCWA debt for SDCWA facilities that only serve RMWD and ouldl have no benefit to other remaining agencies after detachment.

There will be a reduction in revenue for SDCWA if RMWD began to purchase its supply of water through EMWD. SDCWA prepared a summary of the anticipated costs based on FY 2018 water demands and CY 2020 rates in August 2019. This analysis results in an estimated revenue reduction to SDCWA of approximately $17.98/AF on top of the existing rate of $1686/AF for remaining agencies from detachment of RMWD based on there being no cost reduction in SDCWA operations due to detachment (See Figure 1). It should be noted that there will be operational cost reductions post detachment as SDCWA staff will not have to perform maintenance on some of the most remote facilities in their system.

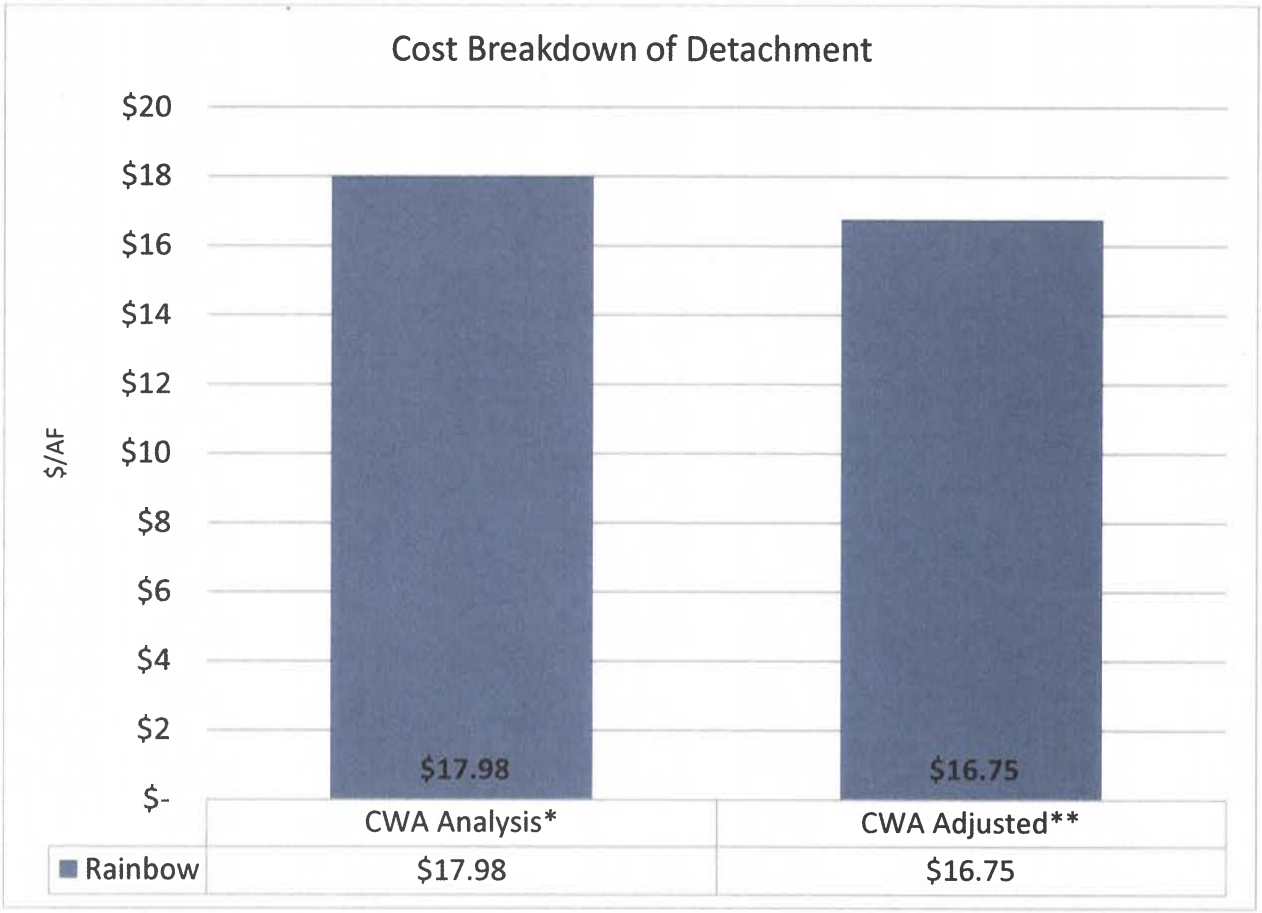


* Based upon SDCWA's Recommended Calendar Year 2020 Rates and Charges presentation.

** Based upon updated water sales projection for SDCWA of 338,958 AF.

Figure 1 – SDCWA Projected Rate Impact

The SDCWA estimate is higher than the actual projected impact for the simple reason that the FY 2018 flows are higher than current and projected flows largely due to a continued decline in agriculture in the region. This will reduce RMWD's water demands on SDCWA, which will reduce the cost impact of on SDCWA of detachment. Figure 2 shows the anticipated impact on SDCWA rates based on current RMWD demand projections. As shown in Figure 2, the relative projected impact to SDCWA from RMWD detachment is $16.75/AF. The current SDCWA rate is approximately $1686/AF, so this represents an increase of 0.99%. The average annual rate increase experienced by RMWD over the last 10 years from SDCWA is over 8%. Using recent water usage for the City of San Diego of 91 Gallons Per Capita Per Day (GPCD) and a rate impact of $16.75 per AF for RMWD, the average person from the City of San Diego would see an annual cost impact of approximately $1.71 per year.



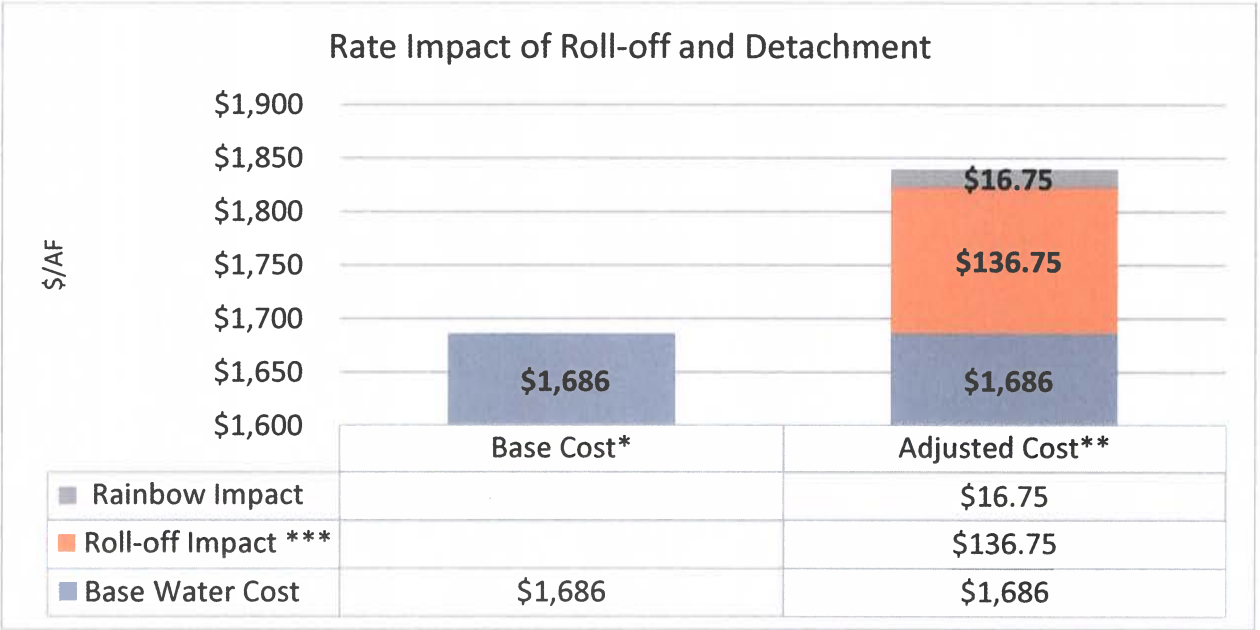
* Based upon SDCWA's August Preliminary Financial Impact Analysis | De-Annexation.

** Based upon updated water sales projections

Figure 2- Rate Impact of FPUD/RMWD Detachment.

SDCWA has argued that the detaching agency must ensure revenue neutrality for the remaining agencies. Under this concept, RMWD and FPUD would continue to make the same net payment to SDCWA but would receive no services. In turn, SDCWA would use this money to subsidize other member agencies rates to be able to offset the potential <1% rate increase associated with the detachment of RMWD. We feel this concept is flawed at a number of levels:

1. This approach is inconsistent with the SDCWA act and would not have any cost of service basis and would violate proposition 26.
2. Currently member agencies can build local projects and reduce their water demands with a similar effect as detachment. The vast majority of rates allocated to a member agency are based on demands. While some are rolling averages, the costs paid by a District to SDCWA are largely proportional to water demands. Figure 3 shows an example of the rate impacts to other member agencies for three local supply projects that are underway. These projects include Phase I of the City of San Diego Pure Water Program, Pure Water Oceanside and the East County Advanced Purification Facility.



* Based upon SDCWA's Recommended Calendar Year 2020 Rates and Charges presentation.

** Based upon updated water sales projection for SDCWA of 338,958 AF.

*** Pure Water Phase I, East County AWP, Pure Water Oceanside.

Figure 3 – Rate Impact of Roll-off and Detachment

As shown in Figure 3, the impact of these projects to other remaining member agencies is approximately $137 per AF or ***over 8 times*** the projected impact of RMWD detachment. If RMWD was required to make each agency revenue neutral for the impact of their reduced water purchases then the same concept would need to be in place for entities that are rolling off SDCWA and shifting existing SDCWA costs to the remaining agencies, including RMWD, if detachment is not successful. RMWD has a population of approximately 20,000 and currently project to purchase approximately 14,500 AFY of water annually so the cost impact of roll-off at $137/AF to each person in RMWD is approximately $100 per year.

RMWD is facing a situation where SDCWA's rate structure, which encourages roll off, will end up costing our customers about $100 per year per person per year, while at the same time SDCWA has expressed opposition to our roll off that would only cost remaining member agencies less than $2 per person per year.

The vast majority of the water used by RMWD is currently delivered from an MWD operated treatment plant through MWD facilities and the District pays SDCWA for this water. Currently, RMWD is charged over $450/AF on top of the MWD price versus an additional $11/AF for EMWD (See Figure 4). If RMWD detaches from SDCWA and attaches to EMWD, there is a substantial long-term savings to RMWD customers.

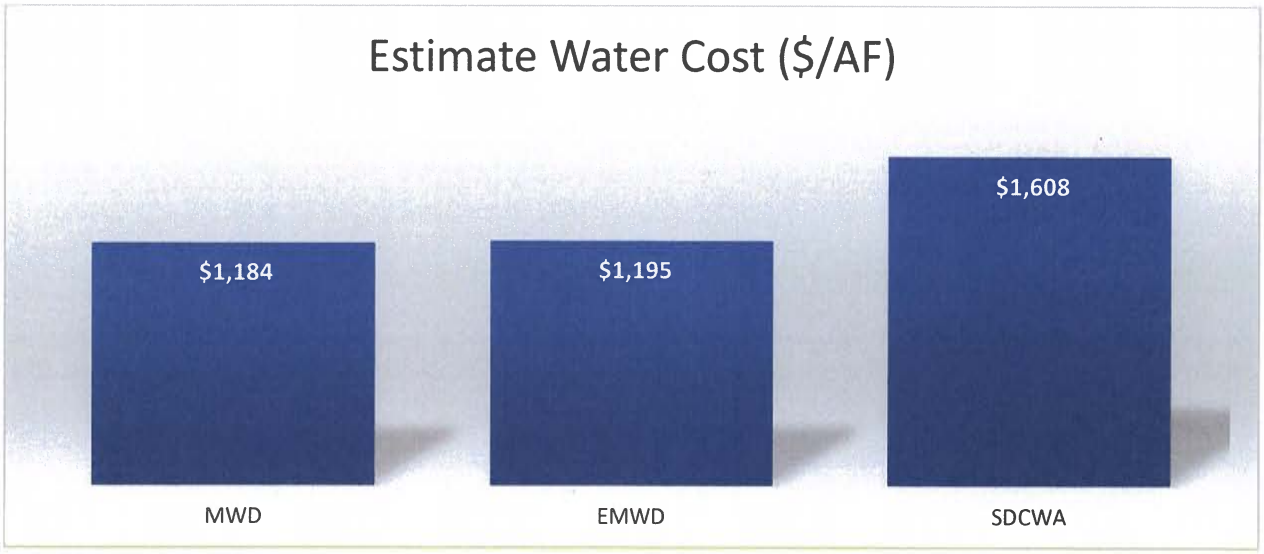


Figure 4 – Wholesale Water Costs

Apart from imported water costs, the largest driver for RMWD rate increases is the generation of revenue to address critical infrastructure that has served well beyond it's design lifespan. Well over half of RMWD's distribution system is over 50 years old and many are closer to 70 years old. Pipeline failures are becoming more frequent and unless significant funds are generated to repair and replace these aging pipelines the problem will only get worse.

RMWD has completed a multiyear (and ongoing) condition assessment project that has focused our capital spending on those pipelines that are at the highest risk of failure. This project has highlighted the amount of revenue needed to accomplish the goal of pipeline rehabilitation and those revenue increases, along with imported water costs, drive RMWD rates.

Figure 5 shows the projected water rate increases for RMWD with and without detachment. As shown in Figure 5, without detachment, cumulative rate increases of just under 25% are anticipated over the next three years. With the reorganization it is anticipated that RMWD could actually lower rates slightly and then have no rate increase for several years based on the reduction in the cost of water with on-going savings in wholesale water costs of over 25%.

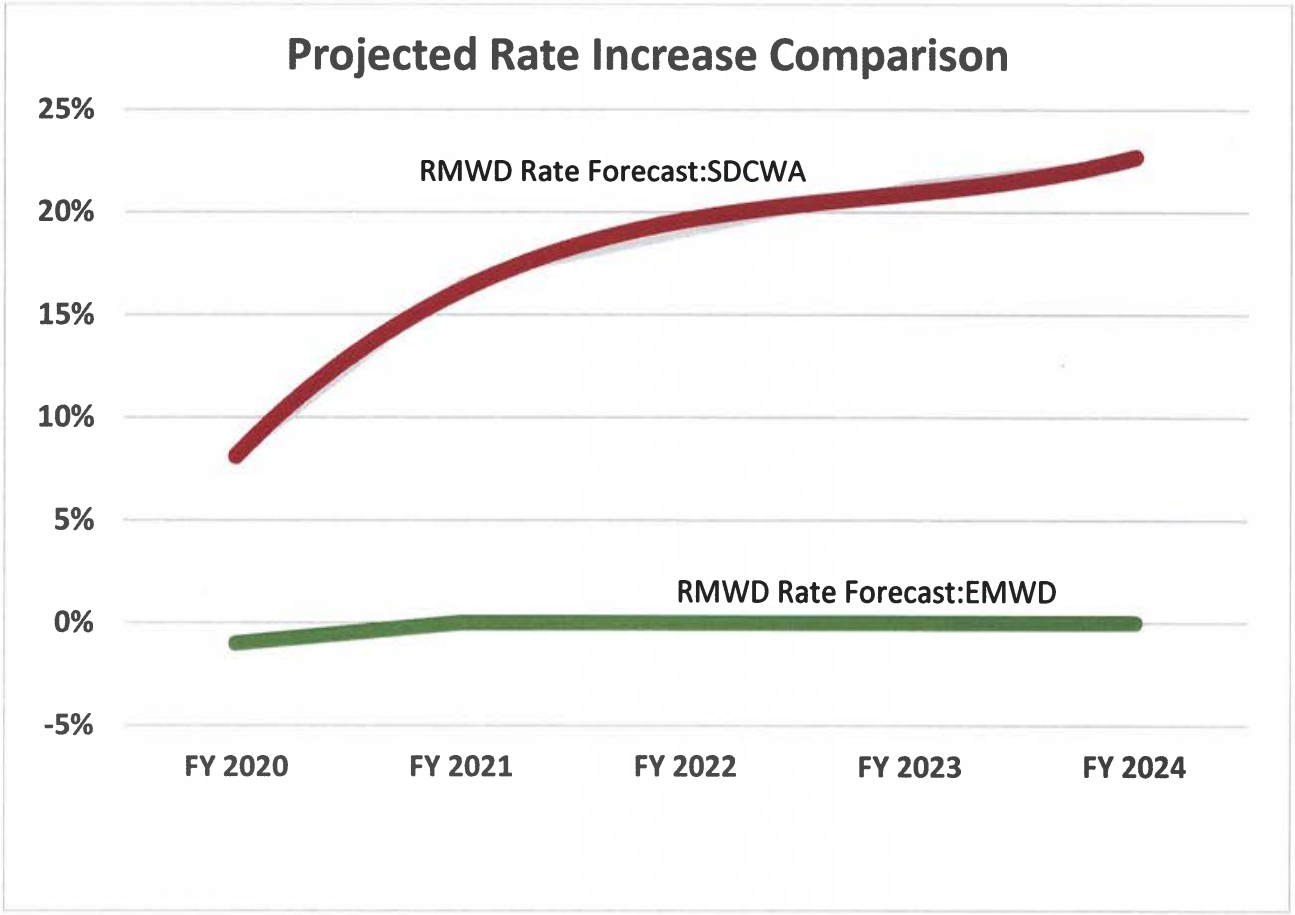


Figure 5 – Projected Rate Impacts of Detachment

RMWD has had to implement significant rate increases over the past decade to address the combined impacts of increased water supply costs, declining sales and aging infrastructure needs. Increasing water rates has had a significant impact on the quality of life in our community due to the loss of agriculture and the increasing impact on water customers in rural areas. Agricultural use consumes 65% of all of the water that RMWD sells, but the increasing cost of water over the years has been very harmful to the agricultural community.

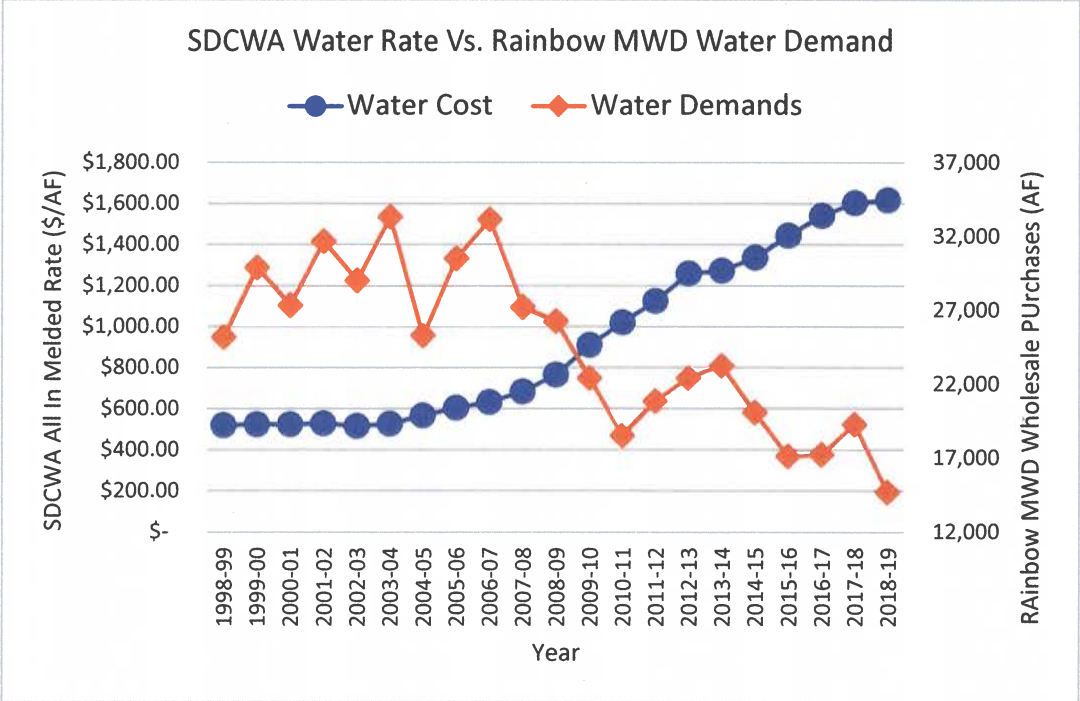


Figure 6: Water Costs and Agricultural Demands

Figure 6 above shows that as the costs related to SDCWA projects that do not benefit our region have increased over the last 15 years, there was a steep drop in agricultural water demand. Thousands of acres of avocado production were lost forever. Many thousands more are on the brink of going under due in large part to water costs. Agriculture is the only real economic activity in the RMWD service area that spans over 80 square miles with only a handful of signalized intersections, no other industry or commercial centers, and very little retail (there is not even a single Starbucks or 7-11 in the entire service area). These trends will continue into the future and further negatively impact our community unless LAFCO supports efforts by RMWD to reduce their water costs through the process of detachment from SDCWA and attachment to EMWD.

"Revenue Neutrality" or "Exit Fee" Concept

In various public statements, SDCWA officials have indicated that RMWD must either maintain "Revenue Neutrality" for SDCWA over time or make some sort of "Exit Fee" payment to SDCWA as a condition of detachment. RMWD has requested on multiple occasions to meet with SDCWA officials to discuss this concept. Each time SDCWA refused to have any specific discussions about what they meant by these terms. Both of these concepts are flawed for a number of reasons:

- The County Water Authority Act has no provisions for either concept. If SDCWA's debt was secured on the basis of property taxes, those taxes would continue in accordance with the CWA Act. None of SDCWA's debt is secured by property taxes. The CWA Act has no mention of

"Revenue Neutrality" whatsoever and we could find no other reference to the concept in any LAFCO statute.

- Were RMWD compelled to continue to make payments for infrastructure that it does not use in any way – or have the legal right to use in any way – those payments would be a likely violation of the Proposition 26 Cost of Service principles and thereby illegal under the California Constitution.

Had the State Legislature wanted to have "revenue neutrality" or an "exit fee" be part of the detachment process, it would have included these in the CWA Act. However, those terms are nowhere to be found. What is included in the CWA Act are very clear and detailed provisions for dealing with the financial matters of detachment. We respectfully request that those provisions be followed in this application.

Benefits to Remaining SDCWA Member Agencies

While most of the discussion of impacts to member agencies has centered on presumed negative financial impacts, there are a number of positive impacts for the remaining member agencies of SDCWA after an RMWD detachment is completed. These impacts are wide ranging and include operational and financial benefits:

- While most of San Diego County already has the full benefit of SDCWA's Emergency Storage Project (ESP), there is one final component of the project that remains incomplete. The project has been under design and construction since 1996 with all other major facilities completed well over ten years ago, but the north county pump stations have not yet reached the design stage. These pump stations are required to move water stored in the ESP reservoirs to the south up into the Fallbrook and RMWD service areas. These northerly regions currently cannot receive the benefit of the ESP – despite the fact that RMWD ratepayers have contributed approximately $25 Million (Through SDCWA's Storage Fee and other charges) to the project over the years.

  Should RMWD and FPUD detach from SDCWA, these pump station projects can be cancelled. The current budgeted cost of these stations is $40 Million, so a detachment would save each agency their pro-rata share of $40 million immediately.

- There will be operational savings as well when the most remote water metering structures in the SDCWA system are transferred to EMWD for day to day operations. These facilities were paid for by RMWD when they were built and a key part of the reorganization will be to transfer control of these facilities to EMWD. SDCWA staff will be able to reduce the number of water metering stations by about 15% with the combined RMWD and FPUD connections no longer requiring their attention.

- Each and ever remaining member agency will receive an immediate increase in the amount of available water supply from the ESP once RMWD's (and FPUD's) demands are removed from the allocation pool. Valuing this type of reliability is tricky, but if you consider that the Carlsbad desal plant cost about $1 Billion to produce ~50,000 AF per year, when RMWD's ~14,000 AF per year is made available to other agencies to use, relative to the desal plan, that water has a

"value" of about $280 Million. Note that this is not intended to be a one to one type of comparison as water supply values are based on a melded average of all sources of supply, but the desal plant is a benchmark of what SDCWA felt was a prudent investment to generate 50,000 AF per year of water.

- Per SDCWA record keeping, Rainbow MWD has contributed approximately 4% of the total financial contributions SDCWA has received over its history. This means that the customers at Rainbow MWD have paid for 4% of everything SDCWA has on its asset sheet. In their Comprehensive Annual Financial Report, SDCWA shows that the agency has current net assets of $4.071 Billion and liabilities of $2.569 Billion which results in a net position of $1.577 Billion. RMWD ratepayers have contributed over $560 Million to SDCWA over the years and that money paid for the RMWD "share" of the assets. With the detachment, the assets (pipelines, tanks, treatment plants, etc) that RMWD ratepayers paid for will be left behind to benefit those agencies that remain. 4% of the net position of SDCWA equates to just over $62 Million in current net asset value that will be redistributed among the other member agencies. This will increase each other agency's "share" of SDCWA assets and will increase their voting rights percentage at the agency as well.

Water Supply Reliability Analysis

During the course of the analysis leading up to this application to LAFCO, RMWD has conducted a series of studies to validate that the supply reliability from EMWD is equal to or greater than the supply reliability from SDCWA. The first studies were preformed by Ken Weinberg, a nationally recognized expert in water resources and the former Director of Water Resources at SDCWA. Ken's initial work demonstrated that there was no discernable difference in water supply reliability between EMWD and SDCWA as a wholesale supplier to RMWD.

Subsequent to Ken's work, EMWD preformed a comprehensive analysis of water supply reliability for their service area in order to ensure that the inclusion of RMWD (and FPUD) would provide proper supply reliability to their new, larger service area. This report (attached as Exhibit C) also demonstrates that under any potential supply condition, EMWD has ample supply resources to serve the demands of all of its wholesale and retail customers.

Compliance with SDLAFCO Policy L-107

SDLAFCO Policy L-107 directs agencies who contemplate these sorts of reorganizations to reach out to affected agencies as well as interested parties in advance of filing an application. SDLAFCO's goal is for these parties to come to some sort of agreement related to the process and details surrounding the

detachment prior to coming to SDLAFCO. To be clear here, the only affected agency is SDCWA – all SDCWA member agencies may be interested parties, but the District does not seek detachment from those agencies, only SDCWA.

The District, in accordance with SDLAFCO Policy L-107, began its outreach with the primary affected agency, SDCWA, on May 21, 2019. On that day, RMWD General Manager Tom Kennedy met with Sandra Kerl, Acting General Manager of SDCWA and later in the day with SDCWA Board Chairman Jim Madaffer and Vice Chairman Gary Croucher. In these meetings, the District indicated that it was exploring this process and requested that we meet formally to discuss the County Water Authority Act's provisions related to detachment. At the conclusion of the meeting with SDCWA Chair and Vice Chair, we agreed to meet in a few weeks to discuss the matter.

Prior to that meeting, SDCWA served RMWD with a Public Records Act request for information, communications or other documents related to our exploration of the detachment. The meeting that was discussed in May was never set as SDCWA wanted to review the PRA information prior to holding a meeting. Those documents were produced to SDCWA in June 2019. The following is a chronology of the Districts efforts to comply with SDLAFCO Policy L-107:

- June 27, 2019 – at the Regular SDCWA Board meeting, both Jack Bebee (GM at FPUD) and Rainbow GM Tom Kennedy notified all SDCWA Board Members in open session about our desire to meet with any of them to discuss this matter.
- July/August 2019 – both Jack Bebee and RMWD GM Tom Kennedy met with several SDCWA member agencies to discuss the matter. There were also discussions at the SDCWA Member Agency Manager meeting that is attended by nearly every agency.
- July 30, 2019 – Representatives from staff and legal counsel from SDCWA, FPUD, and RMWD met at the SDCWA offices to discuss the potential detachment. While FPUD and RMWD came prepared to discuss the provisions of the County Water Authority Act, SDCWA staff and counsel deferred from any such discussion, indicating that they were not up to speed on the Act.
- August 22, 2019 – SDCWA held a closed session meeting on the detachment discussion and excludes both RMWD and FPUD from the discussion on the grounds of "risk of litigation". To be clear, neither FPUD nor RMWD has any basis for litigating anything with SDCWA, so our exclusion was questionable. RMWD and FPUD were allowed to make a statement, but each was only afforded three minutes to address the Board from the lectern where public comments are received. In his comments, RMWD GM Kennedy reiterated his willingness to discuss the detachment with any interested party. At this closed session, the SDCWA Board authorized a contract for $1 Million for legal services related to the detachment.
- September 16, 2019 – RMWD GM Kennedy and FPUD GM Bebee met at FPUD's offices with Sandra Kerl, SDCWA Acting GM and consultant Juanita Hayes to discuss detachment issues without their respective legal counsels present. This was a productive meeting at which we all agreed to meet again with our finance staff present to talk about specific details as to how the detachment would impact financial issues with the goal of finding a common ground.
- September 26, 2019 – At the SDCWA regular Board meeting, FPUD's Bebee again informed the entire SDCWA Board in open session that both FPUD and RMWD would like to meet with any interested party to discuss the matter.
- October 9, 2019 – FPUD GM Bebee and RMWD Gm Kennedy, along with FPUD CFO Shank, met with Sandra Kerl and Juanita Hayes at the SDCWA offices. This meeting was the follow up from

the September 16, 2019 meeting and was intended to dig into the details of financial matters. At this meeting, when no SDCWA finance staff was present, SDCWA's Kerl indicated that we would not be having the discussion we had all agreed to a few weeks before. Ms. Kerl indicated that instead of discussions with SDCWA directly, their position was that we needed to meet with the other 22 member agencies. This outcome was memorialized in an email from Ms. Kerl to GM's Kennedy and Bebee on October 10, 2019.

- October 16, 2019 – in an email communication to SDCWA and all member agencies, RMWD GM Kennedy again invited any interested party to meet with the District to discuss the detachment matter. As of the beginning of February 2020, RMWD and FPUD have met with at least 12 member agencies directly with more meetings still scheduled.
- November 6, 2019 – RMWD sent out formal letters to SDCWA and all member agencies notifying them of the District's intent to consider a Resolution of Application at RMWD's December 3, 2019 Board meeting. This letter fulfilled the requirement to provide at least 21 day's written notice in advance of the meeting.

There were a great deal more informal communications regarding the detachment between the District and affected agencies at various meetings over the months, but this summary demonstrates that the District has greatly exceeded the minimum requirements of SDLAFCO Policy L-107.

The Otay Lawsuit

The Rainbow Municipal Water District was sued in San Diego Superior Court by Otay Water District related to the CEQA exemption that the Rainbow board lawfully processed at its meeting where the Resolution of Application was approved. Otay's suit is based on an illogical and unsustainable claim that despite all facts and evidence the change in organization will result in potentially significant impacts on the San Juaquin/Sacramento River Delta and to the environment at large. Otay's petition does not identify or attach any evidence in support of these allegations. Otay also did not raise the legal and factual grounds for its suit at any time prior to the Board's action approving the Resolution of Application. The CEQA exemption is supported by substantial evidence that the Board reviewed and considered before it approved the Resolution of Application. This baseless suit is strongly opposed by both all factual evidence and the Rainbow Board. Settlement discussions are underway at this time. Beyond filing a petition and complaint, Otay has taken no further steps to advance its case toward trial.

Application Documents Attached

Included with this application are a series of Exhibits:

A- RMWD Resolution of Application
B- SDLAFCO and RCLAFCO MOU regarding inter-county reorganization
C- EMWD Supply Reliability Analysis
D- Subject Agency Supplemental Information Form from EMWD
E- RMWD Plan for Service
F- SDLAFCO Form L-107
G- EMWD Resolution 2019-130 Supporting Proposed Reorganization
H- Rainbow MWD Boundary Description

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COUNTY WATER AUTHORITY ACT

(As of January 1, 2010)

From West's Annotated California Codes

Water Code-Appendix

Chapter 45

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CHAPTER 45. COUNTY WATER AUTHORITY ACT

An Act to provide for the organization, incorporation and government of county water authorities, authorizing and empowering such authorities to acquire water and water rights, and to acquire, construct, operate and manage works and property, to incur bonded indebtedness therefor, to provide for the taxation of property therein, and the performance of certain functions relating thereto by officers of county within which any such authority may be located, to provide for addition of areas thereto, and the exclusion of areas therefrom.

§ 45-1. Title of act

Section 1. This act shall be known as the County Water Authority Act.

§ 45-2. Public agencies

Sec. 2. The term "public agencies," wherever appearing in this act, shall be deemed to mean and include any municipal corporation of the State of California, whether organized under a freeholders' charter or under the provisions of general law, any municipal water district, any municipal utility district, any public utility district, any county water district, any irrigation district, organized under the laws of the State of California, or any other public corporation or agency of the State of California of similar character, with power to acquire and distribute water.

§ 45-3. Incorporation; incorporators; exercise of powers

Sec. 3. County water authorities may be organized and incorporated hereunder by two or more public agencies in any county, which public agencies need not be contiguous, and when so incorporated, such authorities shall exercise the powers herein expressly granted, together with such implied powers as are necessary to carry out the objects and purposes of such authorities. Each such authority when so organized, shall be a separate and independent political corporate entity.

§ 45-4. Organization and corporation procedure

Sec. 4. The procedure for organizing and incorporating a county water authority under the provisions of this act is as follows:

(1) **Resolutions; petition.** Resolutions shall first be passed by the legislative bodies of the public agencies designated to be incorporated in the proposed authority, declaring that in their opinion public interest or necessity demands the creation and maintenance of a county water authority to be known as the "(giving the name) County Water Authority." Said resolutions shall contain a statement of the names of such public agencies as are intended to be incorporated in said authority. Certified copies of said resolutions shall be presented to the board of supervisors of the county within which said public agencies are located, requesting said board to call an election without delay for determining whether such authority shall be created.

If for any reason the legislative body of any public agency designated as intended to be incorporated fails or refuses to adopt the resolution above referred to, then instead of said resolutions, a petition may be presented to the board of supervisors of said county on behalf of said public agency signed by qualified electors within the boundaries of any such public agency, in number to at least 10 per cent of the total vote cast at the last general State election within the territory of said public agency. Said petition shall contain substantially the same declarations and statements required to be contained in the resolutions hereinbefore mentioned. Such petition may be on separate papers but each paper shall contain the affidavit of the party who circulated it, certifying that each name signed thereto is the true signature of the person whose name it purports to be. The clerk of the board of supervisors of said county shall compare the signatures with the affidavits of registration and certify to the board of supervisors the sufficiency or insufficiency of said petition. If found and certified by said clerk as being sufficient such petition shall have all the force and effect of a resolution adopted by the legislative body of said public agency.

(2) **Election; call.** Upon the receipt of the resolutions and petitions hereinbefore mentioned, said board of supervisors shall call an election within the territorial boundaries of the public agencies who have adopted such resolutions or on whose behalf a proper petition has been presented, for the purpose of determining whether the proposed county water authority shall be created and established.

(3) **Election procedure--notice of elections.** The board of supervisors of said county shall give notice of said election by publishing the same once a week for at least three weeks before the date of said election in a newspaper of general circulation, published within the proposed authority. In case no newspaper of general circulation is published within said proposed authority, said notice shall be posted for at least three weeks in not less than three public places within said proposed authority.

Said notice shall state, among other things, the name of the proposed authority and set forth the public agencies proposed to be included therein.

Ballot. The ballot for said election shall contain such instructions as are required by law to be printed thereon, and in addition thereto there shall appear the following:

Shall the "(giving the name thereof) County Water Authority" be created and established?	Yes
	No

Conduct of election. Said election and all matters pertaining thereto, not otherwise provided for herein, shall be held and conducted, and the results thereof ascertained, determined and declared in accordance with the general election laws of the State, as nearly as may be, and no person shall be entitled to vote at said election unless he or she be a qualified elector of one of the public agencies proposed to be incorporated in the proposed authority. Said election may be held on the same day as any other State, county or city election, and may be consolidated therewith.

Canvass; order of establishment. The board of supervisors shall meet on Monday next succeeding the day of said election and canvass the votes cast thereat. They shall canvass the returns of each public agency separately and shall order and declare said authority created and established consisting of the public agencies in which a majority of those who voted on the proposition voted in favor of the creation of said authority; provided, however, that the total number of electors in such approving public agencies be not less than two-thirds the number of the electors within the authority as first proposed, according to the register of voters used at said election.

Completion of establishment. The board of supervisors shall cause a certified copy of said order declaring the result of said election to be filed in the office of the Secretary of State, and with the legislative body of each of the public agencies in which said election was held. From and after the filing of said order in the office of the Secretary of State the establishment of said county water authority shall be deemed complete.

Cost of election. The board of supervisors calling the election shall make all provision for the holding thereof throughout the entire authority as proposed, and the cost thereof shall be a proper charge against the county. In case a special election is held exclusively on the proposition of organizing such an authority, the expenditure therefor shall be reimbursed to the county by means of a special tax on all of the taxable property within the public agencies which was proposed to be included in the authority, which tax shall be added to the next county tax bills by the proper officers of the county.

Insubstantial irregularities. No informality in any proceeding or in the conduct of said election not substantially affecting adversely the legal rights of any citizen, shall be held to invalidate the incorporation of any county water authority, and any proceedings attacking the validity of said incorporation, shall be commenced within three months from the date of filing the aforesaid order with the Secretary of State, otherwise such incorporation and the legal existence of said county water authority shall be held to be valid and in every respect legal and incontestable.

§ 45-5. Powers

Sec. 5. An authority may do all of the following:

(1) Have perpetual succession.

(2) Sue and be sued in all actions and proceedings and in all courts and tribunals of competent jurisdiction.

(3) Adopt a corporate seal and alter it at pleasure.

(4) Acquire by grant, purchase, bequest, devise or lease, and hold, enjoy, lease, or sell or otherwise dispose of, any real and personal property of any kind within or without the authority and within and without the state necessary or convenient to the full exercise of its powers; acquire, construct or operate, control, and use any works, facilities, and means necessary or convenient to the exercise of its powers, both within and without the authority, and within and without the state, and perform all things necessary or convenient to the full exercise of the powers granted in this act.

(5) Exercise the power of eminent domain to take any property necessary to the exercise of the powers granted in this act.

(6) Construct and maintain works and establish and maintain facilities across or along any public street or highway and in, upon, or over any vacant public lands which are now, or may become, the property of the State of California; provided that the authority shall promptly restore the street or highway to its former state of usefulness as nearly as may be, and shall not use the same in such a manner as to completely or unnecessarily impair its usefulness. The grant of the right to use the vacant state lands shall be effective upon the filing by the authority, with the Division of State Lands, of an application showing the boundaries, extent, and locations of the lands, rights-of-way, or easements desired for those purposes. If the land, rights-of-way, or easement for which application is made is for the construction of any aqueduct, ditch, pipeline, conduit, tunnel, or other works for the conveyance of water, or for roads, or for poles, or towers and wires for the conveyance of electrical energy or for telecommunication, no compensation shall be charged the authority, unless, in the opinion of the Chief of the Division of State Lands the construction of the works will render the remainder of the legal subdivision through which the works are to be constructed valueless or unsalable, in which event the authority shall pay for the lands to be taken and for that portion of any legal subdivision which, in the opinion of the Chief of the Division of State Lands, are rendered valueless or unsalable. If the lands for which application is made are for purposes other than the construction of roads or for works for the conveyance of water, or electricity, or telecommunication, the authority shall pay to the state for the lands at the reasonable rate determined by the Division of State Lands. Upon filing the application, accompanied by map or plat showing the location or proposed location of the works or facilities, the fee title to so much of those state lands as shall be found by the Chief of the Division of State Lands to be necessary or convenient to enable the authority to construct or maintain its works or to establish or maintain its facilities, shall be conveyed to the authority by patent executed by the Governor of the State of California, attested by the Secretary of State with the Great Seal of the state affixed, and countersigned by the Registrar of State Lands; if only an easement or right-of-way over the lands is sought by the authority, that easement or right- of-way shall be evidenced by permit or grant executed by the Chief of the Division of State Lands. The Chief of the Division of State Lands may reserve in the patents, grants, or permits, easements and rights-of-way across any lands therein described for the construction of streets, roads, and highways. Before the patent, grant, or permit shall be executed any compensation due to the state under this section shall be paid. If the duties or titles of any of the officers mentioned are changed by lawful authority, the functions required to be performed shall be performed by the appropriate officer or officers of the State of California. No fee shall be exacted from the authority for any patent, permit, or grant so issued or for any service rendered pursuant to this act. In the use of streets or highways, the authority shall be subject to the reasonable rules and regulations of the governmental agency in charge thereof, concerning excavations and the refilling of excavations, and the relaying of pavements and the protection of the public during periods of construction; provided that the authority shall not be required to pay any license or permit fees or file any bonds. The authority may be required to pay reasonable inspection fees.

(7) Borrow money and incur indebtedness and issue bonds or other evidence of that indebtedness; provided, however, that no authority shall incur indebtedness which, in the aggregate, exceeds 15 percent of the taxable property of the authority as shown by the last equalized assessment roll of the county in which the authority is located.

(8) Impose and collect taxes for the purpose of carrying on the operations and paying the obligations of the authority; provided, however, that the taxes imposed pursuant to this section exclusive of any tax imposed to meet the bonded indebtedness of the authority and the interest thereon and exclusive of any tax imposed to meet any obligation to the United States of America or to any board, department, or agency thereof, shall not exceed five cents ($0.05) on each one hundred dollars ($100) of assessed valuation.

(9) Enter into contracts, employ and retain personal services, and employ laborers; create, establish, and maintain such offices and positions as shall be necessary and convenient for the transaction of the business of the authority, and elect, appoint, and employ officers, attorneys, agents, and employees the board of directors finds to be necessary and convenient for the transaction of the business of the authority.

(10) Join with one or more other public corporations for the purpose of carrying out any of its powers, and for that purpose to contract with the other public corporation or corporations for the purpose of financing the acquisitions, constructions, and operations. The contracts may provide for contributions to be made by each party and for the division and apportionment of the expenses of the acquisitions and operations, and the division and apportionment of the consequent benefits, services, and products. The contracts may contain other and further covenants and agreements as necessary and convenient to accomplish those purposes. The term "public corporation" as used in this subdivision includes the United States or any public agency thereof or this or any other state or any political district, subdivision, or public agency thereof.

(11) Acquire water and water rights within or without the state; develop, store, and transport that water; provide, sell, and deliver water for beneficial uses and purposes; and provide, sell, and deliver water of the authority not needed or required for beneficial purposes by any public agency, the corporate area of which is included in the authority, to areas outside the boundaries of the authority; provided, that the supplying of that water shall, in every case, be subject to the paramount right of the authority to discontinue those activities, in whole or in part, by resolution adopted by the board of directors. The board of directors, as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs. If available supplies become inadequate to fully meet the needs of its member agencies, the board shall adopt reasonable rules, regulations, and restrictions so that the available supplies are allocated among its member agencies for the greatest public interest and benefit.

(12) Acquire, store, treat, reclaim, repurify, reuse, distribute, and sell sewage water, wastewater, and seawater for beneficial uses and purposes. "Repurify" means, for the purpose of this paragraph, to treat reclaimed water sufficiently so that the water may be discharged into a reservoir that supplies water to the treatment facility for a domestic water system.

(13) Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates the board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service.

(14) Cooperate and contract with the United States under the Federal Reclamation Act of June 17, 1902, and all amendatory or supplementary acts, or any other act of Congress enacted authorizing or permitting that cooperation, for the purposes of construction of works, necessary or proper for carrying out the purposes of the authority, or for the acquisition, purchase, extension, operation or maintenance of constructed works, or for a water supply, or for the assumption as principal or guarantor of indebtedness to the United States; and borrow or procure money from the United States, or any agency thereof for the purpose of financing any of the operations of the authority.

(15) To change the name of the authority from that designated pursuant to Section 4.

§ 45-5.1. Hydroelectric power

Sec. 5.1. (a) Any authority incorporated under this act may utilize any part of its water, and any parts of its works, facilities, improvements, and property used for the development, storage, or transportation of water, to provide, generate, and deliver hydroelectric power, and may acquire, construct, operate, and maintain any and all works, facilities, improvements, and property necessary or convenient for that utilization.

(b) Any authority incorporated under this act may do any of the following:

(1) Pursuant to contract, provide, sell, and deliver hydroelectric power to the United States of America or to any board, department, or agency thereof, to the state for the purposes of the State Water Development System, and to any public agency, private corporation, or any other person or entity, or any combination thereof, engaged in the sale of electric power at retail or wholesale.

(2) Use all or any part of hydroelectric power directly, or indirectly through exchange, in exercising any other power of an authority.

(c)(1) An authority located within San Diego County may acquire, construct, own, operate, control, or use, within or without, or partially within or partially without, its territory, works or parts of works for supplying its member public agencies, or some of them, with gas or electricity, or both gas and electricity, and may do all things necessary or convenient to the full exercise of these powers.

(2) An authority located within San Diego County may, pursuant to a contract, purchase gas, electricity, or related services from the United States of America or any board, department, or agency thereof, the State of California, any public agency, person, or private company and provide, sell, exchange, or deliver them to any public agency, private company, or person, or any combination thereof, engaged in the sale of gas or electricity at retail.

(d) For the purposes of this section, "public agency" means a city, county, city and county, district, local agency, public authority, or public corporation.

§ 45-5.2. Standby water charges

Sec. 5.2. (a) Any authority may, pursuant to the notice, protest, and hearing procedures in Section 53753 of the Government Code, by ordinance, fix on or before the third Monday of August, in each fiscal year, a water standby availability charge on land within the boundaries of the authority, to which water is made available by the authority, whether the water is actually used or not.

(b) The standby availability charge shall not exceed ten dollars ($10) per acre per year for each acre of land within the authority or ten dollars ($10) per year for a parcel less than one acre, unless the standby charge is imposed pursuant to the Uniform Standby Charge Procedures Act (Chapter 12.4 (commencing with Section 54984) of Part 1 of Division 2 of Title 5 of the Government Code).

(c) If the procedures set forth in this section as it read at the time an availability charge was established were followed, the authority may, by ordinance, continue the charge pursuant to this section in successive years at the same rate. If new, increased, or extended assessments are proposed, the authority shall comply with the notice, protest, and hearing procedures in Section 53753 of the Government Code.

(d) On or before the third Monday in August, the board of directors shall furnish in writing to the board of supervisors and the county auditor of each affected county a description of that parcel of land within the authority upon which an availability charge is to be levied and collected for the current fiscal year, together with the amount of availability charge fixed by the authority on each parcel of land which is to be added to the assessment roll.

(e) The authority shall direct that, at the time and in the manner required by law for the levying of taxes for county purposes, the board of supervisors shall levy, in addition to any other taxes levied, the availability charge in the amounts for the respective parcels fixed by the authority.

(f) All county officers charged with the duties of collecting taxes shall collect the authority's availability charges with the regular tax payments to the county. The availability charges shall be collected in the same form and manner as county taxes are collected, including procedures in the event of delinquency. Upon collection of the availability charges by the tax collector, the collections shall be paid to the authority. The county may deduct the reasonable administrative costs incurred in levying and collecting the water standby availability charge.

§ 45-5.3. Standby water charges; election; payment

Sec. 5.3. (a) On or before the 15th day of December of each year, the governing body of each member public agency may elect to pay out of its funds available for that purpose, other than funds derived from ad valorem taxes, all or any portion of the amount of standby charges which would otherwise be levied upon parcels of land within that public agency for the following fiscal year.

(b) If that election is made, the member agency shall promptly notify the controller of the authority of that fact by causing personal delivery to be made of a certified copy of the action taken by the governing body, together with a financial statement showing its financial condition, and the source of funds and revenues to be used to make the in lieu cash payments.

(c) If the authority fixes standby charges pursuant to Section 5.2, it shall also determine the total amount to be fixed against all parcels of land in each member public agency. The authority shall specify in the ordinance fixing the standby charges the cash payment elected by each member agency to be made pursuant to subdivision (a) and cause the balance, if any, to be levied and collected against the parcels of land in that member public agency.

(d) Each member agency which makes the election shall pay the full amount due in cash installments at the times and in the proportionate amounts as established by the authority, pursuant to subdivision (d) of Section 9, for in lieu cash payments of ad valorem property taxes.

(e) Any cash payments made in avoidance of standby charges are hereby declared to be for a public purpose and shall not be deemed gratuitous or in the nature of gifts, but shall be deemed to be payments for water or services in connection with the distribution of water.

§ 45-5.5. Surplus money; investment

Sec. 5.5. An authority may invest any surplus money in the authority treasury, including money in any sinking fund established to provide for the payment of the principal or interest of any bonded or other indebtedness or for any other purpose, not required for the immediate necessities of the authority, pursuant to Article 1 (commencing with Section 53600) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code. The treasurer shall perform the functions and duties authorized by this paragraph pursuant to rules and regulations adopted by the board of directors of the authority.

§ 45-5.9. Connection and capacity charges; collection; reimbursement

Sec. 5.9. An authority may fix and impose connection charges and capacity charges upon each public agency, the area of which is included within the authority, or upon the ultimate users of water delivered by the authority to the public agency. If imposed upon the ultimate users of water, an authority may require the public agency to collect the charges on behalf of the authority. If an authority requires collection, the authority shall reimburse the public agency for all reasonable costs incurred in collecting those charges.

Any capacity charge proposed to be imposed upon an ultimate user of water is subject to Chapter 13.7 (commencing with Section 54999) of Part 1 of Division 2 of Title 5 of the Government Code.

§ 45-5.10. Judicial action or proceeding involving ordinance fixing water standby availability, or connection or capacity charge; limitation

Sec. 5.10. Any judicial action or proceeding to attack, review, set aside, void, or annul an ordinance fixing and establishing either a water standby availability charge pursuant to Section 5.2, or a connection or capacity charge pursuant to Section 5.9, shall be commenced within 120 days after adoption of the ordinance or prior to May 1, 1991, for ordinances adopted prior to January 1, 1991.

§ 45-5 1/2. Renumbered Water Code Appendix § 45-5.5 and amended by Stats.1997, c. 349 (S.B.106), § 1

§ 45-6. Directors; total financial contribution and vote of member public agencies of the San Diego County Water Authority

Sec. 6. (a) All powers, privileges, and duties vested in or imposed upon any authority incorporated under this act shall be exercised and performed by and through a board of directors. The exercise of any and all executive, administrative, and ministerial powers may be delegated by the board of directors to any of the offices created by this act or by the board of directors acting under this act.

(b) The board of directors shall consist of at least one representative from each public agency, the area of which is within the authority. The representatives shall be designated and appointed by the chief executive officers of those public agencies, respectively, with the consent and approval of the legislative bodies of the public agencies, respectively. Any member of the governing body of a member agency may be appointed by that member agency to the board of the authority to serve as the agency's representative. A majority of the members of the governing body of an agency may not be appointed by the agency to serve as representatives on the board of the authority, and, for a member agency that is not a water district, only one of the representatives of that agency may be a member of the governing body of the agency. Any director holding dual offices shall not vote upon any contract between a county water authority and the member public agency he or she represents on the authority's board. As used in this subdivision, "water district" has the same meaning as in subdivision (a) of Section 10.

(c) Members of the board of directors shall hold office for a term of six years, and until their successors are appointed and qualified. However, the terms of the members of the first board shall be determined by lot so that the

terms of not less than one-half of the members shall be three years and the terms of the remainder shall be six years. Every member shall be subject to recall by the voters of the public agency from which that member is appointed, in accordance with the recall provisions of the freeholders' charter or other law applicable to the public agency. Notwithstanding that representatives are appointed for a fixed term of years, members of the board of directors serve at the will of the governing body of the public agency from which the member is appointed and may be removed by a majority vote of the governing body without a showing of good cause.

(d) In addition to one representative, any public agency may, at its option, designate and appoint one additional representative for each full 5 percent of the assessed value of property taxable for authority purposes which is within the public agency. However, the term of office of any representative shall not be changed or terminated by reason of any future change in the assessed value of property within any member agency.

(e) Each member of the board of directors shall be entitled to vote on all actions coming before the board and shall be entitled to cast one vote for each five million dollars ($5,000,000), or major fractional part thereof, of the total financial contribution paid to the authority that is attributable to the public agency of which the member is a representative provided that no public agency shall have votes that exceed the number of the total votes of all the other public agencies. A public agency with more than one representative shall have the option, by ordinance, to either require its representatives to cast all of that agency's votes as a unit, as a majority of the representatives present shall determine, or to entitle each such representative to cast an equal share of the total vote of such agency. A copy of the ordinance shall be delivered to the secretary of the board of directors. The affirmative votes of members representing more than 50 percent of the number of votes of all the members shall be necessary, and except as herein provided, sufficient to carry any action coming before the board of directors. If the public agency member having the largest total financial contribution to the authority has more than 38 percent of the total financial contribution to the authority, the affirmative votes of members representing more than 55 percent of the number of votes of all the members shall be necessary, except as herein provided, to carry any action coming before the board of directors. Any meeting may be adjourned, continued, or recessed from day to day or from time to time, by vote of the director or directors present, regardless of the number of directors present.

(f) For the purposes of this section, "total financial contribution" includes all amounts paid in taxes, assessments, fees, and charges to or on behalf of the authority with respect to property located within the boundaries of member public agencies, including, but not limited to, standby charges, capacity charges, readiness to serve charges, connection and maintenance fees, annexation fees and charges for water delivered to member public agencies by the authority excluding the cost of treatment for the water. The total financial contribution shall be determined by the board of directors at the end of each fiscal year. Allocation of voting power shall be reestablished by the board of directors on January 1 of each year based upon the calculation determined for the previous fiscal year.

(g) Subject to confirmation by his or her public agency, a member of the board of directors may designate another member of the board of directors to vote in his or her absence. The designation and the confirmation shall be by a written instrument filed with the authority. If a director will be absent and wishes the designee to cast the vote, a written notice shall be filed with the secretary of the board of directors. If the notice is not received by the authority, the vote of the absent director will not be counted. The designation, confirmation, and notices shall be maintained on file with the authority. The designation may be changed from time to time with the confirmation of the representative's agency. The designation shall not direct how the absent representative's vote shall be cast on any matter. Directors from a public agency represented by more than one director shall be deemed confirmed as designated representatives to vote for absent directors from that public agency. This section does not apply to a public agency that has exercised the option under subdivision (e) to cast all of that agency's votes as a unit.

(h) Notwithstanding subdivision (f), the total financial contribution and the vote of each member public agency of the San Diego County Water Authority as of July 1, 1997, shall be as follows:

AGENCY	Total Financial Contribution July 1, 1997	VOTES
Carlsbad Municipal Water District	$ 129,787,887	25.96
City of Del Mar	$ 13,712,188	2.74

City of Escondido	$ 128,929,059	25.78
Fallbrook Public Utilities District	$ 116,801,107	23.36
Helix Water District	$ 356,506,629	71.30
National City	$ 45,046,563	9.01
City of Oceanside	$ 192,690,117	38.53
Olivenhain Municipal Water District	$ 73,733,684	14.75
Otay Water District	$ 146,294,367	29.26
Padre Dam Municipal Water District	$ 142,768,644	28.55
Pendleton Military Res.	$ 10,921,265	2.18
City of Poway	$ 82,602,257	16.52
Rainbow Municipal Water District	$ 194,841,500	38.96
Ramona Municipal Water District	$ 65,220,318	13.04
Rincon Del Diablo Municipal Water District	$ 69,024,271	13.80
City of San Diego	$1,864,642,414	372.97
San Dieguito Water District	$ 51,831,643	10.37
Santa Fe Irrigation District	$ 64,860,359	12.97
South Bay Irrigation District	$ 139,063,067	27.81
Vallecitos Water District	$ 64,994,093	13.00
Valley Center Municipal Water District	$ 243,877,685	48.77
Vista Irrigation District	$ 118,493,448	23.70
Yuima Municipal Water District	$ 15,146,776	3.03
TOTALS:	$4,331,789,341	866.36

(i) The total financial contribution for the San Diego County Water Authority shall be determined by the board of directors as of the end of each fiscal year by adding the total financial contribution of each agency for the fiscal year to the totals provided for in subdivision (h) establishing the total financial contribution as of July 1, 1997. Allocation of voting power shall be reestablished by the board of directors to be effective on January 1 of each year based upon the calculation determined for the previous fiscal year. In addition to the definition in subdivision (f), "total financial contribution" shall also include all amounts paid in taxes, assessments, fees, and charges paid to or on behalf of the Metropolitan Water District of Southern California with respect to property located within the boundaries of member public agencies including, but not limited to, standby charges, capacity charges, readiness to serve charges, connection and maintenance fees, annexation fees, and charges for water sold to member public agencies by the authority excluding the cost of treatment for the water.

(j) Members of the first board of directors so constituted shall convene at the call of the clerk of the board of supervisors in the meeting room of the board of supervisors at the county seat of the county, and immediately upon convening, the board of directors shall elect from its membership a chairperson, a vice chairperson, and a secretary, who shall serve for a period of two years, or until their respective successors are elected and qualified.

(k) A quorum necessary for the transaction of business at any meeting of the board of directors exists whenever there are present at the meeting a majority of the membership of the board of directors that includes at least one-half of the number of representatives of each public agency member having more than six representatives serving on the board of directors. Designees appointed pursuant to subdivision (g) shall not be considered "present" for the purposes of establishing a quorum. However, any regular or special meeting of the board of directors at which a quorum is not present may be continued from time to time until a quorum is present to transact the business of the board of directors.

§ 45-7. Bond issues

Sec. 7. (a) **Determination of necessity; election call.** Whenever the board of directors of any authority incorporated under this act shall, by ordinance adopted by a vote of a majority of the aggregate number of votes of all the members of the board of directors, determine that the interests of said authority and the public interest or necessity demand the acquisition, construction or completion of any public improvement or works, necessary or convenient to carry out the objects or purposes of said authority the cost of which will be too great to be paid out of the ordinary annual income and revenue of the authority, said board of directors may order the submission of the proposition of incurring bonded indebtedness, for the purposes set forth in the said ordinance, to the qualified voters of such district, at an election held for that purpose. Any election held for the purpose of submitting any proposition or propositions of incurring such bonded indebtedness may be held separately, or may be consolidated or held concurrently with any other election authorized by law at which the qualified electors of the authority are entitled to vote. The declaration of public interest or necessity herein required and the provision for the holding of such election may be included within one and the same ordinance, which ordinance, in addition to such declaration of public interest or necessity, shall recite the objects and purposes for which the indebtedness is proposed to be incurred, the estimated cost of the public works or improvements, the amount of the principal of the indebtedness to be incurred therefor and the maximum rate of interest to be paid on such indebtedness, which rate shall not exceed six (6) percent per annum, payable semiannually. Such ordinance shall also fix the date upon which such election shall be held and the manner of holding the same and the method of voting for or against incurring the proposed indebtedness. Such ordinance shall also fix the compensation to be paid the officers of the election and shall designate the precincts and polling places and shall appoint the officers of such election, which officers shall consist of one inspector, one judge and two clerks in each precinct. The description of precincts may be made by reference to any order or orders of the board of supervisors of the county in which the authority is situated, or by reference to any previous order or ordinance of the legislative body of any public agency, or by detailed description of such precincts. Precincts established by the board of supervisors of the county, to a number not exceeding six (6) may be consolidated for special elections held hereunder. In the event any bond election shall be called to be held concurrently with any other election or shall be consolidated therewith, the ordinance calling the election hereunder need not designate precincts or polling places or the names of officers of election, but shall contain reference to the act or order calling such other election and fixing the precincts and polling places and appointing election officers therefor.

Publication

(b) The ordinance provided for in subdivision (a) of this section shall be published once, at least ten (10) days before the date of the election therein called, in a newspaper of general circulation printed and published within the authority, and no other or further notice of such election or publication of the names of election officers or of the precincts or polling places need be given or made.

Conduct of election; canvass; declaration of result

(c) The respective election boards shall conduct the election in their respective precincts in the manner prescribed by law for the holding of general elections, and shall make their returns to the secretary of the authority. At any regular or special meeting of the board of directors held not earlier than five (5) days following the date of such election, the returns thereof shall be canvassed and the results thereof declared. In the event that any election held hereunder shall be consolidated with any primary or general election and the proposition to incur indebtedness shall be printed upon a ballot containing other propositions, the returns of the election held hereunder shall be made with the returns of the primary or general election to the board of supervisors or other bodies whose duty it shall be to canvass the returns thereof, and the results of the election held hereunder shall be canvassed at the time and in the manner provided by law for the canvass of the returns of such primary or general election. It shall be the duty of such canvassing body to promptly certify and transmit to the board of directors of the authority a statement of the result of the vote upon the proposition submitted hereunder. Upon receipt of such certificates, it shall be the duty of the board of directors to tabulate and declare the results of the election held hereunder.

Vote authorizing issuance and sale

(d) In the event that it shall appear from said returns that a two-thirds majority of the electors voting on any proposition submitted hereunder at such election voted in favor of such proposition, the authority shall thereupon be authorized to issue and sell bonds of the authority in the amount and for the purpose or purposes and object or objects provided for in such proposition in such ordinance, and at a rate of interest, not exceeding the rate recited in said ordinance.

Form and contents of bond

(e) The board of directors shall prescribe the form of the bonds issued by the authority and of the interest coupons to be attached thereto. Such bonds shall mature serially at times and in amounts to be fixed by the board of directors; provided, that the payment of said bonds shall begin not later than 10 years from the date thereof and be completed in not more than 50 years from said date. The bonds shall be issued in such denominations as the board of directors may determine, except that no bonds shall be of less denomination than one hundred dollars ($100), nor of a greater denomination than fifty thousand dollars ($50,000), and shall be payable on the day and at the place or places fixed in such bonds and with interest at the rate specified therein, which rate shall not be in excess of six percent (6%) per annum, and shall be payable semiannually.

The board of directors may provide for the call and redemption of any or all of said bonds on any interest payment date prior to their fixed maturity at not exceeding the par value thereof and accrued interest plus a premium of not exceeding 5 percent upon the principal amount of said bonds in which event a statement to that effect shall be set forth in the ordinance calling the election and the call price fixed by the board of directors shall be set forth on the face of the bond. Notice of such redemption shall be published once a week for three successive weeks in a newspaper of general circulation printed and published within the authority or if there be no such newspaper printed and published within the authority then the publication shall be made in a newspaper of general circulation printed and published within the county in which the said authority is situated, the first publication of which shall be at least 30 days prior to the date fixed for such redemption. After the date fixed for such redemption, interest on said bonds thereafter shall cease.

Such bonds shall be signed by the chairman of said board of directors, or by such other officers as said board of directors shall, by resolution adopted by a majority vote of its members, authorize and designate for that purpose, and such bonds shall also be signed by the controller, or assistant controller, and countersigned by the secretary of said board of directors. The coupons of said bonds shall be numbered consecutively, and signed by said controller, or assistant controller by his lithographed or engraved signature. All such signatures and countersignatures excepting that of the controller, or assistant controller, on said bonds, may be printed lithographed or engraved.

Signatures; continuing validity

(f) In case any of such officers, whose signatures or countersignatures appear on the bonds or coupons, shall cease to be such officer before the delivery of such bonds to the purchaser, such signatures or countersignatures shall nevertheless be valid and sufficient for all purposes, the same as if they had remained in office until the delivery of such bonds.

Price; bids

(g) Such bonds shall not be sold at a price less than the par value thereof, together with accrued interest to the date of delivery, nor until notice calling for bids therefor shall have been published in a newspaper of general circulation published and circulated in the county wherein the principal place of business of said authority shall be located. Said notice, calling for bids, shall state the time for the receipt of such bids, which shall not be less than twenty (20) days after the first publication thereof. Such notice may offer the bonds at a fixed interest rate or with the interest rate undetermined, in which event the bids shall contain a statement of the lowest rate of interest at which the bidder will take the bonds and pay par value or more therefor, together with accrued interest. Bids for such bonds shall be opened publicly and the results thereof publicly announced. Such bonds shall be sold to the highest bidder. "Highest bidder," as used in this subsection, shall mean the one which gives the authority the lowest net cost. Temporary, or interim, bonds or certificates, of any denomination whatsoever, to be signed by the controller or assistant controller, may be issued until the definitive bonds are executed and available for delivery.

Sale; proceeds

(h) Such bonds may be issued and sold by said board of directors as they shall determine, and the proceeds thereof, excepting premium and accrued interest, shall be placed in the treasury of said authority to the credit of the proper improvement fund, and shall be applied exclusively to the purposes and objects mentioned in said ordinance; provided, that the interest on said bonds accruing during the construction period and for one year thereafter shall be deemed to be a construction cost within the meaning of the purposes and objects mentioned in said ordinance, and such interest may be paid from said proceeds of the sales of such bonds. Premium and accrued interest shall be placed in the fund to be applied to the payment of interest on, and the retirement of, the bonds so sold. For the purposes of this section, the construction period shall be deemed to end when the works, the construction of which shall have been authorized from the proceeds of any such bond issue, shall have been placed in operation to such extent as to result in the sale and delivery in the authority, of water transported and provided by means of such works.

Action to determine validity of bonds

(i) An action to determine the validity of bonds and the sufficiency of the provision for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due and to constitute a sinking fund for the payment of the principal thereof on or before maturity may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

Water rate; taxation

(j) The board of directors, so far as practicable, shall fix such rate or rates for water as will result in revenue which will pay the operating expenses of the authority, provide for repairs and maintenance, and provide for the payment of the interest and principal of the bonded debt. If, however, from any cause, the revenues of the authority shall be inadequate to pay the interest or principal of any bonded debt as the same becomes due, the board of directors shall, at the time of fixing the tax levy and in the manner for such tax levy provided, levy and collect annually until said bonds are paid or until there shall be a sum in the treasury of the authority set apart for that purpose sufficient to meet all sums coming due for principal and interest on such bonds, a tax sufficient to pay the annual interest on such bonds, or such part thereof as shall not be met from revenues of the authority, and also sufficient to pay such part of the principal of such bonds as shall become due before the time when money will be available from the next general tax levy, or such portion thereof as shall not be met from revenues of the authority; provided, however, that if the maturity of the indebtedness created by the issue of bonds be made to begin more than one year after the date of the issuance of such bonds, such tax shall be levied and collected at the time and in the manner aforesaid annually sufficient when added to revenues of the authority available for that purpose to pay the interest on such indebtedness as it falls due and also to constitute, together with the revenues of the authority available for such purpose, a sinking fund for the payment of the principal of such bonds on or before maturity. The taxes herein required to be levied and collected shall be in addition to all other taxes levied for authority purposes and shall be collected at the time and in the same manner as other authority taxes are collected and shall be used for no purpose other than the payment of such bonds and accruing interest.

Registration

(k) Coupon bonds issued hereunder, at the request of the holder, may be registered as to principal and interest in the holder's name on the books of the treasurer of the district, and the coupons surrendered and the principal and interest made payable only to the registered holder of the bond. For that purpose the treasurer of the authority shall detach and cancel the coupons, and shall endorse a statement on the bonds that the coupon sheet issued therewith has been surrendered by the holder, and the coupons canceled by such treasurer, and that the principal and the semiannual interest are thereafter to be paid to the registered holder, or order, by draft, check or warrant drawn payable at a place of payment specified in the bond, after which no transfer shall be valid unless made on such treasurer's books by the registered holder, or by his attorney duly authorized, and similarly noted on the bond. After such registration, the principal and interest of such bond shall be payable only to the registered owner. Bonds registered under this paragraph may, with the consent of the authority and the holders of the bonds, be reconverted into coupon bonds at the expense of the holder thereof, and again reconverted into registered bonds from time to time, as the board of directors of the authority and the holders of the bonds may determine. In converting coupon bonds into registered bonds, coupon bonds may be exchanged for registered bonds of one hundred dollars ($100) each, or multiples thereof, but not exceeding fifty thousand dollars ($50,000) each, in which event new registered bonds shall be issued at the expense of the holder. Coupon bonds may be exchanged for other coupon bonds of one hundred dollars ($100) each, or multiples thereof, but not exceeding fifty thousand dollars ($50,000) each, in which event new

coupon bonds shall be issued at the expense of the holder.

For each conversion or reconversion of a coupon or registered bond, the treasurer of the authority shall be entitled to charge and collect such fee as the board of directors of the authority may prescribe from time to time.

Legal investment

(l) All bonds heretofore or hereafter issued by any county water authority shall be legal investments for all trust funds, and for the funds of all insurance companies, banks, both commercial and savings and trust companies, and for the state school funds, and for all sinking funds under the control of the State Treasurer, and whenever any moneys or funds may by law now or hereafter enacted be invested in, or loaned upon the security of, bonds of cities, cities and counties, counties, or school districts in the State of California, such moneys or funds may be invested in, or loaned upon the security of, the bonds of such county water authority; and whenever bonds of cities, cities and counties, counties or school districts, by any law now or hereafter enacted, may be used as security for the faithful performance or execution of any court or private trust or of any other act, bonds of such county water authority may be so used.

§ 45-7.5. Revenue bonds; authority; law governing

Sec. 7.5. Revenue bonds, including refunding revenue bonds, may be issued by an authority under the Revenue Bond Law of 1941, Chapter 6 (commencing with Section 54300), Part 1, Division 2, Title 5 of the Government Code or any other law which by its terms is applicable.

§ 45-8. Contract to incur indebtedness; election; indebtedness by contract in lieu of bond issuance; second indebtedness by contract if project construction not commenced

Sec. 8. (a) An authority may incur indebtedness by contract other than by voting bonds or expenditure of bond proceeds up to a total amount equal to one-tenth of 1 percent of the assessed value, as defined in Section 135 of the Revenue and Taxation Code, or as otherwise hereafter defined by an act of the Legislature, of property taxable for authority purposes by a vote of three-fourths or more of the aggregate number of votes of all members of the board of directors. Any proposal to incur an indebtedness in excess of that amount by contract other than by voting bonds or expenditure of bond proceeds, and any proposal to purchase, lease, or otherwise acquire rights, privileges, or services by contract, the compensation for which shall be payable over a period exceeding 40 years, shall be submitted to the qualified electors of the authority for their approval and shall be voted upon at an election where the proceedings are held, insofar as applicable, in the manner provided in this act for the authorization and issuance of the bonds of the authority, except that the vote of a majority of the electors voting upon the proposition shall be sufficient to authorize the incurring of the indebtedness. Notice of the election shall contain, in addition to the information required in the case of bond elections, a statement of the maximum amount of money to be paid under the contract, exclusive of penalties and interest, for what purposes the money is to be expended, and the property, improvements, works, rights, privileges, or services to be acquired thereby. The ballots at the election shall contain a brief statement of the general purposes of the contract and the amount of the obligation to be assumed, with the words "Contract--Yes" and "Contract--No." The board of directors may submit the contract or proposed contract to the superior court of the county where the authority is located to determine the validity of the contract and the legal authority of the board to enter into the contract, with the same proceedings to be held as provided in this act in the case of the judicial determination of the validity of bonds issued pursuant to this act and with like effect.

(b) A proposal to purchase, lease, or otherwise acquire rights, privileges, or services by contract for which the compensation shall be payable over a period that exceeds 20 years but is not more than 40 years, is subject to referendum. To initiate a referendum, a petition protesting the proposed action shall be signed by voters within the jurisdiction of the authority equal in number to at least 5 percent of the entire number of votes cast within that jurisdiction for all candidates for governor at the last gubernatorial election.

(c) If a proposition to consider the issuance of revenue bonds under the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 6 of the Government Code) has been submitted to the qualified voters of an authority at an election held for that purpose and received the affirmative vote of a majority of the electors voting upon the proposition and, therefore, constitutes authority to issue revenue bonds under the Revenue Bond Law of 1941, the authority may, in lieu of issuing those revenue bonds, incur an indebtedness by contract, in addition to the indebtedness authorized by subdivision (a), in an amount, excluding penalties and interest, up to the amount authorized by and for the purpose authorized by the revenue bond proposition. The indebtedness shall be payable over a period of not to exceed 30 years, as provided in the resolution

of the board of directors.

(d) If a contract of indebtedness incurred pursuant to subdivision (c) is repaid in full because construction of the project approved by the electorate was not commenced due to administrative, court, or other delays, resulting in failure to obtain necessary governmental permits, an authority may incur a second contract of indebtedness pursuant to subdivision (c) to fund construction of the project. The second indebtedness shall not exceed the amount authorized by the proposition approved by the electorate as provided in subdivision (c).

§ 45-8.1. Repair or replacement of damaged or demolished structures; authorization; bonds

Sec. 8.1. (a) Whenever the board of directors of any authority incorporated under this act by ordinance adopted by a vote of three-fourths or more of the aggregate number of votes of all members of the board of directors finds and determines that any part of the works of the authority has been damaged or demolished by reason of fire, flood, earthquake, sabotage, act of God or the public enemy, that the cost of repairing or replacing such works so damaged or demolished will be too great to be paid out of the ordinary annual income and revenue of the authority, and that the public interest requires the incurring of indebtedness for the purpose of providing moneys for the repair or replacement of such works, the board of directors may authorize the incurring of such indebtedness by the issuance and sale of bonds or other evidence of indebtedness and shall determine the manner in which such indebtedness shall be incurred and evidenced.

(b) The total indebtedness incurred pursuant to this section shall not exceed one-half of 1 percent of the assessed valuation of the property taxable for authority purposes, and the term of any such indebtedness shall not exceed 12 years.

(c) The bonds or other evidence of indebtedness authorized to be issued pursuant to this section shall bear interest at a rate or rates specified therein, which rate or rates shall not be in excess of 8 percent per annum, and shall be in such form, bear such signatures, and be subject to such provisions as may be determined by the board of directors. The board of directors may provide for the call and redemption of bonds or other evidence of indebtedness before maturity at such times and at such prices as it may determine. A bond or other evidence of indebtedness shall not be subject to call or redemption prior to maturity unless it contains a recital to that effect.

(d) The bonds or other evidence of indebtedness shall be sold at not less than par and accrued interest in the manner provided for the issuance of other bonds of the authority in subdivision (g) of Section 7, provided that if no bids are received, or if the board determines the bids received are not satisfactory in the opinion of the board, the board may reject all bids and either readvertise or sell the bonds or other evidence of indebtedness at private sale.

(e) The proceeds of any borrowing pursuant to this section, other than accrued interest, shall be applied solely to the purpose specified in the ordinance authorizing the incurring of such indebtedness or to the retirement of the principal of the obligation issued pursuant to such ordinance. Any accrued interest received shall be applied to payment of interest on such indebtedness.

(f) The provisions of subdivisions (i), (j), and (*l*) of Section 7, which are applicable to other bonds of the authority, shall apply to bonds or evidence of indebtedness incurred pursuant to this section.

§ 45-8.2. Borrowing money; short-term revenue certificates

Sec. 8.2. (a) Any authority may, pursuant to this section, borrow money and incur indebtedness for any of the purposes for which it is authorized by law to spend money. The indebtedness shall be evidenced by short-term revenue certificates issued in the manner and subject to the limitations set forth in this section. Any authority may also borrow money and incur indebtedness to pay the principal or interest on certificates issued pursuant to this section.

(b) Certificates issued by any authority pursuant to this section may be negotiable or nonnegotiable, and all certificates shall be, and shall recite upon their face that they are, payable both as to principal and interest out of any revenues of the authority that are made security for the certificates pursuant to an indenture or resolution duly adopted by the board of directors. The word "revenues," as used in this section, refers to any revenues derived from the sale of water and power, annexation charges (whether collected through tax levies or otherwise), grants, available tax revenues, or any other legally available funds. In no event shall any resolution or indenture preclude payment from the proceeds of sale of other certificates issued pursuant to this section or from amounts drawn on a bank, or other financial institution, line or letter of credit pursuant to subdivision (e), or any other lawfully available

source of funds.

(c) To exercise the power to borrow money pursuant to this section, the board shall adopt a resolution, or approve an indenture, authorizing the sale and issuance of certificates for that purpose, which resolution or indenture shall specify all of the following:

(1) The purpose or purposes for which the proposed certificates are to be issued.

(2) The maximum principal amount of the certificates that may be outstanding at any one time.

(3) The maximum interest cost, to be determined in the manner specified in the resolution, to be incurred through the issuance of the certificates.

(4) The maximum maturities of the certificates, which shall not exceed 270 days from the date of issue.

(5) The obligations to certificate holders while the certificates are outstanding.

(d) The board may also provide, in its discretion, for any of the following:

(1) The times of sale and issuance of the certificates, the manner of sale and issuance (either through public or private sale), the amounts of the certificates, the maturities of the certificates, the rate of interest, the rate or discount from par, and any other terms and conditions deemed appropriate by the board or by the general manager of the authority or any other officer designated by the board.

(2) The appointment of one or more banks or trust companies, either inside or outside the state, as depository for safekeeping and as agent for the delivery, and the payment, of the certificates.

(3) The employment of one or more persons or firms to assist the authority in the sale of the certificates, whether as sales agents, as dealer managers, or in some other comparable capacity.

(4) The refunding of the certificates without further action by the board, unless and until the board specifically revokes that authority to refund.

(5) Other terms and conditions the board determines to be appropriate.

(e) The board may arrange for a bank, or other financial institution, a line or letter of credit (1) for the purpose of providing an additional source of repayment for indebtedness incurred under this section and any interest thereon or, (2) for the purpose of borrowing for any purpose for which short-term revenue certificates could be issued under this section. Amounts drawn on a line or letter of credit may be evidenced by negotiable or nonnegotiable promissory notes or other evidences of indebtedness. The board is authorized to use any of the provisions of this section in connection with the entering into of the line or letter of credit, borrowing thereunder, or repaying of the borrowings.

§ 45-9. Taxation

Sec. 9. **(a) Certificate of assessed valuation.** Immediately after equalization and not later than the 15th day of August of each year, it shall be the duty of the auditor of the county wherein such authority shall lie, to prepare and deliver to the controller of the authority a certificate showing the assessed valuation of all property within the authority, and also such assessed valuation segregated according to public agencies, the areas of which lie within the authority.

(b) Tax levy. On or before the 20th day of August the board of directors of the authority shall by resolution determine the amount of money necessary to be raised by taxation during the fiscal year beginning the first day of July next preceding and shall fix the rate of taxation of the authority, designating the number of cents upon each one hundred dollars ($100) assessed valuation of taxable property and shall levy a tax accordingly:

(1) Sufficient, when taken with other revenues available for the purpose, to meet interest and sinking fund requirements on all outstanding bonded indebtedness of said authority; and sufficient, when taken with other revenues available for the purpose, to meet the payment of the principal and interest on any refunding bonds, or any bonds the issuance of which may have been authorized by the electors and which bonds have not been sold but which, in the judgment of the board of directors, will be sold prior to the time when money will be available from

the next subsequent tax levy, and in case such bonds are not so issued and sold or such tax for any other reason is not required for said purpose, the tax so levied shall be applied to the payment of interest and/or principal on any refunding bonds, or on any bonds authorized by the electors, then outstanding or subsequently issued and/or sold; and

(2) For all other authority purposes.

(c) Public agencies; amount of payment in lieu of taxes. The board of directors shall also cause to be computed and shall declare in said resolution the amount of money to be derived from the area of the authority lying within each separate public agency by virtue of the tax levy. In such resolution the board shall also fix and determine the times and proportional amounts of installments in which any public agency may elect to make payment in lieu of taxes as hereinafter provided. The board shall immediately cause certified copies of such resolution to be transmitted to the presiding officer of the governing body of each such public agency.

(d) Public agencies; election to make payment in lieu of taxes. On or before the 15th day of December of each year the governing body of each such public agency may elect to pay out of its funds available for that purpose, other than funds derived from ad valorem property taxes, all or any portion of the amount of tax which would otherwise be levied upon property within such public agency. Such election shall be made by order upon motion, which order shall recite that such payment shall be made in cash concurrently with the certification of such order to the controller of the authority, or that such payment shall be made in installments and the times wherein such installments shall be payable and the amounts thereof, which amounts shall be in accordance with the requirements of the board of directors of the authority as approved by resolution. In the event that any public agency shall elect to pay in cash, or by deferred installments, money or any part thereof which would otherwise be levied upon property within the public agency, it shall immediately certify to the controller of the authority a copy of such order and a statement showing its financial condition, the funds from which such payments shall be made and the sources of revenue to be used therefor; provided, however, that in the event any public agency shall elect to pay in cash all or any portion of the amount of tax which would otherwise be levied upon property within such public agency to meet interest and sinking fund requirements on the outstanding bonded indebtedness of said authority, such amount so elected to be paid shall be deposited with the treasurer of said authority on or before the 27th day of August next following such election; and provided, also, that unless such payment is so made in the case of interest and sinking fund requirements, and unless such election, as to all other taxes, shall provide for payments in accordance with the resolution of the board of directors as hereinbefore provided for, then such election shall be ineffective for any purpose.

(e) Statement of tax rate. Before the first day of September the controller of the authority shall cause to be prepared and transmitted to the auditor of the county in which the authority shall lie, a statement showing the tax rate to be applied to assessed property in each public agency, which rate shall be the rate fixed by resolution of the board of directors modified to the extent necessary to produce from each public agency only the amount of money apportioned thereto in said resolution, less any amount paid or undertaken to be paid by such public agency, or credited thereto as herein provided.

(f) Collection of taxes. Upon receipt by the auditor of the county in which such authority shall lie, of a certified copy of the controller's statement showing the tax rate to be applied to assessed property in each public agency, and showing the public agencies, the assessed property in which is exempt therefrom, if any, it shall be the duty of the county officers to collect taxes for the benefit of the authority at the rate specified as herein provided. The taxes so levied shall be computed and collected at the same time and in the same manner required by law for the assessment, computation and collection of taxes for county purposes, and the property subject to such tax shall be subject to the same penalties for delinquency, and the same provisions of law relating to the sale of property for nonpayment of county taxes and redemption thereof shall apply to the tax herein authorized. When so collected, such taxes shall be paid over to the treasurer of the authority, subject to the deduction herein authorized.

In consideration of services rendered hereunder, any county shall annually be entitled to deduct and retain for its own use and benefit an amount not exceeding 1 percent on the first twenty-five thousand dollars ($25,000) collected hereunder, and one-fourth of 1 percent of any amount in excess of twenty-five thousand dollars ($25,000) collected hereunder. The board of supervisors of each such county may provide such extra help as in their judgment may be necessary for the proper performance of duties hereunder.

(g) Redemption, disposition of proceeds; tax lien. Whenever any real property situated in any authority organized hereunder and upon which a tax shall have been levied, as herein provided, shall be sold for taxes and shall be redeemed, the money paid for such redemption, except advertising costs, shall be apportioned and paid in part to

such authority in the proportion which the tax due to such authority shall bear to the total tax for which such property shall have been sold. All taxes levied together with penalties, interests and costs under the provisions of this act shall be a lien upon the property upon which levied, and the enforcement of the collection of such tax shall be had in the same manner and by the same means as is or shall be provided by law for the enforcement of liens for county taxes, and all of the provisions of law relating to the enforcement of such taxes are hereby made a part of this act so far as applicable.

(h) Public agencies; payments; reimbursement for expenses. Public agencies, the areas of which are included within any county water authority incorporated hereunder, are hereby authorized to pay to any such authority, out of funds derived from the sale of water or other funds not appropriated to some other use, such amounts as may be determined upon by the governing bodies thereof, respectively. Such payments may be made in avoidance of taxes as herein provided, or otherwise, and are hereby declared to be for a public purpose and shall not be deemed gratuitous or in the nature of gifts, but shall be deemed payments for water or services in connection with the distribution of water. Any public agency making any such payment to any authority incorporated hereunder, whether in avoidance of taxes or otherwise, shall receive credit therefor and the amount of the payment so made by any public agency shall be deducted from the amount of taxes which would otherwise be levied against property lying therein as herein provided. In the event that payment so made by any public agency shall exceed the amount of taxes which would otherwise have been levied against property within such public agency, the amount of such excess without interest shall be carried over and applied in reduction of taxes levied, or which would otherwise have been levied during the ensuing year or years.

Any public agency, including a county, which shall have incurred expenses in negotiating contracts or in the investigation of or preliminary work upon any works or projects or in making payments on account of any such contracts, works or projects, taken over by the authority, may receive, and the authority so taking over any such contracts, works or projects may make to such public agency, reimbursement for all such sums so expended, or to be expended, for expenses incurred in such negotiations for, investigation of, preliminary work upon, or payments made on account of the contracts, works or projects so taken over by the authority, to the extent that the board of directors of the authority shall find that such expenditures have benefited such authority, it being the intention of this provision to permit the authority to purchase, and the public agency to sell, assign and transfer such contracts, works or projects taken over by such authority. The sum so to be paid by such authority to such public agency shall be such amount as may be mutually agreed upon.

As an alternative to the purchase and sale of any contracts, works or projects taken over by the authority, as hereinabove provided, any public agency which shall have incurred expenses in negotiating contracts or in the investigation of or preliminary work upon any such works or projects or in making payments on account of any such contracts, works or projects taken over by the authority, may certify the amount thereof, without interest, to the board of directors of said authority at any time within four (4) years from the date of the incorporation of such authority, or the incurring of such expenses, if such authority be already incorporated, and if allowed by the board of directors, such amount shall be credited to the public agency which incurred the same, and such expenditures shall be considered as a payment of money made as herein provided for which deduction shall be made from the amount of taxes which would otherwise be levied against property lying within such public agency.

Any public agency which shall incur expenses in preliminary work in preparing for the incorporation of or in the incorporation of any authority hereunder likewise may certify the amount thereof, without interest, to the board of directors of said authority at any time without four (4) years from the date of the incorporation of such authority, and if allowed by the board of directors, such amount shall be credited to the public agency incurring the same, and shall be considered as a payment of money made as herein provided, for which deduction shall be made from the amount of taxes which would otherwise be levied against property lying within such public agency.

No such payments of money made in lieu of taxes or otherwise, or such credit allowed by such board of directors, as hereinabove provided, shall apply to reduce the amount of taxes which would otherwise be levied against the property within such public agencies, respectively, to meet interest and sinking fund requirements on outstanding bonded indebtedness of such authority.

Such certification and allowance shall be made on or before the first Monday in July, and the amount of money to be raised by taxation shall be computed with reference to the credit to be allowed as herein provided, but such credit may, in the discretion of the board of directors, be considered in connection with the amount of money to be raised by the next tax levy, or may be spread over subsequent years, not to exceed five.

(i) Public agencies; delinquency; penalty. If any public agency shall fail to comply with the terms of the order relating to payments to be made to the authority in lieu of taxation, or if any public agency annexed to the authority shall fail to comply with the terms and conditions fixed by the board of directors and upon which such annexation occurred, the amount of the delinquency, plus a penalty of 8 percent shall be added to the taxes to be collected during the ensuing fiscal year, from the property within such delinquent public agency, and thereafter for a period of two (2) years no order or ordinance shall be sufficient to exempt the property in said public agency from taxation hereunder unless it be accompanied by payment in cash of the amount which would otherwise be collected from owners of property within the public agency, together with all moneys due but unpaid under any previous order, or annexation provision.

(j) Construction. All provisions herein, or in any ordinance adopted pursuant hereto, relating to the respective times when the various acts pertaining to the levy of taxes are to be performed, are directory only, and failure to perform any such act or acts within the time so specified shall not impair the legal authority herein conferred to perform all subsequent acts relating to the levy of such taxes. In the event that any of the provisions of law respecting the time and manner of assessing property for purposes of taxation, of equalizing such assessments, of certifying such assessed valuations to the taxing authorities, of making the tax levies, of certifying such tax levies to the proper authorities for extension upon the tax rolls, and for enforcement and collection of such taxes or of performing any other act regarding the assessment, levy or collection of taxes be amended, changed, repealed or newly enacted, and as a result thereof, it should appear to the board of directors of the authority that the time schedule provided herein respecting the levy of authority taxes be no longer consistent with such modified tax procedure, then said board of directors by ordinance may prescribe a new schedule setting forth the times when the various acts herein required to be done in levying authority taxes shall be performed. Nothing contained in this paragraph shall relieve the board of directors of its duty to provide adequate funds, by annual tax levies if necessary, to meet the interest and principal requirements of the bonded debts as they fall due.

(k) Tax rate; amount of payment by public agency; claims for refunds. For the purpose of assessing and collecting, under the provisions of Section 9(a) of Article XIII of the Constitution of the State of California, the taxes levied by any authority incorporated hereunder, the rate for taxes levied for the preceding tax year, as such phrase is employed in said section of the Constitution, shall be the rate fixed for such preceding tax year by the board of directors of such authority pursuant to Section 9, subdivision (b) of this act. In the event that any public agency, pursuant to the provisions of Section 9, subdivision (d) of this act, shall elect to pay the whole or any portion of the amount of taxes to be derived from the area of the authority within such public agency, as such amount shall have been fixed by resolution of the board of directors, a refund shall be made by the authority to each taxpayer thereof who shall have theretofore paid any tax collected under the provisions of said section of the Constitution, in the proportion that such public agency shall have so elected to pay the amount so to be derived. The board of directors shall adopt regulations providing for the presentation and audit and payment of claims for such refunds. No claim for such refund shall be granted unless such claim shall have been filed within one year from the date when the right to such refund shall have accrued.

§ 45-9.1.Reimbursement of lost tax revenues

Sec. 9.1. Wherever, under any provision of law, state, county, or other public agency reimbursement is made for lost tax revenue to taxing authorities by reason of any property tax exemption, or treatment or assessment of certain property in a manner different from that regularly done by a county for property generally, the loss of tax revenue to the authority by reason of public agencies within the authority paying out of their funds, other than funds derived from ad valorem property taxes, all or a stated percentage of the taxes levied by the authority shall be reimbursed by the state, county, or other public agency to the authority in the same manner as provided by law for other taxing authorities and to the same extent as if all of the taxes of the authority had been carried on the county assessment roll. In the case of reimbursement for lost revenue due to reduction of property taxes on business inventories, the authority's right to reimbursement is effective only insofar as the county receives reimbursement from the state.

§ 45-10. Annexation

Sec. 10. (a) For the purposes of this section, the following definitions apply to the terms used: the term "city" means and includes any municipal corporation or municipality of the State of California, whether organized under a freeholder's charter or under the provisions of general law of the type and class of cities and incorporated towns; and the term "water district" means and includes any municipal water district, municipal utility district, public utility district, county water district, irrigation district, or any other public corporation or agency of the State of California of similar character.

(b) Territory may be annexed to any county water authority organized under this act by one of the following methods:

(1) By annexation to, or consolidation with, the area of any city, the area of which, as a separate unit, has become a part of any county water authority organized under this act, the annexation or consolidation to occur upon compliance with the provisions of law governing the annexation to, or consolidation with, the area of the city. Upon completion of the annexation to, or consolidation with, the city in compliance with the provisions of law applicable thereto, the territory shall become, and be, a part of the county water authority, and the taxable property therein shall be subject to taxation thereafter for the purposes of the county water authority, including the payment of bonds and other obligations of the authority at the time authorized or outstanding.

(2) By annexation to, or consolidation with, any city which, as a separate unit, has become a part of any water district whose area, as a separate unit, has become a part of any county water authority organized under this act, in instances where, under the applicable provisions of law governing the change of boundaries of the water district, the annexation or consolidation automatically will result in the enlargement of the area of the water district, the annexation or consolidation to occur upon compliance with the provisions of law governing the annexation to, or consolidation with, the area of the city. Upon completion of the annexation to, or consolidation with, the city in compliance with the provisions of law applicable thereto, the territory shall become, and be, a part of the water district and of the county water authority, and the taxable property therein shall be subject to taxation thereafter for the purposes of the water district and of the county water authority, including payment of bonds and other obligations of the water district and of the county water authority at the time authorized or outstanding. If any territory has been so annexed to, or consolidated with, any city prior to the effective date of this paragraph, under conditions which would have resulted in the enlargement of the area of the county water authority had this paragraph then been in effect, upon compliance with the following provisions of this paragraph, the territory shall be annexed to, and shall become and be part of, the county water authority and shall be a part of the water district for all purposes, the last-mentioned provisions being as follows:

(A) The governing body of the city, at any time after the effective date of this paragraph, may adopt an ordinance which, after reciting that the territory has been annexed to, or consolidated with, the city by proceedings previously taken under statutory authority, and after referring to the applicable statutes and to the date and place of filing of the certificate or certificates evidencing the annexation or consolidation, shall describe the territory and shall determine and declare that the territory shall be, and thereby is, annexed to the county water authority, and the ordinance shall further determine and declare that the territory shall become and be, and thereby is, a part of the county water authority, and shall be, and thereby is, a part of the water district for all purposes.

(B) The governing body, or clerk thereof, of the city shall file a certified copy of the ordinance with the county clerk of the county in which the county water authority is situated. Upon the filing of the certified copy of the ordinance in the office of the county clerk of the county in which the county water authority is situated, the territory shall become, and be, a part of the county water authority and shall be a part of the water district for all purposes, and the taxable property therein shall be subject to taxation thereafter for the purposes of the county water authority and of the water district, including the payment of bonds and other obligations of the county water authority at the time authorized or outstanding.

(C) Upon the filing of the certified copy of the ordinance, the county clerk of the county in which the county water authority is situated shall, within 10 days, issue a certificate, describing the territory, reciting the filing of the certified copy of the ordinance and the annexation of the territory to the county water authority, and declaring that the territory is a part of the county water authority and of the water district. The county clerk of the county in which the county water authority is situated shall transmit the original of the certificate to the secretary of the county water authority and a duplicate of the original certificate to the clerk of the governing body of the water district.

(3) Upon terms and conditions fixed by the board of directors of the county water authority and in the manner provided in subdivision (c), by direct annexation, as a separate unit, of the corporate area of any water district or city.

(4) Upon terms and conditions fixed by the board of directors of the county water authority and in the manner provided in subdivision (d), by annexation to, or consolidation with, any water district, the area of which, in whole or in part, is included within the county water authority as a separate unit; provided that, unless the territory is so annexed to the county water authority with the consent of the board of directors, the annexation of territory to, or the consolidation of the territory with, the water district does not authorize or entitle the water district or the territory to demand or receive any water from the county water authority for use in the territory: and provided further, that,

except where automatic annexation results under the conditions specified in paragraph (2), nothing in this act prevents the annexation of territory to, or the consolidation of territory with, any water district for its local purposes only and without annexing their territory to the county water authority, and the local annexation or consolidation may occur without requesting or obtaining the consent thereto of the board of directors of the county water authority.

(c) The governing body of any water district or city may apply to the board of directors of the county water authority for consent to annex the corporate area of the water district or city to the county water authority. The board of directors may grant or deny the application and, in granting the application, may fix the terms and conditions upon which the corporate area of the water district or city may be annexed to, and become a part of, the county water authority. These terms and conditions may provide, among other things, for the levy by the county water authority of special taxes upon taxable property within the water district or city, in addition to the taxes authorized to be levied by the county water authority by other provisions of this act. In case these terms and conditions provide for the levy of these special taxes, the board of directors, in fixing these terms and conditions, shall specify the aggregate amount to be so raised and the number of years prescribed for raising the aggregate sum, and that substantially equal annual levies will be made for the purpose of raising the sum over the period so prescribed. The action of the board of directors, evidenced by resolution, shall be promptly transmitted to the governing body of the applying water district or city and, if the action grants consent to the annexation, the governing body may thereupon submit, to the qualified electors of the water district or city at any general or special election held therein, the proposition of the annexation subject to the terms and conditions. Notice of the election shall be mailed to each voter qualified to vote at the election and shall be given by posting or publication. When notice is given by posting, the notices shall be posted at least 10 days and in three public places in the water district or city. When notice is given by publication, the notice shall be published in the water district or city pursuant to Section 6061 of the Government Code, at least 10 days before the date fixed for the election. The notice shall contain the substance of the terms and conditions fixed by the board of directors. The election shall be conducted and the returns thereof canvassed in the manner provided by law for elections in the water district or city. If the proposition receives the affirmative vote of a majority of electors of the water district or city voting thereon at the election, the governing body of the water district or city shall certify the result of the election on the proposition to the board of directors of the county water authority, together with a legal description of the boundaries of the corporate area of the water district or city, accompanied by a map or plat indicating those boundaries. A certificate of proceedings shall be made by the secretary of the county water authority and filed with the county clerk of the county in which the county water authority is situated. Upon the filing thereof in the office of the county clerk of the county in which the county water authority is situated, the corporate area of the water district or city shall become, and be, an integral part of the county water authority, and the taxable property therein shall be subject to taxation thereafter for the purposes of the county water authority, including the payment of bonds and other obligations of the county water authority at the time authorized or outstanding, and the board of directors of the county water authority may do all things necessary to enforce and make effective the terms and conditions of annexation fixed as authorized. Upon the filing of the certificate of proceedings, the county clerk of the county in which the county water authority is situated shall, within 10 days, issue a certificate, reciting the filing of the papers and the annexation of the corporate area of the water district or city to the county water authority. The county clerk of the county in which the county water authority is situated shall transmit the original of the certificate to the secretary of the county water authority.

(1) If a water district applies to a county water authority for consent to annex its corporate area, as a separate unit, the water district shall include as a part of its corporate area the corporate areas of any cities (whether one or more) which are already included within the county water authority as separate units, or the water district shall include as a part of its corporate area the corporate areas, or portion thereof, already included within the county water authority, of any water districts (whether one or more) whose corporate areas, in whole or in part, are already included within the county water authority as separate units. That fact shall be taken into consideration by the board of directors of the county water authority in fixing the terms and conditions upon which the applying water district may be annexed to the county water authority, to the end that the areas within the unit member cities or water districts which are already a part of the county water authority, shall not be required to assume any greater financial burden or obligation to the county water authority than they would have had if they had remained a part of the county water authority as separate units.

Concurrently with any election called by an applying water district to submit to the qualified electors of the water district the question of whether the terms and conditions fixed by the board of directors of the county water authority for annexation shall be approved, the governing bodies of the unit member cities or water districts may call and hold elections within their respective corporate limits or portions thereof already included within the county water authority, to determine whether or not the cities or water districts shall withdraw from the county water authority as separate units, and the proposed withdrawal may be made and submitted conditioned upon and effective when the

applying water district has finally been annexed to the county water authority.

The effect of the concurrent elections, if a majority of the electors of the applying water district voting thereat vote in favor of annexation, and a majority of the electors of the unit member cities or water districts voting thereat vote in favor of withdrawing, shall be that the annexing water district thereafter shall be authorized to exercise the privileges and to discharge the duties prescribed in this act for public agencies whose areas, as separate units, are included within the county water authority, in place of and instead of the cities or water districts so withdrawing. Notwithstanding Section 11 of this act, the areas within the withdrawing cities or water districts shall remain a part of the county water authority and shall not be excluded therefrom, notwithstanding the fact that the cities or water districts, as corporate entities, have withdrawn from the authority.

If the water district does annex to the county water authority, the directors representing the withdrawing cities or water districts on the board of directors of the county water authority shall continue to act until their successors have been chosen and designated by the appropriate officers of the annexing water district and have qualified as members of the board of directors of the county water authority, after which time the directors representing the withdrawing cities or water districts shall no longer sit or vote on the board.

(2) If a water district applies to a county water authority for consent to annex its corporate area as a separate unit, the water district shall include as a part of its corporate area lands which are in public ownership exempt from taxation by a county water authority, and not within or adjacent to the area within the water district served with water by the district, and which are not to be supplied by the water district with water obtained from, and by reason of, its annexation to the county water authority. That fact may be taken into consideration by the board of directors of the county water authority in fixing the terms and conditions upon which the water district may be annexed to the county water authority and in determining the boundaries of the area to be annexed, and the county water authority may, in the discretion of its board of directors, annex all of the corporate area of the water district as a separate unit excepting that portion consisting of the publicly owned and tax-exempt lands.

(d) The governing body of any water district, the area of which, in whole or in part, is included within a county water authority as a separate unit, may apply to the board of directors of the county water authority for consent to annex to the county water authority territory which the water district seeks to annex to, or consolidate with, the water district, or territory which, without making the territory a part of the county water authority, already has been annexed to, or consolidated with, the water district. The board of directors may grant or deny the application and, in granting the application, may fix the terms and conditions upon which the territory may be annexed to, and become a part of, the county water authority. The terms and conditions may provide, among other things, for the levy by the county water authority of special taxes upon taxable property within the territory in addition to the taxes authorized to be levied by the county water authority by other provisions of this act. In case the terms and conditions provide for the levy of those special taxes, the board of directors, in fixing those terms and conditions, shall specify the aggregate amount to be so raised and the number of years prescribed for raising that aggregate sum and that substantially equal annual levies will be made for the purpose of raising that sum over the period so prescribed. The action of the board of directors evidenced by resolution shall be promptly transmitted to the governing body of the applying water district and to the executive officer of the local agency formation commission of the county in which the county water authority is situated, who may defer the issuance of a certificate of filing until receipt of that resolution, and if the action grants consent to the annexation, the territory may be annexed to the county water authority as provided in paragraph (1) or (2).

(1) If the territory has not been previously annexed to, or consolidated with, the water district, upon completion of the annexation to, or consolidation with, the water district in compliance with the provisions of law applicable thereto, including this section, the territory shall become and be a part of the county water authority and the taxable property therein shall be subject to taxation thereafter for the purposes of the county water authority, including the payment of bonds and other obligations of the county water authority at the time authorized or outstanding, and the board of directors of the county water authority may do all things necessary to enforce and make effective the terms and conditions of annexation fixed; provided that, if the applicable provisions of law governing the annexation to, or consolidation with, the water district require any notice of any election called for the purpose of determining whether the proposed annexation or consolidation shall occur, or shall require any notice of hearing or other notice to be given to the residents or electors of, or owners of property in, the territory, the notice shall contain the substance of the terms and conditions of annexation to the county water authority fixed by the board of directors of the county water authority; and provided further, that the local agency formation commission shall require that the annexation to the water district be subject to the terms and conditions fixed by the board of directors of the county water authority in addition to any other terms and conditions that may be required by the commission; and provided further, that the executive officer of the local agency formation commission having the duty of preparing, executing,

and filing a certificate of completion resulting in the annexation to, or consolidation with, the water district, pursuant to the provisions of law applicable thereto, shall include in the certificate of completion the terms and conditions fixed by the board of directors of the county water authority in accordance with the provisions of this act, and shall file a duplicate of the certificate with the board of directors of the county water authority.

(2) If the territory sought to be annexed to a county water authority has been previously annexed to, or consolidated with, the water district, the governing body of the water district, upon being advised of the action of the board of directors of the county water authority, and if the action grants consent to the annexation, may submit to the qualified electors of the territory, if the territory has 12 or more registered voters, at any general or special election held therein, the proposition of the annexation to the county water authority subject to the terms and conditions fixed by the board of directors of the county water authority. Notice of the election shall be given by publication. When the notice is given by posting, the notice shall be posted at least 10 days and in three public places in the territory. When the notice is given by publication, the notice shall be published in the water district pursuant to Section 6061 of the Government Code at least 10 days before the date fixed for the election. The notice shall contain the substance of the terms and conditions fixed by the board of directors. The election shall be conducted and the returns thereof canvassed by the governing body of the water district in the manner provided by law for elections in the water district. If the proposition receives the affirmative vote of a majority of electors of the territory voting thereon at the election, the governing body of the water district shall certify the result of the election on the proposition to the board of directors of the county water authority. If the territory has less than 12 registered voters, no election shall be required, and, following written notice to each owner of property shown on the last equalized assessment roll and the holding of a hearing not less than 10 days after that notice, the annexation may be approved upon the written consent of the owners of more than 50 percent of the assessed valuation of the territory. A certificate of proceedings shall be made by the secretary of the county water authority and filed with the county clerk of the county in which the county water authority is situated. Upon the filing thereof in the office of the county clerk of the county in which the county water authority is situated, the territory shall become, and be, a part of the county water authority, and the taxable property therein shall be subject to taxation thereafter for the purposes of the county water authority, including the payment of bonds and other obligations of the county water authority at the time authorized or outstanding, and the board of directors of the county water authority may do all things necessary to enforce and make effective the terms and conditions of annexation of the territory to the county water authority fixed by its board of directors. Upon the filing of the certificate of proceedings, the county clerk of the county in which the county water authority is situated shall, within 10 days, issue a certificate reciting the filing of the papers and the annexation of the territory to the county water authority. The county clerk of the county in which the county water authority is situated shall transmit the original of the certificate to the secretary of the county water authority.

(e) Should the corporate area, or all portions thereof already included within a county water authority, of any water district or city, the corporate area of which, in whole or in part, already is included within the county water authority as a separate unit, annex to a water district or city the corporate area of which, in whole or in part, already is a part of the county water authority as a separate unit, upon the completion of the annexation pursuant to the law pertaining thereto, the water district or city, the corporate area (or portions thereof) of which is so annexed, shall automatically cease to be a separate unit member of the county water authority, but the corporate area (or portions thereof) shall remain a part of the county water authority as a part of the unit member water district or city to which it was annexed. The executive officer of the local agency formation commission having the duty of preparing, executing, and filing the certificate of completion shall file, in addition to any other filings that may be required by law, a duplicate of the certificate with the board of directors of the county water authority.

Should any water district or city, the corporate area of which, in whole or in part, already is included within a county water authority as a separate unit, consolidate with a water district or city the corporate area of which, in whole or in part, already is a part of the county water authority as a separate unit, under the provisions of any law by the terms of which, after consolidation, a new district or city will result and the former water districts or cities participating in the consolidation shall no longer exist, the resulting new water district or city shall be substituted for the water districts or cities whose corporate existence has been terminated by the consolidation as a unit member of the county water authority, and the corporate areas (or portions thereof) of the former water district or cities shall remain a part of the county water authority as a part of the consolidation. The executive officer of the local agency formation commission having the duty of preparing, executing, and filing a certificate of completion shall file, in addition to any other filings that may be required by law, a duplicate of the certificate with the board of directors of the county water authority.

(f) The validity of any proceedings for the annexation to any county water authority organized under this act, of the corporate area of a water district or city as a separate unit, or of territory annexed to, or consolidated with, a water

district or city which, as a unit, has been included within a county water authority, shall not be contested in any action unless the action has been brought within three months after the completion of the annexation or, in case the annexation is completed prior to the time that this subdivision takes effect, then within three months after this subdivision became effective.

(g) Whenever territory is annexed to or consolidated with any water district, the corporate area of which, as a unit, has become a part of any county water authority organized under this act, regardless of whether the territory is annexed to and becomes a part of the county water authority, or whenever territory is annexed to any city under the conditions specified in paragraph (1) or (2) of subdivision (b), or whenever territory previously annexed to any city is annexed to the county water authority under the conditions specified in paragraph (2) of subdivision (b), the governing or legislative body, or clerk thereof, of the water district or city, shall file with the board of directors of the county water authority a statement of the change of boundaries of the water district or city, setting forth the legal description of the boundaries of the water district or city, as so changed, and of the part thereof within the county water authority, which statement shall be accompanied by a map or plat indicating those boundaries.

(h) The inclusion in a county water authority of the corporate area, in whole or in part, of any municipal water district, municipal utility district, public utility district, county water district, irrigation district, or other public corporation or agency of the state of similar character, referred to in Section 2, shall not destroy the identity or legal existence or impair the powers of any municipal water district, municipal utility district, public utility district, county water district, irrigation district, or other public corporation or agency of the state of similar character, notwithstanding the identity of purpose or substantial identity of purpose of the county water authority.

(i) In determining the number of members of the board of directors of a county water authority organized under this act from the component public agencies, the corporate areas of which, in whole or in part, are included as units within the county water authority, there shall be considered only the assessed valuation of the property taxable for county water authority purposes lying in the public agencies and in the county water authority. The directors shall be appointed by the chief executive officers, with the consent and approval of the governing bodies, of the component public agencies, respectively, without regard to whether the chief executive officers or members of the governing bodies have been chosen from, or represent, areas of their respective public agencies which lie outside of the county water authority. The phrase "any water district, the corporate area of which is included within the county water authority" and the phrase "each city, the area of which shall be a part of any county water authority incorporated under this act," and like phrases, used elsewhere in this act, shall be deemed to mean and refer to any water district or city, the corporate area of which, either in whole or in part, is included within the county water authority, but the duties and obligations of the county water authority shall extend only to that part of the corporate area of the water district or city that lies within the county water authority. As to the water district, city, or public agency, the corporate area of which lies partly within and partly without the county water authority, the word " therein" and the phrase "within the city" and like words and phrases, used elsewhere in this act, shall be deemed to mean and refer to that part of the corporate area of the water district, city, or public agency which lies within the county water authority. The charges for water supplied by the county water authority to any component public agency, pursuant to its request, shall be and become an obligation of the public agency, regardless of whether the entire corporate area of the public agency is included within the county water authority, and the county water authority, in administrative and contractual matters, shall deal with the chief executive officers and governing bodies and other proper officials of the component public agencies as chosen or constituted under applicable laws governing the respective public agencies.

§ 45-10.1. Annexation; special tax levy; payment of amount specified to authority; effect

Sec. 10.1. Where territory is annexed to a county water authority pursuant to any of the provisions of Section 10 of this act upon terms and conditions providing for the levy of special taxes upon taxable property within such annexed territory and specifying the aggregate amount to be raised by such taxes, the governing body of the public agency of which such territory is a part may pay to the county water authority the amount so specified, or any balance thereof for which such special tax has not been levied at the time of payment. Upon receipt of such payment the amount paid shall be credited to the obligation fixed by the terms and conditions of the annexation of such territory to such county water authority, in the same manner and with the same effect as though collected by the levy of special taxes for such purpose, and such payment shall terminate the right and obligation of such county water authority to levy the special taxes provided for in such terms and conditions of annexation.

§ 45-10.2. Annexation of territory within federal military reservation to county water authority

Sec. 10.2. (a) Notwithstanding any other provisions of this act, territory within a federal military reservation may be

annexed to any county water authority organized hereunder as a single member of an authority in the manner provided in this section. As used in this section, "federal military reservation" or "military reservation" means a single federal military reservation or separate but contiguous federal military reservations which are jointly annexed to a county water authority as a single member agency of an authority.

(b) Proceedings for the annexation of a military reservation shall be initiated by the adoption by the board of directors of an authority of a resolution proposing annexation of a military reservation to an authority as a member of an authority.

(c) The resolution proposing the annexation may provide that the annexation shall include one or more separate areas, which may be separately identified for assessing and tax collecting purposes, and that each such area may be subject to one or more of the following terms and conditions:

(1) The fixing and establishment of priorities for the use of, or right to use, water, or capacity rights in any public improvement or facilities, and the determination of, or limitation on, the quantity of, the purposes for which, and the places where, water may be delivered by the authority to the military reservation for military purposes and uses incidental thereto, as well as for nonmilitary purposes.

(2) The levying by the authority of special taxes upon any private leasehold, possessory interest or other taxable property within the territory annexed, and the imposition and collection of special fees or charges prior to the annexation.

(3) Should portions of any area annexed hereunder be subsequently made available for nonmilitary purposes not in existence at the time of the annexation of the area, the board of directors of the authority may impose new terms and conditions for any subsequent service of water, directly or indirectly, by the authority to that area, including the separation of such an area for assessing and tax collecting purposes and the levying by the authority of special taxes on those portions.

(4) The effective date of the annexation.

(5) Any other matters necessary or incidental to any of the foregoing.

(d) A certified copy of the resolution proposing annexation shall be sent to the official in authority over the military reservation. If the military reservation consents in writing to the annexation and to the terms and conditions established by the board of directors, the board may, by resolution, order the annexation to the authority of the territory situated within the military reservation, subject to said terms and conditions.

(e) A certificate of proceedings taken hereunder shall be made by the secretary of the authority and filed with the county clerk of the county in which the county water authority is situated. Upon the filing in his or her office of the certificate of proceedings, the county clerk of the county in which the county water authority is situated shall, within 10 days, issue a certificate reciting the filing of those papers in his or her office and the annexation of the territory to the authority. The county clerk of the county in which the county water authority is situated shall transmit the original of said certificate to the secretary of the authority.

(f) Upon the filing of the certificate of proceedings with the county clerk of the county in which the county water authority is situated, or upon the effective date of the annexation provided for in the terms and conditions, whichever is later, the territory within the military reservation shall become and be an integral part of the authority, and the taxable property therein shall be subject to taxation thereafter for the purposes of said authority, including the payment of bonds and other obligations of the authority at the time authorized or outstanding, and the board of directors of the authority shall be empowered to do all things necessary to enforce and make effective the terms and conditions of annexation fixed as hereinabove authorized.

(g) On and after the effective date of the annexation, the military reservation shall be a separate unit member of the authority and shall be entitled to one representative on the board of directors of the authority. For the purposes of this act, a military reservation shall be deemed a public agency. The representative shall be designated and appointed by the official in authority over the military reservation, shall hold office for a term of six years or until his or her successor is appointed and qualified, and may be recalled by that official.

(h) The transfer of ownership of the fee title of a military reservation, or of any portion thereof, to nonmilitary ownership after annexation to the authority pursuant to this section shall result in the automatic exclusion from the

authority of the territory transferred to that ownership.

(i) If a county water authority is a member public agency of a metropolitan water district organized under the Metropolitan Water District Act (Chapter 200 of the Statutes of 1969), that metropolitan water district may impose any or all of the terms and conditions that may be imposed by a county water authority pursuant to subdivisions (a) through (h) of this section in any resolution fixing the terms and conditions for the concurrent annexation of territory in a military reservation.

§ 45-10.3. Public agency within unit of county water authority; procedure to become separate unit

Sec. 10.3. (a) A public agency whose corporate area is wholly within the corporate area of another public agency which is already included within a county water authority as a separate unit, may also become a separate unit of such county water authority in the manner provided in this section.

(1) The governing body of a public agency seeking status as a separate unit of a county water authority shall apply by resolution to the board of directors of such county water authority for consent to detach its corporate area from the existing separate unit of which it is a part and to become a separate unit of such county water authority.

(2) The board of directors of the county water authority may grant or deny such application and in granting the same may fix the terms and conditions upon which such applying public agency may become a separate unit of the county water authority; provided, however, that such consent shall not be given unless and until by resolution the governing body of the existing separate unit of the county water authority also gives its consent to the proposed detachment of such territory and to the applying public agency becoming a separate unit of such county water authority.

(3) Proceedings for the detachment of the corporate area of the public agency seeking status as a separate unit of the county water authority from the corporate area of the existing separate unit shall be conducted in the manner prescribed by law; provided, however, that the effective date of such detachment shall be after the completion of the proceedings provided by paragraph (4) of this subdivision.

(4) The detachment of the corporate area of the public agency seeking status as a separate unit from the corporate area of the existing separate unit shall not be effective until the secretary of the agency seeking status as a separate unit has filed with the secretary of the county water authority a certificate certifying the completion of all requirements of law for such detachment. A certificate of proceedings hereunder shall thereupon be prepared by the secretary of the county water authority and filed with the Secretary of State. Upon filing of such certificate of proceedings with the Secretary of State or upon the effective date of the detachment as set forth in any terms and conditions applicable thereto, whichever is later, the corporate area of the agency seeking separate unit status shall thereupon become a separate unit of the county water authority and shall have all of the rights and privileges thereof.

(b) Notwithstanding anything to the contrary in Section 11 of this act, if proceedings are conducted in accordance with this section, the territory detached from the existing separate unit of the county water authority shall remain at all times a part of the corporate area of such authority.

§ 45-11. Exclusion of territory

Sec. 11. (a) **Methods.** Exclusion of territory from any county water authority may be effected by either of the following methods:

(1) Territory excluded from the portion of the corporate area of any public agency which lies within the exterior boundaries of a county water authority, the public agency being a unit of the authority, and which exclusion occurs in accordance with the provisions of law applicable to those exclusions, shall thereby be excluded from and shall no longer be a part of the authority; provided, that the taxable property within the excluded territory shall continue to be taxable by the county water authority for the purpose of paying the bonded or other indebtedness outstanding or contracted for at the time of the exclusion and until the bonded or other indebtedness has been satisfied; provided further, that if the taxable property within the excluded territory or any part thereof shall be, at the time of the exclusion, subject to special taxes levied, or to be levied, by the county water authority pursuant to terms and conditions previously fixed under paragraph subdivision (c) or (d) of Section 10 for the annexation of the excluded territory or part thereof to the county water authority, the taxable property within the excluded territory or part thereof so subject to those special taxes shall continue to be taxable by the county water authority for the purpose of raising the aggregate sums to be raised by the levy of special taxes upon taxable property within the respective annexing areas pursuant to terms and conditions for the annexation or annexations as so fixed and until the

aggregate sums have been so raised by the special tax levies.

