SAN DIEGO COUNTY
LOCAL AGENCY FORMATION COMMISSION



FALLBROOK REGION

Municipal Service Review | Government Code 56430

Affected Agencies

Fallbrook Public Utility District
North County Fire Protection District
Rainbow Municipal Water District
County Service Area No. 81

Final Report | March 2022

Preparers:

Project Manager Priscilla Allen, Analyst I
Carolanne Ieromnimon, Analyst I
Stephen Abbott, Government Consultant

Blank for Photocopying

ACKNOWLEDGEMENTS

San Diego LAFCO gratefully acknowledges the time and effort of officials and staff with the affected local agencies in the Fallbrook region in assisting in the preparation of this report and includes – but not limited to – the following individuals:

Jack Bebee, General Manager, Fallbrook Public Utility District
David Shank, Assistant General Manager, Fallbrook Public Utility District
Keith McReynolds, Fire Chief, North County Fire Protection District
Kevin Mahr, Deputy Fire Chief, North County Fire Protection District
Cherie Juul, Finance Director, North County Fire Protection District
Tom Kennedy, General Manager, Rainbow Municipal Water District
Tracy Largent, Finance Director, Rainbow Municipal Water District
Dave Knopp, Chief of Operations (North), County of San Diego
Jake Enriquez, Parks and Recreation Region Manager, County of San Diego

LAFCO also acknowledges the unique circumstances underlying the preparation of this report and participation therein by the affected agencies given the parallel impacts of the COVID-19 pandemic.

Blank for Photocopying

TABLE OF CONTENTS

CHAPTER ONE | INTRODUCTION

1.0 Local Agency Formation Commissions (LAFCO)
- 1.1 Authority and Objectives 5
- 1.2 Regulatory Responsibilities 6
- 1.3 Planning Responsibilities 6
- 1.4 LAFCO Decision-Making 9
- 1.5 Prescriptive Funding 9

2.0 San Diego LAFCO
- 2.1 Adopted Policies and Procedures 10
- 2.2 Commission Information 10
- 2.3 Contact Information 11

CHAPTER TWO | EXECUTIVE SUMMARY

1.0 Overview
- 1.1 Key Premises, Assumptions, and Benchmarks 13

2.0 Report Organization 16
3.0 Geographic Area 16
4.0 Report Summary
- 4.1 General Themes and Conclusions 18
- 4.2 Recommendations 22

5.0 Written Determinations
- 5.1 Growth Projections & Related Demographics 24
- 5.2 Location and Characteristics of Disadvantaged Unincorporated Communities 27
- 5.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies 27
- 5.4 Agencies' Financial Ability to Provide Services 36
- 5.5 Status and Opportunities for Shared Facilities and Resources 41
- 5.6 Local Accountability and Government Restructure Options 42

CHAPTER THREE | AGENCY PROFILE

A. FALLBROOK PUBLIC UTILITY DISTRICT

1.0 Overview 45
2.0 Background
- 2.1 Community Development 46
- 2.2 Formation Proceedings 47
- 2.3 Post-Formation Proceedings 48

3.0 Boundaries
- 3.1 Jurisdictional Boundary 50
- 3.2 Sphere of Influence 52
- 3.3 Other Boundaries (Non-LAFCO) 52
- 3.4 Current Boundary and Sphere Designations 54

4.0 Demographics
- 4.1 Population and Housing 54
- 4.2 Age Distribution 56
- 4.3 Income Characteristics 56
- 4.4 Socioeconomic Indicators 57

5.0 Organization
5.1 Governance 58
5.2 Administration 59
6.0 Municipal Service Functions (Primary)
6.1 Potable Water 60
6.2 Wastewater 65
6.3 Recycled Water 68
7.0 Finances
7.1 Budget Information 69
7.2 Financial Statements 71
7.3 Measurements | Liquidity, Capital, and Margin 74
7.4 Pension Obligations 75

B. NORTH COUNTY FIRE PROTECTION DISTRICT
1.0 Overview 79
2.0 Background
2.1 Community Development 80
2.2 Formation Proceedings 82
2.3 Post-Formation Proceedings 82
3.0 Boundaries
3.1 Jurisdictional Boundary 84
3.2 Sphere of Influence 86
3.3 Other Boundaries (Non-LAFCO) 86
3.4 Current Boundary and Sphere Designations 88
4.0 Demographics
4.1 Population and Housing 88
4.2 Age Distribution 90
4.3 Income Characteristics 90
4.4 Socioeconomic Indicators 91
5.0 Organization
5.1 Governance 92
5.2 Administration 93
6.0 Municipal Service Functions (Primary)
6.1 Integrated Fire Protection, Emergency Medical and Ambulance 95
6.2 Hazardous Materials Response 102
6.3 Weed Abatement / Community Risk Reduction 103
7.0 Finances
7.1 Budget Information 104
7.2 Financial Statements 105
7.3 Measurements | Liquidity, Capital, and Margin 108
7.4 Pension Obligations 110

C. RAINBOW MUNICIPAL WATER DISTRICT
1.0 Overview 113
2.0 Background
2.1 Community Development 114
2.2 Incorporation Proceedings 115
2.3 Post-Incorporation Proceedings 115
3.0 Boundaries
3.1 Jurisdictional Boundary 117
3.2 Sphere of Influence 118
3.3 Other Boundaries (Non-LAFCO) 119

3.4 Current Boundary and Sphere Designations 120
4.0 Demographics
4.1 Population and Housing 121
4.2 Age Distribution 122
4.3 Income Characteristics 123
4.4 Socioeconomic Indicators 123
5.0 Organization
5.1 Governance 124
5.2 Administration 126
6.0 Municipal Service Functions (Primary)
6.1 Potable Water 126
6.2 Wastewater 132
7.0 Finances
7.1 Budget Information 135
7.2 Financial Statements 136
7.3 Measurements | Liquidity, Capital, and Margin 139
7.4 Pension Obligations 141

D. COUNTY SERVICE AREA NO. 81
1.0 Overview 145
2.0 Background
2.1 Community Development 146
2.2 Formation Proceedings 147
2.3 Post-Formation Proceedings 148
3.0 Boundaries
3.1 Jurisdictional Boundary 148
3.2 Sphere of Influence 150
3.3 Current Boundary and Sphere Designations 150
4.0 Demographics
4.1 Population and Housing 151
4.2 Age Distribution 152
4.3 Income Characteristics 153
4.4 Socioeconomic Indicators 153
5.0 Organization
5.1 Governance 154
5.2 Administration 157
6.0 Municipal Service Functions (Primary)
6.1 Integrated Parks and Recreation 157
7.0 Finances
7.1 Budget Information 161
7.2 Financial Statements 163
7.3 Measurements | Liquidity, Capital, and Margin 166
7.4 Pension Obligations 167

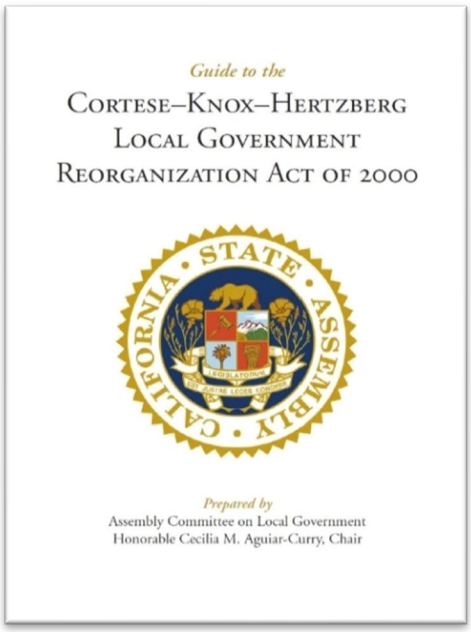
Appendix A Maps of All Four Affected Local Agencies in the Fallbrook Region 171
Appendix B Disadvantaged Unincorporated Communities (DUC) Maps 177
Appendix C Sources 183
Appendix D Written Comments Received on Draft Report 187
Appendix E Supplementary Staff Memo on Final Report 215

Blank for Photocopying

CHAPTER ONE | INTRODUCTION

1.0 LOCAL AGENCY FORMATION COMMISSIONS

1.1 Authority and Objectives



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.[1] 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 referred to as the Legislature's "watchdog" for local governance issues.[2]

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 (G.C.) 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."*

[1] Reference California Government Code Section 56000 et. seq.
[2] In its ruling on City of Ceres v. City of Modesto, the 5th District Court of Appeals referred to LAFCOs as the "watchdog" of the Legislature to "guard against the wasteful duplication of services." (July 1969)

LAFCO decisions are legislative in nature and therefore are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers with respect to conditioning regulatory and planning approvals so long as not establishing any terms that directly effects land use density or intensity, property development, or subdivision requirements.

1.2 Regulatory Responsibilities

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

LAFCOs' principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California.[3] LAFCOs are also tasked 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 service classes or divest existing services. LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH also authorize and encourage LAFCOs to initiate jurisdictional changes to form, consolidate, and dissolve special districts consistent with community needs.

1.3 Planning Responsibilities

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

LAFCOs inform their regulatory actions through two central planning responsibilities: (a) making sphere of influence ("sphere") 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 CKH 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. An expanded summary of the function and role of these two planning responsibilities follows.

[3] CKH defines "special district" to mean any agency of the State formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCO with the following exceptions: school districts; community college districts; assessment districts; improvement districts; community facilities districts; and air pollution control districts.

Spheres of Influence

LAFCOs establish, amend, and update spheres for all cities, towns, and most special districts in California to designate the territory it independently believes represents the appropriate and probable future service areas and jurisdictional boundaries of the affected agencies. Importantly, all jurisdictional changes, such as annexations and detachments, must be consistent with the spheres of the affected local agencies with limited exceptions as footnoted.[4] An increasingly important role involving sphere determinations relate to their use by regional councils of governments as planning areas in allocating housing need assignments for counties and cities.

Starting January 1, 2008, LAFCOs must review and update all local agencies' spheres every five years. In making sphere determinations, LAFCOs are required to prepare written statements addressing five specific planning factors listed under G.C. Section 56425. These mandatory factors range from evaluating current and future land uses to the existence of pertinent communities of interest. The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities. The five mandated planning factors are summarized in short-form below.

> Spheres serve as the Legislature's version of urban growth boundaries and – among other items – delineates where cities, towns, or districts may seek future annexations or outside service approvals with LAFCOs. All jurisdictional changes must be consistent with the affected agencies' spheres with limited exceptions.

1. Present and planned land uses in the area, including agricultural and open-space.

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

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

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

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

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

Municipal Service Reviews

Municipal service reviews serve as a centerpiece to CKH's enactment in 2001 and represent comprehensive studies of the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs generally prepare municipal service reviews to explicitly inform subsequent sphere determinations. LAFCOs also prepare municipal service reviews irrespective of making any specific sphere determinations in order to obtain and furnish information to contribute to the overall orderly development of local communities. Municipal service reviews vary in scope and can focus on a particular agency or governmental service. LAFCOs may use the information generated from municipal service reviews to initiate other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies. Advisory guidelines on the preparation of municipal service reviews were published by the Governor's Office of Planning and Research in 2003 and remain the lone statewide document advising LAFCOs in fulfilling this mandate.

All municipal service reviews – regardless of their intended purpose – culminate with LAFCOs preparing written statements addressing seven specific service factors listed under G.C. Section 56430. This includes, most notably, infrastructure needs or deficiencies, growth and population trends, and financial standing. The seven mandated service factors are summarized below in short-form with additional details footnoted.[5]

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

1. Growth and population projections for the affected area.

2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to affected spheres of influence.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.

4. Financial ability of agencies to provide services.

5. Status and opportunities for shared facilities.

[5] Determination No. 5 was added to the municipal service review process by Senate Bill 244 effective January 1, 2012. The definition of "disadvantaged unincorporated community" is defined under G.C. Section 56330.5 to mean inhabited territory that constitutes all or a portion of an area with an annual median household income that is less than 80 percent of the *statewide* annual median household income; the latter amount currently totaling $53,735 (*emphasis*).

6. Accountability for community service needs, including structure and operational efficiencies.

7. Matters relating to effective or efficient service delivery as required by policy.

1.4 LAFCO Decision-Making

> State law directs all LAFCO members to independently discharge their responsibilities for the good of the region and irrespective of the interests of their appointing authorities.

LAFCOs are generally governed by 11-member board comprising three county supervisors, three city councilmembers, three independent special district members, and two representatives of the general public. Some larger LAFCOs – including San Diego – also have additional board seats dedicated to specific cities as a result of special legislation. All members 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. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs have sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process. All LAFCOs are independent of local government with the majority employing their own staff; an increasingly smaller portion of LAFCOs, however, choose to contract with their local county government for staff support services. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the membership. All LAFCOs must also appoint their own legal counsel.

1.5 Prescriptive Funding

CKH prescribes local agencies fully fund LAFCOs' annual operating costs. Counties are generally responsible for funding one-third of LAFCO's annual operating costs with remainder one-third portions allocated to the cities/towns and independent special districts. The allocations to cities/towns and special districts are calculated based on standard formula using general tax revenues unless an alternative method has been approved by most of the local agencies. The funding proportions will also differ should the LAFCO have additional representation as a result of special legislation. LAFCOs are also authorized to collect proposal fees to offset local agency contributions.

2.0 SAN DIEGO LAFCO

2.1 Adopted Policies and Procedures

The majority of San Diego LAFCO's ("Commission") existing policies and procedures were initially established in the 1970s and subsequently updated in the 2000s in step with the enactment of CKH. These policies and procedures collectively guide the Commission in implementing LAFCO law in San Diego County in a manner consistent with regional growth management priorities as determined by the membership with sufficient discretion to address local conditions. This includes overarching policies and procedures to align present and planned urban uses with existing cities and special districts. The Commission has also established pertinent policies and procedures specific to preparing sphere updates and municipal service reviews. This includes direction to the Executive Officer to regularly prepare municipal service reviews in appropriate scope and level to inform the Commission in updating spheres in regular five-year intervals (L-109).

2.2 Commission Information

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. The Commission holds regular meetings on the first Monday of each month at the County of San Diego Administration Center located at 1600 Pacific Highway in San Diego, California. Meetings start at 9:00 A.M in Room 301 and live streamed at www.sdlafco.org. Agenda materials are posted online generally no less than one week in advance.

The Commission roster as of February 2022 follows.



Andrew Vanderlaan
Chair
Public Member



Jim Desmond
Vice Chair
County of San Diego



Joel Anderson
Commissioner
County of San Diego



Chris Cate
Commissioner
City of San Diego



Jo MacKenzie
Commissioner
Vista Irrigation



Paul McNamara
Commissioner
City of Escondido



Mary Casillas Salas
Commissioner
City of Chula Vista



Baron Willis
Commissioner
Alpine Fire Protection



Kristi Becker
Alternate
City of Solana Beach



David Drake
Alternate
Special District Member



Harry Mathis
Alternate
Public Member



Nora Vargas
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego

2.3 Contact Information

San Diego LAFCO's administrative office is located in the Bankers Hill (West Park) section of San Diego at 2550 Fifth Avenue, Suite 725 in the Manchester Financial Center. Metered street parking is readily available. While LAFCO is open to the public Monday through Friday during normal business hours, appointments to discuss proposals or other matters are encouraged to ensure staff availability and can be scheduled by calling 619.321.3380. Communication by e-mail is also welcome and should be directed to lafco@sdcounty.ca.gov. Additional information regarding San Diego LAFCO's programs and activities is also available online by visiting www.sdlafco.org.

On behalf of staff,



Keene Simonds
Executive Officer

Blank for Photocopying

CHAPTER TWO | EXECUTIVE SUMMARY

1.0 OVERVIEW

This report represents San Diego LAFCO's scheduled municipal service review for the Fallbrook region in northcentral San Diego County. The report has been prepared by staff consistent with the scope of work approved by the Executive Officer. The underlying aim of the report is to produce an independent assessment of municipal services in the region over the next five years relative to the Commission's regional growth management duties and responsibilities as established by the Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of municipal services in the Fallbrook region and within the service areas of the four affected local agencies directly subject to the Commission's oversight. Information generated as part of the report will be used by the Commission in (a) guiding subsequent sphere of influence updates, (b) informing future boundary changes, and – if merited – (c) initiating government reorganizations, such as special district formations, consolidations, and/or dissolutions.

> The purpose of the report is to produce an independent "snapshot" of the level and range of services provided in the Fallbrook region and within the four local agencies directly under the Commission's oversight. The Commission will draw on the information generated in this report to inform future regulatory and planning actions.

1.1 Key Premises, Assumptions, and Benchmarks

The report has been oriented in scope and content to serve as an ongoing monitoring program on municipal services in the Fallbrook region. It is expected San Diego LAFCO will revisit the report and key assumptions and benchmarks approximately every five years consistent with the timetable set by the Legislature and memorialized under adopted policy. This will allow the Commission – among other tasks – to assess the accuracy of earlier projections and make appropriate changes in approach as needed as part of future reports. Other key premises, assumptions, and benchmarks underlying the preparation of this report follow.

Defining Scope | Affected Agencies Covered

The report explicitly evaluates four affected local agencies providing one or more municipal services in the Fallbrook region under the Commission's direct oversight. The four affected agencies – and in order of their formation dates – are Fallbrook Public Utility District (PUD), Rainbow Municipal Water District (MWD), County Service Area (CSA) No. 81, and North County Fire Protection District (FPD). Other local agencies that provide one or more municipal services in the region include – but not limited to – Fallbrook Regional Health Care District, Mission Resource Conservation District, and San Miguel MWD and are subject to review as part of separate reports under the Commission's adopted study schedule.

This report is specific to reviewing four local agencies under the Commission's oversight:

1. Fallbrook PUD
2. North County FPD
3. Rainbow MWD
4. CSA No. 81

Defining Scale | Municipal Services Covered

The report is scaled to review only the four affected agencies' active municipal service functions. The status and/or need for other municipal services in the region is not directly reviewed but referenced or documented as appropriate. The report is also scaled to distinguish between core service functions provided by the affected agencies in the region deemed by the Commission's Executive Officer to be most pertinent in supporting growth and development. This latter distinction produces two types of analysis among the active service functions: comprehensive and abbreviated. An example involves Fallbrook PUD with its potable water services receiving a comprehensive review while its recycled water services receive an abbreviated review.

Looking Back – Determining the Data Collection Range or Report Period

The period for collecting data to inform the Commission's analysis and related projections on population growth, service demands, and finances has been set to cover the five-year fiscal period from 2016 to 2020 with limited exceptions (i.e. July 1, 2016 through June 30, 2020). This data collection period – which covers the 60 months immediately preceding the start of work on the document – purposefully aligns with the five-year timeline for the report with the resulting data trends appearing most relevant in making near-term projections, i.e., data from the last five years is most pertinent in projecting trends over the next five years.

Looking Forward – Setting the Report's Timeframe & Known Jurisdictional Change Proposals to be Informed by the Analysis

The timeframe for the report has been oriented to cover the next five-year period through 2025 with the former (five years) serving as the analysis anchor as contemplated under State law. This timeframe is consistent with the five-year cycle prescribed for municipal service reviews and expected therein to inform all related sphere of influence and boundary actions undertaken in the region during this period. Markedly, this includes providing baseline information to inform three known jurisdictional change proposals on file with the Commission. Two of these known proposals involve coordinated requests by Fallbrook PUD and Rainbow MWD to change wholesale water providers by concurrently detaching from the San Diego County Water Authority and annexing into Eastern MWD (Riverside County). The third proposal involves a request by Fallbrook PUD to activate several latent powers and headlined by parks and recreation.

Calculating Population Estimates and Projections

Past and current residential population estimates in the report draw on data generated by Esri and their own mapping analyses of census tracts. This approach differs from past Commission practice to utilize estimates by the San Diego Association of Governments and done so given – among other factors – the ability of Esri's mapping software to readily sync with special district boundaries. Projections over the succeeding five-year period are made by LAFCO and apply the estimated growth trend over the last 60 months, i.e. population growth over the last five years is generally expected to hold over the next five years.

Focusing on Macro-Level Determinations

The report focuses on central service outputs with respect to quantifying availability, demand, and adequacy of municipal services provided in the Fallbrook region and within the four affected agencies. A prominent example involves focusing on annual system-wide demands generated during the five-year report period as opposed to specific service areas or zones. This approach informs macro-level determinations for all mandatory factors under statute. When applicable, the report notes the need for more micro-level analysis as part of addendums or future municipal service reviews.

Benchmarking Infrastructure Needs and Deficiencies

Similar to the preceding factor the report and its analysis focuses on average system demands generated in the affected agency's service area during the 60-month study period in benchmarking infrastructure needs or deficiencies. This broader focus on averages provides a more reasonable account of system demands and helps to control against one-year outliers in analyzing overall relationships with capacities.

Benchmarking Fiscal Solvency

Several diagnostic tools are used to assess and make related determinations on the affected agency's financial solvency based on a review of available audited information. This includes an emphasis on analyzing current ratio, debt-to-net assets, and total margin. These diagnostics provide the Commission with reasonable benchmarks to evaluate liquidity, capital, and margin and calculated to track overall trends and final year standing.

2.0 REPORT ORGANIZATION

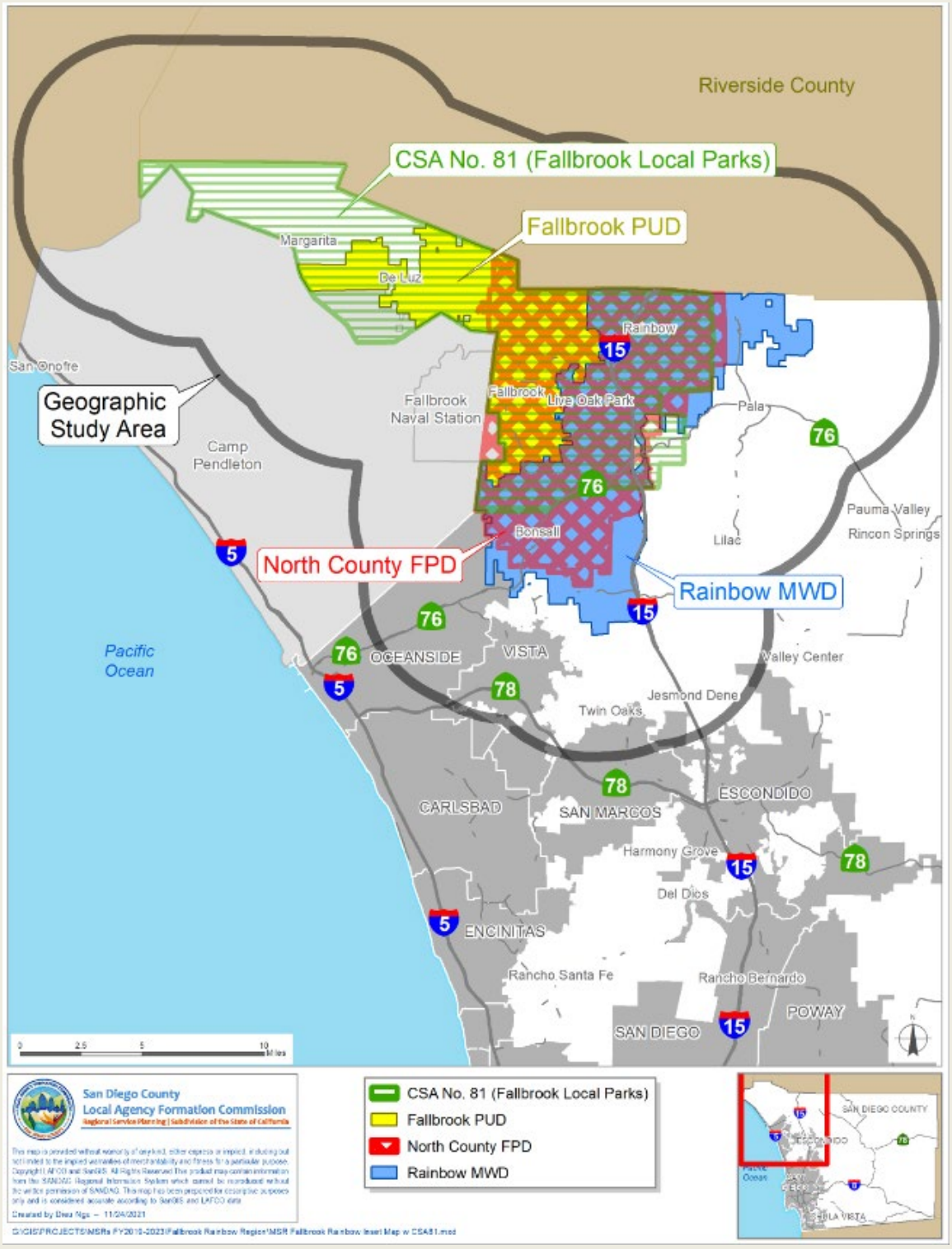
This chapter serves as the Executive Summary and outlines the key conclusions, recommendations, and determinations generated within the report.[6] This includes addressing the mandatory service and governance factors required by the Legislature whenever San Diego LAFCO performs a municipal service review. The Executive Summary is proceeded by individual agency profiles (Chapter Three) of the four affected local agencies covered in this report that provide one or more municipal service functions in the Fallbrook region. The profiles transition between narrative descriptions of the background and development of these agencies' service areas to quantifying specific data-driven categories. This includes quantifying demographic trends, service capacities, and financial standing.

3.0 GEOGRAPHIC AREA

The geographic area designated for this municipal service review is approximately 662 square miles in size. The geographic area has been purposefully designated by the Executive Officer to cover all four affected local agencies jurisdictional boundaries and spheres of influence as well as immediately adjacent lands within five miles. The geographic area is shown below along with marking the existing boundaries and spheres of the affected agencies.

[6] The Executive Summary purposefully distinguishes between "conclusions," "determinations," and "recommendations." Conclusions refer to general policy takeaways. Determinations address specific legislative factors. Recommendations address specific actions that are drawn from the determinations.

FALLBROOK REGION



4.0 REPORT SUMMARY

4.1 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.

> 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.

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.[7] 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

> 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.

[7] The total amount of avocado acreage has decreased from 17,741 in 2016 to 14,421 in 2020 based on recent Ag Commissioner Reports.

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 within each of the agency profiles.

- **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.[8] 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.[9] 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.

[8] The previous municipal service review on record covering the local agencies in the Fallbrook region dates to 2007 and is part of an abbreviated documentation of service functions for all special districts in San Diego County.
[9] Previously dissolved special districts in the Fallbrook region are Fallbrook Irrigation District, Del Luz Heights MWD, Fallbrook Sanitary District, and CSA No. 7.

- **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.

- **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.

- **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.

4.2 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 within 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.

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.

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 access to the Board while remedying logistical obstacles (work, childcare, etc.) and further spotlight decision-making.

11. The Commission should prepare a future informational report to advise on current statutory thresholds and the associated incorporation opportunities within 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.

5.0 WRITTEN DETERMINATIONS

San Diego LAFCO is directed to prepare written determinations to address the multiple governance factors enumerated under Government Code Section 56430 anytime it prepares a municipal service review. These determinations serve as independent statements based on information collected, analyzed, and presented in this report. The underlying intent of the determinations are to provide a succinct detailing of all pertinent issues relating to the funding, administration, and delivery of public services provided by the four affected agencies specific to the Commission's growth management role and responsibilities in San Diego County. An abbreviated version of these determinations will be separately prepared for Commission consideration and adoption in conjunction with receiving the final report at a noticed hearing.

> These determinations address the specific factors required in statute as part of the municipal service review process and represent statements of reasonable facts or deductions as legislatively determined by San Diego LAFCO and based on information analyzed between 2016 and 2020

5.1 Growth Projections & Related Demographics

1. San Diego LAFCO independently estimates the fulltime resident population within the affected agencies in the Fallbrook region at the end of the report period as follows.

   (a) 33,986 residents within Fallbrook PUD.

   (b) 22,130 residents within Rainbow MWD.

(c) 53,003 residents within North County FPD.

(d) 49,085 residents within CSA No. 81.

2. San Diego LAFCO independently estimates annual population growth rate within the affected agencies in the Fallbrook region during the five-year report period as follows.

   (a) 0.4% annual population growth rate within Fallbrook PUD.

   (b) 1.4% annual population growth rate within Rainbow MWD.

   (c) 0.7% annual population growth rate within North County FPD.

   (d) 0.6% annual population growth rate within CSA No. 81.

3. At a minimum, it is reasonable to assume recent growth trends in the Fallbrook region will continue over the next five-year period and will result in the following population changes within the affected agencies by 2025.

   (a) The projected total population in Fallbrook PUD will increase by 592 – or 118 annually – and reach 34,578 by 2025.

   (b) The projected total population in Rainbow MWD will increase by 1,332 – or 266 annually – and reach 23,462 by 2025.

   (c) The projected total population in North County FPD will increase by 1,835 – or 367 annually – and reach 54,838 by 2025.

   (d) The projected total population in CSA No. 81 will increase by 6,915 – or 1,383 annually – and reach 50,600 by 2025.

4. Fallbrook PUD's and CSA No. 81's annual growth rate of 0.4% and 0.6% during the five-year period, respectively, finished below the corresponding change for San Diego County at 0.7%.

5. The Fallbrook region's location near existing transportation corridors (State Route 76 and Interstate 15) and inclusion in the San Diego County Water Authority and Metropolitan Water District of Southern California's wholesale water jurisdictions suggests substantive growth will occur in the future – though not necessarily in the timeframe of this report.

6. With respect to housing and relative costs within the Fallbrook region, San Diego LAFCO independently makes the following statements.

   (a) Housing production in Fallbrook PUD netted 160 new units during the five-year report period with an ending total of 12,090. The average monthly housing cost at the end of the report period is $1,728. This amount is 11% higher than the county average and equals 28.6% of residents' average household income.

   (b) Housing production in Rainbow MWD netted 410 new units during the five-year report period with an ending total of 8,989. The average monthly housing cost at the end of the report period is $1,748. This amount is 11% higher than the county average and equals 28.4% of residents' average household income.

   (c) Housing production in North County FPD netted 550 new units during the five-year report period with an ending total of 19,793. The average monthly housing cost at the end of the report period is $1,746. This amount is 11% higher than the county average and equals 28.5% of residents' average household income.

   (d) Housing production in CSA No. 81 netted 518 new units during the five-year report period with an ending total of 18,434. The average monthly housing cost at the end of the report period is $1,767. This amount is 11% higher than the county average and equals 28.9% of residents' average household income.

7. 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 the next scheduled municipal service review. This should include assessing potential impacts tied to the recent passage of Senate Bill 9 (Weiner) and allowance for additional lot splitting.

8. The estimated loss of nearly (one-fifth) of avocado acreage in the Fallbrook region during the five-year report period is alarming and counterproductive to 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.

9. A review of demographics among the affected agencies in the Fallbrook region during the five-year report period shows residents are more or less similar with one another with respect to age, income, and other social measurements. Notably, residents in the region tend to be measurably different relative to countywide averages with respect to being older, having higher household incomes, collecting retirement, and with less formal education.

5.2 Location and Characteristics of Any Disadvantaged Unincorporated Communities & Relevant Information on Water, Wastewater, and Fire Protection.

1. All affected agencies in the Fallbrook region have lands within their jurisdictional boundaries qualifying as disadvantaged unincorporated communities or under San Diego LAFCO policy.

2. The highest percentage of DUCs in the Fallbrook region lies within Fallbrook PUD with more than one-seventh – or 15% – of its jurisdictional boundary qualifying.

3. Rainbow MWD, North County FPD, and CSA No. 81's percentages of DUCs within their jurisdictional boundaries are 3%, 9%, and 9%, respectively.

4. Land immediately adjacent to the affected agencies in the Fallbrook region also qualify as DUCs under San Diego LAFCO policy. Additional analysis is needed to determine the percentage of these qualifying lands that concurrently lie within public water, wastewater, and fire protection service providers.

5.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies

1. The following statements apply to the Fallbrook PUD with respect to the availability, adequacy, and performance of its three active municipal service functions: a) potable water; b) wastewater; and c) recycled water.

(a) With respect to potable water services:

i. Fallbrook PUD's potable water function commenced in 1922 in conjunction with its formation and classified as retail under LAFCO statute and Rule No. 4.

ii. Fallbrook PUD's potable water service authorization covers its entire jurisdictional boundary. San Diego LAFCO estimates the population in the potable water service area at the end of the five-year report period at 23,360. This estimate represents 69% of the total estimated District population.

iii. Fallbrook PUD is currently dependent on pre-treated potable water supplies from the San Diego County Water Authority. Fallbrook PUD's current infrastructure capacities to the transmission line limit the maximum day supply access to County Water Authority supplies to 158.6-acre feet.

iv. Average day demands have equaled 25.1 acre-feet during the five-year report period with an overall change of (24.3%). This average demand measures 16% of Fallbrook PUD's accessible daily supplies and sufficient to meet current and anticipated demands through the report timeframe under normal conditions.

v. Peak-day demands have averaged 62.0 acre-feet during the five-year report period with an overall change of (5%). This average demand equals 39% of Fallbrook PUD's accessible daily supplies and sufficient to meet current and anticipated demands through the report timeframe under normal conditions.

vi. Estimated per capita daily uses have decreased by (21%) over the five-year report period from 377 gallons to 298 gallons. This overall decrease contrasts with the estimated 2% increase in population and attributed to substantial reductions in demand from agricultural users.

vii. Additional analysis is needed and merited to assess whether the portion of daily uses within Fallbrook PUD is dedicated to indoor use and the relationship therein in meeting the State of California's advisory target to limit capita usage to 55 gallons.

viii. Total storage within Fallbrook PUD's potable water service area is 103 acre-feet and rises to 1,453 acre-feet when Red Mountain Reservoir storage capacity is included. This storage capacity can accommodate up to four days of average day demands and increases to 58 days when storage from Red Mountain Reservoir is included.

ix. Potable water rates have increased by 47% for residential users and 50.0% for agricultural users during the period.

x. San Diego LAFCO should coordinate with the County of San Diego to identify active groundwater wells within Fallbrook PUD and incorporate the information into the next scheduled municipal service review.

(b) With respect to wastewater services:

i. Fallbrook PUD's wastewater function commenced in 1994 as successor agency to the Fallbrook Sanitary District. This active service function is classified as collection, treatment, and disposal under LAFCO statue and Rule No. 4.

ii. Fallbrook PUD's wastewater function is geographically limited by San Diego LAFCO to an internal area that spans approximately 4,200 acres and equals 15% of the jurisdictional boundary.

iii. The total wastewater service population for Fallbrook PUD at the end of the five-year report period is estimated by San Diego LAFCO at 13,794. This estimate represents 41% of the total estimated District population.

iv. The average daily flows generated during the report period in the Fallbrook PUD service area has been 1.488 million gallons with an overall change of 8.1%. More micro measurements follow.

- Average daily dry-weather flows – which serves as the best representation of household wastewater uses – over the five-year report period have been 1.450 million gallons with an overall change of 7.8%.

- Average daily wet-weather flows over the five-year report period have been 1.526 million gallons with an overall change of 8.7%.

- Average daily peak-day flows over the five-year report period have been 3.232 million gallons with an overall change of 43%. The former amount produces a moderate peak-factor relative to average day demands of 2.2.

v. Fallbrook PUD's wastewater system is presently operating at 55% capacity under normal conditions based on average day demands during the five-year report period. Capacity usage increases to 75% during peak wet periods and suggest excessive inflow and infiltration is entering the collection system.

vi. San Diego LAFCO should coordinate with the County of San Diego Environmental Health Department to identify active septic systems within Fallbrook PUD and incorporate the information into the next scheduled municipal service review.

(c) With respect to recycled water services:

i. Fallbrook PUD's recycled water function commenced in 1991 in conjunction with completing capital improvements at the Fallbrook Water Reclamation Facility and involves retail only. All retailed recycled water is tertiary.

ii. The average day retailing of recycled water has been 1.770 million gallons during the five-year report period with an overall change of (19%). The average day amount equals 22% of concurrent potable water sales during the period.

iii. The average recovery of produced recycled water into retail sales has been 41.4% during the report period with an overall change of (27.5%).

iv. San Diego LAFCO should address this active service function under Government Code Section 56425(i) as part of a future policy update to Rule No. 4 with respect to formally identifying the function, class, and authorized location as deemed appropriate by the Commission.

v. Additional information is needed to determine whether any services are retailed outside their boundary.

2. The following statements apply to the Rainbow MWD with respect to the availability, adequacy, and performance of its two municipal service functions under its Municipal Water District principal act: (a) potable water and (b) wastewater.

(a) With respect to potable water service:

i. Rainbow MWD's potable water function commenced in 1953 in conjunction with its formation and classified as retail under LAFCO statute and Rule No. 4.

ii. Rainbow MWD's potable water service authorization covers its entire jurisdictional boundary. San Diego LAFCO estimates the population in the potable service area at the end of the five-year report period at 17,003. This estimate represents 77% of the total estimated District population.

iii. Rainbow MWD is currently dependent on potable water supplies imported from the San Diego County Water Authority. Rainbow MWD's current infrastructure capacities to the transmission line limit the maximum day supply access from the County Water Authority to 398.9 acre-feet.

iv. Average day demands have equaled 46.5 acre-feet during the five-year report period with an overall change of (24.4%). This average demand measures 12% of Rainbow MWD's accessible daily supplies and sufficient to meet current and anticipated demands through the report timeframe under normal conditions.

v. Peak-day demands have averaged 127.0 acre-feet during the five-year report period with an overall change of 2%. This average demand equals 32% of Rainbow MWD's accessible daily supplies and sufficient to meet current and anticipated demands through the report timeframe under normal conditions.

vi. Estimated per capita daily uses have decreased by (29%) over the five-year report period from 1,030 gallons to 728 gallons. This overall contrasts with the estimated 5.6% increase in population and attributed to substantial reductions in demand from agricultural users.

vii. Additional analysis is needed and merited to assess whether the portion of daily uses within Rainbow MWD is dedicated to indoor use and the relationship therein in meeting the State of California's advisory target to limit capita usage to 55 gallons.

viii. Total storage within Rainbow MWD's potable water service area is 695.0 acre-feet. This storage capacity can accommodate up to 15 days of average day demands without recharge.

ix. Water rates have increased by 9.1% for residential users and 12.0% for agricultural users during the period.

x. San Diego LAFCO should coordinate with the County of San Diego to identify active groundwater wells within Rainbow MWD and incorporate the information into the next scheduled municipal service review.

(b) With respect to wastewater services:

i. Rainbow MWD's wastewater function commenced in 1963 in conjunction with the planned development of the Fallbrook Country Club area. This active service function is classified as collection, treatment, and disposal under LAFCO statue and Rule No. 4.

ii. Rainbow MWD's wastewater service function is authorized throughout the jurisdictional boundary less future action by San Diego LAFCO. This function is also anchored by an agreement with the City of Oceanside to treat and dispose raw sewer flow generated within the MWD jurisdictional boundary.

iii. The total wastewater service population for Rainbow MWD at the end of the five-year report period is estimated by San Diego LAFCO at 9,384. This estimate represents 42% of the total estimated District population.

vii. The average daily flows generated during the five-year report period in the Rainbow MWD service area has been 0.714 million gallons with an overall change of 33%. More micro measurements follow.

- Average daily dry-weather flows – which serves as the best representation of household wastewater uses – over the five-year report period have been 0.702 million gallons with an overall change of 30.7%.

- Average daily wet-weather flows over the five-year report period have been 0.721 million gallons with an overall change of 36.7%.

- Average daily peak-day flows over the five-year report period have been 0.795 million gallons with an overall change of 43%. The former amount produces a low peak-factor relative to average day demands of 1.1.

iv. Rainbow MWD's wastewater system is presently operating at 48% capacity under normal conditions based on average day demands during the five-year report period. Capacity usage increases to 53% during peak wet periods and suggest minimal inflow and infiltration is entering the collection system.

v. San Diego LAFCO should coordinate with the County of San Diego Environmental Health Department to identify active septic systems within Rainbow MWD and incorporate the information into the next scheduled municipal service review.

3. The following statements apply to the North County FPD with respect to the availability, adequacy, and performance of its five municipal service functions available under the Fire Protection District principal act: (a) fire protection; (b) emergency medical services; (c) ambulance; (d) hazardous materials response; and (e) weed abatement (fuel reduction).

(a) With respect to integrated fire protection, emergency medical, and ambulance services:

i. North County FPD's integrated fire protection, emergency medical, and ambulance services function commenced in 1987 as successor agency to Fallbrook FPD and CSA No. 7 and classified as structural and advanced life support under LAFCO statute and Commission Rule No. 4.

ii. North County FPD's integrated fire protection, emergency medical, and ambulance services function is authorized throughout the jurisdictional boundary less any future action by San Diego LAFCO.

iii. North County FPD's integrated fire protection, emergency medical, and ambulance services are provided through the North County Dispatch JPA and delivered out of five fire stations with total public safety staffing at 66.0 at the end of the five-year report period. This latter amount represents 1.25 public safety personnel for every 1,000 residents in the FPD.

iv. The average demand for onsite integrated fire protection, emergency medical, and ambulance services within North County FPD during an abbreviated report period (FY2018 to 2020) has been 5,166 annually or 14.2 per day. Overall demands during the period have increased by 7.3%

v. North County FPD responded on average – exclusively or in combination with outside agencies – to 99.0% of all onsite incidents involving fire protection and emergency medical in its jurisdiction during an abbreviated report period (FY2018 to 2020).

vi. North County FPD has a low dependency on outside agencies to cover fire protection and emergency medical needs with an average of only 10 out of 100 onsite incidents in the jurisdictional boundary necessitating outside aid during an abbreviated reporting period (FY2018 to 2020).

vii. Approximately 58% of all onsite incidents responded to by North County FPD resulted in ambulance transport to an area hospital during an abbreviated report period (FY2018 to 2020). The number of ambulance transports increased by approximately 4% during this period.

viii. The overall increase in demands during the five-year report period can be directly attributed to the closure of Fallbrook Hospital in December 2014. While data for this time period is not included in this report, the net impact of increasing demands for service plus a doubling of ambulance transport time has caused North County FPD to restructure its staffing to provide an additional dedicated full-time ambulance.

ix. Despite this increasing demand for service, North County FPD has managed to maintain its response time standards of 93%, 87% and 99% to urban, suburban, and outlying areas (respectively). It has also reduced reliance on automatic aid by 7%, while simultaneously augmenting automatic aid to surrounding communities by 25%.

(b) With respect to hazardous materials response services.

i. San Diego LAFCO should develop performance measurements in consultation with North County FPD and other fire service providers with respect to hazardous materials response and incorporate the analysis into future reports.

(c) With respect to weed abatement (fuel reduction) services:

i. San Diego LAFCO should develop performance measurements in consultation with North County FPD and other fire service providers with respect to weed abatement and related fuel reduction activities and incorporate the analysis into future reports.

4. The following statements apply to CSA No. 81 with respect to the availability, adequacy, and performance of its two active and integrated municipal service functions: (a) parks and (b) recreation.

i. CSA 81's integrated park and recreation services function was established at the time of the District's formation in 1976.

ii. San Diego LAFCO should address this active integrated service function under Government Code Section 56425(i) as part of a future policy update to Rule No. 4 with respect to formally identifying the function, class, and authorized location as deemed appropriate by the Commission.

iii. CSA 81's public facilities are currently divided between four community park sites totaling 13 acres. Three community park sites are located within Fallbrook with the fourth in Rainbow. There are no community parks in De Luz.

iv. CSA 81's current available parkland produces a ratio of 0.26 acres for every 1,000 residents. This ratio is significantly below baseline standards established by the State of California for local communities under the Quimby Act, which specifies 3.0 acres for every 1,000 residents. This amount – separately – falls below the County's own adopted standard of providing 10 acres of local parks for every 1,000 residents.

5. Additional information is needed to determine the number of mutual water companies operating in the Fallbrook region. Consistent with LAFCO statute, the Commission defers this analysis to a future informational report.

5.4 Agencies' Financial Ability to Provide Services

1. All affected agencies in the Fallbrook region operate with different financial resources in providing municipal services to their constituents. All four agencies also – albeit differently – experienced fiscal stress during the five-year report period.

2. The following determinations are specific to Fallbrook PUD.

   (a) Fallbrook PUD experienced an overall increase of 25% in its audited net position during the five-year report period from $79.3 million to $98.7 million.

   (b) The unrestricted and spendable portion of Fallbrook PUD's net position at the end of the five-year report period less reportable pension and related retirement liabilities equals 7.2 months of actual operating expenses.

   (c) Fallbrook PUD's actual operating expenses increased by 19% during the five-year report period. This amount is one-third higher than the corresponding 14% increase in actual revenues for Fallbrook PUD and merits revisiting in the next scheduled municipal service review to assess whether the imbalance is structural.

   (d) Standard measurements to assess liquidity, capital, margin, and equipment replacement levels shows Fallbrook PUD experienced mostly downward trends during the five-year report period but nonetheless finished at or above industry standards with the exception of debt. With this context in mind, the following statements apply:

      i. Liquidity levels as measured by days' cash available to Fallbrook PUD declined during the five-year report period by (24%) from 288 to 219 days with the latter amount providing 31 weeks of accessible cash to cover normal operating costs.

      ii. Capital levels as measured by Fallbrook PUD debt-to-net position declined during the five-year report period by (one-fourth) from 60% to 74% with the latter amount reflecting the portion of the District's overall net position tied to outside borrowing. This is a high level of debt and merits attention.

      iii. The average total margin for Fallbrook PUD during the five-year report period has been 7%. Four of the five years finished with positive ratios.

iv. The replacement rate of capital infrastructure improved by one-fourth from 17 to 12 years. This is exceptionally low (good) for a utility.

v. Fallbrook PUD's combined funded ratio for pension obligations with CalPERS at the end of the five-year report period finished at 70.5% and considered average to below average. This ratio has also decreased overall by (2.6%) over the prior report period.

vi. To help offset the increase in the unfunded liability, Fallbrook PUD elected to establish a 115 Trust and when added the funded ratio increases to 83%.

vii. Fallbrook PUD's employer pension contribution at the end of the five-year report period equals 27% of payroll. This amount represents an overall increase of 43% over the preceding 48 months in which information from CalPERS is readily available.

3. The following determinations are specific to Rainbow MWD.

(a) Rainbow MWD experienced an overall decrease of (6%) in its audited net position during the five-year report period from $93.3 million to $88.2 million.

(b) The unrestricted and spendable portion of Rainbow MWD's net position at the end of the five-year report period less reportable pension and related retirement liabilities equals 2.8 months of actual operating expenses.

(c) Rainbow MWD's actual operating expenses increased by 16% during the five-year report period. This amount is four-times higher than the corresponding 3% increase in actual revenues for Rainbow MWD and merits revisiting in the next scheduled municipal service review to assess whether the imbalance is structural.

(d) Standard measurements to assess liquidity, capital, margin, and equipment replacement levels shows Rainbow MWD experienced mostly downward trends during the five-year report period but nonetheless finished at or above industry standards. With this context in mind, the following statements apply:

i. Liquidity levels as measured by days' cash available to Rainbow MWD declined during the five-year report period by (26%) from 210 to 156 days with the latter amount providing 22 weeks of accessible cash to cover normal operations.

ii. Capital levels as measured by Rainbow MWD's debt-to-net position declined during the five-year report period by (three-fourths) from 24% to 43% with the latter amount reflecting the portion of the District's overall value (net position) tied to outside borrowing.

iii. The average total margin for Rainbow MWD during the five-year report period has been (9%). All five years finished with negative ratios.

iv. The replacement rate of capital infrastructure at Rainbow MWD declined by (two-thirds) from 24 to 40 years. Despite the sharp decline, this ending amount is considered averaged for a utility.

v. Rainbow MWD's combined funded ratio for pension obligations with CalPERS at the end of the five-year report period finished at 74% and considered average. This ratio decreased overall by (2%) over the prior five-year report period.

vi. Rainbow MWD's employer pension contribution at the end of the five-year report period equals 33% of payroll. This amount represents an overall increase of 27% over the preceding 48 months in which information from CalPERS is readily available.

4. The following determinations are specific to North County FPD.

(a) North County FPD experienced an overall decrease of (25%) in its audited net position during the five-year report period from ($12.4 million) to ($15.5 million).

(b) The decrease in net-position is attributed to a steep increase in non-current liabilities and primarily tied to a June 2020 issuance of pension obligations bonds. The bond proceeds were sent to CalPERS to reduce the unfunded actuarial liability (UAL) to zero occurred in 2020 however, this pay down of the UAL debt will not be reflected in the District's financial statements until 2021.

(c) The unrestricted and spendable portion of North County FPD's net position at the end of the five-year report period less reportable pension and related liabilities equals 15.1 months of actual operating expenses.

(d) North County FPD's actual operating expenses increased by 125% during the five-year report period and 13% when excluding the last year and the cost of issuing

pension bonds. Focusing only on the first four years, the rise in actual expenses is one-half below than the corresponding 20% increase in actual revenues.

(e) Standard measurements to assess liquidity, capital, margin, and equipment replacement levels shows North County FPD experienced mostly negative trends during the five-year report period and generally finished at or below industry standards. With this context in mind, the following statements apply:

i. Liquidity levels as measured by days' cash available to North County FPD declined during the five-year report period by (24%) from 81 to 62 days with the latter amount providing nine weeks of accessible cash to cover normal operating costs.

ii. Capital levels as measured by North County FPD's debt-to-net position declined during the five-year report period by (four-fifths) from 228% to 411% with the latter amount reflecting the portion of the District's overall value (net position) tied to outside borrowing.

iii. The average total margin for North County FPD during the five-year report period has been (23%). Three of the five years finished with negative ratios.

iv. The replacement rate of capital infrastructure at North County FPD improved by more than one-fourth from 17 to 12 years. This amount is considered good.

v. North County FPD's combined funded ratio for pension obligations with CalPERS at the end of the five-year report period is 89% and considered above average. This ratio also increased by 22% over the prior five-year report period.

vi. North County FPD's employer pension contribution at the end of the five-year report period equals 41% of payroll. This amount represents an overall increase of 19% over the preceding 48 months in which information from CalPERS is readily available.

(f) North County FPD has attempted to improve its fiscal structure and reduce its long-term liabilities via the issuance of $20.3 million in pension obligation bonds in FY 2019-2020 and in so doing generating the referenced improvement to its funded status from 73% to 89%. At this juncture, structural improvement is primarily evidenced by reducing its equipment replacement timeline by 20% and

is noteworthy given that it has increased staff overall by 5% to respond to increasing demands for service.

5. The following determinations are specific to CSA No. 81.

   (a) The County of San Diego is fiducially responsible for CSA No. 81 and its integrated parks and recreation services function.

   (b) The County of San Diego's audited net position specific to governmental activities experienced an overall increase of 16.9% during the five-year report period from $2.639 billion to $3.085 billion.

   (c) The unrestricted and spendable portion of the County's net position at the end of the five-year report period less reportable pension and related liabilities equals 11.3 months of the County's actual operating expenses.

   (d) Actual operating expenses specific to CSA No. 81 decreased by (12.9%) during the five-year report period and attributed to the consolidation of an after-school program at the Fallbrook Community Center and associated loss of user fees.

   (e) Actual operating revenues specific to CSA No. 81 decreased by (32.4%) during the five-year report period and attributed to the loss of an after-school program at the Fallbrook Community Center.

   (f) Standard measurements to assess liquidity, capital, margin, and equipment replacement levels shows the County experienced downward trends during the five-year report period.

      i. Liquidity levels as measured by the current ratio for the County declined during the five-year report period by (17.3%) from 6.2 to 5.1, however finished relatively healthy with a 5 to 1 ratio representing $5.10 in cash for each $1.00 in near-term obligations

      ii. Capital levels as measured by the County's debt-to-net position declined during the five-year report period by (5.3%) from 177% to 186% with the latter amount reflecting the portion of the District's overall value (net position) tied to outside borrowing.

iii. The average total margin for the County during the five-year report period remained positive overall with an average of 3.5%, however experienced an overall decline of three-fifths – or (59.3%) – during the report period.

iv. The replacement rate of capital infrastructure at the County slightly declined from 14 to 15 years. This amount is considered good.

v. The County's composite funded ratio for pension obligations with the San Diego County Employees Retirement Association at the end of the five-year report period finished at 72.9% based on market value and is considered average to industry standards. This ratio has increased overall by 1.9% over the 60-month period.

6. 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.

5.5 Status and Opportunities for Greater Efficiencies, Shared Facilities & Resources

1. All affected agencies in the Fallbrook region have proactively established responsive shared resources with other agencies in fulfilling their responsibilities to provide specified municipal functions to their respective constituents. Examples follow.

   (a) Fallbrook PUD and Rainbow MWD maintain mutually beneficial interties with one another as well as with the City of Oceanside to receive and provide potable water in the event of emergency or planned service interruptions to the San Diego Aqueduct.

   (b) Fallbrook PUD and the United States Marine Corps are partnering in establishing a new conjunctive water use project that will provide PUD a new and local potable water supply drawn from the Santa Margarita River Watershed. This project is scheduled to go online within the report timeline and – among other benefits – is expected to meet approximately one-half of all PUD potable water demands going forward.

   (c) Rainbow MWD has been effective in contracting out its wastewater disposal activity (class) through a long-standing agreement with City of Oceanside. This agreement dates to 1973 and through subsequent and timely amendments provides Rainbow MWD sufficient capacity to Oceanside's wastewater

treatment facility to meet current and anticipated MWD flows while avoiding duplicative infrastructure costs.

(d) North County FPD is part of a Joint-Powers Authority known as "North Comm" and includes the Cities of Vista, San Marcos, Solana Beach, Oceanside, Encinitas, and Carlsbad. This arrangement provides efficiencies for the member agencies and their constituents by providing dispatching emergency communication services for public safety within the member agencies' boundaries.

(e) North County FPD maintains a joint-powers agreement with the Fallbrook Regional Healthcare District to collaborate on various community health related initiatives within their overlapping jurisdictional boundaries. This arrangement – and among other shared benefits – has positioned North County FPD to become a leader in "paramedical health" services in San Diego County.

(f) North County FPD through its Community Risk Reduction Division collaborates with CalFire and a multitude of other agencies within San Diego County to provide reduction activities, investigation, and enforcement services associated with fire events.

(g) North County FPD maintains two distinct internal taxing authorities: its own and the Rainbow Fire Protection Subzone, which is a remnant of the former CSA No. 7 operations. To provide greater clarity and administrative simplicity, North County FPD should explore dissolution of the Rainbow Fire Protection Subzone and consolidate its taxing authority into one District-wide unit.

(h) CSA No. 81's integrated park and recreation service function benefits from the economies of scales generated through its contract management by the County of San Diego and its Parks and Recreation Department. This arrangement provides mutual benefit to both agencies and shared constituents by providing complementary and coordinated park and recreation amenities in the region.

5.6 Local Accountability and Government Restructure Options

1. The gradual consolidation of local government in the Fallbrook region over the last several decades and marked by the reduction of one-half of special districts has been successful in economizing costs while maintaining an appropriate level of local control.

2. Opportunities for additional consolidations in the Fallbrook region appear notionally plausible – and in some cases presumably probable over the long term – given overlapping and/or adjacent boundaries with common services powers. No information collected and analyzed in this report suggest the timing of any consolidations are imminent or otherwise merit initiation by San Diego LAFCO relative to its interests and duties.

3. All affected agencies in the Fallbrook region are governed by responsive officials and illustrated by holding regular monthly meetings, timely posting agendas and minutes online, and employing professional staff to manage day-to-day business. These measurable actions create trust with constituents and help ensure their ongoing financial investment via taxes, assessments, and user charges are warranted.

4. Fallbrook PUD, Rainbow MWD, and North County FPD can enhance their accountability by permanently live-streaming and posting board meetings online. These efforts grants constituents and other interested parties' immediate access to the Board while remedying logistical obstacles (work, childcare, etc.) and allows people – live or otherwise – to observe the decision-making.

5. It is reasonable to assume interest in incorporation will resurface in the Fallbrook region and specifically within the Town of Fallbrook given past inquiries coupled with its standing as one of the largest unincorporated communities with increasing property and sale tax bases. Accordingly, and to help apprise future decision-making, it would be beneficial for San Diego LAFCO to prepare an informational report to advise on current statutory thresholds and associated incorporation opportunities in San Diego County to include Fallbrook as well as other potential areas identified by the Commission.

6. The 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. Should the Commission see fit to approve the proposal, it 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 community needs and – pertinently – serves as the preferred transitional vehicle to a potential future incorporation.

7. 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.

8. 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' existing boundaries and/or spheres of influence. Accordingly, and absent new information, it would be appropriate for San Diego LAFCO to proceed with updating and affirming – with no changes – these agencies' spheres of influence upon completion of the municipal service review.

9. Notwithstanding other considerations, a boundary adjustment between San Diego and Riverside Counties appears geographically merited to expand the former to reflect existing accessibility. San Diego LAFCO should coordinate with Riverside LAFCO in assessing the political merits of a boundary change and related input therein by affected landowners and residents and proceed as appropriate with the respective Board of Supervisors.