Exclusion of territory from a county water authority pursuant to this paragraph shall not occur if two or more public agencies that are included in a county water authority as separate units are subject to a reorganization of their boundaries under applicable provisions of law which would result in an exchange or transfer, but not an overlapping, of territory that is entirely within the county water authority. The boundaries of those agencies within the county water authority, upon that reorganization and the filing with the secretary of the county water authority of a copy of the certificate of completion prepared, executed, and filed by the executive officer of the local agency formation commission responsible therefor constitute the boundaries of the agencies for all purposes of the county water authority, without action by the board of directors of the county water authority. If the exchange includes territory subject to special conditions and tax levies pursuant to the terms of annexation at the time the territory became a part of the county water authority, the territory shall continue to be subject to those conditions and to be taxable by the county water authority or those levies.

From and after the effective date of the inclusion of the territory by the including public agency, the territory shall be considered to be a part of the corporate area of the including agency: provided, however, that, if the taxable property within the territory, or any portion thereof, is subject to special taxes levied or to be levied by the county water authority pursuant to terms and conditions previously fixed under subdivision (c) or (d) of Section 10 for the annexation of the territory or portion thereof to the county water authority, then the taxable property within the territory shall continue to be taxable by the county water authority for the purpose of raising the aggregate sums to be raised by the levy of the special taxes pursuant to the terms and conditions for the annexation or annexations as so fixed and until the aggregate sums have been so raised by the special tax levy.

(2) Any public agency whose corporate area as a unit has become or is a part of any county water authority may obtain the exclusion of the area therefrom in the following manner:

The governing body of any public agency may submit to the electors thereof at any general or special election the proposition of excluding from the county water authority the corporate area of the public agency. Notice of the election shall be given in the manner provided in subdivision (c) of Section 10. The election shall be conducted and the returns thereof canvassed in the manner provided by law for the conduct of elections in the public agency. If a majority of electors voting thereon vote in favor of withdrawal, the result thereof shall be certified by the governing body of the public agency to the board of directors of the county water authority. A certificate of the proceedings shall be made by the secretary of the county water authority and filed with the Secretary of State. Upon the filing of the certificate, the corporate area of the public agency shall be excluded from the county water authority and shall no longer be a part thereof; provided, that the taxable property within the excluded area shall continue to be taxable by the county water authority for the purpose of paying the bonded and other indebtedness of the county water authority outstanding or contracted for at the time of the exclusion and until the bonded or other indebtedness has been satisfied; provided further, that if the taxable property within the excluded area or any part thereof is, at the time of the exclusion, subject to special taxes levied or to be levied by the county water authority pursuant to the terms and conditions previously fixed under subdivision (c) or (d) of Section 10 for the annexation of the excluded area or part thereof to the county water authority, the taxable property within the excluded area or part thereof so subject to the special taxes shall continue to be taxable by the county water authority for the purpose of raising the aggregate sums to be raised by the levy of special taxes upon taxable property within the respective annexing areas pursuant to the terms and conditions for the annexation or annexations as so fixed and until the aggregate sums have been so raised by the special tax levies. Upon the filing of the certificate of proceedings, the Secretary of State shall, within 10 days, issue a certificate reciting the filing of the papers in his or her office and the exclusion of the corporate area of the public agency from the county water authority. The Secretary of State shall transmit the original of the certificate to the secretary of the county water authority and shall forward a certified copy thereof to the county clerk of the county in which the county water authority is situated.

(b) **Statement of boundary changes.** Whenever territory is excluded from any public agency in accordance with paragraph (1) of subdivision (a), the governing body, or clerk thereof, of the public agency shall file with the board of directors of the county water authority a statement of the change of boundaries of the public agency, setting forth the legal description of the boundaries of the public agency, as so changed, and of the part thereof within the county water authority, which statement shall be accompanied by a map or plat indicating the boundaries.

(c) **Previously excluded territory.** Whenever any territory has been excluded from any public agency prior to the effective date of this section, under conditions which would have resulted in the exclusion of the territory from a county water authority had paragraph (1) of subdivision (a) then been in effect, upon compliance with the following provisions of this paragraph, the territory shall be excluded from and shall no longer be a part of, the authority, the

last-mentioned provisions being as follows:

(1) The governing body of the public agency may adopt an ordinance which, after reciting that the territory has been excluded from the public agency by proceedings previously taken under statutory authority, and after referring to the applicable statutes and to the date or dates upon which the exclusion became effective, shall describe the territory and shall determine and declare that the territory shall be, and thereby is, excluded from the county water authority.

(2) The governing body, or clerk thereof, of the public agency shall file a certified copy of the ordinance with the Secretary of State. Upon the filing of the certified copy of the ordinance in the office of the Secretary of State, the territory shall be excluded from, and shall no longer be a part of, the county water authority; provided, that the taxable property within the excluded territory shall continue to be taxable by the county water authority for the purpose of paying the bonded or other indebtedness outstanding or contracted for at the time of the exclusion, and until the bonded or other indebtedness has been satisfied; provided further, that if the taxable property within the excluded territory or any part thereof is, at the time of the exclusion, subject to special taxes levied or to be levied by the county water authority pursuant to terms and conditions previously fixed under subdivision (c) or (d) of Section 10 for the annexation of the excluded territory or part thereof to the county water authority, the taxable property within the excluded territory or part thereof so subject to the special taxes shall continue to be taxable by the county water authority for the purpose of raising the aggregate sums to be raised by the levy of special taxes upon taxable property within the respective annexing areas pursuant to the terms and conditions for the annexation or annexations as so fixed, and until the aggregate sums have been so raised by the special tax levies.

(3) Upon the filing of the certified copy of the ordinance, the Secretary of State shall, within 10 days issue a certificate describing the territory, reciting the filing of certified copy of the ordinance and the exclusion of the territory from the county water authority, and declaring that the territory is no longer a part of the county water authority. The Secretary of State shall transmit the original of the certificate to the secretary of the county water authority and shall forward a certified copy of the certificate to the county clerk of the county in which the county water authority is situated.

(d) **Territory exchanged or transferred among public agencies.** Whenever any territory has been exchanged or transferred pursuant to law prior to January 1, 1986, among two or more public agencies that are included in a county water authority as separate units, the territory shall not be deemed excluded from the county water authority, notwithstanding the failure of the county water authority to give its consent to the exchange or transfer of the territory, if there has been filed with the board of directors of the county water authority prior to January 1, 1986, a statement of the change of boundaries of the agencies, as so changed, and of the part within the county water authority, which statement shall be accompanied by a map or plat indicating those boundaries.

§ 45-11.1. Territory within multiple public agencies in authority as separate units

Sec. 11.1. Any territory within a county water authority which lies within two or more public agencies, the corporate areas of which are included within such county water authority as separate units, shall, subject to the conditions hereinafter provided, for the purposes of this act and for all related purposes (other than local purposes of such public agencies) involving in any manner the respective territorial boundaries and jurisdiction of such public agencies, be considered to be a part of the respective public agency which will supply water to such overlapping territory, as determined in the manner provided herein; provided, that if the taxable property within such overlapping territory or any portion thereof shall be subject to special taxes levied or to be levied by such county water authority pursuant to terms and conditions theretofore fixed under the provisions of paragraph (c) or paragraph (d) of Section 10 of this act for the annexation of such overlapping territory or portion thereof to such county water authority, then such taxable property within such overlapping territory shall continue taxable by such county water authority for the purpose of raising the aggregate sum or sums to be raised by the levy of such special taxes pursuant to terms and conditions for such annexation or annexations as so fixed and until such aggregate sum or sums shall have been so raised by such special tax levies; and provided, further, that the public agency of which such overlapping territory shall be considered to be a part shall be determined in the following manner and subject to the following conditions:

(1) The governing body of each public agency in which any such overlapping territory lies, shall, on or before October 1st of any calendar year, file with the board of directors of the authority a certified copy of a resolution of such governing body which shall contain a legal description of any such overlapping territory or portion thereof which will be supplied with water by such public agency during the next ensuing fiscal year commencing July 1st next following, and such certified copy of such resolution so filed shall be accompanied by a map or plat showing the respective boundaries of each overlapping territory or portion thereof so to be supplied with water by such public

agency.

(2) On or before November 1st of such calendar year, the board of directors of the authority shall consider all documents so filed with the authority as required under subparagraph (1) above, and by resolution shall determine which public agency will supply water to each such overlapping territory or portion thereof during the next ensuing fiscal year commencing July 1st next following; in the event that the board of directors of the authority, from the evidence submitted, cannot determine which public agency will supply water to any overlapping territory or portion thereof, then the board of directors shall determine that such overlapping territory or portion thereof shall be considered to be a part of, and shall designate, the public agency within which such overlapping territory or portion thereof first was included; and such resolution shall contain a legal description of each such overlapping territory or portion thereof respecting which any such determination is made.

(3) The board of directors of the authority, on or before November 20th of such calendar year, shall file with the county assessor of the county in which such overlapping territory shall lie and with the State Board of Equalization and in the event that such county water authority shall be included within a metropolitan water district as a separate unit then also with the board of directors of such metropolitan water district, a certified copy of such resolution of the board of directors of the authority so determining the matters required to be determined by it under subparagraph (2) above, accompanied by map or maps or plat or plats showing the respective boundaries of each overlapping territory or portion thereof described in such resolution.

(4) Any determination made by the board of directors of the authority and evidenced by the filing of the documents required by subparagraph (3) hereof shall be effective until changed by later determination by said board of directors and the evidencing thereof by the filing of the required documents.

(5) Any overlapping territory or portion thereof respecting which no determination shall have been made by the board of directors of the authority and evidenced by the filing of the documents required by subparagraph (3) hereof shall be considered to be a part of the public agency within which such overlapping territory or portion thereof first was included.

§ 45-12. Repealed by Stats.1970, c. 447, p. 896, § 23

§ 45-13. Administrative authority

Sec. 13. (a) All matters and things necessary for the proper administration of the affairs of the authority that are not provided for in this act shall be provided for by the board of directors of the authority by ordinance or resolution. Any action required by this act to be done by resolution may be done, with equal validity, by ordinance.

(b)(1) The board of directors of the authority may adopt regulations regarding its facilities, property, and rights-of-way. The board of directors, by ordinance, may make a violation of any regulation adopted pursuant to this subdivision subject to an administrative fine.

(2) The board of directors shall set forth, by ordinance or resolution, the administrative procedures that govern the imposition, enforcement, collection, and administrative review by the authority of those administrative fines.

(3) The amount of the administrative fine shall not exceed the maximum fine for infractions set forth in subdivision (b) of Section 25132 and subdivision (b) of Section 36900 of the Government Code. For the purpose of carrying out this subdivision, Section 53069.4 of the Government Code applies, except that any action required by that section to be taken by ordinance may be taken by resolution of the board of directors.

(c) The board of directors of the authority, by ordinance, may establish procedures for the abatement of encroachments that violate any regulation adopted pursuant to subdivision (b) and to recover the costs of abatement by means of a lien with the status and priority of a judgment lien on the property that is subject to the easement or right-of-way from which the encroachment is abated. These procedures shall provide for a reasonable period, specified in the ordinance, during which a person responsible for a continuing violation may abate the encroachment before the commencement of any abatement under this section. For the purposes of carrying out this subdivision, Section 38773.1 of the Government Code applies, except that any action required by that section to be taken by the legislative body shall be taken by the board of directors of the authority. The remedy authorized in this subdivision is cumulative to any other remedy authorized by law.

(d) An encroachment maintained in violation of a regulation adopted pursuant to subdivision (b) is a public nuisance that is subject to abatement by bringing a civil proceeding.

§ 45-13.5 Authority report; standing committees

Sec. 13.5. An authority formed pursuant to this act shall prepare and submit, at its own expense, a report to the Legislature, not before January 1, 2008, and not later than January 1, 2009, regarding the implementation of the procedures governing the meetings and actions of the standing committees of the board of directors that were adopted by the board of directors in 2004 or 2005.

§ 45-14. Deposit of funds

Sec. 14. The treasurer of any authority organized under the provisions of this act is hereby expressly authorized to deposit funds of such authority in banks in the manner provided by law for the deposit of moneys of a municipality or other public or municipal corporation.

§ 45-15. Fiscal year; statement of revenues and expenditures; statement of water storage and use

Sec. 15. The fiscal year of any authority incorporated hereunder shall commence on the first day of July of each year and shall continue until the close of the thirtieth day of June of the year following. As promptly as shall be possible after the close of each fiscal year, it shall be the duty of the controller of the authority to prepare and transmit to the chief executive officer of each public agency, the area of which shall lie within the authority, a statement of revenues and expenditures in such detail as shall be prescribed by the board of directors; also a statement of the amount of water stored by the authority and the amounts used by the respective public agencies, the areas of which shall lie within the authority.

§ 45-15.5. Claims for money or damages; law governing

Sec. 15.5. All claims for money or damages against the authority are governed by Part 3 (commencing with Section 900) and Part 4 (commencing with Section 940) of Division 3.6 of Title 1 of the Government Code except as provided therein, or by other statutes or regulations expressly applicable thereto.

§ 45-16. Partial invalidity

Sec. 16. If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The Legislature hereby declares that it would have passed this act, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

MEMORANDUM OF UNDERSTANDING BETWEEN THE RIVERSIDE LOCAL AGENCY FORMATION COMMISSION AND THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION INVOLVING A REORGANIZATION PROPOSAL TO DETACH THE FALLBROOK PUBLIC UTILITY DISTRICT AND RAINBOW MUNICIPAL WATER DISTRICT FROM THE SAN DIEGO COUNTY WATER AUTHORITY AND CONCURRENTLY ANNEX TO THE EASTERN MUNICIPAL WATER DISTRICT

This MEMORANDUM OF UNDERSTANDING ("MOU") is made this 24th day of October 2019 by and between the San Diego Local Agency Formation Commission ("SDLAFCO"), a corporate public entity, and the Riverside Local Agency Formation Commission ("RLAFCO"), a corporate public entity. Each may be referred to individually as "LAFCO" or collectively as "LAFCOs."

RECITALS

WHEREAS, the Fallbrook Public Utility District ("FPUD") is a special district that provides — among other services — water to the community of Fallbrook;

WHEREAS, the Rainbow Municipal Water District ("RMWD") is a special district that provides — among other services — water to the unincorporated communities of Rainbow, Bonsall, and portions of Vista, Oceanside and Fallbrook;

WHEREAS, the San Diego County Water Authority ("SDCWA") is a public agency that produces, imports and sells wholesale water to its 24 retail member agencies and cities in San Diego County;

WHEREAS, FPUD and RMWD are member agencies of SDCWA;

WHEREAS, the Eastern Municipal Water District ("EMWD") is a special district that provides retail water service to some cities and wholesale water to other cities and special districts in Riverside County;

WHEREAS, FPUD and RMWD are contemplating the initiation of proceedings to obtain wholesale water from EMWD and detach from SDCWA and annex to EMWD;

WHEREAS, the contemplated detachment and annexation would require conforming sphere of influence amendments approved by the relevant LAFCO ("Proceedings");

WHEREAS, San Diego County and Riverside County are both an "affected county" for purposes of the Proceedings, which is defined in Government Code section 56012 as "any county that contains, or would contain, any territory for which a change of organization is proposed or ordered either singularly or as part of a reorganization or that contains all or any part of a district for which a change of organization or reorganization is proposed with respect to territory outside that county;"

WHEREAS, Riverside County is the "principal county" for purposes of EMWD's sphere of influence amendment and annexation proceedings because, under Government Code section 56066, Riverside is "the county having the greater portion of the entire assessed value, as shown on the last equalized assessment roll of the county or counties, of all taxable property within a district or districts for which a change of organization or reorganization is proposed;"

WHEREAS, San Diego County is the "principal county" for purposes of SDWA's sphere of influence amendment and detachment proceedings because, under Government Code section 56066, San Diego is "the county having the greater portion of the entire assessed value, as shown on the last equalized assessment roll of the county or counties, of all taxable property within a district or districts for which a change of organization or reorganization is proposed;"

WHEREAS, under Government Code sections 56123, RLAFCO has exclusive jurisdiction to process an application for the proposed change of organization to EMWD, and SDLAFCO has exclusive jurisdiction to process an application for the proposed change of organization to SDCWA;

WHEREAS, under Government Code section 56124, "If a proposed change of organization or a reorganization applies to two or more affected counties, for purposes of this division, exclusive jurisdiction may be vested in the commission of an affected county other than the commission of the principal county if all of the following occur:

(a) The commission of the principal county approves of having exclusive jurisdiction vested in another affected county.
(b) The commission of the principal county designates the affected county which shall assume exclusive jurisdiction.
(c) The commission of the affected county so designated agrees to assume exclusive jurisdiction.";

WHEREAS, RLAFCO approves of having exclusive jurisdiction for purposes of EMWD's sphere of influence amendment and detachment proceedings vested in San Diego County;

WHEREAS, RLAFCO designates San Diego County to assume exclusive jurisdiction for purposes of EMWD's sphere of influence amendment and detachment proceedings;

WHEREAS, SDLAFCO agrees to assume exclusive jurisdiction for purposes of EMWD's sphere of influence amendment and detachment proceedings for any application received for a reorganization as described above;

WHEREAS, the Parties desire to enter into this MOU to memorialize their understanding.

NOW, THEREFORE, in consideration of the covenants, conditions and promises contained herein, the parties mutually agree as follows:

1. Sphere of Influence. Any sphere of influence determination in connection with FPUD's or RMWD's application to detach from SDCWA and annex to EMWD will be the exclusive jurisdiction of SDLAFCO.

2. Reorganization Proceedings. Any reorganization proceeding in connection with FPUD's or RMWD's application to detach from SDCWA and annex to EMWD will be the exclusive jurisdiction of SDLAFCO.

3. Applicable Policies and Procedures. The Proceedings will be governed according to SDLAFCO's policies and procedures. SDLAFCO is not required to follow RLAFCO's policies and procedures in processing a sphere of influence or reorganization application submitted by FPUD or RMWD.

4. Consultation. SDLAFCO agrees to consult with RLAFCO staff regarding the Proceedings and before making any recommendations in connection with FPUD's or RMWD's application to detach from SDCWA and annex to EMWD. RLAFCO agrees to provide technical assistance to process the relevant applications upon SDLAFCO's request. Any technical assistance provided by RLAFCO in connection with the Proceedings will be billed to FPUD and RMWD at RLAFCO's established hourly rate.

5. Term. This MOU will take effect upon its execution by both SDLAFCO and RLAFCO and shall remain in effect until the Proceedings are complete.

6. LAFCOs' Responsibilities. The LAFCOs will advise FPUD, RMWD, SDCWA, and EMWD that the required application and corresponding documentation and fees must be submitted to SDLAFCO pursuant to this MOU. Nothing in this MOU will be construed to limit in any way the provision of State law governing the consideration process for a sphere of influence determination or reorganization proceeding.

7. Modification. This MOU constitutes the entire agreement and understanding between the LAFCOs with respect to the subject matter hereof and supersedes any previous agreements, oral or written. This MOU may be modified only by subsequent mutual written agreement and will not be effective until signed by all parties.

8. Termination. This MOU may be terminated by either LAFCO upon 30 days' notice in writing to the other LAFCO. Under Government Code section 56651, the Proceedings shall be deemed initiated on the date a petition or resolution of application of FPUD or RMWD is accepted for filing and a certificate of filing is issued by the executive officer of SDLAFCO to FPUD or RMWD. Once the Proceedings are initiated, RLAFCO is prohibited from terminating this MOU until SDLAFCO's Proceedings are complete.

9. California Law. This MOU shall be construed in accordance with the laws of the State of California. Any action commenced related to this MOU shall be filed in the Superior Court of either San Diego or Riverside County. This MOU shall be construed as though jointly drafted by the Parties with the assistance of independent legal counsel.

10. Indemnification. LAFCOs agree to indemnify, defend at their own expense, including attorneys' fees, and hold each other harmless from and against all claims, costs, penalties, causes of action, demands, losses and liability of any nature, whatsoever, caused by or arising out of or related to any negligent act or willful misconduct of that party, its officers or employees or any other agent acting pursuant to its control and performing under this MOU.

12. Notices. All notices shall be personally delivered or mailed, via first-class mail to the below listed addresses:

a. Keene Simonds
Executive Officer
San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, California 92123
(858) 614-7755
keene.simonds@sdcounty.ca.gov

b. Gary Thompson
Executive Officer
Riverside Local Agency Formation Commission
6216 Brockton Avenue, Suite 111-B
Riverside, California 92506
(951) 369-0631
gthompson@lafco.org

c. Courtesy Copy to:
Holly O. Whatley
General Counsel for SDLAFCO
Colantuono, Highsmith & Whatley, PC
790 East Colorado Blvd., Suite 850
Pasadena, California 91101
hwhatley@chwlaw.us

d. Courtesy Copy to:
Tiffany N. North, Assistant County Counsel
Counsel for RLAFCO
Office of Riverside County Counsel
3960 Orange Street, Ste. 500
Riverside, California 92501
tnorth@rivco.org

13. Severance. Should a provision of this MOU be found invalid or unenforceable, the decision shall affect only the provision interpreted, and all remaining provisions shall remain enforceable.

14. Counterparts. This MOU may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, these parties have executed this MOU on the day and year shown above.

SAN DIEGO LOCAL AGENCY FORMATION COMMISSION

Keene Simonds, Executive Officer

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

Gary Thompson, Executive Officer

APPROVED AS TO FORM

Holly O. Whatley, General Counsel

APPROVED AS TO FORM

Tiffany N. North, Assistant County Counsel

216687.6

Our Region's Trusted Water Leader
San Diego County Water Authority

April 2, 2020

MEMBER AGENCIES

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

OTHER REPRESENTATIVE

County of San Diego

VIA E-MAIL AND U.S. MAIL

Keene Simonds
Executive Officer
San Diego County Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, CA 92123
E-Mail: Keene.Simonds@sdcounty.ca.gov

Re: Request/Application for Determination that San Diego County Water Authority Is Not a District for Purposes of Part 4 of the CKH Act for LAFCO File RO20-05

Dear Mr. Simonds:

The San Diego County Water Authority (the "Water Authority") received a notice dated March 25, 2020, from the San Diego County Local Agency Formation Commission ("SD LAFCO") regarding the filing of the proposal ("Proposal") by Fallbrook Public Utilities District ("Fallbrook") for a reorganization that would affect the Water Authority and its member agencies. The notice informed the Water Authority that it had until April 6, 2020 to file an application under "Government Code sections 56127 and 56128 for a determination that the Authority is a not a district for purposes of Part 4 or Part 5 of CKH for the above-referenced proposal."

This letter constitutes: (1) an application to SD LAFCO by the Water Authority for a determination that, as to the Proposal, the Water Authority is not a district per Government Code sections 56127, 56128, and 56036.6 as to *Part 4 only* of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act"); (2) a request by the Water Authority that if for any reason SD LAFCO were to consider approving the Proposal, that as a condition of approval SD LAFCO should require a majority vote of the Water Authority service area as to the detachment sought by Fallbrook; and (3) a request by the Water Authority that SD LAFCO stay the Proposal from moving forward during the current COVID-19 emergency, and an objection to further proceedings during this period of emergency. The latter being the most urgent issue, it is addressed first.

COVID-19 Emergency, Objection And Request For Stay

The United States, the State of California, the County of San Diego, and the City of San Diego are all under emergency orders in connection with the COVID-19 epidemic, and most of our region's residents are heeding "shelter in place" instructions from their governmental authorities. We are all in the midst of an unprecedented disruption of our societal norms, including severe work disruptions.

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

The Water Authority Board has, like many other public agencies, declared emergency status. As a result, the Water Authority has significantly limited its operations and has moved to a largely remote workforce. We understand that many other agencies have done the same.

We are very surprised and disappointed that Fallbrook chose to file its Proposal in the midst of this crisis. Indeed, it is remarkable that the Proposal papers make no mention of the existential emergency we all face, or suggest any delays in the process. Rather, the Proposal simply presents advocacy and argument without even mentioning the unprecedented circumstances we find ourselves in as a result of the COVID-19 virus precautions being taken across the country.

The Water Authority and its other member agencies are focused at this time, as they should be, on maintaining the continuity of needed water service for our region. The Water Authority does not believe that any processing of the Proposal should go forward at this time, and we object to any further proceedings on the matter at SD LAFCO as prejudicial to the rights of the Water Authority, our other member agencies, and the public we all serve to fairly and properly address the Proposal. Our staff and those at agencies which would want to participate are swamped with emergency-related matters, consultants are shut down or limited in scope, coordination with other agencies is necessarily curtailed, and access to key documents is impaired. *The Water Authority respectfully requests that SD LAFCO, as has been done by the courts and many other public agencies, stay any further processing of the Proposal until the COVID-19 emergency subsides*. When that occurs, SD LAFCO could then formally notify the parties that the stay is lifted and normal processing will resume. We hereby agree that SD LAFCO's processing of the Water Authority's application presented next in this letter may also be stayed along with the Proposal.

Application for Exemption from Part 4 of the CKH Act

The Water Authority hereby files its request/application for determination by SD LAFCO that, as to the Proposal, the Water Authority is not a district or special district *for purposes of only Part 4 of the CKH Act* pursuant to Sections 56127, 56128 and 56036.6. The Water Authority hereby requests that you present this request/application to the Commission, but subject to the stay request stated above. The Water Authority Board of Directors has authorized this application per its signed Resolution dated November 21, 2019 (the "Resolution"), a copy of which is attached, along with the Water Authority Board Memo for that item.

Please take note that the Water Authority does *not* seek exemption from Part 5 of the CKH Act, and is allowed to limit its application in this manner. *See* Section 56128 ("or"); Section 56036.6(a) ("or"); Section 56036.6(b) (reference to Part 4); and Section 56128 ("or"). Also, please note that our application applies only to this Proposal (there is a similar application being filed by the Water Authority as to Rainbow Municipal Water District), and is not a blanket request for a perpetual determination as to all possible future matters.

As stated in the Resolution, the Water Authority is a county water authority and is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or garbage and refuse collection service to the ultimate users thereof;
(c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities,

except as an incident to the exercise of other lawful power of the Water Authority. In the attached Resolution, the Water Authority Board of Directors approved the statement of the above-listed facts to submit to SD LAFCO. Thus, the Water Authority meets the statutory requirements for exemption "for purposes of Part 4 (commencing with Section 57000) or Part 5 (commencing with Section 57300)." (Cal. Gov't Code section 56127.)

As you know, there was a prior Water Authority exemption determined by SD LAFCO. On November 11, 1976, in accordance with the District Reorganization Act of 1965 ("DRA"), the Water Authority submitted to SD LAFCO an application for exemption from LAFCO's authority (the "1976 Application"). At the time under the extant law, the procedure for exemption from SD LAFCO authority was governed by Sections 56105, 56106 and 56039 of the California Government Code, all of which have since been repealed and replaced. It is important to note that under the prior law, an agency such as the Water Authority could seek an entire exemption from SD LAFCO's jurisdiction, not the very limited exemption as to Parts 4 or 5 of the CKH Act which is present in the law today. Thus, when the 1976 Application was filed, the Water Authority was allowed to remove itself entirely from SD LAFCO review, but that is no longer the case under current law. This makes the 1976 Application (and subsequent determination) of no effect in the current proceedings, because the law has substantively changed. That is one reason why the Water Authority submits this new application under the applicable law that exists today, the CKH Act. Additionally, under the current law, an application or request for determination that an agency is not a district must now be made on an application-by-application basis (see Gov. Code Sections 56127 and 56128). Therefore, the Water Authority's application only covers the Proposal application (and, via a separate application by the Water Authority, the sister proposal made by the Rainbow Municipal Water District).

Vote of the Electorate

We note that as part of the attached Resolution, the Water Authority Board requested that if for some reason the SD LAFCO were contemplating any approval of the Proposal, it should require a majority vote of the electorate in the Water Authority's service area so that *all* affected ratepayers may have a say in any detachment, because a detachment may adversely affect all area ratepayers, and not just those in Fallbrook and Rainbow. While we realize this will be a material issue to be addressed in detailed briefing by all interested parties later, we wanted to call it to SD LAFCO's attention as it is part of the Water Authority Board's Resolution. This request is made without any prejudice to our member agencies making their positions known as well, or the Water Authority submitting further matters to SD LAFCO when the process continues.

Finally, we note – as shown on the below cc list – that Kristina Lawson is now our main contact person with our outside counsel at Hanson Bridgett, so please reflect this in your records. Her address information is as follows:

Kristina Lawson, Esq.
Hanson Bridgett
425 Market Street, 26th Floor
San Francisco, CA 94105
KLawson@hansonbridgett.com
(925) 746-8474

The Water Authority looks forward to SD LAFCO's approval of our request/application after the COVID-19 health emergency concludes. Given the Water Authority's affected resources during this emergency period, the Water Authority reserves all rights to amend or supplement this application. Please let me know if the SD LAFCO requires any further information or wishes to discuss this matter with the Water Authority. Thank you.

Very truly yours,

Mark J. Hattam
General Counsel

Attachments: SDCWA Resolution and Board Memo

Cc: (all via e-mail):

Holly Whatley, Commission Counsel
Aleks Giragosian, Deputy Commission Counsel
Robert Barry, Chief Policy Analyst
Sandra L. Kerl, General Manager, San Diego County Water Authority
Kristina Lawson, Outside Counsel, San Diego County Water Authority
Gary Thompson, Executive Officer, Riverside LAFCO
Jack Bebee, General Manager, Fallbrook PUD
Paula C. P. de Sousa, Counsel, Fallbrook PUD
Paul Jones, General Manager, Eastern MWD
Nick Kanetis, Deputy General Manager, Eastern MWD
Tom Kennedy, General Manager, Rainbow MWD
Alfred Smith, Counsel, Rainbow MWD
Water Authority Board of Directors

RESOLUTION NO. 2019- 19

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING THE GENERAL MANAGER AND GENERAL COUNSEL TO REQUEST A DETERMINATION BY THE SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION THAT THE WATER AUTHORITY IS NOT A "DISTRICT" OR "SPECIAL DISTRICT" FOR THE PURPOSES OF PART 4 OF THE CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT REORGANIZATION ACT AND TO REQUEST A VOTE OF THE WATER AUTHORITY'S ELECTORATE AS TO ANY DETACHMENT.

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act (Cal. Gov. Code section 56000 et seq.) ("**CKH Act**") at Government Code Section 56036.6 provides that a county water authority may apply to a Local Agency Formation Commission ("**LAFCO**") for a determination that the county water authority is not a "district" or "special district" for the purposes of Part 4 (or Part 5) of the CKH Act pursuant to Government Code Sections 56036.6, 56127, and 56128;

WHEREAS, the San Diego County Water Authority ("**Water Authority**") is a county water authority as described in Government Code Section 56036.6;

WHEREAS, the Water Authority anticipates that one or more applications for a change in organization that will affect, among others, the Water Authority and its member agencies will be filed with San Diego County LAFCO on behalf of Rainbow Municipal Water District ("**Rainbow**") and/or Fallbrook Public Utility District ("**Fallbrook**");

WHEREAS, the Water Authority's principal act, the County Water Authority Act, provides procedures for a change in organization for county water authorities, as does the CKH Act;

WHEREAS, Government Code Section 53036.6 provides that if, upon application by a county water authority, a LAFCO determines that a county water authority is not a "district" or "special district," then any authority proceedings pursuant to Part 4 of the CKH Act for a change of organization to the Water Authority (which proceedings follow the LAFCO's commission proceedings) will be conducted pursuant to the County Water Authority Act;

WHEREAS, Part 4 of the CKH Act provides for a protest vote for any change of organization approved by the LAFCO, which results in a default approval of the LAFCO's decision unless 25% of the registered voters in the designated territory protest the change of organization by signed mail-in vote, but the County Water Authority Act provides instead for a majority vote of the voters in the detaching agency service area to confirm the detachment/exclusion of that member agency from the Water Authority by majority approval at a general or special election;

WHEREAS, voters and ratepayers in service areas of member agencies of the Water Authority other than Rainbow and Fallbrook may be affected by a detachment of one or both of those agencies, and San Diego LAFCO may want to allow such larger electorate a chance to be heard on detachment;

WHEREAS, if a detachment application is not denied by San Diego LAFCO, then each applicable electorate should be afforded the opportunity to vote at a general or special election based on a full understanding of the potential impacts that would result from detachment and knowing all conditions that would be placed on the ratepayers of a detaching agency by LAFCO as a result of such a detachment;

WHEREAS, the CKH Act requires that if a proposal for a change in organization is initiated by other than the Water Authority, then the Water Authority may request the determination that it be deemed to be not a "district" or "special district" for purposes of Part 4 and/or 5 of the CKH Act as described in the first recital above within 10 days of notification by LAFCO of the initiation of the proposal; and

WHEREAS, the Water Authority is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or garbage and refuse collection service to the ultimate users thereof; (c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities, except as an incident to the exercise of other lawful power of the Water Authority.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves the following:

1. In any LAFCO proceeding in which a change in organization is proposed that would detach or exclude Rainbow and/or Fallbrook from the Water Authority, the Water Authority shall request that if San Diego LAFCO does not deny the detachment application(s), that: (a) San Diego LAFCO exempt the proceeding from Part 4 of the LAFCO Act and, instead, proceed under the Water Authority's principal act, the County Water Authority Act, for the purpose of the Authority Proceedings phase; and (b) in addition to any other appropriate conditions or Authority Proceeding requirements, San Diego LAFCO also require detachment approval by a majority of the voters within the Water Authority's entire service area. The General Manager and the General Counsel, or their designees, are hereby authorized to request the foregoing as to the Rainbow and/or Fallbrook proceedings only, and to submit all applications and other necessary papers.

PASSED, APPROVED, and ADOPTED this 21st day of November 2019 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES: Bebee, Cate, Kennedy, and Steiner

ABSTAIN: None

ABSENT: Ayala, Barnum, Boyle, Fong-Sakai, Hall, Mosca, Murtland, Scalzitti (P), Simpson, and Watkins (P).

Jim Madaffer, Chair

ATTEST:

Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2019- 19 was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Nelson, Clerk of the Board

Our Region's Trusted Water Leader
San Diego County Water Authority

November 13, 2019

Attention: Board of Directors

Resolution Regarding LAFCO Part 4 Exemption Request. (Action)

Staff recommendation
Adopt Resolution 2019-___ (Attachment 1) authorizing General Manager and/or General Counsel to Apply to LAFCO to:

- Exempt a Rainbow and/or Fallbrook detachment/annexation proceeding from Part 4 of the Cortese-Knox-Hertzberg Act, and instead have any "Authority Proceedings" conducted under the County Water Authority Act; and

- In addition to any other LAFCO requirements, request that LAFCO condition approval of any detachment on a majority vote of the entire Water Authority electorate.

Alternative
Do not adopt the Resolution.

Fiscal Impact
There is no identifiable fiscal impact from this action, which pertains to a procedural issue at San Diego Local Agency Formation Commission ("**LAFCO**").

Executive Summary

- Rainbow Municipal Water District ("**Rainbow**") and/or Fallbrook Public Utility District ("**Fallbrook**") may soon file applications with the San Diego Local Agency Formation Commission ("**LAFCO**") to detach from the Water Authority and annex into Eastern Municipal Water District ("**Eastern**") in Riverside County (together the detachment and annexation are the "**Reorganization.**")
- This Reorganization, under which member agencies of one regional public entity would annex into a different county's regional public entity, appears to have no precedent in San Diego County.
- The LAFCO proceedings will be conducted in phases, and if the LAFCO approves the Reorganization, it will still be subject to a local protest vote, called "Authority Proceedings."
- Under LAFCO law, the Authority Proceedings can require a *protest* vote; however, the Water Authority is entitled to seek the LAFCO's approval to instead conduct the Authority Proceedings as a *majority-vote election* in at least the Rainbow and Fallbrook service areas.
- LAFCO may also condition its approval of a Reorganization on certain terms and conditions, including requiring an Authority Proceeding vote to be conducted only among voters in the detaching areas, or also among the voters in the entire Water Authority service area. The latter approach would allow for voters region-wide to ratify a potential LAFCO approval of the Reorganization, giving those ratepayers a voice in the future economic and other impacts that would result from detachment from the Water Authority.

Background

Beginning in at least Fall of 2018, member agencies Fallbrook and Rainbow initiated plans to seek to detach from the Water Authority and annex into Eastern Municipal Water District, located in Riverside County. Fallbrook and Rainbow began discussions with Eastern as early as fall of 2018, and then began discussions with San Diego and Riverside LAFCOs by January of 2019.

In May of 2019, the Acting General Manager of the Water Authority was informed by the General Manager of Rainbow that both Rainbow and Fallbrook were planning to seek to detach from the Water Authority. A general proposal has now been publicly discussed by Fallbrook and Rainbow, but the specifics of the infrastructure changes and financial approach have not been made clear.

Rainbow and Fallbrook have stated at their respective board meetings that applications for detachment are being drafted and may be filed as early as December 2019.

Water Authority's Involvement to Date

Applicable LAFCO. Initially, Rainbow and Fallbrook would have had the LAFCO matters decided at two different LAFCOs – Riverside County and San Diego County. In an effort to have a consolidated set of proceedings, improve coordination and efficiency, and maintain local control of

decisions in San Diego County, the Water Authority requested that the San Diego LAFCO take exclusive jurisdiction over the matters. In October 2019, the two LAFCOs agreed to an MOU under which exclusive jurisdiction is vested in San Diego LAFCO.

Fact Finding. The Water Authority made Public Records Act requests in order to understand the scope of the plans and the history of discussions. Additionally, meetings between staff were conducted in July, and were followed by a general proposal from Rainbow and Fallbrook in August, which again provided little detail or analysis of impacts. Further meetings were conducted in September and early October, but to date the Water Authority has not been presented by Rainbow or Fallbrook with any detailed proposals, or with any substantive analyses of what the projected impacts to water supply reliability, rates, or infrastructure would be to the Water Authority and to each of its member agencies. The Water Authority has asked Rainbow and Fallbrook for these details, including in a recent October 14, 2019, letter sent by special counsel, and previously provided to each of the Board members. A copy is attached as Attachment 2.

Anticipated Procedure

LAFCO Nomenclature. A detachment from the Water Authority will require multiple acts and approvals by San Diego LAFCO. Procedurally, it will require changes to the "sphere of influence" for the Water Authority, Rainbow, Fallbrook, and Eastern, as well as the detachment of Rainbow and Fallbrook from the Water Authority, and the annexation of Rainbow and Fallbrook to Eastern. All of these will be handled in one consolidated proceeding, but are governed under separate parts of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code sections 56000 *et seq.* (also known as the "**CKH Act**" or the "**LAFCO Act**.") Annexations and detachments are also collectively known as "boundary changes" or "reorganizations."

Consultations. Under local LAFCO policy, the applicants must consult with affected local agencies prior to submitting their applications, in order to identify and attempt to resolve any issues raised by the proposed reorganizations. Because it is possible that the proposed Reorganization would have significant financial and potential environmental impacts on the Water Authority all of its member agencies, as well as other agencies such as fire districts, all of those parties are affected local agencies with which the applicants should consult. The consultations, to be meaningful, must be based on a proposal that specifies the changes that would occur under a Reorganization. Special Counsel sent a letter to this effect to Rainbow and Fallbrook on October 14, 2019 (Attachment 2). We will continue to work with San Diego LAFCO to ensure that meaningful consultations are conducted prior to San Diego LAFCO's accepting the applications.

Application and Commission Proceedings. Rainbow and Fallbrook would, if they go forward, subsequently submit applications (or perhaps a consolidated single application) to San Diego LAFCO and pay associated fees.

Once LAFCO determines that the application is complete, it will notify all affected agencies, including the Water Authority, and solicit public engagement and comments. The Water Authority, its member agencies and all other affected parties will have an opportunity to participate in this process.

LAFCO will then undertake an independent analysis of the proposal. This may take many months.

Upon the conclusion of that analysis, LAFCO staff will prepare a report and recommendation, provide notice, and hold a public hearing. The Water Authority and its member agencies and all other affected local parties will have an opportunity to review the analysis and report, and participate in the public hearing.

The Commission will then vote on the application. These initial procedures are referred to as the "Commission Proceedings." (*See* Cal. Gov. Code § 56650 *et seq.*) If the application is denied, the process ends. If the application is approved (with any associated conditions), then "Authority Proceedings" may follow.

It is important to note that LAFCO may place a number of conditions on any approval. Cal. Gov. Code Section 56886 gives LAFCO a considerable amount of leeway in fashioning terms and conditions of a detachment, including imposing requirements from the principal act, here the CWA Act.

Authority Proceedings. Following the approval of an application by LAFCO, the LAFCO Act provides for a second process, known as the "Authority Proceedings."

LAFCO Act Authority Proceedings:

The default approach to Authority Proceedings is a "protest" proceeding under which the affected territory's voters may mail in a protest to oppose the LAFCO's approval/decision. If fewer than 25% of ratepayers in the affected territory protest, then the application is deemed approved. If 50%+1 of the registered voters protest the proposal, then it is deemed denied. If 25-50% of the registered voters protest the proposal, then the proposal goes to the voters in a general or special election where it is subject to a majority vote. LAFCO may provide for the voter pool to be just Rainbow and Fallbrook, or the entirety of the four affected entities (Fallbrook, Rainbow, Water Authority and Eastern), or some subset of those. Historically it has proven procedurally cumbersome for a large electorate to affirmatively lodge 25%+ protests, especially because protest proceedings are unfamiliar to most voters. If that standard is not met, then under "Authority Proceedings" there might not be a vote of the electorate at all.

CWA Act Authority Proceedings:

In the alternative, the Water Authority may apply to LAFCO to opt out of the protest procedure in the LAFCO Act, and instead conduct the Authority Proceedings pursuant to its principal act, the County Water Authority Act ("**CWA Act**"). This would ensure the voters have an opportunity to vote on the proposal at a standard regular or special election.

In order to seek to proceed under the CWA Act instead of Part 4 of the LAFCO Act, the Water Authority would need to apply to LAFCO for exemption from Part 4 within 10 days after notification that the initial application is complete. That option is allowed when an agency is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or

garbage and refuse collection service to the ultimate users thereof; (c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities, except as an incident to the exercise of other lawful power of the Water Authority. The Water Authority, as a water wholesaler, satisfies the statutory requirement.

Terms and Conditions Imposed by LAFCO:

In addition to a vote in the Rainbow and Fallbrook service areas, San Diego LAFCO Commissioner Dianne Jacob suggested at the October 7, 2019, LAFCO meeting that voters within the Water Authority's entire 24-member agency service area perhaps should have an opportunity to evaluate and vote upon a detachment, as they may be affected by such a change in organization. It is within the discretion of the LAFCO to provide terms and conditions for reorganization. Consistent with Commissioner Jacob's suggestion, and assuming that LAFCO's analysis of the applications demonstrates that there will be financial impacts on ratepayers, in order to enfranchise all of the Water Authority's affected ratepayers on this issue it is therefore recommended that the Water Authority specifically request that such a vote of the larger affected electorate be considered as a condition of detachment (if detachment were to be approved; of course, detachment may also be denied by San Diego LAFCO). The below staff recommendation would ensure that all affected ratepayers are entitled to vote (including those in Rainbow and Fallbrook as specified in the CWA Act).

Request for Board Action

The Board is therefore requested to adopt the Attachment 1 Resolution that would authorize the General Manager and General Counsel, or their designees, to do the following upon notification of a detachment application filed with San Diego LAFCO by Rainbow or Fallbrook:

1. Request that San Diego LAFCO exempt the proceeding from Part 4 of the LAFCO Act and instead proceed under the Water Authority's principal act, the County Water Authority Act, for the purpose of voter approval of any LAFCO-approved detachment in the Authority Proceedings phase; and

2. Request that if San Diego LAFCO does not deny the detachment application(s), that – in addition to any other appropriate conditions or Authority Proceeding requirements the LAFCO may specify – San Diego LAFCO also require detachment approval by the voters within the Water Authority's entire service area.

Prepared by: Claire Hervey Collins, Special Counsel
Approved by: Sandra L. Kerl, Acting General Manager
Mark J. Hattam, General Counsel

Attachments:
Attachment 1 - Resolution 2019-___
Attachment 2 - October 14, 2019 Letter

RESOLUTION NO. 2019-___

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING THE GENERAL MANAGER AND GENERAL COUNSEL TO REQUEST A DETERMINATION BY THE SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION THAT THE WATER AUTHORITY IS NOT A "DISTRICT" OR "SPECIAL DISTRICT" FOR THE PURPOSES OF PART 4 OF THE CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT REORGANIZATION ACT AND TO REQUEST A VOTE OF THE WATER AUTHORITY'S ELECTORATE AS TO ANY DETACHMENT.

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act (Cal. Gov. Code section 56000 et seq.) ("**CKH Act**") at Government Code Section 56036.6 provides that a county water authority may apply to a Local Agency Formation Commission ("**LAFCO**") for a determination that the county water authority is not a "district" or "special district" for the purposes of Part 4 (or Part 5) of the CKH Act pursuant to Government Code Sections 56036.6, 56127, and 56128;

WHEREAS, the San Diego County Water Authority ("**Water Authority**") is a county water authority as described in Government Code Section 56036.6;

WHEREAS, the Water Authority anticipates that one or more applications for a change in organization that will affect, among others, the Water Authority and its member agencies will be filed with San Diego County LAFCO on behalf of Rainbow Municipal Water District ("**Rainbow**") and/or Fallbrook Public Utility District ("**Fallbrook**");

WHEREAS, the Water Authority's principal act, the County Water Authority Act, provides procedures for a change in organization for county water authorities, as does the CKH Act;

WHEREAS, Government Code Section 53036.6 provides that if, upon application by a county water authority, a LAFCO determines that a county water authority is not a "district" or "special district," then any authority proceedings pursuant to Part 4 of the CKH Act for a change of organization to the Water Authority (which proceedings follow the LAFCO's commission proceedings) will be conducted pursuant to the County Water Authority Act;

WHEREAS, Part 4 of the CKH Act provides for a protest vote for any change of organization approved by the LAFCO, which results in a default approval of the LAFCO's decision unless 25% of the registered voters in the designated territory protest the change of organization by signed mail-in vote, but the County Water Authority Act provides instead for a majority vote of the voters in the detaching agency service area to confirm the detachment/exclusion of that member agency from the Water Authority by majority approval at a general or special election;

WHEREAS, voters and ratepayers in service areas of member agencies of the Water Authority other than Rainbow and Fallbrook may be affected by a detachment of one or both of those agencies, and San Diego LAFCO may want to allow such larger electorate a chance to be heard on detachment;

WHEREAS, if a detachment application is not denied by San Diego LAFCO, then each applicable electorate should be afforded the opportunity to vote at a general or special election based on a full understanding of the potential impacts that would result from detachment and knowing all conditions that would be placed on the ratepayers of a detaching agency by LAFCO as a result of such a detachment;

WHEREAS, the CKH Act requires that if a proposal for a change in organization is initiated by other than the Water Authority, then the Water Authority may request the determination that it be deemed to be not a "district" or "special district" for purposes of Part 4 and/or 5 of the CKH Act as described in the first recital above within 10 days of notification by LAFCO of the initiation of the proposal; and

WHEREAS, the Water Authority is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or garbage and refuse collection service to the ultimate users thereof; (c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities, except as an incident to the exercise of other lawful power of the Water Authority.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves the following:

1. In any LAFCO proceeding in which a change in organization is proposed that would detach or exclude Rainbow and/or Fallbrook from the Water Authority, the Water Authority shall request that if San Diego LAFCO does not deny the detachment application(s), that: (a) San Diego LAFCO exempt the proceeding from Part 4 of the LAFCO Act and, instead, proceed under the Water Authority's principal act, the County Water Authority Act, for the purpose of the Authority Proceedings phase; and (b) in addition to any other appropriate conditions or Authority Proceeding requirements, San Diego LAFCO also require detachment approval by a majority of the voters within the Water Authority's entire service area. The General Manager and the General Counsel, or their designees, are hereby authorized to request the foregoing as to the Rainbow and/or Fallbrook proceedings only, and to submit all applications and other necessary papers.

PASSED, APPROVED, and ADOPTED this 21st day of November 2019 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

_____
Jim Madaffer, Chair

ATTEST:

_____
Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2019- ___ was duly adopted at the meeting of the Board of Directors on the date stated above.

_____
Melinda Nelson, Clerk of the Board

LEWIS BRISBOIS

LEWIS BRISBOIS BISGAARD & SMITH LLP

Claire Hervey Collins
633 West 5th Street, Suite 4000
Los Angeles, California 90071
Claire.Collins@lewisbrisbois.com
Direct: 213.680.5039

October 14, 2019

File No. 44112.2

Mr. Jack Bebee
General Manager
Fallbrook Public Utility District
900 East Mission Road
Fallbrook, CA 92028
jackb@fpud.com

Re: LAFCO Process

Dear Mr. Bebee:

As special LAFCO counsel to the San Diego County Water Authority ("Water Authority"), Chair Madaffer has asked me to respond to your October 10 letter to him on behalf of the agency.

First, as has been stated many times, the Water Authority must respect the interests of all water ratepayers served by our 24 member agencies in San Diego County. We plan to do that and stand ready to support a fully transparent LAFCO process.

Second, I am addressing this letter to you as the author of the October 10 letter, and I am copying your General Counsel. The Water Authority urges you to consult with your General Counsel or other qualified LAFCO counsel as soon as possible in order to ensure that Fallbrook Public Utility District ("Fallbrook") is following the LAFCO process, and to ensure that Fallbrook understands the Water Authority's responsibility in that process. I am copying Mr. Kennedy and his agency's General Counsel for the same reason. I believe that it is imperative that Fallbrook and Rainbow Municipal Water District ("Rainbow") take certain necessary consultation actions in light of your stated imminent plans to file a LAFCO detachment proposal.

The pace of the LAFCO process has been designed by statute and local policy to be a thorough, collaborative, and deliberative process. The responsibility for preparing a comprehensive proposal and engaging in meaningful consultations with affected agencies is a significant and serious one. Your apparent frustration at the response to date by the Water Authority is a reflection of the lack of detail and analysis in the materials provided by Fallbrook and Rainbow to the Water Authority, and a reflection of the lack of meaningful dialogue about the impacts of potential detachment. It is not the result of any actions taken or not taken by Chair Madaffer or the Water Authority, which is eager to better understand Fallbrook and Rainbow's detailed plan so that it can undertake a rigorous analysis of the related impacts. To be clear, however, the Water Authority has no duty to formulate a proposal for your agencies, or to formulate an "offer" on behalf

of its other member agencies. It does have a duty of good faith to review and consult with you on a genuine proposal, but due to the lack of specifics from your agencies as to exactly what you plan, it is unable to do so at this time.

Against this backdrop, and in the interest of fairness and to promote mutual understanding, I will take this opportunity to comment on some of the points raised in your October 10 letter.

San Diego LAFCO Legislative Policy No. L-107:

San Diego LAFCO's legislative policy L-107 establishes a consultation requirement among affected agencies ***prior to the filing of a detachment proposal***, stating in part:

> It is the policy of the San Diego Local Agency Formation Commission that:
>
> 1. Prior to submission of a proposal requesting LAFCO consideration of a change of organization or reorganization, ***the proposal applicant and representatives from affected public agencies, interested parties, and/or organizations, shall meet at the earliest possible stage for the purpose of identifying and attempting to resolve any issues associated with the proposed jurisdictional change(s).*** The Executive Officer may waive the consultation procedure outlined in this provision when it can be determined with certainty that there will be no possibility that the proposal in question will result in identified and unresolved jurisdictional issues.
>
> 2. The consultation process described in provision no. 1 should identify any jurisdictional issues or concerns related to: a. Differing development standards; b. Existing and/or planned land uses and zoning, including densities, community character, and appropriate jurisdictional transition areas; c. Existing and/or planned provision of governmental services, including any potential impacts to service levels or financial ability to sustain service levels; and, d. Any other local community or governmental concerns.
>
> * * *
>
> 6. Affected local agencies shall be encouraged to explore additional methods to improve future inter- and intra-departmental and jurisdictional communications for the purpose of discussing and commenting on proposed or pending jurisdictional changes at the earliest possible stage.

Consultation Process:

With due respect, the Water Authority does not agree that all necessary steps have been taken to satisfy L-107 requirements.

First, although your agencies have been discussing a possible detachment among yourselves for a full year now, very few concrete details have been revealed to the Water Authority

or to the public.[1] The very broad "framework" you have provided does not include the kind of substantive detail necessary to evaluate such a significant service change, particularly in light of the more than 50 years of water service to Fallbrook and Rainbow by the Water Authority. You are required to provide an analysis outlining the potential effects of detachment on the Water Authority and all of its member agencies, including Fallbrook and Rainbow customers.[2] We renew our request for a detailed proposal consistent with LAFCO requirements.[3]

Detailed Proposal Needed:

In order to have a productive consultation process, all affected parties (as defined in L-107) need to be provided with the specific details of your detachment proposal including financial and environmental impacts, impacts on water supply reliability, and all other impacts to the region as a whole that would result from a detachment.[4]

Because Fallbrook and Rainbow are the agencies proposing detachment, it is your responsibility, not the Water Authority's responsibility, to conduct the relevant analyses and make a detailed proposal addressing all relevant factors. For example:

- You are aware that a number of Water Authority member agencies have expressed concerns about Fallbrook and Rainbow's share of Water Authority financial obligations, incurred to develop the reliable, firm water supplies now being delivered to Fallbrook and Rainbow and all Water Authority member agencies. You should be prepared to discuss this topic when you meet with the other member agencies. Your proposal should indicate how you plan to address this concern, as well as how your proposal would impact customer rates (including those of Fallbrook and Rainbow), if at all.

- We have not been given any details as to environmental impacts, but note comments in the PRA documents that significant new piping infrastructure may be needed in Rainbow and

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[1] The Water Authority only became aware of this timeline from documents produced by Fallbrook and Rainbow in response to its Public Records Act (PRA) request. While your agencies began at an early stage to consult with the Eastern Municipal Water District, you did not share your intentions with the Water Authority until just this past May.

[2] We attach Water Authority Acting General Manager Sandy Kerl's e-mail to you dated October 10, which was not attached to your letter. In that e-mail, Ms. Kerl noted that Fallbrook and Rainbow had not provided the specifics of any proposal to the Water Authority. The document you submitted on August 21, 2019, was really an advocacy piece arguing why detachment might make sense for your agencies. This is not the kind of substantive proposal or analysis of impacts required by LAFCO.

[3] This is why your requests for a Water Authority open session agenda item about detachment, before submittal of a detailed written proposal, were premature. This is not a "political" decision, but must be one based on what is in the best interests of the voters and ratepayers in San Diego County.

[4] This is not intended to be an exhaustive list of issues or substitute for legal advice by your own attorneys on LAFCO requirements.

perhaps Fallbrook. Additionally, a detachment from the Water Authority (which uses very little water from the environmentally sensitive Bay Delta region, and will use even less over time) would, under your plan, be replaced by increased reliance on Delta water from MWD. This shift should be analyzed, particularly in light of Water Code section 85021. Review of these and other potential environmental impacts should be completed before any applications are filed with LAFCO, with all affected parties described under LAFCO Policy L-107 being provided a reasonable time and opportunity to comment.

These are only a few examples of the kinds of impacts that should be included in a detailed proposal to be presented to and discussed with affected parties during the consultation process.

Next Steps:

The Water Authority is fully committed to working through the LAFCO process—but the process must start with your agencies' good faith efforts to present a proposal grounded in facts and substantive analysis, including a reasonable range of alternative outcomes. You must provide sufficient information to allow all parties, and ultimately all voters and ratepayers, to make informed decisions about the proposed detachment.

Once you have prepared the terms of your proposal, Fallbrook and Rainbow can begin the process of meeting with all affected agencies and parties to identify and attempt to resolve issues, as required under LAFCO policy.[5] This will provide an opportunity to identify areas of agreement, disagreement, and further areas of inquiry necessary to present a meaningful application to LAFCO.

I would be happy to discuss next steps with your counsel in order to avoid further frustration and wasted effort on the part of all parties.

Very truly yours,



Claire Hervey Collins of
LEWIS BRISBOIS BISGAARD & SMITH LLP

CHC:JLB

Attachment

[5] Chair Madaffer's August 21 letter to Fallbrook and Rainbow did not say anything to the contrary; in fact, he reiterated then that he asked you to *"please provide a specific proposal."* Chair Madaffer was not addressing your LAFCO obligations in his letter—he was only asking that you cease "public relations" meetings with Water Authority directors telling them that the Water Authority was refusing to meet with you.

cc: Water Authority Board of Directors
Fallbrook Board of Directors
Rainbow Board of Directors
Mark Hattam, Water Authority General Counsel
Sandy Kerl, Water Authority Acting General Manager
Water Authority member agency General Managers
Paula de Sousa Mills, General Counsel for Fallbrook, Best Best & Krieger
Tom Kennedy, Rainbow General Manager
Lloyd W. Pellman, Counsel for Rainbow, Nossaman

From: Kerl, Sandy
Sent: Thursday, October 10, 2019 12:52 PM
To: Bebee, Jack <jackb@fpud.com>; Kennedy, Tom <tkennedy@rainbowmwd.com>
Cc: Madaffer, Jim <JMadaffer@sdcwa.org>; Croucher, Gary <garydcroucher@gmail.com>; Guerin, Christy <Redwhtblu56@yahoo.com>
Subject: Follow-Up on Meeting of October 9, 2019

Dear Jack and Tom:

This e-mail follows our meeting yesterday, as promised. The Water Authority appreciates the opportunity for continuing dialogue with you and all of our member agencies on this subject.

While I regret the frustration you expressed at our meeting yesterday, I want to be clear that from our perspective, the process going forward has now been established by the LAFCO board action taken on Monday, October 7. We believe LAFCO policy requires that your agencies, as the potential LAFCO applicants, meet with ***all affected parties*** prior to your filing with LAFCO, in an attempt to reach agreement on the issues presented.

The LAFCO policy (L-107) is expressly referenced in the letter that was submitted to LAFCO by the Otay Water District (copy attached). The policy clearly states a requirement that applicants meet with all affected agencies to walk through their proposal to try and reach a resolution. While we appreciate you meeting with the Water Authority, that alone does not satisfy LAFCO's policy.

I also derived from our meeting yesterday that you believe it is the Water Authority's responsibility to make some sort of "offer" to you. We would not be in a position to do that, even if we had the specific details of your proposal (we do not), because the potential impacts are not only on the Water Authority but also on its member agencies, their ratepayers and potentially other third parties.

Finally, you said that you wanted to know our agency's legal interpretation of the applicable law as to why your agencies should pay anything upon detachment. This is an issue that will be addressed in the course of LAFCO proceedings.

As I indicated to you, the Water Authority must continue to represent the interests of all of our member agencies. We plan to do that and stand ready to support the LAFCO process.

Best regards,

Sandy

Sandra L. Kerl
Acting General Manager

(858) 522-6783
skerl@sdcwa.org

Our Region's Trusted Water Leader
San Diego County Water Authority

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Our Region's Trusted Water Leader
San Diego County Water Authority

April 2, 2020

MEMBER AGENCIES

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

OTHER REPRESENTATIVE

County of San Diego

VIA E-MAIL AND U.S. MAIL

Keene Simonds
Executive Officer
San Diego County Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, CA 92123
E-Mail: Keene.Simonds@sdcounty.ca.gov

Re: Request/Application for Determination that San Diego County Water Authority Is Not a District for Purposes of Part 4 of the CKH Act for LAFCO File RO20-04

Dear Mr. Simonds:

The San Diego County Water Authority (the "Water Authority") received a notice dated March 25, 2020, from the San Diego County Local Agency Formation Commission ("SD LAFCO") regarding the filing of the proposal ("Proposal") by Rainbow Municipal Water District ("Rainbow") for a reorganization that would affect the Water Authority and its member agencies. The notice informed the Water Authority that it had until April 6, 2020 to file an application under "Government Code sections 56127 and 56128 for a determination that the Authority is a not a district for purposes of Part 4 or Part 5 of CKH for the above-referenced proposal."

This letter constitutes: (1) an application to SD LAFCO by the Water Authority for a determination that, as to the Proposal, the Water Authority is not a district per Government Code sections 56127, 56128, and 56036.6 as to *Part 4 only* of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act"); (2) a request by the Water Authority that if for any reason SD LAFCO were to consider approving the Proposal, that as a condition of approval SD LAFCO should require a majority vote of the Water Authority service area as to the detachment sought by Rainbow; and (3) a request by the Water Authority that SD LAFCO stay the Proposal from moving forward during the current COVID-19 emergency, and an objection to further proceedings during this period of emergency. The latter being the most urgent issue, it is addressed first.

COVID-19 Emergency, Objection And Request For Stay

The United States, the State of California, the County of San Diego, and the City of San Diego are all under emergency orders in connection with the COVID-19 epidemic, and most of our region's residents are heeding "shelter in place" instructions from their governmental authorities. We are all in the midst of an unprecedented disruption of our societal norms, including severe work disruptions.

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

The Water Authority Board has, like many other public agencies, declared emergency status. As a result, the Water Authority has significantly limited its operations and has moved to a largely remote workforce. We understand that many other agencies have done the same.

We are very surprised and disappointed that Rainbow chose to file its Proposal in the midst of this crisis. Indeed, it is remarkable that the Proposal papers make no mention of the existential emergency we all face, or suggest any delays in the process. Rather, the Proposal simply presents advocacy and argument without even mentioning the unprecedented circumstances we find ourselves in as a result of the COVID-19 virus precautions being taken across the country.

The Water Authority and its other member agencies are focused at this time, as they should be, on maintaining the continuity of needed water service for our region. The Water Authority does not believe that any processing of the Proposal should go forward at this time, and we object to any further proceedings on the matter at SD LAFCO as prejudicial to the rights of the Water Authority, our other member agencies, and the public we all serve to fairly and properly address the Proposal. Our staff and those at agencies which would want to participate are swamped with emergency-related matters, consultants are shut down or limited in scope, coordination with other agencies is necessarily curtailed, and access to key documents is impaired. *The Water Authority respectfully requests that SD LAFCO, as has been done by the courts and many other public agencies, stay any further processing of the Proposal until the COVID-19 emergency subsides*. When that occurs, SD LAFCO could then formally notify the parties that the stay is lifted and normal processing will resume. We hereby agree that SD LAFCO's processing of the Water Authority's application presented next in this letter may also be stayed along with the Proposal.

Application for Exemption from Part 4 of the CKH Act

The Water Authority hereby files its request/application for determination by SD LAFCO that, as to the Proposal, the Water Authority is not a district or special district *for purposes of only Part 4 of the CKH Act* pursuant to Sections 56127, 56128 and 56036.6. The Water Authority hereby requests that you present this request/application to the Commission, but subject to the stay request stated above. The Water Authority Board of Directors has authorized this application per its signed Resolution dated November 21, 2019 (the "Resolution"), a copy of which is attached, along with the Water Authority Board Memo for that item.

Please take note that the Water Authority does *not* seek exemption from Part 5 of the CKH Act, and is allowed to limit its application in this manner. *See* Section 56128 ("or"); Section 56036.6(a) ("or"); Section 56036.6(b) (reference to Part 4); and Section 56128 ("or"). Also, please note that our application applies only to this Proposal (there is a similar application being filed by the Water Authority as to Fallbrook Public Utilities District), and is not a blanket request for a perpetual determination as to all possible future matters.

As stated in the Resolution, the Water Authority is a county water authority and is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or garbage and refuse collection service to the ultimate users thereof; (c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities, except as an incident to the exercise of

other lawful power of the Water Authority. In the attached Resolution, the Water Authority Board of Directors approved the statement of the above-listed facts to submit to SD LAFCO. Thus, the Water Authority meets the statutory requirements for exemption "for purposes of Part 4 (commencing with Section 57000) or Part 5 (commencing with Section 57300)." (Cal. Gov't Code section 56127.)

As you know, there was a prior Water Authority exemption determined by SD LAFCO. On November 11, 1976, in accordance with the District Reorganization Act of 1965 ("DRA"), the Water Authority submitted to SD LAFCO an application for exemption from LAFCO's authority (the "1976 Application"). At the time under the extant law, the procedure for exemption from SD LAFCO authority was governed by Sections 56105, 56106 and 56039 of the California Government Code, all of which have since been repealed and replaced. It is important to note that under the prior law, an agency such as the Water Authority could seek an entire exemption from SD LAFCO's jurisdiction, not the very limited exemption as to Parts 4 or 5 of the CKH Act which is present in the law today. Thus, when the 1976 Application was filed, the Water Authority was allowed to remove itself entirely from SD LAFCO review, but that is no longer the case under current law. This makes the 1976 Application (and subsequent determination) of no effect in the current proceedings, because the law has substantively changed. That is one reason why the Water Authority submits this new application under the applicable law that exists today, the CKH Act. Additionally, under the current law, an application or request for determination that an agency is not a district must now be made on an application-by-application basis (see Gov. Code Sections 56127 and 56128). Therefore, the Water Authority's application only covers the Proposal application (and, via a separate application by the Water Authority, the sister proposal made by the Fallbrook Public Utilities District).

Vote of the Electorate

We note that as part of the attached Resolution, the Water Authority Board requested that if for some reason the SD LAFCO were contemplating any approval of the Proposal, it should require a majority vote of the electorate in the Water Authority's service area so that *all* affected ratepayers may have a say in any detachment, because a detachment may adversely affect all area ratepayers, and not just those in Fallbrook and Rainbow. While we realize this will be a material issue to be addressed in detailed briefing by all interested parties later, we wanted to call it to SD LAFCO's attention as it is part of the Water Authority Board's Resolution. This request is made without any prejudice to our member agencies making their positions known as well, or the Water Authority submitting further matters to SD LAFCO when the process continues.

Finally, we note – as shown on the below cc list – that Kristina Lawson is now our main contact person with our outside counsel at Hanson Bridgett, so please reflect this in your records. Her address information is as follows:

Kristina Lawson, Esq.
Hanson Bridgett
425 Market Street, 26th Floor
San Francisco, CA 94105
KLawson@hansonbridgett.com
(925) 746-8474

The Water Authority looks forward to SD LAFCO's approval of our request/application after the COVID-19 health emergency concludes. Given the Water Authority's affected resources during this emergency period, the Water Authority reserves all rights to amend or supplement this application. Please let me know if the SD LAFCO requires any further information or wishes to discuss this matter with the Water Authority. Thank you.

Very truly yours,

Mark J. Hattam
General Counsel

Attachments: SDCWA Resolution and Board Memo

Cc: (all via e-mail):

Holly Whatley, Commission Counsel
Aleks Giragosian, Deputy Commission Counsel
Robert Barry, Chief Policy Analyst
Sandra L. Kerl, General Manager, San Diego County Water Authority
Kristina Lawson, Outside Counsel, San Diego County Water Authority
Gary Thompson, Executive Officer, Riverside LAFCO
Jack Bebee, General Manager, Fallbrook PUD
Paula C. P. de Sousa, Counsel, Fallbrook PUD
Paul Jones, General Manager, Eastern MWD
Nick Kanetis, Deputy General Manager, Eastern MWD
Tom Kennedy, General Manager, Rainbow MWD
Alfred Smith, Counsel, Rainbow MWD
Water Authority Board of Directors

RESOLUTION NO. 2019- 19

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING THE GENERAL MANAGER AND GENERAL COUNSEL TO REQUEST A DETERMINATION BY THE SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION THAT THE WATER AUTHORITY IS NOT A "DISTRICT" OR "SPECIAL DISTRICT" FOR THE PURPOSES OF PART 4 OF THE CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT REORGANIZATION ACT AND TO REQUEST A VOTE OF THE WATER AUTHORITY'S ELECTORATE AS TO ANY DETACHMENT.

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act (Cal. Gov. Code section 56000 et seq.) ("**CKH Act**") at Government Code Section 56036.6 provides that a county water authority may apply to a Local Agency Formation Commission ("**LAFCO**") for a determination that the county water authority is not a "district" or "special district" for the purposes of Part 4 (or Part 5) of the CKH Act pursuant to Government Code Sections 56036.6, 56127, and 56128;

WHEREAS, the San Diego County Water Authority ("**Water Authority**") is a county water authority as described in Government Code Section 56036.6;

WHEREAS, the Water Authority anticipates that one or more applications for a change in organization that will affect, among others, the Water Authority and its member agencies will be filed with San Diego County LAFCO on behalf of Rainbow Municipal Water District ("**Rainbow**") and/or Fallbrook Public Utility District ("**Fallbrook**");

WHEREAS, the Water Authority's principal act, the County Water Authority Act, provides procedures for a change in organization for county water authorities, as does the CKH Act;

WHEREAS, Government Code Section 53036.6 provides that if, upon application by a county water authority, a LAFCO determines that a county water authority is not a "district" or "special district," then any authority proceedings pursuant to Part 4 of the CKH Act for a change of organization to the Water Authority (which proceedings follow the LAFCO's commission proceedings) will be conducted pursuant to the County Water Authority Act;

WHEREAS, Part 4 of the CKH Act provides for a protest vote for any change of organization approved by the LAFCO, which results in a default approval of the LAFCO's decision unless 25% of the registered voters in the designated territory protest the change of organization by signed mail-in vote, but the County Water Authority Act provides instead for a majority vote of the voters in the detaching agency service area to confirm the detachment/exclusion of that member agency from the Water Authority by majority approval at a general or special election;

WHEREAS, voters and ratepayers in service areas of member agencies of the Water Authority other than Rainbow and Fallbrook may be affected by a detachment of one or both of those agencies, and San Diego LAFCO may want to allow such larger electorate a chance to be heard on detachment;

WHEREAS, if a detachment application is not denied by San Diego LAFCO, then each applicable electorate should be afforded the opportunity to vote at a general or special election based on a full understanding of the potential impacts that would result from detachment and knowing all conditions that would be placed on the ratepayers of a detaching agency by LAFCO as a result of such a detachment;

WHEREAS, the CKH Act requires that if a proposal for a change in organization is initiated by other than the Water Authority, then the Water Authority may request the determination that it be deemed to be not a "district" or "special district" for purposes of Part 4 and/or 5 of the CKH Act as described in the first recital above within 10 days of notification by LAFCO of the initiation of the proposal; and

WHEREAS, the Water Authority is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or garbage and refuse collection service to the ultimate users thereof; (c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities, except as an incident to the exercise of other lawful power of the Water Authority.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves the following:

1. In any LAFCO proceeding in which a change in organization is proposed that would detach or exclude Rainbow and/or Fallbrook from the Water Authority, the Water Authority shall request that if San Diego LAFCO does not deny the detachment application(s), that: (a) San Diego LAFCO exempt the proceeding from Part 4 of the LAFCO Act and, instead, proceed under the Water Authority's principal act, the County Water Authority Act, for the purpose of the Authority Proceedings phase; and (b) in addition to any other appropriate conditions or Authority Proceeding requirements, San Diego LAFCO also require detachment approval by a majority of the voters within the Water Authority's entire service area. The General Manager and the General Counsel, or their designees, are hereby authorized to request the foregoing as to the Rainbow and/or Fallbrook proceedings only, and to submit all applications and other necessary papers.

PASSED, APPROVED, and ADOPTED this 21st day of November 2019 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES: Bebee, Cate, Kennedy, and Steiner

ABSTAIN: None

ABSENT: Ayala, Barnum, Boyle, Fong-Sakai, Hall, Mosca, Murtland, Scalzitti (P), Simpson, and Watkins (P).

Jim Madaffer, Chair

ATTEST:

Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2019- 19 was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Nelson, Clerk of the Board

Our Region's Trusted Water Leader
San Diego County Water Authority

November 13, 2019

Attention: Board of Directors

Resolution Regarding LAFCO Part 4 Exemption Request. (Action)

Staff recommendation
Adopt Resolution 2019-___ (Attachment 1) authorizing General Manager and/or General Counsel to Apply to LAFCO to:

- Exempt a Rainbow and/or Fallbrook detachment/annexation proceeding from Part 4 of the Cortese-Knox-Hertzberg Act, and instead have any "Authority Proceedings" conducted under the County Water Authority Act; and

- In addition to any other LAFCO requirements, request that LAFCO condition approval of any detachment on a majority vote of the entire Water Authority electorate.

Alternative
Do not adopt the Resolution.

Fiscal Impact
There is no identifiable fiscal impact from this action, which pertains to a procedural issue at San Diego Local Agency Formation Commission ("**LAFCO**").

Executive Summary

- Rainbow Municipal Water District ("**Rainbow**") and/or Fallbrook Public Utility District ("**Fallbrook**") may soon file applications with the San Diego Local Agency Formation Commission ("**LAFCO**") to detach from the Water Authority and annex into Eastern Municipal Water District ("**Eastern**") in Riverside County (together the detachment and annexation are the "**Reorganization**.")
- This Reorganization, under which member agencies of one regional public entity would annex into a different county's regional public entity, appears to have no precedent in San Diego County.
- The LAFCO proceedings will be conducted in phases, and if the LAFCO approves the Reorganization, it will still be subject to a local protest vote, called "Authority Proceedings."
- Under LAFCO law, the Authority Proceedings can require a *protest* vote; however, the Water Authority is entitled to seek the LAFCO's approval to instead conduct the Authority Proceedings as a *majority-vote election* in at least the Rainbow and Fallbrook service areas.
- LAFCO may also condition its approval of a Reorganization on certain terms and conditions, including requiring an Authority Proceeding vote to be conducted only among voters in the detaching areas, or also among the voters in the entire Water Authority service area. The latter approach would allow for voters region-wide to ratify a potential LAFCO approval of the Reorganization, giving those ratepayers a voice in the future economic and other impacts that would result from detachment from the Water Authority.

Background

Beginning in at least Fall of 2018, member agencies Fallbrook and Rainbow initiated plans to seek to detach from the Water Authority and annex into Eastern Municipal Water District, located in Riverside County. Fallbrook and Rainbow began discussions with Eastern as early as fall of 2018, and then began discussions with San Diego and Riverside LAFCOs by January of 2019.

In May of 2019, the Acting General Manager of the Water Authority was informed by the General Manager of Rainbow that both Rainbow and Fallbrook were planning to seek to detach from the Water Authority. A general proposal has now been publicly discussed by Fallbrook and Rainbow, but the specifics of the infrastructure changes and financial approach have not been made clear.

Rainbow and Fallbrook have stated at their respective board meetings that applications for detachment are being drafted and may be filed as early as December 2019.

Water Authority's Involvement to Date

Applicable LAFCO. Initially, Rainbow and Fallbrook would have had the LAFCO matters decided at two different LAFCOs – Riverside County and San Diego County. In an effort to have a consolidated set of proceedings, improve coordination and efficiency, and maintain local control of

decisions in San Diego County, the Water Authority requested that the San Diego LAFCO take exclusive jurisdiction over the matters. In October 2019, the two LAFCOs agreed to an MOU under which exclusive jurisdiction is vested in San Diego LAFCO.

Fact Finding. The Water Authority made Public Records Act requests in order to understand the scope of the plans and the history of discussions. Additionally, meetings between staff were conducted in July, and were followed by a general proposal from Rainbow and Fallbrook in August, which again provided little detail or analysis of impacts. Further meetings were conducted in September and early October, but to date the Water Authority has not been presented by Rainbow or Fallbrook with any detailed proposals, or with any substantive analyses of what the projected impacts to water supply reliability, rates, or infrastructure would be to the Water Authority and to each of its member agencies. The Water Authority has asked Rainbow and Fallbrook for these details, including in a recent October 14, 2019, letter sent by special counsel, and previously provided to each of the Board members. A copy is attached as Attachment 2.

Anticipated Procedure

LAFCO Nomenclature. A detachment from the Water Authority will require multiple acts and approvals by San Diego LAFCO. Procedurally, it will require changes to the "sphere of influence" for the Water Authority, Rainbow, Fallbrook, and Eastern, as well as the detachment of Rainbow and Fallbrook from the Water Authority, and the annexation of Rainbow and Fallbrook to Eastern. All of these will be handled in one consolidated proceeding, but are governed under separate parts of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code sections 56000 *et seq*. (also known as the "**CKH Act**" or the "**LAFCO Act**.") Annexations and detachments are also collectively known as "boundary changes" or "reorganizations."

Consultations. Under local LAFCO policy, the applicants must consult with affected local agencies prior to submitting their applications, in order to identify and attempt to resolve any issues raised by the proposed reorganizations. Because it is possible that the proposed Reorganization would have significant financial and potential environmental impacts on the Water Authority all of its member agencies, as well as other agencies such as fire districts, all of those parties are affected local agencies with which the applicants should consult. The consultations, to be meaningful, must be based on a proposal that specifies the changes that would occur under a Reorganization. Special Counsel sent a letter to this effect to Rainbow and Fallbrook on October 14, 2019 (Attachment 2). We will continue to work with San Diego LAFCO to ensure that meaningful consultations are conducted prior to San Diego LAFCO's accepting the applications.

Application and Commission Proceedings. Rainbow and Fallbrook would, if they go forward, subsequently submit applications (or perhaps a consolidated single application) to San Diego LAFCO and pay associated fees.

Once LAFCO determines that the application is complete, it will notify all affected agencies, including the Water Authority, and solicit public engagement and comments. The Water Authority, its member agencies and all other affected parties will have an opportunity to participate in this process.

LAFCO will then undertake an independent analysis of the proposal. This may take many months.

Upon the conclusion of that analysis, LAFCO staff will prepare a report and recommendation, provide notice, and hold a public hearing. The Water Authority and its member agencies and all other affected local parties will have an opportunity to review the analysis and report, and participate in the public hearing.

The Commission will then vote on the application. These initial procedures are referred to as the "Commission Proceedings." (*See* Cal. Gov. Code § 56650 *et seq.*) If the application is denied, the process ends. If the application is approved (with any associated conditions), then "Authority Proceedings" may follow.

It is important to note that LAFCO may place a number of conditions on any approval. Cal. Gov. Code Section 56886 gives LAFCO a considerable amount of leeway in fashioning terms and conditions of a detachment, including imposing requirements from the principal act, here the CWA Act.

Authority Proceedings. Following the approval of an application by LAFCO, the LAFCO Act provides for a second process, known as the "Authority Proceedings."

LAFCO Act Authority Proceedings:

The default approach to Authority Proceedings is a "protest" proceeding under which the affected territory's voters may mail in a protest to oppose the LAFCO's approval/decision. If fewer than 25% of ratepayers in the affected territory protest, then the application is deemed approved. If 50%+1 of the registered voters protest the proposal, then it is deemed denied. If 25-50% of the registered voters protest the proposal, then the proposal goes to the voters in a general or special election where it is subject to a majority vote. LAFCO may provide for the voter pool to be just Rainbow and Fallbrook, or the entirety of the four affected entities (Fallbrook, Rainbow, Water Authority and Eastern), or some subset of those. Historically it has proven procedurally cumbersome for a large electorate to affirmatively lodge 25%+ protests, especially because protest proceedings are unfamiliar to most voters. If that standard is not met, then under "Authority Proceedings" there might not be a vote of the electorate at all.

CWA Act Authority Proceedings:

In the alternative, the Water Authority may apply to LAFCO to opt out of the protest procedure in the LAFCO Act, and instead conduct the Authority Proceedings pursuant to its principal act, the County Water Authority Act ("**CWA Act**"). This would ensure the voters have an opportunity to vote on the proposal at a standard regular or special election.

In order to seek to proceed under the CWA Act instead of Part 4 of the LAFCO Act, the Water Authority would need to apply to LAFCO for exemption from Part 4 within 10 days after notification that the initial application is complete. That option is allowed when an agency is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or

garbage and refuse collection service to the ultimate users thereof; (c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities, except as an incident to the exercise of other lawful power of the Water Authority. The Water Authority, as a water wholesaler, satisfies the statutory requirement.

Terms and Conditions Imposed by LAFCO:

In addition to a vote in the Rainbow and Fallbrook service areas, San Diego LAFCO Commissioner Dianne Jacob suggested at the October 7, 2019, LAFCO meeting that voters within the Water Authority's entire 24-member agency service area perhaps should have an opportunity to evaluate and vote upon a detachment, as they may be affected by such a change in organization. It is within the discretion of the LAFCO to provide terms and conditions for reorganization. Consistent with Commissioner Jacob's suggestion, and assuming that LAFCO's analysis of the applications demonstrates that there will be financial impacts on ratepayers, in order to enfranchise all of the Water Authority's affected ratepayers on this issue it is therefore recommended that the Water Authority specifically request that such a vote of the larger affected electorate be considered as a condition of detachment (if detachment were to be approved; of course, detachment may also be denied by San Diego LAFCO). The below staff recommendation would ensure that all affected ratepayers are entitled to vote (including those in Rainbow and Fallbrook as specified in the CWA Act).

Request for Board Action

The Board is therefore requested to adopt the Attachment 1 Resolution that would authorize the General Manager and General Counsel, or their designees, to do the following upon notification of a detachment application filed with San Diego LAFCO by Rainbow or Fallbrook:

1. Request that San Diego LAFCO exempt the proceeding from Part 4 of the LAFCO Act and instead proceed under the Water Authority's principal act, the County Water Authority Act, for the purpose of voter approval of any LAFCO-approved detachment in the Authority Proceedings phase; and

2. Request that if San Diego LAFCO does not deny the detachment application(s), that – in addition to any other appropriate conditions or Authority Proceeding requirements the LAFCO may specify – San Diego LAFCO also require detachment approval by the voters within the Water Authority's entire service area.

Prepared by: Claire Hervey Collins, Special Counsel
Approved by: Sandra L. Kerl, Acting General Manager
Mark J. Hattam, General Counsel

Attachments:
Attachment 1 - Resolution 2019-___
Attachment 2 - October 14, 2019 Letter

RESOLUTION NO. 2019-___

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING THE GENERAL MANAGER AND GENERAL COUNSEL TO REQUEST A DETERMINATION BY THE SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION THAT THE WATER AUTHORITY IS NOT A "DISTRICT" OR "SPECIAL DISTRICT" FOR THE PURPOSES OF PART 4 OF THE CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT REORGANIZATION ACT AND TO REQUEST A VOTE OF THE WATER AUTHORITY'S ELECTORATE AS TO ANY DETACHMENT.

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act (Cal. Gov. Code section 56000 et seq.) ("**CKH Act**") at Government Code Section 56036.6 provides that a county water authority may apply to a Local Agency Formation Commission ("**LAFCO**") for a determination that the county water authority is not a "district" or "special district" for the purposes of Part 4 (or Part 5) of the CKH Act pursuant to Government Code Sections 56036.6, 56127, and 56128;

WHEREAS, the San Diego County Water Authority ("**Water Authority**") is a county water authority as described in Government Code Section 56036.6;

WHEREAS, the Water Authority anticipates that one or more applications for a change in organization that will affect, among others, the Water Authority and its member agencies will be filed with San Diego County LAFCO on behalf of Rainbow Municipal Water District ("**Rainbow**") and/or Fallbrook Public Utility District ("**Fallbrook**");

WHEREAS, the Water Authority's principal act, the County Water Authority Act, provides procedures for a change in organization for county water authorities, as does the CKH Act;

WHEREAS, Government Code Section 53036.6 provides that if, upon application by a county water authority, a LAFCO determines that a county water authority is not a "district" or "special district," then any authority proceedings pursuant to Part 4 of the CKH Act for a change of organization to the Water Authority (which proceedings follow the LAFCO's commission proceedings) will be conducted pursuant to the County Water Authority Act;

WHEREAS, Part 4 of the CKH Act provides for a protest vote for any change of organization approved by the LAFCO, which results in a default approval of the LAFCO's decision unless 25% of the registered voters in the designated territory protest the change of organization by signed mail-in vote, but the County Water Authority Act provides instead for a majority vote of the voters in the detaching agency service area to confirm the detachment/exclusion of that member agency from the Water Authority by majority approval at a general or special election;

WHEREAS, voters and ratepayers in service areas of member agencies of the Water Authority other than Rainbow and Fallbrook may be affected by a detachment of one or both of those agencies, and San Diego LAFCO may want to allow such larger electorate a chance to be heard on detachment;

WHEREAS, if a detachment application is not denied by San Diego LAFCO, then each applicable electorate should be afforded the opportunity to vote at a general or special election based on a full understanding of the potential impacts that would result from detachment and knowing all conditions that would be placed on the ratepayers of a detaching agency by LAFCO as a result of such a detachment;

WHEREAS, the CKH Act requires that if a proposal for a change in organization is initiated by other than the Water Authority, then the Water Authority may request the determination that it be deemed to be not a "district" or "special district" for purposes of Part 4 and/or 5 of the CKH Act as described in the first recital above within 10 days of notification by LAFCO of the initiation of the proposal; and

WHEREAS, the Water Authority is not engaged in: (a) the distribution and sale for any purpose, other than for the purpose of resale, of water or of gas, or electricity for light, heat, or power; (b) furnishing sanitary sewer service or garbage and refuse collection service to the ultimate users thereof; (c) providing fire or police protection; or (d) the acquisition, maintenance, lighting or operation of streets and highways, street and highway improvements or park and recreation facilities, except as an incident to the exercise of other lawful power of the Water Authority.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves the following:

1. In any LAFCO proceeding in which a change in organization is proposed that would detach or exclude Rainbow and/or Fallbrook from the Water Authority, the Water Authority shall request that if San Diego LAFCO does not deny the detachment application(s), that: (a) San Diego LAFCO exempt the proceeding from Part 4 of the LAFCO Act and, instead, proceed under the Water Authority's principal act, the County Water Authority Act, for the purpose of the Authority Proceedings phase; and (b) in addition to any other appropriate conditions or Authority Proceeding requirements, San Diego LAFCO also require detachment approval by a majority of the voters within the Water Authority's entire service area. The General Manager and the General Counsel, or their designees, are hereby authorized to request the foregoing as to the Rainbow and/or Fallbrook proceedings only, and to submit all applications and other necessary papers.

PASSED, APPROVED, and ADOPTED this 21st day of November 2019 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

_____
Jim Madaffer, Chair

ATTEST:

_____
Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2019- ___ was duly adopted at the meeting of the Board of Directors on the date stated above.

_____
Melinda Nelson, Clerk of the Board

LEWIS BRISBOIS
LEWIS BRISBOIS BISGAARD & SMITH LLP

Claire Hervey Collins
633 West 5th Street, Suite 4000
Los Angeles, California 90071
Claire.Collins@lewisbrisbois.com
Direct: 213.680.5039

October 14, 2019

File No. 44112.2

Mr. Jack Bebee
General Manager
Fallbrook Public Utility District
900 East Mission Road
Fallbrook, CA 92028
jackb@fpud.com

Re: LAFCO Process

Dear Mr. Bebee:

As special LAFCO counsel to the San Diego County Water Authority ("Water Authority"), Chair Madaffer has asked me to respond to your October 10 letter to him on behalf of the agency.

First, as has been stated many times, the Water Authority must respect the interests of all water ratepayers served by our 24 member agencies in San Diego County. We plan to do that and stand ready to support a fully transparent LAFCO process.

Second, I am addressing this letter to you as the author of the October 10 letter, and I am copying your General Counsel. The Water Authority urges you to consult with your General Counsel or other qualified LAFCO counsel as soon as possible in order to ensure that Fallbrook Public Utility District ("Fallbrook") is following the LAFCO process, and to ensure that Fallbrook understands the Water Authority's responsibility in that process. I am copying Mr. Kennedy and his agency's General Counsel for the same reason. I believe that it is imperative that Fallbrook and Rainbow Municipal Water District ("Rainbow") take certain necessary consultation actions in light of your stated imminent plans to file a LAFCO detachment proposal.

The pace of the LAFCO process has been designed by statute and local policy to be a thorough, collaborative, and deliberative process. The responsibility for preparing a comprehensive proposal and engaging in meaningful consultations with affected agencies is a significant and serious one. Your apparent frustration at the response to date by the Water Authority is a reflection of the lack of detail and analysis in the materials provided by Fallbrook and Rainbow to the Water Authority, and a reflection of the lack of meaningful dialogue about the impacts of potential detachment. It is not the result of any actions taken or not taken by Chair Madaffer or the Water Authority, which is eager to better understand Fallbrook and Rainbow's detailed plan so that it can undertake a rigorous analysis of the related impacts. To be clear, however, the Water Authority has no duty to formulate a proposal for your agencies, or to formulate an "offer" on behalf

of its other member agencies. It does have a duty of good faith to review and consult with you on a genuine proposal, but due to the lack of specifics from your agencies as to exactly what you plan, it is unable to do so at this time.

Against this backdrop, and in the interest of fairness and to promote mutual understanding, I will take this opportunity to comment on some of the points raised in your October 10 letter.

San Diego LAFCO Legislative Policy No. L-107:

San Diego LAFCO's legislative policy L-107 establishes a consultation requirement among affected agencies ***prior to the filing of a detachment proposal***, stating in part:

> It is the policy of the San Diego Local Agency Formation Commission that:
>
> 1. Prior to submission of a proposal requesting LAFCO consideration of a change of organization or reorganization, ***the proposal applicant and representatives from affected public agencies, interested parties, and/or organizations, shall meet at the earliest possible stage for the purpose of identifying and attempting to resolve any issues associated with the proposed jurisdictional change(s).*** The Executive Officer may waive the consultation procedure outlined in this provision when it can be determined with certainty that there will be no possibility that the proposal in question will result in identified and unresolved jurisdictional issues.
>
> 2. The consultation process described in provision no. 1 should identify any jurisdictional issues or concerns related to: a. Differing development standards; b. Existing and/or planned land uses and zoning, including densities, community character, and appropriate jurisdictional transition areas; c. Existing and/or planned provision of governmental services, including any potential impacts to service levels or financial ability to sustain service levels; and, d. Any other local community or governmental concerns.
>
> * * *
>
> 6. Affected local agencies shall be encouraged to explore additional methods to improve future inter- and intra-departmental and jurisdictional communications for the purpose of discussing and commenting on proposed or pending jurisdictional changes at the earliest possible stage.

Consultation Process:

With due respect, the Water Authority does not agree that all necessary steps have been taken to satisfy L-107 requirements.

First, although your agencies have been discussing a possible detachment among yourselves for a full year now, very few concrete details have been revealed to the Water Authority

or to the public.[1] The very broad "framework" you have provided does not include the kind of substantive detail necessary to evaluate such a significant service change, particularly in light of the more than 50 years of water service to Fallbrook and Rainbow by the Water Authority. You are required to provide an analysis outlining the potential effects of detachment on the Water Authority and all of its member agencies, including Fallbrook and Rainbow customers.[2] We renew our request for a detailed proposal consistent with LAFCO requirements.[3]

Detailed Proposal Needed:

In order to have a productive consultation process, all affected parties (as defined in L-107) need to be provided with the specific details of your detachment proposal including financial and environmental impacts, impacts on water supply reliability, and all other impacts to the region as a whole that would result from a detachment.[4]

Because Fallbrook and Rainbow are the agencies proposing detachment, it is your responsibility, not the Water Authority's responsibility, to conduct the relevant analyses and make a detailed proposal addressing all relevant factors. For example:

- You are aware that a number of Water Authority member agencies have expressed concerns about Fallbrook and Rainbow's share of Water Authority financial obligations, incurred to develop the reliable, firm water supplies now being delivered to Fallbrook and Rainbow and all Water Authority member agencies. You should be prepared to discuss this topic when you meet with the other member agencies. Your proposal should indicate how you plan to address this concern, as well as how your proposal would impact customer rates (including those of Fallbrook and Rainbow), if at all.

- We have not been given any details as to environmental impacts, but note comments in the PRA documents that significant new piping infrastructure may be needed in Rainbow and

[1] The Water Authority only became aware of this timeline from documents produced by Fallbrook and Rainbow in response to its Public Records Act (PRA) request. While your agencies began at an early stage to consult with the Eastern Municipal Water District, you did not share your intentions with the Water Authority until just this past May.

[2] We attach Water Authority Acting General Manager Sandy Kerl's e-mail to you dated October 10, which was not attached to your letter. In that e-mail, Ms. Kerl noted that Fallbrook and Rainbow had not provided the specifics of any proposal to the Water Authority. The document you submitted on August 21, 2019, was really an advocacy piece arguing why detachment might make sense for your agencies. This is not the kind of substantive proposal or analysis of impacts required by LAFCO.

[3] This is why your requests for a Water Authority open session agenda item about detachment, before submittal of a detailed written proposal, were premature. This is not a "political" decision, but must be one based on what is in the best interests of the voters and ratepayers in San Diego County.

[4] This is not intended to be an exhaustive list of issues or substitute for legal advice by your own attorneys on LAFCO requirements.

perhaps Fallbrook. Additionally, a detachment from the Water Authority (which uses very little water from the environmentally sensitive Bay Delta region, and will use even less over time) would, under your plan, be replaced by increased reliance on Delta water from MWD. This shift should be analyzed, particularly in light of Water Code section 85021. Review of these and other potential environmental impacts should be completed before any applications are filed with LAFCO, with all affected parties described under LAFCO Policy L-107 being provided a reasonable time and opportunity to comment.

These are only a few examples of the kinds of impacts that should be included in a detailed proposal to be presented to and discussed with affected parties during the consultation process.

Next Steps:

The Water Authority is fully committed to working through the LAFCO process—but the process must start with your agencies' good faith efforts to present a proposal grounded in facts and substantive analysis, including a reasonable range of alternative outcomes. You must provide sufficient information to allow all parties, and ultimately all voters and ratepayers, to make informed decisions about the proposed detachment.

Once you have prepared the terms of your proposal, Fallbrook and Rainbow can begin the process of meeting with all affected agencies and parties to identify and attempt to resolve issues, as required under LAFCO policy.[5] This will provide an opportunity to identify areas of agreement, disagreement, and further areas of inquiry necessary to present a meaningful application to LAFCO.

I would be happy to discuss next steps with your counsel in order to avoid further frustration and wasted effort on the part of all parties.

Very truly yours,



Claire Hervey Collins of
LEWIS BRISBOIS BISGAARD & SMITH LLP

CHC:JLB

Attachment

[5] Chair Madaffer's August 21 letter to Fallbrook and Rainbow did not say anything to the contrary; in fact, he reiterated then that he asked you to *"please provide a specific proposal."* Chair Madaffer was not addressing your LAFCO obligations in his letter—he was only asking that you cease "public relations" meetings with Water Authority directors telling them that the Water Authority was refusing to meet with you.

cc: Water Authority Board of Directors
Fallbrook Board of Directors
Rainbow Board of Directors
Mark Hattam, Water Authority General Counsel
Sandy Kerl, Water Authority Acting General Manager
Water Authority member agency General Managers
Paula de Sousa Mills, General Counsel for Fallbrook, Best Best & Krieger
Tom Kennedy, Rainbow General Manager
Lloyd W. Pellman, Counsel for Rainbow, Nossaman

From: Kerl, Sandy
Sent: Thursday, October 10, 2019 12:52 PM
To: Bebee, Jack <jackb@fpud.com>; Kennedy, Tom <tkennedy@rainbowmwd.com>
Cc: Madaffer, Jim <JMadaffer@sdcwa.org>; Croucher, Gary <garydcroucher@gmail.com>; Guerin, Christy <Redwhtblu56@yahoo.com>
Subject: Follow-Up on Meeting of October 9, 2019

Dear Jack and Tom:

This e-mail follows our meeting yesterday, as promised. The Water Authority appreciates the opportunity for continuing dialogue with you and all of our member agencies on this subject.

While I regret the frustration you expressed at our meeting yesterday, I want to be clear that from our perspective, the process going forward has now been established by the LAFCO board action taken on Monday, October 7. We believe LAFCO policy requires that your agencies, as the potential LAFCO applicants, meet with ***all affected parties*** prior to your filing with LAFCO, in an attempt to reach agreement on the issues presented.

The LAFCO policy (L-107) is expressly referenced in the letter that was submitted to LAFCO by the Otay Water District (copy attached). The policy clearly states a requirement that applicants meet with all affected agencies to walk through their proposal to try and reach a resolution. While we appreciate you meeting with the Water Authority, that alone does not satisfy LAFCO's policy.

I also derived from our meeting yesterday that you believe it is the Water Authority's responsibility to make some sort of "offer" to you. We would not be in a position to do that, even if we had the specific details of your proposal (we do not), because the potential impacts are not only on the Water Authority but also on its member agencies, their ratepayers and potentially other third parties.

Finally, you said that you wanted to know our agency's legal interpretation of the applicable law as to why your agencies should pay anything upon detachment. This is an issue that will be addressed in the course of LAFCO proceedings.

As I indicated to you, the Water Authority must continue to represent the interests of all of our member agencies. We plan to do that and stand ready to support the LAFCO process.

Best regards,

Sandy

Sandra L. Kerl
Acting General Manager

(858) 522-6783
skerl@sdcwa.org

Our Region's Trusted Water Leader
San Diego County Water Authority

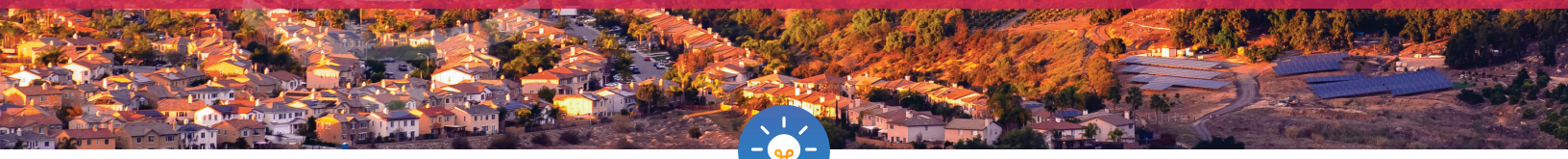
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Municipal Service Review

FALLBROOK REGION

FINAL

REPORT SUMMARY | February 2022



General Themes and Conclusions

The Fallbrook region serves as the social and economic epicenter of unincorporated "North County." It comprises four internally distinct subregions that collectively draw on municipal services provided by the County of San Diego and the four special districts that are evaluated as part of this report: Fallbrook PUD; North County FPD; Rainbow MWD; and CSA No. 81. The Town of Fallbrook and its "village" setting headlines the four subregions with its cultural, retail, medical offices, schools, and entertainment venues that residents in the others – Bonsall, De Luz, and Rainbow – regularly patron. The region overall remains mostly rural in character outside the Town core and continues to function as a community separator between the more urban uses to the north (Temecula) and south (Escondido) along the Interstate 15 corridor. Population growth also remains moderate – at least in comparison to countywide averages – but has cumulatively added up with an overall resident estimate of 56,482 at the end of the five-year report period. This estimate makes the region one of the largest unincorporated areas with a population base that exceeds 7 of the 18 cities in San Diego County.

While conditions in the Fallbrook region appear to be holding course, there are indications that foundational changes are underway. Most notably, the region's historical immersion in agriculture with avocados being the primary cash crop over the last 60 plus years appears to be waning and could spell fundamental changes in land uses and municipal service needs going forward. Measuring this transition is marked by the loss of nearly one-fifth – or (18.7%) – of the total number of avocado acreages in the region during the report period. Some of this acreage has already been converted into housing with nearly 600 new units added in the region during the reporting period; an amount equal to an overall 2% increase in the housing stock and above historical averages.

More of this acreage appears to have been left fallow and suggests – among other items – the cost of growing avocados in the "Avocado Capital of the World" for many local farmers has become unsustainable. Consequently, and in the absence of a turnaround and/or replacement crop emerging, the region will increasingly become an intersection point where the demand for housing in greater San Diego County meets the supply of available land.

A review of the Fallbrook region relative to San Diego LAFCO's growth management tasks and interests produces nine central themes or conclusions. These conclusions collectively address the availability, need, and adequacy of municipal services in the region and range in substance from addressing governance dynamics to financial standing. The conclusions also address potential sphere of influence changes among the four affected local agencies. The conclusions are independently drawn and sourced to information collected and analyzed by the Commission between 2016 and 2020 with limited exceptions and detailed in the agency profiles.

Close to one-fifth of all avocado groves in the Fallbrook region have been lost during the report period. Consequently, and in the absence of a turnaround and/or replacement crop emerging, the region will increasingly become an intersection point where the demand for housing in greater San Diego County meets the supply of available land.



No. 1
Introductory Municipal Service Review

This report represents the Commission's first comprehensive municipal service review prepared on the Fallbrook region and the four affected local agencies – Fallbrook PUD, North County FPD, Rainbow MWD, and CSA No. 81. The report consequently serves as a dual introduction. This is marked by introducing the affected agencies and their constituents in real-time to an otherwise unfamiliar and relatively detailed outside planning process. The introduction similarly introduces the Commission to the affected agencies and their service functions at depths previously unvisited with the underlying goal of establishing baseline information to track and measure going forward.

No. 2
Slow and Steady Consolidation of Local Government

The Fallbrook region has slowly and steadily experienced a significant amount of consolidation in local government in recent history with the number of special districts having been reduced by one-half from eight to the current four: Fallbrook PUD; North County FPD; Rainbow MWD; and CSA No. 81. Opportunities for additional consolidation appear notionally plausible – and in some cases presumably probable – given overlapping and/or adjacent boundaries with common services powers. Nonetheless, community interest in the topic appears limited at this time and materially contributed to the Commission choosing to reject the last proposed consolidation in the region involving Fallbrook PUD's proposed takeover of Rainbow MWD in September 2015.

No. 3
Avocados' Influence in the Region

The Fallbrook region remains mostly rural in character outside the Town of Fallbrook's core and continues to function as a community separator between the more urban uses to the north (Temecula) and south (Escondido) along the Interstate 15 corridor. This historical role is largely attributed to the region's successful immersion in agriculture with avocados being the primary cash crop since the introduction of reliable water supplies in the 1950s. The recent and significant decline in avocado production, highlighted by the loss of nearly one-fifth of planted acreage during the reporting period, suggests the cost of growing avocados in the "Avocado Capital of the World" is becoming unsustainable and fundamental changes in land use and municipal service needs may be on the horizon.



Solar panels facilitate well pumping in Fallbrook, California.

No. 4
Growth is Happening

Irrespective of the staying power of avocados and agriculture overall, it is reasonable to assume some level of substantive growth and development will occur in the Fallbrook region and potentially within the timeframe of this report. This assumption ties to the critical demand for housing in San Diego County paired with the region's available land supply with more than two-fifths of private acreage remaining undeveloped with existing jurisdictional access to wholesale water supplies via the County Water Authority and Metropolitan Water District of Southern California. Ongoing declines in avocado production will expedite and intensify this otherwise expected trend.

No. 5
Distinguishing Gray, Green, and Blue (Collar) Demographics

Demographic information for the Fallbrook region shows residents tend to be measurably older with higher household incomes relative to overall averages in San Diego County at the end of the report period. Somewhat relatedly, one out of every four adults in the region are collecting retirement payments, which is nearly double the ratio for all of San Diego County. Additionally, and separately, the combination of high incomes and comparatively low college degree holders suggests a relatively high percentage of the region's workforce involves professional blue collar (i.e. agriculture, construction, public safety, etc.).

No. 6
Adequate and Excess Municipal Service Capacities

Fallbrook PUD, North County FPD, and Rainbow MWD collectively serve as the municipal service hubs for the Fallbrook region and through the end of the report period have established adequate capacities to meet current demands relative to their core growth-supporting functions: potable water; wastewater; and fire protection. No substantive deficiencies have been identified and all core functions have excess capacities to accommodate the anticipated growth within the report timeframe without exceptions.

No. 7
Stress-Testing is Underway

Three of the four affected agencies in the Fallbrook region – Fallbrook PUD, North County FPD, and Rainbow MWD – have experienced clear and measurable financial stresses during the report period. This includes all three agencies undergoing moderate to substantive declines in their liquidity, capital, and margin levels with the latter measurement magnified by two – North County FPD and Rainbow MWD – finishing with negative average total and operating margins over the corresponding 60 months. While all three agencies remain solvent based on their overall net positions, the recent trends are noteworthy and merits additional Commission attention going forward.



Residential homes near Interstate 15 in Fallbrook, California.

No. 8
The Unknown Case for Incorporating Fallbrook

There has been reoccurring interest in the Fallbrook region and more specifically within the Town of Fallbrook to incorporate and transition local governance from the County of San Diego Board of Supervisors to a newly established city council. Incorporation interest peaked in the form of a formal proposal filing by Fallbrook PUD in 1987, which was approved by the Commission but failed to receive majority voter approval. Community interest has persisted via continued informal inquiries and it is reasonable to assume formal efforts to revisit incorporation will reemerge within the Town given its size and local resources. Accordingly, and consistent with earlier policy direction, it would be beneficial for LAFCO to prepare an informational report to advise on current statutory thresholds and associated incorporation opportunities in San Diego County to include – but not limited to – Fallbrook.

No. 9
Reorganizations are on the Mind of Locals

There are three separate reorganization proposals currently on file with the Commission that propose substantive jurisdictional changes within the Fallbrook region and – among other items – necessitate conforming sphere of influence actions. Two of the proposals involve separate requests by Fallbrook PUD and Rainbow MWD to change wholesale water suppliers and detach from the County Water Authority and annex to Eastern MWD. The third proposal involves Fallbrook PUD's request to activate its park and recreation, roads, and street lighting functions. As intended under statue, the Commission will draw on the information in this report in considering the individual merits of each proposal at separately noticed hearings.

The Fallbrook region comprises four distinct subregions – Bonsall, De Luz, Fallbrook, and Rainbow – and finished the report period with a total population estimate of nearly 57,000. This estimate makes the region one of the largest unincorporated communities in San Diego County.

Recommendations

The following recommendations call for specific action either from San Diego LAFCO and/or one or more of the affected agencies in the Fallbrook region based on information generated as part of this report and outlined below in order of their placement in Section 5.0 (Written Determinations). Recommendations for Commission action are dependent on a subsequent directive from the membership and through the annually adopted work plan.

1. San Diego LAFCO should coordinate with the County of San Diego and SANDAG to develop buildout estimates specific to each affected agency in the Fallbrook region and incorporate the information into a future municipal service review. This should include assessing potential impacts tied to the recent passage of Senate Bill 9 (Weiner) and the allowance for additional lot splitting to accommodate more housing throughout California.
2. The estimated loss of nearly (one-fifth) of avocado acreage in the Fallbrook region during the five-year report period is concerning and contrasts with San Diego LAFCO's adopted policies to promote and enhance agricultural resources. The Commission should explore this topic in more detail as part of its current two-year planning grant with the State of California to independently assess agricultural trends in San Diego County.
3. San Diego LAFCO should coordinate with the County of San Diego to identify permitted groundwater wells and septic systems within Fallbrook PUD and Rainbow MWD and incorporate the information into a future municipal service review.
4. San Diego LAFCO should address Fallbrook PUD's recycled water service activities as part of a future policy update to Commission Rule No. 4 with respect to formally identifying the function, class, and authorized location as necessitated under Government Code 56425(i).
5. San Diego LAFCO should develop performance measurements in consultation with North County FPD with respect to hazardous materials response and weed abatement (fuel reduction) and incorporate the analysis into future municipal service reviews.
6. Additional information is needed to determine the number of mutual water companies operating in the Fallbrook region. San Diego LAFCO should defer this analysis, accordingly, to a future informational report and in doing so meet its related obligation in statute.



Agricultural lands in Fallbrook, California.

7. San Diego LAFCO should revisit fire protection and emergency medical services and costs in the North County FPD as part of an update to the Commission's countywide fire service study.
8. North County FPD should consolidate its two existing taxing authority zones into one and eliminate the antiquated and cumbersome distinction associated with maintaining a separate subzone for the Rainbow community.
9. Opportunities for additional consolidations in the Fallbrook region appear notionally plausible – and in some cases presumably probable. No information analyzed in this report, however, suggest the timing of any consolidation proposals are imminent or otherwise merit initiation by San Diego LAFCO at this time.



Photo: Google Maps

Downtown Fallbrook area on a sunny day.

» Recommendations

10. All affected agencies in the Fallbrook region should enhance accountability to their constituents by permanently live-streaming and posting videos of board meetings online. These efforts grant constituents immediate access to the Board while remedying logistical obstacles (work, childcare, etc.) and further sunlights decision-making.

11. The Commission should prepare a future informational report to advise on current statutory thresholds and associated incorporation opportunities in the Fallbrook region.

12. Fallbrook PUD has filed a reorganization with San Diego LAFCO to activate certain latent powers and headlined by parks and recreation, roads, and street lighting. Approval of the proposal may further illuminate the merits of reorganizing Fallbrook PUD into a community services district to provide a local governance model that can continue to evolve with the community needs and serve as the preferred transitional vehicle to a potential incorporation.

13. Fallbrook PUD, Rainbow MWD, and CSA No. 81 do not report providing municipal services beyond their jurisdictional boundaries. There also does not appear to be any pending needs or demands to establish services outside the affected agencies' boundaries. San Diego LAFCO should proceed with updating and affirming – with no changes – these agencies' spheres of influence upon completion of the municipal service review.

14. There appears to be merit in expanding North County FPD's sphere of influence into Riverside County to more accurately reflect the FPD's current and probable service area going forward given location and existing automatic aid arrangements. San Diego LAFCO should further explore this potential amendment – directly or as special study area – upon completion of the municipal service review.

15. Notwithstanding other recommendations, a boundary adjustment between San Diego and Riverside Counties appears geographically merited to expand the former further into the De Luz area to reflect existing accessibility and first responder activities. San Diego LAFCO should coordinate with Riverside LAFCO in assessing the political merits of a boundary change and related interest therein by affected landowners and residents and proceed as appropriate.

Municipal Service Review Addendum

EASTERN MUNICIPAL WATER DISTRICT

DRAFT

REPORT SUMMARY | December 2022



General Themes and Conclusions

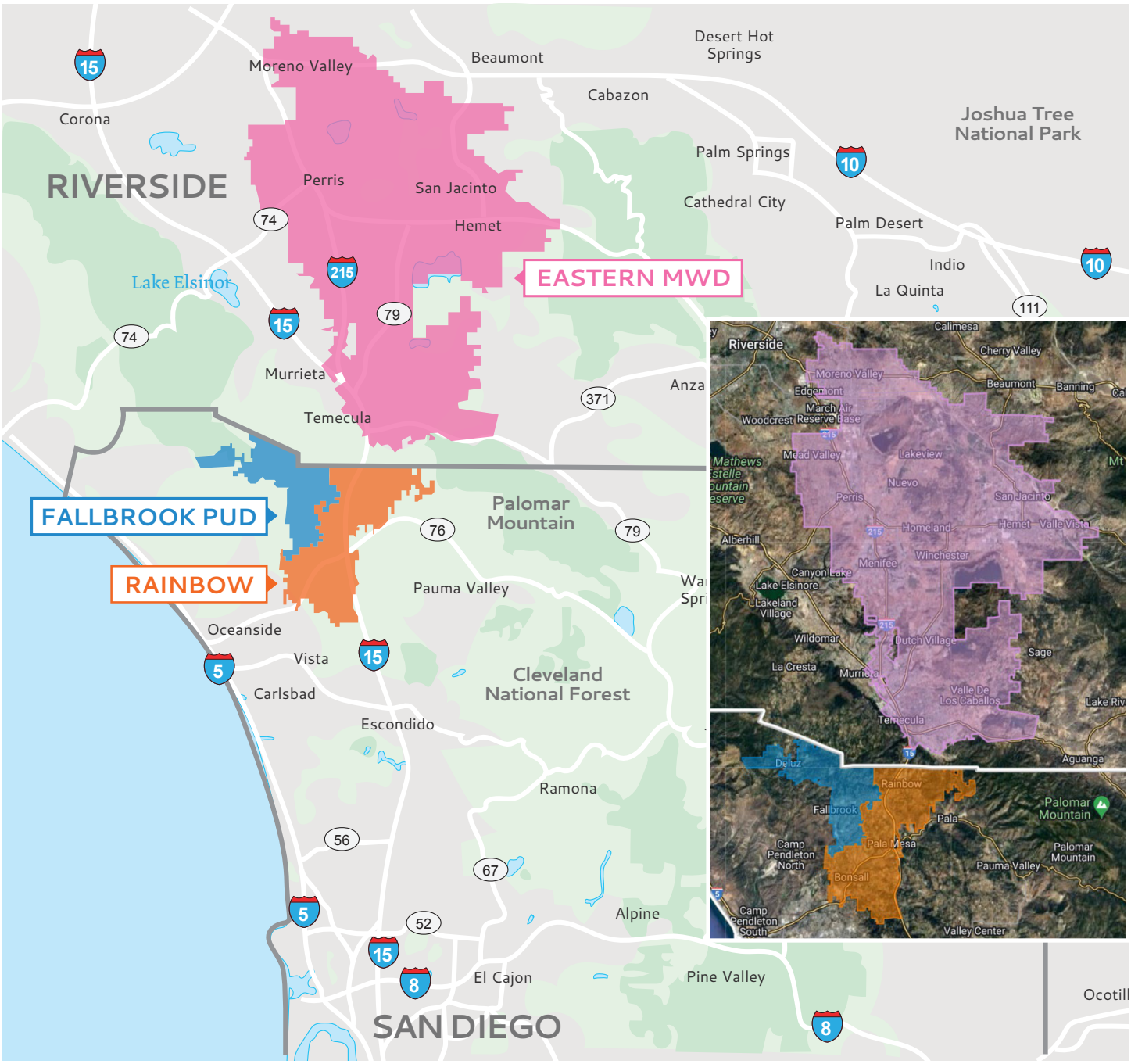
Eastern MWD has been in considerable growth mode since its formation in 1950 and by the start of the 21st century emerged as one of the largest potable water providers (retail and wholesale) in all of Southern California. This emergence ties to Eastern MWD's direct accessibility to the Colorado River Aqueduct, paired with the local housing boom in southwest Riverside County that began in the 1980s. Eastern MWD's ability to accommodate additional water demands generated by the conversion of relatively cheap former ranching lands into large tract subdivisions contributed to its jurisdictional boundary becoming one of the fastest growing areas in California and marked by five incorporations between 1984 and 2008. Growth continues into the new century with Eastern MWD's estimated population increasing by nearly two-thirds since 2000 from 531,056 to 868,426; an equivalent of adding 44 new residents each day over 21 years.

Ongoing capital investments by Eastern MWD marks its ability to accommodate the continued growth in its jurisdictional boundary and headlined by the diversification of potable supplies to now include local groundwater – distilled and desalination. (Eastern MWD also has established a leading recycled water program to redirect a sizable portion of former potable uses.) During the addendum period, Eastern MWD has dedicated $245.7 million on capital projects with 97% directly funded from developer fees and grants.6 The scope of these capital investments and their non-operating sources underlies the one-fifth increase in Eastern MWD's net position during the addendum period to $1.828 billion and translates to a per capita value change of 13.7% from $1,852 to $2,105.

A review of Eastern MWD relative to San Diego LAFCO's two-fold task to inform a potential sphere of influence action and as an ongoing monitoring tool produces eight central themes or conclusions. These conclusions tie to topics analyzed in this addendum and focus therein on Eastern MWD's potable water system and the present relationship between capacities, demands, and performance.

No. 1
Unique LAFCO Introduction

This addendum serves as a unique introduction to Eastern MWD with its municipal activities being otherwise substantively unknown to the Commission. The uniqueness is further reflected in the tailored purpose of the addendum to inform a possible sphere of influence action to accommodate an expansion of Eastern MWD into San Diego County at the request of Fallbrook PUD and Rainbow MWD. This latter feature creates two distinct possibilities for this addendum to either serve as a one-and-done document or as an ongoing performance measurement.



No. 2
Timely Assist from Riverside LAFCO

The preparation of a full municipal service review on Eastern MWD has been avoided in favor of this addendum given the Commission's ability to draw on good and timely information provided in Riverside LAFCO's comprehensive report completed in May 2019. This tiering approach allows the Commission to focus on providing gap analysis on Eastern MWD's potable water function and financial standing through 2021. Notable conclusions made by Riverside LAFCO within its earlier document and incorporated herein with regards to the mandatory factors follow.

With respect to growth, Riverside LAFCO expects Eastern MWD's overall population (wholesale and retail), within its jurisdiction, to increase by an additional one-half between 856,500 in 2020 to 1,274,600 in 2040. This projection produces an average annual growth rate of 2.4%.

- With respect to disadvantaged unincorporated communities (DUCs), Riverside LAFCO identifies 15 qualifying areas within Eastern MWD. These 15 DUCs are in the Hemet and Perris areas and LAFCO attests they have access to water and sewer service. An additional DUC outside Eastern MWD, but adjacent to its sphere of influence, has also been identified. This subject DUC is located in the Pechanga area and LAFCO confirms it is without access to water and sewer service.
- With respect to present and planned capacities, Riverside LAFCO – drawing from Eastern MWD's Urban Water Management Plan (2015) – concludes Eastern has sufficient supplies and related contingencies to meet potable demands (wholesale and retail) through 2040.
- With respect to finances, Riverside LAFCO states Eastern MWD has been experiencing modest surplus total revenues over expenses, as well as occasional increased spending over the last several years. LAFCO attributes this primarily to planned capital expenditure debt service and cash flows. LAFCO adds appropriate rate increases, which have been implemented for water and sewer over the prior years, utilizing a cost-of-service analysis to have services funded by fees and charges.
- With respect to shared facilities and/or services, Riverside LAFCO notes Eastern MWD maintains several cooperative arrangements with other agencies for the mutual benefit of all constituents. This includes – but not limited to – partnering with MET as well as Western MWD, Elsinore Valley WD, and Rancho California WD with supply and intertie connections to share water in emergency situations.
- With respect to government structure and accountability, Riverside LAFCO confirms Eastern MWD meets regularly on the first and third Wednesdays of each month at 9:00 a.m. at the District office located at 2270 Trumble Road, Perris, California 92570. LAFCO also confirms Eastern MWD provides public information on its website, including historical information of the District, current projects, water and sewer information, annual budgets, and audits.



Orange flowers from Hemet, CA



Public Beach at Lake Perris State Recreation Area

No. 3
Expansive + Expanding Footprint

Eastern MWD has become one of the largest potable water service providers in Southern California, and at the end of the addendum period, serves more than one-third of Riverside County's population. This expansion follows an average increase of 44 persons each day in Eastern MWD since 2000. The expansion is further reflected during the addendum period with the physical footprint of Eastern MWD's potable system increasing by 154 miles – or 6.5% – as well as the number of active connections rising by 10,795 – or 8.9% – over the 60-month period.

No. 4
Positive Water Demand-to-Capacity Relationship

As the principal municipal water service provider for southwest Riverside County, Eastern MWD maintains adequate infrastructure capacities and related administrative controls to meet current and anticipated demands (retail and wholesale) in the timeframe of this addendum. This statement is reflected in the average annual and daily system demands equaling less than one-third of available supplies and associated infrastructure capacities under normal conditions during the 60-month period. This demand-to-capacity ratio increases to slightly more than one-half under average peak-day demands and is considered sufficient.

No. 5
Impactful Impact Fees

Eastern MWD continues to benefit from development within its jurisdictional boundary based on the sizable collection of impact fees during the addendum period. The annual average collected has been $31.4 million – which equals 12.6% of average annual operating revenues – and underlies a one-fifth increase in Eastern MWD's net position over the 60-month period. The collection of impact fees and associated capital investments is also reflected in Eastern MWD finishing the period with a markedly high (good) capital replacement rate of 14.4 years.

No. 6
Finances Trending Upward

Standard measurements used to assess Eastern MWD's financial health with respect to liquidity, capital, margin, and asset management efficiencies shows the District trending positively overall during the addendum period. This overall summation is reflected in Eastern MWD's improving its operating and total margin ratios during the 60-month period with the latter category, which the Commission uses as a primary benchmark in assessing solvency, increasing more than four-fold.

No. 7
Good Financial Standing with a Qualification

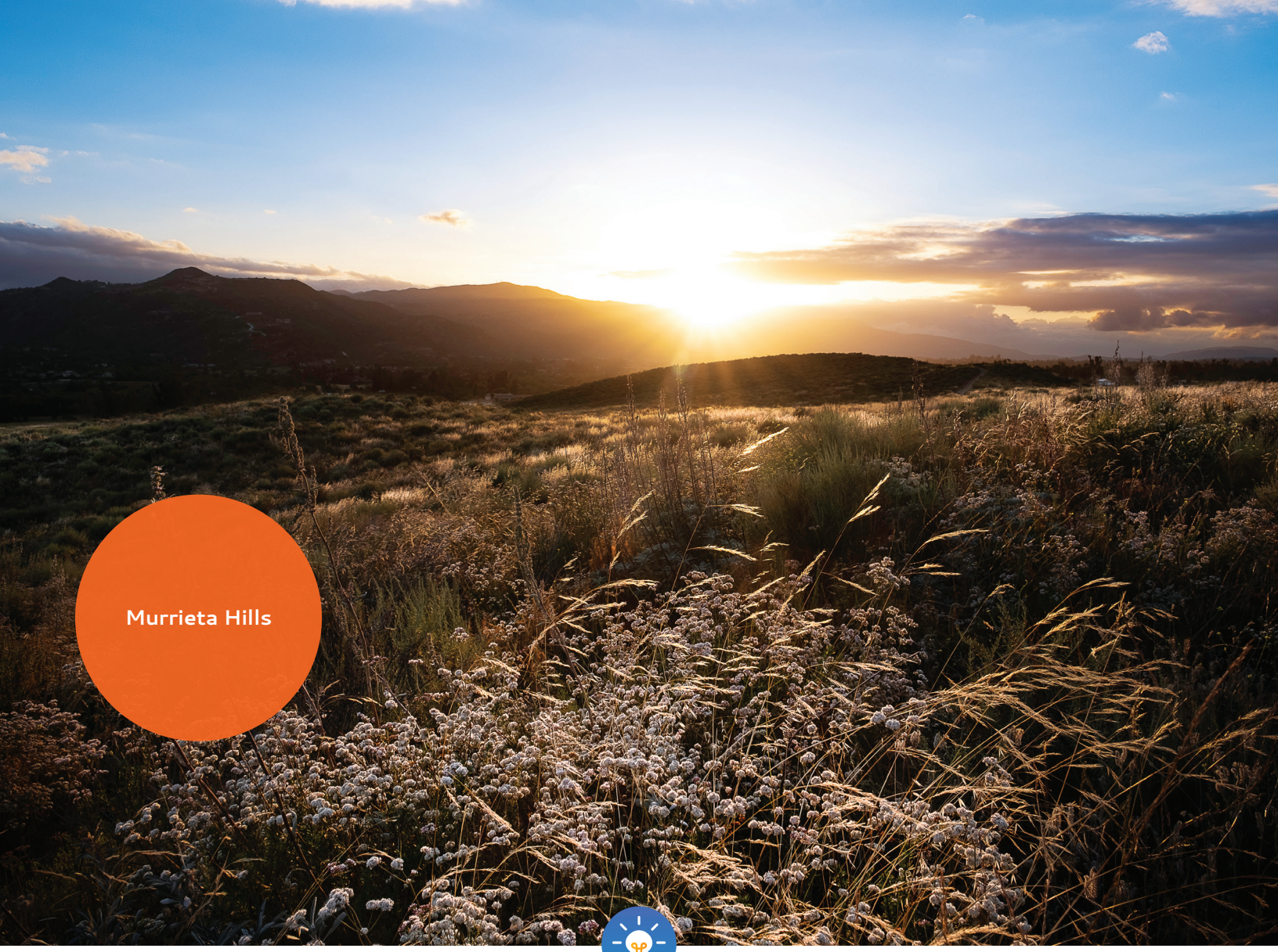
Eastern MWD finished the addendum period in overall good financial standing and marked by having an unrestricted fund balance, less pension and related employee obligations, equal to almost 20 months of operating expenses. This strong liquidity is similarly reflected with a days' cash ratio – or burn rate – at 632 at the end of the period. Eastern MWD's otherwise good financial standing is qualified given the differences in operating and total margins during the period and the related dependency of the District on property taxes and other non-operating revenues to subsidize its enterprise functions. This difference merits attention going forward given the reasonable assumption development and its associated revenues – i.e., property taxes, impact fees, etc. – will eventually slow and necessitate improved cost-recovery through rates and other direct charges.

No. 8
Proceeding with a Sphere of Influence Action

No significant deficiencies and/or otherwise material concerns have been identified in this addendum with respect to Eastern MWD's ability to plan, deliver, and finance potable water services. Accordingly, it would be appropriate to proceed with adopting a sphere of influence for Eastern MWD to include the Fallbrook PUD and Rainbow MWD jurisdictional boundaries should the Commission separately determine the associated reorganization proposals are sufficiently justified.



Agricultural lands in Fallbrook, California



Recommendations

The following recommendations call for specific action either from San Diego LAFCO, Eastern MWD, or other local agencies based on information generated as part of this addendum and outlined below in order of their placement in Section 5.0 (Written Determinations). Recommendations for Commission action involving additional studies are dependent on a subsequent directive from the membership and through the annually adopted work plan.

1. Given the scope of this addendum, it is appropriate for the Commission to limit its recommendations to addressing the core question necessitating this analysis. Accordingly, and given no significant deficiencies or otherwise, material concerns have been identified in the addendum; it would be appropriate for the Commission to proceed with the following actions.

a) Adopt a sphere of influence for Eastern MWD to include the Fallbrook PUD and Rainbow MWD boundaries should the Commission separately determine the associated reorganizations are sufficiently merited under both statute and local policy (emphasis added).

b) Should a sphere of influence for Eastern MWD be established to include the Fallbrook PUD and Rainbow MWD boundaries, the Commission should concurrently limit the authorized powers within the subject lands to only potable water function and wholesale class.

REPORT TO SAN DIEGO LAFCO

FALLBROOK PUD AND RAINBOW MWD WHOLESALER REORGANIZATION

Submitted by

Professor Michael Hanemann

December 31, 2021

INTRODUCTION

I was engaged by the San Diego County Local Agency Formation Commission (LAFCO) to perform three tasks, as follows:

Topic One (Water Rate Impacts)

The Consultant shall prepare a written memorandum analyzing the potential water rate impacts to the San Diego County Water Authority, the Fallbrook Public Utility District, and the Rainbow Municipal Water District under three distinct scenarios: (i) Commission approval of both proposals; (ii) Commission approval of only the proposal filed by Fallbrook Public Utilities District; and (iii) Commission approval of only the Rainbow Municipal Water District. If the information on file and/or as augmented by the Commission Agreement Administrator is deemed insufficient, the memorandum should succinctly identify the missing, incomplete, incorrect, or otherwise unsubstantiated information needed to appropriately address this topic.

Topic Two (Water Supply Reliability)

The Consultant shall prepare a written memorandum analyzing whether any substantive differences exist with respect to the overall water supply reliability between the San Diego County Water Authority and Eastern Municipal Water District. The Consultant shall use their professional expertise in quantifying and/or qualifying "substantive" relative to addressing water supply reliability. If the information on file and/or as augmented by the Commission Agreement Administrator is deemed insufficient, the memorandum should succinctly identify the missing, incomplete, incorrect, or otherwise unsubstantiated information needed to address this topic.

Topic Three (Potential Departure Fees)

The Consultant shall prepare a written memorandum quantifying what - if any - departure fees (also referred to as exit charges) should be made conditions of approval if the Commission approves either or both proposals. This includes - and among other considerations the Consultant believes to be pertinent - addressing potential rate impacts to the Water Authority addressed in Topic One. If the information on file and/or as augmented by the Commission Agreement Administrator is deemed insufficient, the memorandum should succinctly identify the missing, incomplete, incorrect, or otherwise unsubstantiated information needed to address this topic.

I have discharged those tasks in this report.

I was engaged to address these topics as an economist. I was not engaged to conduct legal analysis or offer legal advice on the issues I addressed, and I do not offer any legal opinions.

The report is organized largely in a question-answer format. I chose this format because experience has shown that it is often the most effective way to convey detailed analysis to an audience. I selected and formulated the questions myself. No one assigned the questions for me to answer. Some questions occurred to me after hearing statements being made at meetings of the Ad Hoc Advisory Committee.

I wish to thank the members of the Ad Hoc Advisory Committee and, most especially, to Jack Bebee and his staff at Fallbrook Public Utility District, Tom Kennedy and his staff at Rainbow Municipal Water District, Sandy Kerl and Kelley Gage and their staff at the San Diego County Water Authority, and Nick Kanetis and his staff at Eastern Municipal Water District. Jack, Tom, Sandy, Kelley and Nick were exceptionally helpful and generous with their time in answering all manner of questions. I am extremely grateful to them. I also greatly appreciate the assistance provided to me throughout this project by Adam Wilson.

This report contains my opinions based on the information presently available to me. Any opinion that I may have stated previously but that is not repeated here is no longer my view. I alone am responsible for the opinions expressed here. Any errors remaining are my responsibility.

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NO. 1 | HOW THE SAN DIEGO COUNTY WATER AUTHORITY SERVICE AREA GETS ITS WATER

The San Diego County Water Authority (SDCWA) service area has limited local supplies of surface water and groundwater, which are controlled by the SDCWA member agencies. Most of the water used in the SDCWA service area is provided by SDCWA to member agencies. From its formation in 1947 until 2003, SDCWA's sole source of water was water purchased from the Metropolitan Water District of Southern California (MWD), of which SDCWA is now the largest member agency – I refer to this water as *M-water*.

MWD was created in 1928 to import water to the Greater Los Angeles area from the Colorado River. In 1960 it contracted to receive water from the new California State Water Project (SWP). The SWP was originally planned to deliver 4.2 million acre-feet (MAF) a year to member agencies, and MWD was the single largest contractor with a 48% share of the supply. However, the SWP was not expanded as planned and it has a delivery capacity of only about 2.4 MAF. MWD's 48% share of contract entitlements allow it to receive 1.2 MAF of average year supplies and about 0.6 MAF or less in a dry year.

Until 1963, MWD had a firm allocation of 1.2 MAF a year of Colorado River water. Following the US Supreme Court's ruling in Arizona v California in 1963, this was reduced to 550,000 AF. MWD was still able to divert more than this amount until the Colorado River Quantification Settlement Agreement (QSA) took effect in October 2003. Including water purchased from Imperial Irrigation District (IID) in 1988, MWD now has a firm allocation of about 600,000 AF from the Colorado River.

The antecedent of the current issue is the severe drought in 1990 and 1991. For the first time ever, MWD mandated member agencies to reduce their water use culminating in March 1991 when it cut deliveries for Municipal and Industrial (M&I) use by 30% and for agricultural use by 90%. At the time, SDCWA depended on MWD for 95% of water used in its service area. That experience led SDCWA to seek to become less dependent on MWD for its water supply. In 1998 it signed an agreement with IID to purchase water that IID diverted under a senior water right from the Colorado River. That purchase agreement took effect in October 2003 as part of the larger QSA, which also includes Colorado River water obtained by SDCWA after paying to line the All-American and Coachella Canals.

SDCWA uses MWD's Colorado River Aqueduct (CRA) to move its QSA water to its service area under an Exchange Agreement negotiated with MWD. Under that agreement, MWD receives SDCWA's QSA water and is obligated to deliver a like amount of water to SDCWA. SDCWA pays a volumetric rate for the conveyance of this water. I refer to QSA water delivered by MWD to SDCWA as exchanged water or *E-water*. The delivery of E-water commenced in 2003 and ramped

up to the full amount of 277,700 AF in 2021. E-water has accounted for almost 64% of the water delivered by MWD to SDCWA in the last five years, and 80% in the last two years.

In addition, in 2016, SDCWA started to receive desalinated seawater from the Carlsbad Desalination Facility.

It has been suggested that, if Fallbrook Public Utility District (FPUD) and Rainbow Municipal Water District (RMWD) detach from SDCWA and instead become wholesale customers of Eastern Municipal Water District (EMWD), they will be receiving the same MWD water as before. That is incorrect. They will be receiving 100% M-water from EMWD rather than a mix of 80% E-water and 20% M-water from SDCWA. Regardless of whether molecules of E- and M-water are physically indistinguishable, they are legally different with regard to their underlying water right and reliability.

FPUD and RMWD are different from many other SDCWA member agencies in still having a high level of agricultural use. They are also the only member agencies located sufficiently far north in San Diego County that they receive some of their water from pipeline turnouts owned by MWD rather than SDCWA. This does not change ownership of the water – it is still owned by SDCWA – but it lowers the delivery charge levied by SDCWA.

NO. 2 | HOW EXPENSIVE IS SDCWA WATER, AND WHY?

Two conceptual economic distinctions come into play in answering these questions, that between *variable* versus *fixed costs* (and revenues); and that between *average* versus *marginal costs* (and revenues).

Variable costs *vary directly with the quantity of water delivered* and variable revenues vary directly with the quantity of water sold. Fixed costs *do not vary directly with the quantity of water delivered* (fixed revenue is revenue that does not vary with the quantity of water sold).

The average cost of water is defined as the total amount paid divided by the volume of water received; it is the cost per unit of water delivered. The marginal cost is defined as the change in total cost paid per unit change in the amount of water delivered. It measures the *incremental* cost per *incremental* unit of water.

Discussion on how much SDCWA charges focuses on the average cost of SDCWA water.

SDCWA imposes both variable and fixed charges for the delivery of its water, with separate variable charges for treated versus untreated water. The fixed costs can be converted to an equivalent volumetric charge by dividing them by the quantity of water delivered. The volumetric equivalent of the fixed costs counts towards the calculation of average cost. SDCWA's overall average cost of treated water in CY 2021, known as its *all-in cost*, was $1,769/AF, while its all-in cost for untreated water was $1,474/AF. Table ES1 compares these rates with MWD's all-in water rates. In CY 2021, SDCWA's rate for treated water is $367/AF higher (26% higher) than MWD's

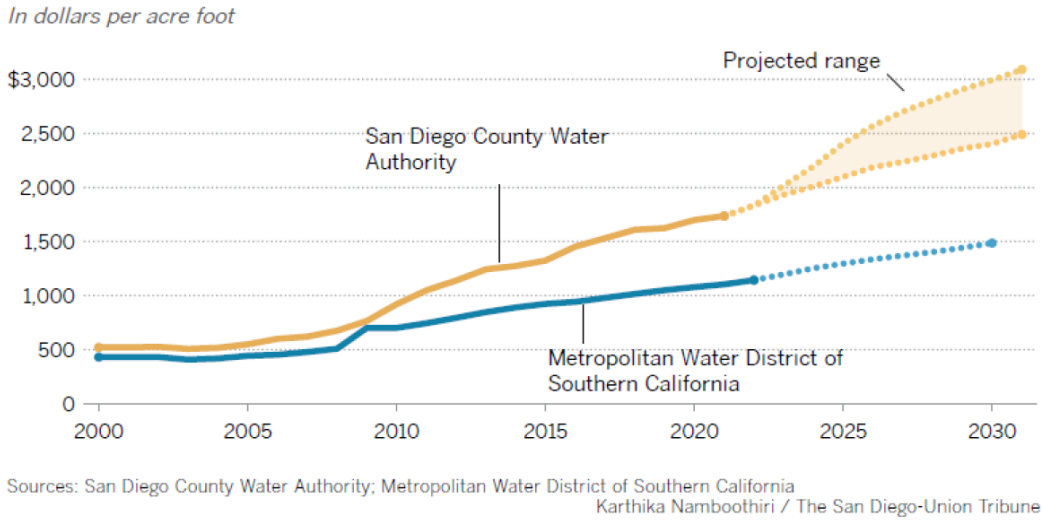
rate. SDCWA also offers a special rate for agricultural use that is $107/AF lower (7% lower) than MWD's standard rate; in exchange for this special rate, agricultural rate water users are subject to higher cutbacks in the event of supply shortage.

TABLE ES1 | All-In Water Rates Compared

	SDCWA	MWD
All-in untreated water rate	$1,474	$1,075
All-in treated water rate	$1,769	$1,402
Agricultural treated water rate (PSAWR)	$1,295	NA

It is not surprising that SDCWA charges more than MWD as a wholesale supplier of water since SDCWA buys water from MWD (both E-water and M-water) at a point near the northern boundary of San Diego County and then has the cost of maintaining and operating a separate water distribution system within the County. More significant, however, is that the differential between SDCWA's water rate and MWD's water rate widened starting around 2010. Figure ES1 depicts the growth in the rate differential, albeit somewhat inaccurately.[1]

FIGURE ES1 | Comparison of SDCWA All-In rates and MWD Full-Service Rate for Treated Water[2]



It has been suggested that this occurred because QSA E-water is more expensive for SDCWA than M-water from MWD. My analysis suggests otherwise. If QSA water was sometimes more

[1] This compares SDCWA's all-in rate, combining its fixed and variable charges, with MWD's variable charge alone, omitting MWD's fixed charges that amount to around $300/AF in 2020-2022.The graph thus overstates the rate differential.

[2]Joshua Smith "What Fallbrook and Rainbow's revolt says about San Diego's skyrocketing water rates" San Diego Union-Tribune December 18, 2021, retrieved on 12-28-2021 from https://www.sandiegouniontribune.com/news/environment/story/2021-12-18/fallbrook-rainbow-revolt-water-rates

expensive for SDCWA than M-water, that difference would not have been large, and it no longer exists. E-water costs SDCWA no more than M-water, or less, as shown in Table ES2, which describes SDCWA's supply sources in CY 2021 and their cost to SDCWA.

TABLE ES2 | SDCWA's Untreated Water Supply Cost

WATER SOURCE	Supply Share	Unit Cost ($/AF)		
QSA (E-water)	75.4%	$1,049		
Desal (Carlsbad)	13.0%	$2,725		
MWD (M-water)	11.6%	$1,075		
WEIGHTED AVERAGE		$1,271		

If SDCWA had not used any Carlsbad Desal water in CY 2021 and, instead, delivered a 75-25 mix of E- and M-water, its water cost would have been $1,056/AF instead of $1,271/AF, a savings of $215/AF. However, Carlsbad Desal water is more reliable than E- or M-water because it is not derived from streamflow that is being affected by climate change.

SDCWA only started using Carlsbad Desal water in 2016, so that does not explain why the SDCWA-MWD rate differential started to widen around 2010. Moreover, the $215/AF cost differential between Carlsbad and E/M-water accounts for only part of the $399/AF differential between SDCWA's and MWD's rates for untreated water. So, something else is at work. I believe that two other factors contributed to the rate differential:

1. SDCWA invested in some major water supply infrastructure projects just before and after 2010, a period when MWD was not making any unusually large investments. That would have caused the rate differential to widen.
2. Between 2010 and now, SDCWA experienced a 40% reduction in member agencies' demand for its water while MWD experienced only a 20% reduction. That difference would have caused the rate differential to widen, given that both agencies have very high fixed costs.

Contrary to what has sometimes been suggested, I have seen no evidence that SDCWA has charged member agencies unfairly, or that FPUD and/or RMWD were paying an excessively large share of the fixed charges levied by SDCWA, leading them to subsidize other member agencies.

NO. 3 | THE FINANCIAL IMPACT OF DETACHMENT

In the event of detachment by FPUD and/or RMWD, SDCWA would lose a variety of revenues including fixed and variable charges for water and also some charges borne by properties in the FPUD/RMWD service areas. It would also experience a reduction in its cost of operation. However, because almost 90% of SDCWA annual expenditures are fixed costs, the reduction in expenditures would fall far short of the reduction in revenues. Table ES3 below shows the impact on SDCWA's annual net operating revenue calculated for CY 2022.

TABLE ES3 | SDCWA Net Revenue Impact CY 2022

Item	FPUD	RMWD	FPUD + RMWD
REDUCTION IN REVENUE			
Without property tax loss	$8,590,141	$24,329,127	$32,919,268
With property tax loss	$8,750,141	$24,519,127	$33,269,268
REDUCTION IN EXPENDITURE			
Short-run	$4,686,300	$16,002,000	$20,688,300
Long-run	$5,047,100	$17,234,000	$22,281,100
CHANGE IN NET REVENUE			
SHORT-RUN			
Without property tax loss	$3,903,841	$8,327,127	$12,230,968
With property tax loss	$4,063,841	$8,517,127	$12,580,968
LONG-RUN			
Without property tax loss	$3,543,041	$7,095,127	$10,638,168
With property tax loss	$3,703,041	$7,285,127	$10,988,168

The exact reduction in revenue depends on whether SDCWA would continue to receive all, some, or none of the property tax revenue from the FPUD and RMWD service areas in the event of detachment, about which there seems to be some disagreement. Also, the reduction in expenditure will be different in the short run versus the long run. In the short run immediately after detachment, SDCWA will experience little reduction in the amount assessed against it by MWD for the Readiness to Serve (RTS) charge. Ten years later, MWD's RTS will be lowered based on the full reduction in M-water needed by SDCWA due to detachment.

The loss of annual net revenue is not a one-time event. It will occur for as long as SDCWA is paying the financial commitments that it has incurred to date. The exact amount of the annual impact will vary from year to year, depending on SDCWA's annual finances and rates.

The future financial impact will be lessened to the extent that SDCWA may find another buyer for the water that it would have delivered to FPUD and RMWD. But that will not fully offset the financial loss for two reasons: (1) The payment from the sale may not cover all the payments made annually to SDCWA by FPUD/RMWD as member agencies. (2) The water not delivered to FPUD/RMWD does not belong to FPUD and RMWD individually. Any financial benefit to SDCWA in the event that it sells the water that would have been delivered to FPUD/RMWD to some other party belongs collectively to SDCWA member agencies, and not to FPUD and RMWD individually.

Table ES4 presents my estimate of the cost-savings to FPUD and RMWD in CY 2022 if they switch from being served by SDCWA to being served by EMWD. Their financial gain would be somewhat smaller than SDCWA's financial loss.

TABLE ES4 | Savings In Water Cost When FPUD & RMWD Switch From SDCWA to EMWD

			EMWD			
			Unit Rate	FPUD	RMWD	FPUD + RMWD
	Source	Item	FPUD/RMWD	Expenditure		
			($/AF)	($)	($)	($)
a		WATER DELIVERY (AF)		4,100	14,000	
b	Table 16, row m	**SDCWA WHOLESALE WATER COST ($)**		$8,229,108	$23,034,412	$31,263,520
		EMWD WHOLESALE SUPPLIER				
c		MWD Full service Tier 1 treated	$1,143			
d	Estimated	MWD RTS charge	$122			
e	Estimated	MWD Capacity charge	$28			
f		EMWD Wholesaler "markup"	$11			
g	= c + d + e + f	**EMWD all-in treated rate**	**$1,304**			
h	= a * g	**EMWD WHOLESALE WATER COST ($)**		$5,346,400	$18,256,000	$23,602,400
i	= b - h	**COST SAVINGS ($)**		**$2,882,708**	**$4,778,412**	**$7,661,120**

NO. 4 | A DEPARTURE FEE

As I understand their positions, SDCWA argues that, if they detach, FPUD and RMWD should be liable for covering their shares of SDCWA's bonded and other indebtedness, which totals about $21 billion. Their share could amount to around $1 billion. In contrast, FPUD and RMWD argue that they should be able to detach without any further financial liability. In my judgment, as an economist experienced in the economics of water, neither position – a liability of about $1 billion nor a liability of zero – is reasonable.

However, the decision maker here is San Diego LAFCO, not me. The question confronting LAFCO is whether two SDCWA member agencies with a distinctive set of needs and situated at a distinctive location should be allowed to walk away scot-free, entirely unencumbered by any of the financial commitments that SDCWA has assumed on behalf of its member agencies.

The purpose of a departure fee is to assist SDCWA in covering its financial obligations that are fixed, ongoing and unavoidable for a limited period while it adjusts to the changed financial situation. It is not intended as payment for water being received; it is payment for obligations incurred when receiving water in the past, given that water supply is highly capital-intensive, requires long-term commitments, and is not operated on a PayGo basis.

If San Diego LAFCO were inclined to require a departure fee as a condition for approving detachment by FPUD or RMWD, it would need to decide what is the appropriate share to assign to FPUD or RMWD, of which SDCWA ongoing financial obligations, and for what length of time.

SDCWA is committed to making annual payments that run through 2047 (for IID Transfer water) and 2112 (for canal lining water). This year (CY 2021), the annual payments for QSA water amount to almost $285 million. LAFCO might use that amount as a starting point for thinking about what a fair and reasonable departure fee could be.

Table ES5 illustrates what an annual departure fee might be if it is framed as FPUD/RMWD's share of SDCWA's annual QSA payment commitment in CY 2021 ($284,524,900), using their three-year average share of either all deliveries or deliveries for M&I (non-PSAWR) use.

TABLE ES5 | Calculation of a Departure Fee

	Share	Annual payment
USING THE SHARE OF M&I DELIVERIES		
FPUD	1.9%	$5,295,156
RMWD	2.7%	$7,710,209
Total	**4.6%**	**$13,005,365**
USING THE SHARE OF ALL DELIVERIES		
FPUD	2.3%	$6,402,041
RMWD	4.3%	$12,107,975
Total	**6.5%**	**$18,510,016**

This calculation could be adjusted in many different ways and as LAFCO sees fit.

NO. 5 | WATER SUPPLY RELIABILITY

EMWD has both retail and wholesale customers. While about half of EMWD's supply is local supplies, it does not share those with its wholesale customers. Under the present arrangement, if FPUD and RMWD become members of EMWD this will not bring them access to any of EMWD's local supply. Through EMWD they will receive only M-water from MWD. With the Santa Margarita Conjunctive Use Project online, about half of FPUD's total consumption is now local supply, but RMWD has almost no local supply and will be essentially as dependent on MWD as SDCWA was in 1991. In contrast, SDCWA is now largely independent of M-water: that accounted for 24% of SDCWA's supply in CY 2020, about 12% in CY 2021, and is projected to decline even further over the next decade. The bulk of SDCWA's supply portfolio is: (i) QSA water from the Colorado River which comes under a higher priority water right than most of MWD's Colorado River M-water, and (ii) water from the Carlsbad Desal facility, which is fully protected against streamflow uncertainty.

The superior reliability of SDCWA's supply has benefitted FPUD and RMWD in the past. In the drought of 2009, SDCWA faced a 13% cut-back in the delivery of M-water. However, because of its access to QSA water, SDCWA was able to reduce deliveries to its member agencies by only 8%. In the 2015-2016 drought, the supply from the Carlsbad Desalination Facility was certified as drought-resilient, which lowered FPUD and RMWD's mandated water use reduction from 36% to 28%. In May 2016, the conservation mandate was replaced with a localized "stress test" under which a wholesale water agency could document its ability to meet demands for 2017-2019 should dry conditions continue. Based on the availability of SDCWA's drought resilient supply, the conservation requirement for FPUD, RMWD and other member agencies was reduced to 0%.

Both of MWD's sources of M-water – SWP water and Colorado River water -- have supply reliability issues.

There are supply reliability issues for SWP water with regard to: (i) the amount of water available for it to take from its source, the Feather River in the Sacramento Valley, and (ii) the ability to convey that water through the Sacramento/San Joaquin Delta to SWP member agencies south of the Delta.

- With regard to the availability of Feather River water, long-standing issues are that droughts are a fact of life in California and that SWP has relatively little carryover storage. A new factor is climate change and the growing recognition that droughts will become more frequent and more severe. Before 2013, there were only two years since SWP deliveries began in 1972 when it delivered a very low supply relative to its Table A commitment; but six of the nine years since then have seen a very low SWP supply. In addition, with soils becoming drier, with climate warming, northern California streamflow is becoming harder to predict using the standard hydrological models, rendering water supply less predictable.

- With regard to conveyance through the Delta, there are two issues: (i) environmental restrictions on releases have increased since the 2000s and (ii) there is a general recognition that the levee system used to convey SWP water is unreliable and will have to be replaced. The first proposal, launched in 2015 and known as WaterFix, involved two tunnels under the Delta, at an estimated cost of about $17 billion in 2017 dollars. MWD planned to acquire a 64.6% share in the supply at a projected cost of $10.8 billion. The proposal was withdrawn by Governor Newsom in 2019, and a one-tunnel project is being developed, known as the Delta Conveyance Project, with a preliminary cost estimate of $15.9 billion (in 2020 dollars). Exactly when the project will be completed, and at what cost, is unknown. It might not come into full operation for another 10 or 15 years. Without it, the ability to convey SWP (and CVP) water to users south of the Delta remains at risk.

The Colorado River was MWD's original source of water and remained its larger source until the QSA took effect in 2003, reducing MWD's firm supply of Colorado River water. Starting in 2003, SWP made up the majority of MWD's water. The recent difficulties with SWP deliveries are causing a return to Colorado River water. However, there has been a twenty-year drought on the Colorado River, and the impacts are now beginning to be felt. Lake Mead and Lake Powell, the country's two largest reservoirs, are now at their lowest levels ever. In September, for the first time in history, a Tier 1 shortage was declared on the river. Tier 1 reduces diversions by Arizona and Nevada but not California. California loses about 5% of its diversion under Tier 2b, and about 8% under Tier 3. Current projections are that there is a 25% chance of a Tier 3 declaration in 2023, a 44% chance in 2024, and a 59% chance in 2025. In the event of a California reduction, the brunt would be borne by MWD, not SDCWA, because of the seniority of the water right to which SDCWA has access. Looking to the future, Tier 3 will not be enough to manage the Colorado River under the "new normal" conditions now being anticipated; sharper cutbacks will probably be required for all three lower basin states.

In anticipation of possible shortage, MWD has built up substantial dry-year reserves stored in groundwater banks in the San Joaquin Valley and Coachella Valley and in Lake Mead. This will enable it to withstand two or three critical shortage years in a row. However, projected climate change scenarios indicate the possibility of significantly longer droughts in the future. It is not clear that MWD yet has the practical capacity to sustain more severe and prolonged drought, especially on the Colorado River.

In switching from being wholesale customers of SDCWA to EMWD, FPUD and especially RMWD may face some challenges. Riverside County is the fastest growing county in California. While EMWD has significant local supplies, it does not share those with its wholesale customers – it provides only MWD water to them. Most of EMWD's wholesale customers themselves have substantial local supplies. The City of Perris and RMWD will be the only EMWD wholesale customers who are solely dependent on MWD water.

EMWD presented an analysis showing that it would be able in a drought to withstand a 30% reduction in MWD deliveries, sparing any wholesale customer (including FPUD and RMWD) from being short of supply. However, that analysis rests on certain assumptions which I find unrealistic.

In summary, while I believe that FPUD and RMWD are taking something of a gamble on supply reliability if they switch from SDCWA to EMWD, the gamble ultimately is not one of running out of water but, rather, paying a higher price than they had anticipated to get by in a drought.

NO. 6 | WHAT IS THE PROBLEM?

The problem generally is not that SDCWA is using water that is too expensive. My analysis indicates that QSA water is not more expensive than M-water from MWD. Desal water from Carlsbad is expensive, but it also has real economic value as insurance against disruption of supplies derived from streamflow, and it proved its value during the 2015-2016 drought. It would be even more valuable if this reliability could be shared across a wider set of Southern California water users.

Increased use of recycled water is also not a solution to the high cost of water supply. While recycling brings important environmental benefits and also has a significant economic benefit as the solution to overcapacity in wastewater collection, treatment and disposal systems, it is generally an expensive source of water supply.

The larger problems underlying the present detachment issues are problems with SDCWA's fiscal model and, to some degree, its governance model.

There is a severe structural imbalance in SDCWA's finances, arising from a mismatch between the share of its revenues that are variable versus fixed and the share of its expenditures that are variable versus fixed. That creates significant financial vulnerability when the volume of water

delivered to member agencies declines. When it delivers less water, while it saves on some expenditure, its revenue declines even more, causing a net loss. This vulnerability is not unique to SDCWA – it is shared with MWD and many other water agencies. Table ES6 below shows the mismatch between its variable revenue share and its variable expenditure share for SDCWA in comparison with MWD.

TABLE ES6 | Financial Exposure to Variation in Water Sales

	SDCWA	MWD
PERCENT OF EXPENDITURE THAT VARIES WITH AF DELIVERED	15%	16%
PERCENT OF REVENUE THAT VARIES WITH AF DELIVERED	72%	88%

These figures are based on SDCWA's current rate structure and could change if the rates changed. They also indicate that MWD is even more vulnerable to a reduction in deliveries than SDCWA. Still, SDCWA's situation is quite serious. As a rough example, I estimate that for every 1,000 AF less that SDCWA delivers to member agencies, on average its annual *net* revenue falls by almost $1M. This is a significant concern given that, over the coming decade, SDCWA is projected to experience a 60,000 AF reduction in deliveries as member agencies substitute increased use of local recycled water for SDCWA water.

The problem with SDCWA's governance is also shared with many other water agencies, including MWD. The problem is that the Board of Directors makes major investment decisions without any upfront commitment by member agencies to take and pay for the water that will be generated. This strategy commits current resources without guaranteeing the future revenues to pay for new investments. This is a problem that was noted for MWD in a Blue Ribbon Task Force Report to which I contributed in 1993-1994, and it still has not been fixed by MWD.

Member agencies need flexibility to change their supply portfolio in the future without being tied down by long-term purchase commitments. But water supply infrastructure is massively capital intensive and very long-lived. It cannot be funded on a PayGo basis; it needs a long-term financial commitment. The problem was less severe in the past when property tax revenues provided the main repayment source for water infrastructure investments. That source of revenue stability is now lacking.

It has been suggested elsewhere that water transfers and exchanges can contribute to solving the financial dilemmas of urban water supply. Whether that is true depends, in part, on the nature and form of the transfer activity. Up to now, SDCWA and MWD have been the principal actors in water transfers in Southern California, initiating and implementing transfers through the networks that they control. However, the need for transfers now arises increasingly at the local level of individual member agencies with varying needs for reliability in water and varying willingness to pay for water. To take advantage of the variety in individual member needs and to

overcome the financial challenges confronting Southern California's water at a time of climate change, it will be important that local member agencies step up, take more responsibility for the water they obtain through regional wholesalers, commit financially on a long- rather than short-term basis, and become leading actors in shaping their individual supply portfolios through water transfers and exchanges as needed. In that scenario, SDCWA and MWD will to some degree become facilitators and providers of assistance rather than the principals. For this to work, it will also be essential to have a strong degree of cooperation and collaboration between SDCWA and MWD as Southern California's two premier water supply agencies.

2.1 HOW THE SAN DIEGO COUNTY WATER AUTHORITY SERVICE AREA GETS ITS WATER

Q. If I am served by a member agency of the San Diego County Water Authority (SDCWA), where does my water come from?

A. Your water comes from one of two sources: (1) *local supplies* -- water your member agency obtains from local sources that it controls, and (2) water supplied to your member agency by SDCWA.

Q. What are local supplies?

A. Historically, local sources were groundwater and surface water within the local area of the urban water agency. Before 1947, the San Diego region relied entirely on local surface water runoff and groundwater pumped from local aquifers.

Over time, local sources have expanded to include the use of treated wastewater from local wastewater plants, the use of desalinated local groundwater and, also, desalinated seawater (some of the seawater at the Carlsbad Facility is contracted for by SDCWA member agencies Carlsbad MWD and Vallecitos WD and counts as part of their local supplies).

However, as the region's population and economy grew, local supplies became insufficient to meet the region's water needs.

Q. How did San Diego County's local supplies come to be augmented?

A. In 1928, the Metropolitan Water District of Southern California (MWD) was formed to develop, store and distribute supplemental water in Southern California, with the specific intention of importing water to the region from the Colorado River. MWD built the Colorado River Aqueduct (CRA) during the 1930s to convey this water, with the aqueduct coming into operation in 1941. The founding members were Los Angeles and its neighboring cities in Los Angeles County.

World War II caused a great increase in water consumption in San Diego and threatened to deplete the region's available local water supply. The solution was to connect the region to the Los Angeles area CRA and import Colorado River water from MWD. In 1943, engineering studies were completed for an aqueduct that would connect with the CRA at what is now called Lake Mathews and convey water south across Riverside County and into San Diego County. The San Diego County Water Authority was organized with nine original members in June 1944 under an enabling act of the California State Legislature known as the County Water Act.[3] The primary purpose was to contract with MWD as a member agency and supply imported MWD water to

[3] SDCWA now has 24 member agencies.

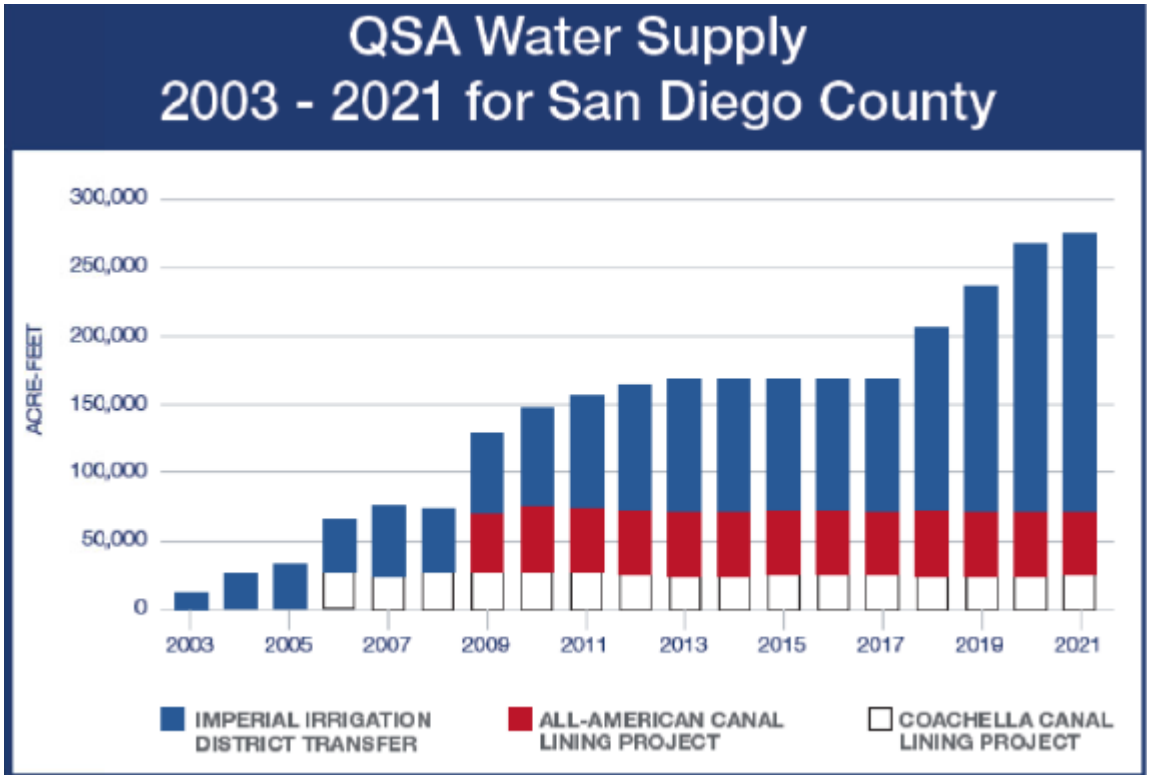
the region. The San Diego Aqueduct was completed and placed in operation in December 1947. Between the 1950s and the 1980s, SDCWA constructed four additional aqueducts that are all connected to MWD's distribution system and import water to the County.

SDCWA supplies from 75% to 95% of the region's water consumption, depending on hydrologic conditions and yield from local supplies.

Q. Where does SDCWA get its water from?

A. For almost sixty years, from 1947 to 2003, MWD was the sole provider of imported water to SDCWA. This changed in 2003; starting that year, SDCWA began to receive water purchased in a transfer agreement with Imperial Irrigation District (IID). In 2007, SDCWA started to receive an amount of water from projects that lined portions of the All-American Canal (AAC) and the Coachella Canal (CC) in order to conserve water that infiltrated into the ground before the canals were lined. The ramp-up in the delivery of this water from the Colorado River is depicted in the graph below:[4]

FIGURE 1 | Build-up of QSA Water Delivery to SDCWA



I will refer to the water obtained by SDCWA from IID and from the canal lining as *QSA water*. It is conveyed from the Colorado River to the SDCWA service area by MWD using the CRA under a 2003 agreement known as the Exchange Agreement.

[4] Source: Presentation to SDCWA Board, 1-25-2018, slide 65.

In addition, in 2016, SDCWA started to receive desalinated seawater from the Carlsbad Desalination Facility.

Q. Why did SDCWA decide to broaden its source of water beyond water from MWD?

A. SDCWA decided it needed to expand the sources from which it received water in the light of its experience with MWD during the drought in 1991.

Q. What happened to SDCWA during the drought in 1991?

A. The period from 1987 to 1992 saw one of the major droughts in California's history.

This was by no means California's first drought. There had been multi-year droughts in California in 1918-1920, 1928-1934, 1947-1950, 1976-1977 and, subsequently, there were droughts in 2007-2009 and 2012-2016. But, the droughts prior to 1976-1977 occurred when California's population was much smaller and before major reservoirs had been constructed.

What made the droughts of 1976-1977, 1987-1992, 2007-2009 and 2012-2016 so significant was the combination of very low precipitation, low runoff, and severely depleted reservoir storage.

1976-1977 was the single most severe drought in terms of precipitation and runoff, but it was just a two-year drought, and the water supply impact was not as severe as in the subsequent longer droughts starting with 1987-1992.

The drought of 1987-1992 came as a major shock to Southern California's water system. In April 1990, MWD's Board had approved a first-ever drought management plan, calling on agricultural and municipal water users within its service area to voluntarily reduce their usage of water. Adopting a tougher approach, in December 1990 MWD mandated cutbacks in water use by agricultural and municipal users. In January 1991 it mandated sharper cutbacks. It increased the mandated cutbacks in February 1991 and again in March 1991, when it ended up cutting deliveries of water for agricultural use by 90% and deliveries for municipal use by 30%. MWD came within a few weeks of an even more severe cutback – it had given notice of an upcoming cutback of 50% in the County's water supply. This was avoided when heavy rains fell during the March Miracle of 1991.

The 30/90% cutbacks that were implemented were still devasting to SDCWA. SDCWA was almost entirely dependent on delivered water from MWD – MWD deliveries accounted for 95% of the water supply in its service area that year, with local supplies making up only 5%. By contrast, the City of Los Angeles relied on MWD for about 60% of its water, having its own supplies for the remainder. A 30% cut back on 60% of Los Angeles' municipal water supply equated to an 18% cut overall, while a 30% cut back on 95% of San Diego County's water supply equated to a 28.5% cut overall. MWD's cutback of deliveries for agricultural users was even more draconian since, in 1991, SDCWA accounted for 63% of MWD's total agricultural water sales.

The SDCWA Board decided to meld MWD's water supply cutbacks and impose a uniform 31% cut on all member agencies, regardless of whether those were agricultural or municipal uses of water.

Q. What were the consequences of the 1991 drought experience?

A. The experience during the drought in 1991 had important consequences both for SDCWA and for MWD.

For SDCWA, the consequence was a desire for less dependence on MWD and "a unified regional resolve to use visionary planning and smart investments to ensure San Diego's water supplies would be more resilient to shortage."[5] This led to the 1998 agreement between SDCWA and IID under which SDCWA would purchase water from IID, and also to the negotiations between SDCWA and Poseidon Resources, initiated in 2002 and finally consummated in 2012, for the construction of the Carlsbad Desalination Facility.

For MWD, too, the consequence was a desire for greater resilience in its water supply, including more water marketing transactions and the acquisition of more water storage capacity outside MWD's service area.[6]

Q. Where does MWD get its water from?

A. MWD has two core sources of water. The first source, as noted above, was water from the Colorado River, for which MWD was established in 1928, and which it started to deliver in 1941. The second is water from the State Water Project (SWP), which is owned by the State of California.

The SWP stretches more than 600 miles from Lake Oroville on the Feather River in Butte County down to Lake Perris in Riverside County. MWD contracted with California's Department of Water Resources (CDWR) in 1960 when the project was planned. MWD is one of 29 water agencies that have long-term contracts with the SWP. SWP was initially planned to deliver about 4.2 million acre-feet (MAF) of water, and MWD contracted for about 2 MAF, or about 48% of the total. MWD received its first deliveries of SWP water in 1972.

An important feature of the SWP contracts is that the full amount of water was not anticipated to be needed for at least the first 20-30 years. Facilities needed to transport the full 4.2 MAF were expected to be constructed over time as demands on the system increased. However, in a famous ballot in 1982, California voters rejected what was known as the Peripheral Canal Act that would have authorized building a canal around the periphery of the Sacramento-San Joaquin River Delta to move additional SWP water down to Central and Southern California. That left the SWP

[5] Pete Wilson, Foreword on *To Quench a Thirst: A Brief History of Water in the San Diego Region* as quoted in SDCWA Combined Response, 9-18-2020, p. 18.
[6] MWD's planning for the Eastside Reservoir (Diamond Valley Lake) had begun in 1987, and so predated the 1991 drought.

delivery capacity at about 2.7 MAF on average, and only about 1.2 MAF in a dry year. The most recent estimate of average SWP Table A deliveries is 2.4 MAF.[7] Following amendments to the SWP contracts under the 1994 Monterey Agreement, all SWP supplies are allocated to contractors in proportion to their original contractual entitlements. Thus, MWD's 48% share of total SWP contract entitlements allows it to receive about 1.2 MAF of average year SWP supplies, and about 0.6 MAF or less in a dry year depending on the severity of the drought.

In addition to a reduced supply of SWP water, MWD has also had to deal with a reduced supply of Colorado River water. Until 1963, MWD had a firm allocation of 1.2 MAF of Colorado River water through contracts with the U.S. department of Interior, which was enough to keep the CRA full. However, as the result of the U.S. Supreme Court's 1963 ruling in Arizona v. California, California's supply of Colorado River water was reduced to a total of 4.4 MAF and MWD's supply was reduced to 550,000 AF.

That ruling had little effect at first because Arizona and Nevada did not make use of the full apportionment of Colorado River water awarded to them by the U.S. Supreme court. In the interim, California water users, including MWD, took advantage of the situation to divert more Colorado River water than their allocation.

By the 1990s, the situation was different. By then, Las Vegas had grown into a large metropolitan area, and the Central Arizona Project, authorized by Congress in 1968 to deliver Arizona's apportionment of Colorado River water, had been completed. Arizona and Nevada were ready to take their full allocation of Colorado River water (2.8 MAF and 0.3 MAF, respectively). However, California water agencies, notably IID and MWD continued their high rates of diversion. On average during the 1990s, MWD was able to fill the CRA and California overall took 5.1 MAF of Colorado River water.[8] At this point the Secretary of the Interior stepped into the situation and moved to enforce the limits on California's use of Colorado River water.

The new arrangement on the Colorado River took effect when the Quantification Settlement Agreement (QSA) was signed in October 2003. This enforced the limits on California's use of Colorado River water, including MWD's limit of 550,000 AF.[9]

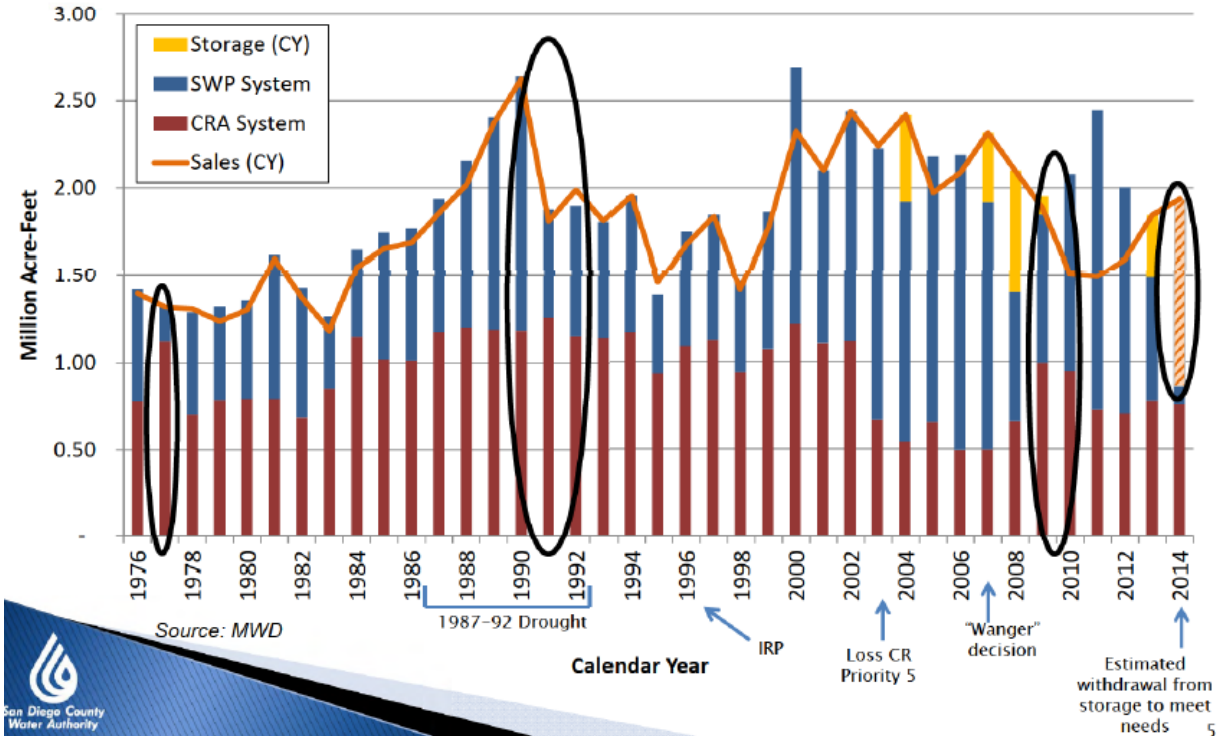
In addition to its contractual rights to SWP water and Colorado River water, MWD has augmented its water supply through water leasing and transfer arrangements with other parties outside its service area, including other holders of Colorado River water rights, other SWP contractors and other California water agencies. To store this water, MWD developed additional storage, both the Eastside Reservoir (which was completed in 2000) and additional storage outside its service

[7] California DWR, *The Final State Water Project Delivery Capability Report 2019*, August 2020, Figure 5.2.
[8] The years 1996-2000 were relatively wet in the Colorado River watershed and the Secretary of the Interior was able to declare that surplus water was available, which benefited California's water users and gave them some time to prepare for the coming change.
[9] In addition, MWD had completed a water transfer agreement with IID in 1988 to obtain about 106,000 AF out of IID's right to Colorado River water. Under certain conditions, however, MWD must provide 50,000 AF to the Coachella Valley Water District. Therefore, MWD's firm supply from the Colorado River is about 600,000 AF.

area, including storage in groundwater banks and storage in Lake Meade through the Colorado River 's Intentionally Created Surplus program.

Figure 2 summarizes MWD's changing mix of supply sources over time.[10] After MWD first received SWP water in 1972, it reduced the amount of water it took from the Colorado River (labelled CRA water in the figure). The chart depicts the steep reduction in delivery of SWP water delivery in the 1991 drought; the reduction in MWD diversions of Colorado River water following MWD's loss of surplus supplies (662,000 AF) in 2003; the initiation of MWD's program to build up out-of-district storage supplies starting in 2004; the reduction in SWP deliveries following increasing environmental restrictions on Delta export pumping; and the severe drought emergency in 2014 leading to a drastic reduction in SWP deliveries which continued into 2015.

FIGURE 2 | MWD's Changing Reliance on Sources of Supply



Q. Where does Fallbrook Public Utility District (FPUD) get its water from?

A. FPUD obtains its water from (i) some small local supplies and (ii) mainly from SDCWA.

Local supplies: according to FPUD's 2020 Urban water Management Plan, in Calendar Year (CY) 2020 FPUD obtained 100 AF from local groundwater and 517 AF of recycled water from its Fallbrook Water Reclamation Plant, for a total local supply of 617 AF.

SDCWA: In addition, FPUD obtained 8,303 AF from SDCWA in CY 2020.

[10] Taken from Presentation to SDCWA Board on 6-26-2014, slide 146.

Q, Will FPUD's local supplies increase in the future?

A. Yes: there are three projects that will increase FPUD's local supplies.

FPUD recently completed a rehabilitation of its Fallbrook Water Reclamation Plant which will allow it to increase the use of recycled water from 517 AF to 830 AF.

FPUD has been developing a major new local supply project, the Santa Margarita Conjunctive-Use Project, in collaboration with Camp Pendleton. The project involves capturing high surface water flows along the Santa Margarita, a short intermittent river that runs through Camp Pendleton, and storing the surplus flow in an aquifer on Camp Pendleton. Facilities to pump raw water from the aquifer near the Pendleton/FPUD boundary have been completed, and FPUD is currently constructing an advanced water treatment plant to desalinate the brackish groundwater extracted from the aquifer. The project came online during 2021. The amount of water yielded is expected to vary with hydrological conditions; it has been assessed conservatively at an average annual yield of 4,200 AF.

FPUD is also working on a project to obtain 300 AF of surface water by relocating a water right it held to the Santa Margarita but could not utilize to a diversion point on a tributary of the river outside its service area, upstream of Lake Skinner in Riverside County. Lake Skinner is MWD's reservoir that feeds MWD's Skinner Drinking Water Treatment Plant which provides drinking water to MWD's member agencies in Riverside and San Diego Counties. FPUD will store the water it diverts from the tributary in Lake Skinner, and MWD will wheel (convey) the water to FPUD via the SDCWA pipeline that connects SDCWA and MWD in return for a treatment charge plus a wheeling charge to be levied by MWD. When this comes into operation, it is conservatively expected to provide a yield of 300 AF for FPUD.

Q. Where does Rainbow Municipal Water District (RMWD) get its water from?

A. RMWD, like FPUD, is a member agency of SDCWA. It currently has no local supply and relies on SDCWA for the entirety of its water supply, which amounted to 14,297 AF in CY 2020.

Q. Will RMWD develop some local supply in the future?

A. RMWD is investigating the feasibility of developing local San Luis Rey River basin groundwater resources as a local supply of water. This would require the construction of a desalting plant or some other appropriate form of treatment facility for the groundwater extracted. In its 2020 Urban Water Management Plan, RMWD anticipates that this groundwater project might provide a local supply of 2,000 AF by 2030.

Q. Is FPUD served by MWD as its wholesaler?

A. No.

So far in its history, PFUD has had no supply relationship with MWD. FPUD is not a member agency of MWD, and MWD does not sell water to non-member agencies. FPUD is a member agency of SDCWA, and SDCWA is its sole wholesale supplier.

If FPUD starts to receive a surface water diversion from upstream of Lake Skinner, wheeled to it by MWD, then it will have a relationship with MWD. But MWD will then be serving in the roles of a treater of the water and a (partial) conveyor of the water, not as a supplier of that water.

MWD's water distribution line that comes down from Riverside County and connects to SDCWA's distribution system is owned by MWD for some of its length and by SDCA for the rest.[11] Although the county line demarcates the boundary of SDCWA's service area, the county line did not serve as the demarcation point between the portion of the pipeline controlled by MWD and the portion controlled by SDCWA. Instead, the control demarcation points for Aqueducts 1, 2, 3 and 4 are located at varying distances into San Diego County.

In consequence, FPUD and RMWD are each served by some turnouts owned by MWD and some owned by SDCWA. The details are presented in the following table:[12]

[11] This was motivated by how the pipeline's construction cost was split between MWD and SDCWA.
[12] Provided to me by SDCWA in an email dated 8-31-2021.

TABLE 1 | Metered Deliveries to FPUD and RMWD (AF)

(FY 2017 - FY 2021)

Meter Description	Pipeline Turnout Structure Owner	Flow Control Facility (FCF) Owner	Meter Deliveries (AF) FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fallbrook Public Utility District							
DeLuz 1 FCF	MWD	MWD	2,180	2,264	1,541	1,426	1,579
Fallbrook 3 FCF	MWD	SDCWA	1,739	1,485	1,340	2,393	2,635
Fallbrook 4 FCF	SDCWA	SDCWA	1,132	1,499	1,197	292	0
Fallbrook 5 FCF	MWD	SDCWA	Not in Service				
Fallbrook 6 FCF	MWD	MWD	3,667	5,102	3,808	3,763	4,799
		Total	**8,718**	**10,350**	**7,886**	**7,874**	**9,013**
Rainbow Municipal Water District							
Rainbow 1 FCF	MWD	SDCWA	2,151	2,892	2,584	2,940	3,149
Rainbow 3 FCF	SDCWA	SDCWA	3,560	4,335	3,534	2,293	3,564
Rainbow 4 FCF	MWD	SDCWA	Not in Service				
Rainbow 5 FCF	SDCWA	SDCWA	Not in Service				
Rainbow 6 FCF	SDCWA	SDCWA	2,403	2,393	1,962	1,866	2,799
Rainbow 7 FCF	SDCWA	SDCWA	3,110	3,119	2,601	1,191	383
Rainbow 8 FCF	MWD	MWD	2,238	2,647	1,425	3,585	3,747
Rainbow 9 FCF	MWD	MWD	1,617	1,842	1,496	1,197	1,456
Rainbow 10 FCF	MWD	SDCWA	955	1,060	548	462	634
Rainbow 11 FCF	SDCWA	SDCWA	1,167	922	506	946	1,239
Rainbow 12 FCF	SDCWA	SDCWA	Not in Service				
		Total	**17,202**	**19,211**	**14,654**	**14,479**	**16,972**

[1] Represents water delivered to FPUD and RMWD. No adjustment for small volumes of interagency exchanges.

As shown, FPUD was served by three pipeline turnouts owned by MWD and one owned by SDCWA. FPUD took delivery of water from the turnout owned by SDCWA for the last time in November 2019 (within FY 2020).

RMUD is currently being served by four pipeline turnouts owned by MWD and by four owned by SDCWA.

Q. Are there any other SDCWA member agencies that have turnouts on a portion of the pipeline from Lake Skinner owned by MWD?

A. No. FPUD and RMWD are the only SDCWA member agencies located sufficiently far north in San Diego County that they receive water from turnouts owned by MWD rather than SDCWA.

Q. Does the fact that MWD owns a turnout from which FPUD or RMWD receives water make MWD a wholesale supplier to FPUD or RMWD?

A. No. The fact that MWD owns a turnout from which a SDCWA member agency receives water does not make that member agency a wholesale customer – or any other form of customer – of MWD. The member agency is solely a customer of SDCWA.

This is so for several reasons:

SDCWA is the entity that acquired the water from MWD.

SDCWA is the entity billed by MWD for the water.

SDCWA owns the water it obtains from MWD.

Q. Does the fact that SDCWA waives its Transportation Charge for water received by FPUD and RMWD from a turnout owned by MWD make that not SDCWA water?

A. No. The fact that SDCWA has decided to waive its Transportation Charge for water received by FPUD and RMWD does not make this something other than SDCWA water, for the reasons stated above.

Q. Is it the case that, if FPUD and RMWD exit from SDCWA, they still would end up receiving the same MWD water from the same turnouts on the same pipes? Nothing would really change?

A. No – that is not the case.

FPUD and RMWD would not receive water from turnouts owned by SDCWA.

More importantly, FPUD and RMWD would NOT be receiving the same water as they receive as member agencies of SDCWA.

Q. Why will it not be the same water?

A. It will be water belonging to MWD and supplied by MWD, rather than water belonging to SDCWA and supplied to FPUD and RMWD by SDCWA.

Q. How is water supplied by MWD different from water supplied by SDCWA?

A. It is different in source, it is different in supply reliability, and it is different in pricing.

Q. How is MWD water physically delivered by MWD to FPUD and RMWD different in source from SDCWA water physically delivered by MWD to FPUD and RMWD?

A. SDCWA, as an MWD member agency, purchases water from MWD. But this is supplemental water. SDCWA's base water supply – water that it owns directly – consists of QSA water from the Colorado River (canal lining water and IID Transfer water) and desalinated water from the Carlsbad Facility.

MWD base supply – water that it owns directly – consists of water obtained under its right to Colorado River and water purchased from IID, totaling approximately 600,000 AF, plus water obtained by MWD through its 48% share of the SWP supply.

Q. Isn't it true that MWD currently delivers to SDCWA some water from the SWP?

A. It is more complicated than that. MWD delivers molecules of SWP water to SDCWA in *two distinct capacities*.

MWD delivers SWP water to SDCWA as a *supplier* of water. MWD also delivers water as a conveyor of water through an exchange agreement with SDCWA.

Q. What is the difference between MWD's role as a supplier of water versus its role as a conveyor of water under an exchange agreement with SDCWA?

A. As a supplier of water, MWD is both selling the water and transporting the water to SDCWA. MWD owns the water supplied and it owns the conveyance facility. It charges for both the water supplied and for the conveyance.

Under the exchange agreement with SDCWA, MWD is providing water to SDCWA in exchange for water owned by SDCWA and received by it from SDCWA – it is charging just for conveyance of the exchanged water.

Q. Is MWD's exchange agreement the same as wheeling water?

A. No.

A dictionary definition of wheeling water is the following:

"The conveying of water through the unused capacity in a pipeline or aqueduct by someone other than the owner."

There is an important distinction between wheeling water and what MWD does for SDCWA under the 2003 Exchange Agreement between those two parties. Typically, wheeling occurs only if there is available capacity in the pipeline.

Under the exchange agreement, however, MWD is obligated to making capacity available. SDCWA pays MWD a volumetric rate to cover MWD's expenses in exchange for the conveyance of water. "Unlike the wheeling context, the Exchange Agreement does not literally call for the conveyance of water but instead for the *exchange* of water."[13]

[13] Karnow, August 28, 2015, p.27.

Q. Is MWD selling the water it delivers to SDCWA under the Exchange Agreement?

A. This question was resolved in the course of rate litigation between SDCWA and MWD.

MWD had argued that the Exchange Agreement involved a purchase of water by SDCWA because, under the agreement, SDCWA gives money and water to MWD (namely, QSA water) and obtains from MWD different water – some blend of Colorado River water and SWP water.

The trial judge in San Francisco Superior court ruled against MWD and in favor of SDCWA. He held that "San Diego is not purchasing water from Met. San Diego is exchanging water with Met to make use of its own independent supplies. The parties agreed to exchange an equal amount of water; the only water quality requirement was for Met to provide San Diego with water of at least the same quality as the water Met received from San Diego. These facts underscore that the Exchange Agreement was not an agreement pursuant to which San Diego obtained water from Met, but instead an agreement pursuant to which Met in effect conveyed water on behalf of San Diego. That the Exchange Agreement differs in some respects from a wheeling contract does not mean that the Exchange Agreement was not in substance an agreement to convey, rather than purchase water."[14]

The trial judge's ruling was relitigated before the California Court of Appeals in 2017. The Court of Appeals upheld the trial court on this point. It stated:

"The trial court found 'the Exchange Agreement was not an agreement pursuant to which [the Water Authority] obtained water from [Metropolitan], but instead an agreement pursuant to which [Metropolitan] in effect conveyed water on behalf of [the Water Authority].' … We agree with this conclusion."[15]

The Appeals Court further stated: "The purpose, structure and terms of the [exchange] contract make it clear that the Water Authority is not purchasing water from Metropolitan but from Imperial. As the trial court rightly discerned, the Water Authority is exchanging water with Metropolitan 'to make use of its own independent supplies.' … In agreeing to pay rates equal to the Metropolitan-supplied water rates, the Water Authority did not agree it was purchasing Metropolitan water. There was no purchase of Metropolitan water…"[16]

Q. Is water delivered by MWD to SDCWA as a member agency the "same water" as water provided by MWD to SDCWA under the exchange agreement?

A. No.

The molecules of water may be the physically and chemically indistinguishable, but they are different legally, with regard to both their underlying water right and their reliability.

[14] Karnow, August 28, 2015, pp. 28-29.
[15] Court of Appeals, June 21, 2017, 372.
[16] Op cit., 373.

With what I will call *M-water*, water that MWD delivers to SDCWA in its capacity as a MWD member agency, this is water owned by MWD under its right to Colorado River water or under its contract with the SWP.

With what I will call *E-water*, water supplied to QSA under the 2003 Exchange Contract, this is water that MWD is exchanging with SDCWA in return for water that is owned by SDCWA under SDCWA's agreements with IID for QSA water, which in turn reflect IID's right to Colorado River water.

As explained further below, IID's right to Colorado River water is senior to MWD's right to Colorado River water and is therefore more reliable.

MWD's obligation to deliver E-water to SDCWA is different from its obligation to deliver M-water to SDCWA.

MWD has the same obligation to deliver M-water to SDCWA as it has to deliver that water to other MWD member agencies. MWD's obligation to deliver E-water to SDCWA is unique to SDCWA.

If MWD experiences a shortfall in its supply of water from the SWP or in its diversion of water from the Colorado River, it can declare a reduced allocation to MWD member agencies, including SDCWA in its capacity as a member agency. Regardless of that, if SDCWA delivers to MWD the volume of water specified under the Exchange Agreement, my understanding is that MWD is not free to deliver a reduced amount of water to SDCWA under that agreement: it is obligated to deliver the amount specified in the Exchange Agreement.[17]

Q. Is most of the water delivered by MWD to SDCWA M-water?

A. That used to be true, but it is no longer true– see Table 2 below.[18]

[17] The terms of the exchange are that (1) SDCWA makes the water that it purchases from IID and that it obtains from the lining of canals available to MWD at Lake Havasu, and (2) MWD delivers a like amount of water from any source to SDCWA in equal 1/12th monthly deliveries, regardless of when in the year SDCWA makes the IID and canal lining water available to MWD (SDCWA Exhibit 28, p. 6).

[18] This uses data provided to me by SDCWA in an email dated 9-2-2021.

TABLE 2 | Breakdown of Water Delivered by MWD to SDCWA

Fiscal Year	QSA Water	MWD Water	Total	QSA Share
2012	156,604	282,948	439,552	35.6%
2013	183,500	296,472	479,971	38.2%
2014	180,256	325,729	505,985	35.6%
2015	180,123	305,039	485,162	37.1%
2016	179,347	187,057	366,404	48.9%
2017	178,278	189,919	368,197	48.4%
2018	194,326	163,639	357,965	54.3%
2019	192,241	132,831	325,072	59.1%
2020	230,430	82,843	313,273	73.6%
2021	274,702	42,322	317,024	86.7%
2012-2021	1,949,807	2,008,798	3,958,604	49.3%
2012-2013	340,104	579,420	919,523	37.0%
2017-2021	1,069,977	611,554	1,681,531	63.6%
2020-2021	505,132	125,165	630,297	80.1%

As Table 2 shows, in the past decade overall, the water delivered by MWD to SDCWA broke down almost evenly between M-water and E-water, but the share of E-water has grown steadily from 37% in 2012 and 2013 to almost 64% in the last five years, to 80% in the most recent two years.

A clear implication is that the bulk of the water received by FPUD and RMWD, whether through turnouts owned by MWD or by SDCWA, is now E-water, not M-water.

Q. Are FPUD and RMWD different from other SDCWA member agencies?

A. Two features stand out as points of some difference between FPUD and RMWD versus other SDCWA member agencies.

First, as noted above, FPUD and RMWD are the only member agencies located sufficiently far north in San Diego County that they receive water from turnouts owned by MWD rather than by SDCWA.

Second, FPUD and RMWD are heavily agricultural users of water. Agricultural water uses in SDCWA's service area overall amounted to about 37,050 AF, or 8% of total water use in the service area in 2020.[19] However, in RMWD agricultural use amounted to 8,876 AF out of a total use of 14,297 AF in 2020, or 62%. [20] FPUD had about 2,676 AF of agricultural use, or about 30% of total water use.[21]

[19] SDCWA 2020 Urban Water Management Plan p. ES-1.
[20] RMWD 20202 Urban Water Management Plan, Table 4-1, p. 4-1.
[21] FPUD 2020 Urban Water Management Plan p. 12.

Other SDCWA member agencies with significant levels of agricultural use include Valley Center MWD, Ramona MWD, Yuima MWD and the City of Escondido, all located in the northern parts of the County.

The primary crops grown by SDCWA's agricultural water users include avocado, citrus, cut-flowers, vegetables, vine crops and nursery products. These are generally high value agricultural crops. Nevertheless, a high price for water is an issue for many agricultural producers, even of high value crops. As shown below, SDCWA's charges for water have risen significantly since 2000. The consequent rise in the retail price of water has been a factor in the reduction of crop production and agricultural water use in the FPUD and RMWD service areas since 2000. In the case of RMWD, its total annual water use has declined by about 50% from around 30,000 AF in 2000 to 14,297 AF in 2020.

2.2 HOW EXPENSIVE IS SDCWA WATER, AND WHY?

Q. What does SDCWA charge for water?

A. SDCWA obtains revenue from its member agencies as their wholesale supplier through a mix of charges. The charges for CY 2021 and CY 2022 are itemized in Table 3, below.

TABLE 3 | SDCWA Rates and Charges

		ITEM	CY 2021	CY 2022
	CHARGED TO MEMBER AGENCIES			
a		M&I water supply rate ($ /AF)	$940	$1,009
b		Agricultural water supply ($/AF)	$777	$799
c		Transportation rate ($/AF)	$150	$173
d		Treatment rate ($/AF)	$295	$310
e		Customer Service charge - Total, all member agencies ($)	$25.6M	$25.6M
f		Storage Charge - Total, all member agencies ($)	$60.0M	$60.0M
g		Supply Reliability charge - Total, all member agencies	$38.84M	$39.3M
h		Infrastructure Access charge ($/meter equivalent)	$4.24	$4.24
i	e + f + g + h	Fixed charges equivalent ($/AF)	$384	$341
j	a + c + i	All-in Untreated ($/AF)	$1,474	$1,523
k	d + j	All-in Treated ($/AF)	$1,769	$1,833
	CHARGED TO PROPERTIES IN SERVICE AREA			
l		Water Availability Standby charge (per property)	$10	$10
m		Ad valorem Property Tax	VARIES	VARIES
n		System Capacity Charge per new meter less than 1" ($)*	$5,312	$5,328
o		Treatment Capacity Charge per new meter less than 1" ($)*	$147	$149
		* varies by meter size		

Some of the items are charged to member agencies (items a-h), and others are charged to properties in the SDCWA service area (l-o).

Depending on the item, charges to member agencies vary by acre-feet of water supplied each month (items a-d), or by the individual agency's proportional share of a three-year or five-year rolling average of the total quantity supplied to all member agencies, or by the number of individual meter equivalents served by the agency in the previous year (h).[22]

Items a-d are volumetric charges. Economists classify these as *variable costs* for member agencies since they vary directly with the quantity of water delivered that year to the member agency. The other charges listed in Table 3 are fixed charges; these are what economists call *fixed costs* for member agencies because they do not vary directly with the quantity of water delivered that year to the member agency.[23] Items e-f-g do vary *indirectly* with the quantity of water delivered, in that they apportion to each member agency a portion of a quantum of fixed cost ($25.6M, in the case of item e) based on the member agency's share of the total quantity delivered to all member agencies over a span of three or five years. A change in the quantity of water delivered to a member agency in 2021, say, will have the potential to change the agency's allotted share of a cost item e, f, or g three or five years hence.

SDCWA offers a separate rate for water delivered to member agencies for agricultural use known as the Permanent Special Agricultural Water Rate (PSAWR). The PSAWR rate applies item b in place of a.[24] It includes the transportation rate, c, the treatment rate, d, and the customer service charge, e, but it excludes the storage charge, f, and the supply reliability charge, g. In exchange for this special agricultural rate water users are subject to higher cutbacks compared to M&I users in the event of a supply limit imposed by MWD ("an allocation") or other water shortages faced by SDCWA.[25] PSAWR users do not receive the benefit from the supply reliability or storage programs since they do not pay the charges for those programs.[26]

For planning purposes, a common practice is to convert the fixed charges e-f-g-h into equivalent volumetric charges ($/AF) by dividing them with the total (projected) quantity of water delivered to member agencies. For CY 2021, SDCWA estimates that its *all-in untreated water cost* [27]amounts to $1,474/AF, while its *all-in treated water rate* amounts to $1,769/AF.[28]

These all-in rates are averages across all SDCWA member agencies. For any individual member agency, its actual all-in rate for SDCWA water will vary with the quantity of water it buys that year from SDCWA, as well as with its mix of M&I water versus PSAWR water. The member agency allocations of fixed charges are based on the agencies' past shares of total water deliveries and

[22] Customer service charge is applied to a three-year rolling average of all SDCWA deliveries; Storage charge is applied to a three-year rolling average of M&I (non-PSAWR deliveries); and Supply reliability charge applies to a five-year rolling average of M&I (non-PSAWR) deliveries.

[23] This does not imply that fixed charges cannot be lowered: it means that they cannot be lowered *just by delivering less water*.

[24] By design, SDCWA's agricultural water supply rate, item b, is kept the same as MWD's full volumetric rate for its Tier 1 water supply (items a plus c plus d in Table 4).

[25] If MWD imposed a reduction in its delivery of M-water (as opposed to E-water), deliveries to PSAWR users would be cut in the proportion used by MWD regardless of the availability of QSA water or Carlsbad water.

[26] Less than half of FPUD and RMWD's agricultural customers avail themselves of the PSAWR rate.

[27] The all-in cost is the unit cost or average cost of water.

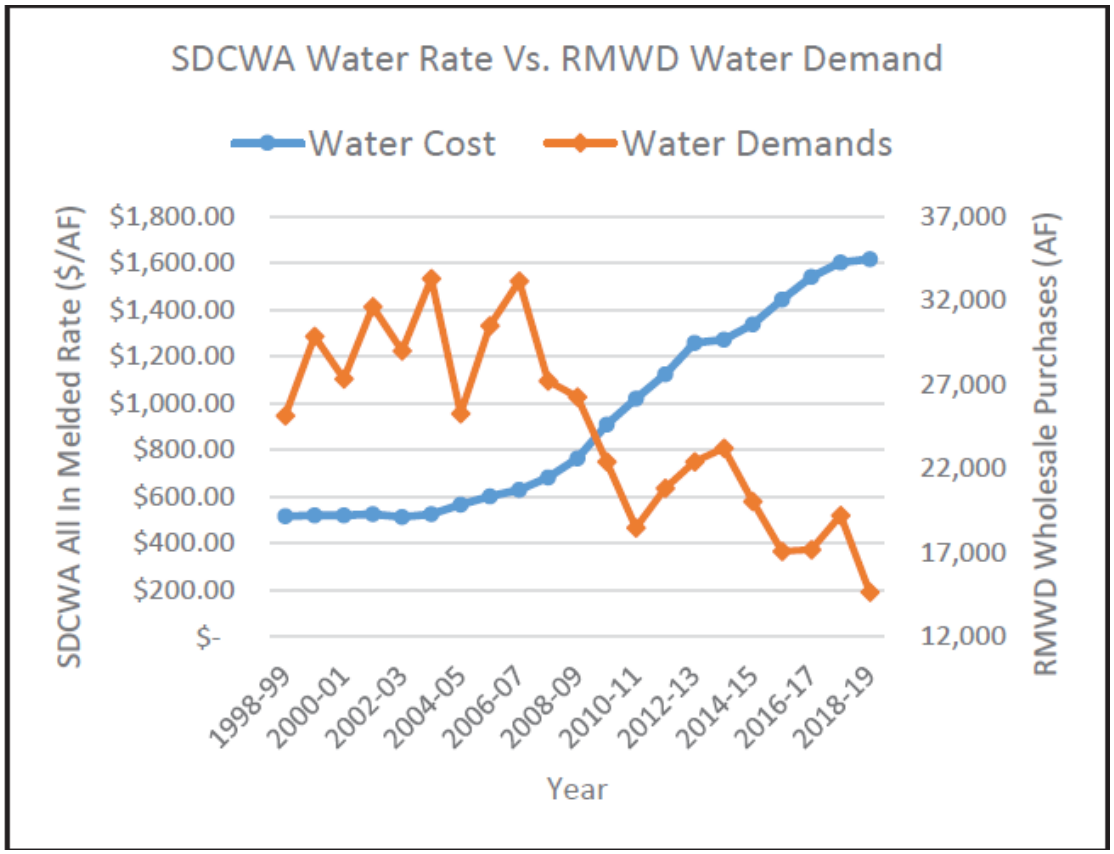
[28] The all-in treated water agricultural water rate amounts to $1,295/AF in CY 2021 and $1,355 in CY 2022.

total M&I deliveries; if an agency takes less SDCWA water this year than it had in the past (which is especially true of FPUD in 2021 and 2022), it will raise its all-in SDCWA water rate.

Q. How has the cost of SDCWA water changed over time?

A. Figure 3, plots SDCWA's all-in treated water rate over the period FY 1999 through FY 2019.[29]

Figure 3 | SDCWA All-In Treated Water Rate 1998-1999 to 2018-2019



The all-in treated water rate was $516/AF in FY 1999, and it stayed around that level through FY 2003. It started to rise in FY 2004, and it grew at a faster rate after FY 2009. FPUD and RMWD have cited the increasing trend in SDCWA's all-in treated water rate as their reason for wanting to depart from SDCWA.

[29] This figure was prepared by RMWD and presented to the RMWD Board of Directors on December 3, 2019. See Memorandum Subject: Consider Adoption of a Resolution of Application Authorizing the General Manager to Prepare and Submit an Application to the San Diego LAFCO to detach from SDCWA and Annex to EMWD." Page 46 of 238.

Q. What does MWD charge for water?

Table 4 below shows how MWD currently charges its member agencies for water this year.[30]

MWD's Tier 1 water supply rate applies to a member agency's water purchases that are within the agency's set Tier 1 maximum. In addition, MWD applies its System Access rate and its System Power rate to cover MWD's cost of transporting water delivered to member agencies. Up to CY 2020, MWD also applied its Water Stewardship Rate. Thus, the MWD Full-Service Tier 1 untreated rate, the sum of items a, c, d and f, amounted to $755/AF for CY 2020, $777/AF for CY 2021, and $799/AF for CY 2022.

The Full-Service Tier 1 treated water rate (row k) adds in the treatment surcharge (item e), for a total of $1,078/AF in CY 2020, $1,104/AF in CY 2021, and $1,143/AF in CY 2022.

Items a-f are all variable (volumetric) charges in the sense defined above. Items g and i are fixed charges, although they vary indirectly with the quantity of water delivered by MWD. Item g (the Readiness to Serve Charge, RTS) allocates to each member agency a portion of a fixed quantum ($130M, in CY 2021) identified by MWD as recovering the cost of providing capacity, including emergency storage capacity, to meet outages and hydrologic variability. This cost is allocated to member agencies based on each agency's proportional share of a ten-year rolling average of all M-water deliveries.[31] It is a fixed charge in the short run; it is a variable charge in the long-run as the ten-year rolling average adjusts.

Item i (the Capacity Charge) is charged on each member agency's individual peak (maximum) summer day delivery of water from MWD measured, in cfs, over a three-calendar year period. This varies, therefore, with changes in peak daily delivery, but not with total annual delivery.

For planning purposes, SDCWA converts g and i into equivalent volumetric charges ($/AF) by dividing them by the quantity of water it expects to purchase from MWD as a member agency (i.e., the quantity of M-water).[32] The table includes those equivalent per-acre foot charges (rows h and j) for CY 2020, 2021 and 2022, as presented to the SDCWA Board on 2-25-2021. What SDCWA refers to as MWD's all-in rate adds the per-acre foot equivalent MWD RTS and Capacity charges (rows h and j) to MWD's other charges (rows a+c+d+e+f) shown in Table 4.

[30] The charge structure was different in the past. MWD used to have a special agricultural rate which was discontinued.
[31] Member agencies may choose to have a portion of their total RTS obligation offset by standby charge collections levied by MWD on their behalf, and SDCWA chooses to do this.
[32] This is a delicate calculation. In the case of row g, the per-acre-foot estimate varies depending on whether one uses the average annual delivery over the previous ten years, on which the RTS is based, the projected delivery to SCWA this year (used by SDCWA here), or the actual realized CY delivery.

TABLE 4 | MWD Water Rates and Charges

	ITEM	CY 2020	CY 2021	CY 2022
	CHARGED TO MEMBER AGENCIES			
a	Tier 1 Water supply rate ($/AF)	$208	$243	$243
b	Tier 2 Water supply rate ($/AF)	$295	$285	$285
c	System Access rate ($/AF)	$346	$373	$389
d	System Power rate ($/AF)	$136	$161	$167
e	Treatment surcharge ($/AF)	$323	$327	$344
f	Water Stewardship rate ($/AF)	$65	-	-
g	Readiness to Serve (RTS) charge ($M)	$136	$130	$140
h	Readiness to Serve charge ($/AF)*	$179	$161	$174
i	Capacity charge ($/cfs)	$8,800	$10,700	$12,200
j	Capacity charge ($/AF)*	$103	$137	$156
k	Full-service Tier 1 treated ($/AF)	$1,078	$1,104	$1,143
l = h+j+k	All-in Tier 1 treated charge ($/AF)	$1,360	$1,402	$1,473
	CHARGED TO PROPERTIES IN SERVICE AREA			
m	Ad Valorem Property Tax	VARIES	VARIES	VARIES
n	Standby charge per parcel	VARIES	VARIES	VARIES
	*Equivalent charge per acre foot for SDCWA.			

Q. How does what SDCWA charges for water compare with what MWD charges?

A. Comparisons of what MWD charges for water versus what SDCWA charges are typically framed in terms of the all-in rates for water discussed above.[33] Table 5 presents the comparison of SDCWA versus MWD all-in water rates in CY 2021.

TABLE 5 | All-in Rates Compared ($/AF) CY 2021

	SDCWA	MWD
All-in untreated water rate	$1,474	$1,075
All-in treated water rate	$1,769	$1,402
Agricultural treated water rate (PSAWR)	$1,295	NA

The all-in SDCWA treated water rate is about 26% higher than the all-in MWD treated water rate ($1,769 vs $1,402). This is due primarily to the difference in the charge for untreated water, where the SDCWA rate is about $400/AF higher than the MWD rate, which amounts to a price differential of 37% ($1,474 vs $1,075). SDCWA's treatment cost is about 10% lower than MWD's treatment cost ($295 vs $327).[34]

Q. Is it surprising that SDCWA charges more for water than MWD?

A. No.

In addition to having its own source of water (E-water), SDCWA obtains water from an outside wholesale supplier, namely M-water from MWD. Every water agency that is supplied with water by an outside wholesaler supplies water to its own customers at a higher cost than what its wholesale supplier charges. This is because the water agency is both paying towards the costs of the wholesale supplier's infrastructure and also covering the cost of its own supply infrastructure for its own service area.

Thus, there definitely should be a difference between what MWD charges and what SDCWA charges. SDCWA obtains water through the MWD pipeline at the north end of San Diego County and then maintains, operates and manages a distribution system serving the entire western portion of the county. It is obvious that there has to be some mark-up over MWD's wholesale rate to cover the cost of maintaining, operating and managing water distribution in the county.

[33] I expand on that cost analysis below.

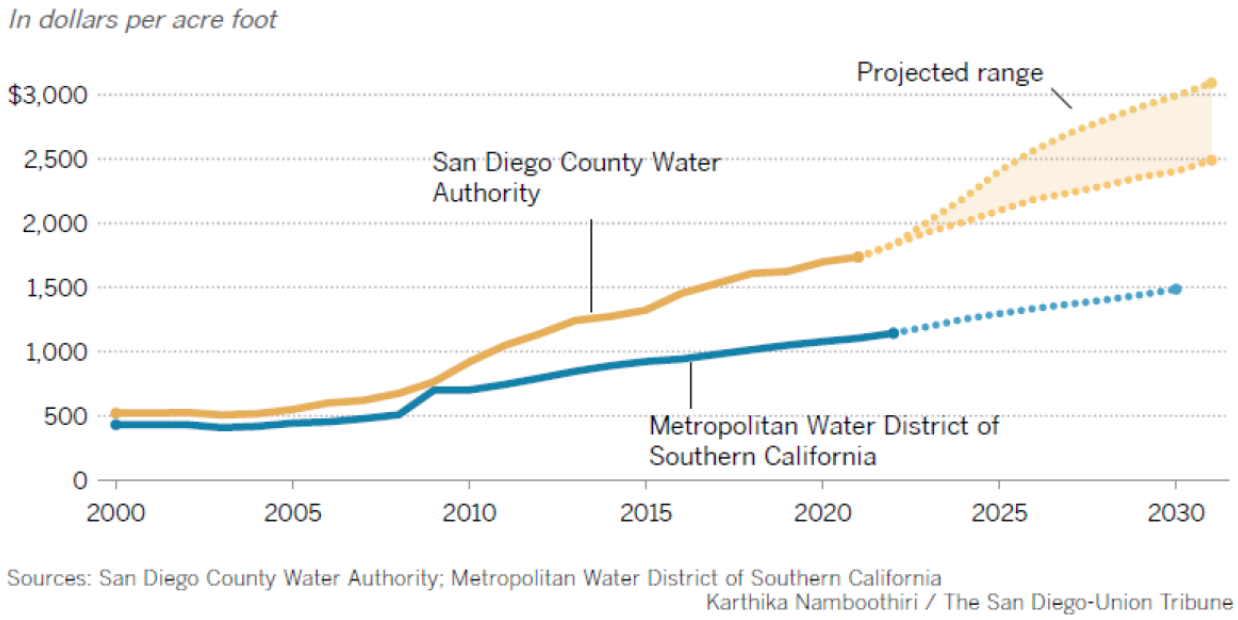
[34] Some commentaries have compared the MWD all-in untreated rate of $1,075/AF with the SDCWA all-in treated rate of $1,769/AF, but that is comparing apples with oranges. Others have compared SDCWA's all-in treated water rate with MWD's Full-service Tier 1 treated rate, rather than MWD's all-in treated rate – see Figure 4 below.

It also should be noted that, just as SDCWA's wholesale water rate has increased substantially over the past two decades, so has MWD's wholesale rate.

I do not have the data to consistently compare SDCWA's and MWD's water rates over time. What I have is shown in Figure 4. This compares SDCWA's *all-in* treated water rate not with MWD's all-in rate (Table 4, row l) but, rather, with MWD's *Full-service* Tier 1 treated water rate (row k). This omits the Readiness to Serve and Capacity charges imposed by MWD – rows h, j -- which amount to $282/AF in CY 2020, $298/AF in CY 2021, and $330/AF in CY 2022. Figure 4 thus has the effect of overstating the rate differential between SDCWA and MWD. Nevertheless, it is probably correct in pinpointing when the differential began to widen.

From 2000 to 2005, the differential between SDCWA's rate and MWD's rate as depicted in Figure 4 was around $100/AF; from 2006 to 2009, it was around $150/AF. In 2010 it rose to about $220/AF, in 2011 it became about $300/AF, and it continued to rise thereafter. Thus 2010 seems to have been the turning point when SDCWA's wholesale water rate began to rise significantly faster than MWD's rate.

FIGURE 4 | Comparison of SDCWA All-In Rates and MWD Full-Service Rate for Treated Water [35]



Q. Is it significant that the differential between SDCWA rates and MWD rates widened starting around 2010?

A. Yes.

[35] Joshua Smith "What Fallbrook and Rainbow's revolt says about San Diego's skyrocketing water rates" San Diego Union-Tribune December 18, 2021, retrieved on 12-28-2021 from https://www.sandiegouniontribune.com/news/environment/story/2021-12-18/fallbrook-rainbow-revolt-water-rates

That widening differential between SDCWA rates and MWD rates has been an important factor underlying FPUD and RMWD's wish to detach from SDCWA.

Q. Why did the differential between SDCWA rates and MWD rates widen starting around 2010?

A. Below, I investigate four possible explanations:

(1) QSA water (E-water) is more expensive for SDCWA than M-water from MWD.
(2) The Carlsbad desalination water is more expensive for SDCWA then M-water from MWD.
(3) SDCWA made major infrastructure investments soon before and after 2010; this was a time when MWD happened not to be making major infrastructure investments.
(4) SDCWA was hit harder than MWD by a sharp reduction in demand for its water from its member agencies.

Q. Is QSA water (E-water) more expensive for SDCWA than M-water from MWD?

A. It depends on what is being referred to: more expensive in terms *average* cost or *marginal* cost? Also, more expensive in terms of *short-run* marginal cost or *long-run* marginal cost?

I compare here the average cost of QSA water for SDCWA versus the average cost of M-water, and also the marginal cost of E-water versus the long- and short-run marginal costs of M-water.

The average cost of water is defined as the total amount paid divided by the volume of water received; it is the cost per unit of water delivered (E-water or M-water). If this cost per unit is multiplied by the number of units of water delivered, this yields the total amount paid that year, inclusive of all charges, for E-water or M-water.

The marginal cost is defined as the change in total cost paid per unit change in the amount of water delivered. It measures the *incremental* cost per *incremental* unit of water.

The marginal cost is relevant when contemplating changes in the amount of water delivered. If a change in the amount of water delivered to SDCWA is contemplated, multiplying the marginal cost by the change in the delivered amount yields the change in total cost paid by SDCWA. Using the short-run marginal cost yields the savings in cost paid if this is a one-time reduction in water delivery that year. Using the long-run marginal cost yields savings in cost paid if the reduction in quantity delivered is sustained over a multi-year period.

While both variable and fixed costs count towards the calculation of average cost, only variable costs (volumetric charges) count towards the calculation of marginal cost. Thus, the all-in costs reported in the text preceding Table 5, and in Table 5 itself, are average costs, not marginal costs. Table 6A and 6B assess the cost of QSA water to SDCWA versus the cost of M-water in FY 2021 (as opposed to CY 2021), breaking cost down into its components and separately identifying average cost versus short-run marginal cost versus long-run marginal cost.

TABLE 6a | AVERAGE/MARGINAL COST QSA E-WATER

			CY 2021		
	ITEM	FORMULA	Rate ($/AF)	Supply (AF)	Cost ($M)
			(a)	(b)	(c)
1	IID transfer	1(c) = 1(a)*1(b)	$688	200,000	$137.6
2	IID early transfer	2(c) = 2(a)*2(b)	$214	5,000	$1.1
3	IID Socioeconomic reimbursement	3(a) = 3(c)/3(b)	($2)	205,000	($0.3)
4	Canal Lining OM&R	4(c) = 4(a)*4(b)	$17	77,700	$1.3
5	Canal Lining Debt Service	5(a) = 5(c)/5(b)	$76	77,700	$6.0
6	Total QSA charge (fixed cost)	6(c) = 1(c) + … + 5(c)			$145.7
7	**Melded QSA Supply rate (average cost)**	7(a) = 6(c)/7(b)	**$515**	282,700	
8	MWD System Access rate (marginal/average cost)	From Table 4	$373		
9	MWD System Power rate (marginal/average cost)	From Table 4	$161		
10	**MWD Exchange rate (marginal/average cost)**	12(a) = 8(a) + 9(a)	**$534**		
11	**Combined cost QSA supply (average cost)**	11(a) = 7(a) + 10(a)	**$1,049**		
12	**Combined cost QSA supply (marginal cost)**	12(a) = 10(a)	**$534**		

Table 6A deals with the QSA water, which came to SDCWA in FY 2021 in three separate varieties: (i) regular transfer water whose amount had built up on a schedule specified in the 2003 Revised Fourth Amendment Transfer Agreement between SDCWA and IID; (ii) early transfer water which provided for the additional transfer of small quantities of IID water to SDCWA in 2020, 2021 and 2022 at a special, low price; and (iii) canal lining water which became available to SDCWA from the Coachella Canal in 2007 and from the All-American Canal between 2008 and 2010. IID transfer water came with a specified scheduled of annual prices that grew over time. The price rose by roughly 10% a year between 2007 and 2015; from 2016 through 2034 it follows a price index which, so far, has been rising at less than 2% a year. For canal lining water, there is no charge for the water per se, but SDCWA pays an annual debt service on its financing of the canal lining, amounting to roughly $76/AF per year, plus a small annual amount to cover the cost of operations, maintenance and replacement, which amounted to $17/AF in 2021. In summary, of the two main supply items, canal lining water provides SDCWA with 77,700 AF/year at a current unit cost of $93/AF which will increase by only a couple of dollars a year, and IID transfer water provides 200,000 AF/year at a purchase cost in FY 2021 of $688, which, currently, is rising at less than 2% per year. The weighted average of the costs of these two forms of QSA water amounted, in FY 2021, to $515/AF.

The key feature of these QSA costs is that, in economic terms, they are all fixed costs, stemming from commitments that SDCWA has made. SDCWA has committed to pay for the specified annual amounts of IID transfer water at the specified annual prices, and it borrowed money to co-fund the lining of the canals. Therefore, SDCWA's QSA expenditure would not be reduced if, for whatever reason, it decided to take less than 200,000AF/year from IID, or less than

77,700AF/year from the canal lining. These are long term commitments: the canal lining contract runs through 2113; the IID transfer contract runs through 2047 and can be extended to 2077 upon mutual consent.

To transport the QSA water from the Colorado River to the San Diego County service area, SDCWA signed the Exchange Agreement with MWD, which runs through 2047. Under this agreement, MWD charges a rate per acre-foot exchanged. In CY 2021, the exchange rate amounted to $534/AF (row 10).

Prior to CY 2021, MWD's Exchange Rate for QSA water had also included the Water Stewardship charge levied by MWD (amounting to $65/AF in CY 2020). In June 2010, SDCWA sued MWD challenging the Exchange Rate which MWD had adopted for CY 2011 and 2012 on the grounds that (i) MWD was misallocating certain SWP costs included in the System Access charge and System Power rate and wrongfully applying them towards the QSA water Exchange Rate, and (ii) the Stewardship rate was really a cost of MWD water supply and should not be included in the Exchange Rate.[36] The San Francisco Superior Court issued a ruling in April in 2015, which was then appealed. The California Court of Appeal issued its ruling in June 2017. My understanding is that the Superior Court essentially upheld both of SDCWA's claims, (i) and (ii); the Appeals Court reversed this judgment on (i) while upholding it on (ii). There is still ongoing litigation on these and other issues related to the Exchange Rate in more recent years.[37] However, MWD's Board of Directors decided to suspend the Stewardship rate for CY 2021 and 2022, thus removing it from both M-water and E-water.

If, for whatever reason, SDCWA had decided to take less than the contracted amounts of QSA water in CY 2021, it would have avoided paying the MWD Exchange Rate cost ($534/AF) per acre-foot not taken, but it would still have had to pay the contracted total of $145.7M shown in row 6 of Table 6A. Thus, the average (unit) cost of QSA water for SDCWA in CY 2021 was $1,049/AF (= $515 + 534), while the marginal cost saved by taking a smaller amount of QSA water than was contracted for would have been $534/AF.

[36] MWD used the Stewardship rate to fund member agency investments in local resources including recycled water, conservation and demand management.

[37] According to a press release issued by SDCWA on 10-28-2021, the two parties are now seeking to resolve the remaining issues outside of court. Also, MWD recently refunded to SDCWA some excess payment of the Stewardship rate plus interest.

TABLE 6b | Average/Marginal Cost of MWD M-Water

	ITEM	FORMULA	CY 2021 Rate ($/AF)
1	**MWD Tier 1 untreated rate (marginal/average cost)**	From Table 4	**$243**
2	MWD System Access rate (marginal/average cost)	From Table 4	$373
3	MWD System Power rate (marginal/average cost)	From Table 4	$161
4	**Tier 1 full service untreated**	4 = 1 + 2 + 3	**$777**
5	Treatment surcharge		**$327**
6	**Tier 1 full service treated**	6 = 4 + 5	**$1,104**
7	Readiness to Serve (long-run marginal cost)	Total amount of RTS/Projected total MWD delivery	$88
8	Readiness to Serve (average cost)	= SDCWA RTS/actual SDCWA delivery	$161
9	Capacity Charge (average cost)	= SDCWA Capacity charge/actual SDCWA delivery	$137
10	**All-in MWD Tier 1 untreated (average cost)**	10 = 4 + 8 + 9	**$1,075**
11	**All-in MWD Tier 1 treated (average cost)**	11 = 6 + 8 + 9	**$1,402**
12	**All-in MWD Tier 1 untreated (long-run marginal cost)**	12 = 4 + 7	**$865**
13	**All-in MWD Tier 1 untreated (short-run marginal cost)**	13 = 4	**$777**

Table 6B shows the costs to SDCWA of M-water from MWD. As with QSA water, there are two main charges: a cost for the water itself and a cost to transport it through MWD's system to the SDCWA service area. In addition, there are some other MWD charges that do not vary directly with the quantity of M-water supplied that year.

The cost for the water itself is the Tier 1 untreated rate (row 1), which in CY 2021 amounted to $243/AF. The variable costs are the MWD System Access charge and the System Power Rate (rows 2, 3), which together total $534/AF.

The other charges for untreated M-water are the Capacity charge and the Readiness to Serve (RTS) charge (rows 8, 9). The Capacity charge depends on the peak (maximum) daily delivery of water by MWD to a member agency. If the annual delivery of water to a member agency changes but the peak daily delivery does *not* change, then the Capacity charge would be effectively a fixed cost, not a variable cost, and it would not count towards the marginal cost of M-water.[38] The RTS charge does count towards the marginal cost of M-water, but it counts differently in the long-run and the short-run.

Converting these charges to a per-acre-foot equivalent is non-trivial, and it produces varying estimates depending on whether the quantity of water being divided into these charges is the projected water use looking forward over the coming year or the historical water use that actually materialized, looking backward. Also, in the case of the RTS, it makes a difference whether one uses an agency's proportional share of a ten-year rolling average of total M-water deliveries or

[38] The flow of M-water to SDCWA drives the capacity charge paid to MWD by SDCWA. Since E-water is delivered in equal monthly instalments under the Exchange Agreement, it should not impact the peak daily flow received by SDCWA from MWD.

its actual delivery that year. In the case of the per-acre-foot equivalents of the RTS and the Capacity charge reported by SDCWA and used in Table 4 (rows j and l) and Table 6B (rows 8 and 9), I believe SDCWA was using the projected water delivery that calendar year. The difference between the amounts reported in row 7 versus row 8 of Table 6B is as follows. The amount in row 7 ($88/AF) is the MWD-wide RTS charge per acre foot, obtained by taking the target amount to be raised through this charge ($130M in CY 2021) and dividing it by the past ten-year rolling average total delivery of M-water to all MWD member agencies (1,475,544 AF). However, the amount of M-water taken by SDCWA has been declining over the past 10 years (see Tables 8 and 9 below), so that amount of M-water projected to be taken by SDCWA in CY 2021 is below its proportionate share of that ten-year average. Dividing SDCWA's proportional share of the $130M RTS charge by the lower amount of its projected delivery of M-water in CY 2021 raises SDCWA's average per acre-foot RTS charge from the systemwide average of $88/AF to $161/AF (row 8).

Table 7 summarizes the results of this analysis. It shows SDCWA's average supply costs of QSA water and M-Water in FY 2021, broken down into three components: cost per unit for water supply, cost per unit for conveyance, and cost per unit for fixed charges. It also shows the marginal supply cost of QSA water and the long- and short-run marginal supply costs of M-water. In FY 2021, the average cost of M-water from MWD was a little higher than the average cost of QSA water, $ 1,075/AF versus $1,049/AF, and the short- and long-run marginal costs of M-water were also higher than those of E-water.

TABLE 7 | SDCWA's Supply Cost for Untreated E-Water vs. M-Water

	CY 2021	
ITEM	E-WATER	M-WATER
Average cost ($/AF)		
Water supply	$515	$243
Conveyance	$534	$534
Fixed charges		$298
Total	**$1,049**	**$1,075**
Long-run Marginal cost ($/AF)	**$501**	**$865**
Short-run Marginal cost ($/AF)	**$501**	**$777**

Table 8 extends the analysis back in time to 2003 when delivery of QSA started, on a CY basis. Following the methodology employed in Tables 6A,B and 7, the cost reported in column (C) of Table 8 represents the average cost of QSA water for SDCWA, while the cost reported in column (B) is the marginal cost of QSA water. The cost reported in column (G) is the long-run marginal cost of M-water for SDCWA.[39] I do not have the data needed to calculate SDCWA's average cost

[39] The sum of columns (D) and (E) constitutes the short-run marginal cost of MWD water.

of MWD water over the period 2003-2020. I don't know the per-acre-foot equivalent of the short-run MWD RTS charge (SDCWA's actual annual payment by divided by the amount of M-water actually delivered that year), but it is probably larger than the amount recorded in column F in the same way that row 8 in Table 6B is larger than row 7. I also do not know the per-acre-foot equivalent of the annual MWD Capacity charge, corresponding to row 9 in Table 6B. Those two missing items should be added to the number in column (G) to calculate the average cost of M-water. This would significantly reduce the cost difference between QSA water and M-water, shown in column (I), and reverse it in some years.

Two conclusions emerge from this analysis:

(1) While the annual average cost of QSA water for SDCWA may have been higher than that of M-water from MWD in some individual years, that difference would not have been large. Quite often the costs would have been about the same. Sometimes, including recently, the average cost of QSA water was lower than that of M-water.

(2) It is unlikely that the importation of QSA water starting in 2003 had a significant role in the widening of the gap between the all-in SDCWA rate and the all-in MWD rate starting around 2010, as depicted in Figure 5.

TABLE 8 | SDCWA's Supply Cost for Untreated E-Water vs. M-Water

	QSA (E-WATER)				MWD M-WATER						
CY	QSA OVERALL RATE ($/AF) (A)	MWD EXCHANGE RATE ($/AF) (B)	QSA TOTAL COST ($/AF) (C)		TIER 1 UNTRD RATE ($/AF) (D)	ACCESS + POWER + STEWARDSHIP ($/AF) (E)	READINESS TO SERVE ($/AF) (F)	TIER 1 UNTRD TOTAL COST ($/AF) (G)		RATIO QSA/MWD (C)/(G) (H)	QSA WATER SHARE* (I)
2003	258	253	$511		$73	$253	$52	$378		135.1%	1.5%
2004	267	253	$520		$73	$253	$52	$378		137.4%	3.0%
2005	276	258	$534		$73	$258	$50	$381		140.0%	5.5%
2006	286	258	$544		$73	$258	$49	$380		143.1%	6.8%
2007	225	258	$483		$73	$258	$48	$379		127.4%	10.5%
2008	214	278	$492		$73	$278	$49	$400		123.0%	14.4%
2009	191	314	$505		$107	$314	$53	$474		106.6%	26.2%
2010	226	314	$540		$101	$314	$60	$475		113.6%	33.9%
2011	238	372	$610		$103	$372	$60	$535		114.0%	35.2%
2012	312	396	$708		$104	$396	$78	$578		122.6%	41.1%
2013	332	453	$785		$106	$453	$78	$637		123.3%	36.6%
2014	363	445	$808		$140	$445	$94	$679		118.9%	31.5%
2015	381	424	$805		$148	$424	$91	$663		121.4%	35.9%
2016	383	438	$821		$156	$438	$89	$683		120.2%	40.9%
2017	385	465	$850		$201	$465	$100	$766		110.9%	50.1%
2018	429	486	$915		$209	$486	$83	$778		117.6%	55.6%
2019	464	522	$986		$209	$522	$82	$813		121.3%	74.7%
2020	494	547	$1,041		$208	$547	$87	$842		123.5%	87.6%
	* QSA share of combined QSA + MWD supply										

Q. Tables 7 and 8 show that SDCWA pays a higher unit cost for water supply for QSA water compared to MWD M-water, but exactly the same unit cost for conveyance. Is this surprising?

A. The fact that the water supply cost per unit of QSA water is higher than that for M-water is not a surprise. The fact that the conveyance cost per unit of QSA water is the same as that of M-water *is* something of a surprise.

Q. Why is it not a surprise that the water supply cost per unit of QSA water is higher than that for M-water?

A. Three factors explain why the supply cost of MWD M-water is relatively low.

1) There is no water supply cost per se for the water that MWD obtains from the Colorado River under its own water right of 550,000 AF.

2) MWD does pay for the 108,000 AF of Colorado River water that it contracted to obtain from IID in 1988; that price was represented by IID as $128/AF.

In the negotiation with IID, MWD required that the price of this water "not exceed -- indeed, remain below – the cost for State Water Project deliveries south of the Tehachapi's (at the time $249/AF inclusive of power charges to get the water over the mountains)."[40] IID had wanted to receive a higher price which MWD rejected. The outcome was that IID did not sell an additional 200,000 AF to MWD which had been on the table. This is the supply that SDCWA contracted for with IID in 1998, at an initial cost (in 2003) of $253/AF, roughly twice what MWD had been willing to pay in 1988.

3) The supply cost component of water projects – whether the SWP or the lining of the Coachella and All-American canals – are typically based on the historical construction cost of the project, not the future replacement cost. With inflation over time, the supply cost of water from an older project is lower than that of a more recently constructed project: older water is cheaper. The SWP, the major NON-Colorado River source of MWD water, was constructed in the 1960s and is older water.

Q. Why is it something of a surprise that the conveyance cost of QSA water is exactly the same as that of M-water?

A. The Exchange Rate set by MWD is based on its cost of transporting all of its water, not just water from the Colorado River but also SWP water from Northern California. The setting of this rate was beset by contention from the very beginning – there was what has been called a "wheeling-rate war" between SDCWA and MWD in which their other past feuds became

[40] Norris Hundley, *The Great Thirst*, University of California Press, Revised edition, 2001, p. 474.

entangled.[41] The wheeling rate that emerged reflected MWD's desire "that SDCWA continue paying its full share of MWD expenses"[42] rather than being a fine-grained calculation of the economic cost to MWD of transporting and exchanging QSA water.

SDCWA has stated that the real point-to-point cost to MWD for performing the exchange of QSA water is less than half the Exchange Rate charged by MWD.[43] However, I am not in a position to make my own assessment of that statement.

SDCWA first sued MWD with regard to the proposed Exchange Rate in 1997. The litigation continued on and off since then, picking up in 2010, and continuing in some form to the present day. The Court of Appeal ruled in 2017 that the Exchange Rate is not illegal. That does not make it actually fair or reasonable. The Court held that: ""[s]ubstantial deference must be given to [Metropolitan's] determination of its rate design. Rates established by the lawful rate-fixing body are presumed reasonable, fair and lawful."[44]

Q. Could the sharp increase in SDCWA's all-in water rate be due to the desalinated seawater from the Carlsbad Facility?

A. At a CY 2021-unit cost of $2,752/AF,[45] water from the Carlsbad Facility is significantly more expensive for SDCWA than purchased MWD water with an all-in rate of $1,075/AF. But this is unlikely to explain much of the escalation in the SDCWA's all-in water rate for two reasons.

[41] Hundley, *op. cit.*, pp 483-501.
[42] Hundley, ibid.
[43] For example, Dan Denham presentation to SDCWA Imported Water Committee, January 26, 2017.
[44] 2017 Ruling, p. 29, citing a 2004 ruling in SDCWA's earlier litigation against MWD.
[45] Presentation by Jeremy Crutchfield to SDCWA Board of Directors, October 22, 2020.

TABLE 9 | Total Water Use in SDCWA Service Area, Broken Down By Source

		Water Authority Supplies				
Fiscal Year	Local Supplies	Seawater Desalination	QSA	From MWD	Total Water Used	Total Supplied by SDCWA
1999	150,173	-	-	454,436	604,609	454,436
2012	111,914	-	156,604	282,948	551,466	439,552
2013	104,081	-	183,500	296,472	584,052	479,971
2014	97,185	-	180,256	325,729	603,170	505,985
2015	53,668	-	180,123	305,039	538,830	485,162
2016	62,875	25,599	179,347	187,057	454,877	392,003
2017	74,910	34,421	178,278	189,919	477,528	402,618
2018	125,699	34,907	194,326	163,639	518,570	392,871
2019	98,526	40,036	192,241	132,831	463,634	365,108
2020	116,706	33,157	230,430	82,843	463,137	346,431
2021	138,171	47,530	274,702	42,322	502,725	364,554
	BREAKDOWN OF ALL SOURCES BY SHARE					
Fiscal Year	Local Supplies	Seawater Desalination	QSA	From MWD		
1999	24.8%	-	-	75.2%		
2012	20.3%	-	28.4%	51.3%		
2013	17.8%	-	31.4%	50.8%		
2014	16.1%	-	29.9%	54.0%		
2015	10.0%	-	33.4%	56.6%		
2016	13.8%	5.6%	39.4%	41.1%		
2017	15.7%	7.2%	37.3%	39.8%		
2018	24.2%	6.7%	37.5%	31.6%		
2019	21.3%	8.6%	41.5%	28.6%		
2020	25.2%	7.2%	49.8%	17.9%		
2021	27.5%	9.5%	54.6%	8.4%		
	BREAKDOWN OF SDCWA SUPPLY BY SOURCE					
Fiscal Year		Seawater Desalination	QSA	From MWD		
1999		-	-	100.0%		
2012		-	35.6%	64.4%		
2013		-	38.2%	61.8%		
2014		-	35.6%	64.4%		
2015		-	37.1%	62.9%		
2016		6.5%	45.8%	47.7%		
2017		8.5%	44.3%	47.2%		
2018		8.9%	49.5%	41.7%		
2019		11.0%	52.7%	36.4%		
2020		9.6%	66.5%	23.9%		
2021		13.0%	75.4%	11.6%		

First, the sharp increase in SDCWA's all-in rate began around 2010, but SDCWA did not start receiving Carlsbad water until 2016.

Second, since 2016 Carlsbad water has accounted for only a small fraction of the water delivered by SDCWA -- see Table 9.

Table 10 compares the unit cost (average cost) of the three sources of water used by SDCWA: QSA (E-water); desalinated water from the Carlsbad facility; and M-water from MWD.

TABLE 10 | SDCWA's Untreated Water Supply Cost

	WATER SOURCE	Supply Share	Unit Cost ($/AF)		
a	QSA (E-water)	75.4%	$1,049		
	Desal (Carlsbad)	13.0%	$2,725		
b	MWD (M-water)	11.6%	$1,075		
	WEIGHTED AVERAGE		$1,271		
a = Melded QSA ($515) + MWD Exchange rate ($534)					
b = Full service Tier 1 untrd ($777) + RTS ($161) + Capacity ($137)					

If SDCWA had not used any Carlsbad Desal water and, instead, delivered a 75-25 mix of E- and M-water in CY 2021, its water cost would have been $1,056/AF instead of $1,271/AF, a savings of $215/AF. However, Carlsbad Desal water is more reliable than E- or M-water because it is not derived from streamflow that is being affected by climate change. Moreover, the $215/AF cost differential between Carlsbad and E/M-water accounts for only part of the $399/AF differential between SDCWA's and MWD's rates for untreated water (Table 5). So, something else is at work. I believe that two other factors contributed to the rate differential: (1) SDCWA invested in some major water supply infrastructure just before and after 2010, a period when MWD happened not to be making any unusually large investments. (2) Between 2010 and now, SDCWA experienced twice as large a reduction in member agency demand as MWD and that would have caused the rate differential to widen, given that both agencies have very high fixed costs.

Q. Could the fact that SDCWA made some major infrastructure investments soon before and after 2010 help explain the widening of the gap between the all-in SDCWA rate and the all-in MWD rate starting around 2010?

A. Yes. In those years, SDCWA made some major investments in water supply infrastructure projects, including the following:[46]

Olivenhain Dam (2003)	$198M
Coachella Canal Lining (2006)	$129M
Twin Oaks Treatment Plant (2007)	$179M
All-American Canal Lining (2009)	$149M

[46] Amounts and dates taken from presentation to SDCWA Board, 6-9-2015.

San Vicente Pipeline (2011)	$300M
Lake Hodges Pumped Storage (2012)	$208M
San Vicente Dam Raise (2014)	$825M
Carlsbad Desal Facility (2015)	$1,000M

Figures 5A and 5B together chart SDCWA annual capital improvement program expenditures between FY1991 and FY 2021. Annual CAPEX expenditures from 2006 through 2010 reached levels above $250M, roughly double the amount in the years before or since then. These were substantial financial commitments for SDCWA.

To illustrate the scale of this financial commitment by SDCWA, it is useful to make the comparison with MWD's capital improvement expenditures (Figure 6). In the recent period, MWD had CIP expenditures exceeding $300M only in FY 2007-2008-2009, and its annual CIP expenditure in those peak years was about $500M, less than twice SDCWA's peak annual expenditure, while MWD delivers three to four times more water than SDCWA.

It is not that MWD has never undertaken capital investments on the scale experienced by SDCWA around 2010. MWD had made comparably scaled financial commitments at the time of the construction of the State Water Project.

CIP investments tends to occur in cycles, and the period around 2010 found SDCWA and MWD at different phases of their investment cycles.

Figures 7A and 7B show that SDCWA took on significant debt to finance these investments, but this large debt burden will be extinguished by 2039.