CHAPTER FOUR | AGENCY PROFILES

A. FALLBROOK PUBLIC UTILITY DISTRICT

1.0 OVERVIEW

Towne Centre in Fallbrook
Intersection of South Mission and Ammunition Roads



Photo Credit: Google Maps (2021)

The Fallbrook Public Utility District (PUD) is an independent special district originally formed in 1922. Formation proceedings were initiated by local landowners to organize the delivery of water supplies diverted from the Santa Margarita River to support agricultural groves. Fallbrook PUD later became one of the original members of the San Diego County Water Authority in step with securing wholesale water supplies from the Colorado River to accommodate an influx of residential development beginning in the 1940s. The jurisdictional boundary spans 44 square miles and is entirely unincorporated. Nearly nine-tenths of all jurisdictional acreage is under private ownership with 41% of this amount still undeveloped. The unincorporated community of Fallbrook anchors the jurisdictional boundary and largely comprises residential and local-serving businesses. Overall, the jurisdictional boundary covers 1.0% of San Diego County. Governance is provided by a five-person Board. Each member of the Board is elected by registered voters within their designated division or "subdistrict" to a four-year term. The average tenure on the Board among current elected members is nine years.

Fallbrook PUD is currently organized as a limited-purpose agency with municipal operations tied to three active service functions: (a) potable water; (b) wastewater; and (c) recycled water with the latter two services limited to certain geographic areas within the jurisdictional boundary. Fallbrook PUD is also eligible – subject to LAFCO approval – to provide additional functions under its principal act to include in part fire protection, community recreation, communications, solid waste and

> Fallbrook PUD is presently authorized by LAFCO to provide three distinct service functions: potable water; wastewater, and recycled water with the latter two limited to certain areas within the jurisdiction.

garbage, street lighting, road maintenance, drainage, transportation, and electric services.[10] Fallbrook PUD's actual budget expense at the end of the report period in 2019-2020 is $33.2 million and reflects an overall change of 19.0%. It also reflects a per capita expense of $977. The audited net position at the end of the report period totals $98.7 million with the unrestricted portion tallying $6.3 million. The unrestricted amount is adjusted to $112.4 million less pension and related retiree liabilities and equivalent to covering seven months of recent actual operating expenses.

LAFCO independently estimates the fulltime resident population within Fallbrook PUD's jurisdictional boundary is 33,986 at the term of the report period. It is also projected the estimate of fulltime residents represents an overall increase of 1,183 since 2010 – or 118 annually – with a resulting annual growth rate of 0.4%, which falls substantially below the corresponding countywide rate of 0.7%. The estimated population is directly supported by 12,090 housing units, which has increased since 2010 with the construction or otherwise addition of 315 new units. The median household income among residents within Fallbrook PUD is $72,497 based on the current five-year period average and one-tenth above than the countywide average of $66,529. Residents are currently spending 28.6% of their household income on rent or mortgage payments.

2.0 BACKGROUND

2.1 Community Development

Fallbrook PUD's service area began its present-day development in the late 1700s. The genesis of the development ties to the Payomkawichum people – called Luiseños by the Spanish newcomers – establishing permanent villages along the Santa Margarita and San Luis Rey Rivers in conjunction with the construction of nearby Mission San Luis Rey in 1769. These villages generally continued uninterrupted into the next century when rule of California transitioned from Spain to Mexico and Governor Pio Pico granted "Rancho Monserate" to his brother in-law Ysidro Alvarado in 1846. The Rancho Monserate land

Watkins Brothers' Livery Feed
Stage Coach Lane, Fallbrook (1890s)



Photo Credit: San Diego History Center

[10] A proposal has been submitted by Fallbrook PUD requesting Commission approval for activation of the PUD's park and recreation service power. The proposed latent power activation is presently pending Commission hearing.

grant covered close to 13,330 acres and helped to transition the largely unimproved lands in the region towards cultivated agricultural and ranching uses. It similarly ushered in an initial wave of adobe, stone, and wood houses to accommodate the arrival of outsiders to work the farms and ranches. Homesteaders were also drawn to the region following the end of Mexican Rule. The arrival of outside homesteaders included Vital Reche and his family who settled in the present-day site of Live Oak Park at the end of the 1860's and named their 160-acre ranch "Fall Brook" after their former home in Pennsylvania. The name "Fallbrook" soon applied to the surrounding lands in step with the arrival of the Santa Fe Railroad's California Southern line connecting San Diego with Los Angeles, Temecula, San Bernardino, and points in the north. The present Fallbrook town site was platted in 1885.

The first official census performed estimated the Fallbrook township's population at 415 in 1890. Fallbrook's population expanded to nearly 1,000 by 1920 and supported with the development of successful commercial olive and citrus groves – including the establishment of the Fallbrook Citrus Association's Sunkist processing facility. Other crops began to follow – headlined by avocados – and contributed to Fallbrook's continued and gradual development as a socially and economically distinct township in North San Diego County.

Fallbrook Hotel
Circa 1880's



Courtesy: San Diego History Center

Organized water service in Fallbrook commenced – at least on paper – with the establishment of the Fallbrook Water and Power Company in 1887 with plans therein to construct a flume, dam, and storage reservoir to convey water from the Temecula River. However, financing for these proposed improvements stalled due to disputes with area landowners and led to the concurrent closure of the Fallbrook Water and Power Company and formation of the Fallbrook Irrigation District in 1891. Several legal disputes followed, and the Fallbrook Irrigation District ultimately dissolved without having delivered any actual water.

2.2 Formation Proceedings

Fallbrook PUD was officially formed in June 1922 to provide potable water service with an initial jurisdictional boundary of one square mile covering the downtown area of Fallbrook. Formation proceedings were facilitated by the Fallbrook Chamber of Commerce in conjunction with a coordinated campaign to promote business opportunities along Main Street. Formation was paired with an initial bond offering to fund the construction of a basic community water system tied to groundwater sites near Live Oak Park.

2.3 Post Formation Proceedings

A summary of notable activities undertaken by Fallbrook PUD and/or affecting the service area following formation in 1922 are provided below:

- Fallbrook PUD annexes approximately 4,500 acres in conjunction with the dissolution of the Fallbrook Irrigation District in 1927.
- Fallbrook PUD expands its water supplies to include surface diversions from the Santa Margarita River in 1928.

- Metropolitan Water District of Southern California is formed in 1928 to develop an aqueduct to convey supplies from the Colorado River.

- Fallbrook PUD expands its groundwater sites to include wells in the San Luis Rey River basin in what is now part of the Rainbow MWD in 1939.

- Fallbrook PUD becomes a charter member agency of the San Diego County Water Authority upon its formation in 1944.

- Fallbrook PUD begins litigation with the United States in 1947 to establish vested water rights to the Santa Margarita River. The lawsuit, U.S. v. Fallbrook PUD, and subsequent appeals over the next six decades become the longest civil case in San Diego County.

- The County Water Authority annexes into the Metropolitan Water District of Southern California for wholesale distribution of imported Colorado River among the County Water Authority's own member agencies – including Fallbrook PUD – in 1947.

- The Fallbrook Sanitary District is formed in 1946 to provide wastewater service to the "Village" area of Fallbrook.

- The San Diego Aqueduct reaches North County and Fallbrook PUD receives the first wholesale supplies from the County Water Authority in 1948.

- The Fallbrook Hospital District (later Healthcare District) is formed in 1950 with funding to build and operate the Fallbrook Hospital.

- Fallbrook PUD discontinues drawing regular groundwater supplies in 1954.

- Fallbrook PUD annexes approximately 7,300 acres to the north in 1958 and providing direct connectivity to the Santa Margarita River Watershed.

- Fallbrook PUD annexes the Fallbrook Airpark site in 1966.

- Fallbrook PUD discontinues diversions from the Santa Margarita River in 1969.

- The Fallbrook Community Plan – part of the County of San Diego General Plan – is adopted in December 1974 by the Board of Supervisors.

- The County Water Authority expands its wholesale supplies via the Metropolitan Water District to include the State Water Project in 1978.

- A proposal to incorporate Fallbrook is approved by LAFCO but fails to win majority voter support in 1980.

- LAFCO adopts a coterminous sphere of influence for Fallbrook PUD in 1985.

- A second proposal to incorporate Fallbrook is approved by LAFCO but fails to win majority voter support in 1986.

- Fallbrook PUD commences its recycled water function in 1990 and begins distribution via a supply agreement for SR-76 landscape with the California Department of Transportation ("Caltrans").

- LAFCO approves the activation of Fallbrook PUD's wastewater service functions as part of a reorganization and dissolution of the Fallbrook Sanitary District in 1994. The activation is specific to the "Village" area.

- Fallbrook PUD annexes an 11,789-acre service area in step with serving as successor agency to the dissolved De Luz Heights Municipal Water District in 1990. The associated groundwater wells serving the area are discontinued in 1995.

- Fallbrook PUD acquires its remaining operational well in 1991 near Red Mountain Reservoir (Capra Well) which presently provides 1% of the District's water supply.

- Fallbrook PUD relocates a water rights permit from the District's property on the Santa Margarita River to Lake Skinner in 2005.

- Fallbrook PUD completes construction of an ultraviolet treatment facility for surface water stored at Red Mountain Reservoir in 2010.

- The Fallbrook Community Plan is updated by the Board of Supervisors in 2015.

- Fallbrook PUD and the Bureau of Reclamation complete a joint Environmental Impact Report in 2016 for the planned Santa Margarita Conjunctive Use project to divert river flows to subsurface storage for use by the PUD.

- Fallbrook PUD completes a $30 million-dollar renovation of its wastewater reclamation facility in 2016 which improves reliability and adds 2.2 million gallons of additional storage.

- Fallbrook PUD and Camp Pendleton sign the Santa Margarita Conjunctive Use Settlement in 2019. The key biproduct of the settlement involves the construction of a joint-use groundwater storage improvement, which was recently completed and expected to provide half of the District's projected water demands going forward.

3.0 BOUNDARIES

3.1 Jurisdictional Boundary

Fallbrook PUD's existing boundary spans approximately 44 square miles and covers 28,193 unincorporated acres. The jurisdictional boundary is entirely unincorporated. The unincorporated community of Fallbrook anchors the PUD jurisdictional boundary along with the smaller communities of De Luz, Live Oaks, and Winterhaven. The jurisdictional boundary equals 1.0% of all San Diego County and characterized by a village setting within Fallbrook with outlying lands consisting of rolling hills covered in avocado and citrus orchards as well as an increasing number of large residential estates. There are 17,524 registered voters in Fallbrook PUD at the end of the report period.

> Fallbrook PUD's jurisdictional boundary spans over 28,000 acres and closely equal in size to the City of Oceanside. Nearly two-fifths of Fallbrook PUD is the result of a 1990 annexation of the former boundary of the De Luz Heights MWD.

Fallbrook PUD's jurisdcitonal boundary includes an internal activiated wastewater service area set by LAFCO totalling 4,267 acres or 15.1% of the entire PUD. The number of registered voters within the wastewater service area is 11,115.

The total assessed value (land and structure) within Fallbrook PUD increased during the report period by 20.3% from $3.390 billion to $4.078 billion. The period ending amount translates to a per acre value ratio of $0.145 million as well as a per capita value of $0.120 million based on the estimated fulltime population of 33,986. Overall, Fallbrook PUD receives 5.0% of the annual 1.0% of property tax collected in the jurisdictional boundary and resulted in $1.9 million in 2019-2020.

Assessed property values in Fallbrook PUD have increased by one-fifth over the report period and finished with a $0.145 million per acre ratio.

The jurisdictional boundary is currently divided into 10,669 parcels and spans 27,636 acres.[11] Close to nine-tenths – 89.6% – of the parcel acreage is under private ownership with close to three-fifths having already been developed or improved to date, albeit not necessarily at the highest density as allowed under zoning. The remaining private acreage in Fallbrook PUD is undeveloped and consists of 1,470 vacant parcels that collectively total 10,178 acres.

59% of all privately-owned acreage in Fallbrook PUD has been developed to date. The remaining 41% of the private acreage in PUD is undeveloped and totals 10,178 acres.

Fallbrook PUD
Jurisdictional Boundary Characteristics
Table 3.1a (Source: San Diego LAFCO)

Total Jurisdictional Size	28,193 acres
Total Jurisdictional Parcels and Acreage (less rights-of-ways, etc.)	10,669 parcels totaling 27,636 acres
… Publicly Owned Parcels and Acreage	153 parcels totaling 2,871 acres
… Privately Owned Parcels and Acreage	10,516 parcels totaling 24,765 acres
… Undeveloped_Privately-Owned Parcels and Acreage	1,470 parcels totaling 10,178 acres
Total Number of Registered Voters	17,524
Total Assessed Value (Land and Structures)	$4.078 billion

More than one-tenth of Fallbrook PUD's jurisdictional boundary totaling 4,265 acres qualifies as disadvantaged unincorporated community (DUC) lands under San Diego LAFCO policy. This affected area also lies within the sphere of influence and generally overlays the village/downtown Fallbrook area.[12]

15% of Fallbrook PUD qualifies as a DUC with the affected households having an annual median household income of less than $54,191.

[11] The remaining 557 jurisdictional acres within Fallbrook PUD consists of public rights-of-way.
[12] This qualifying DUC area located within the Fallbrook village center area and is presently within public service providers for fire protection, water, and wastewater services.

Additional lands qualifying as disadvantaged unincorporated community lie to the immediate west of both Fallbrook PUD's jurisdictional boundary and sphere of influence and extends west to include the Marine Corps' Camp Pendleton.

3.2 Sphere of Influence

Fallbrook PUD's primary sphere of influence was established by San Diego LAFCO in January 1985 ahead of a statewide deadline set by the Legislature. The primary sphere covers all active service functions except wastewater and was most recently reviewed and updated in August 2007 and is entirely coterminous with the PUD jurisdictional boundary and spans 44 square miles or 28,193 acres. LAFCO established a secondary sphere for Fallbrook PUD in 1994 specific to wastewater services and done so in conjunction with the PUD serving as the successor agency to the dissolved Fallbrook Sanitary District. The secondary sphere captures 15.1% of the primary sphere and largely covers Fallbrook's downtown village area. There are no special study areas for either sphere. 15.1% of the primary sphere qualifies as disadvantaged unincorporated community lands. 71.1% of the secondary sphere qualifies as disadvantaged unincorporated community lands.

> LAFCO has established two sphere designations for Fallbrook PUD. The primary sphere covers most of PUD's service functions and is coterminous with the jurisdictional boundary. The secondary sphere is specific to PUD's wastewater function and generally captures the Fallbrook downtown village area. The existing sphere designations do not anticipate or otherwise serve to facilitate additional annexations for any service function.

3.3 Other Boundaries (Non LAFCO)

3.3.1 Land Use Boundaries

The County of San Diego General Plan was last updated in August 2011 and provides development policies and objectives for all unincorporated lands. Specific policies and objectives for lands within the Fallbrook PUD are primarily delegated and addressed in the Fallbrook Community Plan, which applies to nearly 60% of the jurisdictional boundary. The Fallbrook Community Plan was last updated by the Board of Supervisors in step with the County General Plan in August 2011 with four subsequent amendments having been approved during the report period. A 15-member advisory body stewards the document and concurrently provides design review. The document is premised on the following land use goal:

> 60% of Fallbrook PUD's jurisdictional boundary falls under the land use policies set by the County of San Diego in its Fallbrook Community Plan. This document was updated in August 2011 and has been amended four times during the five-year report period.

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

The remainder of the jurisdictional boundary – close to 40% – is covered under the yet to be completed Pendleton-De Luz Community Plan.

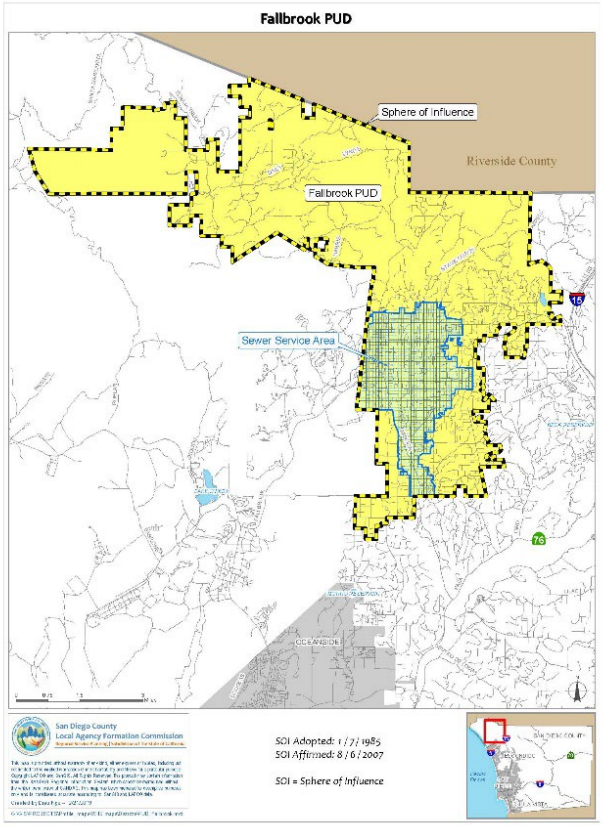
3.3.2 School District Boundaries

Fallbrook PUD's jurisdictional boundary contains three public school districts: Fallbrook Union Elementary; Fallbrook Union High School; and Vallecitos School District. A summary of key characteristics for each District follows.

Fallbrook PUD | Public School District Information
Table 3.3a (Source: Fallbrook & Vallecitos School Districts)

	Fallbrook Union Elementary	Fallbrook Union High	Vallecitos School
% within Fallbrook PUD	99%	99%	1%
Superintendent	Dr. Candace Singh	Ilsa Garza-Gonzalez	Maritza Koeppen
Grades Covered	K-8th Grade	9-12th Grade	K-8th Grade
Number of Schools	9	4	1
Total Enrollment in FY2016	5,506	2,312	190
Total Enrollment in FY2020	5,278	2,154	195
… Change in Enrollment	222 or 4.4%	(158) or (6.8%)	5 or 2.6%
Operating Budget in FY2016	$54,728,304	$31,940,656	$2,665,845
Operating Budget in FY2020	$65,712,320	$29,501,279	$3,022,487
… Change in Operating Budget	20.1%	(7.6%)	12.5%

3.4 Current Boundary and Sphere Designations



Quick Facts

Jurisdictional Boundary

44 square miles or 28,193 acres
- equals the size of City of Oceanside

Divided into 10,669 parcels totaling 27,636 acres
- 10,516 parcels (98.6%) are privately owned and total 24,765 acres (89.6%)

New growth expected
- 41% of the jurisdictional boundary acres are privately owned and remain undeveloped

$4.078 billion in assessed value

15% qualifies as DUC

Sphere of Influence

Last updated in 2007

Coterminous with jurisdictional boundary

4.0 DEMOGRAPHICS

4.1 Population and Housing

Fallbrook PUD's total fulltime resident population within its jurisdictional boundary is independently estimated by LAFCO at 33,986 at the term of the five-year report period. This amount represents 1.0% of the countywide total. It is also estimated the fulltime population has risen overall by 3.6% from 32,803 in 2010 and the last census reset. This translates to an annual change of 118 or 0.4%, which is two-fifths lower than the corresponding countywide growth rate of 0.72% over the same period and irrespective of the difference in magnitude. The current estimate produces a population density of 1.2 residents for every one acre and underlies the overall rural character of the jurisdictional boundary. (For context, the population density for

> It is estimated there are 33,986 fulltime residents in Fallbrook PUD at the end of the report period. It is projected the fulltime population will increase consistent with recent trends – or 0.4% annually – and add another 592 residents and reach 34,578 by 2025.

the adjacent City of Oceanside at the end of the report period was 6.6 residents for every one acre.) It is projected the current growth rate will continue into the near-term and result in the fulltime population reaching 34,578 by 2025.

Fallbrook PUD
Resident Population
Table 4.1a (Source: Esri and San Diego LAFCO)

Factor	2010 Estimate	2020 Estimate	Annual Change	2025 Projection
Fallbrook PUD	32,803	33,986	0.4%	34,578
San Diego County	3,095,264	3,344,136	0.7%	3,429,502

LAFCO separately estimates there are 12,090 residential housing units within Fallbrook PUD at the term of the five-year report period. This amount represents an overall increase of 315 – or 2.7% – since 2010 for an annual change of 32 or 0.3%. With respect to housing characteristics, and based on the most recent five-year average, 56.7% of units are owner-occupied, 36.5% are renter-occupied, and the remaining 6.8% are vacant. The average household size has remained largely fixed and finished the report period at 2.8 residents per every one dwelling unit. The mean monthly housing cost in Fallbrook PUD, based on the most recent five-year average is $1,748 and close to one-tenth above the countywide average of $1,578. This housing cost also equals 28.6% of the residents' average household income.

> Housing production in Fallbrook PUD at the end of the report period totals 12,090 dwelling units with an average monthly housing cost of $1,728. This latter amount is 11% higher than the countywide average and equals 28.6% of residents' average household income.

Fallbrook PUD
Housing Characteristics
Table 4.1b: (Source: Esri and San Diego LAFCO)

Factor	Fallbrook PUD	San Diego County
2010 Housing Units	11,775	1,164,766
2020 Housing Units	12,090	1,233,324
… % Annual Change	0.30%	0.65%
Household Size (5-year average 2007-2011)	2.79	2.79
Household Size (5-year average 2012-2016)	2.78	2.87
… % Annual Change	(0.04%)	0.32%
Monthly Housing Cost (5-year average 2007-2011)	$1,860.56	$1,540.00
Monthly Housing Cost (5-year average 2012-2016)	$1,748.12	$1,578.00
… % Annual Change	(0.67%)	0.27%
2010 Vacancy Rate	7.77%	6.69%
2020 Vacancy Rate	6.83%	5.94%
… % Overall Change	(1.3%)	(1.3%)

4.2 Age Distribution

The median age of residents in Fallbrook PUD is 49.3 based on the current five-year period average. This amount shows the population continues to age with the median age experiencing an increase of 3.1% from 47.8 over the preceding five-year period average. The current median age in Fallbrook PUD remains significantly higher than the countywide average of 35.3. Residents in the prime working age group defined as ages 25 to 64 make up slightly less than one-half of the estimated total population at 49.3%.

Residents within Fallbrook PUD tend to be significantly older with a median age of 49 relative to the countywide average of 35.

Fallbrook PUD
Median Age of Residents
Table 4.2a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Fallbrook PUD	47.8	49.3	3.1%
San Diego County	34.6	35.3	2.0%

Fallbrook PUD
Prime Working Age, 25-64
Table 4.2b: (Source: American Community Survey and San Diego LAFCO)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Fallbrook PUD	50.3%	49.3%	(1.9%)
San Diego County	53.4%	47.0%	(11.9%)

4.3 Income Characteristics

The median household income in Fallbrook PUD is $72,497 based on the current five-year period average. This amount shows fulltime residents are receiving moderately less pay with the median income experiencing an overall decrease of (7.6%) from the preceding five-year period average of $78,496. Despite this recent trend, the current median household income in Fallbrook PUD remains relatively high given it is 9.4% above the current countywide median of $66,529. Other related measurements show distress during the report

Fallbrook PUD residents' average median household income – while decreasing during the report period – finished at $72,497 and above the countywide average. However, poverty rates in the jurisdiction more than doubled and now capture 1.5 out of every 10 residents.

period with the poverty rate in Fallbrook PUD more than doubling from 5.9% to 14.2% and ending slightly above the countywide average of 14.0%.

Fallbrook PUD
Median Household Income
Table 4.3a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Fallbrook PUD	$78,496	$72,497	(7.6%)
San Diego County	$63,857	$66,529	4.18%

Fallbrook PUD
Resident Poverty Rates
Table 4.3b (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Fallbrook PUD	5.9%	14.2%	140.2%
San Diego County	13.0%	14.0%	7.7%

4.4 Socioeconomic Indicators

Unemployment levels within Fallbrook PUD are low at 2.1% based on the current five-year period average. This amount is close to two-fifths – or 43.0% – below the corresponding countywide average rate of 4.9%. Unemployment levels within Fallbrook PUD have also decreased by more than one-third – (35.5%) – from the previous five-year average of 3.2%. More than one out of every resident in Fallbrook PUD currently collects retirement income, which is close to two-thirds higher than the countywide average. Education levels within Fallbrook PUD as measured by four-year college graduates, has modestly increased during the report period but remains somewhat low at 33.8% given the relatively high median income levels. The non-English speaking percentage of the population has decreased during this period from 14.4% to 12.4%; an overall difference of (14.0%).

> Approximately one out of every three adults in Fallbrook PUD hold four-year college degrees at the end of the report period. This ratio paired with the relatively high median home income in the jurisdiction suggests a blue-collar workforce resides in the PUD.

Fallbrook PUD
Unemployment Levels
Table 4.4a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Fallbrook PUD	3.2%	2.1%	(35.5%)
San Diego County	5.60%	4.90%	(12.50%)

Fallbrook PUD
Collecting Retirement
Table 4.4b (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Fallbrook PUD	27.4%	26.5%	(3.2%)
San Diego County	16.70%	17.70%	5.99%

Fallbrook PUD
Non-English-Speaking Households
Table 4.4c (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Fallbrook PUD	14.4%	12.4%	(14.0%)
San Diego County	16.10%	15.00%	(6.83%)

5.0 ORGANIZATION

5.1 Governance

Fallbrook PUD's governance authority is established under the Public Utility District Act and codified under Public Utilities Code Section 15501-18055. This principal act dates to 1914 and enables Fallbrook PUD to provide a relatively wide range of municipal services upon approval by LAFCOs. Fallbrook PUD is currently authorized to provide three municipal service functions: (a) water; (b) wastewater; and (c) recycled water. All other service functions (or powers) enumerated under the principal act are deemed latent and would need to be formally activated by LAFCO at a noticed public hearing. Similarly, should it ever seek to divest itself of directly providing an active service function, Fallbrook PUD would also need to seek LAFCO approval at a noticed public hearing. A list showing Fallbrook PUD's active and latent service functions and their applicable service classes follow.

Active Service Functions
Potable Water (retail)
Wastewater (collection, treatment, disposal)
Recycled Water (retail)

Latent Service Functions
Fire Protection
Parks/Recreation
Solid Waste/Garbage
Drainage
Street/Roads
Street Lighting
Electric/Wind/Solar/Heat Power
Telephone
Public Transportation

Governance of Fallbrook PUD is independently provided by a five-member Board of Directors. Each member of the Board is elected by registered voters within their designated division or "subdistrict" to a four-year term. The Board includes two appointed officer positions: President and Vice President. The Board regularly meets on the fourth Monday of each month at the District office located at 990 E. Mission Road. Directors presently receive a $110.25 per diem for each meeting – including committee assignments – attended. Summary minutes are prepared for all meetings; audio and video recordings are not provided.

Fallbrook PUD is an independent special district with directly elected board members representing one of five divisions. Board meetings are regularly scheduled on the fourth Monday of each month. Board members receive a $110.25 per diem for their attendance.

A current listing of the Board follows.

Fallbrook PUD
Current Board Roster
Table 5.1a (Source: Fallbrook PUD)

Member	Position	Years on Board	Background
Dave Baxter	Chair, Division 1	2	Farmer, Business Owner
Ken Endter	Director, Division 2	2	Retired, Medical Professional
Jennifer DeMeo	Director, Division 3	4	Writer
Don McDougal	Director, Division 4	16	Business Owner
Charley Wolk	Vice Chair, Division 5	20	Business Owner
			Average Experience on the Board: 8.8 Years

5.2 Administration

Fallbrook PUD appoints an at-will General Manager to oversee all District activities. The current General Manager – Jack Bebee – was appointed in September 2018 and suceeded Brian Brady who served in the position dating back to July 2011. Budgeted staffing at Fallbrook PUD has remained relatively stagnant during the five-year report period with the number of fulltime equilvent positions changing by 1.5% from 66.8 to 67.8. Legal services are provided by contract from Best, Best and Krieger with Partner Paula de Sousa currently serving as the District Counsel (San Diego).

Fallbrook PUD Administration Office
900 E. Mission Road, Fallbrook, CA 92082



Photo Credit: Google Map

Fallbrook PUD
Budgeted Staffing Levels
Table 5.2a | Source: Fallbrook PUD

Category	FY 2016	FY 2020	Average	Trend
Budgeted Staffing	66.8	67.8	67.9	1.5%
Per 1,000 Residents	0.50	0.50	0.50	0.0%

* Figures represent full-time equivalent (FTE) based on 2,080 hours/year.

6.0 MUNICIPAL SERVICES

Fallbrook PUD is authorized to provide three distinct municipal service functions in support of its jurisdictional boundary's current growth and development: (a) potable water; (b); wastewater; and (c) recycled water. A summary analysis of these service functions follows with respect to capacities, demands, and performance during the five-year report period.

6.1 Potable Water Service

Fallbrook PUD's potable water services represent the District's principal service function and involves retail class only. This service function commenced following Fallbrook PUD's formation in 1922 and the subsequent completion of an initial distribution system in 1925 that relied on local groundwater supplies to serve the Fallbrook Village area. The distribution system expanded outwardly and most notably in conjunction with Fallbrook PUD annexing the service areas of the Fallbrook Irrigation District and later the De Luz Heights Municipal Water District at the time of the latter's dissolutions. The potable water system has also evolved from relying on local groundwater and surface water to imported supplies through the County Water Authority and the Metropolitan Water District.

Fallbrook PUD's potable water service is retail class only and activated throughout the jurisdictional boundary. The estimated population in the water service area at the end of the report period totals 23,360.

The potable water system presently spans 270 miles of distribution lines over nine connected pressure zones. The topography in the distribution system ranges from 500 to 1,500 feet above sea level and managed through five public pump stations. The total number of active connections is 9,259 at the end of the report period with 7,971 – or 86% – classified as residential. The estimated service population at the end of the period is 23,360 and reflects an overall increase of 473 or 2.0% over the corresponding 60 months.[13]

[13] The potable water service area population estimate by LAFCO utilizes the following formula: (number of single-family connections x 2.78) + (number of multi-family connections x 4 x 2.78).

Service Capacities and Related Resources

Fallbrook PUD's potable water supplies are imported through a membership with the County Water Authority. The membership allows Fallbrook PUD to purchase – for subsequent retailing – an unrestricted amount of potable water based on availability from the County Water Authority through its own wholesaler relationship with the Metropolitan Water District. All water purchased by Fallbrook PUD is a blend from the Colorado River and Sacramento Bay-Delta and is fully treated at Metropolitan's Skinner Filtration Facility in Riverside.

Fallbrook PUD's 1944 with the County Water Authority allows PUD to purchase an unrestricted amount of pretreated potable water based on system availability. Fallbrook PUD's current infrastructure capacities to the transmission line limit the maximum day supply potential to 158.6-acre feet.

Fallbrook PUD has direct access to County Water Authority supplies through three active transmission line connections.[14] The combined capacity among the active connections to water supply purchases from the County Water Authority is 80 cubic feet per second and translates to a maximum day amount or volume of 158.6 acre-feet.

Fallbrook PUD
Available Potable Water Supplies
Table 6.1a (Source: Fallbrook PUD and SD LAFCO)

Direct Source	Maximum Daily Infrastructure Capacity	Maximum Annual Infrastructure Capacity
County Water Authority	51.7 million gallons or 158.6 acre-feet	18.9 billion gallons or 57,889 acre-feet

Purchased water directly enters the distribution system and gravity flows through most of the nine pressure zones. Pressure within the distribution system is directly maintained by covered steel storage tanks located within each pressure zone. The combined capacity of the nine covered storage tanks is 33.6 million gallons or 103 acre-feet. An additional 1,350 acre-feet of potable storage is available to Fallbrook PUD through its Red Mountain Reservoir. In addition, PUD's Santa Margarita River Conjunctive Use Project will provide additional water supply capacity as detailed in the footnote.[15]

Fallbrook PUD's distribution system includes nine covered storage tanks with a combined capacity of 103 acre-feet.

[14] A total of five transmission connections are available to Fallbrook PUD. Four are located on the portion of the transmission line belonging to MET with the other belonging to the County Water Authority. Fallbrook PUD reports it no longer uses the connection tied to the County Water Authority. Fallbrook PUD also reports one of the four connections tied to MET is no longer in operation.

[15] The Santa Margarita River Conjunctive Use Project is the biproduct of a settlement between Fallbrook PUD and the United States and remedies a legal dispute involving PUD's water rights to the Santa Margarita River. This project is scheduled to go online as early as CY2022 and commits

With respect to financial resources, Fallbrook PUD's potable water services largely operate as an enterprise fund and intended to be self-supporting through user charges and associated fees. A small amount of property taxes are used by Fallbrook PUD to support water services. Actual water expenses (operating only) during the report period have averaged $19.8 million with the most recent year amount totaling $20.6 million. Actual operating expenses have increased overall by 12.3%. The largest actual expense source involves water purchases and accounts for 66.2% of all operating costs during the period. Actual water revenue (operating only) during the report period have averaged $21.0 million with the most recent year amount totaling $21.9 million. Actual revenues have increased overall by 14.1%.

Fallbrook PUD's actual potable water operating expenses have increased by 12.3% over the report period while actual revenues have increased by 16.0%.

Fallbrook PUD's potable water rates have been increased every calendar year during the report period. Potable water charges are billed monthly and headlined by usage charges in 1,000-gallon units that are divided between account type. Most residential customers are billed $6.44 for every 1,000 gallons of usage at the end of the report period. Most agricultural customers are billed $4.77 for every 1,000 gallons of usage at the end of the report period. Both residential and agricultural rates have increased by 47.0% and 50.0%, respectively, during the report period.

Service Demands

Fallbrook PUD's average annual demand for potable water over the five-year report period has been 2.985 billion gallons or 9,161-acre feet. These annual amounts translate to daily averages of 8.179 million gallons and 25.1 acre-feet, respectively, and further refined into a per capita amount of 344 gallons. The average peak-day demand – the highest one-day sum in a year – over the reporting period was 20.2 million gallons or 62.0 acre-feet. This latter amount produces an average period peaking factor of 2.5 and shows high-demand periods increase usage by more than double.

Fallbrook PUD's overall annual potable water demands have averaged 9,161 acre-feet during the report period and produces an estimated daily per capita use of 344 gallons.

Camp Pendleton to provide Fallbrook PUD up to 4,200 acre-feet of local groundwater. Water drawn from Camp Pendleton's well facilities will be pumped approximately four miles and four hundred vertical feet to a new water treatment plant on PUD land on Alturas Rd near the entrance to the Naval Weapons Station on Ammunition Road. Fallbrook PUD is responsible for the cost of the water treatment plant and associated infrastructure at an estimated cost of $55-$60 million. Fallbrook PUD is funding the construction costs with a loan from the State Revolving Fund, which will be repaid over 20 years.

With respect to overall trends, Fallbrook PUD has experienced a total change of (24.3%) in potable water demands – or (4.9%) annually – over the five-year report period. The overall reduction in water demands over the corresponding 60-month period contrasts with the estimated 1.4% increase in population. This contrast is largely attributed by Fallbrook PUD experiencing substantial reductions in demand from agricultural users with details footnoted.[16] Overall demands and trends for the report period follow.

Fallbrook PUD's overall annual potable water demands have notably decreased by (one-fourth) over the five-year report period with a closely matching decrease in per capita usage from 377 to 298 gallons.

Fallbrook PUD | Potable Water Demands
Table 6.1b (Source: Fallbrook PUD and SD LAFCO)

Category	2016	2017	2018	2019	2020	Average	Trend
Annual Total	3.236 bg 9,931 af	3.115 bg 9,559 af	3.288 bg 10,090 af	2.685 bg 8,239 af	2.602 bg 7,986 af	2.985 bg 9,161 af	(24.3%)
Average Day Total	8.866 mg	8.534 mg	9.008 mg	7.355 mg	7.130 mg	8.179 mg	(24.3%)
… Per Resident	377 g	362 g	377 g	307 g	298 g	344 g	(21.2%)
Peak Day Total	22.1 mg	22.2 mg	20.5 mg	16.7 mg	19.4 mg	20.2 mg	(5.1%)
… Peaking Factor	2.5	2.6	2.3	2.3	2.7	2.5	23.9%

af = acre feet
bg = billion gallons
mg = million gallons
g = gallons

With respect to use trends:

- Residential accounts represent 85.6% of all potable water users during the report period. Actual demands attributed to residential users equal 54.8% of all production. The amount of demand among residential users has increased by 20.4%.

- Agricultural accounts represent 6.4% of all potable water users during the report period. Actual demands attributed to agricultural users equal 38.0% of all production. The amount of demand among agricultural users has decreased by (26.7%).

[16] Agricultural customers represent Fallbrook PUD's principal potable water users and accounted for more than one-third – or 36.0% – of all sales during the report period. The percentage of agricultural usage, however, declined during the 60-month period by (8.1%).

Service Performance

Fallbrook PUD's potable water system is operating with sufficient and excess capacities in supply and storage in accommodating existing demands based on usage generated during the five-year report period. These capacities are similarly expected to accommodate anticipated demands over the next five-year period with variables – including resiliency during different hydrological periods – having been appropriately evaluated by Fallbrook PUD in its Urban Water Management Plan, which was updated during the report period in June 2016.

> Fallbrook PUD has established sufficient potable water infrastructure and related capacities and marked – among other measurements – by the average demand over the report period equaling only 15.8% of system capacity under normal conditions.

The following statements summarize and quantify existing and projected relationships between Fallbrook PUD's capacities and demands now and going forward towards 2023. This includes referencing California's Waterworks Standards (Title 22) and its requirements that all public community water systems have sufficient source, treatment, and storage capacities to meet peak day demand system-wide and within individual zones.

Water Supplies:

- The average annual and daily potable water demands generated during the report period for the entire distribution system equals 15.8% of Fallbrook PUD's accessible supply capacities via the County Water Authority and Metropolitan.

- The average peak-day potable water demand generated during the report period for the entire distribution system equals 39.0% of Fallbrook PUD's accessible supply capacities via the County Water Authority and Metropolitan.

Water Storage:

- Average peak day potable water demands generated during the report period for the entire distribution system equal 60.1% of Fallbrook PUD's existing online storage capacity. This ratio decreases to 4.3% if Red Mountain Reservoir is included.

- Online storage capacity can readily accommodate up to 4 days of average day demands generated over the report period without recharge. This ratio increases to 58.1 days if Red Mountain Reservoir is included.

Water Quality:

- A review of records maintained by the State Water Quality Control Board shows there have been no violations issued for drinking water standards to Fallbrook PUD during the report period.

- Fallbrook PUD's most recent water quality report was issued February 2021 and reports the results of self-monitoring conducted in the final year of the report period, 2020. No excessive primary or secondary contaminants were reported.

Water Rates

- Fallbrook PUD ratepayers receive two related charges for potable water service: (a) fixed availability and (b) variable usage.[17] The charges were last updated at the end of the report period in January 2020. Overall, charges have increased by 47% for residential users and 50.0% for agricultural users during the period.

- The average monthly potable water service charge for residential ratepayers in Fallbrook PUD is $ 179 based on the average household usage of 16,000 gallons.[18]

6.2 Wastewater Services

Fallbrook PUD's wastewater service operations commenced in 1994 following activation by LAFCO and in conjunction with PUD becoming the successor agency to Fallbrook Sanitary District at the time of the latter's dissolution. The wastewater system dates to 1947 and represents an internal area within Fallbrook PUD's jurisdictional boundary. This internal area is formally memorialized by LAFCO as an activated service zone and totals approximately 4,200 acres. The wastewater zone is anchored by the Fallbrook Village and Live Oak Park.

> Fallbrook PUD's wastewater service comprises three classes (collection, treatment, and disposal) and geographically limited to an internal area equal to 15% of the jurisdictional boundary. The estimated service population is 13,794.

Fallbrook PUD's wastewater system consists of collection, treatment, and disposal service classes. The collection system spans 82 miles and divided between 78 miles of gravity mains (no pressure) and 4 miles of force mains (pressured). The topography in the collection system

[17] Fallbrook PUD also passes through wholesale water cost increases from the County Water Authority through an infrastructure access charge.
[18] Average household usage for residential for Single Family Residential and Multi Family Residential customers is approximately 16,000 gallons. Service charges on a ¾" meter would be approximately $68.65 and water usage consumption would amount to approximately $110.27 based on Tier 1 ($6.83) and Tier 2 ($6.92) rates. The approximate service charges and charge for water consumption totals $178.92.

ranges from 500 to 750 feet above sea level and managed through six lift stations. The total number of active connections is 5,011 at the end of the report period with 4,579 – or 91% – classified as residential based on LAFCO calculations. The estimated service population at the end of the period is 13,794 and reflects an overall decrease of (165) or (1.2%) over the corresponding 60 months.

Service Capacities and Related Capacities

The daily design capacity at the Fallbrook WRF is 2.7 million gallons.

Fallbrook PUD's wastewater service function is anchored by its Water Reclamation Facility (WRF), which was most recently upgraded in December 2015 as part of a $28.0 million capital improvement project. Fallbrook WRF provides tertiary and secondary level treatment with a design capacity of 2.7 million gallons a day. Treated tertiary wastewater is conveyed to recycled water customers as detailed in Section 6.3. Treated secondary wastewater is discharged into an 18-mile outfall line to Oceanside and ultimately to the Pacific Ocean.

Fallbrook PUD's actual wastewater expenses have increased 0.7% over the report period while actual revenues have increased 9.8%.

With respect to financial resources, Fallbrook PUD's wastewater services operate as an enterprise fund and intended to be entirely self-supporting through user charges and associated fees. Actual wastewater expenses during the report period have averaged $5.3 million with the most recent year amount totaling $5.5 million. Actual expenses overall have increased by 0.7%. The largest actual expense source involves maintenance (non-labor) and accounts for 53.3% of all operating costs during the period. Actual wastewater revenue during the report period have averaged $5.5 million with the most recent year amount totaling $5.4 million. Actual revenues have increased overall by 9.8%.

Fallbrook PUD's wastewater rates were last updated by the Board of Directors in January 2020. Wastewater rates are divided between three monthly fees. The first fee involves a flat availability charge in the amount of $10.14 for each dwelling unit or its equivalent assignment for non-residences. The second fee involves a fixed capital improvement charge in the amount of $11.62. The third fee involves a variable usage charge based on 75% of the average potable water usage over the last two winter periods with most users paying $10.25 for every 1,000 gallons. The collective effect of these three fees for residential customers at the end of the report period was a total monthly charge of $67.12.

Service Demands

Average annual wastewater demands generated during the five-year report period have been approximately 543.1 million gallons. This amount serves as a macro-overview of system demands and represents a daily average flow of 1.488 million gallons. It also translates over the report period to an estimated 0.120 million gallons per active connection. Average daily demands have increased by 8.1% during the report period.

> The average daily wastewater flows generated during the report period in the Fallbrook PUD service area has been 1.488 million gallons with an overall change of 8.1%.

Supplementary micro measurements of recent wastewater demands are summarized below and further reflected in the proceeding table.

- Average daily dry-weather wastewater flows over the five-year report period have been 1.450 million gallons. This flow typically is recorded between May and October and assists in measuring household demands entering the collection system. Daily dry-weather flows tallied 1.523 million gallons at the report term and produces a net 7.8% change during the 60-month period.

- Average daily wet-weather wastewater flows over the five-year report period have been 1.526 million gallons. This flow typically is recorded between November and April and assists in measuring the amount of inflow and infiltration entering the collection system. Daily wet-weather flows tallied 1.579 million gallons at the report term with an overall increase of 8.7% during the 60-month period.

- Average daily peak-day wastewater flows over the five-year report period have been 3.232 million gallons. This latter amount produces a peak-factor relative to average day demands of 2.2.

Fallbrook PUD
Recent Wastewater Demands
Table 6.2a (Source: Fallbrook PUD)

Year	Average Daily	Average Dry-Weather	Average Wet-Weather	Recorded Peak-Day
2016	1.424 mgd	1.405 mgd	1.442 mgd	2.136 mgd
2017	1.510 mgd	1.443 mgd	1.578 mgd	3.186 mgd
2018	1.424 mgd	1.437 mgd	1.410 mgd	2.076 mgd
2019	1.530 mgd	1.441 mgd	1.619 mgd	5.020 mgd
2020	1.550 mgd	1.523 mgd	1.579 mgd	3.742 mgd
Average	1.488 mgd	1.450 mgd	1.526 mgd	3.232 mgd
Trend	8.13%	7.75%	8.68%	42.92%

Notes: all in millions of gallons per day (MGD)

Service Performance

Fallbrook PUD is currently operating with sufficient and excess wastewater capacity in accommodating existing estimated user demands generated during the five-year report period under *normal conditions* (emphasis). This statement is substantiated with average day demands during the report period equaling 55.1% of the design treatment and discharge capacity at the Fallbrook WRF. The capacity consumption significantly increases during high-rain periods with an average peak-day flow of 3.2 million gallons, which is 19.7% above normal capacity during the report period. (Fallbrook PUD has the ability to expand the WRF daily capacity from 2.7 to 4.7 million gallons during wet months.) This latter measurement has also risen by more than double.

Fallbrook PUD's wastewater service is presently operating at 55% of its designed capacity under normal conditions. The system – however – is regularly exceeding its normal capacity with an average peak-day factor of 3.2, which suggest excessive inflow and infiltration is occurring and threatening future and significant spills.

With respect to other performance measurements, the following item is noted.

- A review of the records maintained by the State Water Quality Control Board shows there have been 15 violations issued for discharge permit standards to Fallbrook PUD during the report period. These violations collectively involved 9,733 gallons with 39.8% – or 3,875 gallons – recovered before reaching surface waters.

6.3 Recycled Water Service

(Abbreviated Review)

Fallbrook PUD's recycled water services commenced in 1991 and involves retail class only. Supplies are generated from the Fallbrook WRF and meet tertiary standards, which are authorized in State law for a wide range of uses from landscaping to groundwater recharging. The WRF has a permit capacity to produce up to 2.7 million gallons daily of recycled supplies. The distribution system spans 10.5 miles and serves 30 active connections at the end of the report period. This includes – notably – customers outside its

Fallbrook PUD's recycled water service function commenced in 1991 as retail class only. This report documents current service operations – including an average recovery rate of production-to-retail rate of 41% during the report period. A more detailed review is deferred to a future review.

jurisdictional boundary.[19] [20] The average recovery of produced recycled water into retail sales has been 41.4% during the report period with an overall change of (27.5%). A 1.0 million-gallon storage tank provides pressure in the distribution system.

Additional details follow with the expectation of a more detailed review of Fallbrook's recycled water services as part of future municipal service review.

Fallbrook PUD
Recent Recycled Water Production Demands
Table 6.3 (Source: Fallbrook PUD)

Year	Supplies Produced	Supplies Retailed	Average Day Retailed	Recovery Rate
2016	1,489	694	1.90	46.6%
2017	1,571	665	1.82	42.3%
2018	1,493	740	2.03	49.6%
2019	1,618	563	1.54	34.8%
2020	1,657	560	1.53	33.8%
Average	1,565.60	644.40	1.77	41.4%
Trend	11.3%	-19.3%	(19.3%)	-27.5%

Amounts are shown in acre feet

7.0 FINANCES

7.1 Budget Information

Fallbrook PUD's average actual operating expense during the five-year report period has been $31.367 million. This amount represents the combined actual costs within three distinct funds – water, wastewater, and recycled water – that collectively cover day-to-day expenses for PUD along with depreciation.[21] (The average actual operating expense less depreciation has been $25.9 million.) The actual operating expense at the end of the report period totaled $33.234 million with the Water Fund representing the largest single apportionment made by the Board at $20.633 million – or 62.1%. (Three-fifths of all Water Fund expenses involves

> Fallbrook PUD's actual operating expense at the end of the five-year report period is $33.234 million. This amount includes depreciation and represents a 19.0% overall increase over the 60-month period. The per capita expense similarly increased from $834 to $977.

19 Recycled water customers include: Goodearth Nursery, Silverthorne Nursery, Altman Specialty Plants (formerly known as ColorSpot Nursery),DM Color Express, Fallbrook Sports Park, Fallbrook Youth Baseball, Olive Hill Nursery, Olive Hill Greenhouses, Fallbrook High School, Peppertree Park HOA, Mission Road Median, Fallbrook Airpark, Mission Oaks HOA, California Dept. of Transportation, Premier Color Nursery, Orange Grove Energy, Roseland Nursery and San Diego Growers for irrigation of nurseries, playing fields, landscaped freeway medians, homeowners association and common areas.

20 Fallbrook PUD also serves customers outside of its District boundaries and include Caltrans, areas within the City of Oceanside's service area, and Orange Grove Energy, located within the Rainbow MWD service area.

21 This includes scheduled capital depreciation.

purchases with the County Water Authority.) Overall, actual operating expenses for PUD increased by 19.0% or $5.313 million over the corresponding 60-month period.

Fallbrook PUD
Operating Funds: Actual Expenses
Table 7.1a (Source: Fallbrook PUD)

Fund Type	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	Average	Trend
Water	18,368,381	19,033,570	21,244,367	19,902,855	20,633,485	19,836,532	12.3%
Recycled Water	482,999	1,063,418	1,024,964	600,294	497,444	733,824	3.0%
Wastewater	5,429,853	5,260,407	5,356,744	50,46,679	5,465,334	5,311,803	0.7%
Combined Depreciation	3,640,118	5,294,310	5,693,723	6,158,589	6,637,996	5,484,947	82.4%
Total	**27,921,351**	**30,654,705**	**33,319,798**	**31,708,417**	**33,234,259**	**31,367,106**	**19.0%**
Per Capita	**$834**	**$912**	**$988**	**$936**	**$977**	**$930**	**17.2%**

Fallbrook PUD's average actual operating revenue during the five-year report period was $27.673 million. The primary revenue source is generated through the Water Fund, which accounts for three-fourths of the period totals. The actual operating revenue at the end of the report period totaled $28.931 with the Water Fund representing the largest single source at $21.940 million – or 75.8%. Overall, actual operating revenues for PUD increased by 14.1% – or $3.575 million – over the corresponding 60-month period.

> Fallbrook PUD's actual operating revenue at the end of the five-year report period was $28.931 million and represents a 14.1% overall increase over the 60-month period. The per capita revenue similarly increased from $758 to $851.

Fallbrook PUD
Operating Funds: Actual Revenues
Table 7.1b (Source: Fallbrook PUD)

Fund	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	Average	Trend
Water	18,912,917	20,40,5379	23,311,772	20,481,789	21,940,234	21,010,418	12.3%
Recycled Water	482,999	1,063,418	1,024,946	600,294	497,444	1,129,706	1.8%
Wastewater	5,429,853	5,260,407	5,356,744	5,046,679	5,465,334	5,533,808	9.8%
Total	**25,356,017**	**27,256,065**	**29,882,022**	**26,944,552**	**28,931,007**	**27,673,931**	**14.1%**
Per Capita	**$758**	**$811**	**$886**	**$796**	**$851**	**$820**	**12.3%**

7.2 Financial Statements

Fallbrook PUD regularly contracts with an outside accounting firm to prepare an annual report to review the District's financial statements in accordance with established governmental accounting standards. This includes auditing Fallbrook PUD's statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing Fallbrook PUD's short and long-term fiscal health with specific focus on delivering its activated service functions. The current outside consultant is Clifton Larson Allen LLP (Carlsbad).

Fallbrook PUD's most recent financial statements for the five-year report period were issued for 2019-2020. These statements show Fallbrook PUD experienced a moderate improvement over the prior fiscal year as the overall net position (full accrual basis) increased by 2.7% from $96.1 million to $98.7 million. Adjusting to pre GASB 68 and 75 reporting standards and the listing of an agencies' proportionate share of pension and other post-employment benefit liabilities, Fallbrook PUD's net position increases to $112.4 million.[22] The accompanying auditor's report did not identify any material weaknesses or related concerns. A detailing of year-end totals and trends during the report period follows with respect to assets, liabilities, and net position.

Most Recent Year-Ending Financial Statements (2019-2020)	
Assets	189,612,774
Liabilities	93,128,287
Deferred Outflow/Inflow	2,220,267
Net Position	**$98,704,754**
Adjusted Net Position (Less pension liabilities)	$112,443,300

Agency Assets

Fallbrook PUD's audited assets at the end of 2019-2020 totaled $189.6 million. This amount is 28.7% higher than the average year-end amount of $147.3 million in total assets documented during the five-year period and underlies the upward track at the end of the period. Assets classified as current with the expectation they could be liquidated within a year represented $48.5 million – or 25.6% – and largely tied to receivables.[23] Assets classified as non-current and not readily liquid make up the remainder and total $141.1 million and involve capital assets tied to property, infrastructure,

> Fallbrook PUD's audited assets over the five-year report period increased by 43% and primarily tied to investments in new infrastructure and headlined by the ongoing construction of the Santa Margarita WTF.

[22] The adjustment to the net position is calculated by LAFCO and not part of the audited financial statements.
[23] The change in current assets totals $15.4 million and involves SRF Loan Program proceeds associated with reimbursements for the construction of the Santa Margarita WTF.

and equipment.[24] Overall, Fallbrook PUD's total audited assets have increased by $56.9 million – or 42.8% – over the corresponding 60-month period.

Fallbrook PUD
Audited Assets
Table 7.2a (Source: Fallbrook PUD)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	20,732,086	19,103,871	17,589,075	21,737,022	48,500,523	25,532,515	133.9%
Non-Current	112,025,206	112,852,787	119,615,956	123,352,742	141,112,251	121,791,788	26.0%
Total	**132,757,292**	**131,956,658**	**137,205,031**	**145,089,764**	**189,612,774**	**147,324,304**	**42.8%**

Agency Liabilities

Fallbrook PUD's 2019-2020 audited liabilities totaled $93.1 million. This amount is 52.6% higher than the average year-end amount of $61.0 million in total liabilities documented during the five-year period and underlies the upward track at the end of the period. Liabilities classified as current with the expectation they will become due within a year represented $21.2 million – or 22.8% – and largely tied to accounts payable. Liabilities classified as non-current and considered longer termed debts make up the remainder of the total amount and involve two State loans with combined balances of $52.0 million to rehab the Fallbrook WRF ($24.7 million) and construct the Santa Margarita WTF ($27.3 million). Overall, Fallbrook PUD's total audited liabilities increased by $39.2 million or 72.8% over the corresponding 60-month period.

Fallbrook PUD's audited liabilities over the five-year report period increased by 72.8% and primarily generated by assuming new long-term debts to rehab its WRF and construct a WTF.

Fallbrook PUD
Audited Liabilities
Table 7.2b (Source: Fallbrook PUD)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	7,149,490	5,671,488	6,679,433	5,825,260	21,205,499	9,306,234	196.6%
Non-Current	46,749,529	46,947,511	47,605,222	45,425,373	71,922,788	51,730,085	53.8%
Total	**53,899,019**	**52,618,999**	**54,284,655**	**51,250,633**	**93,128,287**	**61,036,319**	**72.8%**

[24] In 2019-2020, capital assets increased by $27.5 million. Fallbrook PUD invested $27.3 million on the construction of a $62.9 million-dollar water treatment plant and in doing so increased the District's overall capital assets.

Net Position

Fallbrook PUD's audited net position or equity at the end of 2019-2020 totaled $98.7 million and represents the difference between the District's total assets and total liabilities along with adjusting for deferred resources (i.e., pension outflows and inflows). The most recent year-end amount is 11.2% higher than the average year-end sum of $88.4 million during the five-year report period and quantifies upward trajectory. Most of the net position – $82.2 million – is tied to capital assets. The remainder is largely comprised of restricted monies tied to establishing new pension related trusts in FY2019. Overall, Fallbrook PUD's audited net position increased by $18.3 million – or 24.5% – over the corresponding 60-month period.

Fallbrook PUD' audited net position has increased over the five-year report period by 24.5% from $79.3 million to $98.7 million.

Adjusting to exclude Fallbrook PUD's proportional share of net pension and other-post employment benefits – which are relatively new reporting standards for financial statements under GASB 68 and 75 – the net position increases by 13.9% to $112.4 million.

Fallbrook PUD
Audited Net Position
Table 7.2c (Source: Fallbrook PUD)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Invested in Capital	70,683,956	72,519,098	79,333,568	80,125,400	82,199,752	76,972,355	16.3%
Restricted	3,455,377	3,495,635	4,711,487	9,477,694	10,188,202	6,265,679	194.9%
Unrestricted	5,170,519	5,668,185	2,038,252	6,465,333	6,316,800	5,131,818	22.2%
Total	**79,309,852**	**81,682,918**	**86,083,307**	**96,068,427**	**98,704,754**	**88,369,852**	**24.5%**
Total Adjusted…	**88,383,585**	**92,697,774**	**99,113,370**	**108,745,433**	**112,443,300**	**100,276,692**	**27.2%**

"Total Adjusted" excludes GASB 68 and 75 reporting requirements with respect to project pension and other post-employment costs.

The unrestricted portion of Fallbrook PUD's net position as of the last audited fiscal year totaled $6.3 million. This represents the accrued spendable portion of the fund balance and is only subject to discretionary designations (commitments and assignments). The adjusted amount less pension and related liabilities is $20.1 and represents a more accurate accounting of available fund balance monies. This adjusted amount equals 7.2 months of Fallbrook PUD's operating expenses based on actual operating expenses at the end of the report period.