FIGURE 5a | SDCWA CIP Spending FY 1991-2014[47]

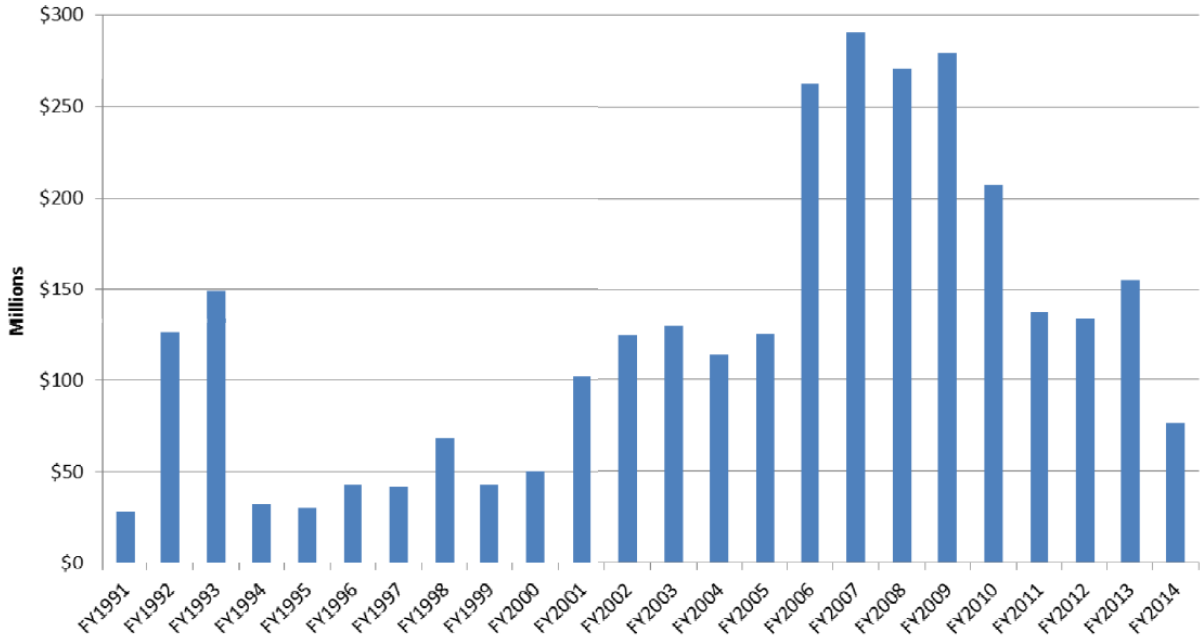
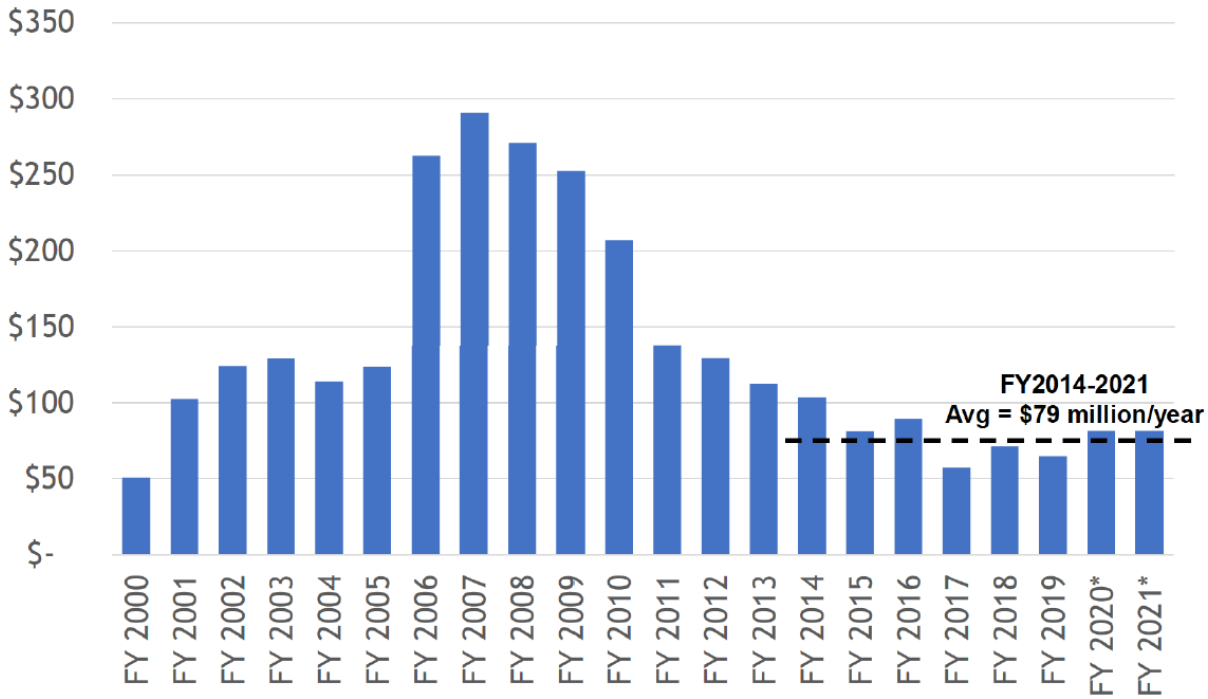


FIGURE 5b | SDCWA CIP Spending FY 2000-2021[48]



[47] Presentation to SDCWA Board, 6-28-2012.
[48] Presentation to SDCWA Board, 1-28-2021.

FIGURE 6 | MWD CIP Expenditures FY 1996-FY 2025[49]

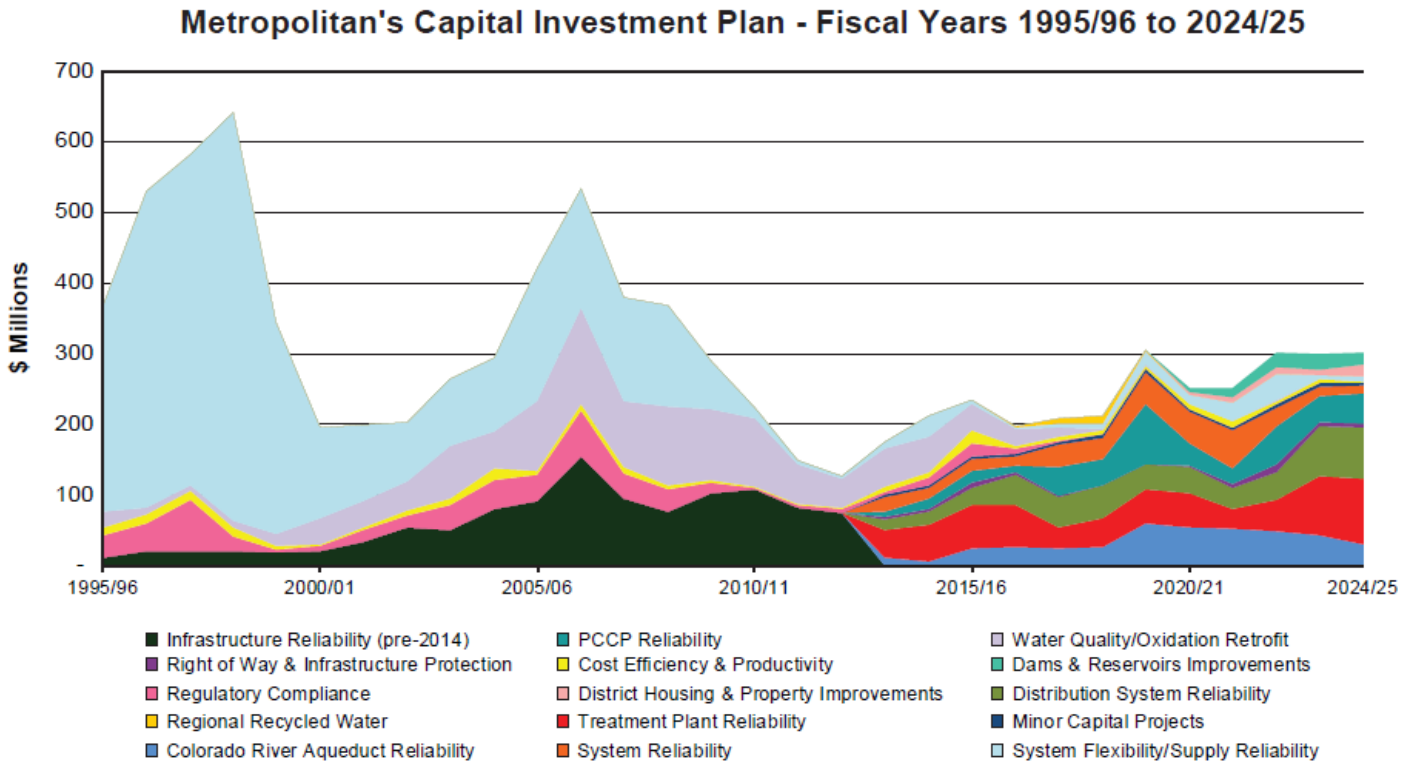
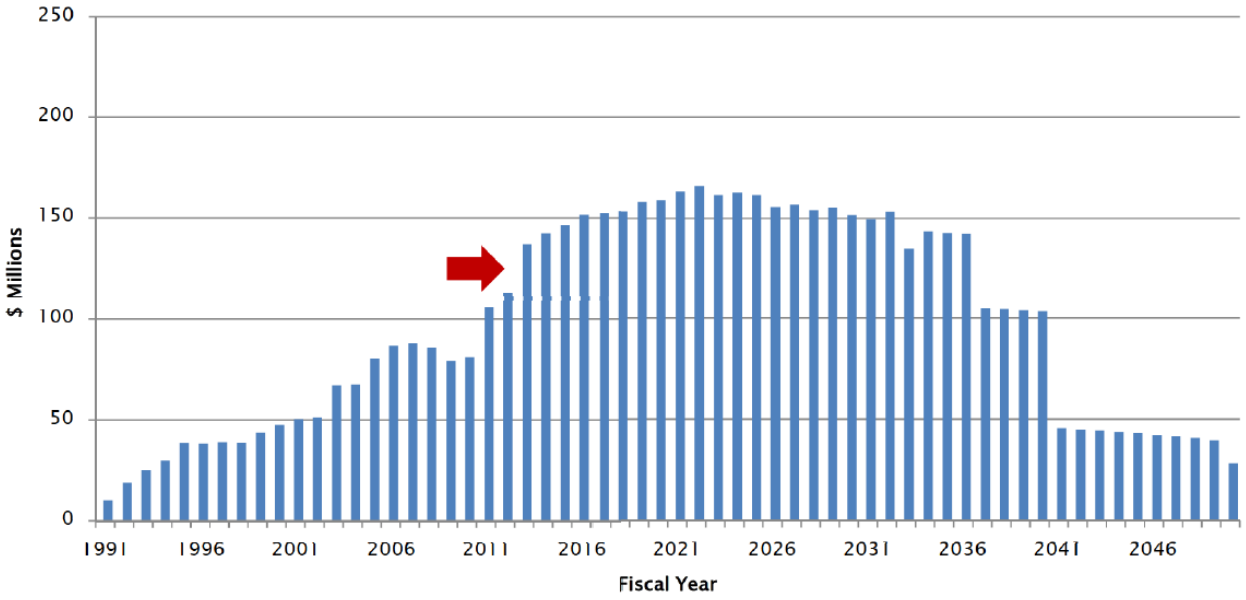
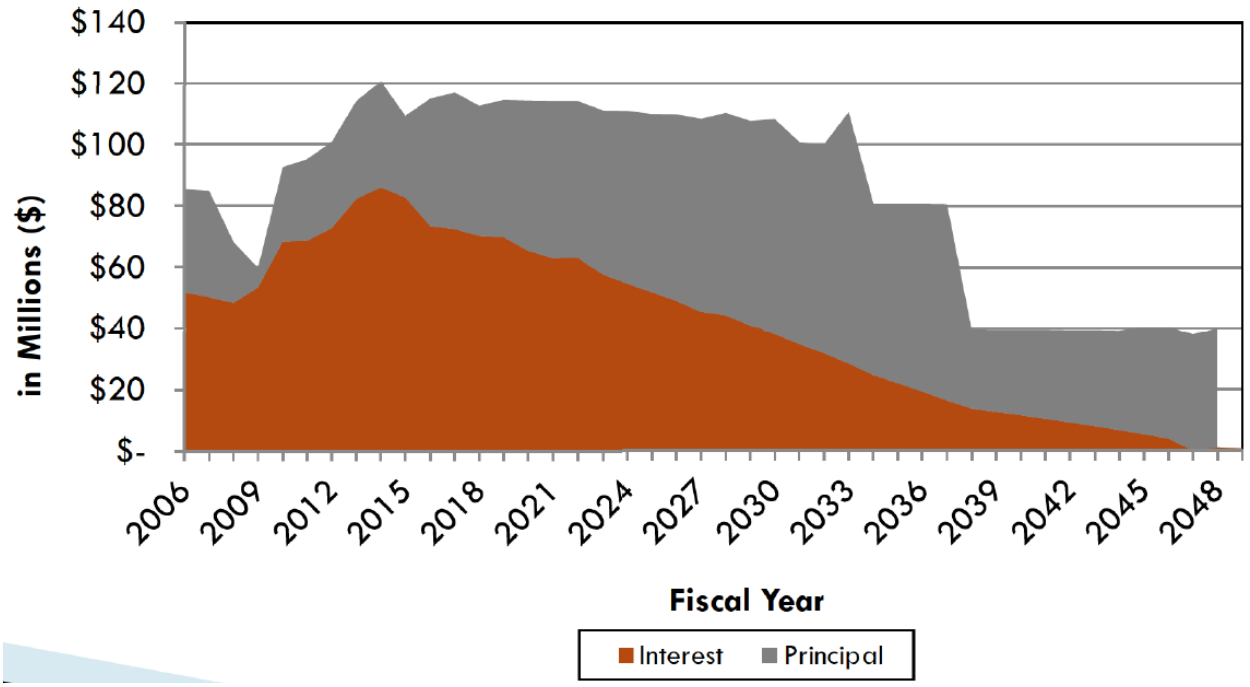


FIGURE 7a | Paying For Major Infrastructure: Debt Serviced Through 2050[50]



[49] Figure 5-2 in MWD 2020 Annual Report.
[50] Presentation to SDCWA Board, 6-28-2012.

FIGURE 7b | SDCWA Debt Service[51]



Q. Was SDCWA hit harder than MWD by a reduction in the revenue-earning supply of water to member agencies?

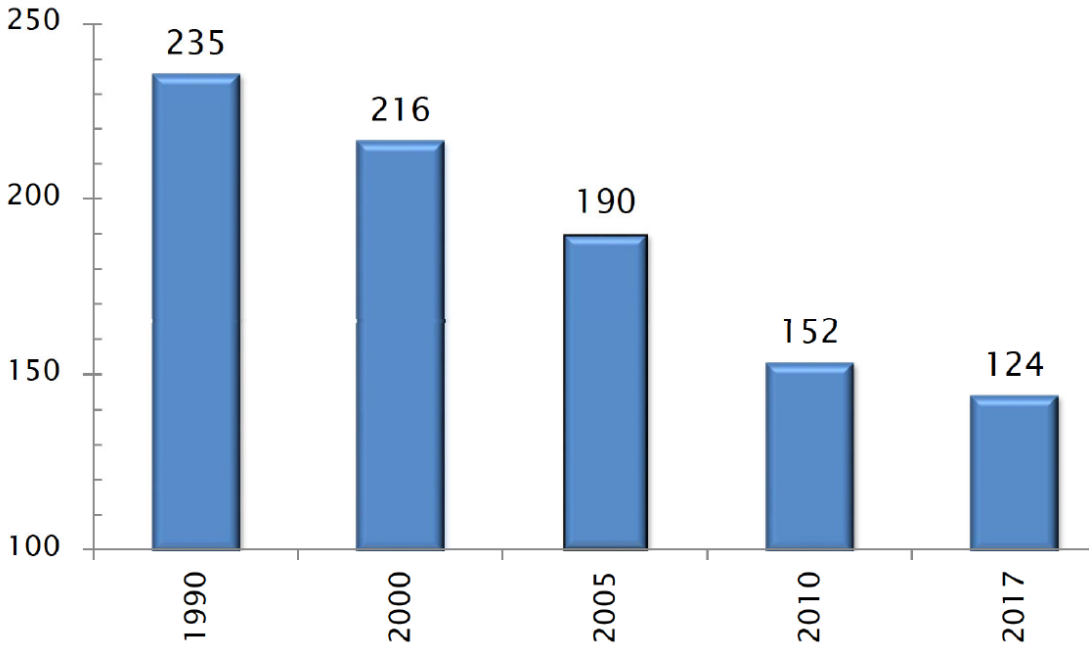
A. Yes.

Figure 3 above depicts something else that changed for RMWD besides the price of SDCWA water. The amount of water purchased by RMWD from SDCWA fell dramatically from around 30,0000 AF through about 2006 to around 14,297 AF in 2020. The reduction in water demand may have been especially pronounced in RMWD because of the large component of agricultural water use, which is likely to be more price-sensitive than urban use generally. However, a striking reduction in water demanded by member agencies was occurring at this time throughout SDCWA's service area. The phenomenon was not limited to RMWD. It was driven by two things: a very substantial reduction in per capita water use in SDCWA's service area combined with increased development of member agency local supplies.

Figure 8 documents the very substantial decline in per capita water use in SDCWA's service area. Per capita use declined by 19% between 1990 and 2005 and by even more between 2005 and 2017 -- 35%.

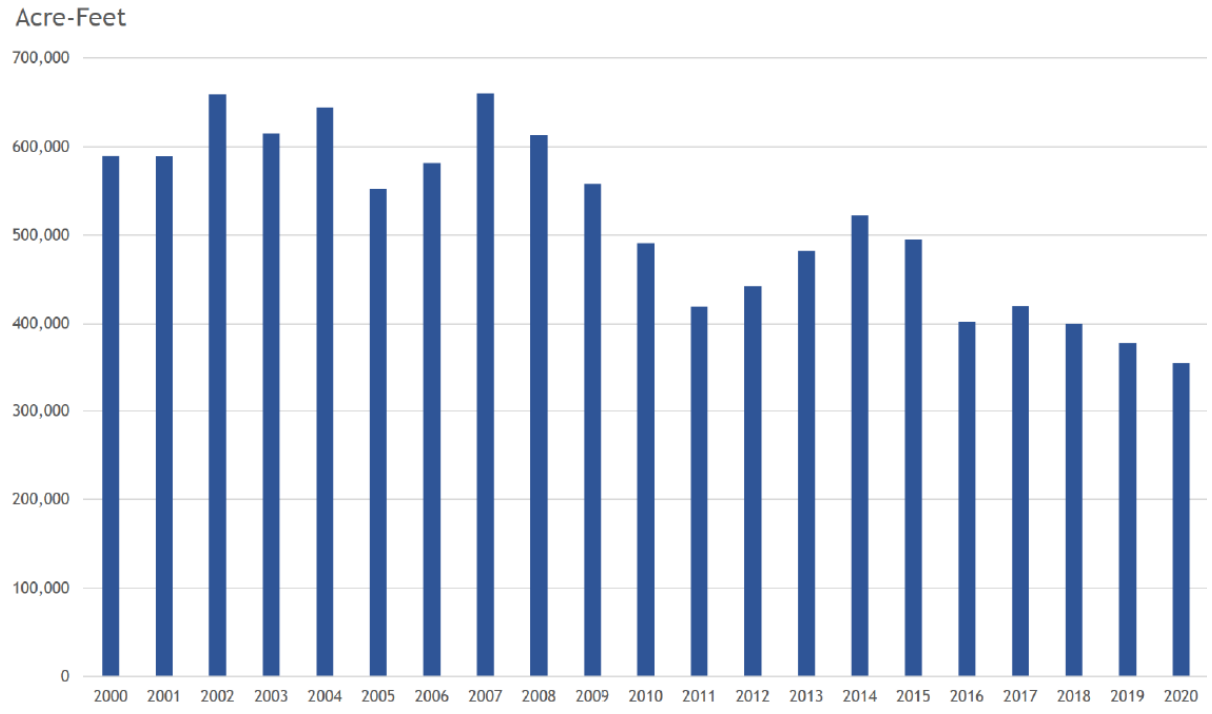
[51] Presentation to SDCWA Board, 1-26-2017.

FIGURE 8 | Decline in Per Capita Potable Water Use in SDCWA Service Area[52]



The reduction in water sales by SDCWA to its member agencies was even larger than the reduction in per capita water use, as shown in Figure 9.

FIGURE 9 | SDCWA Supply to Member Agencies[53]



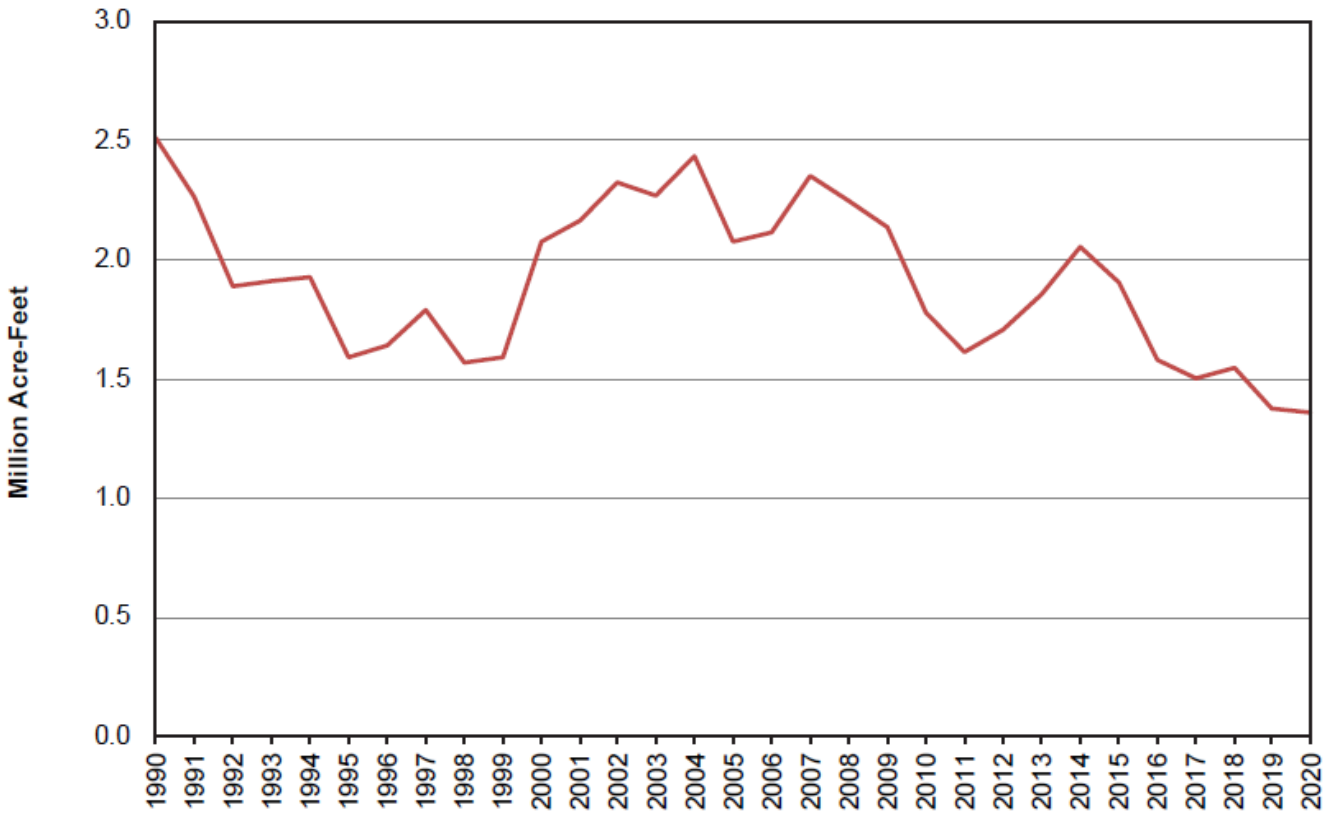
[52] Presentation by Tim Bombadier to SDCWA Board, February 22, 2018.
[53] Presentation to SDCWA Board of Directors, January 28, 2021.

Sales to member agencies declined from over 600,000 AF in 2008 to about 365,000 AF in 2020, a reduction of almost 40%.

The fact that sales to member agencies declined by more than the reduction in per capita use signifies the effect of increased development of member agency local supply.

MWD also experienced a reduction in the volume of water purchased from it by its member agencies. MWD's sales to member agencies are shown in Figure 11. Note that MWD includes in this data the QSA water that it supplies to SDCWA under the Exchange Agreement. However, as noted above, it earns significant revenue from this water. Between 2008 and 2020, there was a 20% reduction in MWD's sales of revenue-earning water. This is about half the magnitude of the reduction in SDCWA's sales of revenue-earning water shown in Figure 10.

FIGURE 10 | MWD Supply to Member Agencies (Fiscal Years)[54]



[54] Figure 3-8 in MWD 2020 Annual Report.

Q. Could SDCWA's larger reduction in the supply of revenue-earning water help explain the widening of the gap between the all-in SDCWA rate and the all-in MWD rate starting around 2010?

A. Yes, assuming that, for both SDCWA and MWD, a large share of operating costs is fixed costs.

Q. Is it the case that, for both SDCWA and MWD, a large share of their operating costs is fixed costs?

A. Yes. Table 11 presents a breakdown of SDCWA operating expenditures in FY 2020. Table 12 similarly presents a breakdown of MWD's operating expenditures for FY 2021.

TABLE 11 | SDCWA Expenditures FY 2020

		ITEM	$ Thousands	Percent	Cost Type
		Water Supply			
a		Colorado River Water			
b		MWD Wheeling Cost	$119,184	15.1%	Fixed
c		All other Colorado River water costs	$124,414	15.8%	Fixed
d		Water Purchased from MWD	$82,967	**10.5%**	**Variable**
e		Carlsbad Desal Plant	$97,934	12.4%	Fixed
f		All Other Water Supply Expenses	$61,639	7.8%	Fixed
g	= a + ... + f	Subtotal - water supply	$486,138	61.7%	
h		Operating Departments*	$54,252	6.9%	Fixed
i	= g + h	**COST OF WATER OPERATIONS**	$540,390	68.5%	
j		Debt Service*	$148,716	18.9%	Fixed
k		CIP Expenditures*	$81,111	10.3%	Fixed
l		Equipment Replacements*	$3,012	0.4%	Fixed
m		Grant Expenditures*	$13,162	1.7%	Fixed
n		Other Expenditures*	$1,944	0.2%	Fixed
	= i + ... + n	**TOTAL**	**$788,335**	**100.0%**	
	* NOTE: "Variable" means that this revenue varies directly with the quantity of water delivered that year by SDCWA to its member agencies. "Fixed" means that the revenue does not vary directly with the quantity of water delivered that year.				
	* FY20 obtained by halving FY20 & 21 amount in Table 1.				
	SOURCE: SDCWA Adopted Budget FY 2021 & 2022, Table 1, p.26.				

For SDCWA, I estimate that only about 15% (= row d/row i) of its cost of operation in FY 2020 was variable cost, namely the portion associated with its purchase of M-water.[55] Back in 2010, however, M-water constituted a larger component of SDCWA's supply than now. Instead of being about 24% of SDCWA's supply in 2020 (Table 9), M-water was about two-thirds of SDCWA's supply in 2010, QSA water being the rest. As a rough estimate, I assume that the purchase of M-water – SDCWA's only variable cost component – might have accounted for about 30% of SDCWA's cost of operation in 2010.

For MWD, I estimate that only about 12% (= rows a + c) of its cost of operation in FY 2021 is variable cost. I assume that the proportion was roughly the same back in 2010.

TABLE 12 | MWD Planned Expenditures FY 2021

					Cost
	ITEM	$ Thousands	Percent		Type
	State Water Project				
a	Variable Transportation & OAC*	$166,984	9.2%		Variable
b	All other SWP costs	$473,784	26.0%		Fixed
c	Colorado River Power Costs	$52,237	2.9%		Variable
d	Supply Programs	$68,683	3.8%		Fixed
e	Demand Management	$48,532	2.7%		Fixed
f	Operating Departments*	$529,254	29.1%		Fixed
g	Recycled Water Program Planning Costs	$15,000	0.8%		Fixed
h	Other Operating costs	$14,878	0.8%		Fixed
i	Subtotal - cost of water operations	$1,369,352	75.2%		
j	Capital Financing	$408,690	22.5%		Fixed
k	Increase/(Decrease) in Required Reserves	$42,400	2.3%		Fixed
l = i + j + k	TOTAL	**$1,820,442**	**100.0%**		
NOTE: "Variable" means that this expenditure varies directly with the quantity of water delivered that year by MWD its member agencies. "Fixed" means that the expenditure does not vary directly with the quantity of water delivered that year.					
* Estimate					

[55] The cost associated with the MWD Exchange Agreement would become a variable cost if SDCWA decided to take less than its committed quantity of IID Transfer water or canal lining water, but I see that as highly unlikely at present.

Q. How could SDCWA's larger reduction in the supply of revenue-earning water help explain the widening of the gap between the all-in SDCWA rate and the all-in MWD rate starting around 2010?

In the case of SDCWA in 2010, under my assumptions 70% of its total operating cost was fixed cost and would not change if it sold less water; 30% of its total operating cost was variable costs and this *would* fall if it sold less water. If it sold 40% less water, its total variable cost would go down by 40%. Its total operating cost – fixed plus variable -- would go down by only 12%: 70% of that cost would not change, while the other 30% would fall by 40%.

Its total operating cost would fall by 12%, but this cost would now have to be raised from the sale of 40% less water. SDCWA would be financing 88% of the previous cost while selling only 60% of the previous quantity of water. This would raise the unit cost per acre-foot sold by 47%.

Turning to MWD in 2010, under my assumptions 88% of its total operating cost was fixed costs and would not change if it sold less water. 12% of its total operating cost was variable costs and this *would* fall if MWD sold less water. If it sold 20% less water, its total variable cost would go down by 20%. Its total operating cost – fixed plus variable -- would go down by only 2.4%: 88% of that cost would not change, while the other 12% would fall by 20%.

MWD's total operating cost would fall by 2.4%, but this cost would now have to be raised from the sale of 20% less water. MWD would be financing 97.6% of the previous cost while selling only 80% of the previous quantity of water. This would raise the unit cost per acre-foot sold by about 22%, or just under half SDCWA's increase in unit cost. Table 13 summarizes these calculations.

TABLE 13 | Impact of Sales Reduction on Unit Cost

SDCWA	MWD
Total cost drops by 12% (= 0.4*0.3)	Total cost drops by 2.4% (= 0.2*0.12)
AF sold drops by 40%	AF sold drops by 20%
Cost ($/AF) *rises* by 47% (= 0.88/0.6)	Cost ($/AF) *rises* by 22% (= 0.976/0.8)

Two conclusions result from this analysis:

1) When the cost of water supply contains a large, fixed cost component, a reduction in the quantity of water supplied raises the unit cost to provide water, and this puts upwards pressure on rates charged for the water.
2) Since SDCWA experienced about twice as large as a sales reduction starting in 2010 as that experienced by MWD, this would have caused the rate differential between SDCWA's water rate and MWD's water rate to widen after 2010.

Q. In summary, what caused the differential between SDCWA's all-in water rate and MWD's all-in water rate to widen starting around 2020?

A. Here are my conclusions:

1) Given the way that QSA water was priced under the Exchange Agreement with MWD, the importation of QSA water did not have a significant role in the widening of the rate differential that started around 2010.
2) Using water from the Carlsbad Desalination Facility contributes in some degree to the rate differential but only since 2016: it was not a factor in 2010 -2015.
3) SDCWA's investment in some major water supply infrastructure projects just before and after 2010, a period when MWD happened generally not to be making major infrastructure investments, caused the rate differential to widen starting around 2010.
4) The fact that SDCWA experienced a 40% reduction in member agencies' demand for its water between 2010 and now, while MWD experienced only a 20% reduction, also would have caused the rate differential to widen.

Q. Was the reduction in member agency demand for SDCWA water starting around 2010 caused by the increase in SDCWA's all-in water rate?

A. On the whole, I believe the answer is no.

I believe the reduction in member agency demand starting around 2010 was driven by two longer-run trends that were set in motion before the differential in SDCWA and MWD all-in rates started to widen in 2010. Those trends were

1) Increased conservation which accelerated following the experience of the 2007-2009 drought in California and motivated Governor Schwarzenegger's 2009 initiative requiring that urban water demand be reduced by 20% by the year 2020.
2) increased development of local supplies, including expanded use of treated groundwater and treated wastewater.

Higher water rates at the retail level will have complemented these trends,[56] but I do not believe that higher retail water rates were generally the prime mover.

[56] There is some evidence that urban water agencies with increasing block rates that sharpened those rate structures during the 2014-2016 drought had more success in meeting Governor Brown's conservation mandate than other urban water agencies.

Q. Did the increase in SDCWA's water rates cause agricultural water use to decline in SDCWA's service area?

A. Table 14 presents data on the trends in total water use and agricultural water use within SDWCA's service area and within RMWD, using data from their respective Urban Water Management Reports.

In both cases, there was a substantial drop in both total water use and agricultural water use between 2005 and 2010, and between 2015 and 2020. By comparison, the changes in water use between 2010 and 2015 were smaller. The drop in water use between 2005 and 2010 came about in the aftermath of the 2007-2009 drought; the drop between 2015 and 2020 was in the aftermath of the 2014-2016 drought.

It looks as though the drought experiences may have had more impact on water use than the increase in SDCWA water rates following 2010.

TABLE 14 | Trends in Water Use, SDCWA and RMWD

	SDCWA*			RMWD**	
YEAR	AGRICULTURAL USE (AF)	TOTAL USE (AF)		AGRICULTURAL USE (AF)	TOTAL USE (AF)
2005	83,480	642,152		19,298	24,154
2010	43,515	566,443		11,854	18,158
2015	41,055	539,361		12,312	20,062
2020	37,100	463,128		8,876	14,297
* Fiscal year					
** Calendar year					

Q. Will the differential between SDCWA water rates and MWD water rates stay this wide in future, or widen, or become smaller?

A. I don't know.

The recent trend has been for the average cost of M-water to SDCWA to grow faster than the that of QSA water. That would tend to narrow the differential between SDCWA's all-in rate and MWD's all-in rate.

Q. Are the rates that SDCWA has charged its member agencies unfair?

A. I will note two facts.

1) So far, I have not been presented with any evidence that would support a claim of unfairness by SDCWA.

2) Whether or not one agrees with this, it is worth quoting what the California Court of Appeal has stated: ”Rates established by the lawful rate-fixing body [of a water agency] are presumed reasonable, fair and lawful.”

Q. Has FPUD and/or RMWD paid an unfairly high share of SDCWA’s fixed charges?

A. No.

The report by London Moeder Advisors, *Rainbow MWD and Fallbrook PUD Cost-Benefit Analysis of SDCWA Membership* dated 9-15-2020 asserts that, in the years from 2009 to 2019, FPUD and RMNWD paid an excessively large share of the fixed charges collected by SDCWA and, over that period, subsidized the other member agencies by $49.5 M. It also asserts that, over this period, FPUD and RMWD achieved a benefit-to-cost ration of 0.12 from the payment of fixed charges, while the remaining SDCWA member agencies benefited from this imbalance, representing a benefit-to-cost ratio of 1.04.

I have analyzed those assertions – see Appendix A – and find that they lack foundation.

2.3 THE FINANCIAL IMPACT OF DETACHMENT

This section analyzes both the financial impact on the other member agencies of SDCWA if FPUD and/or RMWD detach from SDCWA and also the financial impact on FPUD and RMWD.

I start with the financial impact on SDCWA member agencies. Then I discuss the financial impact on FPUD and RMWD.

The detachment of a member agency reduces the revenues received by SDCWA. It also to some degree reduces the expenses incurred by SDCWA in operating in its water supply and distribution system. The key question is the *net* impact: will SDCWA's revenues be reduced by as much or more than its operating expenses?

Q. How large are FPUD and RMWD in relation to the other SDCWA member agencies?

A. FPUD and RMWD accounted for 1.7%[57] of the population served by SDCWA in FY 2020 and 8.1%[58] of the acreage in SDCWA's service area.[59] Tables 15 shows the breakdown of SDCWA deliveries over the period FY 2017 – FY 2021 to FPUD and RMWD versus other member agencies.[60] Over this period, FPUD accounted for an average of 2.3% of all SDCWA deliveries to member agencies, and RMWD accounted for 4.4%. which represents a higher rate of usage per capita, but not per acre, than the average across all member agencies.

Going forward, FPUD's share of water delivered to SDCWA member agencies will fall as the Santa Margarita Conjunctive-Use Project comes on-line.

About 42% of the water received by FPUD and RMWD has come under the SDCWA's Permanent Special Agricultural Water Rate (PSAWR) program for agricultural water users in the SDCWA service area.

TABLE 15 | SDCWA Deliveries to FPUD & RMWD FY 2017-2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	5 - YEAR AVERAGE
ALL MEMBERS (AF)	405,400	392,871	365,083	346,431	376,465	377,250
FPUD (AF)	9,101	10,007	7,766	7,893	8,822	8,717
RMWD (AF)	16,983	19,240	14,831	14,386	17,082	16,504
FPUD (%)	2.2%	2.5%	2.1%	2.3%	2.3%	2.3%
RMWD (%)	4.2%	4.9%	4.1%	4.2%	4.5%	4.4%

Source: SDCWA Annual Reports

(TABLE CONTINUED…)

[57] = 54,944/323,060.6.
[58] = 75,658/934,777.5.
[59] These and the following statistics are taken from the SDCWA Annual Report FY 2020, consulted online at sdcwa.org/annualreport/2020/diversification-and-operation/water-sources-and-uses.php on 6/11/2021.
[60] Data supplied to me by SDCWA in an email on 10-7-2021.

Acre Feet Deliveries - Includes certified and non-certified ag water

	FY'17	FY '18	FY '19	FY'20	FY'21
Carlsbad	12,149	13,780	12,095	11,719	12,501
Del Mar	939	1,078	961	954	1,046
Escondido	14,886	9,526	12,435	7,416	12,286
Fallbrook	**9,101**	**10,007**	**7,766**	**7,893**	**8,822**
Helix	24,960	25,713	24,480	21,035	24,756
Lakeside	2,604	2,839	2,643	2,879	3,223
National City	2,978	246	495	526.9	296
Oceanside	21,249	22,510	19,902	19,844	22,240
Olivenhain	17,475	19,432	16,817	17,189	19,548
Otay	27,002	29,638	27,385	28,309	30,126
Padre Dam	9,346	10,321	9,300	9,585	10,244
Camp Pendleton	134	188	201	166	163
Poway	8,635	10,231	8,535	8,837	9,752
Rainbow	**16,983**	**19,240**	**14,831**	**14,386**	**17,082**
Ramona	4,406	4,872	4,291	4,075	4,510
Rincon del Diablo	4,981	5,468	4,738	4,839	5,271
San Diego	153,496	152,193	143,551	140,505	137,049
San Dieguito	3,984	2,660	3,382	3,127	3,820
Santa Fe	7,450	5,819	6,435	5,642	6,911
South Bay	10,691	1,709	3,531	1,929	2,897
Vallecitos	10,910	12,634	10,724	10,877	12,053
Valley Center	20,220	22,526	16,500	16,684	18,846
Vista	16,332	4,156	9,340	3,361	7,401
Yuima	4,494	6,088	4,747	4,653	5,624
Total	**405,400**	**392,871**	**365,083**	**346,431**	**376,465**

Q. If FPUD and/or RMWD leave SDCWA's service area, which of SDCWA's revenue sources shown in Table 3 would be affected?

A. If FPUD and/or RMWD leave SDCWA's service area, SDCWA's revenue from every row in Table 3 would be affected. The revenue items fall into four groups:

A. Volumetric charges on deliveries to member agencies
B. Fixed service charges applied to member agencies
C. Annual charges borne by properties in the SDCWA service area
D. Charges paid by new meters for properties within the SDCWA service area

All of these revenue items will be reduced if FPUD and RMWD leave SDCWA's service.

So far, at least four estimates have been presented of the financial impact on SDCWA and its remaining member agencies if FPUD and RMWD depart:

(i) SDCWA presented its estimate of the financial impact on pages 54-62 of its Combined Response dated 9-18-2020. This contained estimates of the financial impact both in a single year and in a ten-year sequence. SDCWA staff provided backup for that analysis in a zoom call on 6-23-2021 and then in a spreadsheet and memo emailed to me on 7-2-2021.
(ii) I provided an estimate of the financial impact at the Advisory Committee meeting on June 14, and I corrected an error in my presentation and my report on June 18.
(iii) My October Draft Report contains an analysis of the financial impact combining what I had presented in June and what SDCWA had presented in their 2020 Combined Response.
(iv) In comments on my Draft Report date 10-25-2021, FPUD and RMWD submitted their own analysis of the financial impact, replicating the decadal analysis submitted by SDCQA in 2020 but with differences.

Below, I present a new analysis which replaces the one contained in my October Draft Report.

I will not present a multi-year analysis. I feel that there is now too much uncertainty about future water supply, future water demand, and future rate schedules to justify making a projection of the annual financial impact over the coming decade. Therefore, I restrict my analysis to an estimate of the financial impact in CY 2022.

A key variable is how much water FPUD and RMWD would purchase from SDCWA as their wholesale supplier if they stayed within the SDCWA service area.

I based my June analysis on the FY 2020 delivery levels for FPUD and RMWD as reported in SDCWA's *2020 Comprehensive Annual Financial Report*, namely 7,822 AF for FPUD and 14,479 AF for RMWD.[61] Since then, FPUD's Santa Margarita Conjunctive-Use Project has come online, replacing up to about 4,000 AF formerly received by FPUD from SDCWA. In recognition of this, SDCWA had projected FPUD's FY 2022 water use as 4,130 AF. FPUD's projection, consistent with the 2020 Urban Water Management Plan, is 4,045 AF. I will use 4,100 AF as a rough estimate of FPUD water use in CY 2022. SDCWA had projected RMWD's FY 2022 water use as 13,924 AF; RMWD projects it as 13,750. I will use 14,000 AF as a rough estimate of RMWD water use in 2022.[62] In line with FPUD and RMWD estimates, I assume that 1,600 AF of the FPUD's 4,100AF, and 6,000 AF of RMWD's 14,000 AF, are received under SDCWA's PSAWR rate. To assess the loss of revenue, I use SDCWA's CY 2022 water rates.

[61] Those are different from the FY 2020 delivery levels listed in Table 14, which come from an email from SDCWA dated 10-4-2021.
[62] FPUD and RMWD also propose lower bound estimates of their 2022 water use that are 15% lower, on the grounds that Urban Water Management generally overstate future water demand by about 15%. Since the 2020 Urban Water Management Plans were delivered in June 2021, a 15% overstatement for the year beginning six months later seems too high. I will stick with the single projection given above.

Table 16 presents my estimate of the annual revenue loss to SCDCWA in CY 2022 if FPUD and/or RMWD detach from the SDCWA service area.

There appears to be some question as to whether SDCWA would continue to receive all, some, or none of the property tax revenue if FPUD and/or RMWD detach. If SDCWA would continue to receive all the property tax revenue, the overall one-year revenue loss for SDCWA amounts to $32.9 M; if it would receive none of the property tax revenue, the one-year revenue loss is $33.3 M. To put this in context, Table 17 shows the percentage breakdown of SDCWA's overall revenue in FY 2020. 88.1% of SDCWA revenue came from water sales (row f). If FPUD and RMWD both detach, that revenue would be reduced by $31.3 M (row m in Table 16). The remaining revenue loss hits Other Revenue items in Table 16.

TABLE 16 | SDCWA Revenue Reduction CY 2022

				FPUD		RMWD		FPUD + RMWD
			Unit	Quantity	Revenue	Quantity	Revenue	Revenue
		Item	Rate	Change (AF)	Reduction ($)	Change (AF)	Reduction ($)	Reduction ($)
		M&I Water supply						
a		Water Supply	$1,009	2,500	$2,522,500	8,000	$8,072,000	$10,594,500
b		Transportation*	$173	0	$0	2,400	$415,200	$415,200
c		Treatment	$310	2,500	$775,000	8,000	$2,480,000	$3,255,000
		Ag Water supply						
d		Water Supply	$799	1,600	$1,278,400	6,000	$4,794,000	$6,072,400
e		Transportation	$173	1,600	$276,800	6,000	$1,038,000	$1,314,800
f		Treatment	$310	1,600	$496,000	6,000	$1,860,000	$2,356,000
g	= a + .. + f	**Subtotal - volumetric charges**			$5,348,700		$18,659,200	$24,007,900
h		**Customer Service Charge**			$561,780		$1,057,632	$1,619,412
i		**Storage Charge**			$1,052,568		$1,560,780	$2,613,348
j		**Supply Reliability Charge**			$661,248		$1,000,512	$1,661,760
k		**Infrastructure Access**			$604,812		$756,288	$1,361,100
l	= h + .. + k	**Subtotal - charges**			$2,880,408		$4,375,212	$7,255,620
m	= g + l	**SUBTOTAL - CHARGES PAID BY MEMBER AGENCY**			$8,229,108		$23,034,412	$31,263,520
n		**"All-in rate" ($/AF)**		4,100	$2,007	14,000	$1,645	
		OTHER REVENUE						
o		**Property Taxes****			$160,000		$190,000	$350,000
p		**Availability Standby Charge***			$257,637		$463,673	$721,310
q		**Capacity Charges***			$103,396		$831,042	$934,438
r	= m + p + q	**TOTAL WITHOUT PROPERTY TAX**			$8,590,141		$24,329,127	$32,919,268
	= r + o	**TOTAL WITH PROPERTY TAX**			$8,750,141		$24,519,127	$33,269,268
	*Taken from FPUD/RMWD spreadsheet submitted 10-25-2021.							
	** Rounded up from values used by SDCWA Combined Response 9-18-2020							

TABLE 17 | SDCWA Breakdown of Revenues FY 2020

		ITEM	$ Thousands	Percent	Revenue Type*
		Water Related Revenue			
a		Water Sales	$420,165	63.3%	**Variable**
b		Infrastructure Access Charge	$36,942	5.6%	Fixed
c		Customer Service Charge	$25,600	3.9%	Fixed
d		Storage Charge	$65,000	9.8%	Fixed
e		Supply Reliability Charge	$37,430	5.6%	Fixed
f	= a + .. + e	SUBTOTAL Operating revenue	$585,137	88.1%	
		Other Revenue			
g		Property Tax	$15,526	2.3%	Fixed
h		Standby Availability Charge	$11,164	1.7%	Fixed
i		Capacity Charges	$17,983	2.7%	Fixed
j	= g + h + i	SUBTOTAL Property related	$44,673	6.7%	Fixed
		Other Income			
k		CIP	$2,726	0.4%	Fixed
l		Hydroelectric Revenue	$3,192	0.5%	Fixed
m		Investment Income	$6,789	1.0%	Fixed
n		Other Revenue	$21,542	3.2%	Fixed
o	= k + ..+ n	SUBTOTAL Other Income	$34,248	5.2%	Fixed
	= f + J + o	**TOTAL REVENUE**	**$664,058**	**100.0%**	
* NOTE: "Variable" means that this revenue varies directly with the quantity of water delivered that year by SDCWA to its member agencies. "Fixed" means that the revenue does not vary directly with the quantity of water delivered that year.					

As for the reduction in SCDCWA's expenditure if FPUD and/or RMWD detach from SDCWA's service area, Table 11 above showed how SDCWA's expenditures broke down in FY 2020. Because the short-run marginal cost of M-water to SDCWA is larger than that of E-water, if SDCWA faced a reduction in its deliveries to member agencies, it generally would be better financially for SDCWA to take less M-water rather than less E-water.[63] Therefore, for present purposes, M-water is the only variable input for SDCWA, and the cost of M-water is the only variable cost in SDCWA's budget; all the other cost items represent fixed costs. As Table 11 showed, only about 15% of SDCWA's cost of water operations is a variable cost (row d/row f), while 85% represents a fixed cost.

Table 18 presents my estimate of the reduction in SDCWA's annual expenditure in CY 2022 if FPUD or RMWD or both detach from the SDCWA service area. I assume that detachment leads

[63] There are some logistical constraints on SDCWA's logistical ability to do this: it receives E-water in equal monthly amounts, which may limit the extent to which it can reduce M-water in peak delivery months.

SDCWA to purchase less treated M-water from MWD and I apply MWD's CY 2022 full-service Tier 1 treated rate. In the first year of detachment, that will have no impact on the amount of the Readiness to Serve charge paid by SDCWA to MWD (see short-run expenditure reduction), but over ten years it will build up to the amount shown as the long-run expenditure reduction. To account for the future long-run RTS impact, I apply MWD's CY 2022 RTS charge calculated as a per-acre-foot charge based on system-wide usage.

I do not know whether detachment would affect SDCWA's maximum daily delivery from MWD. It would have no effect in the first year (CY 2022) but if It did reduce maximum daily deliveries then, after three years, this would lower the Capacity charge paid by SDCWA to MWD. In the absence of other information, however, I assume no impact on the Capacity charge paid by SDCWA to MWD.

The short-run reduction in SDCWA annual expenditure is $20.7M. In the long run, when the full impact on the RTS charge paid by SDCWA takes effect, the expenditure reduction is $22.3M.

TABLE 18 | SDCWA Expenditures Reduction CY 2022

		FPUD		RMWD		FPUD + RMWD
	Unit	Quantity	Expenditure	Quantity	Expenditure	Expenditure
Item	Rate	Change (AF)	Reduction ($)	Change (AF)	Reduction ($)	Reduction ($)
M-water, full service, Tier 1 trd	$1,143	4,100	$4,686,300	14,000	$16,002,000	
MWD RTS charge - short run	0	4,100	$0	14,000	$0	
MWD RTS charge - long run	$88	4,100	$360,800	14,000	$1,232,000	
TOTAL REDUCTION - short-run	$1,143	4,100	**$4,686,300**	14,000	**$16,002,000**	**$20,688,300**
TOTAL REDUCTION - long-run	$1,231	4,100	**$5,047,100**	14,000	**$17,234,000**	**$22,281,100**

Table 19 presents my resulting estimate of the reduction in SDCWA net revenue in CY 2022 if FPUD and/or RMWD detach from SDCWA's service area. The short-run (immediate) reduction in annual net revenue is $12.2M or $12.6M, depending on whether SDCWA retains or loses the property tax revenue from FPUD and RMWD. The long-run reduction in annual net revenue after a decade is $10.6M or $11M.

TABLE 19 | SDCWA Net Revenue Impact CY 2022

Item	FPUD	RMWD	FPUD + RMWD
REDUCTION IN REVENUE			
Without property tax loss	$8,590,141	$24,329,127	$32,919,268
With property tax loss	$8,750,141	$24,519,127	$33,269,268
REDUCTION IN EXPENDITURE			
Short-run	$4,686,300	$16,002,000	$20,688,300
Long-run	$5,047,100	$17,234,000	$22,281,100
CHANGE IN NET REVENUE			
SHORT-RUN			
Without property tax loss	$3,903,841	$8,327,127	$12,230,968
With property tax loss	$4,063,841	$8,517,127	$12,580,968
LONG-RUN			
Without property tax loss	$3,543,041	$7,095,127	$10,638,168
With property tax loss	$3,703,041	$7,285,127	$10,988,168

This differs from my previous estimate in my Draft Report and from the estimates submitted by SDCWA and by FPUD/RMWD. The year is different, the assumed annual amounts of water are different, the water rates are different and some of the other cost items accounted for are different.

Two important differences are the following:

1) In its analysis of the financial impact of a detachment, SDCWA included an accounting for the use of reserves. In my Draft Report, I deferred to SDCWA's assessment of this item, which I understand was based on the financial model they use to manage their various reserve accounts. I exclude that item here, for two reasons. I myself am not an expert in debt finance and municipal accounting, so that I cannot form my own assessment of SDCWA's reserve accounts and their funding.[64] But, as I now understand SDCWA's rationale for including the item, I do not believe it is appropriate.

   As I understand it, SDCWA was making the following argument. It argued that its water rates in CY 2022 were unduly low because it was drawing down reserves on a temporary basis to cover certain cost items that would normally be covered through the rate schedule. Had rates been set in the usual manner, the rates would have been higher,

[64] In my previous experience as an expert witness in water rate litigation, a colleague with expertise in municipal bond finance was the one who testified on the funding of reserve accounts.

making the amount of revenue foregone by SDCWA if the delivery of water to FPUD and RMWD were discontinued larger by approximately $3.6 M.[65]

I believe that it is more appropriate for me to make my assessment based on SDCWA's water rates as they are, and not as they might have been.

However, I do acknowledge that the following is a valid assertion. If the CY 22022 water rates that I use in Table 16 to calculate the reduction in SDCWA net revenue are unduly low because of a temporary and unusual reliance on funds obtained by drawing down reserves, my estimate will understate the revenue lost due to FPUD/RMWD detachment when SDCWA cannot draw down reserves in the same manner.

2) The FPUD/RMWD analysis reduced its estimate of the financial impact of detachment on SDCWA by the cost of the North County ESP Pumping Station that will not be needed in the event of detachment. The Pumping Station project is said to cost $35 million, and this is divided into 10 annual amounts of $3.5 million which are subtracted from FPUD/RMWD's estimate of the annual financial impact of detachment over the ten-year period FY 2022 – FY 2031. I do not agree with that adjustment.

   For the sake of argument, I assume that the North County ESP Pumping Station would indeed cost $35M. The adjustment proposed by FPUD/RMWD would have merit if (i) there had been a decision to go ahead and fund construction of the project and this was reflected in the current rates, and (ii) it was being cash funded out of those current rates. As I understand the situation, neither of those conditions holds. According to an email from SDCWA on 12-22-2021, "[T]he final phase of the ESP construction to provide complete service from the south to Rainbow and Fallbrook was scheduled to be done, and the initial construction had been budgeted (not funded)" when Fallbrook and Rainbow announced their intention to seek detachment.

   At that point, the North County project was put on hold. Had it continued on schedule, according to an email from SDCWA 12-21-2021, it would have been debt financed over a 30-year period. Thus, the FPUD/RMWD adjustment is based on what SDCWA's rates might have been, rather than what they are.

   There seems to be a degree of inconsistency in the position adopted by FPUD/RMWD – past financial commitments incurring ongoing payments and debt service appear not to be relevant when assessing FPUD/RMWD detachment, but future investments that would not be incurred *are* relevant to that assessment.

[65] This refers to the foregone deliveries assessed by SDCWA in Table 4.7 of the Combined Response of 9-18-2020 and, specifically, the last row of that table.

Q. Is the amount of $12.2 – 12.6M short-run impact on SDCWA's net revenue just a one-year phenomenon?

A. No.

There will be a recurring annual loss of net revenue for SDCWA once the detachment occurs, lasting for as long as SDCWA has to pay for the financial commitments that it has incurred to date. As elaborated below, these financial commitments last for varying periods of time and stretch far into the future.

The exact annual financial impact in the future will vary from year to year, depending on SDCWA's annual finances and rates.

The future financial impact will be lessened to the extent that SDCWA may find another buyer for the water that it would have delivered to FPUD and RMWD. But that will not fully offset the financial impact of FPUD/RMWD detachment for two reasons:

(1) The payment from the sale may not cover all the payments made annually to SDCWA by FPUD/RMWD as member agencies.
(2) The water not delivered to FPUD/RMWD does not belong to FPUD and RMWD individually. Any financial benefit to SDCWA in the event that it sells the water that would have been delivered to FPUD/RMWD to some other party belongs collectively to SDCWA member agencies, and not to FPUD and RMWD individually.

Q. How large is this net financial impact in relation to SDCWA's total operating revenue and operating expenses?

A. SDCWA's actual operating revenues and expenses totaled around $569 million in FY 2020. My estimate of a CY 2022 net revenue loss of about $12.2M amounts to 2.1% of the FY 2020 operating revenue and expense.

Q. What is the financial impact on FPUD and RMWD?

A. To answer this, I use the same assumptions as above. I focus on CY 2022, and I assume that FPUD obtains 4,100 AF from its wholesale supplier, whether SDCWA or EMWD, while RMWD receives 14,000 AF. FPUD and RMWD are planning to switch their wholesale supplier because this will lower the cost of their wholesale supply. Here I calculate the cost saving to FPUD and RMWD in their wholesale supply for CY 2022, recognizing that they may also bear some other expenses relating to their water equipment.

FPUD and RMWD avoid the cost they would have paid to SDCWA for this supply of water. Figure 16 shows that cost. Not every row in Table 16 represents a cost paid by FPUD and RMWD. Some of the revenue items lost by SDCWA in the event of detachment are paid by property owners within the FPUD and RMWD service areas (namely, rows o + p + q in Table 16). Row m in Table

16 totals up the portion of the revenue lost by SDCWA that is a cost paid by FPUD and RMWD to SDCWA. The totals in row m are a mix of variable charges (volumetric payments) and fixed charges. Row n in Table 16 converts the total payment (row m) into an equivalent payment per acre-foot received, i.e., an "all-in" amount, for each agency separately. The all-in cost of SDCWA water to FPUD amounts to $2,007/AF; that cost to RMWD amounts to $1,645. This reflects the fact that RMWD receives more than three times the amount that FPUD receives from SDCWA. Thus, when SDCWA's fixed charges are averaged over the amount of water delivered by SDCWA, the unit cost for RMWD is lower than for FPUD.

Table 20 compares what FPUD and REMWD would have paid SDCWA if they remained member agencies in CY 2022 with what they would pay if they became member agencies of EMWD. Row b in Table 20 is the same as row m in Table 16 and shows what they would pay SDCWA. Row h shows what they would pay if served by EMWD, based on my understanding that they would be asked to pay the MWD Tier 1 treated water rate, plus their shares of MWD's RTS and Capacity charges to EMWD, plus a markup of $11/AF to cover EMWD's cost of collecting MWD's charges from them. I estimate that the cost savings to FPUD and RMWD combined in CY 2022 amounts to about $7.7 million. FPUD and RMWD's net gain is less than SDCWA's net loss (Table 20).

TABLE 20 | Savings in Water Cost when FPUD & RMWD Switch from SDCWA to EMWD

			SDCWA	EMWD			
			Unit Rate	Unit Rate		FPUD	RMWD
		Item	FPUD	FPUD/RMWD	Other members	Expenditure	
			($/AF)	($/AF)	($/AF)	($)	($)
		SDCWA WHOLESALE SUPPLIER					
a		SDCWA average untreated supply cost*	$1,271				
b		SDCWA treatment charge	$310				
c	= d - a - b	SDCWA Wholesaler "markup"	$252				
d		**SDCWA all-in treated rate**	**$1,833**				
		MWD WHOLESALE SUPPLIER					
g	= a + b	MWD Full service Tier 1 treated		$1,143	$1,143		
h		MWD RTS charge		$122	$122		
i		MWD Capacity charge*		$28	$28		
j		EMWD Wholesaler "markup"		$11	$246		
k	= c + d + e + h	**EMWD all-in treated rate**		**$1,304**	**$1,539**		
l		WATER DELIVERY (AF)				4,100	14,000
m	= i * l	SDCWA WHOLESALE WATER COST ($)					
n	= j * l	EMWD WHOLESALE WATER COST ($)				$5,346,400	$18,256,000
	= m - n	**COST SAVINGS ($)**					

2.4 A DEPARTURE FEE

I was asked to address the possibility of a financial obligation to be imposed on FPUD and RMWD if they are permitted to detach from SDCWA, such as a departure fee.

I am aware that there is currently disagreement among the parties with respect to whether LAFCO has the legal authority to prescribe conditions that include a financial obligation such as a departure fee. I am not being asked to opine on that legal question, and I am not offering an opinion on that question. Instead, I am being asked to examine whether there is a sound economic justification for imposing a financial obligation of FPUD and RMWD and, if so, what an appropriate obligation could be. However, the decision maker here is the LAFCO Commission.

There are two basic questions:

(1) Should some form of financial obligation be placed on FPUD and RMWD as a condition for approving their detachment from SDCWA?
(2) If the answer is yes, how large a financial obligation, and for what period of time?

Here, I offer some suggestions to LAFCO for answering these questions.

Q. Do the parties agree on this?

A. No. They disagree.

As I understand their positions, SDCWA argues that, if they detach, FPUD and RMWD should be liable for covering their shares of about $21 billion of bonded and other indebtedness. The combined share could amount to about $1 billion. In contrast, FPUD and RMWD argue that they should be able to detach without any further financial liability.

In my judgment, as an economist experienced in the economics of water, neither position – a liability of about $1 billion nor a liability of zero – is reasonable.

Q. Is there a sound economic justification for imposing some continuing financial obligation?

A. Yes.

Since 2000, SDCWA has made major infrastructure investments and has taken on substantial contractual commitments for a more reliable water supply. The infrastructure investments and the purchase commitments have benefited all member agencies, including both FPUD and RMWD. These commitments are long-term in nature, and they impose a fixed and ongoing financial burden on SDCWA and its member agencies.

Behind this disagreement lies the difficult challenge of financing San Diego County's water supply system and, more generally, Southern California's water supply system, in an era of conservation, growing recycling of wastewater, and increasing water supply uncertainty due to climate change.

Supplying water, as an industry, is exceptionally capital intensive – more so than supplying electricity, natural gas, telecom services, or any other utility industries. The infrastructure involved in water supply is exceptionally long-lived compared to that in other utility industries. The infrastructure is dominated by major economies of scale, which make it uneconomic to expand the infrastructure by small gradual increments. It has to be sized to meet future needs looking quite far into the future. Moreover, once installed, water supply infrastructure has little salvage value in any alternative use – if unneeded, it becomes a classic example of a stranded asset.

Over the past two decades, SDCWA has made major infrastructure investments and has made major long-term commitments to obtain some independent, and highly reliable, sources of water. It will be paying for those commitments for the next 20-25 years or more.

The question confronting LAFCO is whether SDCWA member agencies with a distinctive set of needs and situated at a distinctive location should be allowed to walk away scot-free, entirely unencumbered by any of the financial commitments that SDCWA has assumed on behalf of its member agencies.

Q. If a departure fee were to be imposed, what would be the purpose?

A. The purpose of imposing some financial obligation on FPUD or RMWD if they are permitted to detach from SDCWA is to provide a level of financial protection for SDCWA and the remaining member agencies in the short run while they adjust to the changed financial situation of a detachment.

The purpose is to cover SDCWA's own financial obligations that are fixed, ongoing and unavoidable for the duration of a period of adjustment. These include the following:

- SDCWA is committed to paying for 78,700 AF of canal lining water through 2112.
- It is committed to paying IID for 200,000 AF of conserved water through 2047
- Under the exchange agreement, SDCWA is committed to paying MWD to convey this water for the same period of time as in those underlying supply contracts.

A departure fee is intended to promote flexibility and efficiency in the management of scarce water resources and in the operation of a supply network that is essential to the wellbeing of the regional economy. It is not appropriate that the departure fee afford such protection in perpetuity. It is important that SDCWA and all its member agencies receive an economic signal about the need for efficient network organization and rationalization. Compensation continuing for the long run would work against the objective of promoting the efficient use of the region's water infrastructure assets.

Q. What portion of SDCWA's outstanding water-supply related obligations should serve as the basis for determining a departure fee?

A. That is a judgment call for LAFCO.

On the one hand, like every other SDCWA member agency, FPUD and RMWD have benefited from all of the financial obligations incurred by SDCWA because member agencies are bound together by an integrated infrastructure network. Each member agency benefits to some degree from all investments in the infrastructure either directly or indirectly.

A member agency benefits directly from an investment in a particular source of supply or in a particular component of the infrastructure if it is directly served by that particular infrastructure component or it directly receives water from that particular supply source. But, even if a member agency is not served directly by that particular component and does not directly receive water from that particular supply source, the member agency still benefits indirectly through being part of an integrated water distribution network. If *other* member agencies receive water from that particular source or through that particular component, it makes it possible for *this* member agency to receive water from another source within SDCWA's portfolio, thereby benefiting indirectly.

On the other hand, it is reasonable to recognize that FPUD and RMWD are in a somewhat special situation by virtue of both their particular location at the furthest end of SDCWA's distribution system and their rural and agricultural local economies.

In the light of these factors, I recommend that a departure fee be limited to the portion of SDCWA's outstanding obligations that relates specifically to QSA water. QSA water constitutes about 80% of the water FPUD and RMWD have received in the past two years.

Q. What is the portion of SDCWA's outstanding obligations that relates to QSA water?

A. In its submission on 9-18-2020, SDCWA presented a table breakdown of its contractual water supply payment obligations as, follows:[66]

TABLE 21 | SDCWA Contractual Water Supply Payment Obligations

Desc.	CY 2021 Cost	Remaining Term (as of 1/1/2021) (yrs)	Escalation Factor	Net Present Value (3% Discount)
IID	$135,000,000	27	2.5%	$3,401,733,753
MWD Exchange - IID	$106,800,000	27	4.6%	$3,642,717,018
Canal	$1,233,099	93	3.0%	$114,678,207
MWD Exchange - Canal	$41,491,800	93	4.6%	$9,029,224,611
Desal	$111,846,000	26	3.0%	$2,907,996,000
Total	**$396,370,899**			**$19,096,349,589**

[66] Table 4.3.

The first four rows of this table cover SDCWA's payments relating to QSA water. SDCWA is committed to making annual payments that run through 2047 (for IID Transfer water) and 2112 (for canal lining water). This year (CY 2021), the annual payments for QSA water amount to $284.525 M. This committed annual payment is projected to grow over time based on price adjustments built into SDCWA's contracts with IID, MWD and other parties. The combined total financial obligation over the lives of these QSA commitments amounts to just under $16.2 billion.

LAFCO might use SDCWA's current annual payment for QSA water of around $285 million as a starting point for thinking about what a fair and reasonable departure fee could be.

Q. What is the underlying logic of the position being adopted by FPUD and RMWD?

A. The position being adopted by FPUD and RMWD – that, once they detach from SDCWA, they should not be liable for any ongoing financial obligation to SDCWA – would be reasonable if SDCWA were supplying water to its member agencies solely on a pay-as-you-go ("PayGo") basis. If that were the case, a member agency which no longer received water from SDCWA should have no obligation for any further payment to SDCWA. But, SDCWA does not supply water to its member agencies solely on a PayGo basis – nor does MWD, nor does any other wholesale water supply agency that I know of.

A departure fee is intended as a payment for obligations incurred by having received water in the past; it is not a payment for water to be received currently.

Q. Why does SDCWA not supply water to its member agencies on a PayGo basis?

A. SDCWA does not supply water to member agencies on a PayGo basis because that would be extremely burdensome to them financially. This is so for at least two reasons.

1) Much of the infrastructure being financed – dams, aqueducts, treatment plants, etc.[67] – has a useful life of 40 years to over 100 years. Financing this infrastructure on a cash basis at the time of construction would be burdensome, and also unfair, for contemporary water users. Debt finance is generally far more reasonable.
2) In the case of IID Transfer, IID would only agree to sell this water to SDCWA on a long-term basis. It was unwilling to sell water to SDCWA (or MWD) on a year-by-year basis. That was the commitment a buyer had to make in order to receive IID water with its senior water right.

Q. Why don't water agencies rely more on property tax revenues to pay for long-term debt service and water purchase commitments?

A. Public and municipal water agencies used to rely almost entirely on property tax revenue to finance their debt service and other long-term financial commitments. However, they stopped

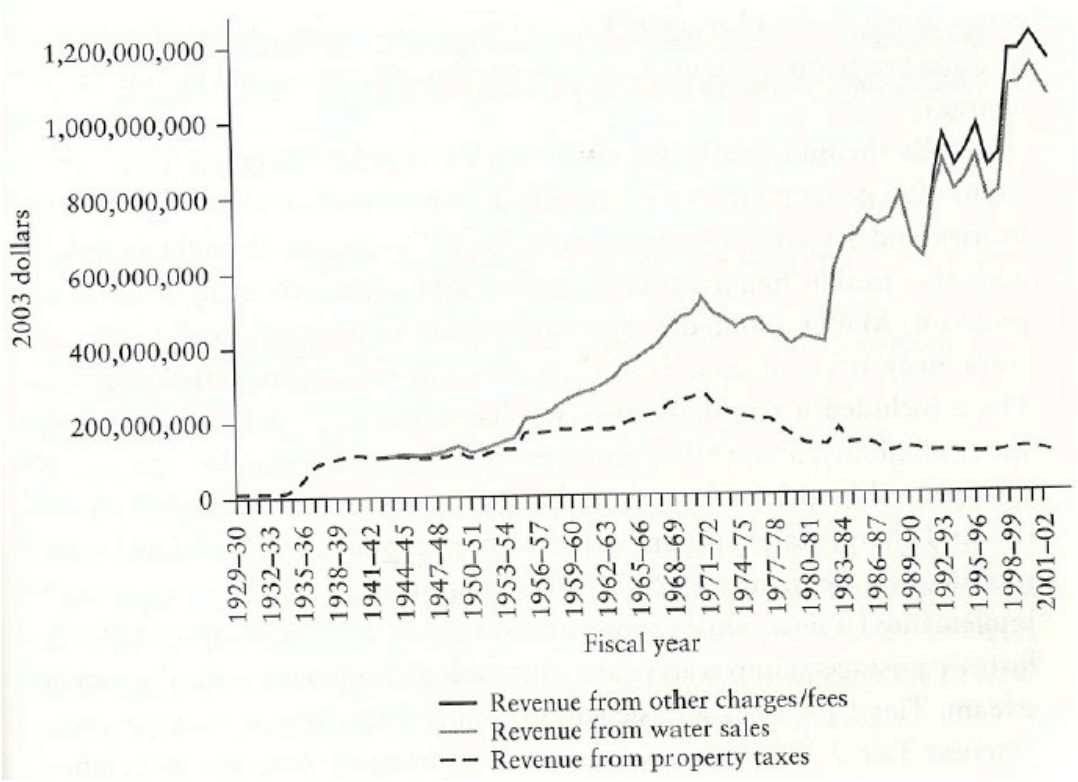
[67] See for example the recent major investments by SDCWA listed on page 18 above.

doing this in the 1960s and 1970, and switched instead to relying on revenue from water sales raised particularly via volumetric water rates.

Figures 11a and 11b illustrate the switch from property tax to water sales as the foundational revenue source for the case of MWD.

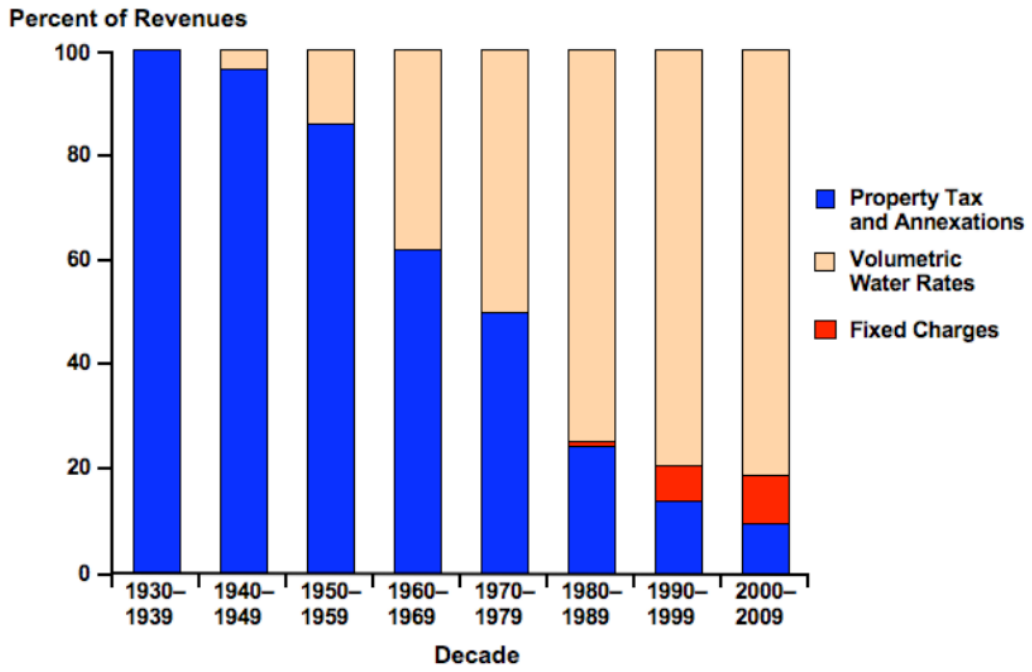
The switch – at MWD and elsewhere – was motivated in part by concerns of fairness. In the case of MWD, for example, the City of Los Angeles had the highest property tax base of all member agencies, but it was using relatively little M-water from MWD because it had access to its own water from Mono Lake. Other growing member agencies had small property tax bases but were far more heavily reliant on water from MWD. Charging member agencies based on their usage of water was seen as fairer (and more efficient economically) than charging based on their property values.

FIGURE 11a | Changing Sources of MWD Revenue Over Time[68]



[68] Steven P. Erie, Beyond Chinatown. Stanford University Press, 2006, Figure 3.1,

FIGURE 11b | MWD Revenue Sources[69]



Q. What is a fair share of SDCWA's contractual obligation to pay for QSA water to assign to FPUD and RMWD?

A. This is something for LAFCO to decide.

It could be based on FPUD and RMWD's shares in either total deliveries to SDCWA member agencies or in deliveries for municipal and industrial use as opposed to deliveries made under SDCWA's special PSAWR agricultural rate program.

Table 22 provides an example of the calculation of these shares using the data for FY 2021.[70] In FY 2021, FPUD and RMWD together accounted for 6.9% of total water deliveries to all member agencies, and 4.8% of deliveries for M&I (non-PSAWR) use.[71]

[69] Metropolitan Water District, *Report of the Blue Ribbon Committee*, April12, 2011, Figure 2.6.
[70] Other years could also be used – the share in an earlier year, or the average share over a span of several past years.
[71] In my October Draft report, I had used FPUD and RMWD's shares in projected FY 2021 deliveries of SDCWA water. Now I am using their shares in the actual, realized FY 2021 deliveries, which turned out to be larger than had been projected.

TABLE 22 | FPUD/RMWD Share in SDCWA Water Deliveries

	FY 2012 ACTUAL		FY 2013 ACTUAL		FY 2014 ACTUAL		FY 2015 ACTUAL		FY 2016 ACTUAL	
	Delivered (AF)	Share	Delivered (AF)	Share	Delivered (AF)	Share	Delivered (AF)	Share	Delivered (AF)	Share
PSAWR DELIVERIES										
Fallbrook	3,953	10.3%	4,348	10.0%	4,811	10.0%	3,853	9.4%	3,039	9.6%
Rainbow	8,025	21.0%	9,769	22.4%	11,413	23.8%	9,688	23.6%	7,846	24.8%
Subtotal	11,978	31.3%	14,117	32.4%	16,224	33.8%	13,541	33.0%	10,885	34.3%
All Member Agencies	38,267		43,610		47,941		41,055		31,696	
M&I DELIVERIES										
Fallbrook	8,163	2.0%	8,594	2.0%	8,535	1.9%	7,876	1.8%	6,430	1.8%
Rainbow	12,441	3.1%	12,745	2.9%	11,567	2.5%	10,486	2.4%	9,204	2.6%
Subtototal	20,603	5.1%	21,339	4.9%	20,102	4.4%	18,362	4.1%	15,633	4.3%
All Member Agencies	401,285		436,439		458,044		444,107		360,307	
ALL DELIVERIES										
Fallbrook	12,116	2.8%	12,942	2.7%	13,346	2.6%	11,729	2.4%	9,468	2.4%
Rainbow	20,466	4.7%	22,514	4.7%	22,980	4.5%	20,173	4.2%	17,050	4.3%
Subtotal	32,582	7.4%	35,456	7.4%	36,325	7.2%	31,902	6.6%	26,518	6.8%
All Member Agencies	439,552		480,048		505,985		485,162		392,003	

	FY 2017 ACTUAL		FY 2018 ACTUAL		FY 2019 ACTUAL		FY 2020 ACTUAL		FY 2021 ACTUAL	
	Delivered (AF)	Share	Delivered (AF)	Share	Delivered (AF)	Share	Delivered (AF)	Share	Delivered (AF)	Share
PSAWR DELIVERIES										
Fallbrook	2,602	8.3%	2,971	8.3%	1,843	7.3%	1,830	7.8%	1,998	6.9%
Rainbow	7,937	25.4%	8,807	24.7%	6,002	23.9%	5,654	24.2%	7,256	25.2%
Subtotal	10,538	33.7%	11,778	33.0%	7,845	31.2%	7,484	32.0%	9,255	32.1%
All Member Agencies	31,254		35,696		25,118		23,370		28,831	
M&I DELIVERIES										
Fallbrook	6,499	1.7%	7,035	2.0%	5,922	1.7%	6,063	1.9%	6,823	2.0%
Rainbow	9,046	2.4%	10,433	2.9%	8,830	2.6%	8,732	2.7%	9,826	2.8%
Subtototal	15,545	4.2%	17,469	4.9%	14,752	4.3%	14,795	4.6%	16,649	4.8%
All Member Agencies	374,147		357,175		339,965		323,061		347,634	
ALL DELIVERIES										
Fallbrook	9,101	2.2%	10,007	2.5%	7,766	2.1%	7,893	2.3%	8,822	2.3%
Rainbow	16,983	4.2%	19,240	4.9%	14,831	4.1%	14,386	4.2%	17,082	4.5%
Subtotal	26,083	6.4%	29,247	7.4%	22,597	6.2%	22,279	6.4%	25,904	6.9%
All Member Agencies	405,400		392,871		365,083		346,431		376,465	

	3-YEAR AVERAGE		5-YEAR AVERAGE		10-YEAR AVERAGE	
	Delivered (AF)	Share	Delivered (AF)	Share	Delivered (AF)	Share
PSAWR DELIVERIES						
Fallbrook	1,891	7.3%	2,249	7.8%	3,125	9.0%
Rainbow	6,304	24.5%	7,131	24.7%	8,240	23.8%
Subtotal	8,194	31.8%	9,380	32.5%	11,364	32.8%
All Member Agencies	25,773		28,854		34,684	
M&I DELIVERIES						
Fallbrook	6,270	1.9%	6,469	1.9%	7,194	1.9%
Rainbow	9,129	2.7%	9,373	2.7%	10,331	2.7%
Subtototal	15,399	4.6%	15,842	4.5%	17,525	4.6%
All Member Agencies	336,887		348,396		384,216	
ALL DELIVERIES						
Fallbrook	8,160	2.3%	8,717	2.3%	10,319	2.5%
Rainbow	15,433	4.3%	16,504	4.4%	18,570	4.4%
Subtotal	23,593	6.5%	25,222	6.7%	28,889	6.9%
All Member Agencies	362,660		377,250		418,900	

Source: SDCWA Annual Reports

Q. What annual payment would be assigned to FPUD and RMWD, based on SDCWA's QSA-related financial obligations?

A. This is a decision for LAFCO.

The amount of the departure fee depends on (i) what one takes as SDCWA's annual expenditure commitment for QSA water, and (ii) what one takes as FPUD's share and RMWD's share of that annual cost.

Table 23 illustrates what an annual departure fee might be if it is framed as FPUD/RMWD's share of SDCWA's annual QSA payment commitment in CY 2021 ($284,524,900), using their three-year average share of either all deliveries or deliveries for M&I (non-PSAWR) use.

TABLE 23 | Calculation of a Departure Fee

	Share	Annual payment
USING THE SHARE OF M&I DELIVERIES		
FPUD	1.9%	$5,295,156
RMWD	2.7%	$7,710,209
Total	**4.6%**	**$13,005,365**
USING THE SHARE OF ALL DELIVERIES		
FPUD	2.3%	$6,402,041
RMWD	4.3%	$12,107,975
Total	**6.5%**	**$18,510,016**

These calculations could be modified in any manner that LAFCO sees fit.

In particular, the FPUD/RMWD share could be calculated for a different set of years.

There is also the question of for how many years an annual departure fee would be paid – that is also something to be decided by LAFCO. I offer some thoughts below.

Q. Why should FPUD and/or RMWD be required to make an annual payment to SDCWA if they do not receive any water from SDCWA that year? How is that fair?

A. The logic of a departure fee is that it is not a payment being made in exchange for the delivery of water. Instead, it is a payment being made in exchange for being permitted to detach from financial commitments previously made on behalf of FPUD and RMWD along with the other SDCWA member agencies. It is a payment for obligations incurred by having received water in the past, for the purpose of providing some limited financial relief to SDCWA while it adapts to the change in its financial circumstances.

Q. If FPUD and RMWD detach from SDCWA, would it possible for SDCWA to sell the water that it otherwise would have delivered to FPUD and RMWD to some other water agency that is *not* a member agency, thereby recouping lost revenue?

A. In theory, one mechanism by which SDCWA might recoup lost revenue is to sell water that otherwise would have been delivered to FPUD and RMWD to a *non-member* water agency. Logical possibilities are to sell water to MWD itself or to individual member agencies served by MWD. The water distribution systems serving MWD and SDCWA are sufficiently interlinked that this ought to be possible in principle, although there could be some operational complications and constraints.

From a purely economic perspective, Southern California as a region would be better served if there could be a more open and collaborative relationship between MWD and SDCWA, its largest single customer.[72]

However, depending on the price SDCWA was able to negotiate for the sale of any unneeded water, the revenue earned might not fully offset the net revenue lost by the detachment of FPUD and RMWD.

Q. Wouldn't the justification for a departure fee be eliminated if SDCWA could work out an arrangement to resell part of the QSA water?

A. No, the economic justification for a departure fee would not be eliminated, for at least two reasons.

First, it is unlikely that SDCWA could arrange and implement a long-run financial adjustment within a year from when detachment occurs. A&N Technical Services states that almost all California water transfers are negotiated in less than 12 months.[73] Negotiation is not the same as implementation, especially where regulatory approval is required. *Short-run* transfers (leases) in California are often negotiated and consummated within twelve months, but that is because they are exempted from the conventional legal requirements for the transfer of an appropriative water right in California (proof of no injury and proof of the historical right) on condition that the water is being transferred for a period of one year or less. With regard to the proposed new transfer cited by A&N between Glenn-Colusa Irrigation District and Marin Municipal Water District, the newspaper article that they reference actually states the following: "If an agreement is worked out, it would be for a one-time transfer occurring in 2022."

[72] The agreement announced on December 14 whereby SDCWA will make available to MWD some of the groundwater which it has stored in the Semitropic Water Bank, while a temporary arrangement for 2022, may be a harbinger of a new and more productive relationship between the two agencies.

[73] Email dated 11-8-2021. On 11-5-2021, SDCWA submitted an email disputing this claim by A&N Technical Services.

It is thus likely that it will take SDCWA several years to work out and implement the adjustments needed as a permanent fix for the financial issues raised by detachment.

Second, assuming that SDCWA can replace the net revenue lost by the detachment through the resale of some QSA water to another party, as I noted above, the QSA water no longer delivered to FPUD and RMWD does not belong to them individually. Any financial benefit from resale of that water belongs collectively to SDCWA member agencies.

Q. In the event of a detachment, would the departure fee be paid annually for a period of several years or in one lump sum?

A. This is something for LAFCO to decide. As noted above, the detachment will cause an ongoing loss of annual net revenue, not a one-time loss.

Q. Over how long a period should FPUD and RMWD bear an obligation for a departure fee?

A. This is something for LAFCO to decide.

The purpose of the financial obligation is to provide an appropriate level of protection for SDCWA and the remaining member agencies in the short run while they adjust to the changed situation of a departure.

I do not think it likely that the adjustment will be completed quickly.

If the departure fee involves an annual payment, the period during which FPUD and RMWD bear that financial obligation to SDCWA should not exceed 10 years. In the water industry, a period of 10 years would typically count as the short run for planning purposes. The period should not be less than three years, given the time likely to be needed to for SDCWA to arrange a permanent remedy for the financial impact of detachment on its member agencies.

Q. Could there be a different approach to determine the amount of their financial obligation to SDCWA in the event that FPUD and RMWD detach?

A. Yes, there are other possible approaches besides the one I outlined above, based on assigning to FPUD and RMWD a share of SDCWA's annual payment commitment for QSA water.

For example, FPUD and RMWD could be obligated to make a pre-specified payment to SDCWA based on the contingency that SDCWA fails to earn a pre-specified level of revenue from water sales that year, or on the contingency that SDCWA fails to be able to sell a pre-specified quantity of water, or on some other contingency.

In principle, this is something that could be negotiated between SDCWA, FPUD and RMWD. In the end, however, LAFCO has the final decision on whether to approve the terms of a detachment.

2.5 WATER SUPPLY RELIABILITY

The IID Transfer and canal lining agreements and some of SDCWA's major infrastructure investments listed above were motivated by SDCWA's desire to increase the reliability of its water supply portfolio.

That raises two questions:

(A) Is SDCWA's wholesale supply of water actually more reliable than the wholesale supply of EMWD, which will become FPUD and RMWD's wholesale supplier if they depart from SDCWA?
(B) If SDCWA's wholesale supply is more reliable, does that justify the higher cost of water when staying with SDCWA as a wholesale supplier?

In this report, I do not address question (B). That is a policy judgment for FPUD and RMWD Boards of Directors and perhaps LAFCO to make. This section contains my analysis of question (A).

Q. What are the threats to the reliability of supply for FPUD and RMWD?

A. There are conceptually two distinct kinds of threat: (1) A situation occurs where the wholesale supply agency – SDCWA, MWD or EMWD – does not itself have access to sufficient water to provide all the water that FPUD and/or RMWD wishes to obtain; the supply provided to them is curtailed or rationed. (2) A physical break or disruption occurs on a major pipeline supplying FPUD and/or RMWD and there is not sufficient connectivity remaining in the wholesale agency's distribution system to deliver the amount of water that FPUD and/or RMWD wishes to receive. In one case, the wholesale agency lacks sufficient water; in the other, it (temporarily) lacks sufficient connectivity.[74]

Q. With regard to the possibility of an insufficient water supply, how could that differ as between SDCWA vs EMWD?

A. FPUD and MWD could face differences in the reliability of their water supply when served by EMWD versus SDCWA in two ways: (1) SDCWA and EMWD have supply portfolios with differing degrees of reliability, and (2) the member agency status currently proposed for FPUD and RMWD within EMWD will be different from the status they currently have within SDCWA, and that gives them a different degree of access to their wholesaler's full supply portfolio.

[74] I do not analyze (2) here because that is beyond my expertise.

Q. How do EMWD and SDCWA differ in the reliability of their water supply?

A. EMWD relies on M-water from MWD for about half of its supply; the rest is local supplies from local groundwater, recycled water and desalination of brackish local groundwater.[75] However, under their proposed arrangement with EMWD, FPUD and RMWD would not have any access to EMWD's local supplies; they would be 100% reliant on M-water from MWD.

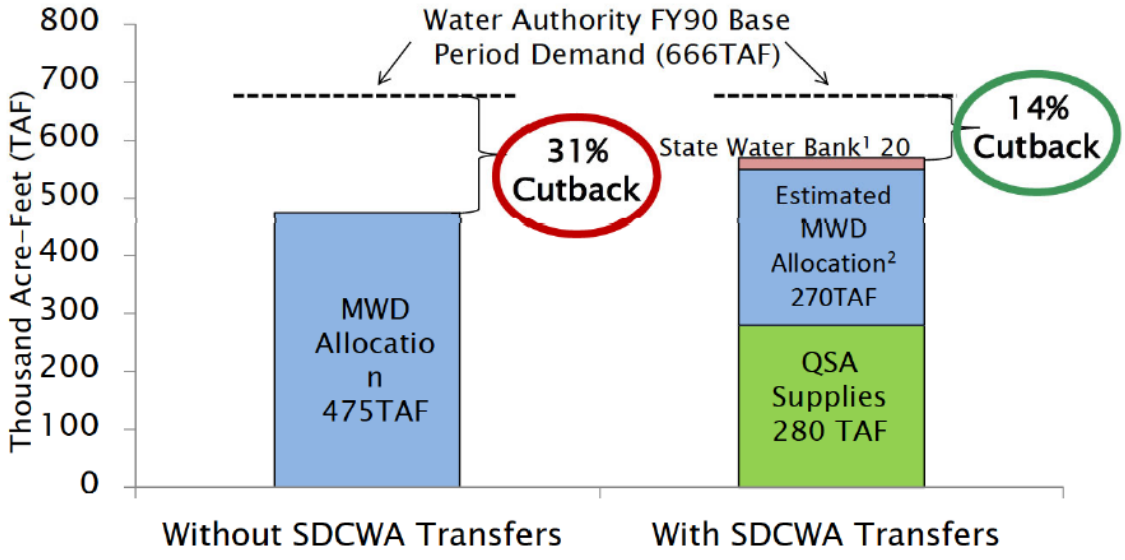
SDCWA relied on M-water from MWD for 24% of its supply in CY 2020 and about 12% in CY 2021 (Table 9). This is projected to decline even further over the next decade. The rest of SDCWA's supply portfolio is (i) QSA water from the Colorado River which comes under a higher priority water right than most of MWD's Colorado River M-water and (ii) water from the Carlsbad Desal facility which is fully protected against streamflow uncertainty.

Q. Has the distinctive reliability of SDCWA's supply portfolio actually made any difference?

A. Yes. It would have made a difference if SDCWA had QSA water in the 1991 drought, it did make a difference that SDCWA had QSA water in the 2007-2009 drought, and it made a difference that SDCWA had desal water in the 2015-2016 drought.

Figure 12 is a presentation made to the SDCWA Board on 6-28-2012 showing what difference it would have made if SDCWA had access to QSA water in the 1991 drought: member agency deliveries would have been reduced by 14% instead of 31%.

FIGURE 12 | What if SDCWA had QSA Transfers in 1991?



[75] The figure of 50% reliance on MWD comes from an interview with EMWD's General Manager Mouawad in *Municipal Water Leader* dated December 1, 2021, accessed at https://municipalwaterleader.com/joe-mouawad-of-eastern-municipal-water-district-diversifying-supply-for-efficiency-minded-customers/. EMWD's 2020 Urban Water Management Plan gives the reliance on MWD as 60% in CY 2020.

Due to the drought in 2009, SDCWA faced a 13% cut from MWD in its FY 2010 delivery of M-water. However, because of its access to QSA water, SDCWA was able to reduce deliveries to its member agencies by only 8%.

Under the drought emergency regulation adopted in May 2015, FPUD and RMWD were required to reduce their monthly water use starting in June 2015 through February 2016 by 36% compared to the level in 2013. In February 2016, the emergency regulation was amended to allow for new local drought-resilient supplies developed after 2013. In March 2016, the supply from the Carlsbad Desalination Facility was certified as drought resilient. This lowered FPUD and RMWD's mandated water use reduction from 36% to 28%. In May 2016, the conservation mandate was replaced with a localized "stress test" under which a wholesale water agency could document its ability to meet demands for 2017 - 2019 should dry conditions continue. Based on the availability of SDCWA's drought resilient supply, the conservation requirement for FPUD and RMWD was reduced from 28% to 0%.

Q. How does MWD water have supply reliability issues?

A. Both of MWD's sources of M-water – SWP water and Colorado River water -- have some supply reliability issues.

Q. What are the supply reliability issues with SWP water?

A. There are supply reliability issues for SWP water with regard to (i) the amount of water available for it to take from its source, the Feather River in the Sacramento Valley, and (ii) the ability to convey that water through the Sacramento/San Joaquin Delta to SWP member agencies south of the Delta.

Q. What are the supply reliability issues with regard to the amount of water SWP can obtain from the Sacramento Valley?

A. There are two long-standing reliability issues and one newer issue now coming into focus.

The long-standing issues are that (i) droughts are a fact of life in California, and (ii) the SWP has relatively little carryover storage compared, say, to the Colorado River – two consecutive years of drought in Northern California could create a difficult situation for SWP supply.

The new factor now coming more clearly into focus is climate change. For almost twenty years now, scientists have been warning that climate change will make California's droughts worse – both more frequent and more severe.[76] The new feature is a recognition that not only will droughts become more frequent and more severe in California, but they will also become *harder to predict* on a seasonal basis. The higher temperatures currently being experienced in California

[76] This was a major finding from the State of California's Climate Scenarios Project. I served on the steering committee for this project from 2003 to 2011.

are making seasonal forecasts of streamflow runoff less reliable, with past forecast methods turning out this year to be too optimistic.[77] Snowmelt in the Sacramento River Basin was forecast in early May this year to be about 800,000 AF less than had been predicted in early April based on the past relationship between snowpack and runoff. This was equivalent to 10% less Sacramento River system runoff than had been predicted by California's Department of Water Resources using its standard models and methods.[78]

Q. Has the SWP supply to member agencies diminished in recent years?

A. Yes.

One indication is the changing estimates of the average Table A amount that the SWP can deliver from the Delta which have appeared biennially in the SWP Delivery Capability Reports since 2005. The estimated average Table A delivery from the Delta was 2.818 MAF/yr in the 2005 Report and 2.414 MAF/yr in the most recent 2019 Report. This change is due to increased environmental regulation over the last three decades aimed at protecting native species of fish in the Delta.

In addition, however, actual SWP deliveries have decreased since 2006 in a manner indicative of climate change. Through 2012, there were only two years in SWP history where it delivered low supplies relative to the Table A amounts – 1991, where it delivered 20% of Table A, and 2008 where it delivered 35%. Since then, there have been six years of very low SWP supplies amounting to 35% of Table A entitlements in 2013, 5% in 2014, 20% in 2015, 35% in 2018, 20% in 2020 and 5% this year. On December 1 of this year, before the onset of the rains, the SWP set its initial 2022 allocation to M&I and agricultural contractors at 0%.

Q. What is the Sacramento-San Joaquin River Delta and how does it affect the conveyance of SWP water?

A. The Delta is a web of channels and reclaimed islands at the confluence of the Sacramento and San Joaquin Rivers. It originated through sea level rise after the last ice age bringing a steady accumulation of sediment into a large freshwater marsh which commingled with vast quantities of organic matter from the vegetation, forming an area of shallow channels and sloughs amid low islands of peat and tule. Starting around 1850 with the planting of orchards to provide fresh fruit for the gold mining camps, these Delta lands were drained to reclaim them for farming and protected by levees to form a network of islands separated by freshwater channels. By 1900, nearly half of the Delta's land area had been reclaimed. By the 1920's reclamation of almost all the farmable land in the Delta had been completed.

[77] As noted below, the same is turning out to be true for the forecasts of streamflow used for the Colorado River.
[78] Abatzoglou, J. et al. "California's Missing Forecast Flows in Spring 2021 – Challenges for seasonal flow forecasting," CaliforniaWaterBlog.com, Posted on July 18, 2021.

When the Central Valley Project (CVP) came into operation in the late 1940s, and then the SWP in the 1960s, the Delta became the hub of the system for transporting water from the Sacramento Valley to the San Joaquin Valley and Southern California. Water stored behind dams in the Sacramento Valley is released into the Sacramento River and flows naturally into the northern end of the Delta. It flows south on the eastern side of the Delta, kept separate by the various islands from brackish water on the far western side of the Delta, which would be harmful for water supply purposes. The water flows in the channels between the Delta islands ("Tracts") but, instead of following the natural course of streamflow in a westerly direction to exit the San Francisco Estuary at the Golden Gate, it is sucked by powerful pumps at the southern end of the Delta into two major aqueducts that convey the water to CVP and SWP users in the San Joaquin Valley and Southern California.

Q. What are the supply reliability issues with regard to the ability to convey SWP water through the Sacramento/ San Joaquin Delta to SWP member agencies south of the Delta?

A. The integrity of the levees has long been a concern. The levees were quite often poorly designed and constructed, they were generally poorly maintained, and they are subject to natural erosion. Moreover, the Delta islands are mainly peat soil which is highly erodible with wind action. The land inside the islands is now mostly below sea level. This land subsidence has triggered failures of some levee and flooding of some islands.

It has also long been known that there are several major earthquake faults within the vicinity of the Delta that are capable of generating ground shaking which could likely lead to levee failure, although so far there have been no significant earthquakes in or closely adjacent to the Delta since the late 1800s.

Between 1900 and 1982, there were over 160 levee failures, but significant improvements were then made to the levee system and there was no major levee failure for the next 22 years. On a sunny June day in 2004, with calm seas, the Upper Jones Tract levee failed spontaneously inundating the entire island with more than 150,000 AF. It took three weeks to repair the levee, using special equipment which had to be brought down from Seattle, and an additional five months to de-water the island, which lay 3 meters below sea level, for a total cost of about $90 million.

Around the same time, new data mapping became available showing that the Delta islands lie further below sea level than previously thought, up to 8 meters in some cases. The implication was that, if a levee was breached, the task of restoring the land would be more arduous than expected because of the great volume of water that would have to be extracted.[79]

[79] Jeffrey Mount and Robert Twiss, "Subsidence ,Sea Level Rise and Seismicity in the Sacramento-San Joaquin Delta." *San Francisco Estuary & Watershed Science*, vol. 3, issue 1 (March 2005).

Sea level rise due to climate change adds a new risk on top of seismicity. The sea level off San Francisco has risen about 10" since 1900 and is projected to rise by a meter or more by 2100. The threat from sea level rise becomes acute during a storm coming at high tide, because that increases the chance of waves overtopping levees and destroying them.

Q. What is the current assessment of the supply reliability issues with regard to the ability to convey SWP water through the Delta?

A. Between land subsidence within the Delta Islands, the fragility of the Delta levees, the threat of an earthquake and the anticipated rise in sea level due to climate change, there is a very high likelihood – in fact, a certainty – of significant levee failures in the Delta during this century. Indeed, there is a high likelihood that *multiple* levees might fail at the same time, whether due to an earthquake or a winter storm at high tide, rather than a single levee failing as in June 2004. If several Delta levees were breached simultaneously, the physical resources would probably not be available to repair them all and the islands would be irreversibly flooded.[80] Depending on their location, the flooding of multiple islands would increase the risk of brackish water intruding and comingling with CVP and SWP water being conveyed through the Delta, thereby shutting down those projects' deliveries.

Q. If it is certain that the current conveyance of CVP and SWP project through the water will not endure, what is California's policy response?

A. California's policy response, which emerged in the aftermath of the 2009 Delta Reform Act and became known as WaterFix, was to re-rout the conveyance of CVP and SWP project water underneath the Delta through two deep tunnels that would provide an alternative to conveyance using the Delta channels thereby eliminating dependence on the integrity of the Delta levees. More detailed engineering and financial analysis for the development of an EIR/EIS was initiated in 2015. In 2017, MWD approved its participation for a 26% share in the project (a 47% share in the SWP's 55% stake in the project). The estimated cost of WaterFix was about $17 billion in 2017 dollars, with MWD's 26% share amounting to $4.3 billion. MWD's Board subsequently authorized the acquisition of an unsubscribed share of the project, bringing its total share to 64.6% and its cost to about $10.8 billion. In 2019, however, incoming Governor Newsom announced that he did not support a two-tunnel Delta project but preferred a smaller one-tunnel project instead. Planning documents are being developed for a one-tunnel project, now named the Delta Conveyance Project. A preliminary cost estimate released in August 2020 was $15.9 billion (in 2020 dollars) and MWD has not yet determined its participation in the new project.

[80] "Over the next 50 years there is a two-thirds chance of catastrophic levee failure in the Delta leading to multiple island flooding's and the intrusion of sea water" PPIC 2007, p. v

Q. Will the Delta Conveyance Project fix the reliability issues for SWP?

A. If the Delta Conveyance Project is completed, it will eliminate the present risk associated with the ability to convey SWP and CVP water to users south of the Delta. It will maintain the current ability to convey SWP water against the threat of future disruption. It is a means of preserving the status quo.

It will not fix the unreliability associated with declining streamflow in the Sacramento River Basin due to the effects of climate change.

Q. Will the Delta Conveyance Project raise the cost of SWP water?

A. For sure.

The Delta Conveyance Project does not generate any additional water supply. It prevents future reductions in SWP deliveries to member agencies south of the Delta that would be caused by failures of the levees in the Delta. In effect, SWP member agencies will have to pay more for the same water that they receive at present.

Q. When will the Delta Conveyance Project be completed?

A. That is not known at present. Once the Project is fully financed and authorized, which could perhaps take another three to five years, construction is expected to ramp up over a period of about ten years – so, perhaps, about 15 years from now.

Q. How important is MWD's Colorado River water as a source of supply for MWD compared to its SWP water?

A. As noted earlier, MWD was formed to bring water from the Colorado River to Southern California. The Colorado River constituted MWD's only source of supply until SWP deliveries started arriving in the 1970s. The Colorado River remained MWD's dominant source of water until the QSA was implemented in 2003.[81] Between 1982 and 2002, MWD took an average of over 1.1 MAF annually from the Colorado River alongside an average of 860,000 AF annually from the SWP. Over this period, the Colorado River made up 56.8% of MWD's supply while the SWP made up 43.2%. The access to Colorado River water shielded MWD from the worst effects of drought on SWP supplies in 1977 and 1991.

The situation changed once the QSA came into effect in 2003. MWD's firm supply of Colorado River water was reduced to about 600,000 AF.[82] In consequence, MWD has come to rely more

[81] In the fifty years prior to 2003, California overall had exceeded its 4.4 MAF annual apportionment of Colorado River water almost every year, drawing on Arizona's and Nevada's unused apportionments. About half of the time California took more than 5 MAF.
[82] See footnote 7 above.

on its SWP supply. Between 2003 and 2020, the Colorado River made up about 37% of MWD's supply, while the SWP made up about 63%.

Q. Apart from the reduction in MWD's water right once the QSA was implemented, are there any supply reliability issues affecting Colorado River water?

A. Climate change, which has been impacting the availability of streamflow in the Sacramento River Basin, is also affecting streamflow in the Colorado River Basin.

The drought in the Colorado River Basin has actually been more severe and more sustained than that in the Sacramento River Basin.

Lake Mead was last at full capacity (an elevation of 1,221 feet) in 2000. Over the subsequent 22 years, the watershed has experienced 17 dry years. According to Udall and Overpeck (2017): "Between 2000 and 2014, annual Colorado River flows averaged 19% below the 1906–1999 average, the worst 15-year drought on record. Approximately one-third of the flow loss is due to high temperatures now common in the basin, a result of human caused climate change."[83] The drought continued, with dry winters in 2019-2020 and in 2020-2021.

Until now, water users were shielded by the availability of extensive storage in the basin, including in Lake Mead and Lake Powell, the two largest reservoirs in the U.S. However. Those reservoirs have been depleted since 2000 and are now at the lowest levels ever reached since first being filled (Lake Mead around 1935, Lake Powell in 1980). Between January 1 and October 1 of this year, the water level in Lake Mead dropped by 16 feet and it dropped by another 10 feet by the end of December, for a total of 26 feet this calendar year, to a level of 1,066 feet on 12-28-2021. A decline of one foot in the level of Lake Mead corresponds to a reduction of about 85,000 AF held in storage. Lake Mead is now at 35% of its capacity.

Q. Is the historically low water level in Lake Meade currently an issue for California's water supply from the Colorado River?

A. It is not currently an issue for California.

It *is* an issue for Arizona and Nevada under the Interim Guidelines for the Colorado River Lower Basin promulgated by the Secretary of the Interior in 2007 in response to then seven years of drought in the Colorado River Basin.

The Secretary of the Interior functions as the master of the river for the Colorado River Lower Basin and must approve all diversions in the Lower Basin. The 2007 Guidelines set limits on diversions by the three Lower Basin states depending on the amount of water in storage at Lake Mead. Those limits are now taking effect.

[83] Xiao, Udall and Lettenmaier, "On the Causes of Declining Colorado River Streamflows" *Water Resources Research*, August 2018 subsequently modified this analysis to estimate that 50% of the flow reduction from 2000 to 2014 was due to higher temperatures.

The limits are tied to specific water elevations in Lake Mead. Under the Interim Guidelines, as supplemented by the 2019 Drought Contingency Plan for the Lower Basin, Tier Zero applies in a calendar year when the January 1 elevation is projected to fall below 1,090 feet. This has been in effect since January 2020. Under Tier Zero, Arizona forfeits 192,000 AF of its 2.8 MAF annual entitlement to Colorado River water, and Nevada forfeits 8,000 AF of its annual entitlement to 300,000 AF.

Tier One applies when the elevation at Lake Meade on January 1 is projected to fall below 1,075 feet (which happened this May).[84] Under Tier One, Arizona forfeits a total of 512,000 AF of its Colorado River entitlement, and Nevada forfeits 21,000 AF. In August, the Secretary of the Interior announced that the Tier One restrictions will take effect starting January 2022. Those apply to Arizona and Nevada but not California.

On December 15, California, Arizona and Nevada signed a new agreement, called the 500+ Plan, to spend up to $100 million to add an annual 500,000 AF to storage in Lake Mead in each of 2022 and 2023 to prevent the reservoir level from becoming perilously low.[85] It is not yet clear where the extra 500,000 AF of water will come from. So far, it appears that it may come mainly from reduced agricultural use, with growers in the three states being paid to fallow land.

Q. Could a historically low water level in Lake Meade become an issue for California's water supply from the Colorado River?

A. Yes.

California starts to forfeit some of its annual entitlement to Colorado River if the projected January 1 elevation falls below 1,045 feet, which triggers what is known as Tier 2b.[86] [87] Under Tier 2b, California forfeits 200,000 AF of its 4.4 MAF entitlement to Colorado River water; Arizona forfeits 640,000 AF; and Nevada forfeits 27,000 AF.

If the projected January 1 elevation of Lake Mead falls below 1,025 feet, this triggers Tier Three for that year.[88] Under Tier Three, California forfeits 350,000 AF, Arizona forfeits 720,000 AF, and Nevada forfeits 30,000 AF.

The Bureau of Reclamation issues five-year projections of future conditions in the Colorado River system in January every year and then updates them in April and September (but known as the August projection). The projections released this September, looking through January 2026, project zero chance that Lake Mead will be below 1,025 feet in January 2022, a 25% chance in

[84] To put this in perspective, as explained below Lake Mead is holding water to meet a delivery of 9 MAF to the Lower Basin states and to Mexico, plus there is 0.6 MAF of evaporation loss from Lake Mead. At an elevation of 1,075 feet, Lake Meade is storing about 9.6 MAF.
[85] The federal government will also contribute $100 million. This is expected to raise the reservoir level by about 16 feet.
[86] Tier 2a is triggered if the elevation falls below 1,050 feet. That tier impacts only Arizona (which forfeits 592,000 AF) and Nevada (which forfeits 25,000 AF).
[87] At an elevation of 1,045 feet, Lake Mead is storing about 7.3 MAF.
[88] At an elevation of 1,025 feet, Lake Mead is storing about 6 MAF.

January 2023 (thereby triggering Tier Three), a 44% chance in January 2024, a 59% chance in January 2025, and a 62% chance in January 2026.

The Bureau also projected that, while there is zero chance that Lake Mead will fall below 1,000 feet in January 2022 or 2023, there is a 12% chance that it will fall below 1,000 AF in January 2024, a 19% chance in January 2025, and a 22% chance in January 2026. An elevation below 1,025 feet, such as 1,000 feet, was not anticipated in the 2007 Interim Guidelines and would necessitate more drastic actions by the Lower Basin states.[89]

Obviously, conditions may change between now and January 2023 or January 2025, but as of today there is a real probability that Tier Three may take effect within the next three to five years, thus triggering a reduction in the amount of water that California can obtain from the Colorado River.

Q. If California did have to reduce the amount of water it takes from the Colorado River water, would that affect MWD and SDCWA equally?

A. No.

Reductions in the diversion of Colorado River water are governed by the seniority of the right to that water within California. Under the 1931 Seven-Party Agreement among California users of Colorado River water, there are four tranches of seniority. The first two seniority tranches take up the full current allocation of 4.4 MAF. The senior allocation is 3.85 MAF for Palo Verde Irrigation District, the Yuma Project, and Imperial Irrigation District. Junior to this is an allocation of 550,000 for MWD.[90]

SDCWA obtains all of its Colorado River water in a transfer or exchange with IID, and this water is covered by IID's seniority.

Some of MWD's Colorado River water comes from a transfer agreement with Palo Verde Irrigation District (about 50,000 AF) and is covered by that seniority. The remainder of MWD's Colorado River water comes from its lower seniority right of 550,000 AF, and this is junior to the QSA water which SDCWA obtains from IID.

Therefore, if California is required to forfeit some of its entitlement to Colorado River water, the reduction would be disproportionately larger for MWD than for SDCWA.

Exactly how the reduction would be apportioned among the California users is something that could be modified in future negotiations, including negotiations among the Lower Basin States,

[89] The 2019 Drought Contingency plan itself expires at the end of 2026, by which time a new Drought Contingency Plan will have to be negotiated.

[90] Following this is an additional allocation of 662,000 AF to MWD, followed by an allocation of 300,000 to Imperial Irrigation District and Palo Verde Irrigation District. These would come into play in the event of a surplus supply of Colorado River water.

and also between them and the Upper Basin states, to formulate a post-2026 Drought Contingency Plan. Those negotiations are likely to be brutal.[91]

Q. Will the water supply situation in the Colorado River get better in the long run?

A. No.

In addition to climate change, there is a second calamitous threat to the Colorado River Basin states' entitlements to Colorado River water. Even without climate change, the fact is that the river was over-allocated when the Colorado River Compact was negotiated among the states in 1922. The seven basin states divided up among themselves water that did not actually exist.

The negotiators of the Compact believed that the natural flow of the Colorado River at Lees Ferry was 17.5 MAF. The Compact itself allocated 16.5 MAF – 7.5 MAF each to the Upper and Lower Basins, and 1.5 MAF held for an eventual arrangement with Mexico.[92] This was mistaken in two ways. It overlooked evaporation and operational losses, and it overestimated streamflow.

Because of evaporation and operational losses, there is a water deficit built into the Lake Mead Budget. With releases from Lake Powell upstream and side inflows, the annual inflow into Lake Mead would average 9.0 MAF. Lake Mead is intended to deliver 9.0 MAF to the Lower Basin and to Mexico. However, there is an evaporation loss of 0.6 MAF from Lake Mead itself, and there are evaporation and operational losses downstream of Lake Meade also amounting to about 0.6 MAF. The result is a structural deficit of 1.2 MAF.

At the time the Compact was negotiated, some government hydrologists had lower estimates of the average natural flow of the Colorado River over the prior period 1878-1920, including 14.2 MAF and 15 MAF.[93] These turned out to be closer to the mark. The average over the period 1906-2017 is 14.8 MAF, but with a clear downward trend. The average flow between 2000 and 2018 was only 12.8 MAF; extended through 2021, this average falls to 12.4 MAF.

At its maximum extent (Tier 3), the 2019 Drought Contingency Plan brought about a reduction of 1.1 MAF in total diversions by Lower Basin States, which more or less removed the structural deficit at Lake Mead with an average annual streamflow at Lees Ferry of 14.8 MAF. But, Tier Three is not adequate if the "new normal" average streamflow is 12.4 MAF. Closing that gap might require some cap on Upper Basin diversions along with a substantial increase – perhaps a doubling – in the reductions imposed on the Lower Basin states under a post-2026 Drought Contingency Plan.

[91] The executive director of the Colorado River Board of California, which coordinates California's users of Colorado River water, was quoted last month as saying that the basin states must grapple with the "new normal" of reduced flows. "We're dealing with a new reality, and it's got to change the way we think about putting our long-term plans together" *FarmProgress*, September 17, 2021, accessed at https://www.farmprogress.com/print/444857.

[92] The treaty with Mexico was negotiated in 1944.

[93] The story of these estimates and their neglect by the parties negotiating the Compact is recounted by Kuhn and Fleck, *Science Be Dammed: How Ignoring Inconvenient Science Drained the Colorado River*. University of Arizona Press, 2019.

Q. If MWD is forced to withdraw less water from the Colorado River, and at the same time faces a very much reduced SWP allocation, would that necessarily reduce the amount of water it will deliver to its member agencies, including EMWD?

A. Not necessarily – it depends on several factors including, in the first instance, (i) how much MWD's diversion of Colorado River water and allocation of SWP water are cut back, (ii) how much MWD is able – and decides -- to cushion that blow by drawing on its dry-year reserve of stored surface water and groundwater that year, and (iii) How MWD goes about allocating the remaining shortfall among its member agencies.

Q. How large is MWD's dry-year storage reserve?

A. In the 1991 drought, MWD had a very small dry-year reserve[94] limited primarily to storage in within-district reservoirs. Following the end of the drought, MWD has actively built up a large portfolio of dry-year balances, using both groundwater storage and surface water storage, and located within Southern California, in the San Joaquin Valley, in Coachella Valley, and in Lake Mead. Coming in to 2021, MWD had about 3.2 MAF in dry-year storage, a record high level. Its total storage capacity now amounts to almost 6 MAF.

Q. To what extent would MWD's dry-year storage reserve cushion the blow of a reduced SWP and Colorado River supply?

A. MWD's annual delivery is about 1.6-1.75 MAF, so its beginning of year storage in 2021 represented a roughly two-year reserve supply. As late as early November, it was expecting to end 2021 with about 2.5 MAF in reserve storage, having drawn down about 700,000 AF of its reserve during 2021.[95] If the drought had continued into 2022 and beyond, MWD would have been able to rely on this storage reserve for a second and probably third year.

However, there are two potential complications. One is the fact that there can be some logistical constraints on MWD's ability to access and deploy its reserves at particular times. With storage in groundwater banks, there are constraints on put/take capacity and there may be constraints arising from the need to coordinate with other conjunctive use partners; there is a capacity constraint on the CRA; and there may be a constraint on the amount that MWD can withdraw from storage in Lake Mead when the lake level is dangerously low. The other concern is longer multi-year droughts than we have experienced so far. The period 2014-2016 was the longest multi-year period of critical water shortage experienced so far in modern California. But projected climate change scenarios conducted for California indicate the possibility of significantly longer droughts in the future. It is not clear that MWD yet has the practical capacity to sustain a more severe drought and a longer run drought, especially on the Colorado River.

[94] Dry-year storage balances are distinct from emergency storage balances which are reserved for emergency events such as supply interruptions from earthquakes or pipe ruptures etc. MWD currently aims to hold 0.75 MAF in emergency storage.
[95] MWD staff presentation to Board Water Planning and Stewardship Committee, item 6a, November 8, 2021.

Q. If MWD is short of water, how does it limit the supply available to its member agencies?

A. In 1990 (as noted above) MWD had adopted a first-ever drought management plan which called on member agencies to voluntarily cut their water usage. As that drought grew more severe, this became a mandatory requirement ultimately cutting back municipal water deliveries by 30% and agricultural deliveries by 90%. That rationing program ended when the drought abated.

In 2007, with the possibility of drought re-appearing, MWD initiated a process to develop what became its Water Supply Allocation Plan (WSAP), adopted in February 2008 and put into effect in April 2009, covering the period July 2009 – April 2011.

In 2014, when another dry year was anticipated, the WSAP was updated and then implemented in April 2015, covering the period July 2015 – June 2016.

The 2014 version remains MWD's official policy for allocating supplies in the event of shortage.

Key features of the WSAP are that (1) it does not impose mandatory cutbacks but, instead, uses an economic incentive to encourage member agencies to achieve their targeted reduction in water use, and (2) the targeted reduction is tailored to the circumstances of each member agency based on several factors including its dependence on MWD at the retail level and its existing level of per capita use.

As in the 1990 program, there are tiers of reduction corresponding to the degree of regional water shortage. In Tier 3, which applied in 2015-2016, depending on their situation, member agencies received an allocation from MWD that at a minimum is 7.5% less than their baseline allocation and is no more than 30% below that baseline.[96] In Tier 5, MWD member agencies receive an allocation that at a minimum is 12.5% below their baseline allocation and is no more than 37.5% below that baseline.

However, if a member agency needs to exceed its WSAP allocation, it can do so on payment of a surcharge of $1,480/AF above the MWD Tier 1 water rate[97] for excess water up to 15% over the WSAP allocation, or a surcharge of $2,960/AF for excess water beyond 15% over the WSAP allocation.

[96] Member agencies more heavily dependent on MWD received a smaller cutback.
[97] For comparison, the MWD Tier 1 rate for treated water is $1,104/AF in 2021.

Q. Isn't supply reliability for an urban water agency in California becoming a non-issue because in any future drought the governor will mandate a cutback in per-capita use, following Governor Brown's precedent in 2015-2016, and that will take care of a shortage arising from reduced supplies?

A. No – that is likely too simplistic.

What happens will depend on multiple factors: (i) how severe the drought is and how great a shortage in supply it generates; (ii) whether the governor intervenes and how large a reduction in per capita consumption he mandates; and (iii) to what extent water users actually comply with the governor's mandate. Consumer compliance with a governor's conservation mandate should not be taken for granted. During Governor Brown's 2015-2016 conservation mandate there was less than perfect compliance. While RMWD met its conservation target during the period June 2015 – February 2016, FPUD did not; nor did EMWD. Moreover, during the drought this summer, there was significantly less conservation than had been requested by Governor Newsom.[98]

While SDCWA and MWD member agencies have experienced a remarkable reduction in per-capita water use since around 2010, one cannot necessarily count on that trend to be repeated indefinitely. Looking into the future, demand hardening may become more noticeable.