Fallbrook PUD's unrestricted fund balance less pension and related liabilities at the end of the report period is sufficient to cover 7.2 months of operating expenses.

7.3 Measurements | Liquidity, Capital, and Margin

LAFCO's review of the audited financial statement issuances by Fallbrook PUD covering the five-year report period shows the District experienced negative trends in all but one of the standard measurement categories – liquidity, capital, margin, and structure – utilized in this document. The lone positive trend is marked by the districts' equipment replacement ratio and generating an overall improvement of more than one-fourth – or 27.8%. Negative trends are marked by negative margin levels with the operating margin falling by 110.9% from (7.1%) to (14.9%) over the 60-month period.[25]

> Standard measurements used to assess the Fallbrook PUD's financial standing shows the District trended negatively in most categories during the report period and most notably in margin levels.

With respect to measurements at the end of the report period, liquidity levels via Fallbrook PUD's current ratio and days' cash amounts appear sufficient in meeting near-term obligations. Debt levels are high with three-fourths of all assets tied to external long-term financing and substantively limits Fallbrook PUD's ability to secure additional outside capital to address unexpected or otherwise emergency events. Total margin levels – while declining during the period – finished in positive territory in four of the five years. The differences in operating and total margins during the period also show the significance of property taxes in helping to subsidize the three enterprise functions.

Fallbrook PUD
Financial Measurements
Table 7.3 (Source: San Diego LAFCO)

Fiscal Year	Current Ratio	Days' Cash	Debt Ratio	Debt to Net Position	Total Margin	Operating Margin	Operating Reserves Ratio	Equipment Replacement
2015-2016	2.9	288.0	40.8%	60.0%	4.0%	(7.1)%	19.0%	17.04
2016-2017	3.4	261.0	39.5%	58.3%	1.2%	(9.7)%	19.0%	12.7
2017-2018	2.6	149.6	39.0%	56.3%	(1.3%)	(11.5)%	6.1%	12.5
2018-2019	3.7	223.5	35.3%	48.5%	21.6%	(17.7)%	20.4%	12.5
2019-2020	2.3	219.2	48.8%	73.9%	3.2%	(14.9)%	19.0%	12.3
Average	3.0	228.3	40.7%	59.4%	6.5%	(12.2)%	16.7%	13.4
Change	(21.1)%	(23.9)%	19.6%	23.3%	(17.1)%	110.9%	(0.2)%	(27.8)%
Trend	Negative	Negative	Negative	Negative	Negative	Negative	Negative	Positive

[25] Fallbrook PUD' wastewater system holds an A+ rated from S&P Global Ratings with a stable outlook. The last two years of the report period are impacted by the district's investment in a major water supply project. With a contract value over $60 million, this multi-year project funded by a State Revolving Loan is having a major impact on the district's cash position and current assets and liabilities as it pays the contractor and seeks reimbursement from the State. In 2017, the district implemented a financial plan intended to stabilize its financial position through an adopted rate and charge increase schedule.

Current Ratio (Liquidity)
Compares available assets against near-term obligations; means for every dollar in liability the agency has one dollar available to pay.

Days' Cash (Liquidity)
Measures the number of days the agency can fund normal operations without any new cash income.

Debt Ratio (Capital)
Measures the relationship between the agency's total assets and liabilities; the higher the ratio the more susceptible the agency is to long-term cash flow stresses.

Debt to Net Position (Capital)
Measures the amount of long-term debt or borrowing of the agency against its accumulated net worth; an appropriate maximum standard threshold is 50%.

Total Margin (Margin)
Measures the bottom line of the agency with respect to comparing all revenues to all expenses.

Operating Margin (Margin)
Measures the relationship between core operational revenues and expenses and excludes one-time transactions, like grants and loans.

Operating Reserves Ratio (Structure)
Measures the percent of available monies of an agency to cover unforeseen shortfalls; an appropriate maximum standard threshold is 50%.

Equipment Replacement Ratio (Structure)
Measures the average age of depreciable equipment and facilities; the lower the number the younger the infrastructure with the assumption therein better efficiencies/effectiveness.

7.4 Pension Obligations

Fallbrook PUD provides a defined benefit plan to its employees through an investment risk-pool contract with the California Public Employees Retirement System (CalPERS). This pension contract provides employees with specified retirement benefits based on the date of hire and placement in one of two category types: "classic" and "non-classic." Additional pension details based on actuarial valuations issued by CalPERS during the five-year report period with respect to formulas, enrollees, contributions, and funded status follows.

Pension Formulas and Enrollees

The annual valuation issued at the end of the five-year report period identifies 192 total participants in Fallbrook PUD's pension program with CalPERS. This total represents an overall increase of one new enrollee during the 48-month period in which information is readily available dating back to 2016-2017. The total is also divided between enrollee type and produces a positive active-to-retiree employee ratio of 1.4 to 1.0.

> Fallbrook PUD finished the report period with 192 enrollees within its pension program with CalPERS. 78% of all enrollees receive a defined benefit formula of 2.5% at 55.

A summary of benefits follows:

- Classic employees have start dates before January 1, 2013 and represent the largest portion of the retirement program at 78.1% – or 150 – of total enrollees. These employees receive a defined benefit based on a 2.5% at 55 formula.[26]

- Non classic employees have start dates after January 1, 2013 and represent the smallest portion of the retirement program at 21.9% – or 42 – of total enrollees. These employees receive a defined benefit based on a 2.0% at 62 formula.[27]

Fallbrook PUD
Pension Enrollee Information
Table 7.4a (Source: CalPERS and SD LAFCO)

Type	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Active	n/a	125.0	114.0	117.0	111.0	(11.2)%
Non-Active	n/a	66.0	76.0	73.0	81.0	22.7%
Total Enrollees	n/a	191.0	190.0	190.0	192.0	**0.5%**
Active to Non-Active Ratio	n/a	1.9 to 1	1.5 to 1	1.6 to 1	1.4 to 1	**(26.3%)**

Annual Contributions

Fallbrook PUD's total annual pension contribution in the most recent valuation issued at the end of the five-year report period tallies $1.4 million. This contribution amount equals 27.2% of the payroll total for the corresponding fiscal year. The most recent contribution amount also reflects an overall increase of 43.4% during the 60-month period.

> Fallbrook PUD's employer pension contribution at the end of the report period equals 27% of payroll.

Fallbrook PUD
Annual Pension Contributions
Table 7.4b (Source: Fallbrook PUD and SD LAFCO)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Total Contribution	870,680	968,372	1,081,154	1,224,180	1,407,555	55.44%
Percent of Payroll	18.32%	20.41%	20.51%	23.47%	27.18%	43.41%

[26] An employee with 30 years of employment would be eligible for an annual pension equal to 75% of their highest annual salary starting at age 55.
[27] An employee with 30 years of employment would be eligible for an annual pension equal to 60% of their highest annual salary starting at 62.

Funding Status

Fallbrook PUD's total and composite unfunded liability at the end of the five-year report period tallies ($15.9 million). This amount reflects the accrued pension monies owned to all employees and not covered by assets and translates to a composite funded ratio of 70.5% based on market value. Overall, Fallbrook PUD's funded ratio has decreased by (2.6%) during the report period and generated by a net increase of $3.7 million in additional unfunded liability.

Fallbrook PUD's combined funded ratio at the end of the report period is 70.5%. This ratio has also decreased by (2.6%).

Fallbrook PUD
Pension Funding Status
Table 7.4c (Source: CalPERS)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Pension Assets (MVA)	$32,074,795	$ 34,593,631	$37,612,594	$37,288,853	$38,238,081	19.2%
Pension Liabilities (AL)	$ 44,313,155	$46,780,613	$51,670,772	$52,040,829	54,223,705	22.4%
Unfunded Liability	($12,238,360)	($12,186,982)	($14,058,178)	($14,751,976)	($15,985,624)	30.6%
Funded Ratio	72.4%	74.0%	72.8%	71.7%	70.5%	(2.6%)

To help offset the increase in the unfunded liability, Fallbrook PUD elected to establish a 115 Trust to fund future pension obligations. At the end of the report period, this Trust held $6.8 million. If the Trust value is added into the pension assets, the unfunded liability tallies ($9.1 million) and the funded ratio increases to is 83%.

Blank for Photocopying

B. NORTH COUNTY FIRE PROTECTION DISTRICT

1.0 OVERVIEW

Fallbrook Overlook on Interstate 15
Oak Creek Road Southeast Facing Near Highway 76



Photo Credit: Google Maps

North County Fire Protection District (FPD) is an independent special district formed in 1987. Formation proceedings were initiated by Fallbrook FPD as part of a negotiated proposal to dissolve and annex County Service Area (CSA) No. 7 and its volunteer operations and in doing so consolidate fire services in the Fallbrook-Rainbow region under a single renamed successor agency: North County FPD. The jurisdictional boundary spans 92 square miles, entirely unincorporated, and represents 2.0% of all lands in San Diego County. More than four-fifths of all jurisdictional acreage is under private ownership with 31% of this amount – approximately 16,500 acres – remaining undeveloped and/or unimproved. The unincorporated communities of Bonsall, Fallbrook, and Rainbow anchor the jurisdictional boundary and increasingly comprises low to moderate residential development as well as commercial agricultural uses with the latter marked by avocado groves and flower nurseries. The average tenure on the Board among current elected members is four years.

> North County FPD is presently authorized by LAFCO to provide five related service functions: fire protection; emergency medical; ambulance; hazardous removal; and weed abatement (fuel reduction).

North County FPD is organized as a multi-purpose agency with municipal operation activities tied to five service functions – (a) fire protection, (b) emergency medical, (c) ambulance, (d) basic hazardous materials response, and (e) weed abatement (i.e., fuel reduction). No other service powers are available to North County FPD to activate through LAFCO under the principal act. North County FPD's actual budget expense at the end of the report period in 2019-2020 is $40.8 million and includes a one-time pension expense of $20.3 million. The average actual budget expense over the first 48-months of the reporting period has been $18.8 million and equals an overall change of 20.8%. The audited net position at the end of the report period totals ($15.5 million) with an unrestricted portion tallying ($24.6 million). These amounts are adjusted to $34.6 and $25.6 million, respectively, when excluding pension and related retiree liabilities with the latter amount sufficient to cover 15.1 months of typical operating expenses during the report period.

LAFCO independently estimates the fulltime resident population within North County FPD is 53,003 as of the term of this report period, making it the fourth most populated FPD among the 13 operating in San Diego County. It is also projected that the estimate of fulltime residents represents an overall increase of 3,669 since 2010 – or 367 annually – with a resulting annual growth rate of 0.70%, which closely aligns with the corresponding countywide rate of 0.72%. The estimated population is directly supported by 19,793 housing units and reflects an overall increase of 1,097 since 2010 – or 110 annually – and equates to an annual rate of 0.56%. The median household income within North County FPD is $73,544 based on the current five-year period average and one-tenth above the corresponding countywide average of $66,529. Residents are currently spending 28.5% of their household income on rent or mortgage payments within North County FPD.

2.0 BACKGROUND

2.1 Community Development

Overview of Main Street in Fallbrook
Circa 1890s



Photo Credit: San Diego History Center

North County FPD's service area in the Fallbrook-Bonsall-Rainbow region began its present-day development in the late 1700s. The genesis of the development ties to the Payomkawichum people – called Luiseños by the Spanish newcomers – establishing permanent villages along the Santa Margarita and San Luis Rey Rivers in conjunction with the construction of nearby Mission San Luis Rey in 1769. These villages generally continued uninterrupted into the next century when rule of California transitioned from Spain to Mexico and Governor Pio Pico granted "Rancho Monserate" to his brother in-law Ysidro Alvarado in 1846. The Rancho Monserate land grant covered close to 13,330 acres and helped to transition the largely unimproved lands in the region towards cultivated agricultural and ranching uses. It similarly ushered in an initial wave of adobe, stone, and wood houses to accommodate the arrival of outsiders to work the farms and ranches. Homesteaders were also drawn to the region following the end of Mexican Rule. Notably, Canadian immigrant, Vital Reche and his family settled in the present-day site of Live Oak Park at the end of the 1860's and named their 160-acre ranch "Fall Brook" after their former home in Pennsylvania. The name "Fallbrook" soon applied to the surrounding lands with a townsite officially recorded in 1885. Other parts of the region were attracting homesteaders. At the

end of the 1800's, Peter Larsen and James Bonsall settled in the area and became respectively known as the community forefathers in the establishment of Rainbow and Bonsall.

Alvarado Street Towards the East in Fallbrook
Circa 1910s



Photo Credit: San Diego History Center

The estimated population in the Fallbrook-Bonsall-Rainbow region in 1900 was 720. The population's activities were largely tied to emerging agricultural activities ranging from dairy to crops with the latter initially tied to dry farming, such as grains and olives, due to the limitations on reliable water sources. These initial agricultural activities proved successful with the aid of the expansion of local roads and the railroads – including a depot in Fallbrook – that allowed farmers to bring products directly to markets throughout the southwest. Prominent agricultural businesses established in the region in the early 1900s included Red Mountain Ranch Olive Oil Company and the Fallbrook Citrus Association's Sunkist processing plant. The success of agriculture in the region also helped to pace growth and development with the estimated population increasing modestly to an estimated 5,300 by 1950 with nearly one-third residing in Fallbrook.

Main Street (Mission) Towards the West in Fallbrook
Circa 1950s



Photo Credit: San Diego History Center

Organized fire protection services in the region commenced first in Fallbrook with the formal establishment of an all-volunteer company in 1947 and largely supported by equipment donations from the California Division of Forestry. The volunteer company in Fallbrook proceeded to operate for several years and was housed in a welding shop located on South Main Street near its intersection with West Aviation Road. Growing interest to improve fire protection capacities and protect against wildfires followed and generated a successful landowner petition to form the Fallbrook FPD in 1961 with an initial jurisdictional boundary spanning both the communities of Fallbrook and Bonsall. Fallbrook FPD's formation provided a secure revenue source with a dedicated property tax base and transitioned fire protection and emergency ambulance services to a combination paid-volunteer operation. It also led to the construction of the first

dedicated fire station in Fallbrook located on East Ivy Street adjacent to the Boys and Girls Club. Separately, an all-volunteer company had begun operating in Rainbow Valley beginning in the late 1950s with assistance from the County. The County formalized its support for this volunteer company in 1967 through the formation of CSA No. 7.

2.2 Formation Proceedings

Consolidation discussions between Fallbrook FPD and CSA No. 7 began in 1985 following earlier overtures by both agencies to unify fire protection services in the region. At the time, Fallbrook FPD served an estimated population of 27,000 with a staff of 36 full-time firefighters paired with 28 reserve personnel along with an annual budget of $2.8 million. Fallbrook FPD was also interested in funding a new fire station and the annexation of the Rainbow area would provide an additional $0.400 million in annual property tax revenue. CSA No. 7 separately served an estimated population of 1,500 entirely with 15 volunteer firefighters and an annual operating budget of $0.045 million; an amount that did not adequately cover increasing maintenance costs for its aging fleet. With these motivations in mind, the two sides ultimately reached an agreement in early 1986 on a reorganization to effectively allow Fallbrook FPD to take over CSA No. 7 subject to three key terms. The first two terms involved rechristening Fallbrook FPD as North County FPD and dedicating one of the five initial Board seats for a member selected by the Rainbow volunteer firefighters. The third term involved allowing the Rainbow volunteer firefighters to continue to serve in similar fashion with the North County FPD. LAFCO approved the reorganization jointly filed by both agencies in November 1986 and the subsequent protest hearing did not generate the need to hold an election.[28] The reorganization took effect on January 1, 1987.

2.3 Post Formation Activities

A summary of notable activities undertaken by North County FPD and/or affecting the District's jurisdictional boundary after formation are as follows.

- San Diego LAFCO establishes a larger-than-agency sphere of influence designation for North County FPD in 1987 and marked by including the adjacent De Luz community.

[28] The reorganization involved combining the two jurisdictional boundaries plus a concurrent annexation of the Galvin Mountain area.

- North County FPD implements an emergency medical defibrillator program in 1989 and alternate advanced life support program in 1990 with the latter representing the first single paramedic program in San Diego County.

- North County FPD Chief Andy Vanderlaan retires in 1996 after completing his 20th year in the position. The Board appoints Edward Burcham as the new Fire Chief.

- The Gavilan Fire burns several thousand acres and 46 structures in February 2002, all within North County FPD. The event spurs significant community interest in wildland fire risk reduction and results in the formation of the Fallbrook Firesafe Council - a community organization committed to making Fallbrook 'fire safe.'

- North County FPD completes a comprehensive assessment and strategic planning effort in July 2003 to guide future operations. This includes establishing baseline service standards based on best practices.

- North County FPD personnel actively participate in fighting the Cedar and Paradise fires in October and November 2003 in San Diego County.

- North County FPD joins the North County Communications Joint Powers Authority and its regional dispatch services in July 2004.

- North County FPD engages in 'boundary drop' program with other northern San Diego County fire agencies in 2006 where the closest available unit is dispatched to emergencies, regardless of jurisdictional boundaries.

- San Diego LAFCO updates and affirms a larger-than-agency sphere of influence for North County FPD in August 2007 with no changes.

- The Rice Fire ignites early morning on October 21, 2007, due to a down power line just south of Rainbow, and within a few hours forces the mandatory evacuation of Fallbrook. The Rice Fire burns 10,000 acres and destroys 240 structures with most in North County FPD.

- North County FPD completes rehabilitation of Station 3 in 2008.

- North County FPD reviews the culminative impact of the Great Recession (2008-2012) and identifies a 15% reduction in property tax revenue. FPD responds by freezing four vacant administrative support positions and deferring maintenance and purchases.

- North County FPD completes construction on Station 5 in 2014.

- San Diego LAFCO updates a larger-than-agency sphere of influence for North County FPD and highlighted by the removal of 2,815 acres in the Pala area in May 2014.

- Several wildfires ignite in late May 2014 – Highway, Tomahawk, Las Pulgas, and San Mateo – threatening structures in North County FPD's jurisdictional boundary.

- North County FPD Chief William Metcalf retires in November 2015. The Board appoints Stephen Abbot as the new Fire Chief.

- The Lilac Fire ignites on December 7, 2017, during a red flag warning and necessitates the evacuation of an estimated 10,000 people from Fallbrook and Bonsall. The Lilac Fire ultimately burns 4,100 acres, destroys 114 structures, injures six, and kills 45 racehorses at the San Luis Rey Downs training facility.

- North County FPD Chief Stephen Abbott retires in July 2021. The Board appoints Keith McReynolds as the new Fire Chief.

3.0 BOUNDARIES

3.1 Jurisdictional Boundary

North County FPD encompasses approximately 92 square miles and covers 55,454 acres. The jurisdictional boundary is entirely unincorporated and includes three distinct local communities: Bonsall; Fallbrook; and Rainbow. The total jurisdictional boundary equals 2.0% of all San Diego County and vertically bisected by Interstate 15 and horizontally crossed along the southern half by State Route 76. The predominant land uses are low-to-moderate residential densities paired – albeit decreasingly – with agricultural uses, which are marked by flower and plant nurseries along with avocado orchards. There are 30,800 registered voters in North County FPD at the end of the report period.

North County FPD's jurisdictional boundary spans over 55,000 acres and more than twice the size of the City of Oceanside. All jurisdictional lands are unincorporated.

The total assessed value (land and structure) within North County FPD has increased during the report period by 18.9% from $6.996 billion to $8.320 billion. The period ending amount translates to a per acre value ratio of $0.150 million as well as a per capita value of $0.157 million based on the estimated fulltime population of 53,003. Overall, North County FPD receives 18.1% of the annual 1.0% of property tax collected in the jurisdictional boundary.

Assessed property values in North County FPD have increased by nearly one-fourth over the five-year report period and finished with a $0.150 million per acre ratio.

The jurisdictional boundary is currently divided into 20,457 parcels and spans 52,992 acres.[29] Almost nine-tenths – 86.7% or 46,784 acres – of the parcel acreage is under private ownership. More than two-thirds of this private acreage amount has already been developed and/or improved to date, albeit not necessarily at the highest density as allowed under County zoning. The remainder of private acreage in North County FPD is undeveloped and encompasses 3,702 vacant parcels totaling 16,548 acres.

69% of all privately-owned acreage in North County FPD has been developed to date. The remaining 31% of the private acreage in FPD is undeveloped and totals 16,548 acres.

North County FPD
Jurisdictional Boundary Characteristics
Table 3.1a | Source: San Diego LAFCO

Total Jurisdictional Size	55,454 acres
Total Jurisdictional Parcels and Acreage (less rights-of-ways, etc.)	20,457 parcels totaling 52,992 acres
… Publicly Owned Parcels and Acreage	336 parcels totaling 6,208 acres
… Privately Owned Parcels and Acreage	20,121 parcels totaling 46,784 acres
… Privately Owned Parcels and Acreage Undeveloped	3,702 parcels totaling 16,548 acres
Total Number of Registered Voters	30,800
Total Assessed Value (Land and Structures)	$8.320 billion

Almost one-tenth of North County FPD's jurisdictional boundary totaling 5,147 acres qualifies as disadvantaged unincorporated community (DUC) lands under San Diego LAFCO policy. This affected area is included in the sphere of influence and generally overlays the Fallbrook Village area. Additional lands qualifying as a DUC lie to the immediate west of North County FPD's jurisdictional boundary and sphere of influence and extends west to include the Marine Corps' Camp Pendleton.

9% of North County FPD qualifies as a DUC with the affected households having an annual median household income of less than $54,191.

[29] The remaining 2,462 jurisdictional acres within North County FPD consists of public rights-of-way and water bodies.

3.2 Sphere of Influence

North County FPD's sphere of influence was established by San Diego LAFCO in February 1987 in association with approving the FPD formation. The sphere was designated to replicate the spheres of the two predecessor agencies – Fallbrook FPD and CSA No. 7 – and most recently updated by the Commission in May 2014. The sphere's current designation is a "larger-than-agency" class and spans 118.5 square miles or 75,833 acres. The sphere includes all the jurisdictional boundary plus non-jurisdictional lands in the De Luz and Pala areas. It also includes a limited number of non-jurisdictional lands that cross into Riverside County. There are also 44 acres in the sphere that qualify as DUC lands under LAFCO policy.

LAFCO's sphere of influence for North County FPD is a larger-than-agency designation and reflects a standing Commission policy expectation of additional annexations in the near future – including in the De Luz and Pala areas.

3.3 Other Boundaries (Non LAFCO)

3.3.1 Land Use Boundaries

The County of San Diego General Plan was last updated by the Board of Supervisors in August 2011 and provides development policies and objectives for all unincorporated lands. Specific land use policies for lands within the North County FPD are further delegated and defined among three community plans with associated advisement provided by elected community planning groups. The largest portion of North County FPD's jurisdictional boundary – close to two-thirds – falls within the Fallbrook Community Plan. The remainder of the jurisdictional boundary is equally covered under the Bonsall and Rainbow Community Plans. The premising land use goals within each of these Community Plans follow.

The Fallbrook Community Plan serves as the primary land use policy document for the North County FPD jurisdictional boundary. This document was updated in August 2011 and amended four times during the five-year report period.

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 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.

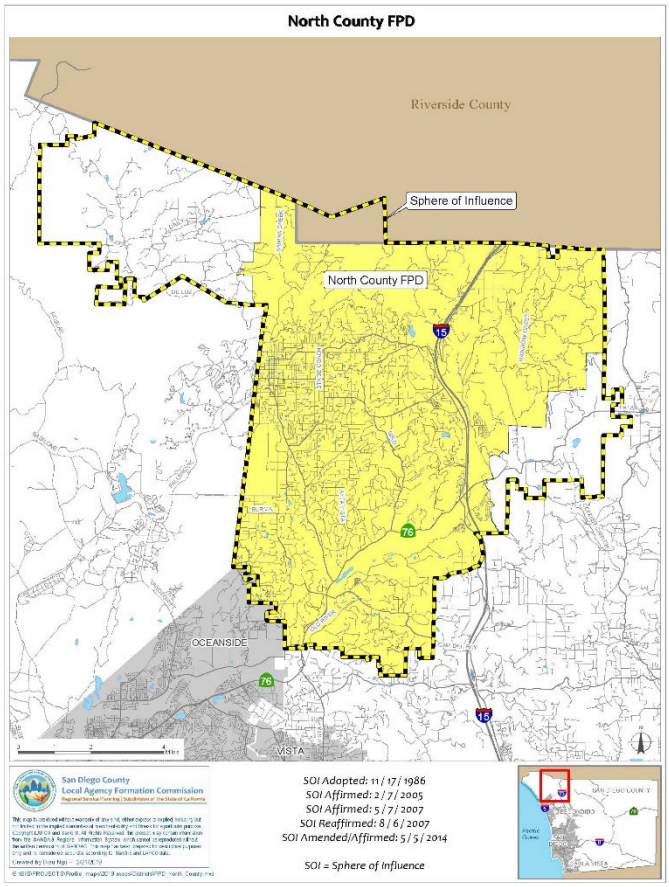
3.3.2 Local School District Boundaries

North County FPD's jurisdictional boundary contains four public school districts: Fallbrook Union Elementary; Fallbrook Union High; Bonsall Unified; and Vallecitos. A summary follows.

North County FPD
Public School District Information
Table 3.2a | Source: Fallbrook, Bonsall, & Vallecitos School Districts

	Fallbrook Union Elementary	Fallbrook Union High	Bonsall Unified	Vallecitos School District
% Within North County FPD	50%	50%	27%	23%
Superintendent	Dr. Candace Singh	Ilsa Garza-Gonzalez	Joseph Clevenger	Maritza Koeppen
Grades	K -8th Grade	9-12th Grade	K-12th Grade	K-8th Grade
Schools	9	4	5	1
Enrollment in FY16	5,506	2,312	2,959	190
Enrollment in FY20	5,278	2,154	2,472	195
… Change in Enrollment	222 or 4.4%	(158) or (6.8%)	(487) or (17.9%)	5 or 2.6%
Operating Budget in FY16	$54,728,304	$31,940,656	$20,567,019	$2,665,845
Operating Budget in FY20	$65,712,320	$29,501,279	$25,879,529	$3,022,487
… Change in Budget	20.1%	(7.6%)	25.8%	13.4%

3.4 Current Boundary and Sphere Designations



Quick Facts

Jurisdictional Boundary

92 square miles
- more than 2x the City of Oceanside

Divided into 20,457 parcels
- 20,121 (98.4%) are privately owned and total 46,784 acres

Growth expected
- 31% of the jurisdictional boundary that is under private ownership remains undeveloped

$8.3 billion in assessed value

9% qualifies as DUC

Sphere of Influence

Last updated in 2014

27% larger than the jurisdiction
- extends into De Luz
- extends into Pala
- extends into Riverside County

4.0 DEMOGRAPHICS

4.1 Population and Housing

North County FPD's fulltime resident population within its jurisdictional boundary is independently estimated by LAFCO at 53,003 at the end of the five-year report period. This amount represents 1.6% of the countywide resident total. Estimates by LAFCO show the fulltime population has risen overall by 7.4% from 49,334 in 2010 and the last census reset. This translates to an annual change of 367 or 0.74%, which closely matches the corresponding countywide growth rate of 0.72%. The current estimate produces a population density of 0.96

> It is estimated there are 53,003 fulltime residents in North County FPD at the end of the report period. It is projected the fulltime population will increase consistent with recent trends – or 0.7% annually – and add another 1,835 residents and reach 54,838 by 2025.

residents for every one acre and underlies the overall rural character of the jurisdictional boundary. (For context, the population density for the adjacent City of Oceanside at the end of the report period was 6.6 residents for every one acre.) For purposes of this report, it is projected the current growth rate will continue into the near-term and result in the fulltime population reaching 54,838 in 2025.

North County FPD
Resident Population
Table 4.1a | Source: Esri and San Diego LAFCO

Factor	2010 Estimate	2020 Estimate	Annual Change	2025 Projection
North County FPD	49,334	53,003	0.74%	54,838
San Diego County	3,095,264	3,344,136	0.72%	3,499,829

LAFCO separately estimates there are 19,793 residential housing units within North County FPD at the term of the five-year report period. This amount represents an overall increase of 1,097 – or 5.9% – since 2010 for an annual change of 110 – or 0.56%. With respect to housing characteristics, and based on the most recent five-year average, 65.2% units are owner-occupied, 28.4% are renter-occupied, and the remaining 6.4% are vacant. The average household size has remained largely fixed and finished the report period at 2.84 residents per every one dwelling unit. The mean monthly housing cost in North County FPD at the end of the report period is $1,748 and one-tenth above the countywide average of $1,578. This housing cost also equals 28.5% of the residents' average household income.