In short, I do not think it prudent to assume that, as a general proposition, having a more reliable water supply in the future – whether from a more senior right to Colorado River water or from desalination – will have no economic value and will no longer be worth paying for.

Q. Suppose FPUD and RMWD join EMWD and, some time thereafter, MWD faces a shortage of water and imposes an allocation on its member agencies including EMWD. Will FPUD and RMWD experience the same degree of shortage as other member agencies served by EMWD?

A. They may face a larger degree of shortage than some other EMWD wholesale customers.

EMWD is a both a retailer and a wholesaler of water. While about half of EMWD's water supply is local supplies, those are used almost exclusively for EMWD's retail customers. EMWD's wholesale customers receive only M-water from MWD. However, there is a difference with respect to how different wholesale customers receive M-water. By virtue of its location, one existing wholesale customer, Rancho California Water District (RCWD), takes water directly from turnouts on an MWD pipeline, as would FPUD and RMWD if they join EMWD. Other wholesale customers receive M-water pumped by EMWD through EMWD-owned and operated booster stations and transmission lines. These other wholesale customers are therefore connected to

[98] Kurtis Alexander "Californians fail to meet Newsom's water-savings target amid growing drought" *San Francisco Chronicle*, September 22, 2021.

EMWD's distribution system, while RCWD and also FPUD/RMWD if they join are isolated from EMWD's distribution system.[99]

While FPUD and RMWD would – like EMWD's other wholesale customers – receive only M-water from EMWD, their isolation from the EMWD distribution system might leave them a bit more vulnerable in the event that MWD cuts its supply to EMWD: being connected to EMWD's distribution system would make it possible to tap into EMWD's local supply if EMWD were willing to allow that.[100]

RMWD could be especially vulnerable in a shortage of MWD water since it has no local supplies, while most of EMWD's other wholesale customers have substantial local supplies. RCMWD would join the City of Perris as the only wholesale customers entirely dependent on MWD water from EMWD.[101]

Q. Doesn't EMWD's Technical Memorandum of February 12, 2020, demonstrate that EMWD has adequate supplies such that even with a Regional Shortage Level 5 (a 30% cut in MWD deliveries) no wholesale customer, including FPUD and RMWD, would run short of supply or be forced to pay MWD's allocation penalty surcharge?

A. EMWD's memorandum does reach that conclusion, but under some assumptions not all of which seem realistic.

In addition to the Regional Shortage level, which determines the magnitude of the reduction in MWD deliveries, the outcome depends on the base period consumption used by MWD and the adjustments applied to that baseline to account for population growth as well as other adjustments that MWD might apply when calculating the required reduction in member agency use (e.g., 30% reduction under Shortage level 5).

As explained in Appendix B, EMWD's analysis assumed that the baseline allocation to which MWD applied a 30% delivery cut was 47% higher than EMWD actually needed. That is why EMWD projected it had more than enough water for its member agencies, including FPUD and RMWD, in the event of a 30% cut by MWD.

Looking to the future, the notion that EMWD could absorb a 30% cut in MWD deliveries with no ill effect does not strike me as plausible.

[99] The EMWD water rate proposed for FPUD and RMWD shown in Table 11 matches the rate currently paid by RCWD – the MWD Full-Service Tier 1 rate plus a share of MWD's RTS and Capacity charges plus an administrative fee of $11/AF. Other wholesale customers who make use of EMWD's distribution system pay in effect the MWD Full-Service Tier 1 rate plus an EMWD charge of $246/AF.

[100] Despite being isolated from EMWD's distribution system, FPUD and RMWD could in theory obtain virtual access to EMWD's local supply through an in-lieu arrangement under which EMWD forebears from taking some MWD water, substituting more local supply, while FPUD and RMWD divert the additional quantum of water from MWD turnouts. However, that is not presently incorporated and priced into EMWD's agreement with FPUD and RMWD.

[101] With the Santa Margarita Conjunctive Use Project online, about half of FPUD's total use is now local supply. About 58% of RCWD's total use is local supply; for the City of Hemet and Lake Hemet NWD, local supply is about two-thirds of the total use; for the City of San Jacinto, it is 98% of total use.

Q. Is urban growth in EMWD's service area also a possible consideration here?

A. Yes.

In 2019, Riverside County was identified as the fifth fastest growing county in the country. Based on data from the 2020 UWMP, EMWD's retail service population and its current wholesale service area population are each expected to grow by around 22% between 2020 and 2035. Demand for water is expected to grow more over this period -- by 46% in the retail service area and by 59% in the current wholesale service area. By 2035, EMWD will need to supply an additional 75,315 AF/yr (an increase of 49% overall).

While EMWD plans to increase its recycled water supply by 31% and its groundwater supply by 38%, it will also need an extra 24,920 AF/yr from MWD by 2035, an increase of 27% compared to now.

If FPUD and RMWD join EMWD's service area that adds an extra demand of about 17,600 AF/yr in 2030 and 2035, raising the need for extra MWD water to 42,543 AF/yr in 2035, an increase of 46% compared to now.

Q. In summary, how does the reliability of supply for FPUD and RMWD differ if they join EMWD compared to the reliability they have with SDCWA?

A. Riverside County is the fastest growing county in California. EMWD relies on MWD for half of its supply, and it is that half which will have to meet the needs of EMWD's growing wholesale population. SDCWA now relies on MWD for less than 20% of its supply, but it fully shares its non-MWD supply with its member agencies. SDCWA's non-MWD supply is QSA water from the Colorado River, which comes under a higher priority water right than most of MWD's Colorado River M-water, and water from the Carlsbad Desal facility which is fully protected against streamflow uncertainty.

Q. Is it likely that FPUD and/or RMWD will find themselves running out of water if they detach from SDCWA and join EMWD?

A. No.

While FPUD and RMWD are taking something of a gamble on supply reliability if they switch from SDCWA to EMWD, the gamble ultimately is not one of running out of water but, rather, paying a higher price than they had anticipated to get by during a drought.

For surface water users in Southern California (unlike some groundwater users) the risk is not that the tap runs dry but, rather, that a temporary solution in a drought emergency turns out to be a rather expensive proposition.

2.6 WHAT IS THE PROBLEM?

The issue confronting LAFCO – the desire on the part of FPUD and RMWD to detach from SDCWA because of the high cost of SDCWA water – is obviously a serious problem. It raises issues that go beyond FPUD and RMWD, and beyond SDCWA. It points to some fundamental difficulties that are endemic to the economics of water supply in San Diego County that may need to receive more sustained attention.

Q. Is the problem that SDCWA is using water that is just too expensive?

A. No.

Of course, the problem is the high cost of SDCWA water. But the fact is that there is *no* cheap water available in Southern California. All water is expensive and will become even more so in the future.

My analysis above indicates that SDCWA's QSA water is no more expensive than M-water from MWD.

Desal water from Carlsbad is significantly more expensive. But, desal has real economic value as an insurance against both drought and state-mandated conservation reductions in water use, and it proved its value during the drought in 2015-2016.

Like all forms of insurance, desal water becomes economically more valuable if it can be shared across a larger number of persons at risk – that is to say, if it can be shared across a wider swathe of Southern California water users, including other member agencies of MWD. If there is a will to do this on both sides and if a price can be agreed, the economic value of the Carlsbad facility could be enhanced through more widespread sharing using in-lieu arrangements with other MWD members.

As noted above, SDCWA's use of Carlsbad water accounts today for barely over half the cost differential between SDCWA's and MWD's wholesale water rates. Two other factors are at work besides the cost of SDCWA's water supply portfolio.

One major driver of water supply cost is the cost of distribution infrastructure. That varies with several factors including timing and age: with continued inflation in construction costs, older infrastructure built long ago provides cheaper water than infrastructure built recently – until the older infrastructure needs a major investment for maintenance or replacement. Due to the happenstance of timing, SDCWA was significantly upgrading its storage and distribution infrastructure at a time when MWD was not making any unusually large infrastructure investments. This will be reversed in the future as MWD engages with the Delta Conveyance Project.

Another major driver of water costs is the fact that the overwhelming portion of water supply costs are what economists call fixed costs – costs that are not reduced much when the agency delivers less water. Then, almost the same cost has to be spread across fewer units of water supplied, which propels the unit cost upwards.

Rather than the expense of the SDCWA's water supply portfolio, these two factors are the main reason why the gap between SDCWA's and MWD's wholesale rates widened starting around 2010.

Q. Would recycling treated wastewater be a much cheaper source of potable water supply?

A. I do not think so.

Recycling treated wastewater for direct or indirect potable use is not necessarily a cheap source of supply. The cost depends on many factors, including location, treatment method, and the way in which the treated effluent is introduced into the potable distribution system. In some cases, recycled water is cheaper than desalinated water. In other cases, it may not be cheaper. In 2017, an MWD white paper assessed the cost of recycled water as a source of potable supply and found that it ranges from $1,222/AF to $3,224/AF in 2017 dollars.[102]

Even if it is not cost-effective as a source of water supply, recycled water has other important benefits that can justify its use, including environmental benefits and also economic benefits as a solution to overcapacity in wastewater collection, treatment and disposal systems.

Q. If it is not SDCWA's supply sources, what is the real problem with SDCWA water?

A. There are two underlying problems: a problematic fiscal model and a problematic governance model.

Q. What is problematic about SDCWA's fiscal model?

A. There is a structural Imbalance in SDCWA's finances. The imbalance arises from a mismatch between the share of revenues that are variable versus fixed and the share of expenditures that are variable versus fixed.[103] This imbalance is not unique to SDCWA. It is experienced by MWD and by many other water agencies.

If a water agency's variable/fixed split between revenues does match the variable/fixed split between its costs, any variation in the quantity of water that it sells should have little impact on its net revenue. Otherwise, sales variation can have a significant impact.

[102] MWD *California WaterFix Finance and Cost Allocation*, August 2017.

[103] I use "variable" and "fixed" in their economic sense. If an expenditure is fixed in this sense, this does not mean that it cannot be reduced; it means that it cannot be reduced *just by selling less water*. Some of the comments on my October Draft Report seem to have misunderstood that distinction.

For most water agencies in practice, the share of their costs that is fixed is far larger than the share of their revenues that is fixed. This is good news if there is a rising trend in water sales. Selling more water raises revenues more than it raises costs (because their revenue has a larger variable cost component than their expenditure). But, for many water agencies in Southern California, the sales trend is downwards, not upwards.[104] With a downward sales trend, revenue falls by more than costs, causing net revenue to drop.

Tables 11 and 12 above showed the split between variable and fixed components of expenditure for SDCWA and MWD. Table 23 below presents MWD's split between variable and fixed components of revenue, which can be compared with SDCWA's split shown in Table 17. Table 24 uses these data to compare the variable/fixed split between expenditures and revenues overall for SDCWA and MWD.

TABLE 24 | MWD Revenue Breakdown

	ITEM	$ millions	Percent	Revenue Type
	Water Related Revenue			
a	Water Sales	$1,188.0	75.7%	**Variable**
b	Readiness to Serve Charge	$134.5	8.6%	Fixed - short-run
c	Capacity Charges	$30.5	1.9%	Fixed - short-run
d	Subtotal Operating Revenue	$1,353.0	86.2%	
	Other Revenue			
e	Property Tax	$146.9	9.4%	Fixed
f	Power Sales	$15.9	1.0%	Fixed with regard to water sales
g	Investment Income	$28.9	1.8%	Fixed
h	Other Revenue	$24.5	1.6%	Fixed
i	**TOTAL REVENUE & OTHER INCOME**	**$1,569.2**	**100.0%**	

NOTE: "Variable" means that this revenue varies directly with the quantity of water delivered that year by MWD its member agencies. "Fixed" means that the revenue does not vary directly with the quantity of water delivered that year.

[104] With EMWD and Riverside County being notable exceptions.

TABLE 25 | Shares of Fixed vs Variable Revenue & Cost, SDCWA and MWD

		SDCWA		MWD	
		% VARIABLE	% FIXED	% VARIABLE	% FIXED
	REVENUE				
a	As Share of Operating Revenue	72%	28%	88%	12%
b	As Share of Total Revenue	63%	37%	76%	24%
	EXPENDITURE				
c	As Share of Operating Expenditure	15%	85%	16%	84%
d	As Share of Total Expenditure	11%	89%	12%	88%
SOURCE					
a	Table 17, row a/row f. Table 23, row a/row d.				
b	Table 17, row a/row p. Table 23, row a/row i.				
c	Table 11, row d/row i. Table 12, (rows a + c)/row i.				
d	Table 11, row d/row o. Table 12, (rows a + c)/row l.				

SDCWA and MWD are in a very similar position with respect to expenditures: the fixed costs of water supply account for about 85% of the cost of operations in the case of SDCWA and 84% for MWD. On the revenue side, fixed revenue sources account for only 28% of SDCWA's revenue but for significantly less – 12% -- in the case of MWD.

The difference in variable/fixed revenue split between SDCWA and MWD is testimony to SDCWA's foresight in introducing the Infrastructure Access Charge in 1998 and the Supply Reliability Charge in 2015. However, even though SDCWA's mismatch between the variable/fixed split of revenue and expenditure is less severe than MWD's mismatch, it still constitutes a serious financial problem for SDCWA in an era of declining deliveries to member agencies.

Consider the following hypothetical example. In FY 2020, SDCWA earned water operating revenue of $585.1 M (Table 17) and it delivered 354,007 AF of water. That corresponds to an ex post all-in revenue rate of about $1,653/AF.[105] Suppose SDCWA delivered 1,000 AF less to some member agencies. About 72% of the all-in rate is variable revenue which will be lost when sales decline by 1,000 AF, leading to a revenue loss of about $1.2M (= 0.72*1653*1000). On the expenditure side, about 15% of the $1,653/AF is variable cost, so SDCWA's saving in expenditures when it delivers 1,000 AF less to member agencies amounts to only about $0.25M (= 0.15*1653*1000). Using these figures, when SDCWA deliveries decline by 1,000 AF its net revenue falls by $0.94 M – unless the rate structure is altered to offset this.

[105] This is an ex post all-in rate which will differ from the all-in rate stated when the next year's rates are announced, since that is based on a projection of sales. Also, $1,653 is the all-in rate averaged over all member agencies. Because the balance of fixed and variable charges varies among member agencies, one member agency's all-in rate will be different from another's – as exemplified by the difference between FPUD and RMWD in row n of Table 16.

This back-of-the envelope calculation is intended as an illustration of the phenomenon that is in play not only with detachment by member agencies but also with demand roll-off when member agencies substitute increased use of local recycled water for SDCWA delivery. Such roll-offs are projected to occur between now and 2030 in an amount exceeding 60,000 AF.

Detachment is certainly different than demand roll-off because, with a roll-off, the agencies are still members of SDCWA and can in theory be assessed charges that would offset the net revenue loss; with detachment the members cannot be assessed charges except in the case of a departure fee. However, the difference between detachment and roll-off may turn out not to be that large in practice: both phenomena are financially detrimental to SDCWA.

Q. What is problematic about SDCWA's governance model?

A. Just as SDCWA's fiscal model is essentially the same as that of many other water agencies including MWD so, too, its governance model is not particularly different from that of other water agencies, including MWD. Under this common model, member agencies are represented on the Board of Directors, and the Board decides infrastructure investments through some form of majority voting. But investment decisions are made without any upfront commitment by member agencies to take and pay for the water that will be generated. This strategy commits current resources without guaranteeing the future revenues to pay for new investments. Almost thirty years ago, this was flagged as a problem for MWD by a 1993 Blue Ribbon Task Force.[106] The Task Force stated that it was

> "troubled to learn, for example, that some of the member agencies most strongly supporting big-ticket projects like the [Eastside] reservoir also had the most aggressive plans to reduce their future MWD water purchases and develop independent supplies. In effect, such agencies appear to want MWD to develop costly backup capacity-or insurance-for their local supply strategies, while seeking to shift the costs for these benefits on to Metropolitan and other agencies and consumers."[107]

A consequence was that:

> "Current users-which control the Board-will have incentives to define new and future capacity investments in ways that may shift the costs of system improvements that actually benefit both current and future consumers exclusively onto future users."[108]

This is ultimately a problem of governance. The Task Force asserted that "regional governance concerns are at the heart of MWD's planning, pricing, and strategic implementation activities" and it concluded that:

[106] I served as a consultant to the Task Force's Subcommittee on IRP and Rate Structure.
[107] Metropolitan Water District Blue Ribbon Task Force, *Final Report*, January 1994, p.23.
[108] Op cit., p 17.

> "Governance skills also will determine if MWD can actually pay for its future projects. With bond and property tax revenues limited, and in an era of high business and consumer rate sensitivity, MWD can no longer afford to build major facilities and hope that member agencies will buy enough water to pay for them over several years."[109]

In the same vein, MWD's 2010-2011 Blue Ribbon Committee remarked:

> "The challenge going forward for MWD, and its members is to develop a business model, and associated governance approach, that manages risks associated with investments in both imported and local resources and infrastructure."[110]

It is certainly understandable that member agencies of an organization like SDCWA or MWD like the flexibility to change their supply portfolio in the future without being tied down by purchase commitments. But this can also be financially detrimental to the wholesaler organization and to other member agencies. Water supply infrastructure is massively capital intensive and very long-lived. It cannot be funded on a PayGo basis; it needs a long-term financial commitment. The problem was less severe in the past when property tax revenues provided the main repayment source for water infrastructure investments. That source of revenue stability is now lacking.

MWD's 2010-2011 Blue Ribbon Committee identified two elements of a solution: (i) MWD should aim for water supply security through diversity in the supply portfolio, and (ii) MWD should play an increased role in facilitating and managing transfers and trades in water among member agencies. MWD and SDCWA have both made great progress with respect to (i), but almost none with respect to (ii).

Q. Are water transfers a solution?

A. It depends. There are two different conceptualizations of urban water marketing in Southern California, a top-down conception and a bottom-up conception.

Q. What is the difference between the top-down and the bottom-up conceptions of water marketing?

A. In the top-down conception, SDCWA and MWD are the principal actors in the water transfer activity in Southern California, initiating and implementing transfers through the water distribution networks that they control.

The drawback with this approach is the fact that the necessity for water transfers arises increasingly from the local needs of member agencies reflecting a diversity of local factors – their changing customer mixes, their different potentials for water conservation, and their different opportunities for demand management and for increasing local supply through new recycling

[109] Ibid.
[110] Metropolitan Water District, *Report of the Blue Ribbon Committee*, April 12, 2011, pp 50-51.

and/or groundwater development. This diversity creates differences in the need for, and economic value of, water supply reliability. Differences in the individual circumstances of SDCWA and MWD member agencies create the potential for a significant regional economic benefit from water transfers. In economics, gains from trade are generated, and markets thrive, where there is sufficient heterogeneity among the potential market actors. That level of heterogeneity now exists in Southern California – not so much as the aggregate regional level (SDCWA versus MWD) but at the level of individual water agencies – for example, RMWD versus the City of San Diego.

To take advantage of the variety in individual member needs and to overcome the financial challenges confronting Southern California's water at a time of climate change, it will be important that local member agencies step up, take more responsibility for the water they obtain through regional wholesalers, commit financially on a long- rather than short-term basis, and become leading actors in shaping their individual supply portfolios through water transfers and exchanges as needed. In that scenario, SDCWA and MWD will to some degree become facilitators and providers of assistance rather than the principals. For this to work, it will also be essential to have a strong degree of cooperation and collaboration between SDCWA and MWD as Southern California's two premier water supply agencies.

APPENDIX A

REVIEW OF LONDON MOEDER ADVISORS "*RAINBOW MWD & FALLBROOK PUD COST-BENEFIT ANALYSIS OF SDCWA MEMBERSHIP*"

The LMA Report contains three sections, each of which I consider in turn.

1. Fixed Charge Analysis

LMA note that, over the period 2010 – 2019, SDCWA received approximately $1.233 billion in revenue from fixed charges from member agencies – the customer service charge, storage charge, supply reliability charge and infrastructure access charge. The charges paid by FPUD and RMWD over that period amounted to approximately $56 million, or 4.5% of the SDCWA total.

LMA go on to observe that between 2010 and 2019 there were a total of 908,302-to-925,093-meter equivalents served by the SDCWA system. FPUD and RMWD consistently comprised approximately 2.7% to 2.9% of all meter equivalents served by SDCWA.

LMA note that had FPUD and RMWD's share of all SDCWA member agency fixed charges been the same as their share of meter equivalents (2.8%), FPUD and RMWD would have paid a total of $34.5 million in fixed charges to SDCWA over the period 2010 – 2019, instead of $56 million. LMA imply that FPUD and RMWD paid more than their fair share of SDCWA fixed charges.

I disagree.

While SDCWA allocates the total fixed charge revenue to be raised through the infrastructure access charge among member agencies in proportion to their share of the meter equivalents served by the Authority, it allocates the total revenue to be raised through each of the other three fixed charges in proportion to member agencies' share of the three- or five-year rolling average of all water purchases or M&I water purchases.

That FPUD's and RMWD's combined share of all fixed charges is 4.5% while their combined share of meter equivalents is 2.8% reflects the fact, on average, *FPUD and RMWD customers use more water per meter equivalent than do customers of the other SDCWA member agencies.*

By way of example, in FY 2019, FPUD and RMWD together accounted for 5.9% of the water supplied by SDCWA to member agencies, while at the same time accounting for 2.9% of the meter equivalents. Specifically, In FY 2019 FPUD and RMWD received 22,253 AF from SDCWA for use by their 26,542-meter equivalents (ME), amounting to a usage of 0.8384 AF per ME. In FY 2019, the other member agencies combined received 356,277 AF for use by 898,551 ME, amounting to an average usage of 0.3965 AF per ME. *The average usage of SDCWA water per meter equivalent within the FPUD and RMWD service areas in FY 2019 was more than twice that of the other member agencies* (0.8384 AF/ME versus 0.3965 AF/ME).

Based on my own experience of analyzing the costs of municipal water supply systems in California, I see no reason for apportioning the fixed costs of water supply among wholesale customers of a supply agency like SDCWA based on the member agencies' shares of the total number of meter equivalents serviced by the wholesale agency.

From an economic perspective, it is more appropriate to allocate fixed costs among member agencies based on (i) their share of annual water deliveries, or on something like (ii) their share of peak hourly or daily deliveries. Those variables are more likely to drive the fixed costs experienced by SDCWA than the number of meter equivalents serviced by the individual member agencies.

2A. Benefits Received by FPUD and RMWD

The LMA report equates the degree to which FPUD and RMWD benefit from their membership in SDCWA to the share of their water supply *not* "received from" MWD.

For example, the report states that, prior to 2020, 85% of FPUD's water supplies "were received directly from MWD facilities," the remaining 15% being received from SDCWA facilities. From this, the report infers that FPUD benefits from SDCWA membership only for 15% of its water supply.

LMA makes a parallel argument with respect to RMWD.

This argument is not correct.

Even if FPUD and RMWD were to receive *all* of their water supply as treated water from MWD's Skinner Water Treatment Plant delivered to them via flow control facilities owned by MWD, all of that water is a benefit of their SDCWA membership. FPUD and RMWD would not be in a position to receive a single drop of water from the Skinner Plant if (1) SDCWA were not a member agency of MWD, and (2) had not contracted with MWD to receive that water.

Some of the water from Skinner is QSA water that belongs to SDCWA, not MWD. The rest of the water from Skinner is MWD water (from the State Water Project or obtained under MWD's rights to Colorado River water) which has been purchased by SDCWA from MWD as a member agency. Either way, all of the water received by FPUD and RMWD from Skinner belongs to SDCWA and comes to FPUD and RMWD as a benefit of their membership in SDCWA. FPUD and RMWD cannot assert a sort of riparian right to water flowing in MWD-owned facilities through their service areas.

Therefore, LMA's conclusion that, over the period 2010 – 2019, FPUD and RMWD benefited from their membership of SDCWA only in the amount of $6.5 million is not correct.

2B. Benefit – to – Cost Ratio

The LMA Report's benefit-cost analysis is not correct.

The measurement of the benefits received by FPUD and RMWD is not correct for the reason I have stated above (in 2A).

The measurement of the "fair share of fixed charges" attributed by LMA to FPUD and RMWD is not correct for the reason I have stated above (in 1).

Consequently, the estimate in the Report that FPUD and RMWD have subsidized the remaining member agencies by $49.5 million over the period 2010 – 2019 lacks foundation and is incorrect. The same observation applies to the statements in the LMA report that (1) during the years of 2010 through 2019, FPUD and RMWD achieved a benefit-to-cost ratio of 0.12 from the payment of fixed charges, and (2) the remaining MDCWA member agencies have benefited from this imbalance representing a benefit-to-cost ratio of 1.04. Both statements lack foundation and are incorrect.

3. Reallocation of Fees

The LMA Report assesses the financial impact of FPUD and RMWD de-annexation on the remaining member agencies. The report observes that, between 2010 and 2019, FPUD and RMWD paid SDCWA an average of approximately $5.6 million annually in fixed charges. The report goes on to state that $5.6 million per year "represents the hypothetical amount that SDCWA will have to re-allocate to the remaining member agencies in order to avoid an increase in variable water rates."

The statement just cited is not correct, for two reasons.

First, under de-annexation, in addition to the loss of revenues from the fixed charges considered by LMA (the customer service charge, storage charge, supply reliability charge and infrastructure access charge), SDCWA would also lose some quantum of revenue from property taxes, capacity charges and the availability standby charge. These revenues are used to finance some of SDCWA's fixed costs of operation that would still be incurred by SDCWA for the benefit of its member agencies after de-annexation.

Secondly, SDCWA also uses a large portion (in fact, the majority) of the revenue from its variable water rates to cover fixed costs of operation. Under de-annexation, SDCWA's water rate revenue would go down, but it would still incur the same fixed costs that are paid for through variable water rates.

With a reduced volume of water delivered due to the de-annexation of FPUD and RMWD but the same fixed costs, SDCWA would have to raise not only its fixed charges but also its variable water rates in order to offset the revenue loss.

Consequently, LMA's estimate of $5.6 million for the annual financial impact of de-annexation on the remaining SDCWA member agencies is a significant understatement.

APPENDIX B

REVIEW OF EMWD TECHNICAL MEMORANDUM "*ANALYSIS OF EASTERN MUNICIPAL WATER DISTRICT'S WATER SUPPLY AND SYSTEM RELIABILITY WITH THE POTENTIAL ANNEXATION OF FALLBROOK PUBLIC UTILITY DISTRICT AND RAINBOW MUNICIPAL WATER DISTRICT" FEBRUARY 12, 2020.*

This EMWD memorandum evaluates how annexation of FPUD and RMWD into EMWD's wholesale service area would impact EMWD's water supply portfolio under three planning scenarios and in three alternative Regional Shortage Levels (1, 3 and 5) as defined in MWD's Water Supply Allocation Plan (WSAP).

The memorandum finds that, under all of the conditions evaluated adequate supplies existed such that no single EMWD retail agency, including RMWD and FPUD, would be subject to the MWD allocation surcharge even at a Regional Shortage Level 5.

Context

In 1990, MWD had adopted a first-ever drought management plan which called on member agencies to voluntarily cut their water usage. As that drought grew more severe, this became a mandatory requirement ultimately cutting back municipal water deliveries by 30% and agricultural deliveries by 90%. That rationing program ended when the drought abated.

In 2007, with the possibility of drought re-appearing, MWD initiated a process to develop what became its Water Supply Allocation Plan (WSAP), adopted in February 2008 and put into effect in April 2009, covering the period July 2009 – April 2011.

In 2014, when another dry year was anticipated, the WSAP was updated and then implemented in April 2015, covering the period July 2015 – June 2016.

The 2014 version remains MWD's official policy for allocating supplies in the event of shortage.

Key features of the WSAP are that (1) it does not impose mandatory cutbacks but, instead, uses an economic incentive to encourage member agencies to achieve their targeted reduction in water use, and (2) the targeted reduction is tailored to the circumstances of each member agency based on several factors including its dependence on MWD at the retail level and its existing level of per capita use.

As in the 1990 program, there are tiers of reduction corresponding to the degree of regional water shortage. When MWD has a shortage, this is said to be an "allocation" situation. In a Tier 1 Shortage, depending on their situation member agencies face a reduction in the amount of water allocated to them by MWD amounting to between 5% and 7.5% of the amount that would

have been allocated in the absence of shortage.[111] In a Tier 3 Shortage, which applied in 2015-2016, member agencies face a reduction in the amount of water allocated to them by MWD amounting to between 15% and 22.5% of the amount that would have been allocated in the absence of shortage. In a Tier 5 Shortage, member agencies face a reduction in the amount of water allocated to them by MWD amounting to between 25% and 37.5% of the amount that would have been allocated in the absence of shortage.

However, if a member agency wishes to exceed its WSAP allocation, it can still do so on payment of a surcharge. The surcharge amount is $1,480/AF above the MWD Tier 1 water rate[112] for excess water up to 15% over the WSAP allocation, or $2,960/AF for excess water beyond 15% over the WSAP allocation.

Thus, rather than placing an absolute limit on the amount of water it will deliver to a member agency in a shortage situation, as in 1990, with the WSAP program MWD employs stiff financial incentives to constrain the demand for its water during an allocation year.

EMWD'S Analysis

EMWD analyzed three shortage scenarios.

One scenario was the 2015 Drought. This scenario considered how EMWD's customers, along with FPUD and RMWD, would have fared during the severe drought conditions resulting in 2014-2016 under the emergency conservation order issued by Governor Brown.

Another scenario was current day conditions, as of 2019 (the report was finalized in February 2020). This scenario considered how EMWD's customers, along with FPUD and RMWD, would have fared had MWD implemented an allocation during 2019.

The final scenario was future conditions in 2035. This scenario considered how EMWD's customers, along with FPUD and RMWD, would fare in the future, using projections for 2035 taken from EMWD's 2015 Urban Water Management Plan.

For my purposes, the current day conditions (2019) scenario seems most relevant. I confine my remarks here to that scenario. For that scenario, EMWD used several assumptions, the most important being the following:

1. The base period used to calculate MWD's allocation was calendar year 2013 and 2014 – this is the base period previously used for an allocation by MWD and it represents the most recent period where demands were not influenced by drought response both at the

[111] Member agencies more heavily dependent on MWD receive a cutback at the lower end of the scale. In addition, there is a reward for having lowered per capita water use as between a baseline period and the current year, which takes the form of a small additional allocation based on the amount of the reduction in per capita water use. Member agencies also receive a credit (in the form of a larger allocation) for "extraordinary" local supply being put to use during an allocation period.
[112] For comparison, the MWD Tier 1 rate for treated water is $1,104/AF in 2021.

local and state level. That is consistent with MWD's intent to define a base period that reflects non-drought conditions.

2. The allocation year is 2019.
3. The adjustment for population growth between the base period and the allocation period was based on population estimates generated by the California Department of Finance. Since the base period was 2013-2014, the growth rate was calculated as the growth from the 2013-2014 average population value to the 2019 population value.
4. Allocation year local supplies were assumed to be equal to actual local supply usage in calendar year 2019.
5. No adjustments permitted by the WSAP for conservation demand hardening or low per-capita use were applied.
6. No extraordinary local supplies were considered.
7. While 2019 was actually a wet year rather than a dry year, the hydrology still resulted in reduced service area demands – accordingly, 2019 totals were assumed to reflect a dry year with some degree of customer conservation in place.

EMWD's technical analysis demonstrated that, under these conditions in 2019, EMWD and all the agencies it served (plus FPUD and RMWD if it served them) would be in compliance with MWD's shortage allocation, regardless of whether the Shortage Level was Tier 1, Tier 3 or Tier 5. Neither EMWD nor its member agencies (including FPUD and RMWD) would be in a situation where they have to pay MWD's allocation surcharge.

Some Limits to EMWD's Analysis

EMWD's technical analysis is thoughtful and painstaking. It is certainly to be commended.

However, there is one important issue.

In an email dated October 15, 2021, responding to some questions I had emailed the day before, Nick Kanetis forwarded to me comments made in response by EMWD's Gordon Ng. Gordon Ng indicated that, while he couldn't be absolutely sure, he guessed that the cutback in MWD supplies imposed on EMWD during an allocation would likely be around the middle of the range – i.e., an 18% cutback in the case of a Tier 3 Shortage. Extrapolating, this implies a 6% cutback in the case of a Tier 1 Shortage, and a 30% cutback in the case of a Tier 5 Shortage.

Combining those percentage cutbacks with the resulting MWD allocations as projected by EMWD for the current day conditions scenario in Tables 5, 6 and 7 allows me to back out the implied allocation of water by MWD to EMWD in the absence of a shortage. This comes out to around 124,000 AF.

As reported by MWD, the amount of water actually delivered by MWD to EMWD in 2019 was about 84,000 AF. That figure is also consistent with the data in the first two columns of Tables 5, 6 and 7 in EMWD's Technical Memorandum. Those columns show EMWD's projected total

potable demand in 2019 and EMWD's local potable supply in 2019. The difference between the two numbers is what EMWD would have obtained from MWD, and that amounts almost exactly to 84,000 AF.

Thus, the current day conditions scenario in EMWD's Technical Memorandum has MWD allocating 124,000 AF for EMWD under non-shortage conditions, and then reducing that by 6%, 18% or 30% depending on whether there was a Tier 1 Shortage, a Tier 3 Shortage or a Tier 5 Shortage. But, EMWD actually needed only 84,000 AF from MWD in 2019. This difference is why EMWD turns out to have more than enough water for its member agencies (including FPUD and RMWD) in the face of a Tier 1, Tier 3 or Tier 5 shortage: MWD was basing the cutback on a presumed demand from EMWD for MWD water of 124,00 AF, which is about 47% larger than the actual demand from EMWD.

Some discrepancy between MWD's projection of a member agency's demand for MWD water in the absence of shortage and the agency's actual demand in a shortage year is inevitable for two reasons:

(1) Under the WSAP protocol, MWD is basing its projection of demand for MWD water on updates of information from a previous base period, and the updating can introduce some error.
(2) Because it is a shortage year, the demand for water in the member agency will be depressed by drought restrictions on water use and conservation requirements whether at the local or state levels.

In this case, however, drought restrictions *alone* are unlikely to explain a 47% gap between the actual member agency demand for MWD water in a shortage year and the non-shortage member agency demand from which MWD thought it was cutting back its delivery.

Implications

MWD and its member agencies are much better prepared for drought today than they were in 1990. MWD has vastly more reserves in storage today than it did in 1990. MWD's WSAP protocol is, in my view, a superior approach to handling scarcity than what MWD did before WSAP was introduced. However, it is also true that in past droughts MWD and Southern California were shielded from the effects more than Northern California because of their access to water from the Colorado River – in all of California's droughts up to now, including 2012-2016, Colorado River water was Southern California's bulwark.

As of this year, that has changed. The vulnerability of the Colorado River to climate change is being dramatically re-assessed, as reflected in the Bureau of Reclamation's new supply projection methodology introduced in the last month or two.

We know how painful a 30% cut in MWD deliveries was back in 1990. Therefore, the notion that EMWD could today absorb a 30% cut (Tier 5) in MWD deliveries with no ill-effect is quite striking. The technical analysis in EMWD's memorandum is impressive. But, I do not consider it conclusive proof that EMWD could not be significantly affected in the future by reduced MWD deliveries on the scale of a Tier 5 Shortage, or even a Tier 3 Shortage.

ESTIMATED DETACHMENT IMPACTS TO MEMBER AGENCIES + RATEPAYERS

Agenda Report, June 5, 2023

STEP ONE
Baseline...

Water Sales + Equivalent Meter Units

5-Year Averages
FY17 to FY22

	% of Total	# of Active EMUs	
Carlsbad MWD	4.80%	36,577	
City of Del Mar	0.30%	2,506	
City of Escondido	2.90%	35,618	
Fallbrook PUD	2.10%	11,887	
Helix WD	5.60%	65,537	
Lakeside WD	0.80%	8,199	
City of National City	0.50%		*
City of Oceanside	5.40%	58,289	
Olivenhain MWD	4.20%	28,376	
Otay WD	8.00%	60,715	
Padre Dam MWD	2.80%	27,048	
Camp Pendelton	0.00%		
City of Poway	**2.20%**	**17,076**	
Rainbow MWD	3.90%	14,864	
Ramona MWD	1.30%	10,328	
Rincon MWD	1.50%	10,418	
City of San Diego	**37.20%**	**395,266**	
San Dieguito WD	1.00%	15,371	
Santa Fe ID	1.70%	10,560	
Sweetwater	1.40%	43,303	*
Vallecitos WD	4.60%	27,461	
Valley Center MWD	**4.20%**	**14,690**	
Vista ID	2.60%	36,047	
Yuima MWD	1.00%	596	
Total:	**100.00%**	**930,732**	

Less FPUD and RMWD	Others	Comibined
Years 1 to 10	94.00%	6.00%
Years 11 +	94.00%	6.00%

STEP TWO
Isolating Detachment Impacts...

FPUD and RMWD Revenue Share

Assumes Property Tax Loss

	Years 1 to 10	Years 11 +
	12,580,968	**10,988,168**
Carlsbad MWD	603,886.46	527,432.06
City of Del Mar	37,742.90	32,964.50
City of Escondido	364,848.07	318,656.87
Fallbrook PUD	264,200.33	230,751.53
Helix WD	704,534.21	615,337.41
Lakeside WD	100,647.74	87,905.34
City of National City	62,904.84	54,940.84
City of Oceanside	679,372.27	593,361.07
Olivenhain MWD	528,400.66	461,503.06
Otay WD	1,006,477.44	879,053.44
Padre Dam MWD	352,267.10	307,668.70
Camp Pendelton	-	-
City of Poway	**276,781.30**	**241,739.70**
Rainbow MWD	490,657.75	428,538.55
Ramona MWD	163,552.58	142,846.18
Rincon MWD	188,714.52	164,822.52
City of San Diego	**4,680,120.10**	**4,087,598.50**
San Dieguito WD	125,809.68	109,881.68
Santa Fe ID	213,876.46	186,798.86
Sweetwater	176,133.55	153,834.35
Vallecitos WD	578,724.53	505,455.73
Valley Center MWD	**528,400.66**	**461,503.06**
Vista ID	327,105.17	285,692.37
Yuima MWD	125,809.68	109,881.68
Total:	**12,580,968**	**10,988,168**

STEP THREE
Detachment True Ups...

Adjusting for Detachments

Making Up for FPUD and RMWD Leaving...

	Adjusted... % of Total	differnece
Carlsbad MWD	5.106%	0.306%
City of Del Mar	0.319%	0.019%
City of Escondido	3.085%	0.185%
Fallbrook PUD	0.000%	
Helix WD	5.957%	0.357%
Lakeside WD	0.851%	0.051%
City of National City	0.532%	0.032%
City of Oceanside	5.745%	0.345%
Olivenhain MWD	4.468%	0.268%
Otay WD	8.511%	0.511%
Padre Dam MWD	2.979%	0.179%
Camp Pendelton	0.000%	0.000%
City of Poway	**2.340%**	**0.140%**
Rainbow MWD	0.000%	
Ramona MWD	1.383%	0.083%
Rincon MWD	1.596%	0.096%
City of San Diego	**39.574%**	**2.374%**
San Dieguito WD	1.064%	0.064%
Santa Fe ID	1.809%	0.109%
South Bay ID	1.489%	0.089%
Vallecitos WD	4.894%	0.294%
Valley Center MWD	**4.468%**	**0.268%**
Vista ID	2.766%	0.166%
Yuima MWD	1.064%	0.064%
Totals	100.000%	6.000%

STEP FOUR
Annual Agency Impacts...

Redistribution of Loss Revenue

MACRO: Each Agency (annual)

	Years 1 to 10	Years 11 +
	12,580,968	**10,988,168**
Carlsbad MWD	642,432	561,098
City of Del Mar	40,152	35,069
City of Escondido	388,136	338,997
Fallbrook PUD	-	-
Helix WD	749,504	654,614
Lakeside WD	107,072	93,516
City of National City	66,920	58,448
City of Oceanside	722,736	631,235
Olivenhain MWD	562,128	490,961
Otay WD	1,070,721	935,163
Padre Dam MWD	374,752	327,307
Camp Pendelton	-	-
City of Poway	**294,448**	**257,170**
Rainbow MWD	-	-
Ramona MWD	173,992	151,964
Rincon MWD	200,760	175,343
City of San Diego	**4,978,851**	**4,348,509**
San Dieguito WD	133,840	116,895
Santa Fe ID	227,528	198,722
South Bay ID	187,376	163,654
Vallecitos WD	615,664	537,719
Valley Center MWD	**562,128**	**490,961**
Vista ID	347,984	303,928
Yuima MWD	133,840	116,895
Totals	12,580,968	10,988,168
... per month average	*$ 1,048,414.00*	*$ 915,680.67*

STEP FIVE
Annual Ratepayer Impacts...

Redistribution of Loss Revenue

MICRO: Indivual Ratepayers (annual)

	Years 1 to 10	Years 11 +
	12,580,968	**10,988,168**
Carlsbad MWD	17.56	15.34
City of Del Mar	16.02	13.99
City of Escondido	10.90	9.52
Fallbrook PUD	-	-
Helix WD	11.44	9.99
Lakeside WD	13.06	11.41
City of National City		
City of Oceanside	12.40	10.83
Olivenhain MWD	19.81	17.30
Otay WD	17.64	15.40
Padre Dam MWD	13.86	12.10
Camp Pendelton		
City of Poway	**17.24**	**15.06**
Rainbow MWD	-	-
Ramona MWD	16.85	14.71
Rincon MWD	19.27	16.83
City of San Diego	**12.60**	**11.00**
San Dieguito WD	8.71	7.60
Santa Fe ID	21.55	18.82
South Bay ID	4.33	3.78
Vallecitos WD	22.42	19.58
Valley Center MWD	**38.27**	**33.42**
Vista ID	9.65	8.43
Yuima MWD	224.56	196.13
Annual Averages	$ 26.41	$ 23.06
... per month average	$ 2.20	$ 1.92

STEP SIX
Monthly Ratepayer Impacts...

Redistribution of Loss Revenue

MICRO: Indivual Ratepayers (annual)

	Years 1 to 10	Years 11 +
	12,580,968	**10,988,168**
Carlsbad MWD	1.46	1.28
City of Del Mar	1.34	1.17
City of Escondido	0.91	0.79
Fallbrook PUD	-	-
Helix WD	0.95	0.83
Lakeside WD	1.09	0.95
City of National City	-	-
City of Oceanside	1.03	0.90
Olivenhain MWD	1.65	1.44
Otay WD	1.47	1.28
Padre Dam MWD	1.15	1.01
Camp Pendelton	-	-
City of Poway	1.44	1.26
Rainbow MWD	-	-
Ramona MWD	1.40	1.23
Rincon MWD	1.61	1.40
City of San Diego	1.05	0.92
San Dieguito WD	0.73	0.63
Santa Fe ID	1.80	1.57
South Bay ID	0.36	0.31
Vallecitos WD	1.87	1.63
Valley Center MWD	3.19	2.79
Vista ID	0.80	0.70
Yuima MWD	18.71	16.34
Monthly Averages	$ 2.20	$ 1.92

*Item 6a, Page 321 EMU total of 33,284 is split with National City

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San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

6a

AGENDA REPORT
Public Hearing

June 5, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Analyst II – Project Manager

SUBJECT: **SUPPLEMENTAL REPORT ON THE COMBINED PUBLIC HEARING Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services" | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04)**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review supplemental items relating to the consideration of reorganization proposals filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) that have been administratively combined for hearing purposes by the Executive Officer. These supplemental items all involve topics that have emerged after the original distribution of the agenda report on April 26, 2023. Notable topics include staff responses to written comments received on the final report by May 22nd as well as summaries of the deliberations and any related actions of three advisory committees – Ad Hoc, Cities, and Special Districts – that have participated in the administrative review. Another topic addresses Assembly Bill 530 and an additional recommendation by staff for the Commission to take an official "oppose" position.

BACKGROUND

None.

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Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

DISCUSSION

This item is for San Diego LAFCO to consider supplemental items on the proposed reorganization proposals filed by Fallbrook PUD and Rainbow MWD to change wholesaler providers after the agenda report was issued on April 26th. The supplemental items have been generated following the distribution of the agenda report on April 26th and organized through a series of topic-specific memorandums. All of the memorandums are presented for information purposes. One of the memorandums involving Assembly Bill 530 also includes a related action to formally take a "oppose" position for reasons detailed.

In all, the following topics are addressed as part of the attached memorandums.

1. Prospectus on Final Report
2. Timeline of Important Dates and/or Milestones
3. Advisory Committees' Deliberations and/or Actions on Draft Report
4. Response to Written Comments on Agenda Report Item No. 6a
5. Written Comments Received after May 22nd on Agenda Report Item No. 6a
6. Recommendation to Oppose Assembly Bill 530 as Amended
7. Potential Changes to County Water Authority Rate Structure
8. Draft Resolutions of Approval for Agenda Report Item No. 6a (Option Two)

ANALYSIS

None.

RECOMMENDATION

It is recommended San Diego LAFCO review the supplemental items and expand its consideration of actions presented in the agenda report from April 26th to include taking an oppose position on Assembly Bill 530.

ALTERNATIVES FOR ACTION

See agenda report from April 26th.

PROCEDURES FOR CONSIDERATION

See agenda report from April 26th.

Attachments: as stated.

MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Local Government Analyst II
Michaela Peters, Local Government Analyst I

SUBJECT: **Prospectus on Final Report**
Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum via the attached prospectus summarizes the proposed reorganizations and key policy issues addressed during the administrative reviews – including jurisdictional disputes and other material topics identified by the Executive Officer – along with outlining staff recommendations. A copy of the prospectus is attached.

Attachment: as stated

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Proposed Reorganizations

FALLBROOK PUD + RAINBOW MWD

PROSPECTUS

STAFF REPORT | May 2023

OVERVIEW

This prospectus covers San Diego LAFCO's administrative review of two related reorganization proposals filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD). The proposed reorganizations affect – directly or indirectly – a sizable portion of San Diego County residents and are scheduled to be presented to the Commission for formal deliberations as part of a joint-hearing on June 5, 2023. This prospectus summarizes the proposed reorganizations and key policy issues addressed during the administrative reviews – including jurisdictional disputes and other material topics identified by the Executive Officer – along with outlining staff recommendations.

PROPOSAL FILINGS:
What Fallbrook PUD and Rainbow MWD are Requesting...

Fallbrook PUD and Rainbow MWD via separate proposal filings in March 2020 are requesting LAFCO approval to transfer wholesale water service responsibilities within their combined 124 square mile jurisdictional boundaries from the San Diego County Water Authority to Eastern MWD in Riverside County. The requested transfer necessitates multiple jurisdictional changes and related approvals by LAFCO and headlined by concurrently (a) detaching the affected territory from the County Water Authority and (b) annexing into Eastern MWD. The stated purpose of the proposals is to achieve cost-savings for the applicants and by extension their retail ratepayers with additional focus on agricultural users. The savings ties to the applicants' agreement with Eastern MWD for wholesale water supplies at a per acre-foot charge that is (one-third) lower than the charge from the County Water Authority.

PROPOSAL FILINGS:
What the County Water Authority is Requesting in Response...

The County Water Authority is on record opposing the proposals unless:

- Rainbow and Fallbrook guarantee all obligations as promised to their own ratepayers are met.
- Detachments will not adversely affect other County Water Authority member agencies and San Diego County as a region – financially or environmentally.
- Detachments will not increase reliance on the Bay Delta.
- Detachments will not diminish the County Water Authority's voting power at MET.

Regional Setting: Fallbrook PUD and Rainbow MWD

Fallbrook PUD

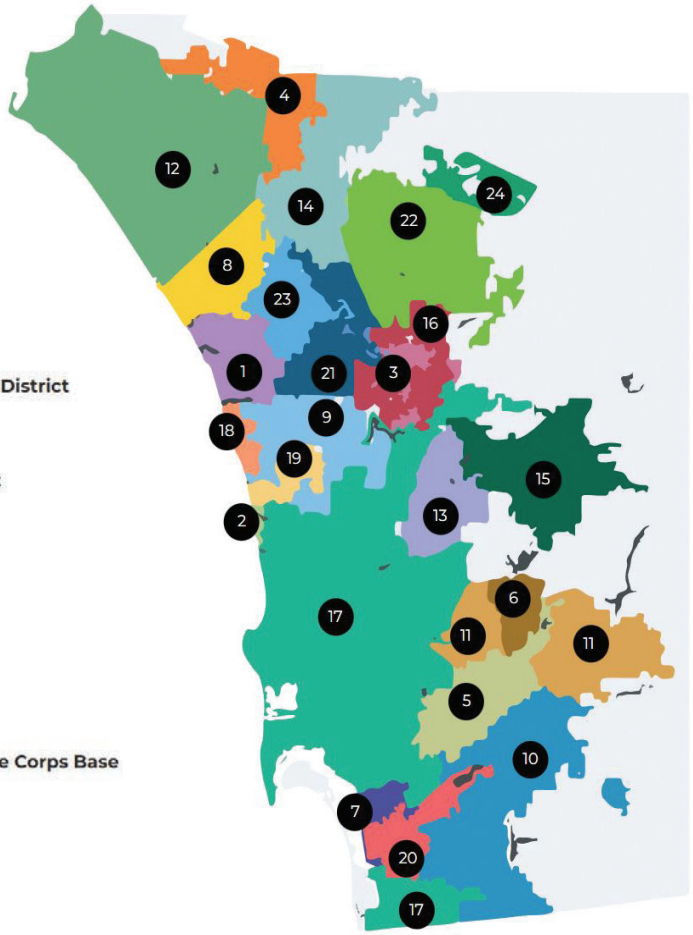
Board President Charley Wolk
General Manager Jack Bebee
Formed in 1922
Estimated Population is 33,986
Avg Annual Water Demand is 9,161 AF
6% of Customers are Ag
38% of Water Demand is Ag



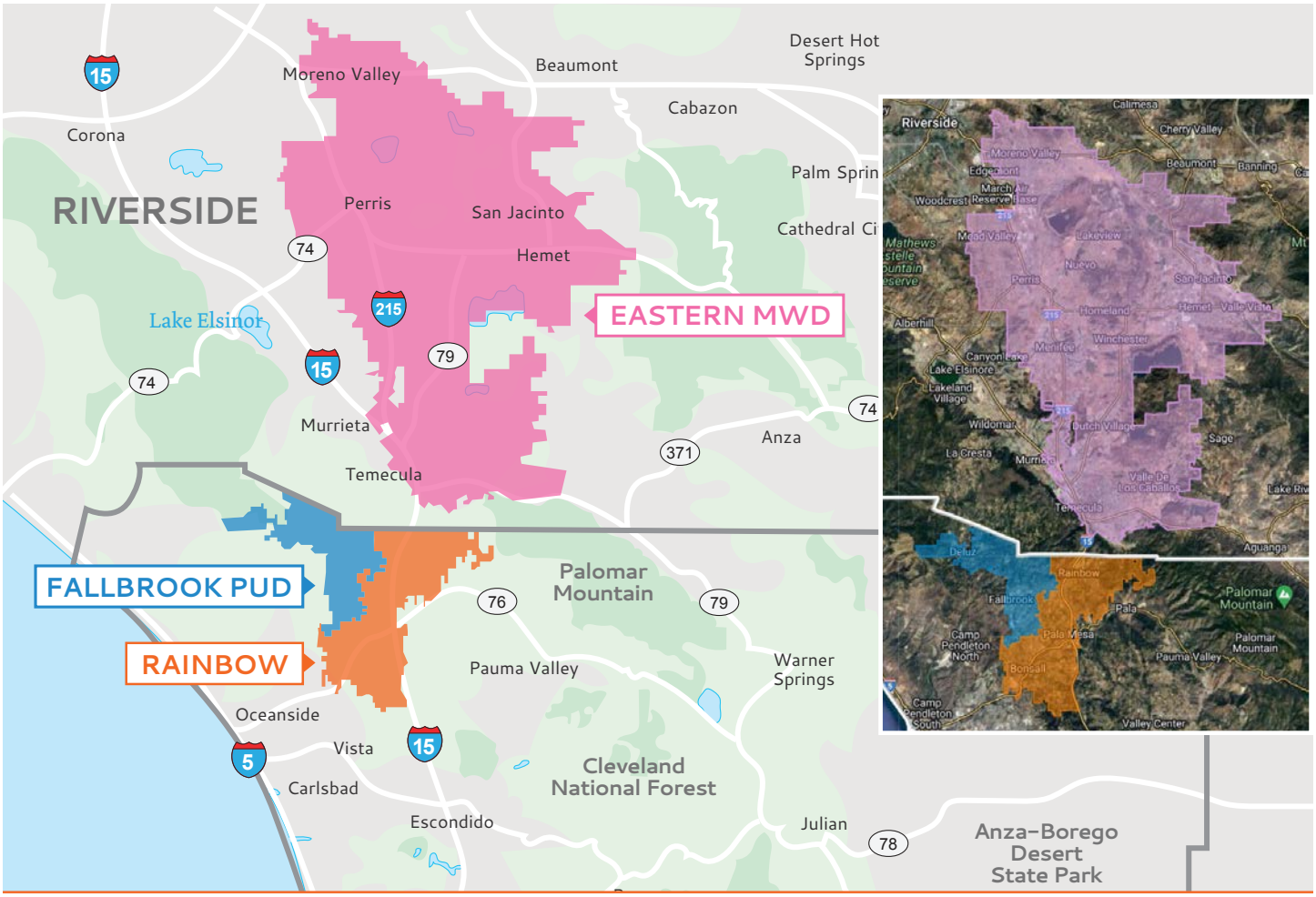
Rainbow MWD

Board President Hayden Hamilton
General Manager Tom Kennedy
Formed in 1953
Estimated Population is 22,130
Avg Annual Water Demand is 16,976 AF
29% of Customers are Ag
67% of Water Demand is Ag

San Diego County Water Authority + Member Agencies



1. Carlsbad MWD
2. City of Del Mar
3. City of Escondido
4. Fallbrook Public Utility District
5. Helix Water District
6. Lakeside Water District
7. City of National City
8. City of Oceanside
9. Olivenhain MWD
10. Otay Water District
11. Padre Dam MWD
12. Camp Pendleton Marine Corps Base
13. City of Poway
14. Rainbow MWD
15. Ramona MWD
16. Rincon del Diablo MWD
17. City of San Diego
18. San Dieguito Water District
19. Santa Fe Irrigation District
20. Sweetwater Authority
21. Vallecitos Water District
22. Valley Center MWD
23. Vista Irrigation District
24. Yuima Municipal Water District



ADMINISTRATIVE REVIEW
Informing Preambles...

Approval of Memorandum of Understanding with Riverside LAFCO

In response to the proposal filings, San Diego and Riverside LAFCOs entered into a memorandum of understanding (MOU) to establish tasks and responsibilities in October 2019. The MOU designates San Diego as lead in preparing all related analysis and this includes completing a municipal service review on Eastern MWD to inform a conforming sphere of influence action to accommodate any annexation approvals. The MOU specifies San Diego shall actively consult with Riverside in processing the reorganizations and related studies. All approvals are delegated to San Diego.

Approval of Alternative Conducting Authority Proceedings

As allowed under statute, at its May 2020 meeting San Diego LAFCO approved a request from the County Water Authority to apply alternative conducting authority proceedings should the Commission approve Fallbrook PUD and/or Rainbow MWD's proposals. This means any proposal approval will bypass standard protest proceedings and directly proceed to a confirmation election of registered voters. An election would be limited to the boundaries of the Fallbrook PUD and Rainbow MWD and may – at the discretion of the Commission – be expanded to include the boundaries of Eastern MWD.



Solar panels facilitate well pumping in Fallbrook, California.

Establishment of an Advisory Committee & Technical Expertise from Dr. Michael Hanemann

Given the complexities and associated jurisdictional disputes underlying the proposals, at its June 2020 meeting San Diego LAFCO created a 10-member Ad Hoc Committee to advise the Executive Officer through the administrative review process. The Ad Hoc includes representatives from all four subject agencies plus at-large members and held 13 public meetings between December 2020 and April 2023. Most of these meetings were dedicated to addressing three overlapping topics – (a) water supply reliability, (b) financial impacts, (c) potential exit fees – selected by the Ad Hoc with their related tasking of Dr. Michael Hanemann with Arizona State University to provide expert analysis. Dr. Hanemann's final report was presented to the Ad Hoc In February 2022.

Property Tax Exchange Process

As required for all proposed jurisdictional changes, a property tax exchange analysis has been prepared for the Fallbrook PUD and Rainbow MWD proposals. This analysis concludes an existing tax exchange resolution previously adopted by the Board of Supervisors applies to the proposals. The application of the County's adopted master exchange resolution would result in 100% of all AB8 monies (the portion of the 1% in property taxes biannually collected) transferring to Eastern MWD. The total annual value of the property tax transfer is $0.382 million. All remaining annual revenues collected by the County Water Authority off the property tax roll within the affected territory involves unitary fees and availably charges and would immediately cease. These other annual revenues currently total $0.723 million.

Municipal Service Review on the Fallbrook Region

As a prerequisite to considering the proposed jurisdictional changes, San Diego LAFCO has prepared and completed a municipal service review on the Fallbrook region and the local agencies operating therein subject to the Commission's oversight – including Fallbrook PUD and Rainbow MWD. The final report – approved March 2022 – outlines nine central conclusions relative to LAFCO's growth management tasks and interests based on data collected and analyzed between 2016 and 2020. This includes concluding Fallbrook PUD and Rainbow MWD have experienced clear and measurable financial stresses and reflected in substantive declines in their liquidity, capital, and margin levels over the preceding 60-month period.

Addendum to Municipal Service Review on Eastern MWD

As a separate prerequisite to considering the proposed jurisdictional changes, San Diego LAFCO has prepared and completed an addendum to Riverside LAFCO's most recent municipal service review on Eastern MWD. The addendum provides gap analysis on Eastern MWD with specific attention to its potable water function and financial standing through data collected and analyzed between 2017 to 2021. The addendum concludes Eastern MWD maintains adequate infrastructure to meet current and anticipated potable water demands (retail and wholesale) with available capacity to accommodate additional growth. This conclusion is reflected in average annual and daily system demands for Eastern MWD equaling less than one-third of its available capacities (supplies and associated infrastructure) during the 60-month period. The addendum also concludes Eastern MWD is fiscally sound overall and marked by finishing with positive total margins in the last four of the five years covered.



Residential homes near Interstate 15 in Fallbrook, California.

Timing Considerations: Addressing Jurisdictional Disputes + Other Material Topics ...

The central focus of the administrative review involves analyzing the proposals' timing relative to three overlapping factors. The first factor involves baseline considerations in statute ranging from disclosing and otherwise addressing compatibility with external policies of other State, regional, and local agencies as well as assessing the ability of Eastern MWD – as the receiving agency – to provide services. The second factor involves addressing consistency with Commission policies and includes L-107 and its provisions to disclose and remedy – if reasonable – known jurisdictional disputes. The third factor expands on addressing jurisdictional disputes an involves evaluating 18 other material topics selected by the Executive Officer that are largely sourced to comments generated during the approximate three-year administrative review. These 18 topics collectively capture the key policy issues underlying consideration of the proposals and include all of the following subjects:

- MET's Position on the Detachments
- Financial Difference Between "Roll-Offs" and Detachments
- Financial Impacts from Detachments on CWA's Member Agencies + Ratepayers
- Merits and Options to Impose Exit Fees
- LAFCO's Authority to Require Exit Fees
- Risk to Applicants in Assuming Greater Reliance on the Sacramento Bay-Delta
- Detachments' Impact on CWA's Voting Power at MET Based on Recent History
- Emergency Supplies Available to the Applicants During a Catastrophic Event
- Determining the "Affected Territory" for Election Purposes
- SANDAG's Position on the Detachments
- Detachments' Impact on CWA's Credit Rating and Ratepayers
- Measuring the Significance of the Financial Impacts to CWA + Ratepayers
- Appropriate Length of Any Exit Fees
- Merits to Discount Any Exit Fees
- Risk to Applicants in Changes to MET Wholesale Rates Going Forward
- Detachments' Effect on Reuse Projects in San Diego County
- Effect of Stipulated CEQA Settlements Involving Applicants on LAFCO
- Role of Agriculture in the Proposals + Influence on LAFCO Decision-Making

KEY STAFF CONCLUSIONS

The following key conclusions are directly drawn from the administrative review and inform the staff recommendations.

1. Fallbrook PUD + Rainbow MWD's Ratepayers Will See Cost-Savings

LAFCO staff estimates the average monthly cost-savings for the applicants' ratepayers is $23.50 per household. This estimate draws on Dr. Hanemann's macro calculations and assumes full-pass through to ratepayers.

2. County Water Authority's Member Agencies' Ratepayers Will See Cost-Increases

LAFCO staff estimates the average monthly cost-increases to the remaining County Water Authority member agencies' ratepayers at $2.20 per household. This estimate draws on Dr. Hanemann's macro calculations and assumes full-pass through to ratepayers.

3. Financial Impacts to CWA + Ratepayers are Material – But Not Significant

LAFCO staff believes the financial impacts of the detachments on the County Water Authority – and by extension its member agencies and retail ratepayers – are material but not significant given standard measurements. This includes showing the annual net-revenue impact on the County Water Authority of $12.581 million (Dr. Hanemann calculation) equaling 4.4% of its gross water sales and below the one-year inflation rate of 6.4% for San Diego County (emphasis).

4. Approval of the Proposals with an Exit Fee is Reasonable

Conditioning any proposals' approvals to require an exit fee to the County Water Authority is reasonable and merited given the financial impacts and need therein for a period of adjustment. LAFCO staff believes mitigating annual net revenue losses appears appropriate in setting exit fees since it is the most concrete and quantifiable impact to the County Water Authority. Dr. Hanemann calculates this impact at $12.581 million annually. Focusing on mitigating annual net revenue losses also covers long-term debt by helping to keep the County Water Authority whole and its ability to service debt on an annual basis.

5. Discounting an Exit Fee to Reflect Cost-Savings is Reasonable

The County Water Authority would save $38.6 million should Fallbrook PUD and Rainbow MWD detach that would otherwise be expended on proceeding with the planned and budgeted construction of the ESP North County Pump Station. Discounting the exit fee to account for this cost-avoidance to the County Water Authority is reasonable and merited.

6. Near-Certain Roll-Off Impacts are Measurably Higher than Detachment Impacts

The estimated annual net-revenue loss tied to expected roll-offs involving three reuse projects (San Diego, Oceanside, and Padre/Helix) on the County Water Authority is $47.0 million by the end of the decade and translates to a ratepayer impact of 9.4%. Comparatively, the estimated impact of detachments on the County Water Authority's annual net-revenue is $12.6 million (less any exit fees) and translates to a ratepayer impact of 2.5%.

7. Loss of Voting Rights at MET is a Valid Concern

Should Fallbrook PUD and Rainbow MWD detach from the County Water Authority and annex into Eastern MWD a proportional change in voting rights at MET would follow. The estimated value of voting rights totals 0.3% and considered material given the proximity to the recent margin in the successful vote of the new MET General Manager in June 2021. While staff does not believe the proportional change in voting rights associated with the detachments would measurably increase going forward, this topic does merit Commission attention.

8. Detachments Would Benefit Agriculture in North County

A central premise to the applicants' proposals involve providing economic relief to their agricultural customers by securing less expensive water supplies from Eastern MWD. The specter of agricultural losses is a prominent consideration under LAFCO statute and adopted policy with the latter having been recently expanded to now consider actions whenever appropriate to "enhance" agriculture. The substantive ties between statute and policy in supporting agriculture provides added allowance for the Commission to make special accommodations for the affected territory in evaluating the proposals.





STAFF RECOMMENDATIONS + MORE

Available Alternatives...

Five alternative actions for the proposed reorganizations are available to the Commission. These alternatives are organized linearly as follows:

- **Option One** involves approving the proposals with only standard conditions.
- **Option Two** involves approving the proposal with additional conditions that include requiring the applicants to pay exit fees to County Water Authority.
- **Option Three** involves deferring consideration of the proposals until the completion of a scheduled municipal service review on the County Water Authority.
- **Option Four** involves disapproving the proposals without prejudice.
- **Option Five** involves disapproving the proposals.

Staff Recommendations...

Staff believes three of the five available alternatives – Options Two, Three, and Four – are readily merited based on the administrative review and distinguished by addressing different and otherwise appropriate Commission policy priorities. Among these three merited alternatives, staff recommends Option Two with special terms to require the applicants pay a combined annual exit fee payment for five years totaling $24.305 million. This alternative prioritizes the stand-alone merits of the applicants' proposals and concurrent policy enhancement of supporting a viable agriculture economy in North County. Related actions in support of the staff preferred alternative are also recommended and include making exemption findings under the California Environmental Quality Act.

Public Review + Comment.

Staff's full report and recommendations on the proposed reorganizations are available online at **www.sdlafco.org**. The public is encouraged to review the report and consider submitting comments. All written comments received by Monday, May 22, 2023 will be incorporated into the agenda packet provided to the Commission and posted online ahead of the public hearing set for Monday, June 5, 2023. Comments should be emailed to Priscilla Mumpower at **priscilla.mumpower@sdcounty.ca.gov**. Comments are also welcomed during the hearing.



For more information or to access the full municipal service review report, please visit:

sdlafco.org

MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Local Government Analyst II
Michaela Peters, Local Government Analyst I

SUBJECT: **Timeline of Important Dates and/or Milestones**
Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum via the attached timeline summarizes important dates and/or milestones in the processing of the proposals. A copy of the timeline is attached.

Attachment: as stated

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Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

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Rainbow MWD and Fallbrook PUD Reorganization Proposals

timeline



Rainbow MWD and Fallbrook PUD Reorganization Proposals

timeline



MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Analyst II

SUBJECT: **Advisory Committees' Deliberations and/or Actions on Draft Report**
Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum summarizes the deliberations performed by three advisory committees – Ad Hoc, Cities, and Special Districts – in considering the draft report on the proposals prepared by LAFCO staff. Pertinently, the draft included versions of all five options under consideration by the Commission as part of the final report. Any related actions taken by the committees are also addressed.

Ad Hoc Committee

The Ad Hoc Committee was established in June 2020 and tasked with advising the Executive Officer in the administrative review of the proposals with a focus on addressing jurisdictional disputes. The Commission designated the Ad Hoc with 10 members with the majority comprising representatives of the applicants and subject agencies. The Ad Hoc met on April 10, 2023 to deliberate on the draft report with the aid of Moderator Adam Wilson. The Ad Hoc did not take any group action given the lack of consensus on any specific option. The following individual recommendations were made.

Applicant Representative Jack Bebee with Fallbrook PUD
- approval of the proposals with exit fees

Applicant Representative Tom Kennedy with Rainbow MWD
- approval of the proposals with exit fees

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Barry Willis
Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

Subject Agency Representative Nick Kanetis with Eastern MWD
- neutral

Subject Agency Representative Sandy Kerl with County Water Authority
- disapprove the proposals without prejudice

County Water Authority At-Large Representative Mel Katz[1]
- disapprove the proposals without prejudice

County Water Authority At-Large Representative Nick Serrao
- disapprove the proposals without prejudice

Cities Advisory Committee Representative Lydia Romero with Lemon Grove
- approval of the proposals with exit fees

Special Districts Advisory Committee Representative Kim Thorner with Olivenhain MWD
- defer consideration on the proposals and proceed with MSR on County Water Authority

County of San Diego At Large Representative Brian Albright
- approval of the proposals with exit fees

SANDAG At Large Representative Keith Greer
- *absent*

Cities Advisory Committee

The Cities Advisory Committee was reestablished in 2018 and tasked with advising the Commission on all germane topics under LAFCO's planning and regulatory responsibilities. All 18 cities are represented through their city managers or their designees. The Committee met on March 17, 2023 to deliberate on the draft report with 13 of the 18 cities represented. After a lengthy discussion, and via motion by Adrian Granda (San Diego) and second by Chris Hazeltine (Poway), the Committee approved a recommendation to disapprove the proposals without prejudice on a vote of 10 to 1 with two abstentions. The roll call follows:

City of Carlsbad Representative Paz Gomez, Yes

City of Chula Vista Representative Tiffany Allen, Yes

City of Coronado Representative Tina Friend, Yes

City of Del Mar Representative Clem Brown, Yes

City of Encinitas Representative Portland Bates, Yes

[1] Mr. Katz attended in place of Gary Croucher.

City of Escondido Representative Christopher McKinney, No

City of Imperial Beach Representative Tyler Foltz, Yes

City of National City Representative Roberto Yano, Yes

City of Oceanside Representative Jonathan Borrego, Abstain

City of Poway Representative Chris Hazeltine, Yes

City of San Diego Representative Adrian Granda, Yes

City of Santee Representative Michael Coyne, Yes

City of Solana Beach Representative Greg Wade, Abstain

Special Districts Advisory Committee

The Special Districts Advisory Committee was established by the Commission in August 1971 and tasked with advising the Commission on all germane topics under LAFCO's planning and regulatory responsibilities. The 16 members are elected to the Committee by all independent special districts with the current roster footnoted.[2] The Committee met on March 17, 2023 to deliberate on the draft report with 14 of the 16 members in attendance. After a lengthy discussion, no motions were made given the lack of consensus among the members.

[2] Chair Kimberly Thorner, Olivenhain MWD; Vice Chair Jack Bebee, Fallbrook PUD; Ann Baldridge, RCD of Greater San Diego; Paul Bushee, Leucadia WD; James Gordon, Deer Spring FPD; Diane Hansen, Palomar Health; Tom Kennedy, Rainbow MWD; Albert Lau, Santa Fe Irrigation District; Hector Martinez, South Bay Irrigation District; Dave McQuead, Rancho Santa Fe FPD; Marty Miller, Vista ID; Mark Robak, Otay WD; Joel Scalzetti, Helix WD; Mike Sims, Bonita-Sunnyside FPD; Oliver Smith, Valley Center FPD; Jeff Egkan, North County FPD.

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MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Analyst II
Michaela Peters, Analyst I

SUBJECT: **Response to Written Comments on Agenda Report Item No. 6a |** Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum addresses written comments received by LAFCO staff after the agenda report and associated public hearing notice was posted online and distributed to affected and subject agencies on April 26th. The public hearing notice was also published in the San Diego Union Tribune and Village News on April 24th and May 4th, respectively, with a commitment that all comments received by May 22nd would be incorporated by staff into the formal agenda packet. A total of 18 written comments were received by the close of business on May 22nd from all of the following:

1. County Water Authority
2. City of San Diego
3. Helix Water District
4. Steven Smith
5. Lisa Herman
6. Valley Center Municipal Water District
7. Jack Groshans
8. M/M Wiseman
9. City of Oceanside
10. San Diego County Taxpayers Association
11. Otay Water District
12. Rainbow Municipal Water District
13. Olivenhain Municipal Water District
14. Carlsbad Municipal Water District
15. Fallbrook Public Utility District
16. City of Poway
17. Lloyd Pellman, Special Counsel
18. Santa Fe Irrigation District

All 18 written comments received are attached to the memorandum with margin markings made by staff to track with staff responses provided below.

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Jo MacKenzie, Vista Irrigation
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Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

Comment Letter No. 1 | San Diego County Water Authority

The San Diego County Water Authority (CWA) letter was received by LAFCO on May 22, 2023. The letter was signed by General Manager Sandra L. Kerl. A summary of the comments with brief staff responses follow.

Comment 1.1

CWA comments San Diego LAFCO staff is recommending the Commission's approval of the detachments with a "very limited" exit fee.

Staff disagrees with the description of the exit fee. The proposed annual exit totals $24.305 million and has been calculated to represent five years of the estimated net revenue impact of the detachments to CWA less cost-savings attributed to no longer funding the budgeted construction of the ESP North County Pump Station. The exit fee is number-based and fair.

Comment 1.2

CWA recommends San Diego LAFCO adopt Option Five as listed in the agenda report to disapprove the reorganization proposals with prejudice.

Comment acknowledged.

Comment 1.3

CWA states the agenda report omits the objections to the reorganization proposals formally made by the City of San Diego and the Cities Advisory Committee.

Staff has prepared a separate memorandum as part of its supplemental report to the agenda item addressing the deliberations and any associated actions of all three advisory committees' – Cities, Special Districts, and Ad Hoc— that have participated in the administrative review of the reorganization proposals. The City of San Diego's comment letter and position statement on the proposals is addressed later in this memorandum (Comment No. 2.1).

Comment 1.4

CWA cautions San Diego LAFCO to not "ignore the judgment of the Water Authority's Board of Directors which has both the expertise and statutory responsibility for long-term water planning in San Diego County for more than 75 years."

Staff disagrees with the characterization. The reorganization proposals have been evaluated under LAFCO statute and through the collective expertise of San Diego LAFCO staff, counsel, and third-party consultants. When appropriate, the evaluation incorporates and defers to other agencies' expertise. This includes drawing on real-time feedback from the County Water Authority via the Ad Hoc Committee – including, but not limited to, the selection of LAFCO's third-party water economist expert, Dr. Michael Hanemann.

Comment 1.5a.
CWA objects to approval of the reorganization proposals on the basis of "diluting the San Diego region's influence at MWD and harming all San Diego County water ratepayers."

Staff believes this is a reasonable concern. As detailed in the agenda report, staff confirms the proposed reorganizations would lessen CWA's voting power at MET by a margin of 0.3%. In assessing the significance of the 0.3% transfer in voting power, LAFCO staff reviewed the last 900+ votes of the MET Board during the last 10 years. Within this period, there have only been two votes in which the decision was within the margin of voting rights that would be shifted. Staff does not believe either of these votes are significant in the long view of MET and its member agencies given their procedural topics. A third and otherwise substantive vote did come close to the margin difference and therefore does create an outlier in the Commission's consideration on the topic. This outliner involves the appointment of the current General Manager, which was approved by the MET Board on June 8, 2021 with a margin of 0.42%

Comment 1.5b.
CWA objects to approval of the reorganization proposals on the basis that it would "cause water rate hikes across San Diego County, as other member agency ratepayers must cover the revenue losses caused by a Fallbrook and Rainbow exit."

Not necessarily. The purpose of the recommended exit fee is to provide an adjustment period and the opportunity therein for CWA to absorb and/or recover the loss revenue from the detachments. This could include reducing costs and/or establishing new revenues that would alleviate the need to pass the monetary impacts on to member agencies and their ratepayers. Otherwise, and as detailed in the agenda report, staff estimates the average monthly household impact should the costs be directly passed on to ratepayers is $2.20.

Comment 1.5c.
CWA objects to approval of the reorganization proposals on the basis that it would set "a dangerous precedent, and adverse financial rating impacts at the Water Authority and MWD, raising borrowing costs and therefore causing water rates to even further increase across San Diego County and Southern California."

It is possible – but not necessarily probable – approval of the reorganization proposals could prompt other CWA member agencies to seek their own detachments. Any such future proposals would be evaluated on their own merits under LAFCO statute and policy. This said, the precedent concerns appear separately controlled based on the geographic conditions that uniquely position Fallbrook PUD and Rainbow MWD to propose detachments given their ready ability to connect to the MET transmission line.

It appears reasonable to assume detachments would generate some impact on CWA's credit rating. It is also reasonable to presume the impact would be less than significant, given recent circumstances. This latter presumption ties to Standard and Poor's actions to modify CWA's outlook from "stable" to "negative" in 2021 and back to "stable" in 2022. These dates overlap

with the proposals' administrative review and suggest – among other things – the detachment filings were not a primary reason in the original downgrading decision.

Comment 1.5d.
CWA objects to the approval of the reorganization proposals on the basis that Fallbrook PUD and Rainbow MWD residents would lose a reliable water supply "by becoming totally dependent on MWD, without benefit of the MWD preferential water rights they have already paid for at the Water Authority."

Comment acknowledged.

Comment 1.5e.
CWA objects to the approval of the reorganization proposals on the basis that it would limit Fallbrook PUD and Rainbow MWD residents "in an emergency by reliance on water from the north, without adequate analysis of how a serious earthquake would threaten farms and residents."

Staff disagrees. Adequate analysis has been performed and addressed in the agenda report. This includes noting Eastern MWD has capacity to supply a 75% level of service in an emergency through existing connections. Further, should there be a complete disruption in service delivery from the north, Rainbow and Fallbrook have a combined total local storage capacity equivalent to accommodating 73 days of average day demands without recharge.

Comment 1.5f.
CWA objects to the approval of the reorganization proposals on the basis that Fallbrook and Rainbow risk "significant water rate increases" given the expectation that MWD "is heading into a major capital investment cycle that will raise its rates significantly".

It is possible – and presumably probable – MET will increase water rates as it pursues capital improvements in combination with continuing to adjust to decreasing water usage. This dynamic is addressed in the agenda report and references Dr. Michael Hanemann's third-party assessment that the applicants are taking a "financial gamble" in changing wholesalers. The applicant's elected boards – nonetheless – have accepted this gamble and believe the savings in changing wholesalers will hold in the long term.

Comment 1.6
CWA objects to the approval of the reorganization proposals on the basis that "the applications, if granted, will increase reliance on the fragile Bay-Delta water system, *contravening State law and policy*" (emphasis added).

Staff concurs the reorganization proposals would result in greater demands on the Bay-Delta and in doing so stray from State policy (Water Code 85021) to reduce reliance on the Delta. Materially, a similar policy directive was recently formalized by the United States for the State of California – among others western states – to reduce reliance on the Colorado River given its accelerated depletion in recent years.

Comment 1.7

CWA objects to the approval of the reorganization proposals on the basis that "there has been no CEQA review of the effect of granting the applications; including their combined effect and Bay-Delta impacts."

Staff disagrees. Staff has performed the appropriate level of analysis required under CEQA as detailed in the agenda report. This includes determining both reorganization proposals qualify as projects *but* are categorically exempt from further environmental review under State CEQA Guidelines Section 15320, known as "Class 20" (emphasis). This exemption appropriately applies given the underlying jurisdictional changes involve the transfer of existing municipal service functions (i.e., wholesale water) within the same geographic area with no additional powers or expansions therein. Staff has also not identified any "unusual circumstances" to trigger an exception to the exemption process – including any conditions within the Bay-Delta.[1] The exemption has been similarly used by LAFCO when processing comparable reorganizations in which active service functions have been transferred from one government agency to another without modifying the authorized service areas, and this includes recent proposals to change fire protection providers in Julian (2018), Bostonia (2018), Pauma Valley (2019), Ramona (2022), and Borrego Springs (2023).

Comment 1.8

CWA objects to the approval of the reorganization proposals on the basis that it will "damage coordinated regional planning efforts in San Diego County for water supply reliability and other critical issues."

Staff believes the reorganization proposals would change – but not damage – regional water supply planning in San Diego with the applicants joining other municipal service providers that are not members of CWA.

Comment 1.9

CWA objects to the approval of the reorganization proposals on the basis that "extensive data [is] missing from the applications, making them defective until remedied."

Staff disagrees. The Executive Officer attests the applications are now complete under LAFCO statute and policy and has issued a Certificate of Filing under Government Code 56020.6

Comment 1.10

CWA substantiates its objection to the reorganization proposals on the basis it will cause CWA to "lose voting rights at MWD".

See response to 1.5a.

[1] Recorded flows through the Bay-Delta portion of the State Water Project have experienced significant fluctuations on a year-to-year basis of no less than 25% over the last five-years of available data published in the Department of Water Resources' Bulletin 132 (2014 to 2018). In detailed in the agenda report, and in the improbable event 100% of all water demands by Fallbrook PUD and Rainbow MWD are accommodated by the State Water Project post detachments, this would represent a 1.65% of the average-five-year flow demand occurring with the Bay Delta and well below - and specifically 15 times less – the annual fluctuation already occurring.

Comment 1.11
CWA substantiates its objection to the reorganization proposals on the basis it will cause CWA ratepayers to "pay higher rates".

See response to 1.5b

Comment 1.12
CWA substantiates its objection to the reorganization proposals on the basis they will "increase reliance on the Bay-Delta".

See response to 1.6.

Comment 1.13
CWA substantiates its objection to the reorganization proposals on the basis that "no proper CEQA review has been performed".

See response to 1.7.

Comment 1.14
CWA substantiates its objection to the reorganization proposals on the basis that "Fallbrook and Rainbow water users lose water reliability and may not even save money."

See responses to 1.5d and 1.5f.

Comment 1.15
CWA substantiates its objection to the reorganization proposals on the basis that "there has been no proper review of earthquake risks."

See response to 1.5e.

Comment 1.16
CWA substantiates its objection to the reorganization proposals on the basis that "there is risk of negative precedent."

See response to 1.5c.

Comment 1.17
CWA substantiates its objection to the reorganization proposals on the basis that "material information is still missing."
See response to 1.9.

Comment 1.18
CWA requests San Diego LAFCO condition the reorganization proposals – should they be approved – with the following terms of approval:

"An affirmative majority vote in the entire Water Authority service area, as well as one in the Fallbrook and Rainbow service areas."

The requested term – and irrespective of any merits – to expand a confirmation vote within the entirety of CWA's jurisdictional boundary is not available. CWA previously requested and received approval from the Commission in May 2020 to process any necessary conducting authority proceedings to follow the County Water Authority Act. Accordingly, *and because LAFCO statute does not govern the conducting authority proceedings*, the Commission does not have discretion to deviate from the explicit provisions of the County Water Authority Act, which states only registered voters within the public agencies seeking "exclusion" are eligible to vote (emphasis added).

"An increased "exit fee" for a longer period of time to allow the Water Authority to manage the county-wide ratepayer impacts caused by detachment, and with a much-reduced offset to match the years included in an exit fee."

Comment acknowledged.

"A requirement that any "exit fee" be agreed to via formal majority vote in Fallbrook and Rainbow's service areas such that if the agencies do not timely pay for any given year(s), the taxpayers agree via their vote that the unpaid amounts may be levied on their properties by the Water Authority."

The requested term substantively deviates from Commission practice to have applicants agree to all approval conditions – and specifically those occurring post recordation – through a notarized agreement. This standing practice has proven successful in holding applicants legally responsible for completing approval terms. Staff defers to the Commission should it collectively want to further explore this request.

"That all Water Authority costs of the engineering and infrastructure changes that need to be made to accommodate the reorganizations be paid for by Fallbrook and Rainbow."

It is unclear what specific infrastructure costs would be required of CWA to accommodate the proposed reorganizations.

"Require the Applicants to formally apply for annexation to MWD to establish, rather than assume, MWD terms and conditions, or confirm that MWD Board policy is that no annexation is required under the MWD Act so long as the detaching and annexing areas are within the MWD service territory."

Unnecessary. MET has previously confirmed to LAFCO that the proposed reorganizations would not require any new annexations into MET.

"Require the Applicants to secure formal resolution of the Eastern Board of Directors identifying exactly how Fallbrook and Rainbow customers will be represented should annexation be granted, and demonstrating compliance with all local, regional, and statewide legal requirements."

Unnecessary. Eastern MWD and its five-member Board would be legally responsible under its principal act to extend equal representation to Fallbrook PUD and Rainbow MWD should the reorganizations proceed. Fallbrook PUD and Rainbow MWD would continue to have its own Board to oversee and manage its affairs as it deems appropriate.

Comment 1.20
CWA requests all application materials, Dr. Hanemann's report and presentations, proceedings of the Ad-Hoc Committee, and all other correspondence and related materials be made part of the official administrative record.

Staff agrees.

Comment Letter No. 2 | City of San Diego

The City of San Diego letter was received by LAFCO on May 22, 2023. The letter was signed by Mayor Todd Gloria. A summary of the comments with brief staff responses follow.

Comment 2.1
City of San Diego states its opposition to the proposed reorganization proposals.

Comment acknowledged.

Comment 2.2
The City of San Diego states its acknowledgement of "the spirit and point that Fallbrook PUD and Rainbow MWD are attempting to make with their proposed detachments," however, "believe it is the wrong answer to the challenges represented by both agencies."

Comment acknowledged.

Comment 2.3
The City of San Diego states "the proposed action will have significant, long-term economic and political impacts to the vast majority of households in San Diego County."

Not necessarily. The purpose of the recommended exit fee is to provide an adjustment period and the opportunity therein for CWA to absorb and/or recover the loss revenue from the detachments. This could include reducing costs and/or establishing new revenues that alleviate the need to pass the detachment impacts on the City of San Diego and other member agency and their ratepayers. The potential political impacts are also variables may or may not prove material.

Comment 2.4

The City of San Diego objects to the reorganization proposals on the basis that "nearly every household in San Diego County will see an increase in their water rates."

It is possible – and perhaps probable – the reorganization proposals would generate increases in the retail water rates for the remaining CWA member agencies and households therein. Staff has calculated the probable rate increases for all member agencies in the agenda report. The increases – however and as noted in response to 2.3 – are not a certainty given the opportunity for CWA to absorb and/or recover impacts through cost-savings and/or related revenue opportunities associated with the detachment – the latter included the possibility to sell excess water to interested agencies that would otherwise go to the applicants.

Comment 2.5

The City of San Diego objects to the reorganization proposals on the basis that "San Diego County will lose voting rights at Metropolitan Water District of Southern California (MET)."

Staff believes this is a reasonable concern. As detailed in the agenda report, staff confirms the proposed reorganizations would lessen San Diego County's (via CWA) voting power at MET by a margin of 0.3% as detailed in the agenda report. In assessing the significance of the 0.3% transfer in voting power, LAFCO staff reviewed the last 900+ votes of the MET Board during the last 10 years. Within this period there have only been two votes in which the decision was within the margin of voting rights that would be shifted. Staff does not believe either of these votes are significant in the long view of MET and its member agencies given their procedural topics. A third and otherwise substantive vote did come close to the margin difference and therefore does create an outlier in the Commission's consideration on the topic. This outliner involves the appointment of the current General Manager, which was approved by the MET Board on June 8, 2021 with a margin of 0.42%.

Comment 2.6

The City of San Diego objects to the reorganization proposals on the basis that "the voters of our region will not have a say," given "LAFCO staff has unilaterally determined that a vote of all impacted San Diego County residents is not necessary nor required." The City proceeds to assert LAFCO has the "discretion to recommend a countywide vote, which would be in parity with other jurisdictional boundary changes LAFCO considers."

Staff disagrees with the characterizations.

With respect to setting the electorate of any conforming elections, CWA previously requested and received Commission approval for any conducting authority proceedings to follow the County Water Authority Act. Accordingly, *and because LAFCO statute does not govern these conducting authority proceedings*, the Commission does not have discretion to deviate from the explicit provisions of the County Water Authority Act, which states detachments are subject to voter confirmations from only the registered voters within the public agencies seeking "exclusion." (emphasis added).

With respect to consistency with other jurisdictional changes, staff is not aware of any existing provisions – not in LAFCO statute and presumably not in any other principal act – that provides special district voters the approval power over proposed detachments. The only example staff is aware of involves "special reorganizations" as defined in LAFCO statute where an incorporated area seeks to detach and form its own city (e.g., San Fernando Valley). In this limited instance – which does not involve special districts – a concurrent confirmation vote is needed from both the registered voters within the affected territory as well as all registered voters within the existing city.

Comment Letter No. 3 |
Helix Water District

The Helix Water District (WD) letter was received by LAFCO on May 18, 2023. The letter was signed by General Manager Brian Olney. A summary of the comments with brief staff responses follow.

Comment 3.1
Helix WD objects to approval of the reorganization proposals on the basis that Fallbrook PUD and Rainbow MWD are avoiding short-term costs – byway of these proposals – and benefitting a "relatively small number of County residents versus the remaining 23 member agencies who will be permanently negatively impacted."

Comment acknowledged.

Comment 3.2
Helix WD objects to approval of the reorganization proposals on the basis that they will negatively impact "economically disadvantaged communities," and highlight the "comparatively few 4,350 economically disadvantaged members of the Fallbrook and Rainbow communities [as] substantially less than the approximately 112,000 disadvantaged community population of Helix Water District."

It is possible – and perhaps probable – the reorganization proposals would generate increases in the retail water rates for the remaining CWA member agencies. Staff has calculated the probable rate increases for all members agencies in the agenda report. Any increases to retail ratepayers would reasonably be expected to disproportionately impact lower-income communities. The increases – however and with the aid of recommended exit fees over a five-year period – are not a certainty given the adjustment opportunity for CWA to absorb and/or recover impacts through cost-savings and/or related revenue opportunities. Additionally, the federal government established the Low-Income Household Assistance Program in December 2020, which provides financial assistance to low-income Californians to help manage their residential water utility costs.

Additional analysis on the topic is attached via a separate memorandum from LAFCO Consultant Chris Cate.

Comment 3.3

Helix WD states their board has approved a water rate increase of $40 per year and detachments will impose an additional $11.40 per year increase, resulting in a total 29.0% increase to their customers. Helix cites this change as "significant."

Comment acknowledged with concurrence from staff that a 29% increase is significant based on the standard measurements that have been utilized in the agenda report. These same measurements show the estimated impacts of the reorganization proposals if fully passed through to CWA member agencies and their ratepayers is material but not significant with the average impact totaling 3.6% and below the one-year inflation rate of 6.4%.

Comment 3.4

Helix WD objects to approval of the reorganization proposals on the basis "the applicants have benefited from hundreds of millions of capital infrastructure investment dollars made by SDCWA that are not being recuperated in the current exit fee calculation methodology. In light of this approach, the application of a discount to the exit fee to account for avoided costs of future infrastructure is inappropriate. Additionally, the duration of the proposed exit fee period should be reconsidered to better align with relevant cost factors."

It seems reasonable to assume all member agencies have benefited from capital infrastructure investments made by CWA in direct proportion to rates paid by the agencies. As detailed in the agenda report, staff believes focusing on mitigating annual net revenue losses appears most appropriate in setting exit fees for the detachments and in doing so provide CWA a reasonable period to adjust its costs and/or revenue sources going forward. This focus addresses the most concrete and quantifiable impact to CWA. Materially, focusing on mitigating annual net revenue losses also covers long-term debt in the near term by helping to keep CWA whole and its ability to service debt on an annual basis. Any exit fees set to also recover outstanding debt over the same time would appear as double counting.

Comment 3.5

Helix WD asserts the "same issue of increasing water costs will arise in the short term for both Fallbrook PUD District and Rainbow MWD, even if they detach and begin receiving service from Eastern MWD."

Comment acknowledged.

Comment 3.6

Helix WD asserts "the report fails to consider the negative and permanent impact to the many disadvantaged communities outside of Fallbrook PUD and Rainbow MWD."

See response to 3.2.

Comment 3.7

Helix WD objects to approval of the reorganization proposals on the basis that "Helix will have to cover an additional $749,504 to $888,840 in costs associated with Fallbrook PUD and Rainbow MWD moving to a new wholesaler" and note this change as a "significant impact to [their] customers, including the 112,000 disadvantaged population we serve, and should not be minimized or dismissed."

Not necessarily. The purpose of the recommended exit fee is to provide a five-year adjustment period and the opportunity therein for CWA to absorb and/or recover the loss revenue from the detachments. This could include reducing costs and/or establishing new revenues that alleviate the need to pass the detachment impacts on to Helix WD ratepayers. Staff has also not dismissed the cost impacts should they be fully passed on to end users (ratepayers) and instead has assessed their "significance" relative to standard measurements. These standards include inflation-based measurements all conclude the cost impacts are not significant. Additionally, and specific to impacts to disadvantaged residents, federal legislation now provides financial assistance to low-income residents in California to help manage their residential water costs under the Low-Income Household Assistance Program.

Comment 3.8

Helix WD asserts that the ESP North County Pump Station "has not been built nor has the cost of the funds necessary to build the pump station been included in SDCWA rates," and therefore a credit should not be included as part of the exit fee.

Staff disagrees. In its adopted budget for FYs 2022 and 2023, CWA identifies the ESP North County Pump Station in their Capital Improvement Program. While the project components related to Rainbow and Fallbrook remain in a holding pattern, the work associated with serving Valley Center and Yuima remains on-going which results in a $6.85M increase to the total project cost due to updated design and construction estimates. This brings the total estimated project cost to the ESP North County Pump Station to $45.4 million. Extracting the on-going portion (Valley Center and Yuima), this leaves the total project cost associated with Rainbow and Fallbrook at $38.6 million. This provides sufficient justification to apply a full discount to Fallbrook PUD and Rainbow MWD in the amount of $38.6 million given the clear cost-avoidance to CWA should the detachments proceed.

Comment 3.9

Helix WD suggests "the credit for the ESP project only include the debt that would be payable during the duration of the exit fee period," and "that the duration [of the exit fee] should be on the higher end of Dr. Hanemann's recommended window."

Staff considered the merits of adjusting the discount for the ESP North County Pump Station as suggested by Helix WD. This alternative would involve applying a proportional credit each year of the exit fee period on the assumption CWA would otherwise debt fund the $38.6 million project costs over an extended period. This approach is reasonable but not necessarily clean. Staff concludes a more reasonable and cleaner approach is to apply a full discount on

the assumption that the ESP could be paid in cash (CWA's own long-term financing plan prescribes a 65% cash to 35% debt funding mix for its capital improvement program.) This approach relatedly avoids the challenge of accounting for inflation as well as interest on any debt funding on ESP that overtime would presumably extend the total cost well beyond the current $38.6 million estimate.

With respect to the duration of the exit fee period, Dr. Hanemann recommended a minimum period of three years and a maximum period of ten years. Drawing from this parameter, staff believes five years is a good and reasonable benchmark to apply to the reorganizations. The five-year benchmark – among other apt policy parallels – similarly applies to preparing urban water management plans and municipal service reviews.

Additional analysis on the first topic is attached via a separate memorandum from LAFCO Consultant Chris Cate.

Comment 3.10
Helix WD co-signs earlier comments made by MET Chair Adán Ortega:

"If permitted by LAFCO in San Diego County… efforts toward climate adaptation through investments on long-term water supply planning could become trapped in the immediate issues of affordability that could otherwise be addressed in the long-term. This would occur as communities chase after the lesser rates among adjacent Metropolitan Member Agencies in a potential race to the bottom compromising past investment."

Comment acknowledged.

Comment 3.11
Helix WD recommends the Commission approve Option Four disapproving the proposals without prejudice due to "the complexity and issues not evaluated as part of the staff report."

Comment acknowledged.

Comment Letter No. 4 |
Steven Smith, Rainbow MWD Customer

Steven Smith's letter was received by LAFCO on May 18, 2023. A summary of the comments with brief staff responses follow.

Comment 4.1
Mr. Smith supports the reorganization proposals and requests the Commission approve the applications and "let the voters of Fallbrook and Rainbow ultimately decide."

Comment acknowledged.

Comment Letter No. 5 | Lisa Herman, Rainbow MWD Customer

Lisa Herman's letter was received by LAFCO on May 19, 2023. A summary of the comments with brief staff responses follow.

Comment 5.1

Ms. Herman supports the reorganization proposals and requests the Commission approve the applications "without exit fees."

Comment acknowledged.

Comment 5.2

Ms. Herman objects to the imposition of exit fees "of the magnitude suggested" given "it unfairly rewards SDCWA for the operational neglect and lack of service benefits for RMWD that others in San Diego County enjoy."

Staff disagrees. The recommended exit fee provides an appropriate adjustment period and the opportunity for CWA to absorb and/or recover the loss revenue from the detachments without any immediate impacts to the remaining member agencies and their ratepayers.

Comment Letter No. 6 | Valley Center Municipal Water District

Valley Center Municipal Water District (MWD)'s letter was received by LAFCO on May 19, 2023. The letter was signed by General Manager Gary Arant. A summary of the comments with brief staff responses follow.

Comment 6.1

Valley Center MWD restates its support for all the approval conditions previously requested by CWA at the time the reorganization proposals were filed with LAFCO and outlined in CWA Resolution No 2020-06.

Comment acknowledged.

Comment 6.2

Valley Center MWD states the reorganization proposals' associated cost increases on the remaining member agencies along with "the impending roll-off of SDCWA Member Agencies" will "only hasten the negative financial impact on [their] local agricultural community."

Comment acknowledged.

Comment 6.3

Valley Center MWD states "that it is time for the SDCWA to make a serious evaluation of its cost structure and the balance between fixed costs/variable costs and fixed costs/fixed revenues to deal with future negative impacts of agency roll-off on its financial future."

Staff agrees. As addressed in the agenda report, staff estimates the financial impact of roll-offs tied to the three reuse projects currently in the queue (San Diego, Oceanside, and East County) would produce an approximate 9.4% increase to ratepayers by the end of this decade. This topic merits detailed focus in the scheduled municipal service review on CWA.

Comment Letter No. 7 | Jack Groshans, Fallbrook PUD Customer

Jack Groshans' letter was received by LAFCO on May 21, 2023. A summary of the comments with brief staff responses follow.

Comment 7.1

Mr. Groshans states support for the reorganization proposals and specifically staffs' recommendation for the Commission to proceed with Option Two to approve the reorganization proposals with exit fees.

Comment acknowledged.

Comment Letter No. 8 | Marie and Lewis Wiseman, Rainbow MWD Customers

Marie and Lewis Wiseman's letter was received by LAFCO on May 21, 2023. A summary of the comments with brief staff responses follow.

Comment 8.1

Mr. and Mrs. Wiseman state their support for the reorganization proposals and importance to local agricultural production.

Comment acknowledged.

Comment Letter No. 9 | City of Oceanside

The City of Oceanside's letter was received by LAFCO on May 21, 2023. The letter was signed by Public Utilities Director Lindsey Leahy. A summary of the comments with brief staff responses follow.

Comment 9.1

City of Oceanside states its support of the reorganization proposals and specifically support staffs' recommendation of Option Two that includes requiring the applicants to pay exit fees to CWA. Oceanside emphasizes its support on the basis that "Oceanside recognizes all the work that has gone into this effort and respects LAFCO as the authority having jurisdiction on this matter [and] feel as though opposing staff's recommendation or detachment in general, diminishes the purpose and value of LAFCO."

Comment acknowledged.

Comment 9.2

City of Oceanside notes that "there are potentially more impactful topics for Oceanside ratepayers occurring at SDCWA in the future. For example, the proposed SDCWA calendar year 2024 rate increase is seven times the proposed increase caused by detachment to the average Oceanside resident's monthly bill. With the inclusion of the exit fee, Oceanside ratepayers would not see an increase from this reorganization and SDCWA will have five years to evaluate their budget and operations to minimize impacts to their rate payers."

Staff agrees.

Comment 9.3

City of Oceanside objects to Option Three to defer consideration of the reorganization proposals until the completion of a scheduled municipal service review on CWA given the effects on the applicants.

Comment acknowledged.

Comment 9.4

City of Oceanside recommends a municipal service review on CWA proceed – whether the reorganization proposals proceed forward.

Staff agrees.

Comment Letter No. 10 |
San Diego Taxpayers Association

The San Diego Taxpayers Association letter was received by LAFCO on May 22, 2023. The letter is signed by President and Chief Executive Officer Haney Hong. A summary of the comments with brief staff responses follow.

Comment 10.1

The San Diego County Taxpayers Association states its opposition to the reorganization proposals based on several considerations.

Comment acknowledged.

Comment 10.2

The San Diego County Taxpayers Association asserts the "structure and sheer number of local governments is already confusing and the reorganizations would "worsen confusion."

Comment acknowledged.

Comment 10.3

The San Diego County Taxpayers Association objects to the approval of the reorganization proposals on the basis "detachment would result in San Diego County ratepayers not represented in San Diego County deliberations… [and] awkwardly give San Diego County ratepayers voice for Riverside County water matters, which then devalues Riverside County ratepayer representation in their own deliberations."

Comment acknowledged.

Comment 10.4

The San Diego County Taxpayers Association objects to the approval of the reorganization proposals on the basis "the Association believes there is a more prudent and more efficient mechanism to reducing rates through a local consolidation of the two agencies."

As detailed in the regional municipal service review on the Fallbrook region and referenced in Attachment Seven to the agenda report, community interest in the topic of consolidation appears limited. These conditions materially contributed to the Commission disapproving a staff recommendation to consolidate Fallbrook PUD and Rainbow MWD in September 2015. The Commission was similarly disinterested in revisiting the topic in the most recent municipal service review completed on the region in 2022.

Comment 10.5

The San Diego County Taxpayers Association objects to the reorganization proposals on the basis that "structural changes such as the deannexation of Rainbow MWD and Fallbrook PUD merely exchange short-term relief for delays in achieving long-term goals."

Fallbrook PUD and Rainbow MWD's elected boards have independently determined the benefits of detachments outweigh risks in both the short and long-term. LAFCO staff estimates the monetary benefits to the applicants and their ratepayers with the average household saving $23.50 each month through eh change in wholesalers.

Comment Letter No. 11 |
Otay Water District

The comment letter from the Otay Water District (WD) was received by LAFCO on May 22, 2023. The letter is signed by General Manager Jose Martinez. A summary of the comments with brief staff responses follow.

Comment 11.1

Otay WD states that "fundamentally LAFCO's own assessment and experts within th[e] report confirm approval of detachments would increase costs for over 3 million customers remaining throughout San Diego County while only benefiting the applicants."

Additional context is merited in considering the comment. Staffs' estimate of projected impacts from the reorganization proposals on CWA's member agencies and their ratepayers is prefaced on assuming a full pass through. This preface underlies staffs' estimate of an overall monthly household impact among the remaining member agencies of $2.20 should the proposals proceed. Staff is also recommending approvals be conditioned on an exit fee paid over a period of five years. The purpose of the recommended exit fee is to provide an adjustment period and the opportunity therein for CWA to absorb and/or recover the loss revenue from the detachments. This could include reducing costs and/or establishing new revenues that would alleviate the need to pass the monetary impacts on to member agencies and their ratepayers.

Comment 11.2

Otay WD states the applicants should remain financially responsible for their portion of CWA's Bond debt, Desalination, and QSA obligations "until the contracts are completed and can be renegotiated," and notes objection to allowing "Rainbow and Fallbrook to avoid what is their responsibility while offloading their cost."

Establishing a dedicated payment from the applicants over a longer period to recover their proportionate share of the outstanding long-term debt obligations appears impractical. This impractically ties to the uncertainty in fairly calculating each member agency's proportionate share of each debt issuance by CWA until maturity, while also reconciling the amount of water purchased by each member agency for the duration of the debt.

Comment 11.3

Otay WD requests "if detachment is permitted, that the true financial cost stays with Rainbow and Fallbrook" to "prevent unjustly placing an additional financial burden on our customers should be done."

See responses to 11.1 and 11.2.

Comment 11.4

Otay WD states "the term of an annual exit fee should match the term of the costs that were incurred on behalf of the exiting parties" and note that "Dr. Hanemann stated: "In the water industry, a period of 10 years would typically count as the short run for planning purposes." (Pg. 82). Therefore, a 10-year exit fee with a five-year analysis and update would be more appropriate based on the recommended logic by both Dr. Hanemann and th[e] LAFCO report, should detachment be considered."

Dr. Hanemann recommended a minimum period of three years, and a maximum period of ten years *should* LAFCO determine exit fees were appropriate (emphasis added).[2] Drawing from this parameter, staff believes five years is a good and reasonable benchmark to apply to the reorganizations. The five-year benchmark – among other apt policy parallels – similarly applies to preparing urban water management plans and municipal service reviews.

Comment 11.5

Otay WD states, "the rationale behind granting ESP credit to Rainbow and Fallbrook for the North County Pump Station is flawed." The district goes on to say "funds, which originate from all member agencies, being returned solely to Rainbow and Fallbrook is not justified."

Staff disagrees. CWA identifies the ESP North County Pump Station in their Capital Improvement Program. While the project components related to Rainbow MWD and Fallbrook PUD remain in a holding pattern, the work associated with serving Valley Center and Yuima remains on-going, which results in a $6.85M increase to the total project cost due to updated design and construction estimates. This brings the total estimated project cost to the ESP North County Pump Station to $45.4 million. Extracting the on-going portion (Valley Center and Yuima), this leaves the total project cost associated with Rainbow and Fallbrook at $38.6 million and would need to be constructed/paid should Fallbrook PUD and Rainbow MWD remain with the CWA. This provides sufficient justification to apply a full discount to Fallbrook PUD and Rainbow MWD in the amount of $38.6 million given the clear cost-avoidance to CWA should the detachments proceed.

Comment 11.6

Otay WD states, "Rainbow and Fallbrook need to retain the responsibility for their full share of the CWA debt… Per Dr. Hanemann's Report (Pg. 12), CWA's bonded and other indebtedness totals approximately $21 billion, with Rainbow and Fallbrook's share amounting to approximately $1 billion."

Staff disagrees. This approach – among other consequences – would necessitate consideration of Fallbrook PUD and Rainbow MWD's proportional share of CWA assets. Additional analysis on the topic is attached via a separate memorandum from LAFCO Consultant Chris Cate.

Comment 11.7

Otay WD points to staffs' agenda report and state the "detachment will increase reliance on the Sacramento Bay-Delta. While some have argued the impacts are small, it still acknowledges that allowing detachment will adversely affect an already stressed resource which is depended on by all southern California."

Comment acknowledged.

[2] It is pertinent to clarify Dr. Hanemann did not address whether an exit fee should be applied – only whether if an exit fee would be economically justified.

Comment 11.8

Otay WD states "while Fallbrook and Rainbow may see cost savings, there is no justification to offer our customers for raising what they pay for water… other than they are subsidizing the savings of others and that this is being done without a direct say on the matter."

As noted in response to 11.1, staff is also recommending the reorganization proposals' approval be conditioned on an exit fee paid over a period of five years. The purpose of the recommended exit fee is to provide an adjustment period and the opportunity therein for CWA to absorb and/or recover the loss revenue from the detachments. This could include reducing costs and/or establishing new revenues that would alleviate the need to pass the monetary impacts on to Otay WD and other member agencies and their ratepayers.

Comment 11.9

Otay WD states "detachment would create a precedent of letting some parties create expensive reliability and then escape the cost."

It is possible – but not necessarily probable – approval of the reorganization proposals could prompt other CWA member agencies to seek their own detachments. Any such future proposals would be evaluated on their own merits under LAFCO statute and policy. The precedent concerns appear separately controlled based on the geographic conditions that uniquely position Fallbrook PUD and Rainbow MWD to propose detachments given their ready ability to connect to the MET transmission line.

Comment 11.10

Otay WD states "detachment undermines the representation of San Diego and our ability to pursue equity for our residents at MWD. In combination, they constitute the second largest voting bloc in San Diego County Water Authority. Once again, allowing detachment would adversely impact the representation of the ratepayers throughout San Diego County at MWD without allowing them to have a vote on the matter."

Comment acknowledged. Staff believes it is prudent to acknowledge context with respect to addressing the comment's implication that voters throughout CWA should directly participate in the decision-making on the proposed reorganizations given the *potential* for rate impacts. (Potential is used, given it is not a certainty with the opportunity for CWA to absorb and/or recover detachment costs through various means.) This context involves the recognition that much larger rate impacts at CWA loom tying to roll-offs, which are expected to generate nearly a 10% increase in ratepayer charges by the end of the decade without any voter approvals.

Comment 11.11

Otay WD states "allowing detachment in this specific matter would destabilize CWA and orderly government planning and structure throughout our region."

No explicit examples have been identified indicating any destabilizing in regional coordinated planning efforts that would result should these proposals proceed.

Comment 11.12

Otay WD states its opposition to the reorganization proposals and "recommends LAFCO proceed with Option Four" and disapprove without prejudice.

Comment acknowledged.

Comment Letter No. 12 | Rainbow MWD

The comment letter from Rainbow MWD was received by LAFCO on May 22, 2023. The letter is signed by General Manager Tom Kennedy. A summary of the comments with brief staff responses follow.

Comment 12.1

Rainbow MWD note their continued disagreement "with LAFCO on whether LAFCO has the authority to impose an "exit fee" on Rainbow MWD as part of this process," and request that should an exit fee be imposed "some sort of credit should be applied for these assets that we will leave behind."

Comment acknowledged.

Comment 12.2

Rainbow MWD notes "SDCWA has consistently indicated that there will be ZERO Operations and Maintenance (O&M) savings related to detachment. This salient point should be emphasized in the report. While it is hard to imagine this the case, if SDCWA is correct, Rainbow MWD is grossly overpaying for services it does not receive. This fact alone is a basis for the approval of detachment."

Comment acknowledged.

Comment 12.3

Rainbow WD notes "Dr. Hanemann (with LAFCO staff concurrence) concludes that SDCWA's leased Colorado River water supplies offer a higher level of reliability than the diversified supplies from the Metropolitan Water District (MWD). As we have all seen over the last year, the Colorado River supply is hardly a secure future source of water and is likely to be cut significantly in the upcoming years."

Comment acknowledged.

Comment 12.4

Rainbow MWD notes "Wheeling Agreements for Rainbow's southerly connections… are not a prerequisite for detachment. Irrespective of the detachment decision, Rainbow is in the process of moving all of our water purchases to our MWD connections as SDCWA's exorbitant transportation fee makes this a cost-effective option for us. As noted in our original application from 2020 and in correspondence since then, Rainbow MWD has not yet

completed construction of the limited facilities required to make this transition and will need to consult with LAFCO on the exact timing of the detachment should it be approved by the Commission and subsequently by the voters in our service area."

Comment acknowledged.

Comment 12.5

Rainbow MWD notes "each and every time SDCWA approves debt, the Board of Directors at SDCWA adopts a resolution that clearly states that no member agency has any obligation to pay any specific amount of the debt, nor do they have any obligation to purchase any set amount of water. While Helix may have its own opinions here, the SDCWA board is clear on this topic: we do not owe anything for their outstanding debt."

Comment acknowledged.

Comment 12.6

Rainbow MWD comments on the financial impacts between "roll-off" and "detachment" and note "the flawed governance model in place at SDCWA will ensure that these 'roll off' agencies (including the City of San Diego, Helix, and others) will have the voting power to block any attempt to equitably redistribute costs into true fixed charges. This will leave non-roll off agencies, such as Rainbow MWD, Valley Center MWD, and others to foot the bill, leading to devastating rate impacts for the customers of these agencies and our agricultural communities."

Comment acknowledged. Staff also agrees the cited issues on governance should be incorporated for analysis into the pending municipal service review.

Comment 12.7

Rainbow MWD states "LAFCO policies require that special consideration be given for the preservation of agricultural lands. LAFCO should follow this guidance and recommend approval without an exit fee."

Staff agrees agricultural resources and their protection and enhancement merit special consideration by LAFCO and should play a role in the Commission's consideration of the proposed reorganizations. Staff disagrees with respect to approving the proposals without an exit fee. Pertinently, an exit fee provides an appropriate adjustment period and the opportunity for CWA to absorb and/or recover the loss revenue from the detachments without any immediate impacts to the remaining member agencies and their ratepayers.

Comment 12.8

Rainbow MWD objects to Option Three to pause consideration of the reorganization proposals until the completion of a scheduled municipal service review on CWA.

Comment acknowledged.

Comment Letter No. 13 | Olivenhain Municipal Water District

The comment letter from Olivenhain Municipal Water District (MWD) was received by LAFCO on May 22, 2023. The letter is signed by General Manager Kimberly Thorner. A summary of the comments with brief staff responses follow.

Comment 13.1
Olivenhain MWD states its support for Option Three to defer consideration of the reorganization proposals in favor of first competing a scheduled municipal service review on CWA. The comment adds this option "would allow the comprehensive review of SDCWA with respect to current and planned service levels, community needs, and financial standing before taking any potential actions on the detachments."

Comment acknowledged.

Comment 13.2
Olivenhain MWD states its objection to any action that would "increase its costs in the near or far term."

Comment acknowledged.

Comment 13.3
Olivenhain MWD states that should the Commission not favor Option Three its "default position would be Option Four, which would be to disapprove the proposals without prejudice."

Comment acknowledged.

Comment Letter No. 14 | Carlsbad Municipal Water District

The comment letter from Carlsbad Municipal Water District (MWD) was received by LAFCO on May 22, 2023. The letter is signed by Boardmember Teresa Acosta. A summary of the comments with brief staff responses follow.

Comment 14.1
Carlsbad MWD states its objection to any action that would "increase its costs in the short or long term."

Comment acknowledged.

Comment 14.2
Carlsbad MWD notes its concern "with the long-term consequences of the possible detachments in combination with larger impending roll-offs of the San Diego County Water Authority (Water Authority) member agencies with local supply projects that will be completed over the next decade."

Comment acknowledged. Staff also agrees the referenced issues on larger roll-offs at CWA and their impacts be incorporated for analysis into the pending municipal service review.

Comment 14.3
Carlsbad MWD recommends "considering the Water Authority municipal service review before making a decision on the reorganization," and in doing so "take a deep dive into the water supply and demand challenges facing the San Diego region…"

Comment acknowledged.

Comment Letter No. 15 | Fallbrook PUD

The comment letter from Fallbrook PUD was received by LAFCO on May 22, 2023. The letter is signed by General Manager Jack Bebee. A summary of the comments with brief staff responses follow.

Comment 15.1
Fallbrook PUD requests the agenda report "make very clear that the Commission must take separate action on each District's Reorganization Application."

The "Alternatives for Action" in the agenda report make clear LAFCO is to take actions on each individual reorganization proposal.

Comment 15.2
Fallbrook PUD questions the "appropriateness of an exit fee."

Staff believes the exit fee as recommended is appropriate. Most notably and based on recovering the net revenue loss for the first five years less cost-avoidance of building the North County ESP, the exit fee provides an adjustment period and the opportunity therein for CWA to absorb and/or recover the loss revenue from the detachments. This could include reducing costs and/or establishing new revenues that would alleviate the need to pass the monetary impacts on to the remaining member agencies and their ratepayers.

Comment 15.3
Fallbrook PUD requests "LAFCO staff consider making Option One the preferred staff recommendation or at least designating Option One as a staff "recommended" alternative for the Commission's consideration." (This option approves the reorganization proposals without special conditions requiring an exit fee.)

See response to 15.2.

Comment 15.4
Fallbrook PUD objects to Option Three and the deferral of acting on the reorganization proposals until after staff completes a scheduled municipal service review on CWA.

Comment acknowledged.

Comment 15.5
Fallbrook PUD expands on its request for Option One to proceed without any exit fee since that is "what is provided for, and required by, the County Water Authority Act."

Comment acknowledged.

Comment 15.6
Fallbrook PUD states it "has not utilized any portion of SDCWA pipeline since November 2019."

Comment acknowledged.

Comment 15.7
Fallbrook PUD requests "LAFCO staff consider including a sentence that identifies for the Commission, that recent events on the Colorado River create an additional level of uncertainty of the relative reliability of the Colorado River supplies under Eastern MWD or SDCWA."

Staff concurs with the underlying observation that the reliability of the Colorado River appears less certain now as compared to when Dr. Hanemann preformed his analysis. Staff – however – does not have the expertise or data to readily quantify the status of the Colorado River relative to current conditions in the Bay Delta beyond what Dr. Hanemann has provided.

Comment 15. 8
Fallbrook PUD notes "LAFCO lists the total revenue impact at $12.58 million and the RMWD impact at $8.517 million but incorrectly identifies the FPUD fee at $7.285 instead of $4.07 million ($12.58 million - $8.51 million) as correctly listed on page 21."

Staff agrees and the error will be addressed in a corrective version.

Comment 15.9
Fallbrook PUD notes "discussion states that both sides accept there are near term unavoidable financial impacts of detachment. This statement is only partially true as because the impacts are not unavoidable," and that "if SDCWA continues to take no actions to reduce its costs there will be a cost impact to remaining member agencies, SDCWA could reduce its supply commitments to offset the loss in demands."

Staff agrees.

Comment 15.10
Fallbrook PUD notes their continued disagreement with LAFCO imposing an exit fee and question LAFCO's authority to do so.

Comment acknowledged.

Comment 15.11
Fallbrook PUD notes staffs' discussion on the calculation of an exit fee "confusing" and request staff use "SDCWA adopted budget for FYs 2022 and 2023."

Staff has drawn on Dr. Hanemann's analysis in determining a full discount of $38.6 million is merited given the cost avoidance for CWA in not having to construct the ESP North County Pump Station. Further – and to clarify the confusion – the total estimated project cost associated with the ESP North County Pump Station is $45.4 million. The $45.4 million includes costs associated with two other agencies – Valley Center and Yuima – totaling $6.85 million. Extracting this latter amount leaves the total project cost associated with Rainbow and Fallbrook at $38.6 million. (Page 148 – Adopted FY 22-23 CWA budget).