Housing production in North County FPD at the end of the report period totals 19,793 dwelling units with an average monthly housing cost of $1,748. This latter amount is 11% higher than the countywide average and equals 28.5% of residents' average household income.

North County FPD
Housing Characteristics
Table 4.1b | Source: Esri and San Diego LAFCO

Factor	North County FPD	San Diego County
2010 Housing Units	18,696	1,164,766
2020 Housing Units	19,793	1,233,324
… % Annual Change	0.56%	0.59%
Household Size (5-year average 2007-2011)	2.79	2.79
Household Size (5-year average 2012-2016)	2.84	2.87
… % Annual Change	0.36%	0.57%
Monthly Housing Cost (5-year average 2007-2011)	$1,860.56	$1,540.00
Monthly Housing Cost (5-year average 2012-2016)	$1,748.12	$1,578.00
… % Annual Change	(1.20%)	0.49%
2010 Vacancy Rate	7.86%	6.69%
2020 Vacancy Rate	6.42%	5.94%
… % Overall Change	(18.32%)	(11.2%)

4.2 Age Distribution

The median age of residents in North County FPD is 47.0 based on the current five-year period average. This amount shows the population is aging with the median amount experiencing an overall increase of 4.2% from 45.1 over the preceding five-year period average, which is more than double the increase reflected for the entire county. The current median age in North County FPD remains significantly higher than the countywide average of 35.3. Residents in the prime working age group, defined as ages 25 to 64, make up just one-half of the estimated total population at 50.4%.

Residents within North County FPD tend to be significantly older with a median age of 47 relative to the countywide average of 35.

North County FPD
Median Age of Residents
Table 4.2a | Source: SD LAFCO and ESRI

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
North County FPD	45.1	47.0	4.2%
San Diego County	34.6	35.3	2.0%

North County FPD
Prime Working Age, 25-64
Table 4.2b | Source: American Community Survey and San Diego LAFCO

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
North County FPD	51.7%	50.4%	(2.3%)
San Diego County	53.4%	47.0%	(11.9%)

4.3 Income Characteristics

The median household income in North County FPD is $73,544 based on the current five-year period average. This amount shows fulltime residents' income earnings have stayed largely stagnant with the median income increasingly by only 1.2% from the preceding five-year period average of $72,684. Additionally, while current median household income in North County FPD remains higher than the current countywide median average of $66,529, the gap has closed by more than one-fifth during the report period from 13.8% to 10.5%. Other measurements show distress during the report period and are

North County FPD residents' average median household income has stayed generally flat during the report period ending at $73,544 and above the countywide tally of $66,529. The percentage of persons living below the poverty rate are increasing by more than one-half and now include 1 of every 10 residents.

marked by more than a one-half increase in the percentage of residents living below the poverty level from 7.3% to 11.6%.

North County FPD
Median Household Income
Table 4.3a | Source: SD LAFCO and ESRI

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
North County FPD	$72,684	$73,544	1.18%
San Diego County	$63,857	$66,529	4.18%

North County FPD
Resident Poverty Rates
Table 4.3b | Source: SD LAFCO and ESRI

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
North County FPD	7.29%	11.61%	59.29%
San Diego County	13.01%	14.00%	7.69%

4.4 Socioeconomic Indicators

Slightly more than 1 out of 4 residents in North County FPD are collecting retirement as of the end of the report period. Unemployment levels are low at 2.6% and nearly one-half below the countywide average of 4.9%.

Unemployment levels within North County FPD are relatively low at 2.6% based on the most recent five-year averages. The rate of unemployment also declined by nearly one-half – or (44.9%) – over the preceding five-year average period and ended one-half below the corresponding countywide rate of 4.9%. Retirement levels within the jurisdiction have increased by 6.5% over the period and finished with more than one-quarter – or 26.2% – collecting one or more retirement payments. The non-English speaking percentage of the population has decreased during this period from 12.7% to 10.5%; an overall difference of (17.3%).

North County FPD
Unemployment Levels
Table 4.4a | Source: SD LAFCO and ESRI

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
North County FPD	4.64%	2.56%	(44.90%)
San Diego County	5.60%	4.90%	(12.50%)

North County FPD
Collecting Retirement
Table 4.4b | Source: SD LAFCO and ESRI

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
North County FPD	24.58%	26.17%	6.50%
San Diego County	16.70%	17.70%	5.99%

North County FPD
Non-English-Speaking Households
Table 4.4c | Source: SD LAFCO and ESRI

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
North County FPD	12.67%	10.48%	(17.30%)
San Diego County	16.10%	15.00%	(6.83%)

5.0 ORGANIZATION

5.1 Governance

North County FPD's governance authority is established under the Fire Protection District Law and codified under Health and Safety Code Section 13800 et seq. The principal act dates to 1921 and comprehensively updated by the California Legislature in 1947, 1961 and most recently in 1987. It empowers FPDs to provide a moderate range of municipal service functions tied to fire services upon approval by LAFCOs. North County FPD is currently authorized to provide all five municipal service functions available under the principal act – (a) fire protection, (b) emergency medical services, (c) ambulance, (d) hazardous materials response, and (e) weed abatement (fuel reduction). It may not divest itself from any of these active service functions or enact associated class changes without LAFCO approval. All service functions and the associated classes for North County FPD are as follows.

Active Service Functions
Fire Protection (structural)
Emergency Medical/Rescue (advance life)
Ambulance Transport (direct)
Hazardous Materials Response
Weed and Rubbish Abatement

Latent Service Functions
- none -

Governance of North County FPD is independently provided by a five-member Board of Directors. Each member of the Board is elected by registered voters or – and as needed – appointed by the County Board of Supervisors to four-year terms. The FPD Board recently initiated a transition from "at-large" to "division" elections and scheduled to be completed in 2022. The Board includes two appointed officer positions: President and Vice President. The Board regularly meets monthly on the fourth Tuesday starting at 4:00 P.M. at the Fallbrook PUD Board Room, located at 990 East Mission Avenue in Fallbrook. Directors receive $100 per diems for each meeting attended with a limit of no more than four per month. Summary minutes are prepared for all meetings; audio and video recordings are not provided.

North County FPD is an independent special district with directly elected board members. Board meetings are regularly scheduled on the fourth Tuesday of each month. Board members receive a $100 per diem for their attendance.

A current listing of the Board follows.

North County FPD
Current Board Roster
Table 5.1a | Source: North County FPD

Member	Position	Years on Board	Background
Cindy Acosta	Director, Division 5	1	Recent University Graduate
Jeff Egkan	Director, Division 4	1	Retired Postal Service
David Kennedy	Vice President, Division 1	1	Fire Captain
Ken Munson	Director	15	Retired Military
John Van Doorn	President	3	Electronics Engineer
			Average Experience on the Board: 4.2 Years

Board representation for Divisions 2 and 3 will be established in 2022 election.

5.2 Administration

North County FPD appoints an at-will Fire Chief to oversee District activities and concurrently serves as the Chief Executive Officer. Chief Stephen Abbott served North County FPD for the duration of the five-year report period before subsequently retiring in July 2021 and being replaced via the Board appointment of Chief Keith McReynolds. Budgeted staffing has remained relatively consistent during the report period with an overall change among full-time employees at 5.9% from 76.5 to 81.0. Legal services are provided by contract with sole practitioner Robert James and additional services provided by Liebert, Cassidy & Whitmore (San Diego).

North County FPD Administration Offices
330 South Main Avenue, Fallbrook, CA 92082



Photo Credit: Google Maps

North County FPD
Budgeted Staffing Levels
Table 5.2a | Source: North County FPD

Category	FY 2016	FY 2020	Average	Trend
Public Safety Employees	63.0	66.0	64.5	4.8%
Non- Public Safety Employees	13.5	15.0	14.3	11.1%
Total	76.5	81.0	78.5	5.9%
Per 1,000 Residents	0.67	0.65	0.66	(3.0%)

The entry annual pay at North County FPD for a first-year firefighter is $75,177.

North County FPD maintains different memorandums of understanding (MOUs) with three employee bargaining units: safety; non-safety; and management. The safety unit is the largest and the associated MOU is with the Fallbrook Firefighters' Association, which has served as the exclusive bargaining unit for all North County FPD core field operations (i.e., firefighters, paramedics, etc.) since 1994. The current MOU with safety includes – among other provisions – a "no-strike" provision and stipulates layoffs shall occur in reverse order of seniority by date of original hire. The current MOU also specifies a standard 48/96-hour work schedule and means employees work two consecutive full days followed by four consecutive full days off. The entry annual pay for a first-year firefighter at North County FPD under the MOU is $75,177.

6.0 MUNICIPAL SERVICES

North County FPD currently provides five municipal service functions: (a) fire protection; (b) emergency medical; (c) ambulance transport; (d) hazardous materials response; and (e) weed abatement (fuel reduction) with the former three organized as one integrated operation. All five service functions were activated by North County FPD at the time of its formation in 1987 as successor agency to the concurrent dissolution of Fallbrook FPD and CSA No. 7 and active throughout the jurisdictional boundary: i.e., there are no LAFCO designated service zones. A summary analysis of these active functions follow with respect to capacities, demands, and performance as applicable during the five-year report period.

6.1 Integrated Fire Protection, Emergency Medical, and Ambulance Services

North County FPD's integrated fire protection, emergency medical, and ambulance service functions represent the District's primary activity. This integrated function has been historically organized on an all-volunteer basis before transitioning to its current combination career/reserve model. The fire protection function is classified as structural and encompass several ancillary classes headlined by prevention, code enforcement, rescue, public education, and disaster preparedness and mitigation. The emergency medical function is classified as advanced life support. The ambulance function is classified as direct and enabled by the County of San Diego's Health and Human Services Agency (HHS), which designates the District as the exclusive transport provider for the greater Fallbrook-Rainbow region. The total ambulance service area spans 150 square miles and 63.0% larger than the jurisdictional boundary, primarily a consequence of being the only regionally available ambulance service provider to De Luz.[30]

North County FPD's fire protection services are categorized as structural with several ancillary classes – such as rescue. Emergency medical services are categorized as advance life support or ALS. Ambulance services are categorized as direct.

A description of the integrated function's capacities, demands and performances follow.

Service Capacities and Related Resources

North County FPD's integrated fire protection, emergency medical, and ambulance services are primarily dependent on human resources through its own staffing arrangements and headlined by the MOU with the Fallbrook Firefighters' Association. Budgeted public safety at the end of the report period total 66.0 fulltime employees. Of this budgeted amount, 48.0 employees are categorized as multi-purpose fire and rescue personnel (firefighters) and led by the Fire Chief with direct support from one Deputy Chief and one Division Chief.[31] The remaining budgeted total of public safety involve 18.0 employees categorized as single-purpose medical personnel (paramedics and EMTs).

North County FPD's integrated fire protection, emergency medical, and ambulance services were budgeted with 66.0 public safety employees at the end of the report period. This amount is divided between 48 firefighters and 18 medical personnel (paramedics/EMTs).

[30] State law defines local responsibilities for administration of emergency medical services and authorizes counties to designate a local EMS agency to "plan, implement, and evaluate an emergency medical services system" for the respective county. To this end, the County of San Diego approved Board Policy K-12 in by Board Action on April 3, 1982, designating HHS as the local EMS agency, and tasked it with the responsibility of developing an EMS program, including, but not limited to, operational policies, procedures, and protocols.

[31] There are also three Battalion Chiefs budgeted and tasked with supervising each of North County FPD's three shifts.

The overall level of budgeted public safety personnel at North County FPD has moderately increased by three – or 4.8% – over the report period. However, a more significant internal change has occurred with firefighter positions decreasing by six or (11.1%) while paramedic and EMTs positions increasing by nine or 100%.[32]

North County FPD
Fire Protection, Emergency Medical, Ambulance Staffing – Budgeted
Table 6.1a | Source: North County FPD

Category	FY 2016	FY 2020	Average	Trend
Public Safety: Fire and Rescue	54.0	48.0	51.0	(11.1%)
Public Safety Single Role: Paramedics + EMTs	9.0	18.0	13.5	100.0%
Total	63.0	66.0	64.5	4.8%
Per 1,000 Residents	1.22	1.25	1.24	1.7%

North County FPD's minimum staffing is three for both fire engines and fire trucks.

North County FPD's three Battalion Chiefs collectively manage five engine companies equally divided between five stations and three 24-hour shifts. All five stations are continuously staffed by 24 public safety personnel per 24-hour shift. Each fire engine and each ambulance is staffed with at least one paramedic, providing at least two paramedics on every call for medical service. All fire stations are staffed with full-time, cross trained fire/medical personnel, with three stations also staffed with single-role paramedics and EMTs. The adopted minimum staffing standard for engines is three. The minimum staffing standard for ambulances is two.

Actual fire protection, emergency medical, and ambulance services are delivered out of North County FPD's five stations based on direction from the North County Dispatch JPA – commonly referred to as "North Com."[33] Current station details are as follows.

- Station No. 1 is located at the eastern perimeter of North County FPD at 315 East Ivy Street in Fallbrook. It was built in 1963 and typically responds to the highest number of dispatched calls assigned to North County FPD with an average onsite response demand of 7.95 calls per day – or 38.5% of the daily total District demand – during

[32] An additional 15.0 non-public safety fulltime employees are also budgeted at the end of the report period and provide direct and/or indirect support for these service functions. This includes at the end of the report period a board secretary / executive assistant, finance manager, medical services officer, fire marshal, human resource specialist, two fleet mechanics, a customer services representative, one IT Specialist, two fire protection specialists, accounting technician, and two support personnel.

[33] North Com is Joint-Powers Authority formed in 1984 and includes North County FPD along with the Cities of Vista, San Marcos, Solana Beach, Oceanside, Encinitas, and Carlsbad. The purpose of North Com is to provide dispatching emergency communication services for fire protection, security, and medical services within the member agencies' boundaries. Each member provides an annual determined contribution towards the ongoing operation of North Com.

the report period. Six public safety personnel are assigned to Station No. 1 every 24-hour period.[34]

- Station No. 2 is in the center of North County FPD at 2180 Winterwarm Drive in Fallbrook. It was built in 1976 and typically responds to the fourth-highest number of dispatched calls assigned to North County FPD with an average onsite response demand of 2.4 calls per day – or 11.6% of the daily total District demand – during the report period. Three public safety personnel are assigned to Station No. 2 every 24-hour period.[35]

- Station No. 3 is located at the northern perimeter of North County FPD at 2309 Rainbow Valley Boulevard in Rainbow. It was built in 1976 and typically responds to the fifth-highest number of dispatched calls assigned to North County FPD with an average onsite response demand of 1.1 calls per day – or 5.3% of the daily total District demand – during the report period. Three public safety personnel are assigned to Station No. 3 every 24-hour period.[36]

- Station No. 4 is located at the eastern center of North County FPD at 4375 Pala Mesa Drive in Rainbow. It was built in 1979 and typically responds to the third-highest number of dispatched calls assigned to North County FPD with an average onsite response demand of 4.2 calls per day – or 20.3% of the daily total District demand – during the report period. Five public safety personnel are assigned to Station No. 4 every 24-hour period.[37]

- Station No. 5 is located towards the southern perimeter of North County FPD at 5906 Olive Hill Road in Bonsall. It was built in 2014 and typically responds to the second-highest number of dispatched calls assigned to North County FPD with an average onsite response demand of 5.0 calls per day – or 24.3% of the daily total District demand – during the report period. Five public safety personnel are assigned to Station No. 5 every 24-hour period.[38]

---

[34] Station No. 1 operates a Type-1 fire engine and a Type 3 brushfire engine staffed with a battalion chief, captain, engineer, and firefighter-paramedic. It also operates a paramedic ambulance staffed with one single-role paramedic and one single-role EMT.

[35] Station No. 2 operates a Type-1 fire engine and a Type 3 brushfire engine staffed with a captain, engineer, and firefighter-paramedic. It also operates a paramedic ambulance staffed with one single-role paramedic and one single-role EMT.

[36] Station No. 3 operates a medic engine and a water tender staffed with a captain, engineer, and firefighter-paramedic along with a Type-6 paramedic rescue squad staffed with one firefighter-paramedic and one firefighter-EMT.

[37] Station No. 4 operates a medic engine, a Type 3 brushfire engine, and a paramedic ambulance staffed with a captain, engineer and two firefighter-paramedics.

[38] Station No. 5 operates a Type-1 fire engine and a medic engine staffed with a captain, engineer and one firefighter-paramedic. It also operates a paramedic ambulance staffed with one single-role paramedic and one single-role EMT.

Specific to the placement of ambulance resources, North County FPD operates three ambulances on a 24-hour basis each staffed with one paramedic and one EMT.[39] Ambulance services are delivered out of Stations No. 1, 4, and 5. The following table summarizes station staffing and fleet vehicle assignments.

North County FPD
Fire Stations' Assignments as of FY2020
Table 6.1b | Source: North County FPD

Factor	Station 1 Fallbrook	Station 2 Fallbrook	Station 3 Rainbow	Station 4 Rainbow	Station 5 Bonsall	Total
24 hr. Public Safety Staffing	6	5	3	5	5	24
Fire Engines	3	2	2	2	2	11
Ambulance	1	0	0	1	1	3
Paramedic Squads	0	0	0	0	0	0
Command Vehicles	4	0	0	0	0	4
Other Fleet Vehicles	0	0	0	0	0	0

North County FPD also supplements its own fire protection and emergency medical service resources by maintaining reciprocal automatic aid agreements with surrounding jurisdictions. This includes participating in San Diego North Zone's auto aid boundary drop program. Additional details on the volume of automatic aid agreement transactions during the five-year report period are provided in the proceeding section on demands.

With respect to financial resources, North County FPD's integrated fire protection, emergency medical, and ambulance services largely operate as a non-enterprise and supported by property taxes.[40] Monies from property taxes collected during the five-year report period equals 78.1% of all actual revenue resources and has increased by 22.6% from $12.798 to $15.684 million. Ambulance charges represent the second largest funding source and equals 11.1% of all actual revenues collected and have similarly increased by 21.3% from $1.927 million and $2.338 million. Overall, all actual revenues in support of these integrated activities have averaged $18.235 million with a corresponding change of 23.1%. Comparatively, and as further detailed, actual expenses tied to these integrated

> Nearly 90% of North County FPD's integrated fire protection, emergency medical, and ambulance services are directly funded by property taxes and ambulance transport charges. These two revenue sources have increased by 23% and 21%, respectively, during the report period.

[39] Advance Life Support (ALS) is a higher level of emergency care procedures that may include defibrillation, airway management and invasive techniques such as IV therapy, intubation and/ or drug administration.

[40] Other key revenues includes ambulance charges and fire prevention fees paid by developers. North County FPD also receives reimbursements from the State as part of mutual aid assignments from the Office of Emergency Services.

activities have averaged $19.091 million with an overall change of 13.1%. (These amounts have been adjusted to exclude a one-time pension expense booked in FY 2020.)

Another key resource available to North County FPD ties to its joint-powers agreement with the Fallbrook Regional Health District (HD) to collaborate on various community health related initiatives. This agreement was established in 2016 and commits the two agencies to share in the costs of two administrative positions – one being a Medical Services Officer and the other a Social Media Specialist – that provide media presence for both agencies. These shared positions are also responsible for supporting collaborative public health initiatives, most notably COVID-19 vaccination clinics. This has also included support of a health services referral program in partnership with the Fallbrook Foundation for Senior Care, wherein elderly patients needing augmented healthcare receive referral services to various programs. The agreement also commits Fallbrook Regional HD to contribute 50% toward the purchase of new ambulances for North County FPD to help mitigate the HD closing its hospital in 2014.

Service Demands

Overall service demands for integrated fire protection, emergency medical, and ambulance services from North County FPD during the last three years of the five-year report period have averaged 5,593 dispatched calls annually or 15.3 daily. (Information for the first two years – FY 2016 and FY 2017 – is not readily available in the format used in this report due to a software upgrade by NorthCom ahead of FY 2018 [41]). Almost one-tenth – or 7.6% – of all dispatched calls assigned to North County FPD were canceled and resulted in onsite arrivals averaging 5,166 annually or 14.2 daily. Annual onsite incident demands increased during all three years with an overall change of 7.3%. The peak demand was recorded at the end of the report period with a daily onsite response of 14.8.

Over the abbreviated report period actual onsite arrivals for North County FPD have averaged 14.2 per day. Of this amount, North County FPD has been the exclusive responder 89.7% of the time and without the aid of outside agencies.

A breakdown of actual onsite arrivals shows North County FPD responded to 99.0% of all fire protection and emergency medical incidents during the abbreviated report period within its jurisdictional boundary. The breakdown also shows North County FPD responded exclusively to 89.7% of actual onsite incidents in its jurisdiction. Conversely, 1.0% of onsite incidences in the jurisdictional boundary were responded exclusively by one or more outside agencies with an associated negative trend over the report period of one-

41 Due to a mid-year 2017 CAD upgrade and a change in agency RMS software, reliable data specific to demands is only available for 2018, 2019 and 2020.

fourth or (26.5%). The following table summarizes annual calls and onsite arrivals – including agency responders – as well as trends during the abbreviated report period.

North County FPD
Fire Protection and EMS Demands
Table 6.1c | Source: North Com

Category	FY2016	FY2017	FY2018	FY2019	FY2020	Average	Trend
Total Dispatched Incidents	n/a	n/a	5408	5473	5900	5593	9.1%
Total Cancelled Calls	n/a	n/a	385	387	510	427	32.5%
Total Onsite Responses	n/a	n/a	5023	5086	5390	5166	7.3%
- Responded by North County FPD	n/a	n/a	4450	4635	4817	4634	8.3%
- Responded by North County FPD + Others	n/a	n/a	524	397	537	486	2.5%
- Responded by Other Agencies Only	n/a	n/a	49	54	36	46	(26.5)%
- % Automatic Aid Received	n/a	n/a	11.4%	8.9%	10.6%	10.3%	(7%)
- % Automatic Aid Provided	n/a	n/a	12.6%	13.5%	15.8%	14%	25.4%

Nearly one-tenth – or 10.3% – of all onsite incidences within North County FPD during the abbreviated report period necessitated auto-aid from outside agencies and represents a nearly one-tenth – or 7% - decrease during the reporting period. Comparatively, North County FPD provided an amount of auto-aid equal to 14% of all assigned incidences and represents a one-fourth – or 25% - increase.

Over the abbreviated report period actual onsite demands for ambulance transport from North County FPD have averaged 8.6 daily and increased by 4.0%.

With respect to the portion of demands necessitating transport to area hospitals, North County FPD averaged 3,140 ambulance trips per year during the abbreviated report period. This amount produces a daily average of 8.6 trips with an overall increase of 4.0%. Close to 93% of all ambulance transports were in North County FPD's jurisdictional boundary. The trend of ambulance demands in the jurisdictional boundary have also increased by 3.2% compared to only a 14.8% change in automatic aid for the non-jurisdictional portion of the District's contracted HHS service area.

North County FPD
Ambulance Transport Demands Only
Table 6.1d | Source: NCFPD and Mercy Medical Transport

Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Average	Trend
Total Dispatched Incidents	n/a	n/a	3274	3507	3573	3451	9.1%
Total Cancelled Calls	n/a	n/a	250	259	427	312	70.8%
Total Onsite Incidents	n/a	n/a	3024	3248	3146	3139	4%
... Within Jurisdictional Boundary	n/a	n/a	2814	2998	2905	2906	3.2%
... Outside Jurisdictional Boundary	n/a	n/a	210	250	241	233	14.8%

A unique service demand for North County FPD involves traffic related incidents along the approximate 8.8 mile stretch of Interstate 15 within the jurisdictional boundary.[42] Most notably, and given their hazardous nature, each incident on Interstate 15 necessitates an automatic doubling of the number of initial responding paramedic engine companies from one to two paired with the common deployment of at least one ambulance. Incidents on Interstate 15 also often require assistance from neighboring agencies. During the abbreviated report period, the average annual demand on North County FPD involving onsite incidents on Interstate 15 has been 248 – or a little less than one per day. This amount equals 4.4% of overall demands on North County FPD sourced to a specific area that represents less than 0.01% of the entire jurisdictional boundary. Average annual demands dedicated to Interstate 15 are separately on the rise having increased by 13.6.% during the reporting period.

North County FPD
Freeway Service Demands
Table 6.1(e)(Source: NCFPD)

Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Average	Trend
Total Dispatched Incidents	n/a	n/a	236	240	268	248	13.6%
% of Total Dispatched Incidents	n/a	n/a	4.4%	4.4%	4.5%	4.4%	2.2%

Service Performance

North County FPD's capacities as measured by staffing and equipment appear sufficiently sized to readily accommodate existing demands within its jurisdictional boundary through the timeframe of this report. This sufficiency is quantified with North County FPD having the resources to respond to 89.7% of all onsite incidents within its jurisdictional boundary during the abbreviated reporting period (FY2018 to FY2020). This sufficiently is similarly quantified by FPD's relatively low and modest dependency on outside agencies during the report period with only one-tenth – or 10.3% – of onsite incidents necessitating assistance from outside agencies. Other key performance measurements follow:

Key measurements generated over the abbreviated reporting period show North County FPD has sufficient resources to meet current and near term demands and headlined by a relatively low dependency on outside agencies to meet onsite incidences.

[42] Interstate 15 – within the North County FPD jurisdictional boundary – is independently estimated by LAFCO to equal 135 acres.

- North County FPD's most recent evaluation of structural fire protection capabilities from the Insurance Services Office (ISO) was completed in 2019 and resulted in a Class 3/3X rating for the District. This rating is considered appropriate for a largely semi-rural area with a suburban core surrounded by rural lands and above the current average 4/4x rating among the 890 fire agencies in California reviewed by ISO.[43]

- North County FPD's adopted response time standards for fire protection and emergency medical calls was updated in January 2019. The adopted standards follow and are higher than the County of San Diego's General Plan, however, they are lower than the District's Advanced Life Support Agreement with the County and include call processing time, turnout time, and travel time to the incident location (County requirements only consider travel time).

North County FPD: Response Standards		
Urban Areas	**Suburban Areas**	**Outlying Areas**
9 minutes	13 minutes	18 minutes
92.8% compliance	87.3% compliance	99.0% compliance

6.2 Hazardous Materials Response

(Abbreviated Review)

North County FPD first responders are trained to the Hazardous Materials (Haz-Mat) First Responder Operational (FRO) level. First responders at the operations level are individuals who respond to releases or potential releases of hazardous substances as part of the initial response with the purpose of protecting nearby persons, property, or the environment from the effects of the release. They are trained to respond without trying to stop the release. Their function is to contain the release from a safe distance, keep it from spreading, and prevent exposures.

Haz-Mat Mitigation Response in unincorporated San Diego County is provided by the County of San Diego Department of Environmental Health and Quality Division through a contract with the City of San Diego Fire and Rescue Department. San Diego Fire's HAZ-MAT Team responds as a secondary specialty response resource to identify and mitigate potential hazardous materials encountered by primary North County FPD emergency response resources. The HAZMAT Team routinely responds to assist County first-

[43] The ISO classifications are ranked between 1 and 10 and designed to evaluate a fire service provider's ability to protect local communities based on uniform measurements. Fire departments use the data to help measure the effectiveness of their fire-protection services while insurance companies use it when establishing premiums for fire insurance. A Class 1 rating generally represents superior property fire protection and can lower the price of insurance within a community.

responders with fuel spills, oil spills, and any other incident where there is a known or unknown hazardous substance.

6.3 Weed Abatement / Community Risk Reduction

(Abbreviated Review)

The North County FPD Community Risk Reduction Division (CRRD), formerly the North County FPD Fire Prevention Bureau, is responsible for protecting the public through coordinated efforts in fire prevention, code enforcement, fire protection engineering, fire and life safety education, and fire investigation. Management is provided by the Fire Marshal who reports directly to the Fire Chief. Additional staffing includes two Fire Prevention Specialists and a Community Outreach/Social Media Specialist. Service class activities follow.

- CRRD supports the business community through planning phases of new construction projects, recording of maps and granting of final occupancy. This involves reviewing plans for construction projects, system testing, and new construction inspection. Additionally, inspectors ensure existing buildings are properly maintained by responding to code violation complaints and through annual occupancy inspections of existing buildings and is compliant with SB 1205 (H&S Code 13146.4) State mandated inspection requirements.

- CRRD performs an annual weed inspection program throughout its jurisdictional boundary as well as partnering with CalFire on reduction activities in surrounding State Responsibility Areas (SRAs). Projects that do not conform are subject to be forced abated. Historically, large scale vegetation fires within North County FPD boundaries have been the largest threat to both the community members, property, and first responders.

- CRRD works in collaboration with a multitude of agencies within San Diego County to provide investigation and enforcement services associated with fire events. This includes partnering with local law enforcement to assist with education and mitigation of fires and injuries caused by fireworks. This also includes working closely with suppression personnel to conduct fire cause and origin investigations.

- CRRD recently created a community outreach task force to provide social media and in-person community training under the common umbrella of fire prevention. This includes training on fire extinguisher use, fire drills, emergency evacuation plans, defensible space, and general hazardous risk reduction activities.

7.0 FINANCES

7.1 Budget Information

North County FPD's average total expenses during the five-year report period has been $23.151 million and translates to a per capita or resident amount of $441. This amount represents the actual expenses for all District functions with three-fourths – or 75.3% – tied directly to employee costs. The actual expense at the end of the report period marked the high mark at $40.773 million and attributed to a one-time cost in issuing $20.305 million in pension obligation bonds. The average actual annual expense less this one-time pension cost in FY2020 adjusts to $19.090 million with an overall change of 13.2%. The average per capita expense also adjusts to $365.

North County FPD's average actual expense during the five-year report period has been $23.151 million with an overall increase of 125.4%. The overall change less the final year in FY 2020 and issuance of pension obligation bonds reduces to 13.2%.

North County FPD
General Fund: Actual Expenses
Table 7.1a | Source: North County FPD and SD LAFCO

Category	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	Average	Trend
Salaries and Wages	8,452,483	8,663,547	9,828,013	9,386,889	9,293,238	9,124,834	9.9%
Benefits	4,313,546	4,468,401	4,111,569	4,025,831	24,644,662	8,312,802	471.3%
Materials-Services	2,113,052	2,672,168	2,460,857	3,263,964	4,093,207	2,920,650	93.7%
Capital Outlay	605,039	585,621	1,971,163	2,441,007	287,048	1,177,976	(52.6%)
Debit Service	2,522,152	505,336	625,440	955,786	2,455,004	1,412,744	(2.7%)
Other	81,661	108,179	367,948	455,766	-	202,711	(100.0%)
Total	**$18,187,933**	**$17,003,252**	**$19,364,990**	**$20,529,243**	**$40,773,159**	**$23,151,715**	**125.4%**
Per Capita Expense	**$351**	**$328**	**$370**	**$390**	**$769**	**$441**	**118.8%**
				Adjusted Total	$20,468,159	$19,090,71	13.2%
				Adjusted Per Capita	$386	$365	10.0%

North County FPD's average total revenue during the five-year report period has been $18.235 million and translates to a per capita or resident amount of $349. The overall total represents actual revenues collected during the report period involving all service functions with nearly four-fifths – or 77.8% – tied to property taxes. Actual revenues at the end of the report period marked the high mark at $19.599 million and underlies an overall change of 23.1%. The corresponding per capita revenue has separately increased by 19.5%.

> North County FPD's average actual operating revenue during the five-year report period was $18.235 million and represents an overall change of 23.1% for the 60-month period.

North County FPD
General Fund: Actual Revenues
Table 7.1b | Source: North County FPD and SD LAFCO

Category	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	Average	Trend
Property Taxes	12,798,201	13,413,614	14,135,919	14,933,274	15,684,147	14,193,031	22.5%
Ambulance Services	1,927,451	1,925,376	1,835,405	2,068,255	2,338,146	2,018,927	21.3%
Reimbursements	448,270	654,625	1,084,976	687,747	327,631	640,650	-26.9%
Prevention Fees	131,390	124,789	333,309	277,446	254,859	224,359	94.0%
Grants	290,421	775,919	903,275	454,179	354,047	555,568	21.9%
Rental Income	82,639	90,936	88,655	109,206	102,950	94,877	24.6%
Other	248,970	538,803	552,055	660,105	537,495	507,486	115.9%
Total	**$15,927,342**	**$ 17,524,062**	**$18,933,594**	**$19,190,212**	**$19,599,275**	**$18,234,897**	**23.1%**
Per Capita Revenue	**$310**	**$338**	**$363**	**$365**	**$370**	**$349**	**19.5%**

7.2 Financial Statements

North County FPD regularly contracts with an outside accounting firm to prepare an annual report to review the District's financial statements in accordance with established governmental accounting standards. This includes auditing North County FPD's statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing North County FPD's short and long-term fiscal health with specific focus on delivering the District's activated service functions. The current outside consultant is Nigro & Nigro, PC (Murrieta) and they prepared the last three audits on North County FPD.

North County FPD's most recently audited financial statements for the five-year report period were issued for 2019-2020. These statements show a moderate decline over the prior fiscal year as the overall net position on a full accrual basis decreased by nearly (one-fifth) from ($12.626 million) to ($15.505 million) and primarily tied to double-digit loss in total margin.

Most Recent Year-Ending Financial Statements (2019-2020)	
Assets	22,900,653
Liabilities	63,655,583
Deferred Outflow/Inflow	25,250,081
Net Position	**($15,504,849)**
Adjusted Net Position (Less retiree liabilities)	$34,634,925

Adjusting to pre GASB 68 and 75 reporting standards and the listing of an agencies' proportionate share of pension and other post-employment benefit liabilities, the net position is $34.635 million.[44] The accompanying auditor's report did not identify any material weaknesses. A detailing of year-end totals and trends during the report period follows with respect to assets, liabilities, and net position.

Agency Assets

North County FPD's audited assets at the report period totals $22.9 million. This amount is 12.8% higher than the average year-end amount of $20.3 million in total assets documented during the five-year period and reflects overall upward trajectory. Assets classified as current with the expectation they could be liquidated within a year represent $8.1 million – or 35.4% – of the total and largely tied to cash and investments. Assets classified as non-current and not readily liquid make up the remainder and total $14.8 million and involve depreciable capital assets tied to structures, equipment, and vehicles. Overall, North County FPD's total audited assets have increased by $10.1 million – or 38.4% – over the corresponding 60-month period.

> North County FPD's audited assets over the five-year report period have increased by 38.4% and primarily tied to investments in new equipment, structures, and improvements.

North County FPD
Audited Assets
Table 7.2a | Source: North County FPD

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	$5,416,218	$6,950,153	$8,487,822	$8,661,403	$8,113,743	$7,836,589	49.8%
Non-Current	$11,126,671	$10,847,169	$11,990,947	$15,050,078	$14,786,910	$12,449,634	32.9%
Total	**$16,542,889**	**$17,797,322**	**$20,478,769**	**$23,711,481**	**$22,900,653**	**$20,286,222**	**38.4%**

Agency Liabilities

North County FPD's audited liabilities at the end of the report period totals $63.7 million. This amount is 53.7% higher than the average year-end amount of $41.4 million in total liabilities documented during the five-year period and denotes overall upward trajectory. Liabilities classified as current with the expectation they will become due within a year represents $3.5 million – or 5.4% – of the total and largely tied to near term debt payments and

> North County FPD's audited liabilities over the five-year report period have increased by 126.2% and primarily tied to pension liabilities.

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

compensated absences. Liabilities classified as non-current and considered longer termed debts and make up the remainder and bulk of the total amount and headlined by North County FPD's net pension liability ($26.5 million) and pension obligation bonds ($19.5 million). Overall, North County FPD's total audited liabilities have increased by $35.5 million – or 126.2% – over the corresponding 60-month period.[45]

North County FPD
Audited Liabilities
Table 7.2b | Source: North County FPD

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	$1,534,992	$1,911,791	$2,254,096	$2,505,689	$3,456,499	$2,332,613	125.2%
Non-Current	$26,604,515	$32,829,291	$36,544,385	$39,181,416	$60,199,084	$39,071,738	126.3%
Total	**$28,139,507**	**$34,741,082**	**$38,798,481**	**$41,687,105**	**$63,655,583**	**$41,404,352**	**126.2%**

Net Position

North County FPD's audited net position or equity at the end of the report period totals ($15.5) million and represents the difference between the District's total assets and total liabilities along with adjusting for deferred resources – i.e., pension outflows and inflows. This most recent year-end amount is 21.7% lower than the average year-end sum of ($12.7 million) during the period and shows a downward trajectory. Overall, North County FPD's audited net position has decreased by ($3.1 million) or (25.3%) over the corresponding 60-month period.[46]

North County FPD' audited net position has decreased over the five-year report period by (25.3%) from ($12.4) million to ($15.5) million and ties directly to the rate of new liabilities exceeding the rate of new assets by a ratio of more than 3 to 1.

Adjusting to exclude North County FPD's proportional share of net pension and other-post employment benefits – which are relatively new reporting standards for financial statements under GASB 68 and 75 – the net position resets to $34.6 million. This reset amount also reflects a five-fold overall increase during the report period.

[45] The steep increase in non-current liabilities is primarily due to a June 2020 issuance of Pension Obligations Bonds. The bond proceeds were sent to CalPERS to reduce the Unfunded Actuarial Liability (UAL) to zero and occurred in 2020 however, this pay down of the UAL debt will not be reflected in the District's financial statements until 2021 (following Generally Accepted Accounting Principles).

[46] The 2019-2020 financial audit does not reflect the reduction of the net pension liability resulting from the District's issuance of $20 million in pension obligation bonds during FY 2019-2020. CalPERS actuarial valuation reports do not include fund performance for the current fiscal year.

North County FPD
Audited Net Position
Table 7.2c | Source: North County FPD

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Capital Assets	$5,997,547	$5,353,227	$5,667,227	$5,644,759	$7,093,362	$5,951,224	18.3%
Restricted	$932,761	$1,033,825	$1,688,502	$1,553,607	$1,974,412	$1,436,621	111.7%
Unrestricted	($19,299,910)	($18,326,420)	($18,640,358)	($19,824,190)	($24,572,623)	($20,132,700)	27.3%
Total	**($12,369,602)**	**($11,939,368)**	**($11,284,629)**	**($12,625,824)**	**($15,504,849)**	**($12,744,854)**	**(25.3)%**
Adjusted…	**$4,998,035**	**$10,241,057**	**$15,622,800**	**$15,416,356**	**$34,634,925**	**$16,181,635**	**593.0%**

The unrestricted portion of North County FPD's net position as of the last audited fiscal year totals ($24.6 million). This represents the accrued portion of the fund balance under GASB reporting and subject only to discretionary designations (commitments and assignments). The adjusted amount less pension and related liabilities resets the total to $25.6 million and represents a more accurate accounting of available fund balance monies. This adjusted amount equals 15.1 months of North County FPD's operating expenses based on actual costs towards the end of the report period.[47]

North County FPD's unrestricted fund balance less pension and related liabilities at the end of the report period is sufficient to cover 15 months of operating expenses.

7.3 Measurements | Liquidity, Capital, and Margin

San Diego LAFCO's diagnostic review of the audited financial statements for North County FPD covering the five-year report period shows the District experienced negative trends in nearly all standard measurements covering liquidity, capital, and margin. This includes double-digit declines in liquidity as measured by the District's current ratio and days' cash with the latter changing from 82 to 62 days. Capital levels also trended downward and marked by high and increasing debt levels. Margin levels also finished most years in deficits with an average total margin of (22.7%).

Standard measurements used to assess North County FPD's financial standing shows the District trended negatively in most categories during the report period and marked by finishing with lower cash levels and higher debt loads.

[47] North County FPD's monthly operating costs in FY2019 was $1.7 million. (FY2020 operating costs are not used given the outlier expense involving pension obligation bonds.)

With respect to measurements specific to the end of the report period, liquidity levels via the FPD's current ratio and days' cash amounts appear sufficient in meeting near-term obligations. Debt levels are measurably high, and merit ongoing attention given the amount of debt incurred by the District exceeds its present resources. Total margin levels also merit ongoing attention given the District finished with negative ratios in three of the five years covering the report period.

Debt levels are measurably high, and merit ongoing attention given the amount of debt incurred by the District exceeds its present resources.

North County FPD
Financial Measurements
Table 7.3 | Source: San Diego LAFCO

Year	Current Ratio	Days' Cash	Debt Ratio	Debt to Net Position	Total Margin	Operating Margin	Equipment Replacement
FY 2016	3.5 to 1	81.6	170.1%	227.5%	(11.3%)	(13.6%)	15.9
FY 2017	3.6 to 1	125.8	195.2%	291.0%	3.9%	3.9%	12.4
FY 2018	3.8 to 1	134.0	189.5%	343.8%	2.0%	(2.3%)	13.3
FY 2019	3.5 to 1	135.8	175.8%	330.2%	(2.4%)	(7.0%)	12.6
FY 2020	2.4 to 1	62.4	278.0%	410.6%	(98.7%)	(108.0%)	12.6
Average	**3.4 to 1**	**107.9**	**201.7%**	**320.6%**	**(22.7%)**	**(27.0%)**	**13.3**
Change	**(33.5%)**	**(23.6%)**	**63.4%**	**80.5%**	**771.4**	**696.4%**	**(20.3%)**
Trend	**Negative**	**Negative**	**Negative**	**Negative**	**Negative**	**Negative**	**Positive**

Current Ratio (Liquidity)
Compares available assets against near-term obligations; means for every dollar in liability the agency has one dollar available to pay.

Days' Cash (Liquidity)
Measures the number of days the agency can fund normal operations without any new cash income.

Debt Ratio (Capital)
Measures the relationship between the agency's total assets and liabilities; the higher the ratio the more susceptible the agency is to long-term cash flow stresses.

Debt to Net Position (Capital)
Measures the amount of long-term debt or borrowing of the agency against its accumulated net worth; an appropriate maximum standard threshold is 50%.

Total Margin (Margin)
Measures the bottom line of the agency with respect to comparing all revenues to all expenses.

Operating Margin (Margin)
Measures the relationship between core operational revenues and expenses and excludes one-time transactions, like grants and loans.

Operating Reserves Ratio (Structure)
Measures the percent of available monies of an agency to cover unforeseen shortfalls; an appropriate maximum standard threshold is 50%.

Equipment Replacement Ratio (Structure)
Measures the average age of depreciable equipment and facilities; the lower the number the younger the infrastructure with the assumption therein better efficiencies/effectiveness.

7.4 Pension Obligations

North County FPD provides a defined pension benefit plan to its employees through an investment risk-pool contract with the California Public Employees Retirement System (CalPERS). This pension contract provides employees with specified retirement benefits based on two employment categories – "miscellaneous" and "public safety" – and further distinguished by hiring date with respect to pre and post January 1, 2013, and the enactment of the California Public Employees' Pension Reform Act or PEPRA. Additional pension details based on actuarial valuations issued by CalPERS during the five-year report period with respect to formulas, enrollees, contributions, and funded status follows.

Pension Formulas and Enrollees

The annual valuation issued at the end of the five-year report period identifies 311 total participants within North County FPD's pension program. This total represents an overall net increase of 78 enrollees among its active, separated or transferred, and retiree categories. These categories produce an active-to-retiree employee ratio of 1.0 to 1.0; i.e., there are an equal number of employees currently contributing to the pension system relative to those that are now drawing pension payments.

> North County FPD finished the report period with 311 enrollees within its pension program with CalPERS. Close to three-fifths of all enrollees receive a defined benefit formula of 3.0% at 55.

North County FPD finished the period with a positive active-to-retiree employee ratio of 0.81 to 1.0 and means there are more retirees collecting pension payments compared to those contributing to the pension system. A summary of the employee category types follows.

- Miscellaneous employees starting before PEPRA total 43 as of June 30, 2019 and represent 14% of the total number of pension enrollees. These employees are entitled to a defined benefit based on a 2.7 at 55 formula. Miscellaneous employees starting after PEPRA total 53 and represent 18% of the total number of enrollees. These employees are entitled to a defined benefit on 2.0 at 62 formula.

- Safety employees starting before PEPRA total 181 as of June 30, 2019 and represent 58% of the total number of pension enrollees. These employees are entitled to a defined benefit based on a 3.0 at 55 formula. Safety employees starting after PEPRA total 34 and represent 11% of the total number of enrollees. These employees are entitled to a defined benefit based on 2.7 at 57 formula.

North County FPD
Pension Enrollee Information
Table 7.4a | Source: CalPERS and SD LAFCO

Type	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Trend
Active	80	92	108	106	85	6.3%
Transferred or Separated	67	66	67	73	121	80.1%
Retired (Collecting Payments)	86	90	95	101	105	22.1%
Total Enrollees	**233**	**248**	**270**	**280**	**311**	**29.2%**
Active to Retiree Ratio	0.93 to 1	1.0 to 1	1.1 to 1	1.1 to 1	0.81 to 1	(12.9%)

Annual Contributions

North County FPD's total annual pension contribution at the end of the report period tallies $2.896 million. This contribution reflects an overall increase of 28.7% during the corresponding 48-month period within the report period. The contribution also represents 41.3% of the District's total payroll in 2018-2019 and has separately increased by 18.6% over the 48-month period.

North County FPD's total pension contribution as of the last annual valuation issued by CalPERS during the report period equaled 41% of the District's payroll.

North County FPD
Annual Pension Contributions
Table 7.4b | Source: CalPERS and SD LAFCO

Category	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Trend
Employer Contribution	2,249,592	2,609,648	2,307,199	2,895,874	23,008,132	795.5%
Payroll	6,461,980	6,671,377	6,905,639	7,015,425	****	18.6%
% of Payroll	34.8%	39.1%	34.4%	41.3%	323.9%	7391%

Funding Status

North County FPD's total and composite unfunded liability at the end of the report period totals ($11.9 million). This amount reflects the accrued pension monies owned to all employees and not covered by assets and translates to a composite funded ratio of 89.1% based on market value. Overall, the funded ratio has increased by 22.2% during the report period and generated by a net improvement of $11.9 million in the unfunded liability.

North County FPD's combined funded ratio at the end of the report period equals 89.1%. This ratio marks a one-fifth improvement and aided by a significant contribution by the Board in 2019-2020.

North County FPD
Pension Funding Status
Table 7.4c | Source: CalPERS

Category	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Trend
Pension Assets (MVA)	64,340,793	70,036,902	74,356,354	76,739,755	97,818,596	52.0%
Pension Liabilities (AL)	88,202,471	93,720,959	101,843,168	105,760,345	109,764,159	24.5%
Unfunded Liability	(23,861,678)	(23684,057)	(27,486,814)	(29,020,590)	(11,945,563)	(49.9%)
Funded Ratio	72.9%	74.7%	73.0%	72.6%	89.1%	22.2%

C. RAINBOW MUNICIPAL WATER DISTRICT

1.0 OVERVIEW

Rainbow Valley
Rainbow Peaks Road Looking South Towards Interstate 15

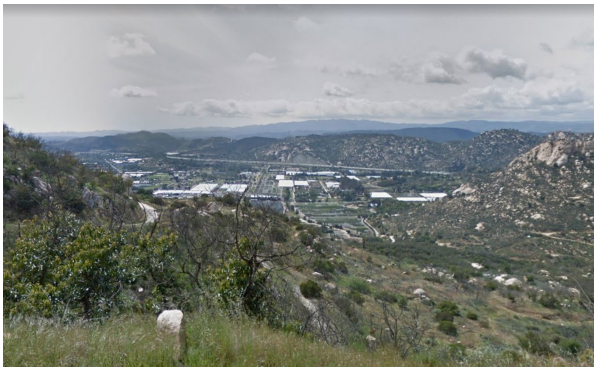


Photo Credit: Google Maps (2021)

The Rainbow Municipal Water District (MWD) is an independent special district formed in 1953. Formation proceedings were initiated by landowners with support from local business interests for purposes of establishing a member agency of the San Diego County Water Authority to provide retail water service within the Rainbow Valley region and in doing so support commercial agricultural uses. Formation proceedings were part of a second phase of local agencies throughout San Diego County joining and retailing the wholesale supplies of the County Water Authority – as they began to import water from the Colorado River through its own agreement with the Metropolitan Water District of Southern California. Rainbow MWD's jurisdictional boundary spans 82 square miles with all but one consisting of unincorporated acreage. More than four-fifths of all jurisdictional acreage is under private ownership.[48] The unincorporated communities of Rainbow and Bonsall anchor the jurisdictional boundary with the former mostly under agricultural and rural residential uses while the latter is largely under residential and commercial uses. Governance is provided by a five-person board with members elected by divisions and serve staggered four-year terms. The average tenure on the Board among current members is three years.

Rainbow MWD is presently authorized by LAFCO to provide two distinct service functions: potable water and wastewater.

Rainbow MWD is currently organized as a limited-purpose agency with municipal operations tied to two service functions: (a) potable water and (b) wastewater with the latter limited to an internal geographical area within the jurisdictional boundary. Rainbow MWD is also eligible – subject to LAFCO approval – to provide additional functions under its principal act and involves fire protection, recycled water, community recreation, communications, solid waste and garbage, street lighting, road maintenance and drainage, transportation, and electric services. The operating budget at the term of the report period (2019-2020) was $44.0 million. The audited financial statements show Rainbow MWD's net position at the end of the report period totaling $88.2 million with the

[48] The lone incorporated portion of the Rainbow MWD jurisdictional boundary lies in the City of Oceanside.

unrestricted portion tallying $9.1 million. This latter total is adjusted to $10.2 million less pension liabilities and equals 2.8 months of recent actual operating expenses.

LAFCO independently estimates the fulltime resident population within Rainbow MWD is 22,130 as of the term of this report period. It is also projected the estimate of fulltime residents represents an overall increase of 2,663 since 2010 – or 266 annually – with a resulting annual growth rate of 1.4%, which is above the countywide rate of 0.7%. The estimated population is directly supported by 8,989 housing units, which has increased since 2010 with the construction or otherwise addition of 821 units. The median household income among residents within Rainbow MWD is $74,006 based on the current five-year period average and more than one-tenth above the countywide average of $66,529.

2.0 BACKGROUND

2.1 Community Development

Rainbow MWD's service area began its present-day development in the late 1700s like other nearby communities – such as Fallbrook and Pala. The genesis of the development ties to the Payomkawichum people – called Luiseños by the Spanish newcomers – establishing permanent villages along the Santa Margarita and San Luis Rey Rivers in conjunction with the construction of nearby Mission San Luis Rey in 1769. These villages generally continued uninterrupted into the next century when rule of California transitioned from Spain to Mexico and Governor Pio Pico granted "Rancho Monserate" to his brother in-law Ysidro Alvarado in 1846. The Rancho Monserate land grant covered close to 13,330 acres and helped to transition the largely unimproved lands in the region towards cultivated agricultural and ranching uses. Homesteading began in the early 1870s and headlined by the arrival of Peter Larsen and later James Peebles Marshall Rainbow, who subsequently partnered with W.J. Gould to form a land company in acquiring a considerable portion of the Rancho with the Spanish named "Vallecitos" or "Little Valley." Rainbow and Gould proceeded to file a townsite map with the County of San Diego Clerk-Recorder in 1888 and officially titled their investment as "Rainbow Valley," which was later abbreviated by locals to "Rainbow."

The earliest census performed on Rainbow (Vallecitos precinct) estimated the population at 94 in 1890.[49] Rainbow's population expanded modestly over the next several decades as the lands' agricultural uses proved successful with irrigation coming from groundwater or diversions from Rainbow Creek – a tributary of the Santa Margarita River. Many of the family

[49] The overall population of San Diego County in the 1890 census was estimated at 34,987.

farmers in Rainbow Valley had also built their homes just north in and around Temecula and were apportioned to Riverside County at the time of its creation in 1893 – including community patriarch James Rainbow. This dynamic – the commercial success of agriculture and the initial population settling north in Riverside County – contributed to a relatively slow growth rate with the population in Rainbow Valley not reaching 1,000 until the 1950s.

2.2 Formation Proceedings

Rainbow MWD was officially formed in January 1954 to provide potable water service with an initial jurisdictional boundary of 75 square miles covering the Rainbow and Bonsall communities. The formation proceedings were petitioned by landowners and led by Guy Earl Jr.; the former owner of the Los Angeles Herald-Express who had purchased a large cattle ranch in Bonsall and proceeded to develop a horse training center and later became the site of San Luis Rey Downs. Formation proceedings were pursued with the specific intent of concurrently annexing into the San Diego County Water Authority and Metropolitan Water District of Southern California and in doing so establishing a more reliable supply for Rainbow via imports from the Colorado River. The County of San Diego Boundary Change Commission approved the formation subject to voter confirmation.[50] The resulting election was held in December 1953 and voters confirmed the formation with 93% – or 306 of the 328 ballots – voting in favor. A director was also appointed for each division.[51]

2.3 Post Formation Proceedings

A summary of notable activities undertaken by Rainbow MWD and/or affecting the District's service area preceding and following formation in 1954 are provided below.

- Rainbow MWD concurrently annexes into the County Water Authority and Metropolitan Water District of Southern California in late 1954 to provide access to water supplies from the Colorado River.

- Construction begins on the second San Diego Aqueduct in 1958 with plans to cross through Rainbow MWD's jurisdictional boundary.

[50] The San Diego County Boundary Commission was a technical governing body tasked with approving the accuracy and completeness of proposed jurisdictional changes prior to the State establishing LAFCOs in 1963. All actions of the Boundary Commission were subject to voter approval.
[51] Initial Board members for Rainbow MWD were Guy Earl, Marlan Griswold, Dave Caldwell, Ben Martin, and William Davis.

- Voters in California approve the construction of the State Water Project in 1960 for the primary purpose of delivering water supplies from the Sierra Mountains via the Sacramento Delta to the Central Valley and Southern California. Close to one-half of the costs are paid by the Metropolitan Water District as the largest single contract user to the State Water Project.

- Rainbow MWD initiates its wastewater service function in 1963 in conjunction with the development of the Fallbrook Country Club and two adjacent subdivisions. A separate system is constructed in 1964 to accommodate the development of the Pala Mesa Village and the Pala Mesa Country Club.

- County Water Authority voters approve financing for a new branch for the second San Diego Aqueduct in 1966.

- Rainbow MWD enters into an agreement with City of Oceanside in January 1973 for the City to treat and discharge wastewater collected within the District. The initial agreement allocates Rainbow MWD up to 1.0 million gallons of treatment capacity.

- LAFCO establishes a coterminous sphere of influence for Rainbow MWD in December 1983. Several amendments are made to the sphere by LAFCO in conjunction with approving reorganizations between 1985 and the next update performed in 2003.

- Rainbow MWD amends its agreement with City of Oceanside in September 1989 and February 2002 to increase its allocated use of the City's wastewater treatment facilities ultimately to 1.5 million gallons per day.

- LAFCO completes its most recent sphere of influence update on Rainbow MWD in April 2014 and approves a larger-than-agency designation to include approximately 852 unincorporated acres along its eastern perimeter towards Pala.

- In April 2020, Rainbow MWD files a reorganization application with LAFCO to transfer wholesale water supplies byway of concurrently detaching from the County Water Authority and annexing into Eastern MWD. The reorganization is coordinated with similar filing by Fallbrook PUD and remains under administrative review.

3.0 BOUNDARIES

3.1 Jurisdictional Boundary

Rainbow MWD's existing boundary spans approximately 80 square miles and covers 50,857 acres. Over 98% of the jurisdictional boundary is unincorporated and anchored by the communities of Rainbow, Bonsall, and Gopher Canyon. The incorporated portion of the jurisdictional boundary involves 859 acres that overlap with the City of Oceanside's Morro Hills neighborhood. The total jurisdictional boundary equals 1.9% of all San Diego County and characterized by rural residential and agricultural uses with the latter largely consisting of avocado, citrus, flowers, and nut crops. There are 15,257 registered voters in Rainbow MWD at the end of the report period except for 30 residing in the incorporated area.

Rainbow MWD's jurisdictional boundary spans over 50,000 acres and more than twice the size of the City of Oceanside. The jurisdictional boundary has increased by 7.0% since Rainbow MWD's formation in 1954.

Rainbow MWD's two active service functions – potable water and wastewater – are designated by the Commission to span the entire jurisdictional boundary, and accordingly there are no internal LAFCO latent power service areas.

The total assessed value (land and structure) within Rainbow MWD increased during the report period by 25.2% from $3.922 billion to $4.912 billion. The period ending amount translates to a per acre value ratio of $0.097 million as well as a per capita value of $0.222 million based on the estimated fulltime population of 22,130. Rainbow receives close to 0.08% of the annual 1.0% of property tax collected in the jurisdictional boundary and resulted in $0.391 million in 2019-2020.

Assessed property values in Rainbow MWD have increased by one-fourth over the report period and finished with a $0.097 million per acre ratio.

The jurisdictional boundary is currently divided into 11,790 parcels and spans 48,681 acres.[52] Close to nine-tenths – 88.1% – of the parcel acreage is under private ownership with nearly three-fifths having already been developed and/or improved with structures to date, albeit not necessarily at the highest density under zoning. The remaining private acreage in Rainbow MWD is undeveloped with 2,945 parcels that collectively total 17,883 acres.

58% of all privately-owned acreage in Rainbow MWD has been developed to date. The remaining 42% of the private acreage in Rainbow MWD is undeveloped and totals 17,883 acres.