Comment 15.12
Fallbrook PUD notes that in addition to their local supply storage, it has the ability to receive additional supplies from Camp Pendleton via the Santa Margarita Conjunctive Use Project.

Comment acknowledged.

Comment 15.13
Fallbrook PUD notes staff "may incorrectly state the funding source for Eastern MWD, as it states it is funded by general fund allocations by the Riverside County Board of Supervisors. LAFCO staff may also want to consider including a statement to make clear that under the Municipal Water Districts Law of 1911, municipal water districts, such as Eastern Municipal Water District (Eastern MWD), may include non-contiguous territory."

Staff agrees and the error will be addressed in a corrective version.

Comment 15.14
Fallbrook PUD states its support for staffs' recommendation of Option Two, however request reconsideration on the amount of the exit fee as well as the applicable years.

Comment acknowledged.

Comment Letter No. 16 | City of Poway

The comment letter from the City of Poway was received by LAFCO on May 22, 2023. The letter is signed by Mayor Steve Vaus. A summary of the comments with brief staff responses follow.

Comment 16.1
City of Poway notes their disappointment in seeing "the proposal going forward to the Commission" as they fail to address their earlier submitted comments.

All comments submitted to LAFCO staff during the administrative review have been considered and incorporated into the analysis as appropriate.

Comment 16.2
City of Poway notes the cost savings to the applicants – should the reorganization proposals proceed – "comes at the expense of every customer in Poway, and throughout region."

Staff recommends Option Two and the approval of the reorganization proposals on an exit fee paid over a period of five years. The purpose of the recommended exit fee is to provide an adjustment period and the opportunity therein for CWA to absorb and/or recover the loss revenue from the detachments. This could include reducing costs and/or establishing new revenues that would alleviate the need to pass the monetary impacts on to the City of Poway and other member agencies and their ratepayers.

Comment 16.3
City of Poway states it "adamantly opposes allowing the agencies to detach and therefore supports Option Four (disapprove without prejudice)."

Comment acknowledged.

Comment 16.4
City of Poway objects to staffs' recommendation with respect to the length of the exit fee.

Staff has directly drawn on Dr. Hanemann's recommendations for a three to ten-year window in setting an exit fee should LAFCO determine is appropriate. Drawing from this parameter, staff believes five years is a good and reasonable benchmark to apply to the reorganizations. The five-year benchmark – among other apt policy parallels – similarly applies to preparing urban water management plans and municipal service reviews.

Comment 16.5
City of Poway recommends expanding the exit fee to a period of ten years as well as incorporating the agencies "proportionate costs for the Water Authority projects."

Comment acknowledged.

Comment 16.6
City of Poway objects to providing a discounted exit fee of $24.0 million.

The proposed annual exit totals $24.305 million and has been calculated to represent five years of the estimated net revenue impact less cost savings attributed to no longer funding the construction of the ESP North County Pump Station ($38.6 million). Staff believe the exit fee is reasonable and directly quantifiable.

Comment 16.7
City of Poway states its objection to "the loss of Water Authority's voting rights at Metropolitan Water District (MET)," and note "LAFCO Staff seems to write this off as an inconsequential component of approval of the detachments."

LAFCO's consideration of the reorganization proposals involves a balancing of completing interests and concerns. As detailed in the agenda report, staff believes the loss of voting power for CWA at MET is material and warrants consideration.

Comment 16.8
City of Poway states "that a vote of all registered voters in San Diego was dismissed as something LAFCO Counsel does not believe is an option available to the Commission."

Staff disagrees with the overly broad characterization. CWA previously requested and received approval from the Commission in May 2020 to process any necessary conducting authority proceedings to follow the County Water Authority Act. Accordingly, *and because LAFCO statute does not govern the conducting authority proceedings*, the Commission does not have discretion to deviate from the explicit provisions of the County Water Authority Act, which states only registered voters within the public agencies seeking "exclusion" are eligible to vote (emphasis added).

Comment 16.9
City of Poway states its recommendation that the applicants "pay the maximum exit fee, with no discount, for the maximum period of time supported by Dr. Hanemann's findings."

Comment acknowledged.

Comment Letter No. 17 |
Lloyd Pellman, Nossman LLP: Special Counsel for Rainbow MWD

The comment letter Special Counsel Lloyd Pellman with Rainbow MWD was received by LAFCO on May 22, 2023. A summary of the comments with brief staff responses follow.

Comment 17.1
Mr. Pellman notes the importance of preserving agricultural lands as directed in Government Code Section 56668 and San Diego LAFCO's policy L-101 and states "such preservation of agricultural land through the lowering of the costs of water needed for crops is the thrust of the proposal for the change of wholesalers."

Comment acknowledged.

Comment 17.2
Mr. Pellman notes the "official policy of the San Diego County Water Authority is reflected in its Official Statement for refinancing and its financing resolution adopted by its Board is that no member agency is obligated for any debt and no member agency is obligated to purchase any water."

Comment acknowledged.

Comment 17.3
Mr. Pellman states the CWA act does not require an exit fee nor does it "include any provision for the Commission to provide for a condition for detachment beyond the continuation of property taxes."

With respect to LAFCO powers, they are enumerated in the Cortese-Knox-Hertzberg Act, and this includes authorizing commissions with broad conditioning powers – including setting payments (Government Code 56886).

Comment Letter No. 18 | Santa Fe Irrigation District

The comment letter from the Santa Fe Irrigation District (ID) was received by LAFCO on May 22, 2023. The letter is signed by Board President Michael T. Hogan. A summary of the comments with brief staff responses follow.

Comment 18.1
Santa Fe ID states its opposition to the reorganization proposals.

Comment acknowledged.

Comment 18.2
Santa Fe ID states it is "deeply concerned about the long-term negative impacts of detachments on the water ratepayers of San Diego County residents while favoring the short-term economic gains of Fallbrook PUD and Rainbow MWD ratepayers."

The proposals provide a clear benefit to Fallbrook PUD and Rainbow MWD ratepayers and underlies the agencies' decision in initiating the applications. As addressed in the agenda report, it is possible but not necessarily probable the proposals will have long-term effects on

ratepayers within the other CWA member agencies. The variable ties to the ability afforded via the recommended five-year exit fee period for CWA to explore opportunities to absorb and/or recover the loss revenue associated with Fallbrook PUD and Rainbow MWD. Further, while material, the overall average impact of the detachments should the loss revenue be directly passed on to remaining member agencies and their rate payers is estimated by LAFCO at $2.10 monthly per household. This amount is not considered significant based on standard measurements detailed in the agenda report.

Comment 18.3

Santa Fe ID urges San Diego LAFCO "to carefully consider the potential implications of this reorganization action, as it will decrease supply reliability for the communities served by Fallbrook PUD and Rainbow MWD. The LAFCO staff noted Dr. Hanemann's report, which highlights that these agencies would be taking a significant gamble on supply reliability by switching from SDCWA to EMWD."

As addressed in the agenda report, Eastern MWD will provide Rainbow MWD and Fallbrook PUD adequate water supply reliability. Further, staff defers to Dr. Michael Hanemann and his summation that Fallbrook and Rainbow are taking a "financial gamble" in which they risk paying more for water in the long run. Fallbrook PUD and Rainbow MWD's elected boards have independently determined the benefits of detachment outweigh these risks.

Comment 18.4

Santa Fe ID states, "the offsetting credit for the value of the avoided costs for the planned Emergency Supply Project fails to account for the region's existing debt incurred for the QSA," and well as other projects.

Establishing a dedicated payment from the applicants over a longer period to recover their proportionate share of the outstanding long-term debt obligations appears impractical. This impractically ties to the uncertainty in fairly calculating each member agency's proportionate share of each debt issuance by CWA until maturity, while also reconciling the amount of water purchased by each member agency for the duration of the debt.

Comment 18.5

Santa Fe ID objects to the exit fee timeline.

Staff has drawn on Dr. Hanemann's core analysis in recommending an exit fee based on the annual net revenue impact of $12.6 million less cost-avoidance (e.g., North County ESP) paid each year over a five-year period. Staff believes five years is a good and reasonable benchmark to apply to the reorganizations and lies near the center point of Dr. Hanemann's three to ten year recommended window. The five-year benchmark – among other apt policy parallels – similarly applies to preparing urban water management plans and municipal service reviews.

Comment 18.6

Santa Fe ID objects to staff's "failure to account for a full share of obligations" by the applicants and a "lack of reassessment of financial obligations."

See responses to 18.2, 18.4, and 18.5.

Comment 18.7

Santa Fe ID requests that should the reorganization proposals proceed with an exit fee, the recommendation "include a stipulation that the exit fee be returned to CWA's member agencies as LAFCO's report specifically identified the financial impacts of the detachment on CWA's member agencies."

Staff appreciates the suggestion and believes this option is reasonable and defers to the Commission on direction with respect to further analysis.

Comment 18.8

Santa Fe ID recommends the commission reject the reorganization proposals.

Comment acknowledged.

Attachments:
1) Chris Cate Memorandum
2) Written Comments with Margin Markings

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STRATEGIES

MEMORANDUM

DATE: **May 30, 2023**

TO: **Keene Simonds, Executive Officer**

FROM: **Chris Cate, 3MC Strategies**

SUBJECT: **Response to Helix Water District Comments**

On May 18, 2023, Helix Water District submitted comments to the Proposed Reorganization of Fallbrook Public Utilities District and Rainbow Municipal Water District. Within the response by Helix, the following two comments were provided:

1. Helix contends that a more consistent approach would be that the credit for the ESP project only include the debt that would be payable during the duration of the exit fee period.
2. The estimated and comparatively few 4,350 economically disadvantaged members of the Fallbrook and Rainbow communities are substantially less than the approximately 112,000 disadvantaged community population of Helix Water District, alone.

LAFCO would like to respond to each of these comments made by Helix.

1. Helix contends that a more consistent approach would be that the credit for the ESP project only include the debt that would be payable during the duration of the exit fee period. Additionally, the duration of the proposed exit fee period should be reconsidered to better align with relevant cost factors.

Response: The above comments address two factors included within the proposed exit fee methodology provided by LAFCO staff, the term of the exit fee and the application of a credit.

As outlined within the staff report, Dr. Hanemann advised LAFCO and the Ad-Hoc Committee that a reasonable length of period to apply an exit fee to the applicants was three to ten years. Dr.Hanemann further advised any term beyond 10 years would be unreasonable. Staff further notes that the report offers various reasons for the use of a five-year period, rationalizing that many cost factors and reports used by CWA and water agencies utilize a five-year period to determine rates and charges.

Staff further notes that according to CWA, volumetric commodity rates and service charges are "apportioned among the member agencies according to their respective three or five-year rolling average of water purchases from the Water Authority."[1]

Notably, CWA's cost of service study states, "fixed commodity charges are allocated to each agency based on their proportionate share of either a three-year or five-year average of water purchases."[2]

Various rate categories charged to member agencies that utilize a rolling average to determine costs include a portion of those revenues applied to capital projects, whether paid for via debt or cash. Therefore, revenue collected from member agencies that is used to pay for capital projects, paid for by debt or cash, can fluctuate based on behavior. The duration used to determine rates and charges are not strictly aligned to cost factors.

Second, the letter objects to the application of a credit toward the proposed exit fee. As was stated in the staff report, the development of the ESP North County Pump station and the associated costs are contingent – one way or another – on the proposed detachment. Since detachment is "directly dependent" to the development of the ESP North County Pump Station, staff believes it would result in an overall "cost-avoidance" which means Rainbow and Fallbrook have mitigated or eliminated any potential costs to the project for the CWA and all remaining agencies, whether the project be paid utilizing debt proceeds or cash.[3]

If the project were to be paid using cash, a reduction of approximately $40 million in required revenues from CWA member agencies would provide relief in the short-term. If the project were to be paid by the issuance of debt, detachment would provide long-term relief to member agencies far greater than their proportional share of approximately $40 million due to the need to pay interest on the debt. In either scenario, should detachment be approved each member agency would be relieved of an either short-term or long-term obligation as the capital project is solely contingent on the outcome of detachment.

2. The estimated and comparatively few 4,350 economically disadvantaged members of the Fallbrook and Rainbow communities are substantially less than the approximately 112,000 disadvantaged community population of Helix Water District, alone.

Response: This comment is regards to the potential rate impact detachment may have on the economically disadvantaged communities in the Helix Water District and other

[1] San Diego County Water Authority Cost of Service Study. Section 1.1. Rates and Charges.
[2] San Diego County Water Authority Cost of Service Study. Section 5.1 Commodity Based Fixed Charges.
[3] The 2021 San Diego County Water Authority Long-Range Financing Plan assumes only two debt issuances in 2022 and 2029. Between 2025 and 2028, CWA assumes its capital program be paid for entirely by PAYGO.

communities outside Fallbrook and Rainbow, as well as a comparison as to the size of the disadvantaged population between Fallbrook and Rainbow and Helix. Subsequent comments in relation to this are focused on the potential impact of increasing rates to offset revenue loss associated with detachment.

First, it is important to note the difference in size, based on several factors, between Fallbrook and Rainbow and Helix. In terms of the number of meters, Helix has approximately 65,000 meters while Fallbrook and Rainbow have a combined approximately 27,000 meters. In addition, Helix services approximately 277,000 residents while approximately 56,000 residents reside within the boundaries of Fallbrook and Rainbow.[4] Therefore, a comparison as to the size of each district's disadvantage community based solely on population is not appropriate.

Second, additional comments were made as to the rate impact of the proposed detachment, and its negative impact on Helix ratepayers. Notably, Helix questions staff use of a comparison of the potential rate impact of detachment, less any exit fees, and the average of the past five years of rate increases imposed by CWA. Helix further questions the use of a five-year average.

Staff notes that when utilizing a ten-year average, CWA has imposed an annual average rate increase of 4.6% for both treated and untreated water. Staff provides this data point to show that by comparison, CWA member agencies have faced annual rate increases significantly more than the potential cost of detachment, less any exit fees. Additionally, staff has provided considerable information pertaining to the potential rate impact of roll-off. Staff notes that based off estimates provided by CWA, the annual revenue loss needed to paid by member agencies due to roll-off will surpass any revenue loss, less exit fees, associated with detachment by 2027.

Lastly, it's important to note that LAFCO staff proposes the application of exit fees to mitigate any potential rate impacts of detachment. Absent exit fees, staff estimates the rate impact of detachment of 2.5%. Should the LAFCO Commission approve detachment and apply the $24.31 million in exit fees as recommended by staff, the estimated 2.5% annual rate impact of detachment would be significantly reduced.

[4] Helix Water District "About Us" section of website.

STRATEGIES

MEMORANDUM

DATE: **May 30, 2023**

TO: **Keene Simonds, Executive Officer**

FROM: **Chris Cate, 3MC Strategies**

SUBJECT: **Response to Otay Water District Comments**

On May 22, 2023, Otay Water District submitted comments to the Proposed Reorganization of Fallbrook Public Utilities District and Rainbow Municipal Water District. Within the response by Otay, the following comment was made:

1. Bond Obligations - Rainbow and Fallbrook need to retain the responsibility for their full share of the CWA debt. Based on long range planning including UWMPs, CWA invested and executed major water supply infrastructure projects just before and after 2010, which is the financial obligation of all member agencies including Fallbrook and Rainbow. Per Dr. Hanemann's Report (Pg. 12), CWA's bonded and other indebtedness totals approximately $21 billion, with Rainbow and Fallbrook's share amounting to approximately $1 billion.

Response: The comment implies that each CWA member agency is responsible for a proportional share of all the debt previously incurred and outstanding, in addition to all future debt issued by CWA. LAFCO staff disagrees with this contention.

In the development of CWA's rates and charges, there is no obligation or requirement for each member agency to pay a proportional share of the annual debt service payments or cash payments for CWA's Capital Improvement Program. Rather, CWA's Cost of Service Study includes within it the revenue requirement analysis to determine how much is needed from rates and charges to cover all expenses, including annual debt service. These costs are allocated across various rates and charges paid for by each member agency dependent upon their individual profile.

Staff is unaware of any CWA document that states each member agency is obligated to cover a proportional share of debt. Nor are we aware that this obligation has been discussed as various member agencies have developed local supply projects with plans to reduce CWA water purchases.

Instead, CWA is in the process of developing a new rate structure that will increase the amount of fixed revenue that is recovered from member agencies, thereby ensuring a larger portion of fixed charges, including debt service, is recovered despite a potential reduction in water sales due to local supply projects.

The development of the proposed Exit Fee is based on the loss of revenue analysis conducted by Dr. Hanemann. The revenue generated by the Exit Fee could then be potentially used by CWA to be applied toward annual expenses, including debt service. How CWA would use Exit Fee revenue will not be known until CWA conducts a Cost of Service Study should detachment be approved.

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San Diego County Water Authority
And Its 24 Member Agencies

May 22, 2023

RECEIVED
MAY 22 2023
SAN DIEGO LAFCO

VIA EMAIL AND PERSONAL DELIVERY

San Diego LAFCO Commissioners
Keene Simonds, Executive Officer
San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Re: Reorganization Applications by Fallbrook and Rainbow ("Applications")

Dear San Diego LAFCO:

The Commission has set June 5, 2023, for a hearing on the reorganization Applications by Fallbrook Public Utility District ("Fallbrook") and Rainbow Municipal Water District ("Rainbow"), seeking detachment from the Water Authority and annexation to Eastern Municipal Water District ("Eastern"). LAFCO Staff has issued an Agenda Staff Report (the "Report") which recommends that the Commission approve detachment with a very limited "exit fee."[1] The Water Authority, which provides wholesale water service to almost the entire population of San Diego County and whose membership includes all major water provider cities and districts in its service area, opposes the Applications and objects to their approval. The Water Authority recommends that the Commission adopt Option 5 from the Report, which is to disapprove the reorganization proposals.[2]

1.1

1.2

At the outset, the Water Authority notes to the Commission two important facts not highlighted in the Report: that the *City of San Diego -- representing more than 1.3 million residents -- opposes detachment* (letter of 11/30/2022 to LAFCO from Mayor Todd Gloria), and LAFCO's own Cities Special Advisory Committee voted *10-1* to also oppose detachment (March 17, 2023, meeting; two abstentions). The Water Authority encourages the Commission to listen to the voices of our County's many cities and water agencies, whose millions of residents are being asked by Fallbrook

1.3

[1] Staff also issued an abbreviated "Prospectus" that merely summarizes the more detailed Agenda Report.

[2] The Water Authority Board resolved to oppose the Applications unless four key conditions were satisfied: (a) Rainbow and Fallbrook guarantee that all obligations promised to their own ratepayers are met; (b) detachment will not adversely affect other Water Authority member agencies and San Diego County as a region financially or environmentally; (c) detachment and then annexation into Eastern will not increase reliance on the Bay-Delta; and (d) detachment will not result in a diminution of the Water Authority's voting power at MWD, all as detailed in our previous submittals. The conditions have not been satisfied, and thus this letter follows our Board's direction as an objection by the Water Authority to the Applications.

and Rainbow to subsidize their exits from a water system established by the Legislature to serve our region. The Commission should also not ignore the judgment of the Water Authority's Board of Directors, which has both the expertise and statutory responsibility for long-term water planning in San Diego County for more than 75 years.

1.4

In this letter we first provide an Executive Summary of the Water Authority's central objections to the Applications, and some key facts. The rest of the letter then addresses each of these areas in greater detail. Citations are generally in endnotes rather than footnotes for ease of reading.

A. EXECUTIVE SUMMARY

There are a number of independent reasons the Applications should be denied by the Commission:

1.5

1. Allowing Fallbrook and Rainbow to move their imported water service from San Diego County to Riverside County *has long-term and far-reaching negative impacts across San Diego County*. These include:

1.5a

a. Loss of San Diego County voting rights at Metropolitan Water District of Southern California ("MWD"), directly diluting the San Diego region's influence at MWD and harming all San Diego County water ratepayers.

1.5b

b. Loss of revenue to the Water Authority, which will cause water rate hikes across San Diego County, as other member agency ratepayers must cover the revenue losses caused by a Fallbrook and Rainbow exit.

1.5c

c. Dangerous precedent, and adverse financial ratings impacts at the Water Authority and MWD, raising borrowing costs and therefore causing water rates to even further increase across San Diego County and Southern California.

1.5d

d. Loss of water supply reliability by Fallbrook and Rainbow residents by becoming totally dependent on MWD, without benefit of the MWD preferential water rights they have already paid for at the Water Authority.

1.5e

e. Loss of water supply reliability for Fallbrook and Rainbow residents in an emergency by reliance on water only from the north, without adequate analysis of how a serious earthquake would threaten farms and residents.

1.5f

f. Risk of significant water rate increases in Fallbrook and Rainbow, because MWD – on which those two agencies will solely rely for imported water – is heading into a major capital investment cycle that will raise its rates significantly. Dr. Hanemann, LAFCO's expert, called detachment a financial "gamble" by Fallbrook and Rainbow.

1.6

2. The Applications, if granted, will increase reliance on the fragile Bay-Delta water system, *contravening State law and policy*.

1.7 3. There has been no CEQA review of the effect of granting the Applications, including their combined effect and Bay-Delta impacts. This is a serious matter, and the Commission should not proceed until all CEQA review has been properly performed.

1.8 4. The Applications, if granted, will damage coordinated regional planning efforts in San Diego County for water supply reliability and other critical issues.

1.9 5. There is extensive data missing from the Applications, making them defective until remedied.

By asking and answering the following questions, we cover some basic facts underlying why the Applications should be denied, all as addressed in detail after this Executive Summary.

What do the Applications Seek? They ask LAFCO to approve reorganizations for Fallbrook and Rainbow which would detach them from the Water Authority in San Diego County and annex them into Eastern in Riverside County, and MWD via Eastern.[1]

Would the Applications change the service areas of the Water Authority and Eastern? Yes. The Water Authority's service area would be reduced in San Diego County, and Eastern's service area would be expanded to include portions of San Diego County for the first time.[2] In addition, new MWD terms and conditions to annexation may apply under the applicable provisions of the MWD Act and Administrative Code.

Would Fallbrook and Rainbow receive the same water? No. Currently, they receive water from the Water Authority, and our agency's water portfolio includes contractual water from desalination and from the Quantification Settlement Agreement's ("QSA") high priority water transfer and canal lining in the Imperial Valley, along with water purchases from MWD[3] that are fully backed by our agency's preferential rights to MWD water. If the reorganizations are approved, Fallbrook and Rainbow would only receive imported water from MWD, whose supply is dependent on the Bay-Delta[4] and lower priority Colorado River water. Demand on MWD and the Bay-Delta would increase.[5] MWD staff has informed LAFCO that preferential rights are not transferrable from the Water Authority to Eastern or to the Applicants directly, and there is nothing in the record indicating that Eastern ratepayers would share Eastern's preferential rights at MWD with Rainbow and Fallbrook.

Would Fallbrook and Rainbow receive water from Eastern's local supplies? No. They would be paying Eastern a nominal administrative fee to access MWD water only.[6] Eastern's infrastructure does not reach Fallbrook and Rainbow.[7]

Would Fallbrook and Rainbow have the same access to all the water storage they do now? No. Right now they can be supplied from MWD's storage system via membership in the Water Authority, and from the Water Authority's separate storage system. If reorganization is allowed, they would lose access to the Water Authority's storage (which provides not only dry year supplies but also emergency supplies), and retain access only to MWD storage. The Applicants would not have access to Eastern's storage. Fallbrook and Rainbow thus seek Commission approval to trade Water Authority + MWD storage for just MWD storage.

Would Fallbrook and Rainbow continue to be able to be served from north and south in case of earthquake or other infrastructure loss? No. As Eastern members they would only be able to be served from the north. However, as Water Authority members they are able to be served from the north and from the south, providing significant redundancy that could prevent extreme hardship for farms and residents following a major earthquake.

Is MWD water as reliable as that of the Water Authority? No. The Water Authority, as a member of MWD, has access to MWD water, as does Eastern. But the Water Authority <u>*also*</u> has large volumes of water from conservation in the Imperial Valley (QSA water) that is of higher legal priority than MWD's more junior Colorado River supplies.[8] The Water Authority also has drought-proof desalinated seawater. These additional water sources, over and above just MWD water alone, make the Water Authority's water supply more reliable.[9] This extra reliability is critical, because MWD in 2022 experienced water supply shortages and is now beginning an investment cycle, planning many billions of dollars of investments to avoid future shortages.

1.10 *Would Fallbrook and Rainbow continue to have the same form of representation at Eastern as they do at the Water Authority?* No. At the Water Authority they have direct representation with their own Board members who can vote their agency's interests. At Eastern they apparently will be merged into some larger Riverside County voting district and will not have their own Board representatives, thus diluting their vote.[10] As a matter of transparency, the Commission should require Eastern and the Applicants to detail for LAFCO and the public precisely how Fallbrook and Rainbow ratepayers will, or will not, have a vote on decisions at Eastern.

Will pressure on MWD's water supplies increase with the reorganizations? Yes. Whatever amounts of water Fallbrook and Rainbow currently order from the Water Authority will be ordered from Eastern. Because Eastern will only have the ability to serve Fallbrook and Rainbow with MWD water, Eastern's orders from MWD will increase accordingly. The QSA and desalination water that was previously being provided to Fallbrook and Rainbow by the Water Authority will now be replaced by MWD water, increasing demand on MWD's already constrained water supply, and on the Bay-Delta.

Will the Water Authority lose revenues with the reorganizations? Yes. Fallbrook and Rainbow make up almost 7% of the Water Authority's revenues. The Water Authority estimates annual base year losses to be about $16 million per year.[11] Dr. Hanemann estimates them at about $12 million per year.[12] All such losses would have to be made up from the remaining member agencies, i.e., water ratepayers across the rest of the County.[13]

Will San Diego County lose voting rights at MWD? Yes. San Diego County will lose voting rights at MWD, while Eastern will gain voting rights at MWD.[14] This is very important, because decisions at MWD affect what is paid for water and property taxes in San Diego County, and Eastern has opposed MWD water refunds for San Diego County ratepayers.

1.11 **B. REASONS THE APPLICATIONS SHOULD BE DENIED**

The Water Authority believes the Commission should deny the Applications for all the reasons

stated in this section. We walk through each category, and then address what the LAFCO Staff Report states as to each topic.

REASON #1 – San Diego County Will Lose Voting Rights at MWD:

What happens at MWD has a major impact on San Diego County and its water ratepayers. Our region purchases MWD water supplies, and also pays MWD to deliver the majority of our region's water that has been conserved in the Imperial Valley (QSA water).

Therefore, actions at MWD can have significant effects on our County. When MWD spends money, there is pressure to pass costs on to our water ratepayers and taxpayers. When MWD makes major infrastructure investments, those costs can be in the billions of dollars, and again, some portion will get paid by our water ratepayers and taxpayers. When MWD makes decisions on who constitutes its management, those choices materially affect our region.

The Water Authority, representing San Diego County interests, is a member agency at MWD and has a weighted vote there *based on assessed land values in our service area*. The more land is located in the Water Authority, the larger San Diego County's share of the MWD vote. The less land, the lower San Diego County's vote at MWD.

By moving the Fallbrook and Rainbow service areas into Eastern, San Diego County's current vote at the Water Authority tied to those lands *permanently moves to that Riverside County district*. This is a legislative requirement under the MWD Act,[15] and cannot be changed by LAFCO, or by any agreement among the agencies. San Diego County, through the Water Authority, will lose about 2% of its current voting rights at MWD, while Eastern will gain about 10% of its current voting rights.[16] Further, the effect of this voting shift will continue to increase over time, because land values in the Fallbrook and Rainbow service areas are rising faster than the more urbanized areas of the County, and that will likely continue with population growth. For example, the total assessed land values in those regions went from 1.677% to 1.684% as a percentage at the Water Authority just from 2021 to 2022.

A reduced MWD voting right is a critical loss for San Diego County, because recent key votes at MWD have been decided by razor-thin margins.[17] Additionally, as explained in detail in the Water Authority's September 2020 Response to LAFCO, it would hand our County's vote to Eastern, an agency which has regularly sought to prevent San Diego water ratepayers from the benefit of refunds of illegal rates by MWD, litigating actively to prevent such return of funds to our County. The Applications, if granted, would boost Eastern's power at MWD, and reduce San Diego County's voice there.[18] Thus, the vote shift not only reduces our County's voting strength at MWD, it increases the voting strength of an agency which has long opposed MWD rate refunds to our County.

For the Commission to allow a transfer of any of our County's voting rights at MWD to an agency adverse to the interests of San Diego County would be a dereliction of the Commission's duty to the water ratepayers and taxpayers of San Diego County.

The LAFCO Staff Report: As to Reason #1, the Report notes that MWD voting rights are important, but downplays the issue by stating that in the last ten years there were only three votes

that were extremely close, and two of them -- per LAFCO Staff -- were not "significant in terms of generating long-term impacts on MET's member agencies."[19] *Staff have no sound basis for making such an assertion*.

In the first place, what was happening at MWD (and statewide and in the Southwest) 10 years ago is very different than what is happening at MWD today. In earlier times, MWD was a water delivery agency, exporting then low-cost water from Northern California and the Colorado River. Today, these MWD supplies are more and more constrained. To its credit, MWD's new management (appointed via a close and controversial vote) acknowledges the need for investment in a reliable water supply, and to change its business model and past financial practices. Not only were the close votes at MWD very important (which is why the MWD Board was split almost 50-50), but they *were all made in the past two years*. In other words, voting at MWD during these changing times can be very close and divided on key policy matters, and LAFCO Staff's attempt to downplay the issue is not informed or appropriate.[20]

REASON #2 – San Diego County Water Ratepayers Will Pay Higher Rates:

There has been extensive evidence submitted to the Commission during the processing of the Applications showing that should the Commission approve the reorganizations without full compensation to the Water Authority for losses, the rest of San Diego County's ratepayers will be paying the bill.

What is the amount of that bill? *Annual* losses of, on average, between $12.2 and $16.4 million per year. LAFCO expert Dr. Hanemann estimates the former,[21] while the Water Authority estimates the latter.[22] Because the Water Authority must pay for all the water supplies and infrastructure it acquired for the region (including for Fallbrook and Rainbow), it must recover such costs from its member agencies, i.e., the rest of San Diego County.

Though Dr. Hanemann suggests that up to 10 years might be an appropriate time span for an "exit fee"[23], and the Report suggests only five years, neither eliminates significant water rate impacts for the rest of our member agencies' ratepayers. The Hanemann Report's suggested exit fee also ignores the millions of dollars in engineering costs the Water Authority must pay if there are detachments, costs spelled out in our Response,[24] and which are higher today due to construction and labor cost increases. There is thus inherent unfairness at the baseline because not all water supply investments and costs are covered.

The LAFCO Staff Report: As to Reason #2, the Report downplays the impacts suffered by water ratepayers in the County, and it uses artificially low calculations in doing so.

First, the Report only suggests a five-year exit fee, though even Dr. Hanemann had suggested up to 10 years.[25] *Second*, Dr. Hanemann's exit fee analysis addressed only the QSA obligations, not all the other obligations the Water Authority has incurred to serve member agencies such as Fallbrook and Rainbow. All such costs would have to be borne by the rest of the County. *Third*, the ratepayer impacts suggested by the Report are in error. They assume Dr. Hanemann's figures, and ignore possible changes that can meaningfully escalate such costs. For example, the Water Authority noted in its Response that though a base year loss of detachment was estimated at $16 million, this could escalate to over $40 million annually in some years.[26] This would create far

larger ratepayer impacts than the Report claims. *Fourth*, the Report suggests an offset to even its own limited exit fee by deducting money that "would otherwise be expended on proceeding with the previously planned construction of the ESP North County Pump Station." However, this pump station would be funded over a long period of time. Staff is proposing five years of exit fees, but arbitrarily crediting Fallbrook and Rainbow for 30 years of costs. In other words, for an "exit fee," only five years of Water Authority losses are counted, but when it comes to an offset 30 years of spread-out costs are all included. The methodology is seriously flawed and the Commission should not accept it.

The Report tries to marginalize the issue by claiming that the average County-wide water rate increases of 3.6% are less than inflation, and thus "less than significant."[27] The Report thus recommends that the Commission vote to impose 3.6% annual water rate hikes for the rest of our County so Fallbrook and Rainbow can buy MWD water from Riverside County. Staff suggest such rates hikes are immaterial. They are not. *They come on top of inflation*, and at a time when water agencies across the state and the nation are struggling to contain pass-through costs. Adding to water rates is never insignificant.

Also, where is the environmental justice and economic impact review of this question for the poorer areas of the County which are being asked to pay the bill for Fallbrook and Rainbow? *It is non-existent*. The Report has a short section on page 52, but this only covers purported effects *in the Rainbow and Fallbrook areas*, not the rest of the County. Yet, LAFCO's own environmental justice brochure states: "State law directs San Diego LAFCO to address several factors anytime the Commission considers jurisdictional changes. The current listing of factors is codified in Government Code Section 56668 and includes considering whether proposed jurisdictional changes will promote environmental justice."[28] Under the statute this means the "*fair* treatment and meaningful involvement of people of *all* races, cultures, *incomes*, and national origins, with respect to the location of public facilities and the *provision of public services*." (Emphases added.) Contrary to this requirement, the Report ignores the issue of impacts of unnecessary higher water rates outside Fallbrook and Rainbow by arbitrarily concluding it is less than inflation so it is not significant. This is not a proper consideration or determination of environmental justice.

Finally, the Report notes that the Applicants have argued that detachment is the same as "rolloff."[29] They are unrelated. The Water Authority's member agencies order water when they need it, and not when the need is lacking. This occurs for a host of reasons, including having their own supplies, rainfall, and other factors. The Water Authority's Board of Directors makes all appropriate decisions with respect to near-term and long-term water resource planning and how to fairly allocate and charge member agencies for our recovery of costs. Once an agency detaches it is no longer a member and is not subject to such decisions. Thus, detachment is not the same as rolloff. We also note that the Report states that, "The Ad Hoc Committee tasked a working group to independently address the topic [of rolloff/detachment]."[30] This is not accurate. LAFCO Staff generated that assignment, and chose the participants, which did not include the Water Authority.

1.12 *REASON #3 – The Applications Would Increase Reliance on the Bay-Delta:*

The Water Authority has repeatedly informed LAFCO that the environmentally fragile Bay-Delta will be harmed by the reorganizations. The reason why was explained by Bay-Delta Watermaster

Michael George: "[T]he two agencies would be increasing reliance on the Delta because they would abandon a less Delta-dependent supply mix (available through their SDCWA membership) in favor of a more Delta-reliant supply mix [with Eastern]."[31]

This is true because there are many months where the Water Authority currently buys little or no MWD water (the Water Authority's sole source of Bay-Delta water is via MWD), and it serves Fallbrook and Rainbow with QSA water from the Colorado River, all as explained in detail in prior submittals to LAFCO. Should the reorganizations occur, Fallbrook and Rainbow will have to rely continuously and exclusively on MWD for imported water, which has a much higher dependence on Bay-Delta water than the Water Authority.

The State of California has instructed agencies in the State to reduce – not increase – their reliance on the environmentally sensitive Bay-Delta, as stated in Water Code section 85021 (emphases added):

> The policy of the State of California is to ***reduce*** reliance on the Delta in meeting California's future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency. Each region that depends on water from the Delta watershed ***shall*** improve its regional self-reliance for water through investment in water use efficiency, water recycling, advanced water technologies, local and regional water supply projects, and ***improved regional coordination of local and regional water supply efforts***.

The Commission should not approve reorganizations that increase water usage from the Bay-Delta, contrary to the Legislature's statutory directive. Indeed, the Commission is instructed by the above statute ***not*** to obstruct the "improved regional coordination of local and regional water supply efforts" that has been accomplished by the Water Authority Board in moving off the Bay-Delta via QSA water and desalinated water. As detailed in the next section on CEQA, this is also an environmental issue that has not been reviewed under CEQA by LAFCO or by either of the Applicants.

The LAFCO Staff Report: As to Reason #3, the Report notes on page 36 that Dr. Hanemann "advised there are potential risks to applicants and their ratepayers with respect to increased reliance on the Sacramento Bay-Delta." The Report also points out that Dr. Hanemann stated that, "If FPUD and RMWD switch from SDCWA to EMWD, they will switch from relying on SWP water for 24% of their supply to relying on SWP water for 63% of their supply." Report, p.37. Staff acknowledges that detachment would cause increased reliance on the Bay-Delta, and would impact the State Water Project's "baseline" delivery amounts by between 0.84% and 1.65%. Report, p.37.

However, the Report does not inform the Commission that the Legislature has expressly instructed that such increases are against State policy, including Water Code section 85021. The statute is not even cited in the Report. Instead, the Report yet again minimizes an impact by creating and using a standard not found in State water law or policy, trying to make the harm look immaterial. The Report compares the ***entire State's*** SWP water deliveries against the annual Delta flow

increases that would be needed for just Fallbrook and Rainbow so as to try and marginalize the latter. This is not a fair analysis, nor does it follow legislated State policy.

1.13 *REASON #4 – No Proper CEQA Review Has Been Performed:*

There are two main areas where the reorganizations may have various environmental impacts: (a) increased Bay-Delta reliance, as noted above; and (b) necessary construction that has been undisclosed in Rainbow. Neither has been reviewed, and it is a clear violation of CEQA for the Commission to proceed without such required review.

We note the following CEQA-related matters, all of which have been previously presented to LAFCO by the Water Authority:

- Increased reliance on the Bay-Delta raises many environmental concerns, such as: (a) Using more imported water from the State Water Project could potentially exacerbate impacts to certain fish species that will occur from hydrological changes; (b) Increased reliance on water from Northern California delivered via the State Water Project may lead to increased generation of greenhouse gasses. There is a significant difference between the amount of energy required to pump water from Northern California (delivered via the State Water Project) and water from the Colorado River (delivered via the Colorado River Aqueduct); and (c) LAFCO must determine whether increased reliance on imported water from the State Water Project could have hydrological and water quality impacts. *None of these issues have been reviewed under CEQA*.

- Rainbow must perform major construction to be able to serve its southern service area if its application is granted. There are CEQA issues that have not analyzed. For example, air quality may be affected, and there may be impacts on protected species. Rainbow's Supplemental Information Package for its application (at pp. 5-6) reveals that if the reorganization is approved by MWD and LAFCO, Rainbow will need to construct a range of large-scale infrastructure projects to service "higher elevation areas in [Rainbow's] southern service area" during peak summertime demand periods. This new infrastructure includes new pipelines, pumping facilities, and water mains, among other new facilities, all of which may affect air quality. No facts regarding such changes have been submitted, and no environmental review of such changes have been conducted or presented.

- Analysis must be done to determine whether a project will cause a significant environmental impact due to a conflict with any land use plan, policy, or regulation adopted for the purpose of avoiding or mitigating an environmental effect. Here, the proposed reorganizations potentially conflict with a range of plans, policies, and regulations, yet no review has been performed. Annexation to Eastern will also require annexation approval by MWD under Part 7 of the MWD Act, including but not limited to environmental review.

- There are applicable Orders from Judges Frazier and Medel of the San Diego Superior Court that the Rainbow and Fallbrook CEQA findings and the Notices of Exemption "may not be utilized or relied upon by the San Diego LAFCO or any other agency for the purpose of that agency's CEQA compliance in connection with any potential detachment by

> Respondent from the San Diego County Water Authority, or for any potential annexation by Respondent into Eastern Municipal Water District."[32]

- Even if LAFCO were able to use the woefully deficient and inapplicable Fallbrook/Rainbow CEQA actions, which it cannot do per judicial Orders, neither Fallbrook or Rainbow took any action that reviewed the *combined effects* of their joint actions. Yet CEQA requires such environmental review.[33] Further, if one reads the actual actions taken by Rainbow and Fallbrook, one will see that *their purported CEQA review was only for submitting reorganization applications to LAFCO, not for all the actual effects of any granted approvals*.[34]

- There is no CEQA exemption applicable here, as detailed in the Response.[35]

In summary, *CEQA is clearly being violated if this Commission approves these Applications without full and proper environmental compliance*.

The LAFCO Staff Report: As to Reason #4, the Report asserts LAFCO can ignore Superior Court judgments because it was not a party to the cases. However, the Court Orders expressly cover the decisions by the applicant agencies, and those agencies were parties to the cases and are not allowed to use their actions with LAFCO in violation of the Orders. Nor should the Commission sanction ignoring two on-point Judgments on the very issue before it without a formal public legal determination as to the effects of the Judgments and how they relate to LAFCO, including by way of LAFCO's contractual arrangements with the Applicants.

The Report states that there are two CEQA exemptions that allow reorganization without further CEQA review: CEQA Guideline sections 15061(b)(3) and 15320.[36] As to the latter, the Water Authority explained in great detail in its Response that the cited exemption is completely inapplicable here and cannot be relied upon by LAFCO.[37] This was the exemption cited by LAFCO staff to the Water Authority earlier. Now, LAFCO Staff also cites section 15061(b)(3) as to sphere of influence decisions. However, such section requires that (emphases added):

> (3) The activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. *Where it can be seen with **certainty** that there is **no** possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA*.

It is clear here that there will in fact be an adverse effect on the environment, from the extra demand on Bay-Delta water if nothing else. To avoid CEQA compliance, the Report says that a sphere of influence change by itself does not affect the environment, then it says that Rainbow and Fallbrook used a section 15320 exemption on their end so everything under CEQA has been covered. This ignores the following "inconvenient truths": (a) The Report admits on page 45 that the "conforming sphere of influence actions" are "*accommodating the reorganizations*." (Emphasis added.) Thus, the actions at LAFCO are not independent, and are part of the overall reorganizations which have environmental impacts, and thus cannot fit within section 15061(b)(3). CEQA does not allow such a piecemeal approach. Section 15378 of the CEQA Guidelines defines a project as the "whole of an action," and LAFCO Counsel is no doubt aware of the extensive case

law that bars trying to satisfy CEQA by breaking an overall action such as we have here into smaller bits and pieces to avoid CEQA compliance; and (b) The Report ignores all the problems cited by the Water Authority as to the inapplicability of section 15320 and the Applicants' non-existent CEQA review. The environmental effects of these actions have not been reviewed by any agency, let alone their combined effects.

The Report does not justify the Commission ignoring its duties under CEQA.

1.14

REASON #5 – Fallbrook and Rainbow Water Users Lose Water Reliability, and May Not Even Save Money:

Fallbrook and Rainbow have been repeatedly telling LAFCO and their customers that the water they will be relying on from MWD is just as reliable as Water Authority supplies. This is not true, as LAFCO expert Dr. Hanemann noted in his Report:

> The "superior reliability of SDCWA has benefited FPUD and RMWD in the past" – Hanemann Report, p.14.
>
> "Q. Has the distinctive reliability of SDCWA's supply portfolio actually made any Difference? A. Yes. It would have made a difference if SDCWA had QSA water in the 1991 drought, it did make a difference that SDCWA had QSA water in the 2007-2009 drought, and it made a difference that SDCWA had desal water in the 2015-2016 drought." – Hanemann Report, p.84.
>
> "It is not clear that MWD yet has the practical capacity to sustain more severe and prolonged drought, especially on the Colorado River" – Hanemann Report, p.16.
>
> "RMWD could be especially vulnerable in a shortage of MWD water" – Hanemann Report, p.97.
>
> "[W[hile I believe that FPUD and RMWD are taking something of a gamble on supply reliability if they switch from SDCWA to EMWD, the gamble ultimately is not one of running out of water but, rather, paying a higher price than they had anticipated to get by in a drought." –- Hanemann Report, p.16.

Now, there is a simple reason Dr. Hanemann could make these statements, and it does not take a water expert to see the basic facts here: both Eastern and the Water Authority are MWD member agencies with access to MWD water. ***However***, the Water Authority ***also*** has its QSA supplies, which are higher priority Colorado River water than MWD's Priority 4 water, ***and*** it has drought-proof desalinated water. If Fallbrook and Rainbow go to Eastern they will receive only MWD water (and without any assurance of MWD preferential rights if they annex to Eastern). At the Water Authority, in contrast, they receive MWD water (backed up by our agency's preferential rights), plus access to the Water Authority's other supplies, which are both more reliable than MWD supplies alone.

Fallbrook and Rainbow are seeking to trade away better water reliability for uncertain cost savings. But any cost savings may be ephemeral. As also noted by Dr. Hanemann:

> "The recent trend has been for the average cost of M[WD]-water to SDCWA to grow faster than that of QSA water. That would tend to narrow the differential between SDCWA's all-in rate and MWD's all-in rate." – Hanemann Report, p.61.

> "Q. Will the Delta Conveyance Project raise the cost of [MWD] SWP water? A. For sure." – Hanemann Report, p.89.

> "SDCWA and MWD [are] at different phases of their investment cycles." – Hanemann Report, p.51.

One of the key justifications for the reorganizations cited by the Applicants and LAFCO staff is that the reorganizations will supposedly produce cost-savings for the Applicants and their ratepayers. However, this ignores that the agencies will be paying a potentially greater amount by having to pay a greater share of the costs to develop water supplies for the entire MWD service area, spanning five other counties, should they annex to Eastern.

These points cannot be overstated. As explained in prior correspondence with LAFCO, MWD has already experienced water shortages and is facing serious challenges to its water supply reliability going forward. As noted by Dr. Hanemann, and as readily apparent to anyone who follows MWD Board proceedings, MWD is now heading into a construction cycle that will cost many billions of dollars, with associated impacts on its rates and charges.[38] In contrast, the Water Authority already made significant supply investments, and is thus in a lower expenditure cycle going forward. This can narrow the gap in rates, as described by Dr. Hanemann.

The Applicants and the Report also fail to account for the fact that unlike the Water Authority, MWD no longer has an agricultural water discount program[39], which was discontinued by MWD after 2012. Far from treating agriculture as a "unique and/or protected group," which the Report identifies as a major policy consideration of its recommendation (Report p. 43), MWD -- unlike the Water Authority -- ended its agricultural discount program.[40] Even before the MWD Board eliminated its last "interim plan" to sell discounted water to agriculture, MWD barred new lands being annexed that would receive the discounted plan water: "No District water shall be sold or delivered to any member public agency for use, directly or indirectly, for agricultural purpose as defined in Section 4106 within the annexing area."[41] Thus, MWD is on record with a policy disfavoring discounted agricultural water, and MWD's coming cost increases are unlikely to provide any rate relief for agriculture.

Further, in an era of drought, water reliability is critical. Fallbrook and Rainbow have sold their customers on the idea that they will have the same reliability with MWD as they do with the Water Authority, but this demonstrably is not so. Fallbrook's own expert report submitted to the Fallbrook Board in December 2019 stated:

> "[T]he above reliability analysis supports that the overall range in reliability is better under SDCWA . . . ."[42]

That report also aptly summarized the result of the Water Authority's supply diversification as creating a more dependable water supply than relying solely on MWD supplies:

> "SDCWA's dependence on imported water from MWD has been reduced and the reliability of its service area has substantially improved in the last two droughts as compared to the maximum of 32% combined agricultural and non-agricultural shortages SDCWA experienced in 1991-1992 prior to the region's diversification program. The more reliable local supplies available to MWD member agencies, the less reliant they are on MWD imported water supplies in a drought induced shortage, and the higher the agencies level of reliability."

The Report states that Rainbow and Fallbrook are "attesting neither the CWA or MET have taken actions to curtail the availability of supplies to its member agencies in any time during the last five-years." This is certainly incorrect as to MWD, as MWD has in fact just in 2022 curtailed water deliveries to some of its member agencies. From June 1, 2022, through March 14, 2023, MWD implemented its "Emergency Water Conservation Program" in its State Water Project Dependent Area—the northern portion of its service area that serves about 7 million Southern Californians. This program sought to reduce State Water Project (imported) water use on average by 35% and up to 73%.[43] As noted on December 21, 2022, by *The Los Angeles Times*, this MWD water allocation was likely to spread across the entire MWD service area,[44] until it was later avoided only by fortuitous heavy rains this year.

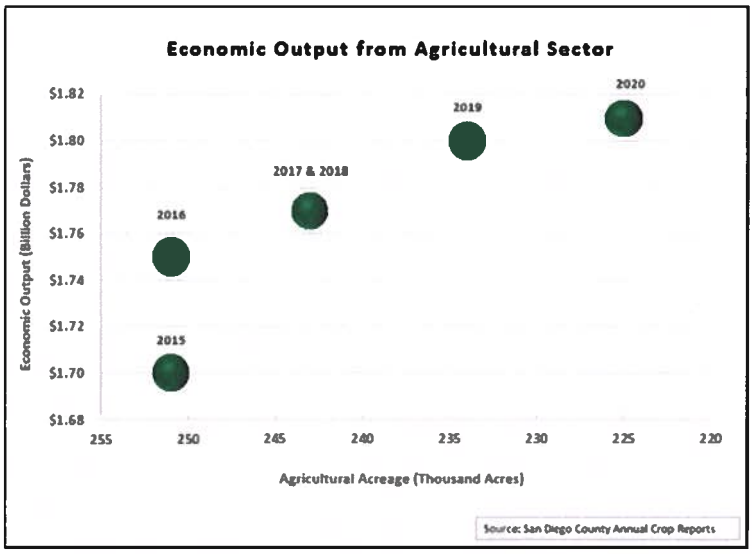
Additionally, the Bureau of Reclamation has issued a draft Supplemental Environmental Impact Statement ("SEIS") for possible serious action as to Lower Basin Colorado River water deliveries.[45] Given the Water Authority's higher priority 3 water on the Colorado River (via Imperial Irrigation District's priority rights), any cutbacks it may face from Bureau action would likely be far less serious than those imposed on MWD's lower priority 4 supplies. The importance of our agency's higher priority Colorado River water than that of MWD was called out multiple times in the Hanemann Report.[46] *[Note: As of the date of this letter, the federal government has announced a new deal on the Colorado River which may moot the SEIS referenced above. Once the details are released, they can be reviewed by all parties.]*

LAFCO Staff also should be required to confirm the MWD Board's position on annexation, given that the MWD Board (not the General Manager or MWD's staff) has sole authority to approve a service change under the annexation provisions of the MWD Act (Part 7 Changes in Organization). It cannot merely be assumed that the terms and conditions established by MWD for annexation of Eastern and the Water Authority many decades ago would necessarily apply to a requested annexation in 2023. Today, MWD annexation requires detailed factual review of water usage, compliance with water use efficiency guidelines, CEQA compliance and many other factors in connection with the MWD Board's adoption of a resolution fixing terms and conditions for annexation—which vary according to the timing, facts, and circumstances. The MWD Board has never been asked to approve the annexations that would be necessary if these reorganizations were to be allowed, and is scheduled to consider its annexation policies generally for situations like this involving changes in service within its current boundaries (June 13, 2023 Finance, Audit, Insurance, and Real Property Committee Item 7-b).

In summary, management at Fallbrook and Rainbow imprudently seek to move to reliance on MWD, an agency which just recently faced serious water allocation, and is confronting severe challenges going forward with both its State Water Project and Colorado River supplies. These are risks Dr. Hanemann identified might happen, but now have happened. The applicant agencies seek to trade away the water reliability our region fought so hard for, and has invested in, after past MWD drought water shortages. It is a short-sighted strategy, and the Commission should not favor this "gamble," as it is aptly characterized by Dr Hanemann.[47]

The LAFCO Staff Report: As to Reason #5, the Report claims that Dr. Hanemann's Report asserted that the Water Authority's water is more reliable than that of MWD (via Eastern), but that, "Dr. Hanemann does not define the reliability differences between the two as substantive relative to industry standards." This is not correct. There is not a single reference in the Hanemann Report to any "industry standard" on the issue of water reliability. In fact, Dr. Hanemann's Report repeatedly notes the clear differences in water reliability between the Water Authority (which has its own supplies *plus* MWD water) versus MWD water alone, as quoted above.

Additionally, the Report focuses on avocado farming, creating the impression that this should be the main concern of LAFCO (for example, *see* pages 12 and 16). However, the Report ignores these key facts: (a) the number of residential and municipal/industrial water customers, and farmers of other crops, in Rainbow and Fallbrook outnumber avocado farmers by an order of magnitude; (b) many agricultural customers in Rainbow and Fallbrook, particularly those growing higher value nursery crops, *have not subscribed to the lower PSAWR ag rate available to them currently at the Water Authority*. This shows their preference for higher water reliability over less reliable water at a price discount; and (c) the annual San Diego County crop reports show the value of the San Diego region's agricultural products increased significantly in the years before the pandemic:



The Water Authority strongly supports avocado farming in our region. Indeed, it is one of the primary objectives of the lower PSAWR ag rate. But avocados are just a piece of the region's

farm economy and are not the sole predicate for LAFCO water decisions that will affect almost all San Diego County water ratepayers.

1.15 *REASON #6 – There Has Been No Proper Review of Earthquake Risks:*

Because Fallbrook and Rainbow want to move to full MWD reliance, they would also be moving from the ability to get water from both north and south at the Water Authority, to the ability to get water solely from the north via Eastern. This makes it imperative that all earthquake risks, including on the Elsinore Fault, be reviewed carefully.

MWD supplies depend on the lengthy Colorado River and California Aqueducts, which cross many major earthquake zones, including the San Andreas Fault. All MWD pipelines, serving either untreated or treated water from Skinner Lake and the Skinner Water Treatment Plant respectively, also cross the Elsinore Fault that lies within Eastern's service area to the north of the San Diego County boundary and the Water Authority's service area. These numerous fault regions have the potential to cause significant damage to the conveyance pipelines and extended outages of imported deliveries to the San Diego region, including to Fallbrook and Rainbow.[48]

The Fallbrook and Rainbow detachment applications both reference an *unproduced* MWD emergency planning document describing MWD's supposed ability to complete repairs on major aqueduct facilities within 14 days of a seismic event and restore service to at least the 75% level. The Water Authority told LAFCO that it had never seen this purported plan, and that a 14-day repair on a large aqueduct after a major earthquake seemed unrealistic.[49] The Water Authority informed LAFCO that this 14-day repair report should be requested by LAFCO so it could be publicly reviewed.[50] *To our knowledge no such request has been made by LAFCO, and there has been no analysis by LAFCO of the earthquake risks on water deliveries to Fallbrook and Rainbow*. This analysis was not included in Dr. Hanemann's scope of work.

For context, the Water Authority's Emergency Storage Project is sized for a two-month complete outage (or six-month partial outage) of imported water from Lake Skinner and the Skinner Water Treatment Plant resulting from damage to pipelines caused by an earthquake event on the Elsinore Fault or San Andreas Fault.

MWD's published Emergency Storage Objective belies a 14-day estimate, projecting *lengthy* potential service outage durations resulting from an earthquake, as represented in Table 1 below from that report:[51]

Table 1
Estimated Outage Duration for Imported Supply Aqueducts (M 7.8 earthquake)

Aqueduct	Estimated Outage Duration
Colorado River Aqueduct	2 to 6 months (recovery of 80% CRA capacity) 3 to 5 years (recovery of 100% CRA capacity)
California Aqueduct: East Branch	12 to 24 months
California Aqueduct: West Branch	6 to 12 months
Los Angeles Aqueduct	18 months

The LAFCO Staff Report: As to Reason #6, the Report simply asserts on page 19: "Should service be completely cutoff, Metropolitan maintains that repairs would be completed within 14 days." The basis for the claim that a major earthquake that severs a major aqueduct can be brought back into service within 14 days is *unproduced and unexamined*.

REASON #7 – There Will Be a Loss of Regional Water Planning for San Diego County:

The regional planning between the Water Authority and SANDAG required by law (Water Code section 10915) is contravened by detachment.

In 1988, voters in San Diego County approved a measure to strategically address core issues related to regional planning and growth management. Proposition C, the "Regional Planning and Growth Management Review Measure", was passed and sought to develop a strategic plan to resolve regional problems associated with development and planning of transportation, water supply, wastewater treatment, water quality, housing and economic prosperity, among many other issues for the San Diego region.

To formalize the water supply planning element of SANDAG's Regional Growth Management Strategy, and to indicate its intent to participate in the implementation of the Strategy's Water Supply chapter, in 1992 the Water Authority entered into a Memorandum of Agreement (MOA) with SANDAG.[52] The intent of the MOA was to "assure consistency between the plans, policies and ordinances of the cities and County, and the plans and programs of the Authority."

As part of the 1992 MOA, the Water Authority agreed to utilize SANDAG's most recent regional growth forecasts as part of development of its long-range water demand forecast for the region, which is provided in the Water Authority's Regional Urban Water Management Plan (UWMP). In turn, SANDAG utilizes the Water Authority's long-range water demand forecast in the water supply chapter of its Regional Growth Management Strategy

This collaborative approach, linking regional land use planning and regional water supply planning, has worked well for SANDAG and the Water Authority and was years ahead of SB 610 and SB 221. Those two bills, effective in January 2002, improved the link between water supply availability and certain land use planning decisions made by cities and counties. Both statutes require detailed information regarding water availability to be provided to city or county decision-makers prior to the approval of large development projects. This is performed using water supply assessments (WSA) requested by the developer/local government agency of the water agency to affirm via written verification of sufficient water supply. WSAs are then provided to local governments for including in the environmental documentation for any large development project. The foundational document of compliance with SB 610 and 221 is the UWMP. As mentioned above, the 1992 MOA has linked the Water Authority's UWMP to SANDAG by utilizing SANDAG's most recent regional growth forecast, the base of which is the cities and county's General Plans.

Should Rainbow and Fallbrook detach and join a Riverside County water agency, it would undermine and unravel the longstanding close regional collaborative planning efforts between land use and water supply in San Diego County. SANDAG would continue to include in its regional growth forecast the projections for land use, population, and growth in Fallbrook and Rainbow's service areas. However, the Water Authority would no longer include Fallbrook and Rainbow's water demands in its UWMP. As a result, water supply planning and any WSA decisions to serve future development would be ceded to decision-makers in Riverside County. With such a split between counties on land use planning and decisions and water supply planning, it is unclear how the process on WSAs will be carried out.

The LAFCO Staff Report: As to Reason #7, the Report says SANDAG has not taken any position.[53] But SANDAG has already taken a position on regional planning, as the above-cited facts and our agreement with SANDAG clearly demonstrate. Rather than assuming SANDAG has no position, LAFCO should assume compliance with the regional planning processes that are well-established and in force.

1.16 *REASON #8 – There Is Risk of Negative Precedent:*

LAFCO should deny the Applications because of the meaningful risk of precedent, a risk that has already been noted by the debt rating agencies, and which could cost the remaining Water Authority member agencies higher interest rates, and thus higher water rates. A letter sent to LAFCO by MWD's current Board Chair Ortega also identified precedent as a risk for MWD: "as communities chase after the lesser rates among adjacent Metropolitan Member Agencies in a potential race to the bottom *compromising past investments*." (emphasis added).[54] As noted by MWD Chair Ortega, the increasing cost of water is better addressed in long-term planning processes such as the Water Authority has established and MWD is now undertaking.

The Water Authority explained the risk of negative precedent in detail in its Response to LAFCO.[55] As noted there, S&P Global has stated, "[W]e do believe an approved detachment could set a poor precedent if members can easily detach from the authority, especially if they are not required to pay for their portion of the associated debt and infrastructure costs that the authority has undertaken to provide reliable water sources."

Though Fallbrook and Rainbow may be the only two agencies with current direct connections to MWD pipelines, this does not mean that other agencies could not potentially construct pipes to also connect their own systems to MWD. The Water Authority, in its Response, provided LAFCO with a map showing that there are six other member agencies less than ten miles away from those MWD pipes, and twelve agencies less than 20 miles away.[56] Additionally, this does not even begin to address the chaos that could ensue at both MWD and the Water Authority if agencies are able to detach and have an automatic right to be served by any other agency in the MWD service area.

The LAFCO Staff Report: As to Reason #8, the Report concedes that the detachments could adversely affect the Water Authority's credit rating (also a concern expressed by MWD's Chair), but then – as it does in many other areas – downplays the issue based on unsupported assumptions and presumptions: "Given Standard and Poor's own observations on the topic, it is reasonable to

assume detachments would impact the County Water Authority's credit rating. It is also reasonable to presume the impact would be less than significant given two factors."[57] The stated purported factors are that for a previous downgrade by Standard and Poor's "detachments were not a primary reason," and that an exit fee and proximity to MWD pipes by only Rainbow and Fallbrook covers any loss or precedent issues.[58] The Report simply has no grounds to state that fears of precedent-setting are immaterial. Cites to an earlier Standard and Poor downgrade when there was no actual detachment, and the possible existence of a *de minimis* exit fee or pipe location, as the foundations for the Report's opinion are without basis and inappropriate.

1.17 *REASON #9 –Material Information Is Still Missing:*

There is significant information missing from the Applications. The Commission must not ignore these items – all of which have been noted earlier to LAFCO Staff – as the Commission needs them to proceed:

- The missing CEQA review noted above.
- The missing earthquake items noted above.
- The missing data from Rainbow as to their needed major infrastructure improvements noted above.
- What Williamson Act and California Land Conservation Act lands are there in Fallbrook and Rainbow's service areas (if any). LAFCO Statutes require certain special processes for such lands before this process can proceed. *See*, for example, Government Code Section 56426.6 and, 56856.5.
- What specific Water Authority infrastructure would Fallbrook and Rainbow need access to after annexation into Eastern, and what water volumes and timing would be required?
- How exactly will Fallbrook and Rainbow be represented at Eastern? It appears they may be merged into an existing voting district which will be predominantly residents of Riverside County. Neither Eastern nor the Applicants have told LAFCO exactly what will happen, but only referenced things that might happen.

The LAFCO Staff Report: As to the above items, the Report is mostly silent except for the issues covered earlier, such as CEQA.

C. DELAY OPTIONS

The Report has suggested in both its Options 3 and 4 that the Commission delay a decision on these reorganizations so that a Municipal Service Review of the Water Authority and potentially MWD (mentioned by staff earlier) could take place. Any such review is unrelated to these Applications, which have now been at LAFCO *for four years*. The Applications should simply be denied.

D. CONDITIONS

The Water Authority strongly believes the Commission should deny the Applications for all the reasons stated above. If for any reason an approval were to be granted over our objections, and the objections by the City of San Diego and LAFCO's own Cities Special Advisory Committee, the Commission should only do so under the most careful conditions. The Water Authority here sets out the minimal conditions needed:

1.18

Condition #1: An affirmative majority vote in the entire Water Authority service area, as well as one in the Fallbrook and Rainbow service areas, as LAFCO acknowledges was requested by the Water Authority.[59] The voting issues are addressed in detail in the Response.[60] The Report states that LAFCO cannot legally do this, but we believe LAFCO counsel is in error. LAFCO should engage a completely independent counsel to review the issue after taking input from all parties.

[Note: As this letter is being filed, the City of San Diego has just supported a new piece of legislation -- AB 530 -- that would require voting in the entire Water Authority service area on detachment. The Water Authority's Board recommended such a vote to LAFCO years ago.]

Condition #2: An increased "exit fee" for a longer period of time to allow the Water Authority to manage the countywide ratepayer impacts caused by detachment, and with a much reduced offset to match the years included in an exit fee.

Condition #3: A requirement that any "exit fee" be agreed to via a formal majority vote in Fallbrook and Rainbow's service areas such that if the agencies do not timely pay for any given year(s), the taxpayers agree via their vote that the unpaid amounts may be levied on their properties by the Water Authority. As explained in the Response, this tax approval by the voters in the Fallbrook and Rainbow service areas is the only way, under today's voter approval laws and the State Constitution, that the Commission can effectuate the intent and requirements of the County Water Authority Act.

Condition #4: That all Water Authority costs of the engineering and infrastructure changes that need to be made to accommodate the reorganizations be paid for by Fallbrook and Rainbow. The Water Authority provided rough estimates in its Response,[61] but that was done before high inflation hit, and the costs would be meaningfully higher now.

Condition #5: Require the Applicants to formally apply for annexation to MWD to establish, rather than assume, MWD terms and conditions, or confirm that MWD Board policy is that no annexation is required under the MWD Act so long as the detaching and annexing areas are within the MWD service territory.

Condition #6: Require the Applicants to secure a formal resolution of the Eastern Board of Directors identifying exactly how Fallbrook and Rainbow customers will be represented

should annexation be granted, and demonstrating compliance with all local, regional and statewide legal requirements.

E. CONCLUSION

The Commission should not approve the Applications, because they harm the Fallbrook and Rainbow communities, as well as the rest of San Diego County. The Water Authority respectfully requests that the Applications be denied.

In closing, we recall for the Commission a bit of history, as the past can be instructive.

The Water Authority was annexed to MWD as a member agency in 1946. A condition for this annexation was a transfer to MWD of San Diego's water rights to Colorado River water, and such transfer of water rights occurred.

In the Spring of 1953, the Water Authority's Board approved a resolution informing MWD that the Board would favorably consider an application for Rainbow and other County areas to be annexed into the Water Authority.[62] During this time, the San Diego Chamber of Commerce became aware of efforts by entities within Rainbow and other North County areas to be annexed directly into MWD and to receive Colorado River water from MWD rather than through the Water Authority. On May 11, 1953, the Chamber wrote to MWD stating the Chamber's opposition to these efforts and advocating instead for annexation of these areas into the Water Authority.[63]

Two weeks after the Chamber's letter, the Water Authority wrote to MWD and stated that it had not yet received any application for the northern areas to be annexed into the Water Authority but that these areas had sought "informal consent" from MWD to be directly annexed into MWD and that this request was pending.[64] The Water Authority Board opined that MWD should reject the request for direct annexation and recommend to the applicants that their annexation should occur through the Water Authority. Indeed, *the Water Authority Board cited its Resolution 261 (attached Exhibit A), which stated that any water coming into the County should do so via the Water Authority*:

> "[A]ny area in San Diego County which is to participate in the delivery of water imported into the County from the Colorado River, or any other source outside of the County, should so participate as a part of the San Diego County Water Authority."[65]

MWD rejected the Rainbow-Bonsall area's "informal application" for direct annexation.[66] Then, in July of 1953, MWD informally approved Rainbow as an acceptable entity for concurrent annexation into the Water Authority.[67] The next year a deal was struck by which the Water Authority's rights to the San Diego Aqueduct and second barrel were transferred to MWD, subject to it not being used in any manner "inconsistent" with the rights of the Water Authority to receive water from MWD through that system.[68]

Many decades have now passed, but the current Applications are simply a renewal of the attempt to move to MWD, this time using Eastern as a proxy. The San Diego region has spent billions of

dollars developing Colorado River rights for our County, rights that had been lost to MWD in the WWII era, so that our County could have a reliable water supply that was not dependent on the decisions of others. MWD is now facing major water challenges, and it does not support agricultural water use in the same way San Diego County and the Water Authority have done.

1.20 Finally, we ask that this letter, and all prior submittals by the Water Authority and others related to the Applications, be made part of the official administrative record for the Applications. We expect that record to be a complete compilation of everything related to these Applications, including the Hanemann Report and all of Dr. Hanemann's presentations, all proceedings of the Ad Hoc Committee, all correspondence, and every other matter related to, and occurring during, the long history of the Applications.

Thank you. We look forward to addressing these issues with you on June 5.

Sincerely,

Mark J. Hattam
Water Authority Special Counsel

cc via email on May 22:

All LAFCO Commissioners
Holly Whatley, LAFCO General Counsel
Adam Wilson, Ad Hoc Committee Moderator
Sandra L. Kerl, General Manager, San Diego County Water Authority
David Edwards, General Counsel, San Diego County Water Authority
Claire Collins, Counsel, San Diego County Water Authority
Jack Bebee, General Manager, Fallbrook PUD
Paula C. P. de Sousa, Counsel, Fallbrook PUD
Nick Kanetis, Deputy General Manager, Eastern MWD
Tom Kennedy, General Manager, Rainbow MWD
Alfred Smith, Counsel, Rainbow MWD
Water Authority Board of Directors
Fallbrook Public Utility District Board of Directors
Rainbow Municipal Water District Board of Directors
Eastern Municipal Water District Board of Directors
Adán Ortega, Chair, Metropolitan Water District of Southern California
Dr. Michael Hanemann

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[1] *See* Fallbrook and Rainbow applications.

[2] San Diego County Water Authority September 18, 2020, Response (the "Response"), p.1.

[3] Response, p.79.

[4] Response, pp. 81 and 97.

[5] Response, pp. 97-99.

[6] Response, p.5.

[7] Response, pp.76-77.

[8] Response, p.33.

[9] *Id.*

[10] Response, p.74.

[11] Response, p.57.

[12] Hanemann Report, p.68.

[13] Response, pp.48 *et seq*.

[14] Response, pp. 68 *et seq*.

[15] MWD Act, Section 65.

[16] Response, p.68.

[17] *See*, for example: 1) Election of a nonofficer member of MWD's Executive Committee (Director Camacho was elected with 50.28% support, Minute 52298); 2) Hiring Mr. Adel Hagekhalil as General Manager (approved with 50.42% support, Minute 52420); and 3) not conduct a performance review of MWD's General Counsel given the results of the State's audit of MWD (approved with 50.60% support, Minute 52839).

[18] Response. pp. 68 *et seq*.

[19] Report, p.38.

[20] Indeed, if one reads the full Report one cannot help but come away with the impression that no matter the problem area, the Report's response is almost always the same: there is a harm, but it is not material. Yet, LAFCO Staff does not have a basis to make such judgments. The Report reaches conclusions in key water policy areas that are inconsistent with the expertise and Water Authority Staff and Board judgment over the past 20+ years, as the California and Southwest water world have been evolving to an entirely new era with different facts and circumstances. Additionally, from the very beginning of this now years-long process the Water Authority has repeatedly called out to the Commission our concern that LAFCO Staff has regularly shown a predisposition to favor detachment. Also, we pointed out to LAFCO in our counsel's May 13, 2021, letter to LAFCO: "When the Water Authority had its very first meeting with LAFCO Executive Officer Keene Simonds and LAFCO counsel Holly Whatley on August 20, 2019, they informed LAFCO of a significant issue: that in May of 2019, when Rainbow MWD General Manager Tom Kennedy first told Water Authority General Manager Sandy Kerl that Rainbow and Fallbrook were intending to initiate detachment proceedings, Mr. Kennedy stated that there would be no point in the Water Authority even opposing detachment because it had already been pre-arranged at LAFCO."

[21] Hanemann Report, p.68.

[22] Response, pp.59-60.

[23] Hanemann Report, p.82.

[24] Response, pp.104-105.

[25] Hanemann Report, p.82.

[26] Response, p.55.

[27] Report, p.31.

[28] *See* https://www.sdlafco.org/home/showpublisheddocument/6174/637817360700300000

[29] Report, pp. 23 *et seq*.

[30] Report, p.23.

[31] November 29, 2022, letter from SDCWA to LAFCO, Exhibit 4.

[32] Exhibits 66 and 67 to the Response.

[33] Response, pp. 174 *et seq*.

[34] *See*, for example, Fallbrook's Resolution No. 4985 submitted with its LAFCO application. This Resolution says on p.6 that "Reorganization" is exempt or not a project under CEQA. However, the Resolution expressly defines the term "Reorganization" *not* as an actual detachment from the Water Authority and annexation to Eastern, but solely "to initiate proceedings" at LAFCO. Thus, the purported CEQA compliance is *only for Fallbrook's applying to LAFCO*, not for all the actual effects of any possible LAFCO action. Similarly, Rainbow Resolution 19-15 was just its Board's approval to submit an application to LAFCO, on which decision a Notice of Exemption was then filed. These Fallbrook and Rainbow approvals therefore simply covered LAFCO application submittals and are not a substitute for actual CEQA review of the effects of the reorganizations if such were to be granted. The Report provides no basis for LAFCO to avoid its CEQA responsibilities.

[35] Response, pp. 174 *et seq*.

[36] Report, p.45.

[37] Response, p.182.

[38] *See* Attachment 1, Page 4 of 55 of MWD's *Adopt the 2020 Integrated Water Resources Plan Needs Assessment* Board Letter dated April 12, 2022, describing MWD's "potential annual net shortage" being as high as 1.2 million acre-feet.

[39] MWD Administrative Code § 4106 (Interim Agricultural Water Program Purposes).

[40] *Id*.

[41] MWD Administrative Code § 3104.

[42] Response, p.78.

[43] https://mwdh2o.legistar.com/View.ashx?M=F&ID=10838150&GUID=3EAF5D95-F527-4B68-9168-D5E14E5C6A0D and https://mwdh2o.legistar.com/View.ashx?M=F&ID=11694055&GUID=CC9BF29A-99FC-4913-8BC3-769B010CDA80

[44] California to see more brown lawns and water restrictions - Los Angeles Times (latimes.com) ("State water-dependent areas have already been under one- or two-day-a-week outdoor watering restrictions for months, but the MWD may soon expand those rules across their entire service area.")

[45] *See* https://www.usbr.gov/ColoradoRiverBasin/SEIS.html

[46] Hanemann Report at pp.14, 84, and 98.

[47] Hanemann Report, p.98.

[48] Response, pp.85 *et seq*.

[49] *Id.*

[50] Response, pages 148 and 150, question 10 on each. Also, the Water Authority repeatedly raised this issue in subsequent submittals, all to no avail.

[51] *See* Attachment 1, Page 4 of 17 of MWD's *Update of Metropolitan's Emergency Storage Objective* Board Letter dated May 14, 2019.

[52] Response, Exhibit 13.

[53] Report, p.23.

[54] https://mwdprograms.sdcwa.org/wp-content/uploads/2023-03-22-MWD-Chair-Ortega-to-SDLAFCO-EO-Simonds-re-Rain-Fall-Detach.pdf

[55] *See* pages 62 *et seq*.

[56] Response, p.64.

[57] Report, p.27.

[58] *Id.*

[59] November 29, 2022, letter from SDCWA to LAFCO, Exhibit 1, p.6.

[60] Response, pp. 169 *et seq*.

[61] Response, pp. 103 *et seq*.

[62] *See* attached Exhibit A.

[63] *See* attached Exhibit B.

[64] *See* attached Exhibit C.

[65] *Id.* and Resolution 261 at attached Exhibit A.

[66] *See* attached Exhibit D.

[67] *See* attached Exhibit E.

[68] *See* attached Exhibit F

EXHIBIT A

RESOLUTION NO. 261

A RESOLUTION AMENDING RESOLUTION NO. 260 OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ENTITLED "A RESOLUTION ADVISING THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA OF THE INTENTIONS OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY RELATIVE TO THE ANNEXATION OF THE ENLARGED RAINBOW PUBLIC UTILITY DISTRICT AREA".

WHEREAS, the Board of Directors of the San Diego County Water Authority has long had before it the application of the Rainbow Public Utility District for the annexation of its corporate area, together with the area of neighboring lands aggregating approximately 30,000 acres, to the San Diego County Water Authority; and

WHEREAS, after detailed and careful study of the problems presented by such request, the Board of Directors of the San Diego County Water Authority concluded that the annexation of the proposed area on the prevailing terms and conditions of annexation to both the County Water Authority and the Metropolitan Water District was not warranted, in view of the lack of comparative developed primary water supply and comparative financial contribution of the area under consideration; and

WHEREAS, the Board of Directors of the San Diego County Water Authority is now informed that the annexation of the area under consideration would be acceptable to The Metropolitan Water District of Southern California under the prevailing terms and conditions of annexations, either through membership in the San Diego County Water Authority or directly as a separate unit member of the Metropolitan Water District; and

WHEREAS, the San Diego County Water Authority was organized for the sole purpose and charged with the obligation of importing and distributing in San Diego County the waters of the Colorado River to which the City and/or County of San Diego were or might become entitled to receive, and any other water supply the source of which lies outside the County of San Diego, and for that

reason it is the opinion and conclusion of the Board of Directors of the San Diego County Water Authority that any area in San Diego County which is to participate in the delivery of water imported into the County from the Colorado River, or any other source outside of the County, should so participate as a part of said San Diego County Water Authority;

NOW THEREFORE, BE IT AND IT IS HEREBY RESOLVED by the Board of Directors of the San Diego County Water Authority that the Board of Directors of The Metropolitan Water District of Southern California be advised that the San Diego County Water Authority is prepared to approve the annexation of the approximate 30,000 acres of lands within the Rainbow Public Utility District, the San Luis Rey Heights Mutual Water Company and the Bonsall Heights area, subject to the usual and current terms and conditions upon the incorporation of such area within a water district of an acceptable type and the receipt of a formal application from such water district.

Chairman of the Board of Directors
San Diego County Water Authority

ATTEST:

Secretary of the Board of Directors
San Diego County Water Authority

Roll Call _____

Resolution No. 261

Ordinance No. _____

Special _____ MEETING OF BOARD OF DIRECTORS

SAN DIEGO COUNTY WATER AUTHORITY

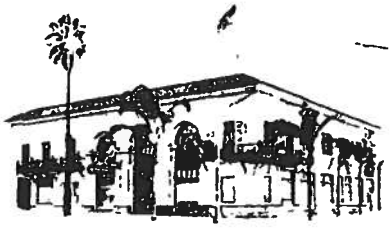
May 11, 1953

City of Escondido	1 Vote	X	Reed
Fallbrook Public Utility District	1 Vote	✓	Heald
Lakeside Irrigation District	1 Vote	X	McLean
La Mesa, Lemon Grove and Spring Valley Irrigation District	10 Votes	✓	Shelton
City of National City	3 Votes	✓	Dickson
City of Oceanside	3 Votes	✓	Weese ~~Beck~~
The City of San Diego	26 Votes	✓	Beermann) Fisher) Heilbron) X Marston) Simpson) X Wansley) X Watt) X Wells)
San Dieguito Irrigation District	1 Vote	✓	Jacobson
Santa Fe Irrigation District	1 Vote	X	Bakewell
South Bay Irrigation District	5 Votes	X	Lynds

[redacted]

EXHIBIT B

15045
STANLEY GROVE General Manager
(See 15089)
14-3



BROADWAY
AT
COLUMBIA ST

SAN DIEGO CHAMBER OF COMMERCE

SAN DIEGO 1, CALIFORNIA

May 11, 1953

Mr. Joseph Jensen
Chairman of the Board of Directors
Metropolitan Water District of
Southern California
306 West Third Street
Los Angeles 13, California

Dear Mr. Jensen:

Many of the citizens of this community, who make every possible effort to keep in close touch with the work and activities being done by your Honorable Body and its counterpart and its affiliated agency in this county, have been disturbed over the efforts being made by an area in the northern part of this county for direct affiliation with the Metropolitan Water District.

Most of us in business and our public officials consider that the Colorado River water distribution should be confined to the San Diego County Water Authority.

We, therefore, trust that your Board will take the necessary steps to suggest that the San Diego County Water Authority reopen the servicing of the Rainbow area, rather than having your agency extended within our county.

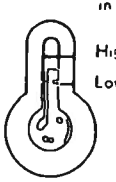
Yours very sincerely

Arnold Klaus

Arnold Klaus
Assistant Manager

Referred to:
WPPR Committee
May 12, 1953

Yesterday's Temperature
in San Diego




RECEIVED
MAY 1953
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

1595

May 19, 1953

Mr. Arnold Klaus
Assistant Manager
San Diego Chamber of Commerce
Broadway at Columbia Street
San Diego 1, California

Dear Mr. Klaus:

Your letter, dated May 11, 1953, advocating the annexation of the Rainbow-Bonsall area to the San Diego County Water Authority, is hereby acknowledged.

It was read to the Board of Directors of the District on May 12 and was referred to the Standing Committee having this matter under consideration.

There are many factors to be considered and the situation has many ramifications. However, we are pleased to have your statement reflecting the attitude of the San Diego Chamber of Commerce.

Yours truly,

Joseph Jensen, Chairman

EXHIBIT C

15082

14-1

SAN DIEGO COUNTY WATER AUTHORITY

314-321 Land Title Building
San Diego 1, California

~~CITY OF CHULA VISTA~~
CITY OF ESCONDIDO
CITY OF NATIONAL CITY
CITY OF OCEANSIDE
CITY OF SAN DIEGO
FALLBROOK PUBLIC UTILITY DISTRICT
LAKESIDE IRRIGATION DISTRICT
LA MESA, LEMON GROVE AND SPRING VALLEY IRRIGATION DISTRICT
SAN DIEGUITO IRRIGATION DISTRICT
SANTA FE IRRIGATION DISTRICT
SOUTH BAY IRRIGATION DISTRICT

FRED A. HEILBRON
CHAIRMAN
ARTHUR L. LYNDS
VICE-CHAIRMAN
~~DELAVAN J. DICKSON~~
SECRETARY
M. J. SHELTON

May 25, 1953

Board of Directors
The Metropolitan Water District
of Southern California
306 West Third Street
Los Angeles 13, California

Attention: Water Problems and Public Relations Committee

Gentlemen:

By Resolution No. 261 your honorable body was advised by the Board of Directors of the San Diego County Water Authority that it would favorably consider the application of the Rainbow Public Utility District-Bonsall Heights-San Luis Rey Heights Mutual Water Company areas upon the formation of the proper public agency and the receipt of formal application for annexation by such organization. The reasons for the action of this Board were recited in detail in said resolution, and the Authority is prepared to proceed as therein outlined. In the meantime, however, no application of any kind from representatives of that area is pending before the Authority--and we understand that an application for informal consent for direct annexation to the Metropolitan Water District is still pending before its Board of Directors and Water Problems Committee.

In view of the action taken by this member agency of the Metropolitan Water District, it is the opinion of the members of this Board that Metropolitan should reject the request for direct annexation on the part of this area and recommend to the applicants that their annexation should best be accomplished through the San Diego County Water Authority, in accordance with the statement of this Authority's official position as set forth in said Resolution No. 261.

Very truly yours,

M. J. Shelton
Secretary of the Board of Directors
San Diego County Water Authority

cc: Mr. Warren W. Butler, Chairman
Water Problems and Public Relations Committee


MAY 1953
RECEIVED
THE METROPOLITAN
WATER DISTRICT
OF SOUTHERN
CALIFORNIA

1508 2
Title

June 19, 1953

Board of Directors
San Diego County Water Authority
314-321 Land Title Building
San Diego 1, California

Gentlemen:

The Board of Directors of The Metropolitan Water District of Southern California on June 9, 1953, rejected the informal application made on behalf of the Rainbow-Bonsall area for consent to annex directly to this District.

At the time the action was taken the letter received from your Secretary, Mr. M. J. Shelton, under date of May 26, 1953, expressing the opinion that the application referred to should be rejected and recommending that the applicants be informed that the annexation of the area should best be accomplished through the San Diego County Water Authority, was read and considered.

Yours truly,

A. L. Gram
Executive Secretary

cc: Chairman Jensen
Messrs: Diemer
Howard
McKinley

15282

June 19, 1953

Mr. W. N. Davis, Chairman
Rainbow Public Utility District
P. O. Box 195
Fallbrook, California

Mr. Thos. L. Hosmer
Bonsall Heights Association
Fallbrook, California

Mr. W. B. Dennis, Attorney
for the Rainbow Public Utility District
and the Bonsall Heights Land Owners Committee
Route 1
Fallbrook, California

Gentlemen:

You are hereby formally notified that the Board of Directors of The Metropolitan Water District of Southern California on June 9, 1953, rejected the proposal that consent be granted to annex the Rainbow-Bonsall area directly to this District.

Yours truly,

A. L. Gram
Executive Secretary

cc: Chairman
Gen. Mgr. & Ch. Engr.
General Counsel
Controller

EXHIBIT D

15083

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
306 WEST THIRD STREET
LOS ANGELES 13 CALIFORNIA

OFFICE OF
BOARD OF DIRECTORS

June 9, 1953

Board of Directors
The Metropolitan Water District
of Southern California
Los Angeles, California

Gentlemen:

The Water Problems and Public Relations Committee has considered the informal application for consent to annex the Rainbow-Bonsall area to this District, in which application the offer is made to agree to the subsequent annexation of any acceptable lands in that vicinity desiring to obtain Colorado River water and to agree that at such time as the San Diego feeder lines do not have sufficient capacity to supply the then current needs of the San Diego County Water Authority and the Rainbow-Bonsall area, to construct at its expense a feeder line from the Rainbow area to the San Jacinto regulating reservoir, and the Committee has also considered the several related communications, including Resolution 261 of the Board of Directors of the San Diego County Water Authority, expressing its willingness to approve the annexation of the approximately 30,000 acres of land within the Rainbow Public Utility District, the San Luis Rey Heights Mutual Water Company, and the Bonsall Heights area, subject to the current terms and conditions of annexation, upon their incorporation into a water district of an acceptable type, and the written opinion from the General Counsel, previously requested, concluding that in consenting to the annexation of any area the Board of Directors of this District may determine that present circumstances require that additional facilities necessary for delivering water to such area be furnished without expense to this District and submitting language for incorporating such provisions in the terms and conditions of annexation of a unit to the Authority and this District, and has also considered a form of resolution submitted by Chairman Jensen which would have the effect of tentatively approving the annexation to this District of the Rainbow-Bonsal area, if constituted as a municipal water district, or the annexation of the area to the Authority upon the conditions that the Authority file with this

District on or before June 9, 1953, its consent to the annexation of the Rainbow-Bonsall area upon the usual terms and conditions and agree, in addition, that the Authority will consent from time to time to the annexation of additional lands in Northern San Diego County acceptable to the Rainbow-Bonsall area and to this District and will agree with this District to construct, when required, a third barrel of the San Diego Aqueduct from the Riverside County line to the west portal of the San Jacinto Tunnel sufficient to meet the needs of the Authority.

It is the recommendation of the Committee, pursuant to a consideration of the foregoing, that the application of the Rainbow-Bonsall area for consent to annex directly to this District be denied without prejudice, with the understanding that the application would be subject to renewal in the event consent to the annexation of the Rainbow-Bonsall area is not granted by the Board of Directors of the San Diego County Water Authority; and that the language suggested by the Legal Division in its opinion previously referred to be incorporated in the resolutions used in fixing the terms and conditions for the annexation of an area to the Authority and to this District; and with the further understanding that the area would be required to incorporate as a municipal water district; and that a declaration be made that it is not the intention at this time of the Board of Directors of this District to assume the obligation of building facilities for the delivery of water to any area.

Yours truly,

WATER PROBLEMS AND
PUBLIC RELATIONS COMMITTEE

Warren W. Butler

Warren W. Butler, Chairman

EXHIBIT E

1544/

Real 4339

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
306 WEST THIRD STREET
LOS ANGELES 13 CALIFORNIA

APPROVED
by the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held Jan 12 1954
A. L. Grant
Executive Secretary

OFFICE OF
GENERAL COUNSEL

January 12, 1954

Board of Directors
The Metropolitan Water District
of Southern California
B u i l d i n g

Gentlemen:

A communication has been received from the San Diego County Water Authority transmitting certified copy of Resolution No. 279, adopted by the Board of Directors of the Authority on January 7, 1954, relative to the application of the Board of Directors of Rainbow Municipal Water District for consent to annex the corporate area of that District. The Authority's Resolution No. 279 requests the consent of your Board for the concurrent annexation of this area to the Metropolitan Water District, and, subject to such consent being obtained, approves the request for annexation, subject to such terms and conditions as shall hereafter be determined.

The Controller has prepared a report showing the amount of the annexation charges, determined from the data certified by Realty Tax & Service Company and the computations explained in the Controller's report.

There is transmitted herewith form of resolution granting the requested consent to this annexation upon the terms and conditions therein expressed. The resolution is in standard form and sets forth the aggregate amount to be raised by special taxes as reported by the Controller. All facilities required for the delivery of water to the annexing area from works owned by the Metropolitan Water District are to be provided without cost to this District.

Rainbow Municipal Water District was incorporated December 30, 1953, and was formed for the purpose of annexing its corporate area to the Authority and to the Metropolitan Water District. The incorporation proceedings were conducted after review of the principal forms and procedures by the General Counsel of the Authority and by my office. The annexation proceedings likewise will receive close scrutiny by the attorneys for the Authority and this District, as well as by the attorney for the Rainbow District, who will be charged with primary responsibility for the procedural details. It is expected that a pattern can be set which will serve as a convenient model for the annexation of other areas now in the process of completing the formation of their respective municipal water districts.

It is recommended that the enclosed resolution be adopted.

Very truly yours,

James H. Howard
General Counsel


JAN 1954
RECEIVED
THE METROPOLITAN
WATER DISTRICT
OF SOUTHERN
CALIFORNIA

RESOLUTION 4339

APPROVED
by the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held JAN. 12 1954
O. L. Gram
Executive Secretary

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO THE ANNEXATION TO SAID DISTRICT OF THE CORPORATE AREA OF RAINBOW MUNICIPAL WATER DISTRICT UPON THE CONCURRENT ANNEXATION OF SUCH CORPORATE AREA TO SAN DIEGO COUNTY WATER AUTHORITY AND FIXING THE TERMS AND CONDITIONS OF SUCH ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

A. WHEREAS, the governing body, to wit, the Board of Directors, of San Diego County Water Authority, a county water authority situated in the County of San Diego, State of California (hereinafter referred to as "San Diego Authority"), pursuant to its Resolution No. 279, adopted January 7, 1954, and in accordance with the provisions of the Metropolitan Water District Act of the State of California, has applied to the Board of Directors of The Metropolitan Water District of Southern California (hereinafter referred to as "Metropolitan") for consent to annex to Metropolitan the corporate area of Rainbow Municipal Water District, a municipal water district situated in said County of San Diego (hereinafter referred to as "Rainbow"), concurrently with the annexation of said corporate area of Rainbow to San Diego Authority, such annexation to Metropolitan to be upon such terms and conditions as may be fixed by the Board of Directors of Metropolitan; and

B. WHEREAS, it appears to the Board of Directors of Metropolitan that said application of the Board of Directors of San Diego Authority for consent to annex to Metropolitan the corporate area of Rainbow should be granted, subject to the terms and conditions hereinafter set forth:

C. NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of The Metropolitan Water District of Southern California, subject to the following terms and conditions, does hereby grant the said application of the governing body of San Diego County Water Authority for consent to annex to The Metropolitan Water District of Southern California the corporate area of Rainbow Municipal Water District, and does hereby fix the terms and conditions upon which such annexation may occur, as follows:

Section 1. Such concurrent annexation of the corporate area of Rainbow to San Diego Authority and to Metropolitan shall be completed, and all necessary certificates, statements, maps, and other documents required to be filed by or on behalf of San Diego Authority or by or on behalf of Rainbow to effectuate such annexation shall be filed in the respective offices required by law, on or before December 1, 1954.

Section 2. In the event of such annexation:

a. There shall be levied by Metropolitan special taxes upon taxable property within said corporate area of Rainbow, in addition to the taxes elsewhere in the Metropolitan Water District Act (Stats. 1927, page 694, as amended) authorized to be levied by Metropolitan.

b. The aggregate amount to be raised by such special taxes shall be $167,700.

c. The number of years prescribed for raising such aggregate sum shall be thirty years, commencing with the fiscal year 1955-56.

d. Substantially equal annual levies will be made for the purpose of raising said sum over the period so prescribed.

Section 3. In the event of such annexation, all feeder pipe lines, structures, connections, and other facilities required for the delivery of water to said corporate area of Rainbow, from works owned or operated by Metropolitan, shall be constructed, provided, and installed without cost or expense to Metropolitan, and Metropolitan shall be under no obligation to provide, construct, operate, or maintain such works.

D. BE IT FURTHER RESOLVED, that the Executive Secretary be, and he hereby is, directed to transmit forthwith to the governing body of San Diego County Water Authority a certified copy of this resolution.

I HEREBY CERTIFY, that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held January 12, 1954.

January 15, 1954

Board of Directors
San Diego County Water Authority
716-721 Land Title Building
San Diego 1, California

Gentlemen:

Enclosed is a certified copy of Resolution 4139 adopted by the Board of Directors of The Metropolitan Water District of Southern California on January 12, 1954, granting consent to and fixing the terms and conditions for the annexation of the Rainbow Municipal Water District concurrently to this District and to the San Diego County Water Authority.

Also at this meeting, informal consent was granted to the application of the San Diego County Water Authority for consent to annex to this District territory which had previously been included within the boundaries of the La Mesa, Lemon Grove and Spring Valley Irrigation District without becoming a part of the San Diego County Water Authority. In this connection, Mr. Robert B. Kleiser, General Manager and Chief Engineer of this District, was authorized to select the specific years numbering not less than six, for which the assessed valuations of the area proposed for annexation will be required.

Yours truly,

A. F. Gray
Executive Secretary

ALG:r

Enclosure

Copy to: Director Hollbrook and
Director Holmgren

Chairman
GMCE
General Counsel
Controller

EXHIBIT F

15081

C-1

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
306 WEST THIRD STREET
LOS ANGELES 13, CALIFORNIA

OFFICE OF
GENERAL COUNSEL

May 26, 1953

Board of Directors
The Metropolitan Water District
of Southern California
B u i l d i n g

Gentlemen:

This office has been asked to advise whether, in the event that at some time in the future a third water line shall become necessary to serve the San Diego County Water Authority, this District will be under any obligation to construct such line so as to provide for delivery of additional water from the main Colorado River Aqueduct to the point near Rainbow Tunnel now fixed as the point of delivery of water transported by means of the first and second barrels of the San Diego Aqueduct System.

Resolution No. 3612 adopted by your Board on October 4, 1946, fixing the terms and conditions upon which the corporate area of the Authority was annexed to the District on December 17, 1946, provides that

> "the point of delivery of water by the District to the Authority shall be at or in the immediate vicinity of North Station 1920/00 as shown on Y. & D. Drawing No. 386,014".

This resolution further provides that upon assumption by the Authority of the possession of the San Diego Aqueduct as lessee under the Lease-Contract

> "the District shall have the right of use of the said northerly part of said aqueduct for the purpose of delivering water to the Authority, and during the period of such use and after title thereto shall have been conveyed to the District, the District, at its own cost, shall have the duty of operating, maintaining and, when necessary to satisfy the Authority's requirements for water, the obligation to enlarge or parallel that part of the said aqueduct lying northerly of said point of delivery."

The resolution referred to was accepted by a vote of the electors of the Authority as part of the annexation proceedings. The Authority assumed possession of the aqueduct as lessee on January 1, 1952.

Under a contract between the United States and the Authority, dated April 1, 1952, and designated "Supplemental Agreement No. 4," the Government now is constructing a second barrel. The Supplemental Agreement specifically authorizes the Authority to arrange for the possession and use by the District of that part of the original aqueduct and the second barrel, lying northerly of the fixed point of delivery. Under the contract between the District and the Authority dated September 29, 1952, the District agreed to take over the use, operation and maintenance of the second barrel northerly of the point of delivery, and to pay to the Authority the true cost thereof. The last mentioned agreement contains the following clause (paragraph 11):

> "It is further agreed that compliance with the terms and conditions of this Contract shall constitute full performance of any existing agreement by the District to enlarge or parallel any part of the Aqueduct."

The only contractual obligations to the Authority assumed by the District respecting construction of transmission facilities arise out of Resolution No. 3612 and the contract of September 29, 1952. The pertinent provisions of the two documents are set forth for convenience in the appendix to this opinion. From the portion quoted above, it is apparent that the contract of September 29, 1952, effectively eliminates any obligation of a contractual character respecting the enlargement or paralleling of the San Diego Aqueduct.

Under existing conditions, the Authority, in its relationship to the District, is on the same basis as are all other unit municipalities of the District. The District's distribution lines are not earmarked for the exclusive use of any municipality which may be served thereby. Any duty to provide line capacity for additional water for such units, in response to their respective needs, is not contractual in character. Determination of the means by which such needs are to be met and of the time and extent of any required additional construction, rests in the sound discretion of the Board of Directors of this District. This discretion will be exercised in the light of the then existing circumstances.

In consenting to the annexation of any particular area, your Board may determine that the present circumstances require that additional facilities necessary for delivering water to such area be furnished without expense to the District. Suitable provision also may be included, whereby any line capacity may be made temporarily available for such delivery until such capacity may be needed for other purposes. Continuing authority may be retained in your Board to determine when, and in what manner, future needs of areas and unit municipalities of the District shall be met. Submitted herewith for consideration is a draft of suggested provisions to accomplish this result with respect to areas which may be annexed to the Authority and to this District. If found acceptable, the text of such draft may be included in the terms and conditions of annexation fixed by your Board.

Very truly yours,

James H. Howard
General Counsel

APPENDIX

1. Resolution No. 3612 adopted by the Board of Directors of the District on October 4, 1946, fixing the terms and conditions upon which the corporate area of the Authority was annexed to the District on December 17, 1946, contains the following provisions (references are to sub-paragraphs of paragraph 9 of the resolution):

(a) "Point of Delivery of Water" (Subparagraph (3))

Upon completion of the annexation

> "the point of delivery of water by the District to the Authority shall be at or in the immediate vicinity of North Station 1920/00 as shown on Y. & D. Drawing No. 386,014 entitled 'San Jacinto-San Vicente Aqueduct, North Station 1919/50 to 1968/00, North Station 2101/00 to 2109/00, Profiles and Alinements,' approved September 14, 1945 by A.K.Fogg, Public Works Officer, Eleventh Naval District, San Diego, California, being sheet 2 of 8 sheets accompanying Specifications No. 17383 issued under date of September 21, 1945 by A.K. Fogg, Captain (CEC) USN, Officer-in-Charge of Construction Contracts, Naval Operating Base, San Diego, California, which Station 1920/00 is hereinafter referred to as the point of delivery; provided, however, that if the United States shall resume possession of the San Diego Aqueduct to the exclusion of the District's use thereof, or if the District shall be excluded from, or be interrupted in its use of, that part of the San Diego Aqueduct lying northerly of said point of delivery as the result of any breach or failure of performance of said Lease-Contract on the part of the Authority or on the part of the City, the District, during the period of such exclusion or interruption, shall be under no obligation to deliver water at the said point of delivery, but shall deliver all water which the Authority may rightfully be entitled to receive from the District, at a point near the west portal of the District's San Jacinto tunnel and to such facilities as may be provided therefor by the Authority, subject to the approval of the District as to construction details."

(b) "Use of Works" (Subparagraph (5))

Upon assumption by the Authority of the possession of the San Diego Aqueduct as lessee under the Lease-Contract

> "the District shall have the right of use of the said northerly part of said aqueduct for the purpose of delivering water to the Authority, and during the period of such use and after title thereto shall have

been conveyed to the District, the District, at its own cost, shall have the duty of operating, maintaining and, when necessary to satisfy the Authority's requirements for water, the obligation to enlarge or parallel that part of the said aqueduct lying northerly of the said point of delivery."

Possession of the Aqueduct was delivered by the Government to the Authority as lessee on January 1, 1952.

(c) "Title to Works" (Subparagraph (4))

The Authority shall acquire title to the Aqueduct

"and upon acquisition of title shall transfer to the District title to that part of the San Diego Aqueduct lying northerly of said point of delivery"

upon payment by the District to the Authority of the consideration therefor.

2. The United States is constructing the Second Barrel in accordance with the provisions of Supplemental Agreement No. 4 between the United States and the Authority, dated April 1, 1952, which expressly authorizes the Authority to arrange for the possession and use by the District of that part of the Aqueduct and Second Barrel northerly of Station 1920/00. Such arrangement was made by contract between the District and the Authority, dated September 29, 1952, which contains the following provisions (references are to numbered sections or paragraphs):

(a) Upon delivery by the Government to the Authority of the possession of the Second Barrel, pursuant to the provisions of said Supplemental Agreement No. 4,

"and until title thereto shall have been conveyed to the District as hereinafter provided, the District shall have the possession and use, and the duty of operation, maintenance and repair, of the said Aqueduct system, * * * ." (Section 2)

(b) Section 3 provides:

"3. During the period that the District shall have possession and use of the Aqueduct System hereunder, and thereafter when title thereto shall have been conveyed to the District as herein provided, said Aqueduct System shall be a part of the distributing system of the District, fully under the District's control and subject to use for any lawful District purpose; provided, that full recognition is hereby given to the right of the Authority to purchase water from the District as provided in the Metropolitan

Water District Act, subject to such regulations as shall be prescribed by the District and which shall be generally applicable to sales and deliveries of water to its constituent municipalities by means of the District's distributing system, and the said Aqueduct System shall not be used in any manner inconsistent with or in derogation of such right of the Authority; * * *"

(c) Section 4 provides:

"4. After delivery to the District of possession of the Aqueduct System, water purchased by the Authority from the District shall be delivered at the delivery point specified in said Resolution No. 3612. In the event that the Government should resume possession of the Aqueduct System, or of any substantial part thereof, to the exclusion of the District's use thereof, or if the District shall be excluded from or interrupted in its use of the Aqueduct System as the result of any breach or failure of performance of Contract NOy-13300, as amended and supplemented, the District, during the period of such exclusion or interruption shall be under no obligation to deliver water at said point of delivery, but will deliver all water which the Authority may lawfully be entitled to receive from the District at or near the west portal of the District's San Jacinto Tunnel, and by means of such facilities as may be provided therefor by the Authority, subject to the approval of the General Manager and Chief Engineer of the District as to design and construction of any additional connection with the District's works."

(d) The Authority shall acquire title to the Aqueduct and Second Barrel, pursuant to Contract NOy-13300, as amended and supplemented,

"and when such title shall have been so acquired and the Authority shall have received payment from the District of the moneys herein and in said Resolution No. 3612 agreed to be paid by the District, the Authority, without further consideration, shall convey and transfer to the District, title to the Aqueduct System"

(i.e., the portions of the First and Second Barrels northerly of Station 1920/00). (Section 6)

(e) Prior to the delivery by the Government to the Authority of the possession of the Second Barrel, the rights and obligations of the District and of the Authority respecting the possession, use, operation, repair and maintenance of the Aqueduct northerly of Station 1920/00 shall be controlled by Resolution No. 3612. (Section 10 (a)) Thereafter, the rights

and obligations relating to such possession, use, operation, repair and maintenance shall be controlled by the contract of September 29, 1952. (Section 10 (b)) In event of any conflict between the provisions of the resolution and the contract, the latter shall control. (Section 10 (e))

(f) Section 11 provides:

"11. It is further agreed that compliance with the terms and conditions of this Contract shall constitute full performance of any existing agreement by the District to enlarge or parallel any part of the Aqueduct."

SUGGESTED PROVISIONS FOR INCLUSION IN METROPOLITAN'S RESOLUTION FIXING TERMS AND CONDITIONS FOR ANNEXATION OF AN AREA TO THE AUTHORITY AND TO METROPOLITAN

(By definitions in earlier portions of the resolution, "Metropolitan" means The Metropolitan Water District of Southern California, "San Diego Authority" means San Diego County Water Authority, and "_____ Area" means the annexing area designated by that title in the resolution)

Section . In the event of such annexation:

(a) Metropolitan, by reason of the annexation of the _____ Area to San Diego Authority and to Metropolitan, shall not be obligated to construct, provide, install, operate, maintain, or replace, at Metropolitan's expense, any feeder pipe lines, structures, connections, or other facilities for delivering or distributing water to or within the corporate area of San Diego Authority or to or within said _____ Area thereof.

(b) All feeder pipe lines, structures, connections, and other facilities required for the delivery or distribution of water to or within said _____ Area from works owned or operated by Metropolitan shall be constructed, provided, installed, operated, maintained, and replaced without cost or expense to Metropolitan, and Metropolitan shall be under no obligation to construct, provide, install, operate, maintain, or replace such works.

(c) Metropolitan may deliver water to San Diego Authority for use within said _____ Area thereof by means of the San Diego Aqueduct System (as defined in the contract between Metropolitan and San Diego Authority, dated September 29, 1952), during such times as the capacity of said Aqueduct System under the control of Metropolitan shall be adequate to permit such deliveries without impairing Metropolitan's use thereof for transporting and delivering water for use elsewhere than within said _____ Area of San Diego Authority; provided that whenever it shall be determined by the Board of Directors of Metropolitan that the capacity of said Aqueduct System under Metropolitan's control no longer is adequate for such purpose, the Board of Directors of Metropolitan may terminate such deliveries to San Diego Authority, by means of said Aqueduct System, of water for use within said _____ Area of San Diego Authority, and may provide that deliveries of such water thereafter shall be made at or near the west portal of Metropolitan's San Jacinto Tunnel by means of such facilities as may be provided therefor without cost or expense to Metropolitan.

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THE CITY OF SAN DIEGO

TODD GLORIA
MAYOR

May 22, 2023

San Diego County Local Agency Formation Commission
Attn: Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: OPPOSE -- Proposed Reorganizations of Fallbrook Public Utilities District and Rainbow Municipal Water District

Dear Honorable Members of the San Diego County LAFCO Commission:

2.1 On behalf of the City of San Diego, I write to reaffirm the City of San Diego's continued opposition to the proposed reorganization of the Fallbrook Public Utilities District (FPUD) and Rainbow Municipal Water District (RMWD).

Since March of 2020, the City of San Diego has monitored and been engaged in San Diego County LAFCO's review of the proposals from FPUD and RMWD to detach from the San Diego County Water Authority (Water Authority). The City has been part of the Ad-Hoc Committee and reviewed the correspondence and reports associated with the Ad-Hoc Committee's work. This includes the Hanemann report and municipal service reviews of FPUD, RMWD, and Eastern Municipal Water District. The City has also met with FPUD and RMWD as well as the Water Authority at various points throughout the LAFCO review process.

2.2 While the City acknowledges the spirit and point that FPUD and RMWD are attempting to make with their proposed detachment, we believe it is the wrong answer to the challenges represented by both agencies. Further, the proposed action 2.3 will have significant, long-term economic and political impacts to the vast majority of households in San Diego County.

Should the proposed detachment of FPUD and RMWD be approved:

2.4 1. **Nearly every household in San Diego County will see an increase in their water rates**. For residents of the City of San Diego, this would equate to an increase of *approximately* $1.00-2.00 per month, per household. For the

residents of Valley Center, this would equate to an increase of *approximately* $3.00 per month, per household. For the residents of Pauma Valley, served by the Yuima Municipal Water District, this would equate to an increase of *approximately* $18.71 per month, per household. With the cost of living increasing for individuals and families in nearly every metric, none of these proposed rate increases are acceptable.

2.5 2. **San Diego County will lose voting rights at the Metropolitan Water District of Southern California (MET)**. San Diego County would effectively cede this voting power to Riverside County, which would diminish our voice at Metropolitan. Given the history between San Diego County Water Authority and MET and the fact that MET also represents the interests of Los Angeles, Orange, Riverside, San Bernardino, Ventura, and Riverside Counties, it is not prudent or wise for us to cede any portion of our voting rights to any other entity as our ratepayers could bear the brunt.

2.6 3. **The voters of our region will not have a say**. Despite the long-term economic and political implications of this government reorganization, LAFCO staff has unilaterally determined that a vote of all impacted San Diego County residents is not necessary nor required. LAFCO staff and the Commission have the discretion to recommend a countywide vote, which would be in parity with other jurisdictional boundary changes LAFCO considers. We believe all registered voters in the County of San Diego who will be impacted deserve the right to vote on this matter.

Again, while the City respects the spirit and perspective in which both FPUD and RMWD seek to detach from the Water Authority, we remain opposed to their detachment. Given the significant ramifications the proposed action would have for the vast majority of ratepayers in our region, the City respectfully requests that the LAFCO Commission reject staff recommendation and disapprove both proposals.

Sincerely,



TODD GLORIA
Mayor
City of San Diego

Helix WATER DISTRICT

Setting Standards of
Excellence in Public Service

Administration Office
7811 University Avenue
La Mesa, California 91942-0427

619-466-0585
helix@helixwater.org
hwd.com

May 18, 2023

San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

To: Keene Simonds, Executive Officer
Jim Desmond, Chair
Joel Anderson, Commissioner
Barry Willis, Commissioner

Re: Proposed Fallbrook PUD and Rainbow MWD Reorganizations: Wholesale Water Services

Honorable Chair Desmond and Commissioners,

Helix Water District appreciates the opportunity to provide comments on the Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04)." We also appreciate the effort from LAFCO staff to develop the final report and work done to provide a comprehensive analysis of this complex and significant item that will potentially impact every San Diego County resident.

As you are aware, this item is complex and spans topics and issues that are intrinsically interrelated and go well beyond those considered in this report. The final decision by this commission impacts more than the service areas of Fallbrook PUD and Rainbow MWD, it impacts the entire San Diego region and the water planning efforts made over many decades that ensure sufficient water supply and reliability. It may well be the most significant item, with the broadest impact to every County resident, brought before this commission to date.

Helix has several concerns regarding staff's recommendation to approve the detachment applications with exit fees. Our concerns include:

3.1

Focus on short-term gains for the few versus long-term impacts to many.

- The costs that Fallbrook PUD and Rainbow MWD are seeking to avoid are short-term in nature and benefit a relatively small number of County residents versus the remaining 23 San Diego County Water Authority member agencies who will be permanently negatively impacted.

3.2

Negative impacts to many San Diego County economically disadvantaged communities.

- The estimated and comparatively few 4,350 economically disadvantaged members of the Fallbrook and Rainbow communities are substantially less than the approximately 112,000 disadvantaged community population of Helix Water District, alone.

Board of Directors
Kathleen Coates Hedberg, President
Daniel H. McMillan, Vice President
Andrea Beth Damsky, Division 2
Mark Gracyk, Division 3
Joel A. Scalzitti, Division 5

3.3

Significance of this action.

- The Helix board recently approved an annual rate increase for its average residential customer of 3.8% or approximately $40 per year. The recommended action imposes an additional payment of $11.40 per year, or a 29% increase to these same customers. This is significant, by any measure.

3.4

Proposed exit fee methodology.

- The applicants have benefited from hundreds of millions of capital infrastructure investment dollars made by SDCWA that are not being recuperated in the current exit fee calculation methodology. In light of this approach, the application of a discount to the exit fee to account for avoided costs of future infrastructure is inappropriate. Additionally, the duration of the proposed exit fee period should be reconsidered to better align with relevant cost factors.

Focus on short-term gains for the few versus long-term impacts to many

Helix, like the other water agencies in the County, understands the issues facing Fallbrook PUD and Rainbow MWD. We all face many pressures impacting costs and sales, including specific state regulations that limit the amount of water that each agency can sell. Helix itself has deep historic roots in agriculture. Agriculture drove the initial development of our agency 110 years ago. However, over time, it became apparent that agriculture in our service area was not sustainable due to the foreseeable limitations and costs associated with supplying water from regions so far away from our own.

As one of 24 member agencies of the San Diego County Water Authority, Helix has been supportive of programs like SDCWA's Permanent Special Agricultural Water Rate. Our support of this program, which makes water more expensive for Helix customers, has benefited agricultural users. Despite that, Helix Water District has supported this program with the sole purpose of acknowledging the importance of having agriculture within our region. However, we also understand that agriculture will come under increasing cost pressures in the San Diego region due to the continued lack of local water resources that is further strained from a hotter and drier climate. These cost pressures will exist regardless of short-term gains made by moving to a different water wholesaler.

For Fallbrook PUD and Rainbow MWD this is ultimately a relatively convenient decision that provides near-term relief from the larger structural and complex issues facing their ability to operate. These issues cannot be addressed by simply shifting costs to other agencies within the region, including Helix. LAFCO staff acknowledges in the report that both Fallbrook PUD and Rainbow MWD are already seeing a transition that includes reduced agriculture and increased housing units developed in their respective areas. This is a natural transition that supports improved operational benefits to both agencies through an increased customer base to pay for ongoing operational costs.

3.5

In the end, this same issue of increasing water costs will arise in the short term for both Fallbrook PUD District and Rainbow MWD, even if they detach and begin receiving service from Eastern MWD. As Eastern MWD and its supplier, the Metropolitan Water District, face the same environmental, reliability and infrastructure challenges that the SDCWA has already faced and, in many ways, addressed, their cost of supplying water to Fallbrook PUD and Rainbow MWD will increase. This is the reality of water supply in Southern California.

Negative impacts to many San Diego County disadvantaged communities

3.6

The report identifies disadvantaged communities within the service areas of both Fallbrook PUD and Rainbow MWD that would benefit from reduced costs as proposed by this action to change wholesalers. While this is positive for these disadvantaged communities, the report fails to consider the negative and permanent impact to the many disadvantaged communities outside of Fallbrook PUD and Rainbow MWD.

Based on the data provided in the report, we have estimated that the disadvantaged population in the Rainbow and Fallbrook communities that would potentially see short-term lower water costs as a result of the move to a different wholesaler is approximately 4,350 residents. Helix alone serves an estimated disadvantaged population of 112,000 residents that will see higher water bills from the shift in costs from Fallbrook PUD and Rainbow MWD moving to a new wholesaler. This number does not include the disadvantaged communities that fall within the other water agencies throughout the County, including the city of San Diego, that will also see higher costs. Use of this data point to justify the benefit to Fallbrook PUD and Rainbow MWD is overstated and unfortunately diminishes the impact to a significantly larger population of disadvantaged communities within the region.

Significance of this action

The LAFCO staff recommendation is also based on an additional evaluation of "other material issues". This includes an analysis to determine the level of "significance" of the proposed action to the other San Diego County Water Authority ratepayers. Staff uses two analyses to make its determination that this proposed action is less than significant to other SDCWA ratepayers, including Helix.

In its first piece of analysis, LAFCO staff compares the financial impact to the SDCWA from a one-year loss of Fallbrook PUD and Rainbow MWD's gross water sales revenue versus the inflation rate for San Diego County. In the report, staff identifies that it could use an individual year or an average of several years for this comparison. However, staff uses a single base year for the comparison, choosing calendar year 2022, which leads to the conclusion that the 4.4% loss of gross sales revenue is less than the 6.8% rate of inflation, and therefore is considered less than significant.

However, Helix Water District contends that using one single year of inflation data, particularly the single highest year of inflation for the region and the country in decades, skews the comparison and ultimately the basis for the recommendation. Calendar year 2022 inflation is a historical high point, one that the Federal Reserve continues to address in an aggressive campaign to lower inflation. LAFCO staff acknowledges in its footnote on page 31 of its report that the "Inflation rates for San Diego-Carlsbad region over the preceding ten- and five-year periods have been at 3.6% and 4.6%." Helix recommends using these averages for a comparison, as the longer, although still relatively short, comparative time frames provide a more meaningful comparison. When using this data, the financial impact to the San Diego County Water Authority cannot be "considered reasonably less than significant."

The second measurement that LAFCO staff used to determine the significance of the financial impact of detachment is to compare the average SDCWA rate increase since 2019 of 3.8%-3.9% to the estimated 2.5% increase to rates on the remaining member agencies, less any exit fees. Helix has difficulty understanding the value of this comparison and the comparative timeframe that was chosen for this conclusion.

SDCWA sets rates to operate the wholesale system that all 24 of its member agencies must use. The average SDCWA rate will vary over time from many factors, including the use of reserves, capital requirements and changing costs required to operate its system. Additionally, the cost impacts from the Fallbrook PUD and Rainbow MWD detachments on SDCWA are additive to the SDCWA rate and not in lieu of the SDCWA rate. If using staff's methodology, the additional rate impact caused by Fallbrook PUD and Rainbow MWD should be ***added to the average SDCWA rate*** rather than compared to the SDCWA average rate resulting in a determination of a significant financial impact.

3.7 Lastly, the staff report and SDCWA financial analysis indicate Helix will have to cover an additional $749,504 to $888,840 in costs associated with Fallbrook PUD and Rainbow MWD moving to a new wholesaler. Table 3, page 29 of the report shows an annual ratepayer impact of $11.44 for Helix customers. This is significant for our service area, which is comprised of over 40% of disadvantaged community residents. The Helix Water District Board of Directors, on April 26, 2023, passed a water rate notice that authorized an annual increase of 3.8%, or $40.68 for fiscal year 2023-24 for our average residential customer. An additional $11.44 represents 29% of this amount. This is a significant impact to our customers, including the 112,000 disadvantaged population we serve, and should not be minimized or dismissed.

Proposed exit fee methodology

LAFCO staff recommends the creation of an exit fee to be paid by Fallbrook PUD and Rainbow MWD. Additionally, staff recommends offsetting this exit fee by applying a credit for the value of the avoided costs for a planned Emergency Supply Project pumping facility that would have benefitted these areas.
3.8 However, this pump station has not been built, nor has the cost of the funds necessary to build the pump station been included in SDCWA rates. Additionally, the proposed exit fee calculation methodology does not account for the debt owed by the applicants to SDCWA for all of the capital project costs it has incurred which have benefited the applicants over the past 70 years. Therefore to credit avoided capital costs, regardless of direct impacts, is inconsistent with this approach and should not be included as a credit to this fee.

However, given that staff recommends an exit fee credit, Helix questions the calculation of the value of the exit fee credit included in this report. The debt for the ESP would have been financed over several decades. However, under this proposed approach, Fallbrook PUD and Rainbow MWD's annual share of debt for Quantification Settlement Agreement water would only be recouped for the duration of the exit fee period. If LAFCO staff insist that a credit is appropriate, Helix contends that a more consistent approach
3.9 would be that the credit for the ESP project only include the debt that would be payable during the duration of the exit fee period. If Fallbrook PUD and Rainbow MWD are not going to pay for the long-term QSA debt beyond the exit fee period, they should not get credit for the avoided long-term debt for the ESP North County Pump Station beyond the exit fee period.

Lastly, Dr. Hanemann advised that a reasonable combined exit fee for Fallbrook PUD and Rainbow MWD would be $13 million per year for 3 to 10 years. LAFCO staff recommends a duration of five years, citing "three relatable considerations" including the completion of Urban Water Management Plans and municipal service reviews every five years and the use of five-year rolling averages for predicting future cost allocations. However, these timeframes are wholly unrelated to the determination of the exit fee duration. The exit fee duration should be based only on financial analysis, not comparison to unrelated reporting cycles. Helix feels that a five-year duration for the exit fee puts the financial burden of QSA

recovery on the larger SDCWA community far too quickly and that the duration should be on the higher end of Dr. Hanemann's recommended window.

Conclusion

Helix appreciates the significance and magnitude of the decision that has been brought forward to this Commission. We appreciate staff effort in attempting to simplify a complex issue into manageable considerations to assist the commission in rendering a decision.

3.10 We believe that the quote from Metropolitan Water District Chair Adán Ortega in the staff report sums up the overarching and complex issues associated with this proposal, "If permitted by LAFCO in San Diego County…efforts toward climate adaptation through investments on long-term water supply planning could become trapped in the immediate issues of affordability that could otherwise be addressed in the long-term. This would occur as communities chase after the lesser rates among adjacent Metropolitan Member Agencies in a potential race to the bottom compromising past investment."

3.11 In light of the complexity and issues not evaluated as part of the staff report and considerations and conclusions that we feel are in error, Helix Water District would appreciate your consideration in favor of option 4 Disapprove without Prejudice. This option does not pass on significant financial impacts to Helix and other agencies in San Diego for the benefit of a near-term gain for a few and continues to honor the investments and collaboration of the whole San Diego region in developing our long-term water supply.

Sincerely,

Brian M. Olney
General Manager
Helix Water District

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From: S Smith <ksmsmith1220@earthlink.net>
Sent: Thursday, May 18, 2023 8:10 PM
To: Mumpower, Priscilla <Priscilla.Mumpower@sdcounty.ca.gov>
Cc: Tom Kennedy GM RMWD <tkennedy@rainbowmwd.com>
Subject: [External] Proposed Reorganizations Fallbrook PUD and Rainbow MWD

Dear Ms. Mumpower,

I am a residential customer of Rainbow Municipal Water District and have been for ten years. We currently pay $5.00 for every 100 CF (748 gallons) of water used plus a monthly fixed charge of $69.20. It is doubtful that anywhere else in the country pays higher costs for water delivered from a public utility. It is a rare circumstance that any water utility customer has an option to change water suppliers (either retail or wholesale). Now, the customers of Fallbrook PUD and Rainbow MWD have an opportunity to reduce the wholesale cost of water to each district. It is understood that some of the cost savings would be offset by paying exit fees to SDCWA if staff recommended Option 2 is approved. While the paying of any exit fee is disagreeable to Fallbrook and Rainbow customers, it is understandable that SDCWA would want to protect their rate base and not want to lose Fallbrook and Rainbow. However, some of SDCWA proposed costs for the reorganization have been excessively obstructive to the desires of Fallbrook and Rainbow customers to simply want to have a lower cost of water. This does not seem proper or in the spirit of good government practice.

My written comments submitted for inclusion into the agenda packet are as follows...

4.1 *I appreciate the thoughtful consideration that SDLAFCO staff has given this proposal and I urge the Commission to approve the proposed reorganization and let the voters of Fallbrook and Rainbow ultimately decide.*

Sincerely,

Steven Smith, P.E.

Water Manager, City of Orange, Ca. (Retired)

Rainbow MWD Customer and 10 year Fallbrook resident.

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Honorable Commissioners

May 19, 2023

San Diego Local Agency Formation Commission

2550 Fifth Street, Suite 725

San Diego, CA 92103

via email: Priscilla.mumpower@sdcounty.ca.gov

RE: Detachment of Rainbow Municipal Water District ("RMWD") from San Diego County Water Authority ("SDCWA")

Dear Commissioners:

I am a resident of Fallbrook and a customer of RMWD. I wish to show my support for the proposed detachment of RMWD from SDCWA and to respectfully ask that you approve same WITHOUT an exit fee.

5.1

You are well aware of the arguments in favor of this detachment. The cost savings is of huge importance for agriculture, seniors and others living on limited incomes, RMWD who needs money desperately to replace and expand an ancient infrastructure, etc. The tremendous benefits that could occur seem to more than outweigh the loss of a minor part of SDCWA's income, especially when SDCWA did not spend that income for the benefit of this area. This may be simplistic, but it appears that this is the cost/benefit analysis that you have to consider. If there is any doubt in your minds what your constituents and the ratepayers of this district want, that is all the more reason to put it to a vote of the people.

5.2

An exit fee of the magnitude suggested in your staff report dated May 2023 seems to be in actuality a penalty. It unfairly rewards SDCWA for the operational neglect and lack of service benefits for RMWD that others in San Diego County enjoy. Further, if SDCWA had shown better stewardship of its resources such that huge rate increases had not occurred, you might not have had this detachment request before you. Please do not penalize the ratepayers of RMWD for trying to survive.

Thank you very much for your consideration.

Sincerely,

Lisa Herman

l.herman5689@gmail.com

CC: RMWD

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VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

BOARD OF DIRECTORS
Robert A. Polito
President
Enrico P. Ferro
Vice President
Daniel E. Holtz
Director
Oliver J. Smith
Director
Cooper T. Ness
Director

May 19, 2023

Keene Simonds, *Executive Director*
San Diego LAFCO
9335 Hazard Way, Suite 200
San Diego, CA 92123

Subject: *Fallbrook Public Utility District / Rainbow Municipal Water District Detachment from the San Diego County Water Authority*

Dear Keene,

6.1 In May 2020, the Valley Center Municipal Water District voted to support all of the conditions of approval for the proposed detachment of Fallbrook Public Utility District and the Rainbow Municipal Water District, as set forth in the San Diego County Water Authority Resolution No. 2020-06 (certified copy attached).

Our position on the proposed detachment is still the same three years later.

As a predominantly agricultural agency in North San Diego County, we understand the negative impact rapidly increasing water rates are having on commercial agriculture as well as the motivation of Fallbrook and Rainbow to seek a lower-cost alternative supply. However, we also understand that as these agencies seek solutions for their customers, water costs will certainly increase for our customers, compounding the problems with which our agency is dealing. These

6.2 cost increases along with those we anticipate from the impending roll-off of SDCWA Member Agencies having developed significant local supplies, can only hasten the negative financial impact on our local agricultural community.

After over three years in the process, the issue is scheduled to go to the San Diego Local Agency Formation Organization in early June. We must trust in LAFCO, if indeed it does approve the detachments, to conduct a fair and open process to impose terms and conditions which serve to minimize the negative financial impact the detachments will have on the SDCWA and the balance of its member agencies.

6.3 Whatever the outcome of the detachment process, it is clear that it is time for the SDCWA to make a serious evaluation of its cost structure and the balance between fixed costs/variable costs and fixed costs/fixed revenues to deal with future negative impacts of agency roll-off on its financial future.

Sincerely;

Gary T. Arant

Valley Center Municipal Water District *General Manager, and*
San Diego County Water Authority *Member* Board of Directors

Attachment: SDCWA Resolution No. 2020-06

RESOLUTION NO. 2020-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ADDRESSING POTENTIAL DETACHMENT OF FALLBROOK PUBLIC UTILITIES DISTRICT AND RAINBOW MUNICIPAL WATER DISTRICT AND ANNEXATION OF THOSE DISTRICTS INTO EASTERN MUNICIPAL WATER DISTRICT-06

The San Diego County Water Authority ("**Water Authority**") is a county water authority established in 1944 under the County Water Authority Act ("**Act**"), that has provided water to its member agencies throughout San Diego County since World War II.

The Fallbrook Public Utilities District ("**Fallbrook**") was a founding member agency of the Water Authority in 1944 and Rainbow Municipal Water District ("**Rainbow**") has been a member agency of the Water Authority since 1954.

In March 2020, Fallbrook and Rainbow filed applications with the San Diego County Local Agency Formation Commission ("**San Diego LAFCO**") seeking detachment from the Water Authority and annexation into Riverside County's Eastern Municipal Water District.

The proposed detachment will affect water users and ratepayers in Fallbrook and Rainbow, as well as other member agencies and their ratepayers throughout the County of San Diego.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves the following:

1. Given the significant and unprecedented nature of the proposed detachments, and in order to protect ratepayers in Rainbow, Fallbrook, and the remainder of the Water Authority's service area, the Water Authority recommends that San Diego LAFCO conduct a comprehensive evaluation of the impacts of the detachment proposals, including financial, water supply reliability, governmental, and environmental impacts, and ensure that the public and all affected agencies have a meaningful and balanced opportunity to engage in the evaluation process.

2. Given the Water Authority's obligation to provide an adequate, reliable, and affordable source of water for all of San Diego County, the Water Authority will oppose detachment by Rainbow and Fallbrook unless:

a. It can be determined by what means Rainbow and Fallbrook can guarantee that all obligations as promised to their own ratepayers are met;

b. It can be demonstrated that detachment will not adversely affect other Water Authority member agencies and San Diego County as a region financially or environmentally;

c. It can demonstrated that detachment and then annexation into Riverside County's Eastern Municipal Water District will not increase reliance on the Bay-Delta; and

d. It can be demonstrated that detachment will not result in a diminution of the Water Authority's voting power at MWD to represent the interests of all San Diego County ratepayers and property owners.

PASSED, APPROVED, and ADOPTED this 28th day of May, 2020 by the following vote:

AYES:	Unless noted below all Directors voted aye.
NOES:	Bebee and Kennedy.
ABSTAIN:	None.
RECUSAL:	Ayala and Cate.
ABSENT:	Boyle, Simpson, Steiner, and Preciado (P).

Jim Madaffer, Chair

ATTEST:

Christy Guerin, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2020- 06 was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Nelson, Clerk of the Board

Our Region's Trusted Water Leader
San Diego County Water Authority

Attachment B

Preliminary Financial Impact Analysis | De-Annexation

August 2019

Given the potential Rainbow Municipal Water District (RMWD) and Fallbrook Public Utility District (FPUD) de-annexation from the San Diego County Water Authority, Water Authority staff performed a preliminary financial assessment to determine an initial order-of-magnitude financial impact. This high-level analysis calculates the potential net revenue loss and re-allocation of costs to remaining member agencies to meet necessary annual revenue requirements.

To provide a baseline estimate, the preliminary analysis uses a mix of FY 2018 actual data and CY 2020 adopted rates and charges, which reflects the best available data at this time. The values and impacts presented herein reflect a reasonable 1-yr estimate. It is important to note that the estimated impact is likely to fluctuate year-to-year based on updated assumptions, financials, and demands.

Table 1 defines the forecasted financial (revenue and expenditure) impacts related to RMWD and FPUD.

Table 1: Preliminary De-Annexation Net Impact

	Forecasted Impact ($)
Anticipated Avoided Costs	
Avoided Supply Purchases	$22,268,000
Avoided Treatment Expense	$9,526,600
Avoided SDCWA O&M	$0
Total Avoided Costs	**$31,794,600**
Anticipated Revenue Loss	
Supply Reliability Charge	$1,594,400
Customer Service Charge	$1,691,700
Storage Charge	$2,787,700
Infrastructure Access Charge	$1,165,700
Melded Supply Rate	$25,391,300
Melded Treatment Rate	$8,258,300
Transportation Rate	$1,292,800
Other Revenue (1)	$2,979,800
Total Anticipated Revenue	**$45,161,700**
Net Impact *(Avoided Expense - Revenue Loss)*	**-$13,367,100**

(1) Includes Property Tax, Standby Charge, and Capacity Fees (FY 2018)

Table 2 provides a break down of revenues by rate component (fixed, transportation, melded supply, and melded treatment) and reflects the projected revenue loss based on Rainbow and Fallbrook's specific use of the system and benefit of the SAWR program and that not all deliveries are subject to the Water Authority's Transportation Rate. For simplicity, the Melded Treatment Impact was allocated over total deliveries (not just treated).

Table 2: Revenue Impact by Rate Category

Fixed Charge Impact	**CY2020**
Revenue Loss (from Table 1)	$7,239,552
Transportation Rate Impact	
Revenue Loss	$1,292,800
CY 2020 Deliveries (less R&F)	367,819
Rate Impact	$3.51
Melded Supply Impact	
Revenue Loss (Supply)	$3,123,300
Revenue Loss (Other Revenues)	$2,979,800
CY 2020 Deliveries (less R&F)	367,819
Rate Impact	$16.59
Melded Treatment Impact	
Revenue Loss	($1,268,200)
CY 2020 Deliveries (less R&F)	367,819
Rate Impact	($3.45)
Variable Rate Impact	
Transportation Rate	$3.51
Melded Supply Rate	$16.59
Treatment Rate	($3.45)
Total Volumetric Rate Impact	$16.66

The Net Impact (Table 1) and Total Revenue Recovery (Table 3) do not match, due to the use of different delivery assumptions (CY 2020 vs FY 2018) throughout. In addition, the values presented in Table 3 reflect the use of FY 2018 Actuals for "Other Revenues" rather than an initial staff input. As such, these values are lower by $37,847 than from delivered impacts (provided on 8/5/2019). Some of the difference also reflects the use of non-rounded values.

Table 3: Estimated Recovery of Net Impact (De-Annexation)

	Supply Reliability Charge	Customer Service Charge	Storage Charge	IAC	Estimated Fixed Charge Impact	FY 2018 Deliveries (AF)	Est. Variable Impact (AF * $16.66)	Total Estimated Impact (Fixed + Variable)
Carlsbad M.W.D.	$59,164	$57,510	$100,517	$47,104	$264,295	16,032	$267,873	$531,378
Del Mar, City of	$3,999	$4,274	$7,471	$3,234	$18,979	1,078	$18,012	$36,938
Escondido, City of	$69,358	$78,315	$120,848	$45,932	$314,453	7,869	$131,480	$445,545
Fallbrook P.U.D.	$0	$0	$0	$0	$0	N/A	$0	$0
Helix W.D.	$114,229	$111,392	$194,690	$84,672	$504,983	25,913	$432,971	$936,678
Lakeside W.D.	$11,635	$11,449	$20,010	$10,754	$53,848	2,836	$47,386	$101,094
Oceanside, City of	$88,210	$93,010	$160,295	$74,551	$416,067	22,510	$376,112	$791,070
Olivenhain M.W.D.	$75,803	$77,583	$134,915	$36,672	$324,973	19,423	$324,532	$648,548
Otay W.D.	$117,569	$120,429	$210,484	$77,746	$526,227	29,638	$495,211	$1,019,978
Padre Dam M.W.D.	$39,888	$41,488	$71,141	$34,832	$187,349	10,332	$172,634	$359,474
Pendleton Military Reserve	$240	$288	$502	$0	$1,030	84	$1,404	$2,429
Poway, City of	$40,846	$39,414	$68,622	$22,130	$171,012	10,316	$172,366	$342,870
Rainbow M.W.D.	$0	$0	$0	$0	$0	N/A	$0	$0
Ramona M.W.D.	$17,832	$21,982	$30,389	$13,341	$83,544	5,379	$89,876	$173,154
Rincon Del Diablo M.W.D.	$22,211	$22,251	$38,696	$13,098	$96,257	5,468	$91,363	$187,350
San Diego, City of	$686,275	$694,117	$1,211,896	$510,938	$3,103,225	155,923	$2,597,581	$5,700,807
San Dieguito W.D.	$17,597	$15,369	$26,861	$19,539	$79,365	2,660	$44,445	$123,679
Santa Fe I.D.	$32,280	$28,384	$49,609	$13,651	$123,924	5,818	$97,211	$220,848
Sweetwater Authority	$44,661	$41,472	$72,485	$55,901	$214,519	1,735	$28,990	$243,423
Vallecitos W.D.	$52,276	$53,599	$87,412	$35,275	$228,561	16,168	$270,145	$497,910
Valley Center M.W.D.	$31,614	$91,490	$56,181	$19,048	$198,332	22,526	$376,379	$573,601
Vista I.D.	$64,287	$66,589	$116,011	$46,525	$293,412	2,530	$42,273	$335,560
Yuima M.W.D.	$3,848	$20,829	$8,712	$784	$34,172	6,088	$101,722	$135,594
South Coast W.D.	$558	$466	N/A	N/A	$1,025	-	$0	$1,025
Total	**$1,594,380**	**$1,691,700**	**$2,787,744**	**$1,165,728**	**$7,239,552**	**370,326**	**$6,169,404**	**$13,408,953**

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From: hijax@comcast.net <hijax@comcast.net>
Sent: Sunday, May 21, 2023 12:15 PM
To: Mumpower, Priscilla <Priscilla.Mumpower@sdcounty.ca.gov>
Subject: [External] Comments on Proposed Reorganization of the Fallbrook PUD

Hello, Ms. Mumpower.

My name is Jack Groshans, and I am a resident of Fallbrook for the past 7 years. I am writing the Commission to urge the acceptance of the proposed detachment of the Fallbrook PUD from the San Diego County Water Authority, as recommended by the LAFCO staff (noted as "Option Two" in the staff proposal), and to be discussed at the 5 June 2023 meeting. After some years of alignment, the day has come for a decision, and ask the Commissioners to approve the detachment. Thank you for your consideration.

7.1

Kind regards,
Jack

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----- Forwarded Message -----

From: Marie Wiseman <mt.wiseman@yahoo.com>

To: Patricia.mumpower@gmail.com <patricia.mumpower@gmail.com>

Sent: Sunday, May 21, 2023 at 05:16:09 PM PDT

Subject: Support for Rainbow Municipal Water District detachment proposal

Good Afternoon:

We are Fallbrook residents and Rainbow Municipal Water District customers. We have participated in town hall meetings and discussions over the past several years regarding the proposed detachment from the San Diego County Water Authority (SDCWA). We support this proposed detachment and urge LAFCO to approve the proposal.

8.1

Rainbow Municipal Water District (RMWD) and its customers will realize substantial savings for the cost of water under the proposed detachment. Eastern Municipal Water District (EMWD) has a lower standard treated water rate compared to the rate charged by SDCWA. This rate savings is very important to both North County residential and commercial/agricultural users. A high percentage of RMWD residential users are retired and savings in the cost of water is vital for our healthy environment.

Reliability of water supply is equally important. EMWD has sufficient sources to supply the needs of Rainbow MWD customers.

We believe the combination of these benefits to North County water users/customers argues in favor of detachment. We urge you to support this proposal and vote in favor of the detachment of Rainbow Municipal Water District from the San Diego County Water Authority.

Respectfully,

Marie & Lewis Wiseman

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CITY OF OCEANSIDE
WATER UTILITIES DEPARTMENT

May 21, 2023

Mr. Keene Simonds
Executive Officer
San Diego County LAFCO
2550 Fifth Avenue, Suite 725
San Diego, CA 92103
Email: lafco@sdcounty.ca.gov

RE: Comments on the Proposed Fallbrook PUD and Rainbow MWD Wholesaler Reorganization

The City of Oceanside (Oceanside) has received the Notice of Public Hearing and has reviewed the LAFCO Staff Report pertaining to the proposed reorganization of Fallbrook Public Utility District (FPUD) and Rainbow Municipal Water District (Rainbow) wholesaler reorganization; concurrent annexations to Eastern Municipal Water District (EMWD) and Detachments from San Diego County water Authority (SDCWA), scheduled for a public hearing on June 5, 2023. The City would like to express our **support of LAFCO staff's recommendation of Option Two**: approving the proposal with additional conditions that include requiring the applicants to pay exit fees to the SDCWA over five years totaling $24.305 Million combined between the two subject agencies.

9.1 Oceanside recognizes all the work that has gone into this effort and respects LAFCO as the authority having jurisdiction on this matter. We feel as though opposing staff's recommendation or detachment in general, diminishes the purpose and value of LAFCO. As described on your website, "LAFCOs' principal regulatory responsibility date back to 1963 and involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California."

We appreciate that LAFCO not only accepted comments from Oceanside, but considered and evaluated the points that were conveyed in our September 2020 letter. At the time, the concerns of the City of Oceanside were SDCWA rate and cost impacts caused by detachment, onetime and ongoing financial obligations of FPUD and Rainbow, as well as the voting power of SDCWA as a member agency of the Metropolitan Water District of Southern California.

9.2 While we understand that there will be impacts to Oceanside's ratepayers after the five-year exit fee period, there are potentially more impactful topics for Oceanside

ratepayers occurring at SDCWA in the future. For example, the proposed SDCWA calendar year 2024 rate increase is 7 times the proposed increase caused by detachment to the average Oceanside resident's monthly bill. With the inclusion of the exit fee, Oceanside ratepayers would not see an increase from this reorganization and SDCWA will have five years to evaluate their budget and operations to minimize impacts to their rate payers.

9.3

Delaying the decision to reorganize FPUD and Rainbow will likely cause a continued decrease in water sales of those two agencies, resulting in a similar result to SDCWA and its member agencies as detachment, without the benefit of the exit fee. Oceanside does, however, **recommend that a municipal service review of SDCWA is completed, whether or not detachment moves forward.**

9.4

The City of Oceanside appreciates the Committee's time in considering Oceanside's comments. I can be reached at (760) 435-5913 or LLeahy@OceansideCA.org should you have any questions or like to further discuss our comments.

Kind regards,

Lindsay Leahy
City of Oceanside SDCWA Board Representative

Cc: City of Oceanside City Council

SAN DIEGO COUNTY TAXPAYERS ASSOCIATION

Commissioners
San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103
[Submitted electronically]

22 May 2023

Dear Chairman Desmond and SD LAFCO Commissioners:

The San Diego County Taxpayers Association is a non-partisan, non-profit association of individual, business, and organizational members who seek the optimal returns on taxpayer investments. We are not anti-tax, nor are we a special interest blanketly supporting taxes that benefit specific industries. We are here for the day-to-day taxpayers, who are asked on a daily basis to give up some of their resources through taxes in the pursuit of shared public goals.

10.1 I write to share with you the Association's opposition to the detachment of the Rainbow Municipal Water District and the Fallbrook Public Utility District from the San Diego County Water Authority. While we believe the staff report is thorough and appreciate the analyses conducted, there are other considerations that the Association believes you should consider:

10.2 1. The structure and sheer number of local governments is already confusing to the taxpayer, and we have regional agencies like the San Diego County Water Authority to coordinate strategies on regional matters. The alignment of Rainbow or Fallbrook to Eastern Metropolitan Water District in Riverside County would worsen confusion and
10.3 reduce the ability to effect regional strategies; their detachment would result in San Diego County ratepayers not represented in San Diego County deliberations. Their alignment to Eastern would also awkwardly give San Diego County ratepayers voice for Riverside County water matters, which then devalues Riverside County ratepayer representation in their own deliberations.

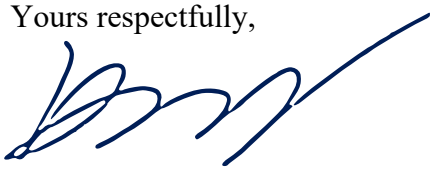
10.4 2. Given shared interests by Rainbow and Fallbrook, the Association believes there is a more prudent and more efficient mechanism to reducing rates through a local consolidation of the two agencies. The Association is disappointed that efforts to consolidate about a decade ago failed, but that failure should not mean this is no longer a consideration by the two. We have seen this Commission support fire district consolidations to create efficiencies in municipal service delivery.

The Association acknowledges that our region faces growing costs in the delivery of so many core municipal functions. Our water is expensive because the region invested in reliability

after the shortages in the nineties; our electricity is expensive because the region uses the more renewables than any of other part of the country. The Association would certainly welcome further governance studies to review the long-term fiscal health of our local governments and to find structural opportunities to provide relief for ratepayers, but piecemeal structural changes such as the deannexation of Rainbow MWD and Fallbrook PUD merely exchange short-term relief for delays in achieving long-term goals. Thus, this and other deannexations like this should not be approved, and the opportunities to lower rates by consolidating governments should be pursued in earnest.

10.5

Yours respectfully,



Haney Hong
President & CEO

...Dedicated to Community Service
2554 SWEETWATER SPRINGS BLVD, SPRING VALLEY, CA 91978-2004
(619) 670-2222 otaywater.gov

May 22, 2023

San Diego County
Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

To: Keene Simonds, Executive Officer
Jim Desmond, Chair

RE: Proposed Fallbrook PUD and Rainbow MWD Reorganizations: Wholesale Water Services

Honorable Chair Desmond and Commissioners,

The Otay Water District ("District") is writing on behalf of our customers who will be directly impacted based on your decision regarding the detachment of Fallbrook Public Utilities District (Fallbrook) and the Rainbow Municipal Water District (Rainbow) from the San Diego County Water Authority (CWA) and the precedent it will set. The District has the privilege of serving a large, diverse, and growing population of 227,957 people, representing various communities including but not limited to: Otay Mesa, Chula Vista, Spring Valley, Rancho San Diego, and Jamul. These areas include disadvantaged communities as well as tribal nations.

This letter's purpose is to provide input on the report which outlines the current thoughts and recommendations by LAFCO staff on the detachment application. On behalf of the District, we want to sincerely thank LAFCO staff for all the work that has gone into the evaluation. We recognize and appreciate the efforts of the Ad Hoc Advisory Committee and the experts involved. The District understands this is an extremely complex and difficult subject that has significant impacts on not just Rainbow and Fallbrook, but on every District rate payer as well as every rate payer in the County. After review of the recently published report, the District has identified some items of concern that we feel are of significant importance which should be considered when making your decision.

Many of our customers face the challenges of poverty and we have a responsibility to ensure that they can afford to purchase water. We urge you to pay attention to some key points that are vital to our customers' well-being. We appreciate your efforts to be fair and compassionate as you make decisions that affect our community.

Financial

11.1
- Fundamentally LAFCO's own assessment and experts within this report confirm approval of detachment would increase the costs for over 3 million customers remaining throughout San Diego County while only benefiting the two applicants.
- Consider all Obligations - In addition to their portion of the CWA's Bond debt obligation and the Desalination (Desal) obligation, Dr. Hanemann's Report (Pgs. 13 and 14), suggests a "starting point" for an annual exit fee covering only the QSA agreement of $18.5M. Rainbow and Fallbrook need to retain the cost of the high reliability water they want to leave behind, not just as it relates to QSA, but also the Bond indebtedness they leave behind, and the cost of reliability related to the Desal water. These three obligations should all remain the responsibility of both

11.2 Rainbow and Fallbrook until the contracts are completed and can be renegotiated.
- Responsibility for Actions - Detachment would allow Rainbow and Fallbrook to avoid what is their responsibility while offloading their cost. Per Dr. Hanemann's Report (Pgs. 15 and 75), Fallbrook and Rainbow benefitted from the superior reliability of CWA's supply.
- Financial Hardship - A fair result for each of our constituents, especially those who face financial hardship with the current high price of water, requires that if

11.3 detachment is permitted, that the true financial cost stays with Rainbow and Fallbrook. Anything that can be done to prevent unjustly placing an additional financial burden on our customers should be done.

11.4
- Exit Fee Timeline - From a financial perspective, the term of an annual exit fee should match the term of the costs that were incurred on behalf of the exiting parties. Rainbow and Fallbrook point to various fees at CWA that have a 5 to 10 year roll off period to justify a short-term exit fee. CWA is in the process of updating and balancing both costs and revenues in a new environment where water sales stability is being reduced. The effort by CWA points to the need for a much longer exit fee than 5 to 10 years.
- Exit Fee Timeline - While the current proposed timeline of 5 years appears reasonable since it corresponds to the frequency of which Urban Water Management Plans (UWMPs) are updated, it is important to note that UWMPs are 20-year planning documents and are only updated every five years. In response to the question regarding the exit fee duration, Dr. Hanemann stated: *"In the water industry, a period of 10 years would typically count as the short run for planning purposes."* (Pg. 82). Therefore, a 10 year exit fee with a 5 year analysis and update would be more appropriate based on the recommended logic by both Dr. Hanemann and this LAFCO report, should detachment be considered.

11.5
- ESP North County Pump Station Credit - The rationale behind granting ESP credit to Rainbow and Fallbrook for the North County Pump Station is flawed. The Capital Improvement Program (CIP) of CWA experiences regular changes. It is incorrect to assume that funds no longer required for one project automatically result in a surplus of funds. When a project is removed from the CIP, the funds allocated for that specific project are essentially credited back to each agency. At the same time, these funds are repaid to CWA for new projects. While these simultaneous transactions are clearly unnecessary and burdensome, they have already taken place. The funds have already been returned and cannot be returned again. Even if LAFCO disregards the actual process behind this, the idea of funds, which originate from all member agencies, being returned solely to Rainbow and Fallbrook is not justified.

11.6
- Bond Obligations - Rainbow and Fallbrook need to retain the responsibility for their full share of the CWA debt. Based on long range planning including UWMPs, CWA invested and executed major water supply infrastructure projects just before and after 2010, which is the financial obligation of all member agencies including Fallbrook and Rainbow. Per Dr. Hanemann's Report (Pg. 12), CWA's bonded and other indebtedness totals approximately $21 billion, with Rainbow and Fallbrook's share amounting to approximately $1 billion.
- Dr. Hanemann's Report identifies that detachment is certainly different than demand roll-off (Pg. 103). There is no ability to assess charges to an already detached agency. This points to how highly sensitive it is to assess all costs in the exit fee. There is no way to go back and assess a fee once the detachment is complete. This process requires precision in the decision on assessing financial impacts.

Environmental

11.7
- Bay Delta - Per Dr. Hanemann's Report (Pg. 78), environmental regulations over the last three decades have aimed to protect native species of fish in the Delta. As pointed out in the staff report (Pg. 36), the *detachment will increase reliance on the Sacramento Bay-Delta*. While some have argued the impacts are small, it still acknowledges that allowing detachment will adversely affect an already stressed resource which is depended on by all southern California.

Governance

11.8
- Representation - While Fallbrook and Rainbow may see cost savings, there is no justification to offer our customers for raising what they pay for water, an already high burden throughout the region, other than they are subsidizing the savings of others and that this is being done without a direct say on the matter.

11.9 • Regional Planning - Detachment would create a precedent of letting some parties create expensive reliability and then escape the cost. This practice of price shopping and avoiding the cost of being responsible discourages and disincentivizes wholesalers from making the tough but necessary decisions that are needed. Per the MWD Chair Ortega letter to LAFCO dated March 22, 2023: *"Given Metropolitan's recently started Climate Adaptation Master Planning process the issue of detachments and boundary changes, a precedent by San Diego LAFCO could undermine the financial viability of future regional water supply adaptation measures in a race to the bottom for cheaper water rates."*

11.10 • Voting Rights - Detachment undermines the representation of San Diego and our ability to pursue equity for our residents at MWD. In combination, they constitute the second largest voting bloc in San Diego County Water Authority. Once again,

11.11 allowing detachment would adversely impact the representation of the ratepayers throughout San Diego County at MWD without allowing them to have a vote on the matter.

• Instability - CWA has been providing reliable water services to the region for years, and an exit by member agencies leads to added uncertainties and potential issues in ensuring a stable water supply for the region. The Commissioners should recognize that this opens the door for other agencies to exit CWA in the name of seeking cheaper and less reliable water. Allowing detachment in this specific matter would destabilize CWA and orderly government planning and structure throughout our region.

The District appreciates the applicants' desire to achieve cost savings for their customers and would not object if those savings were achieved through: an increase in efficiencies, with no environmental impacts, and a more orderly governmental structure, consistent with the fundamental objectives we trust LAFCO will continue to uphold. However, this report, including LAFCO's own expert, Dr. Hanemann, confirm that approval of detachment, as outlined in the options listed, would result in: a cost transfer, environmental impacts, and less orderly government throughout the region. Therefore,

11.12 the District recommends that the LAFCO Board of Commissioners proceed with Option 4 - to Disapprove without Prejudice so that we can continue to address our regional challenges with regional solutions.

Thank you for your time in reviewing this letter. Please look at these issues and weigh them carefully. The District understands this matter is time consuming, impacts several parties, and it is a significant undertaking to assess all the factors. We appreciate your professionalism, your time, and your engagement with this challenging evaluation and all the efforts to find a resolution to this matter that is in the best interests of the public we all serve.

Sincerely,
OTAY WATER DISTRICT



Jose Martinez
General Manager

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RAINBOW
MUNICIPAL WATER DISTRICT
Committed to Excellence

May 22, 2023

Priscilla Mumpower
San Diego Local Agency Formation Commission
2550 Fifth Avenue
Suite 725
San Diego, CA 92103

Subject: Comments on Draft Staff Report on Rainbow MWD Reorganization

Dear Priscilla:

First off I want to commend you and the LAFCO staff for your work in processing the application by Rainbow MWD for a detachment from the San Diego County Water Authority (SDCWA) and concurrent annexation into the Eastern Municipal Water District (EMWD). I know this process has gone on longer than any of us would have preferred, but LAFCO has now received input from any and all interested parties and we look forward to bringing the matter to the Commission. I offer the following comments for your consideration as you prepare the final staff report:

12.1

- As you will see in separate communication by Rainbow MWD's Assistant General Counsel Bill Pellman, we continue to disagree with LAFCO on whether LAFCO has the authority to impose an "exit fee" on Rainbow MWD as part of this process.

- Rainbow MWD has contributed hundreds of millions of dollars over the years to construct assets south of us that serve other member agencies but have never provided any direct benefit to Rainbow MWD. Should LAFCO feel that it has the authority to impose an exit fee, some sort of credit should be applied for these assets that we will leave behind.

12.2

- In numerous communications to LAFCO, SDCWA has consistently indicated that there will be ZERO Operations and Maintenance (O&M) savings related to detachment. This salient point should be emphasized in the report. While it is hard to imagine this the case, if SDCWA is correct, Rainbow MWD is grossly overpaying for services it does not receive. This fact alone is a basis for the approval of detachment.

- In addition to assets such as pipelines and other physical infrastructure, Rainbow MWD leaves behind millions of dollars in stored water that we paid for as a member agency that will benefit the remaining member agencies directly. Rainbow MWD also contributed just under 4% of all SDCWA cash reserves which will be left behind. Both are tangible direct benefits to the remining member agencies that should be included in a credit against the exit fee proposed by LAFCO.

12.3

- In the report Dr. Hanemann (with LAFCO staff concurrence) concludes that SDCWA's leased Colorado River water supplies offer a higher level of reliability than the diversified supplies from the Metropolitan Water District (MWD). As we have all seen over the last year, the Colorado River supply is hardly a secure future source of water and is likely to be cut significantly in the upcoming years. SDCWA's supply portfolio is heavily dependent on a single source of supply, whereas MWD's portfolio has multiple sources of supply. The fact is that MWD's preparation for water shortages prevented any sort of curtailments in the Skinner service area (where SDCWA and EMWD take service from MWD) even after the three driest years ever recorded.

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12.4

- On Page 17 the report discusses the need for Wheeling Agreements for Rainbow's southerly connections. I want to clarify again that while such agreements would make good sense for both Rainbow and SDCWA, they are not a prerequisite for detachment. Irrespective of the detachment decision, Rainbow is in the process of moving all of our water purchases to our MWD connections as SDCWA's exorbitant transportation fee makes this a cost effective option for us. As noted in our original application from 2020 and in correspondence since then, Rainbow MWD has not yet completed construction of the limited facilities required to make this transition and will need to consult with LAFCO on the exact timing of the detachment should it be approved by the Commission and subsequently by the voters in our service area.

- The report correctly notes that Rainbow and the City of Oceanside have long planned to maximize the efficiency of the Weese treatment plant by delivering excess capacity to Rainbow. Were it not for stonewalling from SDCWA, this project, which has agreements and completed construction drawings in place, would have already been constructed. Should the detachment be approved, a wheeling agreement would be required to move raw water a few miles into SDCWA's system to the Weese plant.

12.5

- I read with some interest the lengthy letter from Helix Water District, the second largest member agency at SDCWA, where they make statements that claim that Rainbow must pay for some of SDCWA's debts. As the letter from Bill Pellman will detail, each and every time SDCWA approves debt, the Board of Directors at SDCWA adopts a resolution that clearly states that no member agency has any obligation to pay any specific amount of the debt, nor do they have any obligation to purchase any set amount of water. While Helix may have its own opinions here, the SDCWA board is clear on this topic: we do not owe anything for their outstanding debt.

12.6

- The report correctly identifies the financial impact of the development of new local supply (also called "roll off") as being far greater than the impact of detachment. The flawed governance model in place at SDCWA will ensure that these "roll off" agencies (including the City of San Diego, Helix, and others) will have the voting power to block any attempt to equitably redistribute costs into true fixed charges. This will leave non-roll off agencies, such as Rainbow MWD, Valley Center MWD, and others to foot the bill, leading to devastating rate impacts for the customers of these agencies and our agricultural communities.

12.7

- While the report does correctly identify the preservation of agriculture as a requirement under State law and local LAFCO policies, the imposition of an exit fee as a condition of detachment will add to the decades of harm the agricultural community has suffered in our area. LAFCO policies require that special consideration be given for the preservation of agricultural lands. LAFCO should follow this guidance and recommend approval without an exit fee.

12.8

- LAFCO staff has included an option to pause the detachment proceedings in order to perform a Municipal Service Review (MSR) on SDCWA. There are numerous issues with this option (Option Three):

    - With an administrative record that is now well over 12,000 pages long in which every aspect and impact of detachment on SDCWA has been scrutinized in minute detail, the delay to perform an MSR is unlikely to produce any additional information that could help guide the Commission on this decision.
    - As my letter to Executive Officer Simonds from last week detailed, the City of San Diego is now pursuing legislation to change the rules related to detachment. While this unfair gambit is unlikely to succeed, it highlights the need for the Commission to come to a decision now, not a few years from now.

- Should Option Three remain, we request that the five year exit fee period commence at the time of the decision by the Commission. We request that language be added to Option Three that both starts the exit fee period and stipulates that should the Commission approve detachment after the MSR is completed, Rainbow MWD's exit fee should be credited for the net revenues received by SDCWA during this period. The rationale for this is based on communications from SDCWA that detachment is different from roll off because SDCWA has time to plan for roll off and detachment is somehow abrupt. This process has been anything but abrupt, given that SDCWA was notified of our intent to initiate detachment proceedings on May 21, 2019. Four full years of preparation time have already elapsed, and with an election process required after Commission approval it is likely that SDCWA will have had five year's notice even before the five-year exit fee period. Adding the MSR option would add even more years – beyond even Dr. Hanemann's 3-10 year adjustment period. As I indicated in my letter from last week, if SDCWA can't adjust to a very small (<2%) reduction in their net revenues in this amount of time, the problem is not detachment, it is SDCWA.

- I think it is important to keep the impact of detachment in perspective with the overall financial situation at SDCWA. SDCWA is now considering a budget of ~$900M per year. LAFCO's calculation of a loss of net revenue of ~$12.8M amounts to 1.42% of this total budget. SDCWA is also in the process of raising rates by up to 14% starting next year. This proposed single year rate increase is MORE THAN SEVEN TIMES the impact of detachment.

In conclusion, the decades of cost increases from SDCWA, mainly to pay for assets and services we don't receive, has had a devastating impact on our community. The loss of agricultural lands has been well documented and LAFCO has an opportunity to slow this loss by allowing the ratepayers of Rainbow MWD to exercise the rights given to them under State Law and choose their wholesale supplier.

If you have any questions please feel free to contact me

Sincerely,

RAINBOW MUNICIPAL WATER DISTRICT

Tom Kennedy
General Manager

cc: Alfred Smith, RMWD General Counsel

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Board of Directors
Christy Guerin, President
Matthew R. Hahn, Vice President
Neal Meyers, Treasurer
Lawrence A. Watt, Secretary
Marco San Antonio, Director

OLIVENHAIN
Municipal Water District

General Manager
Kimberly A. Thorner, Esq.
General Counsel
Alfred Smith, Esq.

May 22, 2023

San Diego Local Agency Formation Commission
Chair Jim Desmond
2550 5th Avenue, Suite 725
San Diego, CA 92103

Via email: priscilla.mumpower@sdcounty.ca.gov

Subject: ***Comment Letter from Olivenhain Municipal Water District on the Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services" for the June 5th Public Hearing***

Dear Chair and Commissioners,

On behalf of Olivenhain Municipal Water District (OMWD), I am writing to express our agency's support for Option Three in the agenda report for the Proposed "Rainbow Municipal Water District (RMWD) and Fallbrook Public Utility (FPUD) District Reorganizations: Wholesale Water Services", which is to administratively hold consideration of the reorganization proposals until the San Diego Local Agency Formation Commission (SDLAFCO) completes the currently scheduled municipal service review (MSR) covering the San Diego County Water Authority (SDCWA).

13.2 Specifically, OMWD opposes any action by SDLAFCO that would increase its costs in either the near or far term. While detachment can be mitigated in the near term with an exit fee, the long-term consequence of detachment when combined with the impending member agency roll-offs are of great concern. Consequently, an administrative hold (and deep dive into these cumulative issues) is the most prudent path forward for the entire region.

Option Three allows for a comprehensive analysis into the unknowns of the long-term ratepayer impacts, not just of detachment, but also roll-offs. By way of example, the projected annual potable reuse roll-off in the region is anticipated to be 50,000 acre-feet by 2029 and does not include the future Encina One Water project, recycled water development, or brackish groundwater development in the region. The projected loss of sales from the detachment of both agencies is approximately 22,000 acre feet. The detachment of RMWD and FPUD should not be examined independently of all the other impending roll-offs. The combined financial

impact of detachments and roll-offs should be analyzed collectively, as they both result in a reduced demand on SDCWA that currently has fixed take-or-pay supplies that may soon exceed the demand of the region. The true elephant in the room is that, unless SDCWA leverages its fixed take-or-pay supplies, it will have more fixed take-or-pay supplies than it will have demand in the next ten years if its member agencies fully develop all of their planned local supply projects. Detachment would further exacerbate this problem. SDCWA water sales have declined from a peak of 670,000 acre-feet per year in 2007 to projected water sales in 2024 of only 362,000 acre-feet. This is before any roll-offs reduce water sales further.

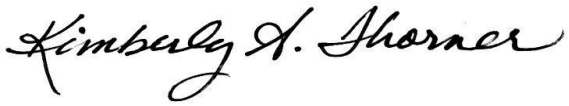
13.1 Option Three would allow the comprehensive review of SDCWA with respect to current and planned service levels, community needs, and financial standing before taking any potential actions on the detachments.

Of note, the OMWD Board of Directors considered and discussed its position at its May 2023 Board Meeting and believes that Option Three is the best path forward for the entire region. However, if the SDLAFCO commissioners do not ultimately support Option Three at the June 5th hearing, OMWD's default position would be Option Four, which would be to disapprove the proposals without prejudice.

13.3

Thank you for the opportunity to comment on the record with OMWD's position on this matter.

Sincerely,



Kimberly A. Thorner, Esq.
General Manager

cc: OMWD Board of Directors

May 22, 2023

Carlsbad Municipal Water District

Chair Jim Desmond
San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: Comments on Proposed "Fallbrook PUD and Rainbow MWD Wholesaler Reorganizations" Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions

Dear Chair Desmond,

The Carlsbad Municipal Water District (CMWD) wants to thank the San Diego Local Agency Formation Agency (SDLAFCO) for the thorough analysis of the proposed reorganization of Rainbow Municipal Water District (Rainbow) and Fallbrook Public Utility District (Fallbrook) wholesale water services presented in the June 5, 2023, Agenda Report, and its attachments.

14.1 CMWD opposes any action by SDLAFCO that would increase its costs in the short or long term. The report indicates that the Rainbow and Fallbrook exit fee mitigates the impact on CMWD and other member agencies over the next five years, which is acceptable. However, CMWD is very concerned with the long-term consequences of the possible detachments in combination with

14.2 the larger impending roll-offs of the San Diego County Water Authority (Water Authority) member agencies with local supply projects that will be completed over the next decade. While roll-offs are different than detachment, these roll-offs will significantly decrease water demands on the Water Authority.

CMWD asks SDLAFCO to choose Option 3 and administratively hold consideration of the reorganization proposals until completion of the Commission's scheduled municipal service review covering the Water Authority. Considering the reorganization proposals in conjunction with completing a holistic assessment of wholesale water supply and demand issues in San Diego County will benefit every Water Authority member agency and the region as a whole. While we recommend considering the Water Authority municipal service review before making a decision

14.3 on the reorganization, we urge SDLAFCO to begin the Water Authority municipal service review as soon as possible and take a deep dive into the water supply and demand challenges facing the San Diego region as soon as possible.

Sincerely,

Teresa Acosta
CMWD Board of Directors

Carlsbad Municipal Water District
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cc: CMWD Board of Directors
Cindie McMahon, General Counsel
Scott Chadwick, Executive Manager
Paz Gomez, Deputy City Manager, Public Works
Vicki Quiram, General Manager
Jason Haber, Intergovernmental Affairs Director
Keene Simonds, LAFCO Executive Officer, San Diego County
David J. Edwards, General Counsel, San Diego County Water Authority

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Paula de Sousa
Best Best & Krieger

May 22, 2023

Fallbrook Public Utility District (FPUD) Comments on Draft agenda report (Draft Report) for the combined public hearing on June 5th, 2023 for the Proposed Rainbow Municipal Water District (RMWD) and Fallbrook Public Utility District (FPUD) Reorganizations (Proposed Reorganization(s)).

We appreciate that this process is being brought forward for a hearing in front of the San Diego Local Agency Formation Commission (LAFCO) and the detailed analysis and extensive work put into this process by LAFCO staff. FPUD does have a few comments, set out below, on the Draft Report.

General Comments:

15.1

1. While it is noted that the FPUD and RMWD applications are separate and were combined administratively for processing and hearing purposes with the agreement of the parties, the Draft Report and LAFCO staff's recommendations in the Draft Report, should make very clear that the Commission must take separate action on each District's Reorganization Application. To this end, we request that all narratives and tables with calculations within the Draft Report that identify the rate or other impacts from, and combined figures (such as population or acreage) related to, the Proposed Reorganizations, be also expressed separately for each District. Last on this same note, we did notice a few instances where the Districts' Proposed Reorganizations are referred to a singular "proposal" as opposed to "proposals" (see for example, Page 2, "Option Two") or "reorganization" as opposed to "reorganizations" (see for example, Page 9). This request is important as we believe that a it will result in creating a clean record of proceeding as to each of the Districts' separate Reorganization Applications.

15.2

2. The Draft Report together with information provided by SDCWA to LAFCO raise a big question as to the appropriateness of an exit fee (separate and apart from our previously stated position regarding the legality of an exit fee). For example: LAFCO calculated the combined FPUD and RMWD lost revenue to SDCWA resulting from the Proposed Reorganizations at $12.6 million ($8.5 million from RMWD and $4.1 million from FPUD). This is the amount that is sent to SDCWA above the cost of providing the Districts the treated MWD water supplies we are delivered without utilizing SDCWA infrastructure. In contrast, SDCWA has indicated there are **zero** operating costs associated with serving either FPUD or RMWD and that its QSA supplies are cheaper than MWD supplies (FPUD has never received any desalination water).

These statements raise the question as to the benefit FPUD currently receives for the estimated $4.1 million FPUD sends SDCWA annually, which serves as the basis for the proposed exit fee. It appears that the bulk of FPUD's $4.1 million helps fund facilities and operations that serve the other SDCWA members--meaning that FPUD ratepayers have been subsidizing SDCWA rates and funding infrastructure used by others for decades. We suggest that the Draft Report more clearly describe and acknowledge that the Commission may consider, as part of its evaluation of whether there is a need for on-going payments as part of an exit fee, that there is a current misalignment of costs and benefits to FPUD due to the location of FPUD in the SDCWA service area as FPUD does not use any SDCWA infrastructure, justifying approval of FPUD's Proposed Reorganization without an exit fee condition.

FPUD has been paying to help fund infrastructure and offset operating costs for other agencies for decades and we hope LAFCO staff will consider this important point as they finalize the presentation and Draft Report, and that LAFCO staff consider making Option 1 the preferred staff recommendation or at least designating Option 1 as a staff "recommended" alternative for the Commission's consideration.

15.3

15.4

3. Option Three will only lead to further "analysis paralysis." FPUD does not see how Option Three is viable given that by the time the Proposed Reorganizations go to hearing, LAFCO will have just issued the certificate of filing (mind you over 3 years following submission of the Reorganization Applications to LAFCO). The Commission should have long ago made a determination of whether completion of a scheduled Municipal Service Review on SDCWA was required in order to process our Reorganization Applications. We find the Commission's inaction over the last 3 years on this issue a waiver of the need for an SDCWA MSR to process the Proposed Reorganizations.

   In addition, the LAFCO staff report is clearly concludes that Eastern MWD can provide reliable service at a lower cost and similarly also concisely concludes that there are clear benefits to FPUD's agricultural community and the impacts to the remaining agencies can be offset. While we agree that an analysis of SDCWA would be beneficial to ensure it is taking the necessary steps to continue to be an economically sound institution for the remaining member agencies, the issues relative to FPUD and RMWD are unique compared to the challenges faced by the remaining member agencies. FPUD's utilization of only MWD infrastructure to receive water deliveries, and reliance on agricultural make our situation unique. Simply stated, the detachment of 56,000 customers in Fallbrook, Rainbow and Bonsall will not impact the future evaluation of how SDCWA can best serve 3.2 million customers in its remaining service area.

4. Any statements in the Draft Report implying that FPUD made "requests" regarding the location of the detachment election (that the election be held within FPUD's boundaries) and/or that SDCWA be allowed to continue to collect property taxes from the properties within FPUD to continue to pay for any SDCWA outstanding bonded or other indebtedness, should be corrected. FPUD has only restated what is provided for, and required by, the County Water Authority Act.

15.5

Comments on Specific Portions of the Draft Report:

1. Page 17 of the Draft Report identifies that FPUD has one connection on a SDCWA pipeline that would be abandoned if the Reorganization Proposal is approved. As this is not the case, the statement should be revised as FPUD has not used this connection since November 2019.

15.6 Additionally, the Draft Report should state that FPUD has not utilized any portion of any SDCWA pipeline since November 2019.

2. Page 18 of the Draft Report references that the Colorado River Supplies under Eastern MWD would be materially lessened given the higher priority of the contract supplies between SDCWA and IID based on the Dr. Hanemann 2021 report. Since the completion of the 2021 report, conditions on the Colorado River have continued to deteriorate, and the Bureau of Reclamation has developed two options for addressing the chronic over-draft. One option is to follow the existing priority system, which would support the conclusion in the 2021 report. The other option would equalize cuts across all users to account for evaporation, which would eliminate any reliability benefit of the SDCWA IID supplies. We suggest that LAFCO staff consider including a sentence that identifies for the Commission, that recent events on the Colorado River create an additional level of uncertainty of the relative reliability of the Colorado River supplies under Eastern MWD or SDCWA.

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3. Page 20, we believe the text box regarding jurisdictional disputes inaccurately reflects what FPUD and RMWD believed to be the crux of dispute by SDCWA with the District's Reorganization Applications in March 2020. These specific points were not finalized until SDCWA adopted a resolution in May 2020 setting out these points. Given that FPUD provides more revenue to SDCWA than it receives in services (as stated above), FPUD does not agree with SDCWA points of contention.

15.8 4. Page 27, LAFCO lists the total revenue impact at $12.58 million and the RMWD impact at $8.517 million but incorrectly identifies the FPUD fee at $7.285 instead of $4.07 million ($12.58 million - $8.51 million) as correctly listed on page 21.

15.9 5. Page 32, the discussion states that both sides accept there are near term unavoidable financial impacts of detachment. This statement is only partially true as because the impacts are not unavoidable. While this is true if SDCWA continues to take no actions to reduce its costs there will be a cost impact to remaining member agencies, SDCWA could reduce its supply commitments to offset the loss in demands. SDCWA could have (and arguably should have) developed agreements to reduce the amounts of higher cost IID transfer and desalination supplies by working with MWD or MWD member agencies. In other words, SDCWA could already have a framework in place to avoid any financial impact. Since SDCWA would no longer need to meet the needs of FPUD and RMWD, it would have an equal amount of higher cost supplies and could have pursued such a transfer. The fact is that SDCWA has chosen to take no action to mitigate any financial impact associated with a variety of recent events, which include but are not limited to the Reorganization Applications. Similarly, the City of San Diego, which has the ability to push changes at SDCWA, has not prioritized this as it does not appear to have FPUD's same level of concern over the cost and affordability of the current supply commitments. SDCWA continues to insist that there is greater reliability from its current water supply commitments claiming that there is no price that can be put on this reliability.

FPUD and RMWD have been clear as members of the SDCWA Board that there must be a balance between cost and reliability. Without such balance, FPUD and RMWD continue to see a decline

in the agricultural industry within our combined boundaries and continue to see threats to the financial viability of SDCWA generally. Due to declining regional demands and local supply development options for transferring supplies will need to be enacted with or without FPUD and RMWD. FPUD wants to clarify that it believes that these impacts are only in the immediate near term. FPUD also believes that these impacts are only "unavoidable" because SDCWA has refused to plan proactively as to impacts not only resulting from the FPUD and RMWD Reorganizations if approved, but also as to upcoming impacts resulting from reduced demand reductions also in the relative near term, associated with member agency water supply diversification projects and lower regional demands.

15.10

6. Page 33-34 addresses the authority of LAFCO to impose exit fees. For the reasons set out in our previous correspondence on this topic, FPUD restates its disagreement with the analysis set out in the Draft Report. Additionally, the County Water Authority Act clearly distinguishes the financial requirements for an exclusion (i.e., detachment) of a member agency from a county water authority (see Water Code Appendix Section 45-11 (a)(2)) the requirements applicable to exclusion of just a portion of territory from a county water authority member agency in Section 45-11 (a)(1), which specifically requiring that those exclusions take place in accordance with the provisions of law applicable to those exclusions." In other words, the legislature did not contemplate financial requirements in addition to those set out in Section 45-11 (a)(2) for exclusion of an entire member agency, while it did so contemplate additional requirements (seemingly of any legally permissible type) for exclusions from a county water authority of just a portion of a member agency.

15.11

7. Page 36 addresses the offset to the exit fee resulting from not building the ESP North County Pump Station. We find the dialogue included in the Draft Report around whether to set the credit on a budgeted amount back in 2010 instead of using updated amounts put forward by SDCWA in its 2020 response to LAFCO or the SDCWA adopted budget for FYs 2022 and 2023, confusing. If it is confusing to us, it will likely even be more confusing to others, including Commissioners and members of the public. We believe it is appropriate and more than justified (without conceding our disagreement with the exit fee in the first place) to use the calculated amount based on the SDCWA's FY 2022 and 2023 budgets—and leaving the discussion on this issue short and to the point.

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8. Page 39 discusses the impact of a large earthquake on FPUD water supplies and includes an analysis that FPUD has 73 days of storage available, noting that this provides adequate time for repairs to be made. It should also be noted we have the ability to receive deliveries from our SMRCUP project in coordination with Camp Pendleton. FPUD's combination of storage and local supplies makes FPUD as resilient as any other SDCWA member agency.

9. Page 44 references potential approval terms that "will be separately address[sic] in a staff memorandum." When will this be provided for comment?

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10. Page 55, section (k) looks like it may incorrectly state the funding source for Eastern MWD, as it states it is funded by general fund allocations by the Riverside County Board of Supervisors. LAFCO staff may also want to consider including a statement to make clear that under the

Municipal Water Districts Law of 1911, municipal water districts, such as Eastern Municipal Water District (Eastern MWD), may include non-contiguous territory.

15.14 In summary, we support the recommendation by staff that FPUD should be allowed to detach from SDCWA and annex to EMWD, but we would request there is some reconsideration about how much and how long we should have to continue to pay to subsidize rates for the remaining agencies. We appreciate your on-going efforts to complete this important Reorganization process for our community.



Jack Bebee

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CITY OF POWAY

13325 Civic Center Drive | Poway, CA | 92064

May 22, 2023

Honorable Chair Desmond and Members of the Local Agency Formation Commission
San Diego Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: City of Poway Comments on Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations Wholesale Water Services" | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04

Honorable Chair Desmond and Members of the Local Agency Formation Commission:

The City of Poway is submitting our formal comments on the Proposed Rainbow Municipal Water District (MWD) and Fallbrook Public Utility District (PUD) Reorganization the Commission will be considering on June 5, 2023. The City previously submitted a letter to LAFCO Staff on November 30, 2022 citing our concerns with the proposed reorganizations. Candidly, we are disappointed to see the proposal going forward to the Commission fails to address our concerns on behalf of our 14,220 water customers. As is clearly explained in the agenda report summary, the purpose of the detachments is to achieve cost-savings for Rainbow MWD and Fallbrook PUD ratepayers. Unfortunately, that cost savings comes at the expense of every water customer in Poway, and throughout region. We find it concerning that LAFCO Staff's reports to the advisory committees and now the Commission consistently minimize the financial impacts to all remaining agencies served by the County Water Authority (Water Authority) should the detachments be approved.

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The City of Poway adamantly opposes allowing the agencies to detach and therefore supports Option 4 (disapprove without prejudice). With regard to the concept of an exit fee, Dr. Hanemann's report, suggested that should Fallbook PUD and Rainbow MWD detach, it would be appropriate for an exit fee to be paid annually to the Water Authority for a period between three and ten years. For reasons that have not been well explained, Staff's recommendation in the Fall and again in the June report concludes five years "appears to be an appropriate standard." Appropriate for who? This works well for the agencies seeking to detach, but not the agencies (and really all our customers) who will bear the financial burden of the agencies detaching for decades. The Water Authority has spent many years investing in projects and infrastructure to improve the reliability of the region's water supply. This has been done with the understanding that all member agencies will share in the short and long-term costs of these projects. Those costs are incorporated into all our water rates. During the Cities Advisory Committee meeting held on October 27, 2022, it was stated by LAFCO Counsel that as they read the law, should Fallbrook PUD and Rainbow MWD detach, they have no long-term financial

16.4

Steve Vaus, Mayor | Barry Leonard, Deputy Mayor | Peter De Hoff, Councilmember | Caylin Frank, Councilmember | Brian Pepin, Councilmember

obligation to pay toward debt service on projects the Water Authority has undertaken to improve water reliability for all member agencies simply because the debt service is not on the property tax rolls. How can this be? Should the Commission approve the detachment, the City of Poway would advocate the exit fee be paid for at least the ten year term identified in Dr. Hanemann's report and incorporate both agencies proportionate costs for the Water Authority projects. One substantial change from earlier versions of LAFCO Staff recommendations is that in previous proposals LAFCO Staff had largely followed Dr. Hanemann's conclusions that an appropriate exit fee would be approximately $13M annually for both agencies. The prospectus presented to the Cities Advisory Committee in October 2022 showed an exit for five years of $12.5M annually. We see in the final Staff recommendations in the June 5, 2023 report, they are proposing a "discount" of $24M for a capital project they say the Water Authority will not have to construct if the two agencies detach. While that may be true, that project is not currently a part of the Water Authority's Capital Improvement Program (CIP) and no debt has yet been issued for it. So, the two agencies are receiving a substantial discount in the five-year exit fee for a project that does yet even exist in terms of the Water Authority's financial obligations. We strongly disagree with the validity of this "discount".

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16.7 Regarding the loss of the Water Authority's voting rights at Metropolitan Water District (MET), again LAFCO Staff seems to write this off as an inconsequential component of approval of the detachments. Prior to consideration of the proposed detachments, LAFCO had little to no expertise in the area of water operations. Even to evaluate the detachment proposals they brought outside experts in the this extremely complex area of public policy. For Staff to make the assumption/assertion that the loss of voting rights at MET is an inconsequential detail reflects ignorance to the relationship between the Water Authority and MET and the importance of the Water Authority maintaining every voting right it currently has to best represent the interests of all the constituents in every member agency in San Diego County.

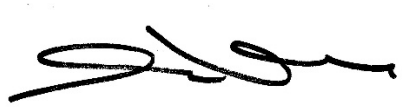
16.8 During the Cities Advisory Committee meeting, on October 27, 2022 the Water Authority's suggestion that the issue of detachment should be put to a vote of all registered voters in San Diego was dismissed as something LAFCO Counsel "does not believe is an option available to the Commission." The June 5, 2023 agenda report makes very clear that should the Commission approve the detachments, Rainbow MWD and Fallbrook PUD customers would have the opportunity to vote whether or not they want to detach. It seems wholly unfair the ratepayers who would benefit from detachment and save money get to vote, whereas every other water customer in San Diego County who would absorb these costs does not get to vote.

As has been stated multiple times throughout this letter, the City of Poway opposes allowing Fallbrook PUD and Rainbow MWD to detach from the Water Authority. It is fundamentally unfair that two agencies can detach to save their own customers money, at the expense of every other water customer in San Diego County. Should the Commission allow the agencies to detach, the City of Poway would strongly advocate Fallbrook PUD and Rainbow PWD be required at a minimum to pay the maximum exit fee, with no discount, for the maximum period of time supported by Dr. Hanemann's findings. The LAFCO Staff recommendations inexplicably appear to financially support two agencies, at the expense of every other water agency and water customer in San Diego County. These water

16.9

customers are Poway's constituents and constituents of every city, special district, and unincorporated area that you as the Commission represent.

Sincerely,



Steve Vaus
Mayor

CC: Deputy Mayor Barry Leonard
Councilmember Peter De Hoff
Councilmember Caylin Frank
Councilmember Brian Pepin
City Manager, Chris Hazeltine
Wendy Kaserman, Assistant City Manager
Eric Heidemann, Public Works Director

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Refer To File # 501668-0005

May 22, 2023

Mr. Jim Desmond, Chair
San Diego LAFCO
2550 Fifth Avenue
Suite 725
San Diego, CA 92103

Re: **Proposed "Fallbrook PUD & Rainbow MWD Wholesaler Reorganizations" – Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions**.

Dear Chairman Desmond:

This comment letter is being submitted in my role as Assistant General Counsel for the applicant, Rainbow Municipal Water District.

First, I wish to compliment your Executive Officer, Keene Simonds, and his entire staff for the manner in which they have professionally handled the simple proposed switch of wholesale water sources in the face of a concerted and well financed effort by the San Diego County Water Authority in an attempt to complicate the mater in an effort to continue its existing membership without regard to the detrimental impacts on the residents of North County who are served by Rainbow Municipal Water District and Fallbrook Public Utility District.

In my view the Commission needs to focus only on three factors to reach its decision.

The first factor is found in both the language of Cortese-Knox- Hertzberg and your Commission's own policies. Government Code Section 56668 provides in relevant part as follows: "Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following:…(e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016…" Similarly, your Commission policy L-101 – Preservation of Open Space and Agricultural Lands - acknowledges that the State Legislature has instructed that open space and agriculture are to be preserved. Such preservation of agricultural land through the lowering of the costs of water needed for crops is the thrust of the proposal for the change of wholesalers. Yet this foundational factor – emphasized by the State Legislature – is never mentioned, let alone addressed, in the various lengthy, contentious letters filed by the San Diego County Water Authority. The Water Authority simply ignores these legislative and policy directives.

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17.2 The second of the three factors for the Commission to focus on is the representation that the San Diego County Water Authority uses in communicating with the buyers of its bonds. The official policy of the San Diego County Water Authority is reflected in its Official Statement for refinancing and its financing resolution adopted by its Board is that no member agency is obligated for any debt and no member agency is obligated to purchase any water. This was pointed out to your staff in a joint letter from the applicants dated June 22, 2022. https://www.sdlafco.org/home/showpublisheddocument/6362/637940086528530000. The San Diego County Water Authority has never commented on this in its frequent correspondence. Just as with the deafening silence from the Water Authority regarding the preservation of agriculture, the Water Authority has been silent on this issue because it has no basis to refute this point. Yet the Water Authority has sought to extract large sums from the applicants in exchange for the exercise of their rights to seek detachment.

17.3 The third factor for the Commission to consider is that the principal act under which the County Water Authority was formed addresses the procedure for detachment. Section 45-11 (a)(2) only provides for a continuation of property taxes to be paid to the Water Authority following detachment – no other "exit fee" is required by the legislation. Most principal acts include no references to the role of the Local Agency Formation Commission with respect to changes in the boundaries of a public entity. The County Water Authority Act, however, references the role of the Commission multiple times with respect to annexations (sections 45.10 (d) and (e)) and once with respect to exclusions (section 45.11 (1)), but does not include any provision for the Commission to provide for a condition for detachment beyond the continuation of property taxes. This silence with respect to detachment in stark contrast to the other provisions is an indication that the State Legislature considered the role of the Commission and chose not to include any role to add additional financial conditions in the event of a detachment. The text of the relevant provision of the County Water Authority Act has never been amended despite the Act having been amended well over 100 times through 2005 (Exhibit B to our letter of September 24, 2021 https://www.sdlafco.org/home/showpublisheddocument/5922/637684127802770000). Dr. Hanemann in his report acknowledged that he is not an attorney and that he did not seek counsel from any in his preparation of this portion of his report. (section 2.4 at page 73 https://www.sdlafco.org/home/showpublisheddocument/6068/637777538812570000)

Although the involvement of LAFCO is expressly acknowledged in the Act with regard to annexation to the Water Authority, no such provision appears with respect to a detachment such as this by entire existing agencies (February 15 2022 joint letter from counsel, https://www.sdlafco.org/home/showpublisheddocument/6124/637805980274130000). Like the first two factors, the Water Authority has not been able to refute this point.

In conclusion, despite the Water Authority's best efforts to defeat the simple change of water wholesalers to these two districts in North County, the delay of over three years needs to come to an end. If you look at (1) the legislative mandate regarding preservation of agriculture, (2) the representation the Water Authority has made to buyers of its bonds, and (3) the plain language of the principal act of the Water Authority, the applications should be approved and the residents of the two applicant districts should be permitted to vote on the issue.

Sincerely,



Lloyd W. Pellman
Nossaman LLP

cc: Keene Simonds, LAFCO Executive Officer
San Diego Local Agency Formation Commissioners
Holly Whatley, LAFCO Counsel
Adam Wilson, LAFCO Moderator
Tom Kennedy, General Manager, Rainbow Municipal Water District
Alfred Smith, General Counsel, Rainbow Municipal Water District
Jack Bebee, General Manager, Fallbrook Public Utility District
Paula De Sousa, General Counsel, Fallbrook Public Utility District

LWP:klm2

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Santa Fe Irrigation District

May 22, 2023

San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Subject: ***Comments – Proposed Fallbrook PUD and Rainbow MWD Reorganizations: concurrent annexations to Eastern MWD, as well as the detachment from San Diego County Water Authority (SDCWA), along with the related actions.***

To: Honorable Chair Desmond and Commissioners,

As one of the San Diego County Water Authority's member agencies, Santa Fe Irrigation District would like to provide comments regarding the proposed reorganizations of Fallbrook PUD and Rainbow MWD, respectively. SFID wants to express our opposition to the proposed Fallbrook PUD and Rainbow MWD reorganization – concurrent annexations to Eastern MWD, as well as the detachment from San Diego County Water Authority (SDCWA), along with the related actions.

18.1

18.2 We have reviewed the LAFCO staff recommendations, but we're deeply concerned about the long-term negative impacts of detachments on the water ratepayers of San Diego County residents while favoring the short-term economic gains of Fallbrook PUD and Rainbow MWD ratepayers.

18.3 SFID urges the LAFCO commissioners to carefully consider the potential implications of this reorganization action, as it will decrease supply reliability for the communities served by Fallbrook PUD and Rainbow MWD. The LAFCO staff noted Dr. Hanemann's report, which highlights that these agencies would be taking a significant gamble on supply reliability by switching from SDCWA to EMWD. Relying on a temporary solution during a drought emergency could prove to be an expensive proposition. Approving detachment would expose these communities to higher levels of financial risk, burdening them with long-term consequences in exchange for short-term savings. Such an outcome contradicts LAFCO's mission to promote the efficient delivery of local government services for these communities and imposes unnecessary financial risks.

In the event that the detachment is approved with an exit fee, our concerns regarding the proposed exit fee methodology utilized by the LAFCO staff are as follows:

18.4

1. Inconsistency with independent consultant's recommendations: The offsetting credit for the value of the avoided costs for the planned Emergency Supply Project fails to account for the region's existing debt incurred for the QSA. Additionally, it neglects to include the cost of reliability associated with Desalination, Twin Oaks Treatment Plant, and Emergency Storage Projects, which provide higher levels of reliability for the entire region.

Santa Fe Irrigation District ~ PO Box 409 ~ 5920 Linea del Cielo ~ Rancho Santa Fe, CA 92067-0409
Phone 858.756.2424 Fax 858.756.0450
www.sfidwater.org

18.5 2. Unreasonable exit fee timeline: The proposed exit fee timeline should be based on a thorough financial analysis rather than being compared to unrelated planning and reporting requirements such as the Urban Water Management Plan and Municipal Service Reviews, which are conducted every five years. Although these planning documents are updated every five years, their planning horizon typically extends beyond twenty years.

18.6 3. Failure to account for a full share of obligations: The exit fee proposed by the LAFCO staff fails to account for the full share of obligations associated with past bonds by the San Diego County Water Authority (CWA). CWA has made significant investments in regional water supply infrastructure, and it is the financial responsibility of all member agencies, including Fallbrook PUD and Rainbow MWD, to fulfill their share of these obligations.

4. Lack of reassessment of financial obligations: In LAFCO's third-party consultant's report, Dr. Hanemann's viewpoint that calculating a "long-run" economic impact on CWA and its member agencies is challenging. Therefore, it is crucial that the staff recommend a reassessment of Fallbrook PUD and Rainbow MWD's remaining financial obligations every five years until their full obligations are adequately accounted for.

18.7 5. If the Detachment is approved with an exit fee, the recommendation should include a stipulation that the exit fee be returned to CWA's member agencies as LAFCO's report specifically identified the financial impacts of the detachment on CWA's member agencies.

18.8 In conclusion, SFID strongly urges the LAFCO commissioners to consider rejecting the proposed Fallbrook PUD and Rainbow MWD reorganization. It is essential to prioritize the economic well-being of all water ratepayers in San Diego County and to ensure the continued supply reliability for the communities involved. We trust that you will carefully consider these concerns and decide to uphold the best interests of the residents and businesses that rely on these vital water services. We have reviewed the LAFCO staff recommendations, but we're deeply concerned about the long-term negative impacts of detachments on the water ratepayers of San Diego County residents while favoring the short-term economic gains of Fallbrook PUD and Rainbow MWD ratepayers. The Water Authority is currently proposing a 14% rate increase for calendar year 2024, with equivalent increases in the next several years. Water affordability is already of grave concern to member agencies as we face difficult decisions on reducing services and projects at a local level to accommodate for the proposed increases. An additional layer of financial burden will shift more costs to our ratepayers during an economically challenging time nationwide. We fear this may be more than our communities can bear.

Thank you for the opportunity to comment, and we very much appreciate the time and effort of the staff, the commissioners, and all water districts involved in this very difficult and complex situation. We sincerely hope that the spirit of collaboration will continue in our region as we all work to find equitable, affordable solutions to our water supply and economic challenges.

Sincerely,

Michael T. Hogan
Board President

cc: Albert Lau, GM, SFID

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MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Analyst II
Michaela Peters, Analyst I

SUBJECT: **Written Comments Received after May 22nd on Agenda Report Item No. 6a |** Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum provides the Commission with written comments received by LAFCO staff after the May 22nd deadline provided as part of the public hearing notice posted online and distributed to affected and subject agencies on April 26th. A total of 3 written comments were received by the close of business on May 26th from all of the following:

1. Don McDougal, Fallbrook PUD Boardmember
2. Vista Irrigation District
3. Denise McFarland
4. Nora Vargas, Chairwoman, County of San Diego Board of Supervisors

All 3 written comments received are attached to the memorandum.

Administration:
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
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Chair Jim Desmond, County of San Diego
Joel Anderson, County of San Diego
Nora Vargas, Alt., County of San Diego
Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
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Marni von Wilpert, Alt., City of San Diego
Jo MacKenzie, Vista Irrigation
Barry Willis, Alpine Fire Protection
David A. Drake, Alt., Rincon del Diablo
Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

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From: Don McDougal <don@GrandTradition.com>
Sent: Wednesday, May 24, 2023 3:10 PM
To: Mumpower, Priscilla <Priscilla.Mumpower@sdcounty.ca.gov>
Subject: [External] Fallbrook/Rainbow Detachment

To: San Diego LAFCO Commissioners

Attn: Priscilla Mumpower (priscilla.mumpower@sdcounty.ca.gov)

RE: Fallbrook (FPUD) & Rainbow (RWMD) Detachment from San Diego County Water Authority

Dear LAFCO Commissioners:

My name is Don McDougal. I am a Director at the Fallbrook Public Utility District and more importantly, a resident and owner of the Grand Tradition Estate and Gardens a local business in Fallbrook for over 39 years.

I ask you today to do what is fair and equitable for our community that has been plagued by excessive water rates for far too many years. These rates have serious implications to our business and the local economy of our community which is mostly agricultural. Fallbrook has paid into infrastructure to the SDCWA without being able to reap the benefits of these funds and is now being asked to pay a detachment fee to separate from the SDCWA which is allowed by law. This is unfair and unreasonable.

Many state that this detachment will cost other San Diego County ratepayers if this is allowed but do not consider the savings these ratepayers have received from Fallbrook and Rainbow paying for their infrastructure over the years.

Without agriculture, Fallbrook becomes another bedroom community and without the jobs created by agriculture we risk high unemployment, and loss of tax revenue greatly needed in the community.

This should be a decision made by Fallbrook/Rainbow ratepayers and not by others in the county that have selfish motives without concern for our ratepayers.

I strongly ask that you do the right, fair and legal thing and vote to allow Fallbrook and Rainbow to detach from the San Diego County Water Authority.

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Board of Directors
Jo MacKenzie, *President*
Division 5
Marty Miller
Division 1
Richard L. Vásquez
Division 2
Peter Kuchinsky II
Division 3
Patrick H. Sanchez
Division 4



Administrative Staff
Brett L. Hodgkiss
General Manager
Lisa R. Soto
Board Secretary
Elizabeth A. Mitchell
General Counsel

May 25, 2023

Priscilla Mumpower
Analyst II
San Diego Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Via U.S. Mail and email to priscilla.mumpower@sdcounty.ca.gov

Re: June 5, 2023 Hearing—Comments on the proposed reorganizations of Fallbrook Public Utility District and Rainbow Municipal Water District

Dear Ms. Mumpower:

Vista Irrigation District (District) appreciates the opportunity to provide comments on the proposed reorganizations of the Fallbrook Public Utility District (Fallbrook) and Rainbow Municipal Water District (Rainbow), which seek to transfer wholesale water service from the San Diego County Water Authority (Water Authority) to Eastern Municipal Water District (Eastern). As San Diego Local Agency Formation Commission (LAFCO) staff is aware, the decisions made by the LAFCO Commission on this matter affect, not only the Water Authority, but also its member agencies and their ratepayers. The District is concerned about the negative impacts to our agency and ratepayers should the LAFCO Commission approve the reorganization based on the conclusions on key policy decisions presented in the May 2023 prospectus on the proposed reorganizations prepared by LAFCO staff. The following comments are being submitted for LAFCO's consideration in connection with the hearing scheduled for June 5, 2023.

1. ***Fallbrook and Rainbow ratepayers may not see a cost savings equal to the amount shown if an exit fee is assessed.*** LAFCO published estimates that the average monthly household savings for Fallbrook and Rainbow ratepayers is $23.50 per household if the proposed reorganizations are approved. It is not clearly stated whether the estimated savings figure takes into consideration the payment of an exit fee to the Water Authority; if the figure does not include this cost, the estimated savings figure would be overstated (over time period that the exit fee is in place). The cost savings figure (at a minimum) should take into account the assessment of an exit fee (if it does not already) to fully inform those voting on the proposed reorganizations, including Fallbrook and Rainbow ratepayers and LAFCO Commissioners.

2. ***Water Authority member agencies' ratepayers will see cost increases.*** The conclusion that other Water Authority member agencies' ratepayers will have to pay higher rates (if Fallbrook and Rainbow detach and no exit fee is assessed; if an assessed exit fee does not equal the Water Authority's revenue loss associated detachment; or after the term of an assessed exit fee terminates) is correct. Additionally, the Water Authority's pass-through rate increase associated with the proposed reorganizations would be added to any other rate adjustments made by the Water Authority to address member agency roll-offs, Metropolitan Water District of Southern California (MWD) rate increases, etc. as well as the member agencies own rate and charge increases.

Based on figures shown in the "Estimated Detachment Impacts to Member Agencies + Ratepayers" table, the District would see its costs increase $347,984 annually if an exit fee is not assessed (or after an exit fee terminates, if one is assessed). The District would need to increase its commodity rates by an estimated five cents per billing unit to cover those higher costs from the Water Authority. This translates to the District's typical customer (3/4" water meter using 24 billing units) being charged an additional $1.20 every two months. As previously noted, this increase would be in addition to any other rate adjustments made by the Water Authority and/or the District in futures years.

3. ***Financial Impacts to Water Authority and ratepayers are material and significant when one considers the cumulative impact of the proposed reorganizations and future rate increases.*** LAFCO staff's conclusion that the financial impacts of the detachments are significant but not material because the annual net revenue loss to the Water Authority ($12.581 million) equals 4.4% of its gross water sales misses a key factor. The increase is significant and material when one considers that it would be added to any other to any other rate adjustments.

4. ***Approval of the Proposals is reasonable only if conditioned on an appropriate exit fee and duration that it is in place***. Conditioning the proposed reorganizations' approval to require an exit fee is reasonable and merited given the financial impacts and need therein for a period of adjustment. This conclusion is correct; however, the exit fee would need to be equal to the estimated revenue loss for the Water Authority and not discounted, and the length of time the exit fee is in place (five years) be appropriate, which it is not.

   LAFCO staff's conclusion that five years (based on the intervals that Urban Water Management Plans are updated and Municipal Service Reviews are conducted) is an appropriate standard to apply an annual exit fee is not supported. The Hanemann reports notes that in the water industry, 10 years would typically be considered short term for planning purposes. Therefore, 10 years would be the shortest standard to apply. However, even 10 years is too short under the circumstances given the substantial investments/obligations that have been incurred by the Water Authority in order to supply water to its member agencies, including Rainbow and Fallbrook. The appropriate length of time for the exit fee should be tied to longer-term financial commitments made to construct major infrastructure (e.g. the largest debt burden through 2039 as shown in the Hanneman report) or to secure water supplies such as Imperial Irrigation District transfer water (which has commitments through at least 2047).

5. ***Discounting an exit fee to reflect cost savings is not reasonable.*** The prospectus' statement that the Water Authority would save $38.6 million should Fallbrook and Rainbow detach that would otherwise be expended on proceeding with the Emergency Storage Project (ESP) North County Pump Station is incorrect; therefore, discounting the exit fee to account for this mythical cost avoidance is unreasonable. Budgeting project is ***not*** the same as actually making an expenditure. As noted in the District's November 29, 2022 comment letter, the Water Authority has stated that only "deminimus amounts" have been spent on initial planning for this project, no debt has been issued for this project and no project costs have been included in its rates and charges. Given those statements, a firm commitment to fund and construct the project has not been made by the Water Authority; therefore, there are ***no savings*** to be realized.

6. ***Near-certain roll-off impacts are measurably higher than detachment impacts; when considered together, they significantly affect the Water Authority, its member agencies and ratepayers.*** LAFCO staff estimates the annual net revenue loss tied to expected roll-offs involving three reuse projects will be $47.0 million by the end of the decade, translating to a ratepayer impact of 9.4% (compared to a 2.5% ratepayer impact associated with the detachment). This conclusion seems to support LAFCO staff's alternative action to defer consideration of the proposals until the completion of a scheduled municipal service review on the Water Authority, which includes an evaluation of the financial condition of the agency.

7. ***Loss of voting Rights at MWD is a valid concern***. LAFCO staff is correct that voting rights at the MWD are valuable, especially when voting on important decisions that have a lasting impact on San Diego region's ratepayers; the loss of any voting rights is of the utmost concern.

8. ***Detachments would not benefit agriculture in the North County.*** LAFCO staff notes that both agencies' proposals center on the premise of providing economic relief to their agricultural customers by securing less expensive water supplies. LAFCO statute and adopted policy address the loss of agriculture with the latter having been recently expanded to now consider actions whenever appropriate to "enhance" agriculture, which allows the Commission to make special accommodations for the affected territory in evaluating the proposals. As noted in the District's November 29, 2022 letter, agricultural water use could be reduced by as much as 90% or be completely prohibited under the Human Health and Safety formula MWD (Eastern's wholesale water supplier) used in parts of its service area during the last drought. The potential for this type of reduction during a drought does not appear to support a policy of enhancing agriculture rather it seems more likely to place agriculture in jeopardy.

9. ***An election to include all registered voters within the Water Authority member agencies' boundaries is warranted.*** The Water Authority has requested that LAFCO condition approval of the reorganization proposals on expanding the "affected territory" for the purposes of calling an election to include all registered voters within its member agencies' boundaries. LAFCO legal counsel has stated that LAFCO has no statutory authority to grant a vote by all those affected, a position that the Water Authority's legal counsel does not agree with. Assembly Bill 530, which would allow a vote in the Water Authority's service area when agencies seek to detach, may be the answer. Given the financial impact that the reorganizations would have on the Water Authority as well as its member agencies and their ratepayers, a vote by all affected is warranted.

Thank you for the opportunity to comment on the proposed reorganizations of Fallbrook and Rainbow. If you have any questions regarding our comments, please feel free to contact me at (760) 597-3117 or via email at bhodgkiss@vidwater.org.

Sincerely,



Brett Hodgkiss
General Manager

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From: Denise McFarland Realtors <denise@deniserealtors.com>
Sent: Thursday, May 25, 2023 10:25 AM
To: Mumpower, Priscilla <Priscilla.Mumpower@sdcounty.ca.gov>
Subject: [External] Town Hall June 5th Comments

Good Morning,

I will be unable to attend the town hall meeting on June 5th regarding switching Fallbrook's water supplier from SDCWA to EMWD.

Fallbrook has some of the highest water rates in our area, which continues to dissuade agricultural business in our region. Please pass along my comment promoting Fallbrook's ability to switch to EMWD.



Denise McFarland
Broker Associate
(951) 551-4169
denise@deniserealtors.com
DRE# 01424930

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Nora Vargas

SUPERVISOR, FIRST DISTRICT

San Diego County Board of Supervisors

May 25, 2023

San Diego LAFCO Commissioners
Keene Simonds, Executive Officer
San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: Reorganization Applications of Fallbrook and Rainbow Public Hearing June 5, 2023

Dear San Diego LAFCO Commissioners,

On behalf of the First District of the County of San Diego, I write in opposition to the proposed reorganization filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) from the San Diego County Water Authority to Eastern MWD in Riverside County. LAFCO plays a vital role in coordinating local government boundaries changes by reorganization and annexation. I am concerned about the long-term impacts this detachment will have for our local region and ratepayers that are serviced by the San Diego County Water Authority.

The impacts of this proposal will hit our low-income environmental justice communities the hardest, who will feel the financial increase of the detachment. The San Diego County Water Authority is currently addressing climate change and affordability topics, however, the proposed reorganization of Fallbrook and Rainbow will further exacerbate these issues. The proposed reorganization is not the solution and is inconsistent with the need for more regional integration of local, state, and federal planning processes. For these reasons, I urge my fellow Commissioners to oppose the detachment from the San Diego County Water Authority.

Sincerely,



Nora Vargas, Chairwoman
First District Supervisor

County Administration Center • 1600 Pacific Highway, Room 335 • San Diego, CA 92101

Phone: (619) 531-5511 • Fax: (619) 531-6262
Email: Nora.Vargas@sdcounty.ca.gov

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MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Keene Simonds

SUBJECT: **Recommendation to Oppose Assembly Bill 530 as Amended**
Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum addresses whole-sale amendments made to Assembly Bill (AB) 530 (Boerner) after the agenda report and associated public hearing notice was posted online and distributed on April 26th. Markedly, AB 530 as amended on May 15th proposes changes to the County Water Authority Act to require a confirming vote of the entire electorate of the San Diego County Water Authority should any member agency receive approval from LAFCO to detach. The amended bill is sponsored by the City of San Diego through the Mayor's Office with the author confirming they will seek committee deadline waivers to allow the legislation to be considered this year.

In consultation with the Chair, and in my capacity as Executive Officer, I submitted a comment letter to Assemblymember Boerner outlining concerns with AB 530 as amended. This includes the direct complication the amended bill poses with "Option Three" and the alternative for the Commission to defer actions on the proposals in favor of first completing a scheduled municipal service review on the County Water Authority. A copy of the letter is attached.

As part of the supplemental agenda report prepared for the item, the Executive Officer is expanding the recommended actions to include taking a formal oppose position on AB 530.

Attachment: as stated

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Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

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May 25, 2023

DELIVERED BY ELECTRONIC MAIL
Assemblymember Tasha Boerner
State of California
77th Assembly District
c/o Robert Charles, Chief of Staff
robert.charles@asm.ca.gov

SUBJECT: Concerns with Assembly Bill (AB) 530

Honorable Assemblymember Boerner:

As the Executive Officer of the San Diego County Local Agency Formation Commission (LAFCO), I am writing to express concerns regarding your proposed AB 530, and the amendments that were introduced on May 15th. The amendments to a previously unrelated bill involving the reduction of methane emissions seek to revise the County Water Authority Act to require expanded voter confirmations of any LAFCO approved detachments. The San Diego County Water Authority is the only agency organized under this principal act. The amended bill, accordingly, would require any member agency of the County Water Authority to receive majority confirmation among registered voters throughout the entirety of the Authority's jurisdictional boundary as a condition to detachment.

As amended, AB 530 generates significant concerns in terms of timing and content.

- With respect to timing, the amended bill comes at the end of a prolonged administrative review process that began in April 2020 in which San Diego LAFCO has expended considerable public resources in evaluating Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District's (MWD) applications to detach from the County Water Authority. This includes staff holding more than a dozen publicly noticed meetings with three different advisory committees as well as employing multiple outside experts. LAFCO staff has recently capitalized on this extensive administrative review and the 4,000 plus pages of documents therein in issuing a final

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Vice Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Jo MacKenzie, Vista Irrigation
Barry Willis, Alpine Fire Protection
David Drake, Alt., Rincon del Diablo
Andy Vanderlaan, General Public
Harry Mathis, Alt., General Public

report with recommendations on April 26, 2023 with a public hearing set for June 5th. Further, one of the merited options evaluated and available to the Commission involves administratively pausing action on the proposals in favor of completing a comprehensive municipal service review on the County Water Authority, which would likely take 18-24 months to complete. This option now appears impractical with the potential chaptering of the amended bill.

- With respect to content, the amended bill would establish a defacto prohibition on member agency detachments from the County Water Authority given the unfavorable odds for any single agency in receiving majority approval from the entire Authority electorate, which presently tallies 1.9 million registered voters. As the current proposals filed by Fallbrook PUD and Rainbow MWD indicate, there may be unique and locally meritorious reasons for member agencies to seek future detachments that would be otherwise mooted from consideration should the amended bill proceed into law. Similarly, I am not aware of any existing provision – certainly not in LAFCO statute and presumably not in any other principal act – that provides special district voters the approval power over proposed detachments. Accordingly, the precedent setting nature of the amended bill and potential for unintended consequences should not be dismissed. Similarly, the amended bill's sidestepping of the Legislature's long-standing delegation to LAFCOs to independently consider jurisdictional changes and term any approvals as appropriate should not be dismissed given its own precedent setting nature.

San Diego LAFCO staff and counsel have made a series of decisions and determinations to guide its review of the Fallbrook PUD and Rainbow MWD detachment proposals in step with forwarding recommendations to the Commission ahead of a June 5th public hearing. The amended bill introduces an additional layer of uncertainty and influence at the 11th hour and negatively impacts our ability to provide clear and reasonable guidelines and answers to Commissioners. The precedent setting nature of the bill is equally concerning as detailed.

I appreciate your consideration of my letter. I would also welcome any opportunity to further discuss the amended bill with you and/or your staff and will make myself available to accommodate your schedules. I am available by telephone at 619-321-3380 or email at keene.simonds@sdcounty.ca.gov.

Respectfully,



Keene Simonds
Executive Officer

cc:

San Diego LAFCO Commissioners
Honorable Mayor Todd Gloria of the City of San Diego
Holly Whatley, Commission Counsel
Aleks Giragosian, Deputy Commission Counsel
Priscilla Mumpower, Analyst II
Chris Cate, LAFCO Consultant
Adam Wilson, LAFCO Consultant
Nick Serrano, Deputy Chief of Staff for Mayor Todd Gloria
Sandy Kerl, County Water Authority General Manager
Jack Bebee, Fallbrook PUD General Manager
Tom Kennedy, Rainbow MWD General Manager
Nick Kanetis, Eastern MWD Assistant General Manager
René LaRoche, CALAFCO Director

MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Chris Cate, Consultant

SUBJECT: **Potential Changes to County Water Authority Rate Structure**
Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum provides additional analysis via LAFCO Consultant Chris Cate on the County Water Authority's current rate structure and potential changes should the detachments proceed. A copy of the Cate analysis is attached.

Attachment: as stated

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General Public

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STRATEGIES

MEMORANDUM

DATE: **May 25, 2023**

TO: **Keene Simonds, Executive Officer**

FROM: **Chris Cate, 3MC Strategies**

SUBJECT: **Additional Review of Detachment & Rate Impacts**

Following the release of the LAFCO staff report regarding the proposed Detachment application, I was asked to provide a review of the opportunities for the San Diego County Water Authority (CWA) to adjust rates to prepare for the potential decline in water sales and those potential rate impacts to member agencies. As the LAFCO report addresses the potential rate impacts of detachment and roll-off, questions have arisen regarding next steps and what actions could be taken to plan ahead.

It's important to note that the analysis conducted to evaluate rate impacts is a high-level analysis. It should be noted the true impacts will not be known until CWA conducts its own rate analysis, which has also been noted by CWA in its communications to LAFCO. It's also important to note CWA has been establishing the groundwork to adjust its rate structure in anticipation of changing conditions at the retail water agency level.

At the June 27, 2019, meeting, the CWA Board of Directors approved reconstituting the Fiscal Sustainability Task Force (FSTF)[1] to review various fiscal policies, including fixed rate charges. The idea would be to evaluate increasing fixed revenues to cover a larger portion of CWA fixed charges, as CWA, along with most water agencies, are heavily reliant on water sales revenue.

Following the establishment of this group, CWA has adopted various planning documents, including its Urban Water Management Plan, Long-Range Financing Plan, and Fiscal Year 2024-2028 Five-Year Financial Forecast. Each one of these planning documents outlines various scenarios that impact rates and charges and includes water demand projections inclusive of the development of local water recycling projects, such as the City of San Diego's Pure Water Program. These planning documents have laid the foundation for the FSTF to discuss and develop options for revising CWA's rate structure.

[1] This work group has utilized various names, including currently being named the Finance Planning Work Group.

In February 2022, the CWA Board directed the FSTF to bring forward a recommendation for an alternative rate structure following CWA staff working with member agencies. Following this action, a set of principles were prepared to guide the work of developing an alternative rate structure. These principles include maintain short-and long-term financial viability, establish fixed charge levels to cover fixed expenses, and promote cost-effectiveness and regional water affordability, to name a few.

The FSTF is anticipated to reconvene in June following the adoption of the calendar year 2024 rates and charges. It is unclear though when a new rate structure will be adopted and take effect.

Depending upon the timeline by CWA to implement its new rates and charges, the process to draft and adopt the 2025 Urban Water Management Plan and other long-range planning documents may have begun. Additionally, local recycling projects could commence, further impacting rates.

Therefore, once the new rates and charges are adopted and in effect, the impact of detachment will be different than currently assumed. This is due to a myriad of reasons, including the amount of revenue recovered from fixed and variable charges will change, thus changing how each member agency is charged. As an example, member agencies that have plans for local supply projects may see their share of fixed costs increase as they will be reducing the costs of purchasing water from CWA. Additionally, roll-off will occur leading to the loss of water sales and there will always be the potential for other cost drivers (i.e., inflation, increase in capital improvement budget, etc.).

Lastly, CWA has implemented new policies that include the production of five-year financial outlooks and an earlier review of the annual budget and rate development. This allows for an extended time of review and preparation for any challenges that may impact rates.

MEMORANDUM

DATE: May 26, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Analyst II
Michaela Peters, Analyst I

SUBJECT: **Draft Resolutions of Approval for Agenda Report Item No. 6a |** Proposed "Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services"

This memorandum is part of the supplemental report prepared for the above-referenced agenda item set for hearing on June 5, 2023. This memorandum provides draft resolutions of approval covering Option Two as recommended by LAFCO staff. Draft resolutions have been prepared for both applicants – Fallbrook PUD and Rainbow MWD.

Attachments:
1. Draft resolutions for Fallbrook PUD
2. Draft resolutions for Rainbow MWD

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Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

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RESOLUTION NO._____

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

MAKING DETERMINATIONS, APPROVING, AND ORDERING A REORGANIZATION

"FALLBROOK PUBLIC UTILITY DISTRICT REORGANIZATION: WHOLESALE WATER SERVICES"
CONCURRENT ANNEXATION TO EASTERN MUNICIPAL WATER DISTRICT AND DETACHMENT FROM SAN DIEGO COUNTY WATER AUTHORITY WITH RELATED ACTIONS
LAFCO FILE NO. RO20-05

WHEREAS, on March 18, 2020 and March 19, 2020, the Rainbow Municipal Water District (MWD) and Fallbrook Public Utility District (PUD), respectively, filed a resolution of application to initiate proceedings with the San Diego County Local Agency Formation Commission, hereinafter referred to as "Commission," pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, on April 28, 2020 the Executive Officer administratively combined the proposals for hearing purposes (Combined Proposals); and

WHEREAS, each application seeks approval to reorganize and transfer wholesale water service responsibilities within each applicant's jurisdictional boundaries – totaling approximately 79,050 acres – from the San Diego County Water Authority (CWA) to Eastern Municipal Water District (MWD); and

WHEREAS, of that total acreage, the jurisdictional boundaries of Fallbrook total approximately 28,193 acres; and

WHEREAS, the Combined Proposals necessitate concurrent annexations to Eastern MWD and detachments from San Diego CWA with conforming sphere of influence amendments to accommodate the jurisdictional changes; and

WHEREAS, on October 24, 2019, pursuant to Government Code Section 56124, San Diego LAFCO entered into a memorandum of understanding (MOU) with Riverside LAFCO. The MOU delegates to San Diego LAFCO the responsibility to process the Combined Proposals and prepare related analyses – including, but not limited to – a municipal service review on Eastern MWD to inform a conforming sphere of influence action; and

WHEREAS, on April 2, 2020, pursuant to Government Code Section 56127, CWA applied for "non-district" status for purposes of Part 4 (conducting authority proceedings) of CKH as it relates to the Combined Proposals; and

WHEREAS, on May 4, 2020, pursuant to Government Code Section 56128, San Diego LAFCO determined CWA is not a district or special district for purposes of Part 4 (conducting

authority proceedings) of CKH as it relates to the Combined Proposals, resulting in protest and election proceedings taking place under CWA's principal act should the Commission approve Fallbrook PUD and/or Rainbow MWD's reorganization proposals; and

WHEREAS, on June 1, 2020, San Diego LAFCO approved the establishment of an advisory committee to directly assist the Executive Officer in the administrative review of the Combined Proposals; and

WHEREAS, on February 7 & March 7, 2022, San Diego LAFCO received and approved a final report on a scheduled municipal service review on the Fallbrook region and the local agencies operating therein subject to the Commission's oversight – including Fallbrook PUD and Rainbow MWD; and

WHEREAS, an applicable master property tax transfer agreement, dated December 2, 1982, applies to the Combined Proposals; and

WHEREAS, the Commission's Executive Officer has reviewed the proposed reorganization and prepared a report with recommendations; and

WHEREAS, the Executive Officer's report and recommendations on the proposal have been presented to the Commission in the manner provided by law; and

WHEREAS, staff published an advertisement notice of public hearing regarding this proposal in the San Diego Union Tribune and Village News on April 24th and May 4th, respectively; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a noticed public meeting on the proposal on June 5, 2023; and

WHEREAS, the Commission considered all the factors required by law under Government Code Sections 56425, subdivision (a), and 56668 and adopted local policies and procedures.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The Recitals above are incorporated herein by reference.

2. At the hearing, the Commission called for, heard, and considered all public comments by interested parties and read and considered the Executive Officer's report.

3. The Commission serves as responsible and lead agency under the California Environmental Quality Act (CEQA) in considering the two distinct "projects" associated with the proposed reorganization and as detailed in the Executive Officer's report: (a) reorganization and (b) the related conforming sphere of influence action. The Commission's findings follow.

a) Fallbrook PUD's and Rainbow MWD's initiating actions involving the reorganization proposals position these agencies to serve as lead agencies in assessing the potential impacts - and specifically the annexation to Eastern MWD and detachment from County Water Authority - under CEQA. In their roles as lead agency, both Fallbrook PUD and Rainbow MWD have made findings that the proposal qualifies as a project but is exempt from further review under State CEQA Guidelines Section 15320. Staff independently concurs this exemption appropriately applies given the underlying action involves the transfer of existing municipal service functions within the same area with no additional powers or expansions therein.

b) San Diego County LAFCO serves as lead agency under CEQA for the conforming sphere of influence actions associated with accommodating the reorganizations. It is recommended the Commission find these actions – and specifically establishing a sphere for Eastern MWD covering its wholesale function to include the affected territory and concurrently removing these lands from the County Water Authority sphere – collectively qualify as a project under CEQA but exempt from further review under State Guidelines 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and any associated actions (establishment, update, or amendment) in and of itself does not change the environment or authorize any new uses or services.

4. The Commission APPROVES an amendment to Eastern MWD's sphere of influence to include the affected territory and concurrently remove these lands from the County Water Authority sphere as further shown and described subject to all conditions below and in doing so makes the statements provided as Exhibit "A."

5. The Commission APPROVES the reorganization without modifications and subject to conditions as provided. Approval involves all of the following.

   a) Annexation of the affected territory to the Eastern MWD as shown in "Exhibit B-1" and described in "Exhibit B-2."

   b) Detachment of the affected territory from the San Diego CWA as shown in "Exhibit B-1" and described in "Exhibit B-2."

6. The Commission CONDITIONS all approvals on the following terms being satisfied by June 5, 2024 unless an extension is requested in writing and approved by the Executive Officer:

   a) Completion of the 30-day reconsideration period provided under Government Code Section 56895.

b) Submittal to the Commission of final map and geographic description of the affected territory as approved by the Commission conforming to the requirements of the State Board of Equalization – Tax Services Division.

c) Submittal to the Commission of the following payments:

- A check made payable to LAFCO in the amount of $100.00 for the County of San Diego-Clerk Recorder to reimburse for filing a CEQA Notices of Determination for the Sphere of Influence update and the reorganization consistent with the findings in the resolution.

- A check made payable to the State Board of Equalization for processing fees in the amount of $3,500.00.

- A check made payable to San Diego LAFCO in the amount of $719.98 to reimburse one-half of the cost of the public hearing notice published in the San Diego Union Tribune.

- A check made payable to San Diego LAFCO in the amount of $200.00 to reimburse one-half of the cost of the public hearing notice published in the Village News.

d) Within 30 days of the adoption of this Resolution, the execution of an obligation to indemnify and hold harmless, to the fullest extent permitted by law, the Commission, including its officers, agents, employees and volunteers, from and against any and all claims, losses, costs and expenses for any damage or injury arising out of or in connection with the Combined Proposals, and, upon the Commission's request, the deposit of funds for the defense of the Commission. Such costs and expenses shall include reasonable attorneys' fees due to counsel of Commission's choice, expert fees and all other expenses of litigation.

e) Pursuant to Government Code Section 56886, subdivision (v), the Commission imposes an exit fee of $8,506,750.00 to be paid to CWA in five annual installments of $1,701,350.00 The first payment shall be made to CWA within 30 days of the certification of the election results described below, if a majority of the electorate votes in support of Fallbrook's proposal, and the subsequent four installments shall be paid annually thereafter.

7. The Commission assigns the proposal the following short-term designation:
"Fallbrook PUD Reorganization"

8. The affected territory as designated by the Commission is inhabited as defined in Government Code Section 56046.

9. The Commission delegates to the Executive Officer the performance of all conducting authority proceeding requirements under Government Code Section 57000 for purposes of the Eastern MWD annexation.

10. Pursuant to Water Code Appendix Section 45-11, subdivision (a)(2), the Board of Directors of Fallbrook PUD shall submit to its electors at the next available general or special election the proposition of detaching from CWA.

11. In the above-referenced election, the voters shall approve the proposition of detaching from CWA.

12. The Eastern MWD is a registered-voter district.

13. The Eastern MWD utilizes the County of Riverside assessment roll.

14. The affected territory will be liable for any existing bonds, contracts, and/or obligations of the Eastern MWD as provided under Government Section 57328, and will be subject to any previously authorized taxes, benefit assessments, fees, or charges of Eastern MWD provided under Government Code Section 57330, which Fallbrook PUD shall be authorized to assess, levy, and/or collect within its boundaries.

15. Pursuant to Government Code section 57202, the effective date of the approval shall be the date of recordation of the certificate of completion, but only after all terms have been completed as attested by the Executive Officer.

16. As allowed under Government Code Section 56107, the Commission authorizes the Executive Officer to make non-substantive corrections to this resolution to address any technical defects, errors, irregularities, or omissions.

17. Under Government Code Sections 56880-56882, the Executive Officer is hereby authorized and directed to mail copies of this Resolution.

18. The Executive Officer is further authorized and directed to prepare, execute, and record a Certificate of Completion, make the required filings with the County Assessor, County Auditor, and the State Board of Equalization as required by Section 57200, et seq., of the Government Code.

**

PASSED AND ADOPTED by the Commission on June 5, 2023 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:
**

Attest:

_____
Keene Simonds
Executive Officer

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EXHIBIT A
SPHERE OF INFLUENCE DETERMINATIONS

-Placeholder-

EXHIBIT B-1
MAP OF THE AFFECTED TERRITORY

-Placeholder-

Blank for Photocopying

EXHIBIT B-2
GEOGRAPHIC DESCRIPTION OF THE AFFECTED TERRITORY

-Placeholder-

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RESOLUTION NO._____

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

MAKING DETERMINATIONS, APPROVING, AND ORDERING A REORGANIZATION

"RAINBOW MUNICIPAL WATER DISTRICT REORGANIZATION: WHOLESALE WATER SERVICES"
CONCURRENT ANNEXATION TO EASTERN MUNICIPAL WATER DISTRICT AND DETACHMENT FROM SAN DIEGO COUNTY WATER AUTHORITY WITH RELATED ACTIONS
LAFCO FILE NO. RO20-04

WHEREAS, on March 18, 2020 and March 19, 2020, the Rainbow Municipal Water District (MWD) and Fallbrook Public Utility District (PUD), respectively, filed a resolution of application to initiate proceedings with the San Diego County Local Agency Formation Commission, hereinafter referred to as "Commission," pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, on April 28, 2020 the Executive Officer administratively combined the proposals for hearing purposes (Combined Proposals); and

WHEREAS, each application seeks approval to reorganize and transfer wholesale water service responsibilities within each applicant's jurisdictional boundaries – totaling approximately 79,050 acres – from the San Diego County Water Authority (CWA) to Eastern Municipal Water District (MWD); and

WHEREAS, of that total acreage, the jurisdictional boundaries of Rainbow total approximately 50, 857 acres; and

WHEREAS, the Combined Proposals necessitate concurrent annexations to Eastern MWD and detachments from San Diego CWA with conforming sphere of influence amendments to accommodate the jurisdictional changes; and

WHEREAS, on October 24, 2019, pursuant to Government Code Section 56124, San Diego LAFCO entered into a memorandum of understanding (MOU) with Riverside LAFCO. The MOU delegates to San Diego LAFCO the responsibility to process the Combined Proposals and prepare related analyses – including, but not limited to – a municipal service review on Eastern MWD to inform a conforming sphere of influence action; and

WHEREAS, on April 2, 2020, pursuant to Government Code Section 56127, CWA applied for "non-district" status for purposes of Part 4 (conducting authority proceedings) of CKH as it relates to the Combined Proposals; and

WHEREAS, on May 4, 2020, pursuant to Government Code Section 56128, San Diego LAFCO determined CWA is not a district or special district for purposes of Part 4 (conducting

authority proceedings) of CKH as it relates to the Combined Proposals, resulting in protest and election proceedings taking place under CWA's principal act should the Commission approve Fallbrook PUD and/or Rainbow MWD's reorganization proposals; and

WHEREAS, on June 1, 2020, San Diego LAFCO approved the establishment of an advisory committee to directly assist the Executive Officer in the administrative review of the Combined Proposals; and

WHEREAS, on February 7 & March 7, 2022, San Diego LAFCO received and approved a final report on a scheduled municipal service review on the Fallbrook region and the local agencies operating therein subject to the Commission's oversight – including Fallbrook PUD and Rainbow MWD; and

WHEREAS, an applicable master property tax transfer agreement, dated December 2, 1982, applies to the Combined Proposals; and

WHEREAS, the Commission's Executive Officer has reviewed the proposed reorganization and prepared a report with recommendations; and

WHEREAS, the Executive Officer's report and recommendations on the proposal have been presented to the Commission in the manner provided by law; and

WHEREAS, staff published an advertisement notice of public hearing regarding this proposal in the San Diego Union Tribune and Village News on April 24th and May 4th, respectively; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a noticed public meeting on the proposal on June 5, 2023; and

WHEREAS, the Commission considered all the factors required by law under Government Code Sections 56425, subdivision (a), and 56668 and adopted local policies and procedures.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The Recitals above are incorporated herein by reference.

2. At the hearing, the Commission called for, heard, and considered all public comments by interested parties and read and considered the Executive Officer's report.

3. The Commission serves as responsible and lead agency under the California Environmental Quality Act (CEQA) in considering the two distinct "projects" associated with the proposed reorganization and as detailed in the Executive Officer's report: (a) reorganization and (b) the related conforming sphere of influence action. The Commission's findings follow.

a) Fallbrook PUD's and Rainbow MWD's initiating actions involving the reorganization proposals position these agencies to serve as lead agencies in assessing the potential impacts - and specifically the annexation to Eastern MWD and detachment from County Water Authority - under CEQA. In their roles as lead agency, both Fallbrook PUD and Rainbow MWD have made findings that the proposal qualifies as a project but is exempt from further review under State CEQA Guidelines Section 15320. Staff independently concurs this exemption appropriately applies given the underlying action involves the transfer of existing municipal service functions within the same area with no additional powers or expansions therein.

b) San Diego County LAFCO serves as lead agency under CEQA for the conforming sphere of influence actions associated with accommodating the reorganizations. It is recommended the Commission find these actions – and specifically establishing a sphere for Eastern MWD covering its wholesale function to include the affected territory and concurrently removing these lands from the County Water Authority sphere – collectively qualify as a project under CEQA but exempt from further review under State Guidelines 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and any associated actions (establishment, update, or amendment) in and of itself does not change the environment or authorize any new uses or services.

4. The Commission APPROVES an amendment to Eastern MWD's sphere of influence to include the affected territory and concurrently remove these lands from the County Water Authority sphere as further shown and described subject to all conditions below and in doing so makes the statements provided as Exhibit "A."

5. The Commission APPROVES the reorganization without modifications and subject to conditions as provided. Approval involves all of the following.

   a) Annexation of the affected territory to the Eastern MWD as shown in "Exhibit B-1" and described in "Exhibit B-2."

   b) Detachment of the affected territory from the San Diego CWA as shown in "Exhibit B-1" and described in "Exhibit B-2."

6. The Commission CONDITIONS all approvals on the following terms being satisfied by June 5, 2024 unless an extension is requested in writing and approved by the Executive Officer:

   a) Completion of the 30-day reconsideration period provided under Government Code Section 56895.

b) Submittal to the Commission of final map and geographic description of the affected territory as approved by the Commission conforming to the requirements of the State Board of Equalization – Tax Services Division.

c) Submittal to the Commission of the following payments:

- A check made payable to LAFCO in the amount of $100.00 for the County of San Diego-Clerk Recorder to reimburse for filing a CEQA Notices of Determination for the Sphere of Influence update and the reorganization consistent with the findings in the resolution.

- A check made payable to the State Board of Equalization for processing fees in the amount of $3,500.00.

- A check made payable to San Diego LAFCO in the amount of $719.98to reimburse one-half of the cost of the public hearing notice published in the San Diego Union Tribune.

- A check made payable to San Diego LAFCO in the amount of $200.00 to reimburse one-half of the cost of the public hearing notice published in the Village News.

d) Within 30 days of the adoption of this Resolution, the execution of an obligation to indemnify and hold harmless, to the fullest extent permitted by law, the Commission, including its officers, agents, employees and volunteers, from and against any and all claims, losses, costs and expenses for any damage or injury arising out of or in connection with the Combined Proposals, and, upon the Commission's request, the deposit of funds for the defense of the Commission. Such costs and expenses shall include reasonable attorneys' fees due to counsel of Commission's choice, expert fees and all other expenses of litigation.

e) Pursuant to Government Code Section 56886, subdivision (v), the Commission imposes an exit fee of $15,798,250.00 to be paid to CWA in five annual installments of $7,899,125.00 The first payment shall be made to CWA within 30 days of the certification of the election results described below, if a majority of the electorate votes in support of Rainbow's proposal, and the subsequent four installments shall be paid annually thereafter.

7. The Commission assigns the proposal the following short-term designation:
"Rainbow MWD Reorganization"

8. The affected territory as designated by the Commission is inhabited as defined in Government Code Section 56046.

9. The Commission delegates to the Executive Officer the performance of all conducting authority proceeding requirements under Government Code Section 57000 for purposes of the Eastern MWD annexation.

10. Pursuant to Water Code Appendix Section 45-11, subdivision (a)(2), the Board of Directors of Rainbow MWD shall submit to its electors at the next available general or special election the proposition of detaching from CWA.

11. In the above-referenced election, the voters shall approve the proposition of detaching from CWA.

12. The Eastern MWD is a registered-voter district.

13. The Eastern MWD utilizes the County of Riverside assessment roll.

14. The affected territory will be liable for any existing bonds, contracts, and/or obligations of the Eastern MWD as provided under Government Section 57328, and will be subject to any previously authorized taxes, benefit assessments, fees, or charges of Eastern MWD provided under Government Code Section 57330, which Rainbow MWD shall be authorized to assess, levy, and/or collect within its boundaries.

15. Pursuant to Government Code section 57202, the effective date of the approval shall be the date of recordation of the certificate of completion, but only after all terms have been completed as attested by the Executive Officer.

16. As allowed under Government Code Section 56107, the Commission authorizes the Executive Officer to make non-substantive corrections to this resolution to address any technical defects, errors, irregularities, or omissions.

17. Under Government Code Sections 56880-56882, the Executive Officer is hereby authorized and directed to mail copies of this Resolution.

18. The Executive Officer is further authorized and directed to prepare, execute, and record a Certificate of Completion, make the required filings with the County Assessor, County Auditor, and the State Board of Equalization as required by Section 57200, et seq., of the Government Code.

**

PASSED AND ADOPTED by the Commission on June 5, 2023 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

**

Attest:

_____
Keene Simonds
Executive Officer

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EXHIBIT A
SPHERE OF INFLUENCE DETERMINATIONS

-Placeholder-

EXHIBIT B-1
MAP OF THE AFFECTED TERRITORY

-Placeholder-

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EXHIBIT B-2
GEOGRAPHIC DESCRIPTION OF THE AFFECTED TERRITORY

-Placeholder-

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6b

AGENDA REPORT
Public Hearing | Action

June 5, 2023

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Carolanne Ieromnimon, Analyst I

SUBJECT: **Proposed "Yung-La Presa Avenue Change of Organization" | Annexation to San Diego County Sanitation District and Conforming Sphere of Influence Action (CO22-17)**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider a change of organization initiated by a landowner to annex approximately 0.16 acres of unincorporated territory to the San Diego County Sanitation District (SD). The affected territory as submitted is presently undeveloped and located in the La Presa unincorporated community. It is immediately adjacent to the existing jurisdictional boundary and sphere of influence. The proposal purpose is to establish public wastewater service to the subject parcel and in doing so accommodate the planned development of a 2,500 square-foot single family residence. Staff recommends conditional approval of the proposal as submitted with a conforming sphere amendment. Staff also recommends waiver of protest proceedings and exemption findings under the California Environmental Quality Act.

Administration:
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San Diego, California 92103
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E lafco@sdcounty.ca.gov
www.sdlafco.org

Chair Jim Desmond
County of San Diego
Joel Anderson
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County of San Diego
Kristi Becker
City of Solana Beach
Dane White
City of Escondido
John McCann, Alt.
City of Chula Vista
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Marni von Wilpert, Alt.
City of San Diego
Jo MacKenzie
Vista Irrigation
Barry Willis
Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

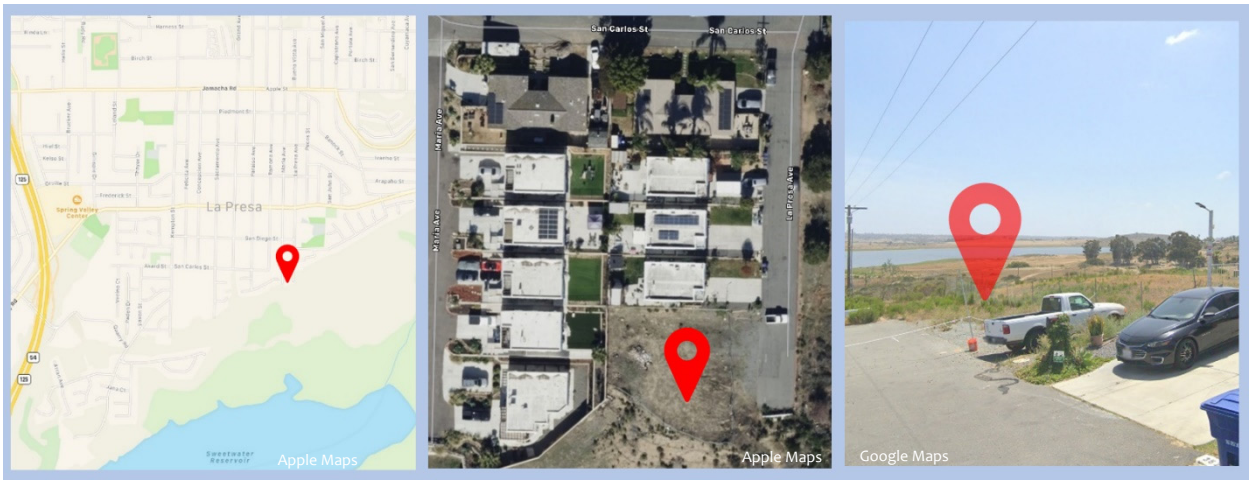
BACKGROUND

Applicant Filling & Requested Terms

San Diego LAFCO has received a change of organization proposal initiated by an interested landowner – NJ Group LLC (Paul Yung) – requesting approval to annex 0.16 acres of unincorporated territory in the La Presa community to County SD and its active wastewater function. The affected territory as submitted comprises one legal parcel that is undeveloped with minimal improvements and located along La Presa Avenue at its southern terminus. The County of San Diego Assessor's Office identifies the subject parcel as 584-200-34 with a situs of 342 La Presa Avenue. The applicant has not requested any approval terms.

Regional Setting

The affected territory lies in eastern San Diego County within the unincorporated community of La Presa immediately north of Sweetwater Reservoir and adjoining Sweetwater Regional Park. Principal access to the affected territory is provided by La Presa Avenue via San Carlos Street. Most of the surrounding area is under rural residential use with some light industrial activities. The affected territory lies within County Supervisorial District No. 1 (Nora Vargas), Assembly District No. 79 (Akilah Weber), and Senate District No. 39 (Toni Atkins). Maps showing the affected territory and its regional and immediate setting follows.



Subject Agencies

The proposed change of organization filed with San Diego LAFCO involves one subject agency: County SD.[1] A summary of the subject agency in terms of governance, resident population, municipal functions, and financial standing follows.

[1] State law defines "subject agency" to mean any district or city for which a change of organization or reorganization is proposed.

- **County SD** is a dependent special district governed by the County of San Diego and serves as successor agency to a multi-agency consolidation completed in 2010. An appointed Deputy Director – William Morgan– oversees day-to-day activities, and this includes a current full-time budgeted staff of 52. The lone active service function is wastewater (collection, treatment, and disposal classes). The jurisdictional boundary spans 46 square miles – or 29,571 acres – and is divided between seven distinct service areas with a combined LAFCO estimated resident population of 141,950. The affected territory lies in the greater "Spring Valley" service area. This is the largest service area with an estimated resident population of 88,955 and an accompanying average annual growth rate of 0.50% since 2010. County SD convey flows to the City of San Diego's adjacent collection system and thereafter to the Point Loma Treatment Facility; the latter operated by the Metro Wastewater Joint Powers Authority with the District as one of the signatories. LAFCO established a sphere of influence for County SD in 2010 with an overall larger-than-agency designation. The sphere was most recently updated in 2019 and excludes 2,106 jurisdictional acres (mostly in the Bonita area) and includes 9,379 non-jurisdictional acres (mostly in Spring Valley area). The most recently prepared audit shows San Diego County SD's net position at $139.8 million as of June 30, 2022, and reflects an overall increase of 10.0% over the prior three fiscal years.

Affected Local Agencies

The affected territory presently lies within the jurisdictional boundaries and/or spheres of influence of eight local agencies directly subject to San Diego LAFCO's planning and regulatory responsibilities. These agencies qualify as "affected agencies" relative to the proposed change of organization and listed below.[2]

- County Service Area No. 128 (parks)
- County Service Area No. 135 (regional communications)
- Grossmont Healthcare District
- Metropolitan Water District of Southern California
- Otay Water District
- Resource Conservation District of Greater San Diego County (sphere only)
- San Diego County Water Authority
- San Miguel Consolidated Fire Protection District

The affected territory also lies in the following school and college districts, and accordingly receive notice of the proposal: La-Mesa Spring Valley Elementary School District; Grossmont Union High School District; and Grossmont-Cuyamaca Community College District.

[2] State law defines "affected local agency" as any entity that contains, or would contain, or whose sphere contains or would contain, any territory for which a change of organization is proposed or ordered. Notice of the proposal and hearing were provided to the agencies.

DISCUSSION

This item is for San Diego LAFCO to consider approving – with or without discretionary modifications – the change of organization proposal to annex the affected territory to County SD for purposes of establishing wastewater services. The Commission may also consider applying conditions so long as it does not directly regulate land use, property development, or subdivision requirements. Additional discussion with respect to proposal purpose, development impacts, and Commission focus follows.

Proposal Purpose

The purpose of the proposed change of organization before San Diego LAFCO is to establish public wastewater service to facilitate the construction of a planned single-family residence. The timing of the proposal follows the applicant's purchase of the subject lot in July 2022 and initiating a development application with the County of San Diego. Extension of wastewater would add to existing services available to the affected territory that include community planning, police, and roads from the County of San Diego, fire protection, emergency medical and ambulance transport from San Miguel Consolidated Fire Protection District, and domestic water from Otay Water District.

Development Opportunities

The County of San Diego General Plan designates the affected territory as Village Residential and assigned to the Spring Valley Community Plan. The current zoning assignment is A70/RS (Limited Agriculture/Single Family, Duplex, Multi and Variable Residents) and provides a minimum lot size of 6,000 square-feet or 0.14 acres. This minimum requirement precludes any additional lot division (splitting) within the affected territory. Additional intensity is permissible under zoning with the construction of an accessory dwelling unit.

Commission Focus

Three central and sequential policy items underlie San Diego LAFCO's consideration of the proposed change of organization. These policy items take the form of determinations and orient the Commission to consider the stand-alone merits of (a) conforming sphere of influence action, (b) timing of the change of organization itself, and (c) whether modifications or approval terms are appropriate. The Commission must also consider other relevant statutes in and outside LAFCO law as further detailed.

ANALYSIS

San Diego LAFCO's analysis of the proposed change of organization is divided into two subsections. The first subsection pertains to evaluating the central issues referenced in the preceding section relative to both statutory and local policy considerations. The second subsection considers other germane issues and highlighted by applicability under the California Environmental Quality Act (CEQA).

Central Policy Items

Item No. 1 |
Conforming Sphere of Influence Amendment

The proposed change of organization necessitates San Diego LAFCO to consider a conforming sphere of influence action involving an amendment to the lone subject agency to achieve consistency with the requested jurisdictional change as required under statute and practice as detailed. Consideration of the amendment is premised on LAFCO's statutory responsibility to designate spheres to demark the affected agencies' appropriate jurisdictional boundary and/or service areas now and into the immediate future as determined by the Commission. This includes demarking the Commission's expectation of exclusive responsibilities for one or more specified municipal services.

The specific amendment prompted by the proposed change of organization involves expanding County SD's sphere of influence to include all of the affected territory. Three related factors drawn from statute and local policy guide the amendment's analysis. The statutory factors relate to an informing municipal service review along with addressing the general relationship between the agency and affected territory.[3] Local policies involve consideration of L-102 and its provisions to guide sphere actions in San Diego County. Analysis of these three sphere factors follow.

- Sphere Factor No. 1:
  Consideration of a Municipal Service Review

  Statute requires LAFCO to prepare municipal service reviews to inform its related task to regularly review and update all local agencies' spheres of influence. The statute further directs LAFCO perform sphere updates every five years as needed. The most recent municipal service review prepared by LAFCO germane to the proposal was completed in 2019. The information provided in this most recent municipal service review remains relevant and timely. Among other germane observations, the municipal service review includes the following conclusionary statements on County SD and highlights its overall macro financial and service capacities:

  > *"County SD has adequate capacity in six of its seven service areas – Alpine- Lakeside, Campo, East Otay Mesa, Julian, Pine Valley, and Spring Valley – to accommodate current and projected near-term demands. This comment is substantiated given none of the systems' average demands generated during the five-year report period exceed 60% of their associated capacities. Capacity in the seventh service area – Winter Gardens – is more limited with average demand tallying 89%."*

[3] Reference to Government Codes 56430 and 56425, respectively.

"County SD has experienced a steady decline in its net position during the five-year report period with an overall decrease – and excluding pension obligations – of (1.4%) due to ongoing margin losses that underlie a (38.1%) change in its operating reserve ratio. This decline is largely attributed to San Diego County SD implementing a five-year rate restructure that draws down on reserves in phasing an ultimate 45.0% raise in customer wastewater rates by 2021-2022. Notwithstanding this recent draw down, San Diego County SD remains in good overall financial standing and finished the period with relatively healthy levels of liquidity and capital with the latter reflected by a debt ratio of less than 10%."

- Sphere Factor No. 2:
  Consideration of the Agency-Affected Territory Relationship

The Legislature prescribes consideration of five factors anytime LAFCOs act on spheres of influence. These factors parallel the macro topics in municipal service reviews with a generalized focus on the relationship with the affected territory – including service needs and adequacy of available services. The factors also orient the Commission to broadly consider the relationship between current and planned land uses in the affected territory plus – and as needed – effects on qualifying disadvantaged unincorporated communities. The factors and staff analysis follows.

- With respect to **present and planned land uses**, the affected territory as submitted comprises one vacant unincorporated parcel within the community of La Presa. The subject parcel is 0.16 acres with immediate plans to develop a 2,500 square foot single-family residence consistent with current zoning. This planned use is readily compatible with the proposal and conforming sphere amendment.

- With respect to **present and probable need for one or more public services**, there is pending need for public wastewater services within the affected territory to accommodate the planned residential use of the subject parcel and related restrictions on alternative provisions (i.e., septic). This pending need is readily compatible with the proposal and conforming sphere amendment.

- With respect to **overall adequacy of the agencies' public services**, a 2019 municipal service review on County SD attests to the overall sufficiency of resources (infrastructure, finances, etc.) to provide wastewater to the affected territory. Additional analysis on the ability to accommodate the underlying project is included in the proceeding section. No material deficiencies have been identified by LAFCO staff as part of the proposal review.

- With respect to **social or economic communities of interest if relevant to the agencies**, the affected territory lies immediately outside County SD's sphere of influence and jurisdictional boundary. Amendment to the sphere to include the affected territory would serve to establish direct social and economic ties between the affected territory and County SD and mirror the interests the District maintains within the immediate region.

- With respect to **present and probable need for services involving any disadvantaged unincorporated communities,** none of the affected territory qualifies under LAFCO statute.

- Sphere Factor No. 3:
  Consideration of Policy L-102

  San Diego LAFCO's policies guiding sphere of influence actions are primarily codified under L-102. This policy was adopted in August 1990 and last substantively updated in June 2000. It directs the Commission to utilize spheres to guide deliberations on future changes of organizations and in doing so – and among other growth management objectives – help reflect and preserve community identities. The policy further directs LAFCO to use spheres to discourage duplication of municipal services and similarly encourages local agency consolidations, whether functional or political.

  The sphere of influence amendments necessary to accommodate the proposed change of organization conforms with L-102. Most directly, the amendments would facilitate a known and otherwise modest jurisdictional change.

CONCLUSION |
MERITS OF A CONFORMING SPHERE OF INFLUENCE AMENDMENT

The conforming sphere of influence amendment to accommodate the proposed change of organization is sufficiently justified under both statute and local policy. Justification is marked by the preceding analysis and largely premised on the following two related assumptions:

- First, it is assumed the Commission determines the 2019 municipal service review completed on County SD adequately informs the membership in assessing County SD's overall abilities and resources to provide wastewater service to the affected territory (emphasis).

- Second, it is assumed the Commission agrees the transition of the affected territory into County SD's sphere is in the best interest of the community's economic and social well-being now and going forward irrespective of the merits of the actual timing of the proposed change of organization.

Should either of these premising assumptions misalign with Commission preferences, it would be appropriate to disapprove or term the conforming sphere action and remedy as needed.

Item No. 2 | Change of Organization Timing

San Diego LAFCO's consideration of the proposed change of organization's timing draws on analyzing baseline factors required in statute as well as applicable policies set by the Commission. Most of the baseline factors in statute focuses on disclosing and otherwise addressing compatibility issues with external goals and policies of other state, regional, and local agencies as well as assessing the ability of subject agencies providing services going forward.[4] Applicable local policies prompted for consideration are headlined by L-107 and its attention to disclosing and/or addressing any known or perceived jurisdictional disputes.

Analysis of these two related timing factors follows.

- Timing Factor No. 1:
  Baseline Considerations: Regional Policies + Service Relationships

  State law prescribes the mandatory consideration of certain and multifaceted factors anytime LAFCOs consider jurisdictional changes. These factors range in substance from disclosures – such as the affected territory's current land uses, assessed values, register voter counts, and so on – to discretionary analyses. This latter category is highlighted by evaluating the proposed annexation's relationship to community needs as well as the service capacities and related financial resources of the subject agencies. A summary of key conclusions generated in reviewing these discretionary matters for the proposed change of organization regarding (a) service needs, (b) service availability and capacities, and (c) related financial considerations follow.

  - With respect to **service needs**, the affected territory's planned residential use merits public wastewater. Annexation of the affected territory to County SD for purpose of establishing public wastewater service accommodates this need and serves as a preferred alternative to – if permissible – an onsite septic system.

  - With respect to **service availability and capacities,** County SD would directly assume wastewater service responsibilities for the affected territory should the annexation be approved and recorded. An existing County SD wastewater collection main is located west of the affected territory within the public right-of-way on Maria Avenue. The applicant has secured access to this collection main through a recorded easement with the neighbor at 337 Maria Avenue to accommodate an approximate 184-foot private lateral connection. It is projected the maximum average day wastewater flow generated within the affected territory post annexation based on one single-family residence is 240 gallons. This projected amount can be readily accommodated by County SD and represents less than 0.003% of its available treatment capacity remaining within its wastewater system.[5] Ultimate buildout would include one additional unit and increase the

[4] Reference to Government Code Section 56668.
[5] San Diego County SD's existing average day wastewater flow is 9.0 million gallons, which equals 51.4% of overall capacity allowed within the Metropolitan Wastewater System operated by the City of San Diego. The allowable maximum wastewater flow capacity of the San

average day wastewater flow to 480 gallons per day and remain less than 0.006% of the remaining available capacity.

- With respect to **related financial considerations**, County SD has adequate financial resources and related administrative controls to provide wastewater services to the affected territory in support of its planned development without adversely impacting current ratepayers. This comment is reflected in the staff analysis of recent audited statements, which shows the County SD having established favorable liquidity and capital levels and highlighted by a current ratio of 93 to 1 and debt ratio of less than 1.0%. These measurements provide reasonable assurances of the County SD's effective financial management and helps lessen concerns regarding recent – albeit minimal – losses marked by an average total margin of (0.05%) over the last 36 months. Additional details are footnoted.[6]

- Timing Factor No. 2:
  Consideration of Policy L-107

San Diego LAFCO adopted L-107 in May 2010 to require all applicants to disclose jurisdictional disputes or related items that are associated with their proposal filings. If applicable, and unless waived by the Executive Officer, the policy requires applicants and/or their representatives to consult with opponents to resolve any known issues – concerns, disputes, etc. – before the item is formally considered by the Commission.[7] If an agreement is reached through the consultation process, the policy states the Commission shall consider the provisions as part of the application. If an agreement is not reached despite exhausting good-faith efforts, the policy states the Commission shall proceed to consider the application as submitted.

No jurisdictional disputes have been disclosed by County SD in filing the change of organization proposal. LAFCO staff, similarly, has not identified any disputes or related concerns involving other local agencies in the administrative review.

CONCLUSION |
MERITS OF CHANGE OF ORGANIZATION TIMING

The timing of the change of organization to annex the affected territory to County SD to accommodate public wastewater service is warranted. Justification is marked by the preceding analysis and appropriately syncs the need for public wastewater service to support a known and otherwise appropriate development in an urbanizing area while being responsive to existing public infrastructure. Additional analysis supporting the conclusion is provided in Appendix A.

Diego County Sanitation District within METRO is 17.5 million gallons per day.

[6] Establishing actual wastewater service is premised on the landowner paying a connection fee to County SD of $300. The landowner would subsequently pay an annual wastewater charge of $517 for each dwelling unit.

[7] The Executive Officer retains discretion to determine the extent of consultation needed.

Item No. 3 | Modifications and Terms

No modifications to the submitted change of organization have been identified by San Diego LAFCO staff meriting Commission consideration at this time. This includes confirmation that the annexation of the affected territory would not generate any corridors and/or otherwise illogical jurisdictional features. Staff is recommending applying standard terms of approval.

CONCLUSION | MODIFICATIONS AND TERMS

No modifications appear warranted. Standard approval terms are recommended and include receipt of all remaining payments associated with the processing of the proposal by the Commission through recordation.

Other Statutory Considerations

Exchange of Property Tax Revenues

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before San Diego LAFCO can consider any jurisdictional change unless an applicable master agreement applies. The associated statutes also empower the County of San Diego to make all related property tax exchange determinations on behalf of special districts. Staff has confirmed the County Board of Supervisors has adopted a master agreement to govern the tax exchange for the proposed change of organization. The master agreement specifies no transfer of property taxes would occur following the annexation of the affected territory to County SD.

Environmental Review

San Diego LAFCO is obligated under CEQA to assess whether environmental impacts would result from activities approved under the Commission's authority, either as a lead or responsible agency. The Commission is tasked with making two distinct findings under CEQA in consideration of the proposed change of organization. Staff's analysis follows.

- San Diego LAFCO serves as lead agency under CEQA for the conforming sphere of influence action associated with accommodating the change of organization. It is recommended the Commission find this action – and specifically the amendment of the County SD's sphere to include the affected territory – is a project under CEQA but exempt from further review under State Guidelines 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and any associated actions (establishment, update, or amendment) in and of itself does not change the environment or authorize any new uses or services.

- San Diego LAFCO also serves as lead agency under CEQA for the change of organization itself given it has been initiated by landowner petition. Staff believes it would be appropriate for the Commission to find this action – and specifically the annexation of the affected territory to the County SD – as a project under CEQA but exempt from further review under State CEQA Guidelines Section 15319(a) and its cross-reference to Section 15303 (Class 3). This exemption appropriately applies given the proposed change of organization would not accommodate potential development beyond the statute's threshold of no more than three single-family residences in an urban area based on current zoning.

Protest Proceedings

Protest proceedings for the proposed change of organization may be waived by San Diego LAFCO should the Commission proceed with an approval under Government Code Section 56662. The recommended waiver appropriately applies under this statute given the affected territory is uninhabited as defined under LAFCO law; the subject agency has not filed an objection to the waiver; and the landowners have consented to the underlying action.[8]

RECOMMENDATION

Staff recommends conditional approval of the change of organization proposal as submitted along with a conforming sphere of influence amendment as detailed. This recommendation and ancillary actions are consistent with Alternative One as listed in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO:

Alternative One (recommended):
Adopt the attached draft resolution conditionally approving the proposal as submitted (without modifications) and conforming sphere of influence amendment along with making required findings under CEQA. Protest proceedings would also be waived.

Alternative Two:
Continue consideration to the next regular meeting.

Alternative Three:
Disapprove the change of organization proposal with direction to staff to return at the next regular meeting with a conforming resolution for adoption.

[8] LAFCO law defines uninhabited as territory in which less than 12 registered voters reside.

PROCEDURES FOR CONSIDERATION

This item has been placed on San Diego LAFCO's agenda for action as part of a noticed public hearing given the associated need for a sphere of influence amendment. The following procedures are suggested.

1. Commissioner disclosures, if any.
2. Receive verbal presentation from staff unless waived.
3. Open the public hearing and invite testimony beginning with the applicant.
4. Discuss the item and consider the staff recommendation.

On behalf of the Executive Officer,



Carolanne Ieromnimon
Analyst I

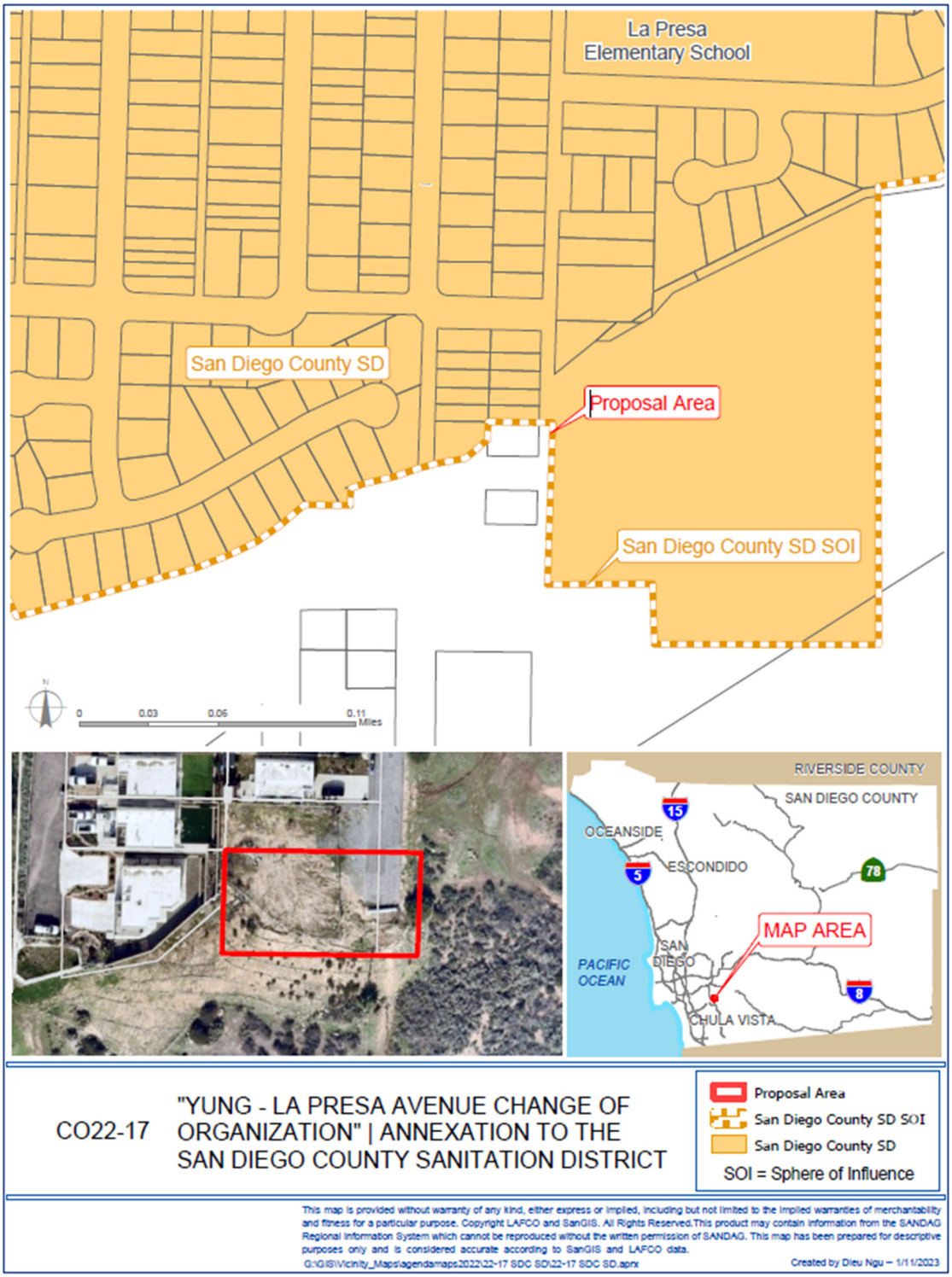
Appendices:

A) Map of the Affected Territory
B) Analysis of Boundary Change Factors

Attachments:

1) Draft LAFCO Resolution of Approval
2) MSR Summary: County SD
3) Application Materials
4) LAFCO L-102 Policy

APPENDIX A
Vicinity Map of the Affected Territory



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APPENDIX B

Government Code Section 56668
Proposal Review Factors

a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent areas, in the next 10 years.

The affected territory as submitted comprises one 0.16-acre unincorporated parcel in the unincorporated community of La Presa. The subject parcel is undeveloped and identified by the County Assessor's Office as APN 584-200-34. The affected territory lies within an urban-residential area with moderate growth anticipated in the surrounding area within the next 10-year period. Total assessed value (land and structures) of the subject parcel is $49,124 with the last transaction recorded in July 2022.

b) The need for municipal services; the present cost and adequacy of municipal services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

The County of San Diego serves as the primary purveyor of general governmental services to the affected territory. These governmental services include community planning, roads, and police protection. Other pertinent service providers include County Service Area No. 135 (regional communications), Otay WD (domestic water), and San Miguel Fire Protection District (fire protection and emergency medical). This proposal affects only wastewater and is the focus of the succeeding analysis.

- **Establishing Public Wastewater to Affected Territory**
  The affected territory is dependent on establishing public wastewater connection given a septic system is not possible due to the parcel size. An existing County SD wastewater collection main is located west of the affected territory within the public right-of-way on Maria Avenue. The applicant has secured access to this collection main through a recorded easement with the neighbor at 337 Maria Avenue to accommodate an approximate 184-foot private lateral connection. It is projected the maximum average day wastewater flow generated within the affected territory post annexation based on one single-family residence is 240 gallons. This projected amount can be readily accommodated by County SD and represents less than 0.003% of its available treatment capacity remaining within its wastewater system. Ultimate buildout would include one additional unit and increase the average day wastewater flow to 480 gallons per day and remain less than 0.006% of the remaining available capacity.

c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on local governmental structure.

Approving the change of organization and annexation therein to County SD would establish economic and social ties between the District and the affected territory. These ties would mirror the overall region and based on mutual interest therein in accommodating urban growth with urban wastewater services.

d) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies/priorities set forth in G.C. Section 56377.

Approving the proposed change of organization and annexation to County SD would facilitate the establishment of public wastewater services to the affected territory and the planned single-family residence. Approval would be consistent with the Commission's adopted policies to sync urbanized uses with urbanized services. The affected territory does not contain "open-space" as defined under LAFCO law and no conflicts exists under Government Code Section 56377. Additional analysis concerning conformance with germane Commission policies follows.

- San Diego LAFCO Policy L-107 requires applicants to disclose and address potential jurisdictional issues associated with their proposals and if applicable requires a consultation process with affected agencies, interested parties, or organizations to help discuss and potentially remedy concerns unless waived by the Executive Officer. No jurisdictional disputes or related concerns were identified or disclosed by the applicant or by affected agencies or interested parties in the review of the proposal.

e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

The affected territory does not contain "prime agricultural land", or "agricultural land" as defined under LAFCO law. Specifically, the affected territory does not contain lands currently used for any of the following purposes: producing an agricultural commodity for commercial purposes; left fallow under a crop rotational program; or enrolled in an agricultural subsidy program. Approval of the proposal and annexation to County SD would have no effect on maintaining the physical and economic integrity of agricultural lands.

f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment, the creation of islands or corridors of unincorporated territory, and other similar matters.

LAFCO is in receipt of a draft map and geographic description of the affected territory that details metes and bounds that appears consistent with the standards of the State Board of

Equalization and conforming with lines of assessment. LAFCO approval would be conditioned on approval of the map and geographic description by the County Assessor's Office and address any modifications enacted by the Commission.

g) A regional transportation plan adopted pursuant to Section 65080.

The proposed change of organization would establish wastewater service to the affected territory and in doing so accommodate the planned development of one single-family residence. The proposal and its anticipated outcomes do not generate any known conflicts with *San Diego Forward*, the regional transportation plan adopted by the San Diego Association of Governments.

h) Consistency with the city or county general and specific plans.

The County of San Diego General Plan designates the affected territory as Village Residential and assigned to the Spring Valley Community Plan. The current zoning assignment is A70/RS (Limited Agriculture/Single Family, Duplex, Multi and Variable Residents and provides a minimum lot size of 6,000 square-feet or 0.14 acres. This minimum requirement precludes any additional lot division (splitting) within the affected territory. Additional intensity is permissible under zoning with the construction of an accessory dwelling unit.

i) The sphere of influence of any local agency affected by the proposal.

See page 5 of the agenda report.

j) The comments of any affected local agency or other public agency.

Notice of the submitted change of organization proposal was distributed to all affected and subject agencies as required under LAFCO law. Notices were also provided to all local college and school districts. No written comments on the proposal were received ahead of preparing this agenda report for distribution on May 30, 2023.

k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Information collected and reviewed as part of this proposal indicates County SD has sufficient and available financial resources and administrative controls therein relative to providing public wastewater to the affected territory without adversely impacting existing ratepayers. This statement is supported by the following factors.

- San Diego County SD's last audit covers 2021-2022 and shows the District finished with ample liquidity levels with an agency-wide current ratio of 93 to 1 (i.e., $93.7 in current assets for every $1.00 in current liabilities).

- San Diego County SD finished 2021-2022 with high capital levels and marked by a low debt ratio of 0.30% (i.e., only $0.30 out of every $100.00 in net assets are financed.)

- San Diego County SD has experienced a downward trend in each of the last three audited fiscal years with an average total margin of (0.05%). The most recent year – 2021-2022 – the District finished with an overall total margin of 9.9%.

l) Timely availability of adequate water supplies for projected needs as specified in G.C. Section 65352.5.

The affected territory's existing residential uses are presently within and connected to Otay WD's retail potable water system with wholesale supplies provided by the San Diego County Water Authority. Approval of the proposed change of organization would not affect the timely availability of water supplies to the affected territory.

m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments.

The proposed change of organization would not impact any local agencies in accommodating their regional housing needs. All potential units tied to the lands are already assigned to the County of San Diego by the region's council of governments. The annexation to the County SD would not affect this assignment.

n) Any information or comments from the landowners, voters, or residents.

The affected territory is considered uninhabited as defined by LAFCO law (containing 11 registered voters or less). The landowners support the proposed change of organization and have provided written consent to the proceedings.

o) Any information relating to existing land use designations.

See above analysis for (h).

p) The extent to which the proposal will promote environmental justice.

The change of organization is expected to have a positive impact on environmental justice by further promoting the availability of public wastewater service within the affected territory and in doing so provide further protections within the watershed. Consideration of existing environmental justice factors within the affected territory draw on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two composite percentile rankings for the affected territory are generated within this analysis and involves (a) pollution burdens and (b)

susceptible population to pollution burdens relative to all census tracts in California.

- The affected territory's **composite pollution burden ranking** falls in the 32 percentiles with an internal range between 0 to 77 percentiles Four pollution burden measurements exceed the 50 percentile and considered relatively high. These five measurements comprise (a) two exposures involving air quality PM and traffic as well as (b) two environmental effects involving hazardous waste, and impaired water.

- The affected territory's **composite susceptible population** ranking falls in the 70.39 percentile with an internal range between 0 to 82 percentiles. Six of these at-risk groups exceeds the 50 percentile and involves low birth weight, limited education, person suffering from poverty, housing burden and unemployment. Three measurements involving low-birth rate, unemployment and housing burden exceeds the 70-percentile and are considered significant in magnitude.

A summary of all tracked pollution burdens and susceptible population follows.

APN 584-200-34
Pollution Burdens and Susceptible Population
Table 2.6a (Source: California Environmental Protection Agency and SD LAFCO)

Factor	Affected Territory + Surrounding Lands
Census Tract No.	**6073013903**
Estimated Population	4,299
Pollution Burden	**Weighted Percentile**
... Composite Score	**32.03**
... Percentile	**56.72**
Indicator | Air Quality: Ozone	42.76
Indicator | Air Quality: PM 2.5:	52.22
Indicator | Air Quality: Diesel PM:	28.41
Indicator | Pesticides:	0.00
Indicator | Toxic Releases:	42.01
Indicator | Traffic:	76.13
Indicator | Drinking Water Contaminants:	41.60
Indicator | Lead in Housing:	42.75
Effects | Cleanup Sites:	0.00
Effects | Groundwater Threats:	0.00
Effects | Hazardous Waste:	56.40
Effects | Impaired Water:	77.30
Effects | Solid Waste:	0.00
Sensitive Population	**Weighted Percentile**
... Percentile	**70.39**
Population | Asthma:	68.69
Population | Low Birth Weight:	82.28
Population | Cardiovascular Disease:	46.06
Population | Education:	50.97
Population | Linguistic Isolation:	41.44
Population | Poverty:	57.44
Population | Unemployment:	79.72
Population | Housing Burden:	74.04

q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone or maps that identify land determined to be in a state responsibility area, if it is determined that such information is relevant to the affected territory.

The County of San Diego General Plan contains a hazard mitigation plan for potential fire, flooding and earthquakes. The affected territory lies within a Very-High Fire Hazard Zone.

r) Section 56668.3(a)(1) Whether the proposed annexation will be for the interest of the landowners or present or future inhabitants within the district and within the territory proposed to be annex to the district.

Approval of the change of organization would be in the best interest of the current and future landowners and/or residents of the affected territory by providing access to reliable public wastewater service going forward. Approval would also benefit adjacent landowners and/or residents by eliminating the operation of a private septic system and the potential therein for failures.

RESOLUTION NO._____

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

MAKING DETERMINATIONS, APPROVING, AND ORDERING A CHANGE OF ORGANIZATION

"YUNG-LA PRESA AVENUE CHANGE OF ORGANIZATION"
ANNEXATION TO THE SAN DIEGO COUNTY SANITATION DISTRICT AND
CONFORMING SPHERE OF INFLUENCE ACTION (CO22-17)
LAFCO FILE NO. CO22-17

WHEREAS, on September 26, 2022, an interested landowner – NJ Group LLC (Paul Yung) – filed a petition to initiate proceedings and an application with the San Diego County Local Agency Formation Commission, hereinafter referred to as "Commission," pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the application seeks approval of a change of organization to annex approximately 0.16 acres of unincorporated territory within the La Presa community to the San Diego County Sanitation District; and

WHEREAS, the affected territory as proposed is currently undeveloped and identified by the County of San Diego Assessor's Office as 584-200-34; and

WHEREAS, an applicable master property tax transfer agreement applies to the proposed change of organization dated December 14, 1982; and

WHEREAS, the Commission's Executive Officer has reviewed the proposed change of organization and prepared a report with recommendations; and

WHEREAS, the proposed change of organization necessitates the Commission consider a conforming sphere of influence amendment to accommodate the jurisdictional change; and

WHEREAS, the Executive Officer's report and recommendations on the proposal and confirming sphere of influence amendment have been presented to the Commission in the manner provided by law; and

WHEREAS, staff published a notice of public hearing regarding this proposal in the San Diego Union Tribune on April 24, 2023;

WHEREAS, the Commission heard and fully considered all the evidence presented at a noticed public meeting on the proposal on June 5, 2023; and

WHEREAS, the Commission considered all the factors required by law under Government Code Sections 56425 and 56668 as well as adopted local policies and procedures.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The public meeting was held on the date set therefore, and due notice of said meeting was given in the manner required by law.

2. At the public meeting, the Commission considered the Executive Officer's report.

3. The Commission serves as responsible agency for environmental review of the proposed reorganization under the California Environmental Quality Act (CEQA) as detailed in the Executive Officer's report. The Commission's findings follow.

    a) San Diego LAFCO serves as lead agency under CEQA for the conforming sphere of influence action associated with accommodating the change of organization. It is recommended the Commission find this action – and specifically the amendment of the County SD's sphere to include the affected territory – is a project under CEQA but exempt from further review under State Guidelines 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and any associated actions (establishment, update, or amendment) in and of itself does not change the environment or authorize any new uses or services.

    b) San Diego LAFCO also serves as lead agency under CEQA for the change of organization itself given it has been initiated by landowner petition. Staff believes it would be appropriate for the Commission to find this action – and specifically the annexation of the affected territory to the County SD – as a project under CEQA but exempt from further review under State CEQA Guidelines Section 15319(a) and its cross-reference to Section 15303 (Class 3). This exemption appropriately applies given the proposed change of organization would not accommodate potential development beyond the statute's threshold of no more than three single-family residences in an urban area based on current zoning.

4. The Commission APPROVES the change of organization without modifications as described below and subject to conditions as provided. Approval involves all of the following:

    a) Annexation of the affected territory to the San Diego County Sanitation District is shown in "Exhibit A-1" and described in "Exhibit A-2."

5. The Commission CONDITIONS all approvals on the following terms being satisfied by June 5, 2024 unless an extension is requested in writing and approved by the Executive Officer:

a) Completion of the 30-day reconsideration period provided under Government Code Section 56895.

b) Submittal to the Commission of final map and geographic description of the affected territory as approved by the Commission conforming to the requirements of the State Board of Equalization – Tax Services Division.

c) Submittal to the Commission of the following payments:

- A check made payable to LAFCO in the amount of $100.00 to reimburse for filing two CEQA Notices of Exemption consistent with the findings in this resolution.

- A check made payable to LAFCO in the amount of $1,235.52 to reimburse for the public hearing notice publication.

- A check made payable to the State Board of Equalization for processing fees in the amount of $350.00.

6. The Commission assigns the proposal the following short-term designation:
"Yung-La Presa Change of Organization"

7. The affected territory as designated by the Commission is uninhabited as defined in Government Code Section 56046.

8. The Commission waives conducting authority proceedings under Government Code Section 56662.

9. The San Diego County Sanitation District is a registered-voter districts.

10. The San Diego County District utilizes the County of San Diego assessment roll.

11. The affected territory will be liable for any existing bonds, contracts, and/or obligations of the San Diego County Sanitation District as provided under Government Section 57328.

12. The effective date of the approval shall be the date of recordation but not before the completion of a 30-day reconsideration period and only after all terms have been completed as attested by the Executive Officer.

13. As allowed under Government Code Section 56107, the Commission authorizes the Executive Officer to make non-substantive corrections to this resolution to address any technical defects, errors, irregularities, or omissions.

14. The Executive Officer is hereby authorized and directed to transmit copies of this resolution as provided in Sections 56880-56882 of the Government Code.

15. All general terms governing annexations authorized under Government Code Section 57300-57354 apply to this reorganization.

16. The Executive Officer is further authorized and directed to prepare, execute, and record a Certificate of Completion, make the required filings with the County Assessor, County Auditor, and the State Board of Equalization as required by Section 57200, et seq., of the Government Code.

**

PASSED AND ADOPTED by the Commission on June 5, 2023 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

**

Attest:

_____
Keene Simonds
Executive Officer

EXHIBIT A-1
MAP OF THE AFFECTED TERRITORY

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EXHIBIT A-2
GEOGRAPHIC DESCRIPTION OF THE AFFECTED TERRITORY

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Municipal Service Review

SAN DIEGO COUNTY SANITATION DISTRICT

FINAL

REPORT SUMMARY | August 2019

General Themes and Conclusions

The San Diego County Sanitation District (SD) serves as the successor agency to multiple special districts that were collectively consolidated into one governing entity in 2011 for purposes of streamlining administration and operations of public wastewater services throughout central and eastern San Diego County. San Diego County SD now serves as the single largest special district wastewater utility in the unincorporated area with an estimated full-time population nearing 150,000. This latter amount represents close to one-third of the total unincorporated population and underlies San Diego County SD's integral role in helping the County of San Diego effectuate its land use policies and accommodate housing opportunities for all incomes. Recent growth within San Diego County SD and its seven service areas follows historical patterns and falls slightly below countywide averages, and reflects the District generally serves more rural and slower-growth oriented communities.

A review of San Diego County SD relative to San Diego LAFCO's growth management tasks and interests as prescribed under statute produces five central conclusions. These conclusions collectively address the availability, need, and adequacy of San Diego County SD's wastewater services and range in substance from addressing demand-to-capacity relationships in all seven service areas to overall financial standing. The conclusions are independently drawn and sourced to information collected and analyzed by the Commission between 2014 and 2018 and detailed in the agency profile.

No. 1
Byproduct of a Successful Reorganization

San Diego County SD has been successful in achieving its formation purpose to improve public wastewater services within its jurisdictional boundary and multiple service areas therein. This improvement is marked by eliminating previously complex and fragmented systems into one streamlined governance structure with greater economies of scale to plan, fund, and implement capital improvements for the benefit of all seven service areas. This success – and among other purposes – serves as a model for other potential reorganizations in San Diego County.

No. 2
Regional Distinctions in Service Areas

San Diego County SD serves two distinct regions with markedly different service needs and demographics. Service needs are bifurcated in intensity with the central service areas – Alpine-Lakeside, East Otay Mesa, Spring Valley, and Winter Gardens – involving collection only in contrast to the eastern service areas – Campo, Julian, and Pine Valley – involving collection, treatment, and discharge. Demographics also show ratepayers in the central service areas are generally younger with additional education and income compared to the eastern service areas.



Otay Lake City Reservoir

No. 3
Adequate and Excess Capacities in Most Service Areas

San Diego County SD has adequate capacity in six of its seven service areas – Alpine- Lakeside, Campo, East Otay Mesa, Julian, Pine Valley, and Spring Valley – to accommodate current and projected near-term demands. This comment is substantiated given none of the systems' average demands generated during the five-year report period exceed 60% of their associated capacities. Capacity in the seventh service area – Winter Gardens – is more limited with average demand tallying 89%.

No. 4
Financial Standing Remains Positive

San Diego County SD has experienced a steady decline in its net position during the five-year report period with an overall decrease – and excluding pension obligations – of (1.4%) due to ongoing margin losses that underlie a (38.1%) change in its operating reserve ratio. This decline is largely attributed to San Diego County SD implementing a five-year rate restructure that draws down on reserves in phasing an ultimate 45.0% raise in customer wastewater rates by 2021-2022. Notwithstanding this recent draw down, San Diego County SD remains in good overall financial standing and finished the period with relatively healthy levels of liquidity and capital with the latter reflected by a debt ratio of less than 10%.

No. 5
Defer Comprehensive Sphere of Influence Update

A preliminary review indicates a comprehensive update to San Diego County SD's sphere is merited to consider changes involving several of the service areas. This includes – and among other considerations – expanding the sphere to accommodate future wastewater expansions into adjacent lands qualifying as disadvantaged unincorporated communities. The scale and scope of the update suggests a deferral to the next municipal service review would be appropriate and allow additional time to coordinate with San Diego County SD and other interested stakeholders.

Recommendations

The following recommendations call for specific action either from San Diego LAFCO and or San Diego County SD based on information generated as part of this report and outlined below in order of their placement in Section 5.0 (Written Determinations). Recommendations for Commission action are dependent on a subsequent directive from the membership and through the adopted work plan.

1. San Diego LAFCO should coordinate with the County of San Diego and develop residential buildout estimates specific to each service area in San Diego County SD and incorporate the information into the next scheduled municipal service review.
2. San Diego LAFCO should coordinate with San Diego County SD to assess opportunities and costs therein to establish public wastewater services for lands adjacent to existing District infrastructure that are urban in nature or qualify as disadvantaged unincorporated communities.
3. San Diego County SD should revisit its agreement with the City of El Cajon to wheel wastewater from the Spring Valley service area to the City of San Diego for treatment and discharge to allow for additional flows given approaching limitations.
4. Unmetered connections to San Diego County SD's collection system in the Spring Valley service area masks true demands generated by the District and merits remedy to more accurately sync future system improvements to user benefits.
5. San Diego LAFCO should revisit the analysis in this report as appropriate in conjunction with completing an upcoming municipal service review on the City of San Diego and its treatment and discharge of wastewater collected – and from among other sources – San Diego County SD's central service areas.
6. San Diego County SD is currently implementing a five-year rate restructure that will increase rates nine percent annually across all service areas through 2021-2022 with the intent of remedying recent margin losses. The next municipal service review serves as an opportunity for the Commission to revisit the topic and San Diego County SD's ability to effectively realign and match costs with rates in step with considering substantive sphere of influence expansions.



San Diego County SD has been successful in achieving its formation purpose to improve public wastewater services within its jurisdictional boundary and seven service areas therein.



Recommendations

7. San Diego County SD and Otay Water District should explore reorganization options in the Jamacha Basin to better economize existing wastewater services in the area.
8. San Diego County SD is partnering with the City of El Cajon, Padre Dam Municipal Water District, and Helix Water District to develop a reuse program to purify collected wastewater into a new water supply in the central service area. This partnership appropriately responds to the need to establish reliable local water supplies in the region and suggest the Commission merits of potentially expanding San Diego County SD powers to include retail recycled water service.
9. San Diego County SD should take additional efforts to distinguish its role to ratepayers as a stand-alone governmental entity separate from the County of San Diego, and this includes – and among other items – posting meeting information along with associated agendas and minutes on its website.
10. San Diego LAFCO should proceed to affirm San Diego County SD's sphere with no changes with the explicit intention of preparing a comprehensive update ahead and or as part of the next municipal service review in step with a more holistic assessment of wastewater needs within adjacent lands to District service areas.

PETITION FOR PROCEEDINGS PURSUANT TO THE CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT REORGANIZATION ACT OF 2000

Part I: NOTICE OF INTENT TO CIRCULATE PETITION

Proponents are required to file a **NOTICE OF INTENT TO CIRCULATE PETITION** with the Executive Officer of the San Diego Local Agency Formation Commission before a petition to initiate a change of organization or reorganization can be circulated (Govt. Code § 56700.4).

1. Notice is hereby given to circulate a petition proposing to: annexation of parcel 584-200-3400 located at 342 La Presa Ave, Spring Valley, CA 91977 withing San Diego Sanitation District.

2. The reason(s) for the proposal are: There is no current public sewer system available for this lot, Also septic system is not feasible due to lot size.

Paul Yung
Proponent's Name (print)

Signature of proponent or representative

342 La Presa Ave
Proponent's Address

Spring Valley, CA 91977
City, State, Zip

Pursuant to Section 56700.4 of the California Government Code, this **NOTICE OF INTENT TO CIRCULATE PETITION** was filed with me on _____
Date

_____
Executive Officer (Print and Sign)

PART II: DISCLOSURE REQUIREMENTS

The Political Reform Act prohibits a person appointed to the Local Agency Formation Commission from soliciting or accepting campaign contributions of more than $250 within the preceding 12 months from parties, participants, or their agents while a proceeding is pending before LAFCO and for three months following the decision. LAFCO commissioners who receive such contributions are required to disqualify themselves from participating in the proceedings. Both commissioners and contributors who are parties to the proceeding are required to disclose the contributions received or made. Names of current LAFCO commissioners and LAFCO disclosure forms are available at HTTP://WWW.SDLAFCO.ORG or by calling 858/614-7755.

Pursuant to Government Code Section 56700.1, any person or combination of persons who, for political purposes, directly or indirectly contributes $1,000 or more, or expend $1,000 or more in support of, or in opposition to a proposal for a change of organization or reorganization that will be submitted to the Commission, shall disclose and report to the Commission to the same extent and subject to the same requirements of the Political Reform Act (Title 9 [commencing with Section 81000]) as provided for local initiative measures.

Pursuant to Government Code Section 57009, any person or combination of persons who directly or indirectly contributes $1,000 or more, or expends $1,000 or in support of, or in opposition to, the conducting authority proceedings for a change of organization or reorganization, must comply with the disclosure requirements of the Political Reform Act of 1974, (Government Code section 81000 et seq.). Applicable reports must be submitted to the Secretary of State and the appropriate city or county clerk. Copies of the reports must also be filed with the Executive Officer of San Diego LAFCO.

Part III: PETITION FOR CHANGE OF ORGANIZATION OR REORGANIZATION

This proposal is made pursuant to Part 3, Division 3, Title 5 of the California Government Code, Section 56000 et seq. of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(a) The specific change(s) of organization proposed is/are: provide sanitation services for this parcel.

(b) The boundary of the territory included in the proposal is as described in the attached legal description and map and is by this reference incorporated herein.

(c) The proposed action(s) will be subject to the following terms and conditions: n/a

(d) The reason(s) for the proposal is/are: There is no current public sewer system available for this lot, septic system is not feasible due to size of lot.

(e) Signers of this petition have signed as (select one): ☑ landowner; ☑ registered voter.

(f) The name(s) and mailing address(s) of the chief petitioner(s) (not to exceed three) is/are:

1. Paul Yung — 4435 Nobel Dr. #27, San Diego, CA 92122
   Name of chief proponent (print) — mailing address
2. n/a
   Name of chief proponent (print) — mailing address
3. n/a
   Name of chief proponent (print) — mailing address

(g) It is requested that proceedings for this proposal be taken in accordance with Section 56000 et seq. of the Government Code.

(h) This proposed change of organization (select one) ☐ is ☑ is not consistent with the sphere-of-influence of any affected city or district.

(i) The territory included in the proposal is (select one) ☐ inhabited (12 or more registered voters) ☑ uninhabited (11 or less registered voters).

(j) If the formation of a new district(s) is included in the proposal:

1. The principal act under which said district(s) is/are proposed to be formed is/are: n/a
2. The proposed name(s) of the new district(s) is/are: n/a

3. The boundary(ies) of the proposed new district(s) is/are described in the attached legal description and map and are by this reference incorporated herein.

(k) If an incorporation is included in the proposal:

1. The name of the proposed city is: n/a
2. Provisions are requested for appointment of: ☐ city manager ☐ city clerk ☐ city treasurer

(l) If the proposal includes a consolidation of special districts, the proposed name of the consolidated district is: n/a

Part IVa: REGISTERED VOTER PETITION

Petitions must meet minimum signature requirements (see Part V). Signatures must be secured within six months of the date on which the first signature was affixed. Petitions must be submitted to the LAFCO Executive Officer within 60 days after the last signature is affixed (Govt. Code § 56705).

Each of the undersigned states:

- I personally signed this petition.
- I am a registered voter within the County of San Diego.
- I personally affixed hereto the date of my signing this petition and my place of residence, or if no street or number exists, then a designation of my place of residence that will enable the location to be readily ascertained.

Name of Signer	Residence Address	Date Signed	Official Use
Sign _____ Print Paul Yung	4435 Nobel Dr.#27 San Diego, CA 92122	9/5/2022	
Sign _____ Print n/a			
Sign _____ Print n/a			
Sign _____ Print n/a			
Sign _____ Print n/a			
Sign _____ Print n/a			

Part IVb: LANDOWNER PETITION

Petitions must meet minimum signature requirements (see Part V). Signatures must be secured within six months of the date on which the first signature was affixed. Petitions must be submitted to the LAFCO Executive Officer within 60 days after the last signature is affixed (Govt. Code § 56705).

Each of the undersigned states:

- I personally signed this petition.
- I am a landowner of the affected territory.
- I personally affixed hereto the date of my signing this petition and the Assessor's Parcel Number(s), or a description sufficient to identify the location of my land.

Name of Signer	Assessor's Parcel Number(s)	Date Signed	Official Use
Sign _____ Print Paul Yung	584-200-34-00	9/5/2022	
Sign _____ Print n/a			
Sign _____ Print n/a			
Sign _____ Print n/a			
Sign _____ Print n/a			
Sign _____ Print n/a			

LEGISLATIVE POLICY L–102

Subject

SPHERES OF INFLUENCE OF CITIES AND SPECIAL DISTRICTS

Purpose

To establish the manner in which the San Diego Local Agency Formation Commission establishes and updates spheres of influence.

Background

In 1972, the State Legislature directed LAFCOs to adopt a sphere of influence for each local governmental agency. Spheres are to be developed in cooperation with each agency to represent . . . *the probable physical boundaries and service area of a local agency as determined by the Commission*. . . (Government Code § 56076). Spheres of influence provide guidance for the expansion and organization of local agencies; however, designation of a sphere does not *entitle* future annexation or require that areas within a sphere be annexed.

Since enactment of AB 2838 (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), State law directs LAFCOs to periodically review and update spheres of influence in concert with conducting Municipal Service Reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth; accordingly, spheres must be based upon a comprehensive analysis of all relevant factors and they must be up-to-date. To ensure comprehensive updates, city spheres are reviewed in conjunction with the spheres of affected special districts and a determination is made regarding whether a city or an adjacent special district should provide future services to unincorporated areas. Special districts are also subject to sphere adoption/update provisions.

Policy

It is the policy of the San Diego Local Agency Formation Commission to:

1. Designate spheres of influence in close cooperation with affected local agencies and communities;
2. Utilize spheres of influence to:
    a. Guide deliberations on specific changes of organization;

b. Discourage potential duplication of services by two or more local governmental agencies;

c. Determine the need for specific governmental reorganization studies;

d. Preserve community identities and boundaries;

e. Encourage political and functional reorganization of local agencies which cross-cut communities;

f. Encourage annexation of territory that has been specified as available for urban development prior to annexation of other areas; and

g. Encourage the extension of urban services to existing urban areas prior to extending services to areas that are not devoted to urban uses.

3. Encourage cities, which are adjacent to unincorporated territory, to reconcile incompatible general plan land use elements with the County of San Diego;

4. Review city spheres of influence and special district spheres at approximately five-year intervals;

5. Discourage major amendments to a city or special district sphere if the sphere has been updated or affirmed within the prior five year period except for the following conditions:

   a. Public health or safety needs; for example, amending a jurisdiction's sphere to permit annexation of a parcel that requires public sewer service because of a failed septic system;

   b. Property under a single ownership that is split by a sphere boundary if the split property shares characteristics including access, geography, communities of interest and the manner in which services will be provided;

   c. A reorganization involving two or more jurisdictions if the sphere of influence boundaries are coterminous and each jurisdiction agrees to the sphere amendments and reorganization;

d. If a city or special district can provide adequate documentation showing that conditions have significantly changed to warrant a sphere amendment.

6. Conduct sphere of influence evaluations and updates prior to the five-year interval if an affected jurisdiction or interested party submits a request based on adequate justification and the appropriate processing fee;

7. Maintain a sphere of influence for the San Diego County Water Authority, which is coterminous with the spheres of influence for SDCWA member-agencies, by amending or updating the SDCWA sphere concurrent with each amendment or update to spheres of member agencies;

8. Maintain a sphere of influence for the area of Metropolitan Water District of Southern California (MET) in San Diego County, which is coterminous with the sphere of influence for SDCWA, by amending or updating the MET sphere concurrent with each amendment or update to the SDCWA sphere; and

9. Facilitate communication with affected public agencies, communities, property owners and residents concerning the sphere of influence update process.

Adopted: August 6, 1990
Amended: May 4, 1998
Amended: June 5, 2000
Technical Update: May 2, 2005
Technical Update: August 25, 2008

Cross-reference:

SAN DIEGO LAFCO POLICY:
-A-101 SAN DIEGO ASSOCIATION OF GOVERNMENTS AND THE REGIONAL GROWTH MANAGEMENT STRATEGY
-L-104 LAFCO-INITIATED CHANGES OF ORGANIZATION

SAN DIEGO LAFCO PROCEDURES:
-SPHERES OF INFLUENCE
-LAFCO-INITIATED PROPOSALS

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7a

AGENDA REPORT
Business | Action

June 5, 2023

TO: Commissioners

FROM: Priscilla Mumpower, Analyst II

SUBJECT: **Final Report on Ag Trends and Related Policy Opportunities | Sustainable Agricultural Lands Conservation Grant Update**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a final report tied to its two-year planning grant from the State of California and its Sustainable Agricultural Lands Conservation (SALC) program. The final report marks the completion of the Commission and its partner Resource Conservation District (RCD) of Greater San Diego County's evaluation of agricultural trends in San Diego County and related preservation and enhancement considerations going forward. The report includes several recommendations for formal consideration by the Commission.

BACKGROUND

Sustainable Agricultural Lands Conservation Program

The Sustainable Agricultural Lands Conservation Program (SALC) was created in 2014 as a component of the California Strategic Growth Council and administered by the Department of Conservation. The SALC program is primarily funded through the California Climate Investments, a statewide program that provides cap-and-trade funds through agricultural conservation acquisition and planning grants for programs intended to reduce greenhouse gas emissions. The principal goals of SALC are stated as:

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Chair Jim Desmond
County of San Diego
Joel Anderson
County of San Diego
Nora Vargas, Alt.
County of San Diego
Kristi Becker
City of Solana Beach
Dane White
City of Escondido
John McCann, Alt.
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Marni von Wilpert, Alt.
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Jo MacKenzie
Vista Irrigation
Barry Willis
Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

- Protect at-risk agricultural lands from sprawl development to promote growth within existing jurisdictions, ensure open space remains available, and support a healthy agricultural economy.

- Further the purposes of Assembly Bill 32 by avoiding increases in the greenhouse gas emissions associated with the conversion of agricultural land to more greenhouse gas-intensive nonagricultural uses.

Grant Application and Approval | San Diego LAFCO and Resource Conservation District of Greater San Diego County

In August 2020, San Diego LAFCO and Resource Conservation District of Greater San Diego County collaborated in submitting a planning grant application under SALC to identify and track agricultural trends in San Diego County. The Commission – notably – authorized the grant proposal as lead applicant. LAFCO was subsequently awarded a two-year grant in the full amount of $250,000 with work commencing in June 2021 through June 2023.

DISCUSSION

This item is for San Diego LAFCO to receive a final report and related recommendations tied to work performed with partner RCD of Greater San Diego County to track agricultural trends in San Diego County. The analysis underlying the report and its recommendations is outreach-centric and ties together the expertise of multiple public, private, and non-profit collaborators. This includes addressing systemic structures to agricultural and commercial production and related factors contributing to trends. Pertinently, one of the key recommendations is the need for market analysis of individual commodities to help further assess and understand agricultural opportunities going forward. This recommendation – importantly – will be explored as part of a sperate two-year planning grant awarded to LAFCO and the County of San Diego. A summary of all recommendations follow and will be further detailed as part of the verbal presentation provided by RCD of Greater San Diego County.

1. Assign agricultural liaisons for city and county governments
2. Design lease agreements that invest in working lands
3. Create a regional land use plan to prioritize agriculture
4. Fund growers transition to low water-use crops and irrigation
5. Train and equip producers to adopt climate-smart practices
6. Streamline construction of farmworker housing
7. Develop recycled water facilities with quotas for agricultural use
8. Inform small farming opportunities through analysis of costs and benefits
9. Expand technical assistance by providing more vocational training
10. Build capacity of farmers and farmworkers with training and services

A copy of the final report's Executive Summary is provided as Attachment One.

ANALYSIS

See Attachment One.

RECOMMENDATION

This item is presented to San Diego LAFCO as part of a planned presentation with a request for the Commission to formally support the recommendations in the Executive Summary.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO:

Alternative One (recommended):
Support the recommendations as presented in the Executive Summary.

Alternative Two:
Continue consideration of the item to a future meeting.

Alternative Three:
Take no action.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda for action as part of the business calendar. The following procedures are recommended in the consideration of this item:

1) Receive verbal presentation from RCD of Greater San Diego unless waived.
2) Invite comments from interested audience members.
3) Discuss item and provide any related feedback.

On behalf of the Executive Officer,

Priscilla Mumpower
Analyst II

Attachment:

1) San Diego Agricultural Planning Program | Executive Summary

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San Diego Agricultural Planning Program

RESOURCE CONSERVATION DISTRICT
Greater San Diego County

LOCAL AGENCY FORMATION COMMISSION
SAN DIEGO COUNTY

San Diego Agricultural Planning Program

Sustainable Agricultural Lands Conservation Grant Program

Final Report

May 2023

Prepared by Resource Conservation District of Greater San Diego County

On Behalf of San Diego County Local Agency Formation Commission

With Generous Funding from the State of California Department of Conservation

Supported by our Partners in the San Diego Region

For more information, visit the program website:

https://www.rcdsandiego.org/san-diego-agricultural-planning-program

Contact the Resource Conservation District of Greater San Diego County at:

ag@rcdsandiego.org

(619) 562-0096

11769 Waterhill Rd., Lakeside, CA 92040

EXECUTIVE SUMMARY

This report serves as the culmination of work performed as part of a two-year planning project funded by the State of California's Sustainable Agricultural Lands Conservation (SALC) program to identify, map, and assess agricultural lands and key agricultural trends in San Diego County. The project team draws on the expertise of its public, private, and non-profit organization partners with a collective focus to determine effective methods to strengthen agricultural production and achieve policy reform where needed for the benefit of the agricultural industry specifically and the many co-benefits to the region as a whole. This regional analysis describes systemic structures and related barriers; meanwhile, market analysis of individual commodities is still needed. Subsequent planning by San Diego County Local Agency Formation Commission (SD LAFCO) will build on this planning process by quantitatively analyzing trends and opportunities for different commodity markets to summarize the key costs required to an agricultural business in the County.

The program methodology is outreach-centric and builds on decades of previous research conducted by the many organizations supporting agriculture in San Diego County. A prominent example involves drawing on considerable work existing on land-based commercial cultivation and most notably nursery and ornamental production, urban producers, indigenous land management, production in the desert region, and related issues in the food industry. This program also has been designed with the unique approach of broadly focusing on industry viability with a demographic representation of producers in the region. Mapped lands compiled multiple sources of data, included slopes as arable and included state and federal grazing lands. Outreach efforts included in-person interviews and direct outreach to small-scale farmer associations with added value assigned to agricultural producers as paid professionals. Similarly, to encourage collaboration among stakeholders, contractors and partners, the program incorporates feedback from regional organizations representing agriculture at multiple scales. The program focused on land-based commercial cultivation, therefore major aspects of the agricultural industry were best represented through prior research, most notably: nursery and ornamental production, urban producers, indigenous land management, production in the desert region, and related issues in the food industry.

Regional Context

Agriculture has long been an important part of the local economy in San Diego County. As the region's fifth largest industry, direct economic output from agricultural production recently is $1.75 billion (County, 2021) with a total economic impact of $2.8 billion (County, 2015). San Diego leads the nation in nursery production, organic farming and the number of small farms, but significant challenges threaten long-term viability of the region's agricultural industry.

The moderate climate in San Diego permits production of 200 varieties of locally grown crops (UCCE, 2018) across approximately 219,874 acres or 8% of the County area (County, 2021). Nursery and ornamental production dominates agricultural sales with $1.3 billion or 74%, despite representing only 5% (11,429 acres) of the total crop acreage (County, 2021). Subtropicals are another major source of sales, including citrus (8,812 acres, $114,746,057) and avocados (14,458 acres, $82,832,387). Other major commodities include wine grapes, vegetable production, livestock and egg production.

A source of pride for many San Diegans, the County boasts the highest concentration of United States Department of Agriculture (USDA) Certified Organic farmers in the Country with 376 registered growers

generating $71.0 million per year in sales (County, 2021). A high number of uncertified producers use organic methods and practices but find the cost of certification to be an obstacle.

With respect to trends, land reserved for agriculture has become significantly smaller and more fragmented with each passing decade (FMMP, 1986). For the last thirty years, San Diego consistently ranks in the top ten counties in California with the largest net loss of irrigated farmland (DOC, 2015). Currently, there are 219,874 acres in agricultural production (County, 2021). This has declined from a peak of 371,592 acres in 1986 (FMMP, 1986). The historical area of farms and ranches once exceeded 630,000 acres, however poor records of acreage are kept for extensive coastal dairies, dryland farming, row crops and the globally-renowned floral industry and montane pastures (FMMP, 1986). The cultivated acreage peaked most recently in 2006 and representing a reduction of 30% in the past15 years (County, 2006). More than two-thirds (69%) of San Diego farms now operate on less than ten acres (USDA, 2017).

Producer Concerns

Working with stakeholders through outreach efforts, policy meetings, and working groups identified ten policy recommendations which span multiple crop types, demographics and regions of producers across San Diego. These recommendations include:

1. Assign agricultural liaisons for city and county governments
2. Design lease agreements that invest in working lands
3. Create a regional land use plan to prioritize agriculture
4. Fund growers to transition to low water-use crops and more efficient irrigation
5. Equip and incentivize producers to adopt climate-smart practices
6. Streamline construction of farmworker housing
7. Develop advanced water treatment facilities with priority for agricultural use
8. Inform small farming opportunities through analysis of costs and benefits of small farms
9. Expand technical assistance by providing more vocational training
10. Build capacity of farmers and farmworkers with training and services

Pressures on agricultural businesses are intensifying now more than ever. The high expense of imported water and rising land costs from urban encroachment are universal pressures (County, 2009). Most producers highlight extreme weather conditions as a major impact to production, with an increase in minimum temperature of >3°F in the last century (CA EPA, 2018). Regulations for grading and development, environmental review, and labor rates complicate and add expense to production. For small farmers, high labor costs, pest management, and marketing are paramount (UCCE, 2018). Other concerns include access to capital, lack of training opportunities, and volatile markets.

As markets develop, producers need support adapting their business to new costs and opportunities. Costs to hire labor continue to rise, while nearby urban markets provide higher premiums for high quality produce and meat. Existing regulations can be prohibitive to business, namely state restrictions on overtime and minimum wage laws which paralyze industries that employ seasonal workers or graziers. Environmental permitting is not streamlined, making it expensive to navigate and comply with local and state regulations. State grants provide opportunities to invest in on-farm climate solutions, but applications are too convoluted for producers to complete on their own, spotlighting a need for technical assistance. The local urban market presents a growing opportunity, but producers need additional support connecting to local businesses and institutions to take advantage of the available premium.

Pressures on agricultural businesses have intensified the high cost of production. Regulations and permitting complicate and add expense to production including grading and development, environmental review, and labor rates. For small farmers, high labor costs, pest management, and marketing are paramount business concerns (UCCE, 2018). Other concerns include access to capital, lack of training opportunities and volatile markets.

Land reserved for agriculture has become significantly smaller and more fragmented with each passing decade (FMMP, 1986). Turning a weakness into a strength, water scarcity has driven local producers to adopt water conservation measures at a higher rate than most counties in the State (USDA, 2012). The results of land conversion and rising water costs are most visible in the subtropical orchard industry. San Diego was formerly the lead producer of avocados in the country, but total production value and acreage dropped by nearly half from a peak of $153 million to the current $82.8 million, and a peak of 26,000 acres in 2007 to 14,458 acres in 2021 (County, 2021). The decreased avocado yields may also be linked to the increase in hotter and dryer conditions.

Policy Goals

The agricultural stakeholders and supporting organizations involved in this collaborative grant process recommend policy goals at the local, regional, and state levels. Central to each policy proposal is the need for farmers to be actively involved in regional land use policies, and for agriculture to be valued as a critical element of the local culture and economy. Therefore, at all levels of government, agencies and departments would be well served to dedicate agency liaisons to provide direct representation to agricultural producers in order to navigate regulations and funding opportunities. To support this, industry leaders should draft a holistic assessment of the direct and indirect economic impact as well as the co-benefits of the agricultural industry in the region as a value analysis; SD LAFCO has taken the lead on this policy recommendation in collaboration with the County of San Diego by renewing this SALC grant for additional analysis of the costs of agricultural production at the farm scale and co-benefits of agricultural communities to the region. A concurrent goal it to help to economically diversify production to support the agricultural industry.

To guide regional land use, an agricultural zoning plan is desperately needed. Land use planners should work with producers and other stakeholders to develop an agricultural land use plan interconnected across the entire County to guide future policy development, land use planning and to preserve working lands. Water is a limiting factor to the future of local agriculture; to help preserve San Diego agriculture, water districts should collaborate on future regional funding opportunities to incentivize producer participation in a local CropSWAP program; this would support the transition of high water-demand subtropical groves and orchards to drought-tolerant perennials or crops with lower water usage. This model has shown to be successful elsewhere in Southern California. In order to preserve and invest in fertile agricultural lands, farmers and ranchers need access to agricultural reserves as was previously achieved through the Williamson Act. Public agencies should work with agricultural producers to place land in trusts, develop beneficial agreements to lease public lands with historic agricultural use, and incentivize climate-smart practices on those fields. These programs allow the preservation of agricultural lands while protecting farmers from further urban encroachment and drought risk.

Economic policies should be developed to support agricultural producers to adapt to a shifting market. The pipeline for the region's robust agricultural education programs tapers off after high school; training opportunities should support young farmers to learn, stay, and grow in San Diego. This could be accomplished by investing in horticultural programs at local community colleges and with support from

USDA Beginning Farmer and Rancher Development Program. Meanwhile, the workforce should be supplemented by a consistent system for providing permits to seasonal workers to contribute and benefit from the agricultural economy.

Regional agencies should address the formidable cost of living for vulnerable farmworker populations by simplifying permitting and incentivizing the construction of farmworker housing. Participants in the San Diego Food System Alliance's Food Vision 2030 highlighted the need for a pathway to land ownership, coupled with succession planning, mentorship, and marketing support. County policy makers could work with local advocates to request a revision at the State level to make labor laws concerning overtime and wages more flexible based on seasonal needs.

Climate conditions have been trending toward extremes. Fortunately, carbon farming practices are available and in use at the farm level which helps to increase storage of carbon in soils, improve water holding capacity and help mitigate heat islands. To adapt to and mitigate climate change impacts, local governments should invest in capacity-building programs to reduce the cost of implementing climate-smart practices. Practices listed in the County of San Diego Climate Action Plan (2018) identify the need to increase carbon sequestration, promote sustainably and locally grown food, reduce emissions of equipment used in agriculture and should be supported by local incentives.

Above all, producers are under-represented and need designated staff at government agencies to advocate for them and help them navigate services. With strong representation in place, regional agencies and residents can build momentum and provide the agricultural community with the support that it has earned.

7b

AGENDA REPORT
Business | Information

June 5, 2023

TO: Commissioners

FROM: Michaela Peters, Analyst I

SUBJECT: **LAFCO Brochure: Diamond Anniversary Edition**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a copy of the newest LAFCO informational brochure outlining key duties and responsibilities that is made available to the general public as part of a planned 60-year anniversary. The brochure incorporates several special features as part of the diamond anniversary – including a timeline of key events, historical commissioner, staff, and counsel rosters, and alumni profiles. The item is being presented as part of the adopted workplan for information only.

BACKGROUND

San Diego LAFCO's current workplan was adopted at a noticed public hearing in May 2023 and includes over two-dozen project goals for the fiscal year. This includes direction to staff to prepare an update to the last LAFCO informational brochure prepared in 2019 as part of a 60-year anniversary edition.

DISCUSSION

This item is for San Diego LAFCO to receive the newest informational brochure prepared by staff that incorporates various celebratory features in step with LAFCO's 60-year anniversary since its creation by the State Legislature in 1963.

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Alpine Fire Protection
David A. Drake, Alt.
Rincon del Diablo
Andy Vanderlaan
General Public
Harry Mathis, Alt.
General Public

ANALYSIS

None.

RECOMMENDATION

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

ALTERNATIVES FOR ACTION

None.

PROCEDURES FOR CONSIDERATION

This item has been placed on San Diego LAFCO's agenda for action as part of the business calendar. The following procedures are recommended in the consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members if any.
3) Discuss as needed.

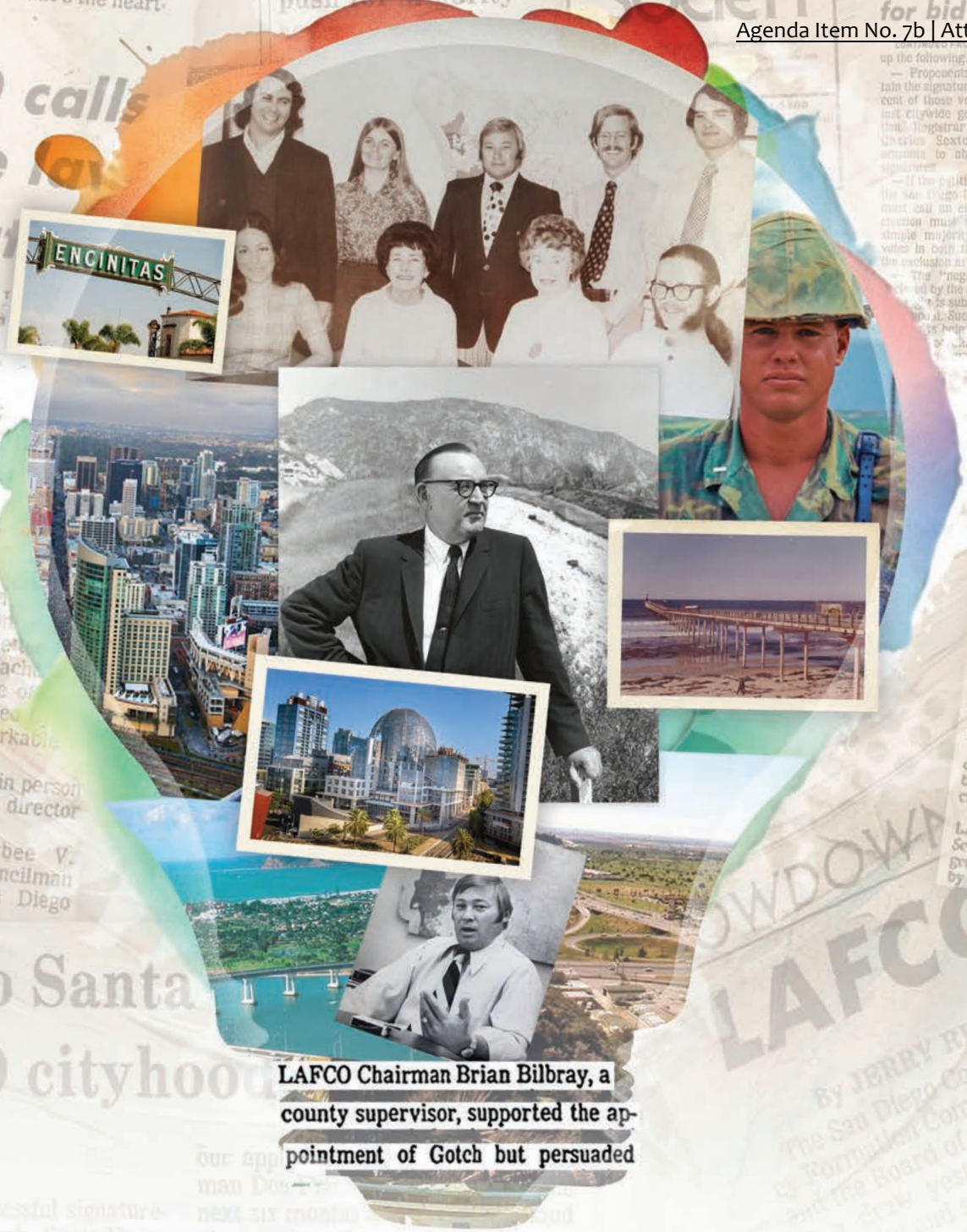
Respectfully,

Michaela Peters

Michaela Peters
Analyst I

Attachment:

1) LAFCO Brochure: Diamond Anniversary Edition



San Diego LAFCO at 60

THE DIAMOND CELEBRATION



Gaslamp Quarter in
San Diego, CA

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Message from the Commission Chair, JIM DESMOND

Serving on the San Diego LAFCO commission over the past few years has been an honor. During that time, I've learned a lot about the dynamics and relationships between local governments and special districts. The lessons I've taken away from engaging in items brought before this commission have given me a deeper understanding of the inner workings of our region, which I feel has made me a better representative for the folks in my district. I'll be first to admit that not every government agency is the same; some are agile and responsive to the public's needs, while others are fraught with bureaucracy and only seem to exist to complicate our lives. Here at San Diego LAFCO, we have a fantastic team with a good sense of reason and urgency and genuinely care about doing the people's work. Whether it's solving issues related to water, sewer, fire, or health care, our dedicated LAFCO staff tackle an array of complex and sometimes politically charged items.

I look forward to continuing to serve on this body and hope to see us push forward with an attitude of being reasonable, common-sense problem solvers.



Message from Executive Officer, KEENE SIMONDS

Sixty years ago Governor Edmund Brown's vision to re-imagine the oversight of local government in meeting community needs took a concrete step with the creation of local agency formation commissions – LAFCOs – to gameplan the whereabouts of cities and special districts. Fast forward to today, more than 200 commissioners and staff have contributed to San Diego LAFCO and its ongoing task to effectively match governmental boundaries and municipal services with the citizenry with a constant eye towards the future. LAFCO's present decision-making is most often exercised in processing between 20 and 30 proposals annually as well as regularly preparing studies to independently assess the adequacy of municipal services in step with informing future actions. Recent examples of the latter include LAFCO drawing from its own studies to directly facilitate the formation of the San Diego County Fire Protection District in 2020 and dissolution of the Valley Center Community Services District in 2021. More examples are likely on the way...

A common thread underlying San Diego LAFCO activities has been the proven principle that local government is dynamic and evolves – albeit slowly at times – to the changing needs of the county and its nearly 3.3 million residents. More changes to local government are assuredly needed to help ensure San Diego County continues to grow for its own economic and social well-being. Equally assured is the next 60 years will not necessarily resemble the last 60 years. Stay tuned.

Full Agenda Page 762

About LAFCO

What is LAFCO?

Local Agency Formation Commissions –or LAFCOs–are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties in 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.**

Why were LAFCOs Formed?

LAFCOs were established in 1963 by the California Legislature. Initial tasks included approving or disapproving proposals for the incorporation of new cities and creation of new special districts in 57 of the 58 counties in California. (San Francisco City/County did not have a LAFCO until 2021.)

The motivation leading to the establishment of LAFCOs began several years earlier when the newly elected **Governor Edmund (Pat) Brown** created the Commission on Metropolitan Area Problems and directed this blue-ribbon group to make recommendations to coordinate the management of statewide growth and development.

At the time, county governments in California were largely empowered to form and expand cities and special districts without any real oversight. The prior decade highlighted need for coordinated management as California's population increased between 1950 and 1960 by 50 percent – from 10.6 million to 15.9 million–and more than 100 cities and special districts were formed, oftentimes with irrational and overlapping boundaries.

The Commission on Metropolitan Area Problems and its finding led to a unique compromise between the State and local government with respect to assigning regional growth management responsibilities in California. This compromise remains largely intact today. It involves the Legislature setting policies and procedures with regard to the formation and post-formation development of local agencies while delegating implementation and decision making to a consortium of locally elected officials through LAFCOs.

The authority and power of LAFCOs have increasingly expanded since 1963 through additional legislation and in respect to the state's ongoing interest to ensure effective local governance relative to local needs. The primary result of the additional legislation over the past six decades is the delineation of two distinct LAFCO duties:

1. **Regulation:** Regulating the physical development of cities and special districts and their respective service areas
2. **Planning:** informing such decisions through various planning activities



Governor Edmond (Pat) Brown

What Does LAFCO Do?

San Diego LAFCO is a subdivision of the State of California and is responsible for administering a section of State law currently known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

The statute delegates the authority to regulate and plan the location of cities and most special districts and their municipal service areas to LAFCOs in all 58 counties in California.

This includes establishing, expanding, and reorganizing cities and special districts in meeting LAFCOs underlying directive from the State to facilitate smart and sustainable growth and development.

Decisions are made with consideration to legislative objectives as well as local conditions and circumstances and include all of the following duties:

- Incorporate cities and form special districts
- Annex and detach lands to cities and special districts
- Activate or deactivate special districts service powers
- Consolidate two or more cities or special districts into one
- Merge special districts into cities
- Disincorporate cities and dissolve special districts
- Establish spheres of influence for all cities and special districts thereby delineating areas eligible for annexation
- Regularly prepare studies to independently assess the availability, demand, and performance of local government services
- Authorize cities and districts to provide new or extended services outside their boundaries by contracts



County Administrative Center off the Pacific Highway

Who Does LAFCO *Oversee?*

San Diego LAFCO has direct jurisdiction over 101 local government agencies located throughout San Diego County. These local agencies are currently divided between 18 cities as well as 83 special districts that provide various services in support of existing development, such as water, wastewater, police and fire protection, cemeteries, healthcare, and resource conservation.

Most special districts subject to LAFCO are independent with their own directly elected board of directors. The remaining local special districts are dependent with **appointed board of directors made by other government agencies.**

Cities

- Eighteen incorporated communities in San Diego County
- The first incorporation was the City of San Diego in 1850, and the last incorporation was the City of Solana Beach in 1986
- The last disapproved incorporation attempt was the community of Rancho Santa Fe in 1987
- City boundaries and service areas are determined by LAFCO
- City services are determined by the agencies
- Primary functions are land use control and police protection

City	Incorporation Date
San Diego	1850
National City	1887
Escondido	1888
Oceanside	1888
Coronado	1890
Chula Vista	1911
El Cajon	1912
La Mesa	1912
Carlsbad	1952

City	Incorporation Date
Imperial Beach	1956
Del Mar	1959
San Marcos	1963
Vista	1963
Lemon Grove	1977
Poway	1980
Santee	1980
Encinitas	1986
Solana Beach	1986

Special Districts

- Eighty-three special districts in San Diego County subject to LAFCO
- The longest standing district is Helix Water District with operations dating back to 1897 & collectively serves as successor to the La Mesa, Lemon Grove, and Spring Valley Irrigation Districts
- Special district boundaries, service areas, and specific functions and classes are determined by LAFCO
- Primary functions are providing urban services in support of development approved by the county and/or one of the 18 cities

San Diego LAFCO also has indirect oversight of joint-power authorities (JPAs). JPAs are legally created entities that allow two or more public agencies to provide contracted municipal services such as wastewater treatment, emergency dispatch or clean energy, often with the intent to deliver service more efficiently or cost-effectively. All JPAs providing a local municipal service as defined by LAFCO must file their agreements and any amendments with LAFCO. LAFCOs are similarly encouraged to include JPAs in preparing municipal service reviews.

*School and college districts are currently not subject to LAFCO oversight.

San Diego LAFCO

Who are the Commissioners?

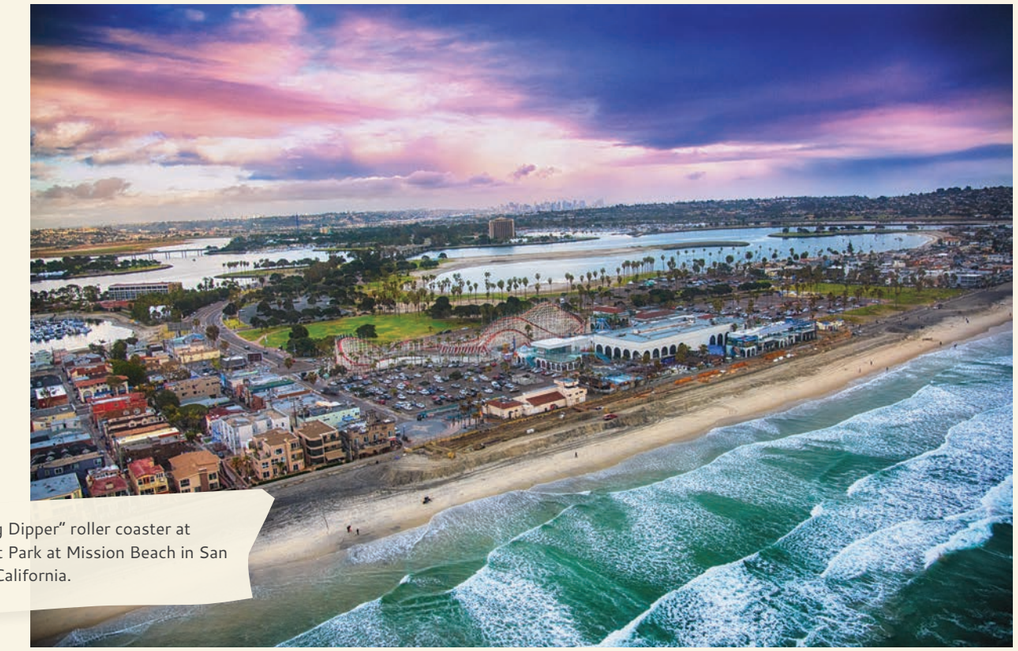
Decisions at San Diego LAFCO are made by a 13-member "Commission" primarily consisting of appointed local elected officials that include county supervisors, city council members and special district board members. These officials also appoint two general members of the public. The commission meets monthly and are tasked with implementing LAFCO law with broad discretion to reflect local conditions. The Commission is overseen by the California's Assembly Committee on Local Government.

All members of the Commission serve four-year terms and must exercise their independent judgement on behalf of the interests of residents, landowners, and the general public. They 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 therein are not subject to an outside appeal process.

Administration and Funding

San Diego LAFCO is administered by an appointed Executive Officer who is responsible for overseeing day-to-day activities. This includes supervising a professional staff of eight to ten employees and implementation of an annual workplan that outlines specific goals for the fiscal year as determined by the Commission.

Funding for San Diego LAFCO is prescribed under State law based on membership categories on the Commission with the largest apportionment of 28.6% assigned to the County of San Diego. The independent special districts and cities less the City of San Diego are also apportioned 28.6% with individual amounts divided thereafter based on total revenue shares in the past fiscal year. The City of San Diego and based on special legislation that ensures the City is always represented on the Commission – is responsible for the remaining 14.3% of annual operating costs.



The "Big Dipper" roller coaster at Belmont Park at Mission Beach in San Diego, California.

How has San Diego County *Changed?*

Hundreds of thousands of Americans took part in the largest migration in U.S. history during the Gold Rush (1849–1955) and the Industrial Revolution simultaneously, which pushed people from the East Coast to the West. In 1849, California quickly became an economic powerhouse inviting people from all over the world and serving as host to "the most diverse civilization ever known to mankind." San Diego was one of those hidden gems.

San Diego County's present-day development can be readily traced to the incorporation of the City of San Diego in 1850 and subsequent investments thereafter by William Heath Davis and Alonzo Horton to develop what is now the downtown area. The estimated population of the newly incorporated city 10 years later was under 1,000 and represented less than one-fifth of all residents counted in San Diego County as part of the first official census.

However, the early investments made by Davis and Horton paired with the arrival of the railway by the 1880s proved successful and contributed to San Diego's transitioning from a small maritime village to the region's social and economic hub with its population reaching 17,700 by 1900 and now accounting for more than one-half of all of San Diego County – a ratio it has largely held ever since. It was also at this time San Diego County emerged as the eighth largest populated county in all of California.

The copious number of military bases spread throughout San Diego County in the early 1900's helped further expand the already growing population. Soon enough, the region pivoted into a major military defense complex for the entire west coast with San Diego County's overall population—more or less—doubling each decade between 1900 and 1960 from 35,090 to 1,033,011. The later closure or downsizing of several military facilities and related land holdings beginning in the 1980s produced a second wave of growth throughout San Diego County and in particular along the I-15 and I-805 corridors.

This second wave spanned a total of four decades and peaked in the 1990s with the average addition of 174 new residents each day over the 10-year period. The second wave came to an end with the Great Recession but not before the total population in San Diego County reaching 3.1 million by 2010; an amount now registering as the second largest in all of California.

Today, the City of San Diego remains a primary social and economic hub for the region and accounts for nearly-half of San Diego County's total population of 3.3 million. However – and unlike conditions in the early 1900s – the City of San Diego is joined by 18 cities and more than 30 distinct unincorporated areas all with their own unique economic and social hubs that collectively support a range of urban, suburban, rural, and agricultural communities.

1963



Looking southwest towards Downtown & Point Loma

VIEW FROM THE LAFCO OFFICE ATOP THE MANCHESTER FINANCIAL BUILDING

2023



1963



VIEW OF LA JOLLA VILLAGE FROM THE HILLS OF BIRD ROCK

2023



1963



BROADWAY & FRONT STREET, DOWNTOWN

2023



1963

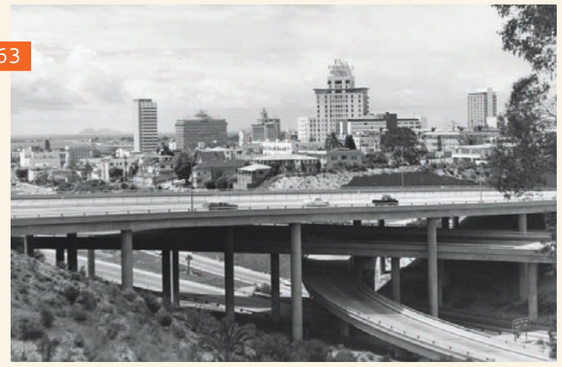


VIEW OF DOWNTOWN FROM CENTENNIAL PARK IN CORONADO

2023



1963



VIEW OF DOWNTOWN FROM INSPIRATION POINT

2023



1963



HORTON PLAZA PARK

2023



1963



VIEW OF MISSION VALLEY LOOKING EAST DOWN THE 8

2023



1963



THE WESTERN METAL SUPPLY CO. INCORPORATED INTO PETCO PARK

2023



Timeline of Key San Diego LAFCO Events

1963 — LAFCOs are created in all 58 counties to regulate boundary changes – including incorporations and formations – involving cities and most special districts (September 21st, 1963). The initial governing composition is set to include two county members, two city members, and one member of the general public.

1963 — The City of **Escondido** adopts a resolution requesting the State appeal the creation of LAFCOs citing the potential abuse of power.

1963 — San Diego LAFCO holds its first meeting on July 10th and **Robert Small** is appointed to serve as the first Executive Officer.

1967 — Legislature makes explicit LAFCOs oversee the formation of **County Service Areas** (CSAs).

1968 — Legislature provides for the appointment of alternate members on LAFCOs for seated county, city, and public members.

1971 — Legislature establishes planning duties for LAFCOs to now establish spheres of influence for all cities and special districts and in doing so demark eligibility for jurisdictional changes.

1971 — LAFCO disapproves a proposal to incorporate **Poway**.

1972 — LAFCO approves the incorporation of **Poway**, but voters subsequently reject the proposal with only 2% in support.

1974 — LAFCO approves the incorporation of **San Dieguito** (Solana Beach, Encinitas, Leucadia, and Cardiff by the Sea) but voters subsequently reject the proposal.

1974 — LAFCO approves de-annexation of the **San Ysidro** area from the City of San Diego but subsequently rescinds as part of a successful request for reconsideration.



1976 — LAFCO approves the incorporation of **Lemon Grove** with 68% of voters in favor.

1983 — Legislature approves special legislation to increase the voting members at San Diego LAFCO from seven to eight with a dedicated seat for the City of San Diego.

1985 — Legislature establishes broad authority for LAFCOs to condition proposal approvals so long as it does not directly regulate land use or density requirements.



1986 — LAFCO approves the incorporation of **Encinitas** and voters subsequently confirm the proposal to become the 17th municipality in San Diego County after attempting incorporation in 1959, 1974, and 1982.



1986 — LAFCO approves the incorporation of **Solana Beach** and voters subsequently confirm action to become the 18th municipality in San Diego County with 65% in support.

1987 — LAFCO approves the incorporation of **Rancho Santa Fe**, but voters subsequently reject the proposal with only 30% in support.

1987 — LAFCO approves the incorporation of **Fallbrook**, but voters subsequently reject the proposal with only 40% in support.

1993 — LAFCO tasked with regulating Out-of-Agency Services.

1994 — Legislature authorizes LAFCOs to initiate proposals for the consolidation, dissolution, or merger of special districts.

1997 — Through the **(Mike) Gotch Bill**, cities and special districts must request and receive written approval from LAFCOs before providing new or extended services beyond their boundaries.

1997 — Legislature forms the Commission on Local Governance for the 21st Century to review existing LAFCO statutes and make related recommendations to improve the effectiveness in addressing current growth challenges and opportunities. San Diego LAFCO and San Diego **Mayor Susan Golding** serves as Commission Chair.



2001 — Legislature draws on the recommendations from the Commission on Local Governance for the 21st Century to enact comprehensive rewrite of LAFCO statutes. This includes changing the funding formula for LAFCOs to be shared between the county, cities, and special districts (if seated) as well as directing LAFCOs to prepare municipal service reviews in step with updating all local agencies' spheres of influence every five years as needed.

2003 — LAFCO prepares county-wide MSR on Fire services following the Cedar Event (largest wildland fire in California before 2017) MSR leads to creation of County Fire Authority

2008 — Legislature makes explicit LAFCOs regulate the ability of special districts to activate latent powers or divest active powers.

2008 — LAFCO approves formation of San Diego County Sanitation District and the consolidation of 11 sewer agencies into one

2011 — LAFCO receives its first state planning grant to identify agricultural trends to support small farming operations

2011 — September 21st, 2023 marks San Diego LAFCOs **60-Year Anniversary**!



2020 — **COVID-19**, global pandemic shuts down operations on March 15th.

2021 — LAFCO prepares new MSR on fire services and recommended formation of a county-wide Fire Protection District; county subsequently approves formation of the San Diego County FPD

2023

Staff Alumni Rosters

Executive Officers

Name	Years Served
Robert Small	1963–1970
S.M. "Skip" Shmidt	1971–1976
Michael "Mike" Gotch	1977–1979
William "Bill" Davis	1980–1984
Jane Merrill	1984–1992
Michael "Mike" Ott	1992–2017
Keene Simonds	2017–Present



Mike Gotch (left) & Fred Schnaubelt (right)

ALUMNI PROFILE

DIANNE JACOB ▶

Longest Serving LAFCO Commissioner

My warmest congratulations on LAFCO's 60th Anniversary! This is a remarkable milestone that highlights this organization's dedication and service to the San Diego region. As a third generation San Diegan, I am proud of what we have accomplished. From an elementary school teacher to an elected official, public service has been my calling. In 1992, I was elected to serve on the San Diego County Board of Supervisors and at the same time, I was appointed to the LAFCO Commission. My tenure on the Commission ended with the formation of the San Diego County Fire Protection District in which LAFCO played a critical leading role. Consolidating Volunteer Fire Agencies and Fire Districts within 1.5 million acres of the unincorporated area was no easy feat.

I'm now enjoying retirement which has allowed me to focus on my golf game, build a house, and spend more time with my family and friends. I am also serving on the Boards of the Grossmont Hospital Foundation and Protect Our Communities Foundation. It was an honor and privilege to serve the people of San Diego County by serving on the San Diego LAFCO. Thank you for allowing me to be a part of this historic journey.



Diane tending to her ranch

Between 1963–1974, County Planning provided staffing services for LAFCO as needed.

Staff Analysts

Name	Last Position	Years Served
Jay R. Stewart	Government Analyst I	1974–1977
Laurie J. McKinely	Government Analyst I	1974–1980
David Acuff	Government Analyst I	1979–1980
Jim Cook	Government Analyst I	1980–1984
Rich Miller	Government Analyst I	1980–1984
Joyce Crosthwaite	Government Analyst I	1984–1990
Dana Smith	Government Analyst I	1985–1993
Charles Orr	Government Analyst I	1986–1987
Joe Convery	Government Analyst I	1988–2003
Shirley Whaley	Government Analyst I	1988–2010
Laura Biery	Government Analyst III	2003–2005
Ingrid (Weems) Hansen	Government Analyst I	2003–2017
Robert Barry	Government Analyst III	2003–2021
Claire Riley	Government Analyst III	2006–2011
Joe Serrano	Government Analyst I	2015–2017
Linda (Zambito) Heckenkamp	Government Analyst II	2018–2021
Richard A. "Alex" Vidal	Government Analyst I	2019–2019
Priscilla Mumpower	Government Analyst II	2020–Present
Carolanne Ieromnimon	Government Analyst I	2021–Present
Michaela Peters	Government Analyst I	2023–Present

GIS Analysts

Name	Last Position	Years Served
Al Hyatt	Map Draftsman	1972–1985
Pete Janemark	GIS Consultant	2003–2006
Dieu Ngu	GIS Consultant & Analyst	2013–Present

Assistant & Interim Executive Officers

Name	Years Served
Peter Detwiler	1972–1975
Shirley (Whaley) Anderson	2010–2013



ALUMNI PROFILE

BILL HORN ▲

San Diego Board of Supervisors (District 5) & LAFCO Commissioner

I was appointed to LAFCO in 1995, when I was sworn-in to serve the Fifth District on the San Diego County Board of Supervisors. Over the next 24 years, we made many decisions on annexations and in service of special districts and I am proud to have been a part of this history. To the commissioners and staff, I extend my very best as LAFCO celebrates its 60th anniversary!

Clerks, Assistants, & Secretaries

Name	Title	Years Served
Helen Kleckner	Secretary	1966–1980
Porter D. Cremans	Commission Clerk (Clerk of the Board of Supervisors)	1966–1980
Avery Clark	Intern	1974–1974
Ingrid Hansen	Executive Assistant	1981–2003
Ruth Arellano	Executive Assistant	1989–2021
Janice "Jan" Bryson	Executive Assistant	1990–2006
Harriet McKechnie	Administrative Assistant	1993–1998
Tita Jacque Ramos	Administrative Assistant	1995–2009
Nancy Averill	Commission Clerk	1998–2009
Tamaron Luckett	Commission Clerk	2004–Present
Alyssa Dronenberg	Administrative Assistant	2013–2015
Erica (Blom) Sellen	Executive Assistant	2015–Present
Shauna Stokes	Intern	*Dates Unknown*

Consultants

John Traylor
George Ream
John Goss
Patricia Butler
Michael F. Niederman
Stephen Abbott
Dr. Brian Brady
Richard "Rich" Miller
Ann B. Hix
Ed Sprague
Adam Wilson
Casey McGehee
Betty Degoney
Chris Cate
Harry Erlich

Legal Counsel

Thomas Bosworth
Karen Landers
William "Bill" Smith
William Taylor
Llyod M. Harmon Jr.
Ellen Michaels
Lewis Zollinger
Donald L. Clark
Ralph Shadwell
Rachel Witt
Arne Hansen
Paul Bruce
Clark LaRue Pierce
Gregory C.M. Garratt
Holly O. Whatley
Michael Colantuono
Mara Elliott
John J. Samsone
John Pardee
Aleks R. Giragosian



Downtown San Diego



ALUMNI PROFILE

INGRID HANSEN

Dedicated 36 Years to LAFCO

My journey with LAFCO began in December 1981 with two interviews: first by Jane Merrill and later with Bill Davis, who subsequently offered me the position of Intermediate Clerk Typist beginning on December 27th. With no computers in the office at that time, I was tasked with transcribing handwritten reports, which is how I familiarized myself with local government and LAFCO's mission. One huge challenge was deciphering Michael Ott's handwriting and typing the Incorporation of Encinitas report. After success as Senior Secretary, Jane (who now was the Executive Officer) promoted me to process routine proposals. She also supported the completion of my studies to attain a Bachelor's Degree in Environmental Studies, and I graduated from San Diego State University in 1993.

In 2001, I received the Outstanding Professional Award primarily based on the proposed "Dissolution of the Lower Sweetwater Fire Protection District" since the District no longer provided fire services, but contracted with an adjacent city to do so. While approved by the Commission, the project failed at the subsequent election. Perhaps my most memorable moment occurred when Congressman Bob Filner (yes, the later disgraced San Diego mayor) pointed his finger and yelled directly at me during the Commission meeting to consider the "Dissolution of the Tia Juana County Water District." That proposal was successful and a duplicative agency and its illegally collected fee were eliminated.

Since retiring, I have traveled extensively visiting friends and family as well as taking several river cruises mainly in Europe but also in the United States. Since my book club became a victim of Covid, I now read for my own pleasure, and reconnected with long-time friends to play cards twice a month.

ALUMNI PROFILE

JOE SERRANO

Current Santa Cruz LAFCO EO

Joe Serrano began his LAFCO career well before joining the SD LAFCO team. He was previously an Analyst for OC LAFCO for six years and an Analyst for San Bernardino LAFCO for another two years. Joe expanded his LAFCO knowledge during his tenure with the other LAFCOs and continued that same mentality in San Diego.

When asked about his experience and thoughts about his time at San Diego LAFCO, Joe focused on two significant takeaways: (1) the importance of service reviews and their findings/recommendations, and (2) the effectiveness of LAFCO as a facilitator during stakeholder meetings. These two lessons were immediately implemented in Santa Cruz LAFCO when Joe became their newest Executive Officer. As a result, Joe was able to consolidate two fire districts involving 90,000 residents without a single petition of opposition, dissolve multiple distressed districts with the full support of the affected board members and staff, and revamp the entire service review format and process, allowing him to analyze 66 out of 80 agencies completely in-house (he is the only LAFCO employee at Santa Cruz LAFCO) and adding more value to LAFCO's findings and recommendations with the full cooperation by the affected agencies – all within three years.

The current and future success with Santa Cruz LAFCO has direct ties to the lessons learned in San Diego and he will be forever grateful. Regardless of his recent achievements, nothing compares to the birth of his first child – Victoria Grace.



Commission Alumni Roster

Public-at-Large Members

Name	Regular/Alternate	Years Served
Charles C. Hartman	Regular	1963-1971
Ralph M. Pray	Alternate	1972-1973
Dr. Rex Gorton	Regular	1976-1977
Dr. Charles Hostler	Regular	1979-1988
Dr. Herbert Waste	Alternate	1985-1987
Dr. Linell Fromm	Regular	1990-1996
David A. Perkins	Alternate	1991-1996
Harry Mathis	Regular Alternate	1995-2000 2001-2023
Andrew "Andy" Vanderlaan	Regular	1996-Present
Guy W. Winton III	Regular	1997-2001

San Diego County Board of Supervisor Members

Name	Regular/Alternate	Years Served	District
D.W. Bird	Regular	1963-1965	District 2
Robert C. Cozens	Regular	1963-1969	District 5
Robert C. Dent	Regular	1965-1969	District 3
Henry A. Boney	Regular	1965-1972	District 3
Harry F. Sheidle	Regular	1969-1971	District 3
Miles W. Kratka	Regular	1970-1970	District 5
William A. Craven	Regular	1970-1973	District 5
Jack Walsh	Regular Alternate	1972-1977	District 1
Dick Brown	Regular	1973-1977	District 2
Jim Bear	Regular	1973-1976	District 4
Jim Bates	Alternate	1975-1976	District 4
Lee R. Taylor	Regular Alternate	1975-1977 1977-1978	District 5
Lucille V. Moore	Regular	1977-1981	District 2
Tom Hamilton	Alternate Regular Alternate	1977-1977 1977-1981 1982-1983	District 1



ALUMNI PROFILE

MICHAEL "MIKE" OTT

Served as San Diego LAFCO EO for 25 Years

Mike began his career in education, working at a community college and an elementary school before changing his career path to urban and regional planning. Right before he began his long career with LAFCO, he worked for the Humboldt County Planning Department and interned at the Santa Clara County Planning Department. He worked at LAFCO from 1983-2017.

Towards the beginning of his extensive career at LAFCO, he was faced with huge projects involving incorporations including Encinitas, Solana Beach, Rancho Santa Fe, Fallbrook, Borrego, Lakeside, Ramona, Spring Valley, and La Jolla. Even though only Encinitas and Solana Beach were successful in incorporating, Mike found it "highly rewarding to work with citizens who genuinely believed in and fought for greater local control and self-governance."

By 1992 he became the Executive Officer and enjoyed the independence that came with it.



Since leaving LAFCO in 2017, his daily uniform includes sweatpants in winter and cycling bibs in the summer. Despite still serving on the Board of Trustees of the North County Cemetery District and being elected to the office of President of the California Association of Public Cemeteries, he still finds plenty of time for travel, volunteer, and community works as well as various recreational and family activities. Mike is also a member of the Docent Guild at the Richard Nixon Presidential Library and Museum in Yorba Linda; he gives talks about U.S. history and government.

As part of the North County Cycling Club, he claims he's put more miles on his racing bikes than his personal vehicle. Cycling and bicycle restoration remain one of his prioritized hobbies. Throughout retirement, he's been able to travel for long periods of time. A notable experience being a trip to Antarctica in 2017 with his wife. They sailed aboard the National Geographic Icebreaker through "some of the roughest waters in the world".

San Diego County Board of Supervisor Members

Name	Regular/Alternate	Years Served	District
Paul Eckert	Alternate Regular	1979-1986 1982-1985	District 5
Paul W. Fordem	Regular	1981-1984	District 2
Roger Hedgecock	Regular Alternate	1982-1983 1983-1983	District 3
Patrick Boarman	Alternate	1984-1985	District 3
George F. Bailey	Alternate	1985-1988	District 2
Brian Bilbray	Regular Alternate	1985-1990 1992-1994	District 1
John MacDonald	Regular	1987-1994	District 5
Leon L. Williams	Alternate	1988-1997	District 2
Dianne Jacob	Regular	1993-2020	District 1
Bill Horn	Regular	1995-2018	District 5
Pam Slater-Price	Alternate	1995-1995	District 3
Greg Cox	Alternate	1996-2020	District 1
Jim Desmond	Regular	2019-Present	District 5
Joel Anderson	Alternate Regular	2021-2022 2022-Present	District 2
Nora Vargas	Regular Alternate	2021-2021 2022-Present	District 1



Newport Avenue in Ocean Beach, 1963

City of San Diego Members

Name	Regular/ Alternate	Years Served	District Represented
Jack Walsh	Regular Alternate	1972–1977	District 6
Jim Bates	Alternate	1975–1976	District 8
Martin Breslauer	Regular	1977–1977	
Michael "Mike" Gotch	Alternate	1979–1990	District 2
Dr. Lucy Killea	Regular	1979–1981	District 8
Uvaldo Martinez	Alternate	1984–1986	District 8
Abbe Wolfsheimer	Alternate	1987–1991	District 1
Bruce Henderson	Alternate	1988–1991	District 6
Leon L. Williams	Alternate	1988–1997	District 4
Juan Vargas		1993–2000	District 8
George Stevens		1994–1998	District 4
Valerie Stallings	Alternate	1992, 2001	District 6
Donna Frye	Regular Alternate	1995–2010 2002–2002	District 6
Ralph Inzunza	Regular	2001–2002	District 7
Byron Wear		2001–2002	District 2
Toni Atkins	Regular	2007–2008	District 3
Kevin Faulconer	Alternate	2006–2008	District 2
Brian Maienschein	Alternate	2008–2009	District 5
Sherri Lightner	Alternate	2009–2015	District 1
Lorie Zapf	Regular	2011–2018	District 2 & 6
Lorraine Wood	Alternate	2013–2016	
Chris Cate	Regular	2015–2022	District 6
Mark Kersey	Regular	2019–2021	District 5
Marni von Wilpert	Alternate	2021–Present	District 5
Stephen Whitburn	Regular	2023–Present	District 3
Stephen Whitburn	Regular	2023–Present	District 3



Peter behind the wheel of a 60' former British racing yacht in Nov. 2019, right after his 70th birthday.

ALUMNI PROFILE

PETER DETWILER

Dedicated 39 Years to Public Service

Peter began his career with LAFCO in September of 1972. Peter started his role as "Administrative Trainee" and after one year, moved into the Assistant Executive Officer position until he left to work in the Governor's Office of Planning and Research in 1975.

One of Peter's most memorable and complex projects he was involved in was the proposed "San Ysidro Reorganization" in 1974. This project—if successful—would have detached San Ysidro from the City of San Diego and incorporated a new "City of San Ysidro". This proposal ended in a Negative Declaration in which the Attorney General sued LAFCO. During the public hearing phase, S. M. Schmidt (the EO at the time) went on an extended sailing trip, leaving 24-year-old Peter in charge of the high-profile, tense hearings.

Peter also mentioned the number of incorporations in 1974, including the Cities of Solana Beach, Encinitas, Poway, Santee, and Lemon Grove. He was proud of the proposal he administered that led to the formation of CSA No. 69, which would provide Emergency Medical Services (EMS) to underserved areas of the County.

Peter worked in Governor Jerry Brown's office for his first two terms from 1975–1981 as a Policy Analyst and then moved into the role of Legislative Coordinator to eventually go on to run the Local Government Unit.

From 1982 to September 2011, he staffed the Senate Local Government Committee and its variants and saw tons of LAFCO bills throughout his time. In addition, he taught a graduate course on California Land Use Policy at California State University Sacramento for over 20 years as well as contract-teaching at University California Davis Extension.

Since his retirement in 2011, he has been able to travel to Croatia, the San Juan Islands, and the British Virgin Islands all by sailboat. "...I've sailed over 6,000 nautical miles on several coastal deliveries and ocean voyages. Life is good!" –Peter

Despite his short time with LAFCO, he credits his experience for launching his professional career and shaping his views about the importance of public service.

Other 18 City Members

Name	Regular/ Alternate	Years Served	City Represented
Lewis P. Tustin	Regular	1963–1970	Escondido
Erwin Skylar	Regular	1963–1968	Oceanside
Ray W. Fellows	Regular	1963–1966	La Mesa
J. H. Fotheringham	Alternate	1964–1965	Vista
Russel J. Kliegel	Alternate	1966–1968	Del Mar
Robert L. Cornett	Alternate	1968–1968	El Cajon
Troy L. Doan	Alternate Regular	1969–1970 1970–1970	Vista
Alan B. Skuba	Alternate	1970–1978	Escondido
Howard T. Richardson	Regular	1972–1974	Oceanside
Tom Hamilton	Alternate	1972–1973	Chula Vista
Orbee V. Mihalek	Alternate Regular	1973–1974 1974–1978	Vista
Kile Morgan	Regular	1975–1979	National City
Gloria McClellan	Regular	1978–1982	Vista
Dell Lake	Alternate Regular	1978–1981 1981–1983	Lemon Grove
Linda Oravec	Regular	1983–1986	Poway
J. B. Bennett	Regular	1982–1984	Imperial Beach
Robert Prescott	Alternate	1984–1984	Carlsbad
Leonard M. Moore	Regular Alternate	1984–1986 1992–1994	Chula Vista
Fred Nagel	Alternate Regular	1985–1986 1986–1990	La Mesa
R. H. Doorman	Regular Alternate	1986–1988 1986–1986	Coronado
Mark J. Loscher	Alternate	1987, 1991	San Marcos
Mark Loscher	Alternate Regular	1987–1987 1988–1994	San Marcos
Gayle McCandliss	Alternate	1988–1991	Chula Vista
Joan Shoemaker	Regular	1991–1995	El Cajon
Julianne Nygaard	Alternate Regular	1994–2001 2001–2002	Carlsbad
Shirley Horton	Regular Alternate	1995–1997 1997–1999	Chula Vista
Lori Howard	Regular	1995–1999	Santee

Other 18 City Members

Name	Regular/ Alternate	Years Served	City Represented
Patty Davis	Regular	1999–2005	Chula Vista
Mary Teresa Sessom	Alternate	1999–2000	Lemon Grove
Jill Greer	Alternate Regular	2000–2001 2001–2004	Lemon Grove
Betty Rexford	Regular Alternate	2001–2009	Poway
Christy Guerin	Alternate	2005–2006	Encinitas
Ron Morrison	Regular	2006–2007	National City
Mark Lewis	Alternate Regular	2007–2011 2012, 2013	El Cajon
Carl Hillard	Regular	2007–2011	Del Mar
Jim Janney	Alternate Regular	2009–2011 2012– 2014	Imperial Beach
Sam Abed	Alternate Regular	2012– 2013 2013–2017	Escondido
Lorraine M. Wood	Alternate Regular	2013–2014 2015–2016	Carlsbad
Raquel Vasquez	Alternate	2015–2017	Lemon Grove
Catherine Blakespear	Regular	2017–2019	Encinitas
Lorrie Bragg	Alternate	2018–2018	Imperial Beach
Bill Wells	Regular	2018–2020	El Cajon
Serge Dedina	Alternate	2019–2019	Imperial Beach
Mary Casillas Salas	Regular	2019–2022	Chula Vista
Paul McNamara	Alternate Regular	2019–2021 2021–2022	Escondido
Kristi Becker	Alternate Regular	2021–2022 2023–Present	Solana Beach
Dane White	Regular	2023–Present	Escondido
John McCann	Alternate	2023–Present	Chula Vista



ALUMNI PROFILE

TITA RAMOS

Dedicated 14 Years to San Diego LAFCO

Prior to LAFCO, I was the Administrative Secretary to the Chief of Residential Services, County of San Diego, while attending classes at the University of Phoenix and Southwestern College to obtain a Bachelor of Science Degree in Human Services. My experiences and thoughts of my time at SDLAFCO were very positive. I learned valuable skills and knowledge that helped me excel in my career. I worked with highly professional individuals who, to this day, I keep in touch with. I am the District Secretary and the Secretary to the Board of Directors of Otay Water District. My duties are to assist the General Manager and Board of Directors to execute the District's Mission, which is to provide water and wastewater services to its customers, and to manage District resources in a transparent manner and fiscally responsible manner.

Special District Members

Name	Regular/ Alternate	Years Served	District
Keith Atherton	Alternate	1975–1975	Bonita–Sunnyside Fire Protection District
Ralph Chapman	Regular	1975–1982	Otay Municipal Water District
Stanley A. Mahr	Regular	1975–1988	San Marcos Water District
William J. Karn	Regular	1977–1977	Fallbrook Public Utility District
Alex L. Adams	Alternate	1977–1984	Greater Mountain Empire Resource Conservation District
Marjorie J. Hersom	Alternate Regular	1980–1982 1983–1988	Alpine Fire Protection District
John Sasso	Regular Alternate	1991–1997 1988–1992	Borrego Water District
Dr. Lillian Keller Childs	Regular	1991–1999	Helix Water District
Earnest Kotnik	Alternate	1992–1992	San Miguel Consolidated Fire Protection District
Ronald W. Wooton	Alternate Regular	1994–1997 1998–2004	Vista Fire Protection District
W.D. "Bud" Pocklington	Alternate Regular	1999–2000 2001–2014	South Bay Irrigation District
Andrew Menshek	Alternate Regular	2001–2004 2005–2009	Padre Dam Municipal Water District
John S. Ingalls	Alternate	2005–2014	Santa Fe Irrigation District
Jo Mackenzie	Alternate Regular	2009–2014 2015–Present	Vista Fire Protection District
Ed Sprague	Alternate	2015–2019	Olivenhain Municipal Water District
Judy Hanson	Alternate	2016– 2019	Leucadia Wastewater District
Erin Lump	Alternate	2019–2020	Rincon del Diablo Municipal Water District
Baron "Barry" T. Willis	Regular	2019–Present	Alpine Fire Protection District
David Drake	Alternate	2021–Present	Rincon del Diablo Municipal Water District

Know and Go

Interested in attending a San Diego LAFCO monthly meeting? Join us or watch our video recordings online at sdlafco.org. Our website also includes past and current agendas, policies and procedures, application material, and more. All regular meetings include an opportunity for public comment and the ability to directly speak to decision-makers.

San Diego LAFCO Regular Meetings:

Monthly, First Mondays at 8:00 a.m.

1600 Pacific Highway
County Administration center, room 302
San Diego, California 92101

Visit our website for the most up-to-date meeting information including agenda postings, updated meeting times, and cancellations.

Contact Us

San Diego LAFCO Administrative Office
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Hours: M-F, 8:00 a.m. – 4:30 p.m.

Phone: 619.321.3380

Web: sdlafco.org

E-Mail: lafco@sdcounty.ca.gov

Twitter: @sdlafco

Appointments are Encouraged



SD LAFCO staff



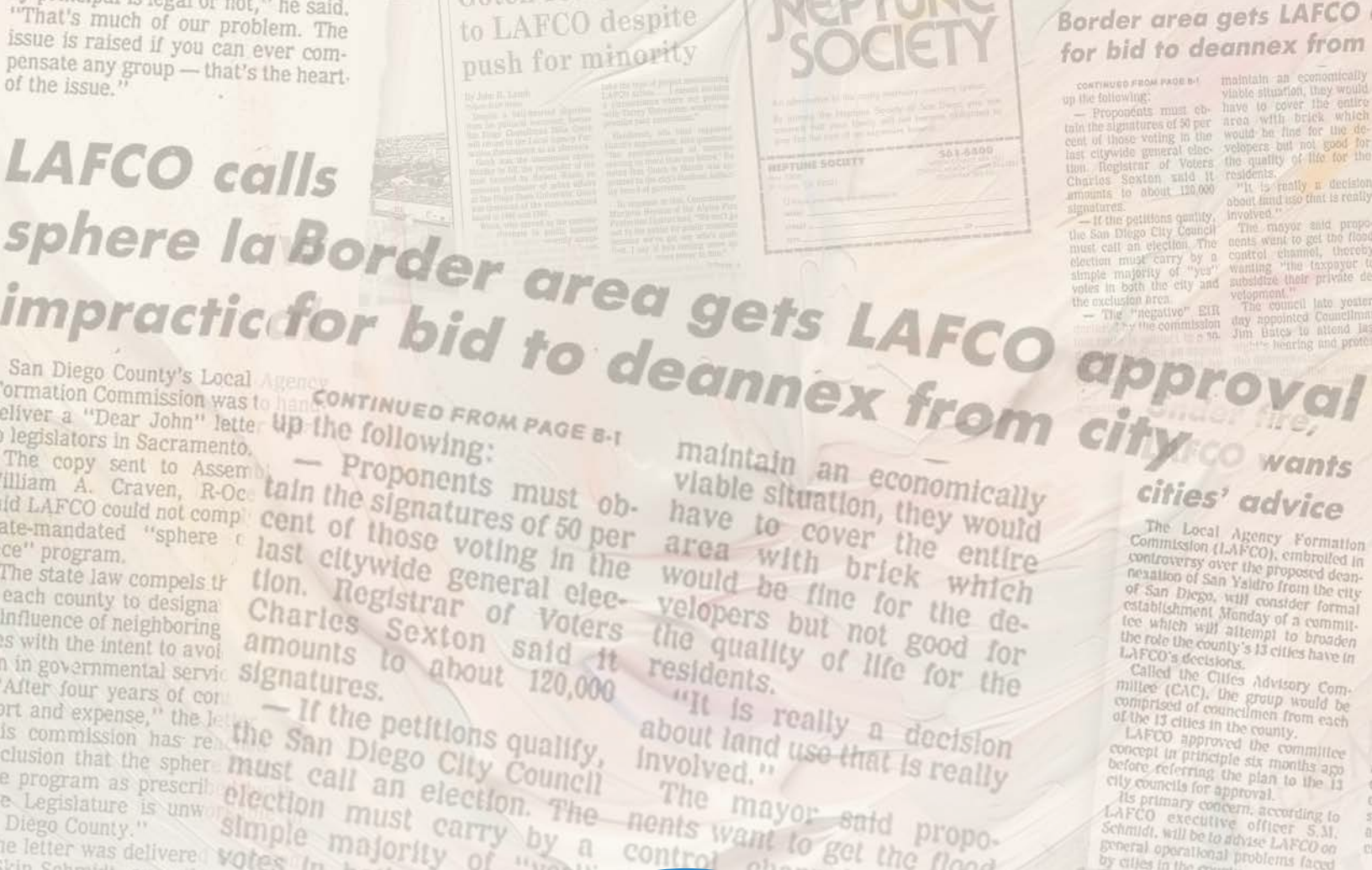
LAFCO Staff, 1974



San Diego County Fire Truck



Moonlight Beach in the Summer



LOCAL AGENCY FORMATION COMMISSION

SAN DIEGO COUNTY

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