[52] The remaining 2,2176 jurisdictional acres within Rainbow MWD's jurisdictional boundary comprise public right-of-ways and waterways.

A total of 1,530 acres – or 3.0% – of Rainbow MWD's jurisdictional boundary qualifies as disadvantaged unincorporated community (DUC) lands under current San Diego LAFCO policy. This affected area also lies within the sphere of influence and is part of the Gopher Canyon area of the jurisdictional boundary and continues to extend south towards the City of Vista. Additional lands qualifying as a DUC lie to the immediate west of both Rainbow MWD's jurisdictional boundary and sphere of influence to include the Marine Corps' Camp Pendleton site.

3.0% of Rainbow MWD qualifies as a DUC with the affected households having an annual median household income of less than $54,191.

Rainbow MWD
Jurisdictional Boundary Characteristics
Table 3.1a (Source: San Diego LAFCO)

Total Jurisdictional Size	50,857 acres
Total Jurisdictional Parcels and Acreage (less rights-of-ways, etc.)	11,790 parcels totaling 48,681 acres
… Publicly Owned Parcels and Acreage	254 parcels totaling 5,802 acres
… Privately Owned Parcels and Acreage	11,536 parcels totaling 42,879 acres
… Undeveloped Privately Owned Parcels and Acreage	2,954 parcels totaling 17,883 acres
Total Number of Registered Voters	15,257
Total Assessed Value (Land and Structures)	$4.912 billion

3.2 Sphere of Influence

Rainbow MWD's sphere was established by LAFCO in December 1983 ahead of a statewide deadline set by the Legislature. The sphere presently spans 51,543 acres and includes 987 non-jurisdictional acres with the majority lying along the northeast District perimeter and within two distinct "island" areas near SR-76 and the San Luis Rey River. If these non-jurisdictional acres are annexed, it would increase the physical size of Rainbow MWD by 1.9%. No jurisdictional lands lie outside the sphere. There are also no special study areas for the sphere.

The Rainbow MWD sphere of influence was last comprehensively updated by LAFCO in 2014 and presently comprises a "larger-than-agency" designation to include 987 non-jurisdictional acres. No jurisdictional lands lie outside the sphere.

3.3 Other Boundaries (Non LAFCO)

3.3.1 Land Use Boundaries

> 98% of Rainbow MWD's jurisdictional boundary falls under the land use policies set by the County of San Diego with one-half collectively covered in the Bonsall and Rainbow Community Plans. These documents were updated in August 2011 with no approved amendments during the report period.

The County of San Diego General Plan was last updated by the Board of Supervisors in August 2011 and provides development policies and objectives for all unincorporated lands and applies 98% to Rainbow MWD's jurisdictional boundary. Specific policies and objectives for lands within the Rainbow MWD are primarily delegated and addressed within two Board of Supervisors' adopted documents: Rainbow Community Plan and the Bonsall Community Plan. These Community Plans collectively cover 52% of the jurisdictional boundary and stewarded by elected advisory bodies and were last updated by the Board of Supervisors in August 2011. The Community Plans premising land use goals follow.

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 separating the community from adjacent cities and unincorporated community and new development that conserves natural resources and topography." LU-1.1

Rainbow Community Plan

"Land use that retains and enhances the rural character of the community." LU-1-1.

The remainder of the unincorporated portion of Rainbow MWD's jurisdictional boundary is covered under the Fallbrook Community Plan with additional details footnoted.[53] The incorporated portion of Rainbow MWD's jurisdictional boundary 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.

3.3.2 Local School District Boundaries

Rainbow MWD's jurisdictional boundary contains five public school districts: Bonsall Unified

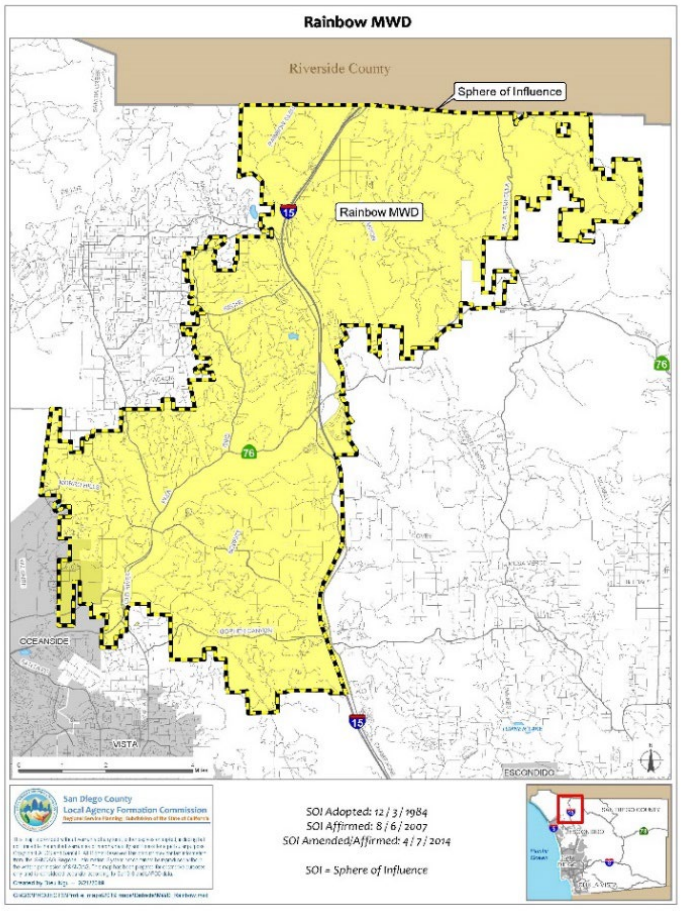
[53] The Fallbrook Community Plan was similarly last updated last in August 2011 with five amendments approved during the five-year report period. The premising land use goal is as follows: "perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth."

School; Fallbrook Union Elementary; Fallbrook Union High School; Vallecitos School District; and Valley Center-Pauma Unified School Districts. A summary of these Districts follows.

Rainbow MWD | Public School District Information
Table 3.3a (Source: Fallbrook, Vallecitos, & Valley Center School Districts)

	Fallbrook Union Elementary School District	Fallbrook Union High School District	Vallecitos School District	Valley Center-Pauma Unified School District
% Within Rainbow MWD	19%	19%	46%	25%
Superintendent	Dr. Candace Singh	Ilsa Garza-Gonzalez	Maritza Koeppen	Ron McCowan
Grades Covered	K-8th Grade	9-12th Grade	K-8th Grade	K-12th Grade
Number of Schools	9	4	1	8
Total Enrollment in FY2016	5,506	2,312	190	4,087
Total Enrollment in FY2020	5,278	2,154	195	3,956
… Change in Enrollment	222 or 4.4%	(158) or (6.8%)	5 or 2.6%	(131) or (3.3%)
Operating Budget in FY2016	$54,728,304	$31,940,656	$2,665,845	$41,260,546
Operating Budget in FY2020	$65,712,320	$29,501,279	$3,022,487	$47,450,808
… Change in Operating Budget	20.1%	(7.6%)	12.5%	13.0%

3.4 Current Boundary and Sphere Designations



Quick Facts

Jurisdictional Boundary

80 square miles or 50,857 acres
- 2x size of City of Oceanside

Divided into 11,790 parcels totaling 48,681 acres
- 11,536 parcels (97.8%) are privately owned and total 42,879 acres (88.0%)

New growth is expected
- 42% of the jurisdictional acres are privately owned and remain undeveloped

$4.912 billion in assessed value

3% qualifies as DUC

Sphere of Influence

Last updated in 2014

Includes 987 non-jurisdictional acres along east perimeter

4.0 DEMOGRAPHICS

4.1 Population and Housing

Rainbow MWD's total fulltime resident population within its jurisdictional boundary is independently estimated by LAFCO at 22,130 at the term of the five-year report period. This amount represents 0.7% of the countywide total. It is also estimated the fulltime population has risen overall by 13.7% from 19,467 in 2010 and the last census reset. This translates to an annual change of 1.4%, which is nearly double the corresponding countywide growth rate of 0.72% over the same period. The current estimate produces a population density of 0.4 residents for every one jurisdictional acre and underlies the overall rural character of the jurisdictional boundary. (For context, the population density for the adjacent City of Oceanside at the end of the report period is 6.6 residents for every one acre.) It is projected the current growth rate within Rainbow MWD will continue into the near-term and result in the fulltime population reaching 23,462 by 2025.

It is estimated there are 22,130 fulltime residents in Rainbow MWD at the end of the report period. It is projected the fulltime population will increase consistent with recent trends – or 1.4% annually – and add another 1,332 residents and reach 23,462 by 2025.

Rainbow MWD
Resident Population
Table 4.1a (Source: Esri and San Diego LAFCO)

Factor	2010 Estimate	2020 Estimate	Annual Change	2025 Projection
Rainbow MWD	19,467	22,130	1.4%	23,462
San Diego County	3,095,264	3,318,089	0.7%	3,429,502

LAFCO separately estimates there are 8,989 residential housing units within Rainbow MWD at the term of the five-year report period. This amount represents an overall increase of 821 – or 10.1% – since 2010 for an annual change of 82 or 1.0%; the latter amount being close to three-fourths higher than the total county amount. With respect to housing characteristics, and based on the most recent five-year average, 77.57% units are owner-occupied, 16.56% are renter-occupied, and the remaining 5.86% are vacant. The average household size has remained largely fixed and finished the report period at 2.9 residents per every one dwelling unit. The mean monthly housing cost in Rainbow MWD at the end of the report period is $1,748 and 10.8% above the countywide average of $1,578. This housing cost also equals 28.4% of the residents' average household income.

Housing production in Rainbow MWD at the end of the report period totals 8,989 dwelling units with an average monthly housing cost of $1,748. This latter amount is 11% higher than the countywide average and equals 28.4% of residents' average household income.

Rainbow MWD
Housing Characteristics
Table 4.1b: (Source: Esri and San Diego LAFCO)

Factor	Rainbow MWD	San Diego County
2010 Housing Units	8,168	1,164,766
2020 Housing Units	8,898	1,233,324
… % Annual Change	1.0%	0.59%
Household Size (5-year average 2007-2011)	2.84	2.79
Household Size (5-year average 2012-2016)	2.90	2.87
… % Annual Change	0.60%	0.80%
Monthly Housing Cost (5-year average 2007-2011)	$1,860.56	$1,540.00
Monthly Housing Cost (5-year average 2012-2016)	$1,748.12	$1,578.00
… % Annual Change	(0.60%)	025%
2010 Vacancy Rate	8.14%	6.69%
2020 Vacancy Rate	5.86%	5.94%
… % Overall Change	(28.0%)	(11.2%)

4.2 Age Distribution

The median age of residents in Rainbow MWD is 45.1 based on the current five-year period average. This amount shows the population is slightly aging with the median age experiencing an overall change of 2.5% from 44.0 over the preceding five-year period average. The current median age in Rainbow MWD remains measurably higher than the countywide average of 35.3. Residents in the prime working age group defined as ages 25 to 64 make up more than one-half of the estimated total population at 51.1%.

Residents within Rainbow MWD tend to be measurably older with a median age of 45 relative to the countywide average of 35.

Rainbow MWD
Median Age of Residents
Table 4.2a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Rainbow MWD	44.0	45.1	2.5%
San Diego County	34.6	35.3	2.0%

Rainbow MWD
Prime Working Age, 25-64
Table 4.2b: (Source: American Community Survey and San Diego LAFCO)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Rainbow MWD	53.1%	51.1%	(3.8%)
San Diego County	53.4%	47.0%	(12.0%)

4.3 Income Characteristics

The median household income in Rainbow MWD is $74,006 based on the current five-year period average. This amount shows fulltime residents are receiving modestly more pay with the median income experiencing an overall increase of 2.2% from the preceding five-year period average of $72,438. The current median household income in Rainbow MWD is also 11.2% higher than the current countywide median of $66,259. An extreme exists, nonetheless, within Rainbow MWD with more than one out of ten residents living below the poverty line and reflects an overall increase of nearly one-half – or 44.2% – over the earlier five-year period.

Rainbow MWD residents' average median household income has improved during the report period and currently tallies $74,006; an amount that is 11% higher than the countywide sum. However, poverty rates have also increased and affected 11% of all residents at the end of the period.

Rainbow MWD
Median Household Income
Table 4.3a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Rainbow MWD	$72,438	$74,006	2.2%
San Diego County	$63,857	$66,529	4.18%

Rainbow MWD
Resident Poverty Rates
Table 4.3b (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Rainbow MWD	7.7%	11.1%	44.2%
San Diego County	13.0%	14.0%	7.7%

4.4 Socioeconomic Indicators

Unemployment levels within Rainbow MWD are relatively low at 3.0% based on the current five-year period average. This amount falls below the countywide average sum of 4.9% and incorporates a two-thirds improvement over the prior five-year period average. Other notable measurements include one out of every four residents collecting retirement income at the end of the report period and more than a third higher than the countywide rate. Education levels within Rainbow MWD, as measured by four-year college graduates has

One out of every three adults in Rainbow MWD hold four-year college degrees at the end of the report period. This ratio paired with the relatively high median home income in the jurisdiction suggests a blue-collar workforce resides in the MWD.

modestly increased during the report period but remains somewhat low at 33.3% given the relatively high median income levels. The non-English speaking percentage of the population has decreased during this period from 13.5 to 9.8%; an overall difference of (27.4%).

Rainbow MWD
Unemployment Levels
Table 4.4a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Rainbow MWD	5.0%	3.0%	(40.3)
San Diego County	5.6%	4.9%	(12.5%)

Rainbow MWD
Collecting Retirement
Table 4.4b (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Rainbow MWD	22.7%	24.5%	7.9%
San Diego County	16.7%	17.7%	6.0%

Rainbow MWD
Non-English Speaking Households
Table 4.4c (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
Rainbow MWD	13.5%	9.8%	(27.4%)
San Diego County	16.1%	15.0%	(6.83%)

5.0 ORGANIZATION

5.1 Governance

Rainbow MWD's governance authority is established under the Municipal Water District Act of 1911 and codified under Water Code Section 71000-73001. This principal act empowers these special districts to provide a moderate range of municipal services upon approval by LAFCOs. Rainbow MWD is currently authorized to provide two municipal service functions: potable water and wastewater. The remaining service functions (i.e., powers) enumerated under the principal act are deemed latent and would need to be formally activated by LAFCO at a noticed public hearing and subject to conducting authority proceedings. Similarly, should it ever seek to divest itself of directly providing an active service function, Rainbow MWD would also need to seek LAFCO approval. A list showing Rainbow MWD's active and latent service functions follows with applicable service classes.

Active Service Functions
Potable Water (retail)
Wastewater (collection, treatment, and disposal)

Latent Service Functions
Fire Protection
Emergency Medical
Park and Recreation
Storm Drainage
Solid Waste-Garbage
Electric-Wind-Solar Power
Recycled Water (retail)

Rainbow MWD is an independent special district with directly elected board members representing one of five divisions. Board meetings are regularly scheduled on the fourth Tuesday of each month. Board members receive a $150 per diem for their attendance.

Governance of Rainbow MWD is independently provided by a five-member Board of Directors. Each member of the Board is elected by registered voters within their designated division to a four-year term. The Board includes two appointed officer positions: President and Vice President. The Board regularly meets on the fourth Tuesday of each month at the District office located at 3707 Old Highway 395. Directors receive a $150 per diem for each meeting attended. Summary minutes are prepared for all meetings; audio and video recordings are not provided. A current listing of the Board along with respective backgrounds and years served with Rainbow MWD follows.

Rainbow MWD
Current Board Roster
Table 5.1a (Source: Rainbow MWD)

Member	Position	Years on Board	Background
Pam Moss	Secretary, Division 1	1	Real Estate
Hayden Hamilton	President, Division 2	4.5	Civil Engineer
Miguel Gasca	Vice President, Division 3	4.5	Software Engineer
Carl Rindfleisch	Director, Division 4	4.2	Finance
Michael Mack	Director, Division 5	2.5	Parks and Recreation
		Average Experience on the Board: 3.4 Years	

5.2 Administration

Rainbow MWD appoints an at-will General Manager to oversee all District activities. The current General Manager – Tom Kennedy – was appointed in August 2014 and suceeded Dave Seymour who served in the position dating back to September 2007.[54] Budgeted staffing has moderately increased during the five-year report period with the number of fulltime equilvent positions changing by 6.9% from 51.0 to 54.5. Legal services are provided by Nossaman LLP with Alfred Smith serving as General Counsel (Los Angeles)

Rainbow MWD Administration Offices
3707 Old Highway 395, Fallbrook, CA 92082



Photo Credit: Village News

Rainbow MWD
Budgeted Staffing Levels
Table 5.2a (Source: Rainbow MWD)

Category	FY 2016	FY 2020	Average	Trend
Budgeted Staffing	51.0	54.5	52.8	6.9%
Per 1,000 Residents	0.41	0.41	0.41	0.0%

6.0 MUNICIPAL SERVICES

Rainbow MWD is authorized to provide two distinct municipal service functions in support of its jurisdictional boundary's current growth and development: (a) potable water and (b) wastewater. A summary analysis of these service functions follows with respect to capacities, demands, and performance during the five-year report period.

6.1 Potable Water Service

Rainbow MWD's potable water services represent the District's principal service function and involves retail class only. This service function commenced at the time of Rainbow MWD's formation in 1954 and the subsequent construction of an initial distribution system that has evolved and expanded in conjunction with the service area's development. The potable water system is entirely dependent on imported wholesale supplies via the San Diego County Water Authority and Metropolitan Water District of Southern California or MET.

[54] General Manager for Fallbrook Public Utility District, Brian Brady served as Interim GM following Dave S ymour and prior to the appointment of Rainbow MWD's current General Manager, Tom Kennedy.

The potable water system presently spans 323 miles of distribution lines that connect 12 major pressure zones with the latter divided into three regions: north; central; and south. The topography in the distribution system ranges from 825 to 2,160 feet above sea level and managed through seven public pump stations. There are also 56 pressure regulating stations to accommodate deliveries from higher to lower zones. The total number of active connections is 8,046 at the end of the report period with 5,566 – or 69.2% – classified as residential. The estimated service population at the end of the period is 17,003 and reflects an overall increase of 1,270 – or 8.1% – over the corresponding 60-month report period.[55]

> Rainbow MWD's potable water service is retail class only and activated throughout the jurisdictional boundary, though the distribution system is limited to only three-fourths of the total area. The estimated population in the water service area at the end of the report period totals 17,003.

Service Capacities and Related Resources

Rainbow MWD's potable water supplies are imported through a membership with the County Water Authority. The membership allows Rainbow MWD to purchase – for subsequent retailing – an unrestricted amount of potable water based on availability from the County Water Authority through its own wholesaler relationship with MET. The water supplies Rainbow MWD purchases from the County Water Authority is a blend from the Colorado River and Sacramento Bay-Delta and fully treated at MET's Skinner Filtration Facility in Riverside County.

> Rainbow MWD's 1954 annexation with the County Water Authority allows MWD to purchase an unrestricted amount of pretreated potable water based on system availability. Rainbow MWD's current infrastructure capacities to the transmission line limit the maximum day supply potential to 399-acre feet.

Rainbow MWD has direct access to County Water Authority supplies through eight active connections to the First and Second San Diego Aqueducts.[56] The combined rated capacity among the active connections to water supply purchases from the County Water Authority is 203 cubic feet per second and equals a maximum day amount of 130.0 million gallons or 398.9 acre-feet.

[55] The potable water service area population estimate by LAFCO utilizes the following formula: (number of single-family connections x 2.90) + (number of multi-family connections x 4 x 2.90).

[56] Rainbow MWD maintains interties with the City of Oceanside and Fallbrook MWD to receive and provide supplies in the event of emergency interruptions to the San Diego Aqueduct. This includes a 2019 agreement with Fallbrook PUD to provide access to their local supply from the Santa Margarita Conjunctive Use Project in an emergency.

Rainbow MWD
Available Potable Water Supplies
Table 6.1a (Source: Rainbow MWD and SD LAFCO)

Direct Source	Maximum Daily Infrastructure Capacity	Maximum Annual Infrastructure Capacity
County Water Authority	130.0 million gallons or 398.9 acre-feet	47.450 billion gallons or 145,598.5 acre-feet

Rainbow MWD's distribution system includes 16 active storage facilities with a combined capacity of 695.0 acre-feet.

Purchased water from the County Water Authority directly enters Rainbow MWD's distribution system from the First and Second San Diego Aqueducts and flows either by gravity or pump into the 12 major pressure zones. Pressure within the distribution system is directly maintained by 16 active storage facilities located within each pressure zone. The combined capacity of these local storage facilities is 226.5 million gallons or 695.0 acre-feet.

Rainbow MWD's actual potable water expenses have increased by 5.0% over the report period while actual revenues have increased by 6.2%.

With respect to financial resources, Rainbow MWD's potable water services largely operate as an enterprise fund and intended to be self-supporting through user charges and associated fees. A small amount of property taxes are used by Rainbow MWD to support water services. Actual water expenses (operating and non-operating) during the report period have averaged $35.347 million with the most recent year amount totaling $34.941 million. Actual expenses overall have increased by 5.0%. The largest actual expense source involves water purchases and accounts for 68.9% of all operating costs during the period. Actual water revenue (operating and non-operating) during the report period have averaged $34.572 million with the most recent year amount totaling $33.912 million. Actual revenues overall have increased by 6.2%.

Rainbow MWD's potable water rates during the five-year report period were last updated by the Board in April 2019 and incorporate three distinct monthly charges: consumption; pumping; and meter. The consumption and pumping charges are dynamic and based on the number of 100 cubic feet units delivered to the connection point (meter box) as well as zone location. The meter charge is fixed and based on meter size. The monthly combined charge at the end of the report period for the average single-family residential customer is $132.42.[57] Both residential and agricultural rates have increased during the report period by 9.1% and 12.0%, respectively.[58]

[57] The estimate is based on a single-family resident in the Vallecitos zone using 22 units - or 16,700 gallons - each month with a standard 5/8 meter.
[58] Rates for agricultural customers assume no residence.

Service Demands

Rainbow MWD's average annual demand for potable water over the first four years of the five-year report period in which information is readily available has been 5.532 billion gallons or 16,976 acre-feet. These annual amounts translate to daily averages of 15.157 million gallons and 46.5 acre-feet, respectively, and further refined into a per capita amount of 928 gallons. The average peak-day demand – the highest one-day sum in a year – over the first four years of the report period was 41.383 million gallons or 127.0 acre-feet. This latter amount produces an average period peaking factor of 2.8 and shows high-demand periods increase usage by nearly triple.

> Rainbow MWD's overall daily potable water demands have averaged 46.5 acre-feet during the report period with an estimated daily per capita use of 928 gallons.

With respect to overall trends, Rainbow MWD has experienced an overall change of (24.4%) in potable water demands – or (6.1%) annually – over the first four years of the report period. (Information on the fifth year is pending.) The overall reduction in water demands over the corresponding 48-month period contrasts with the estimated 5.6% increase in population. This contrast is largely attributed by Rainbow MWD to substantial reductions in demand from agricultural users with details footnoted.[59] Overall demands and trends follow.

> Rainbow MWD's overall daily potable water demands have notably decreased by (one-fourth) with a closely matching decrease in per capita usage from 1,030 to 728 gallons.

Rainbow MWD
Potable Water Demands
Table 6.1b (Source: Rainbow MWD and SD LAFCO)

Category	2016	2017	2018	2019	2020	Average	Trend
Annual Total (af)	18,125	18,123	17,910	13,720		16,976	(24.4%)
Average Day Total (mg)	16.207	16.182	15.991	12.250		15.157	(24.4%)
… Per Resident (g)	1,030	1,018	937	728		928	(29.3%)
Peak Day Total (mg)	128.0	122.0	127.0	131.0		127.0	2.3%
… Peaking Factor	2.57	2.46	2.59	3.49		2.78	35.4%

af = acre feet
bg = billion gallons
mg = million gallons
g = gallons

[59] Agricultural customers represent Rainbow MWD's principal potable water users and have accounted for more almost two-thirds – or 65.0% – of all sales during the report period. The percentage of agricultural usage, however, declined period by (8.1%) and underlie the overall reduction in total demands.

- Residential accounts represent 67.8% of all potable water users during the report period. Actual demands attributed to residential users equal 27% of all production. The amount of demand among residential users has decreased by 5%.

- Agricultural accounts represent 29.1% of all potable water users during the report period. Actual demands attributed to agricultural users equal 67% of all production. The amount of demand among agricultural users has decreased by 20%.

Service Performance

Rainbow MWD's potable water system is operating with sufficient and excess capacities in supply and storage in accommodating existing demands based on usage generated during the five-year report period. These capacities are similarly expected to accommodate anticipated demands over the next five-year period with variables – including resiliency during different hydrological periods – having been appropriately evaluated by Rainbow MWD in its Urban Water Management Plan, which was most recently updated in May 2021.

> Rainbow MWD has established sufficient potable water infrastructure and related capacities and marked – and among other measurements – by the average demand over the report period equaling only 11.7% of system capacity under normal conditions.

The following statements summarize and quantify existing and projected relationships between Rainbow MWD's capacities and demands now and going forward towards 2025. This includes referencing California's Waterworks Standards (Title 22) and its requirements that all public community water systems have sufficient source, treatment, and storage capacities to meet peak day demand system-wide and within individual zones. It also addresses water quality and rates.

Water Supplies:

- The average annual and daily potable water demands generated during the report period for the entire distribution system equals 11.7% of Rainbow MWD's accessible supply capacities via the County Water Authority and MET.

- The average peak-day potable water demand generated during the report period for the entire distribution system equals 31.8% of Rainbow MWD's accessible supply capacities via the County Water Authority and MET.

Water Storage:

- Average peak day potable water demands generated during the report period for the entire distribution system equals 18.3% of Rainbow MWD's existing online storage capacity. This ratio modestly increases to 18.8% when applying the single highest peak-day demand recorded during the report period.

- Online storage capacity can readily accommodate up to 15 days of average day demands generated over the report period without recharge.

Water Quality:

- A review of records maintained by the State Water Quality Control Board shows there have been no violations issued for drinking water standards to Rainbow MWD during the report period. The last recorded violation was issued in May 2004 for excess coliform.

- Rainbow MWD's most recent water quality report was issued July 2021 and reports the results of self-monitoring conducted in the final year of the report period, 2020. No excessive primary or secondary contaminants were reported.

Water Rates:

- Rainbow MWD's potable water rates include three distinct monthly charges: consumption; pumping; and meter. The consumption and pumping charges are dynamic and based on the number of 100 cubic feet (748 gallons) units delivered to the connection point plus surcharges based on zone location. The meter charge is fixed and based on meter size. Both residential and agricultural rates have increased during the report period by 9.1% and 12.0%, respectively.

- The monthly combined water service charge at the end of the report period for the average single-family residential customer is $163.77.[60] This amount does not include the access charge levied by the County Water Authority.

[60] The estimate is based on a single-family resident in the Vallecitos zone using 22 units – or 16,700 gallons – each month with a standard 3/4 meter.

6.2 Wastewater Services

Rainbow MWD's wastewater service operations commenced in early 1963 and involved constructing an initial collection system and local disposal field to accommodate the development of the Fallbrook Country Club and two adjacent residential subdivisions. Over the proceeding ten-year period, the wastewater system more than tripled in size to accommodate other new developments and highlighted by the Pala Mesa Village, San Luis Rey Country Club, and the San Luis Rey Downs Training Complex. In 1973, and in conjunction with new regulatory standards, Rainbow MWD entered an agreement with the City of Oceanside for contractual allowance to convey raw wastewater into the City's system for subsequent treatment and disposal.

Rainbow MWD's wastewater service comprises three classes (collection, treatment, and disposal) and geographically limited to an internal area equal to 11% of the jurisdictional boundary. The estimated service population is 9,384.

Rainbow MWD's collection system operates within the western half of the jurisdictional boundary vis-à-vis Interstate 15 with the primary trunk line located along State Route 76. This wastewater service area covers an approximate 5,400-acre area – or 10.6% of the jurisdictional boundary – and includes 58 miles of pipelines divided between gravity (55.8 miles) and force main (2.2 miles). The topography in the collection system ranges from 120 to 675 feet above sea level and managed through six lift stations. The total number of active connections is 3,069 at the end of the report period with 2,930 – or 95.5% – classified as residential. The estimated service population at the end of the period is 9,384 and reflects an overall increase of 3,947 or 72.6% over the corresponding 60 months with nearly one-half added in the last year of the report period and associated with the building of the Horse Creek Ridge subdivision.

Service Capacities and Related Capacities

Rainbow MWD's wastewater collection system is sized to utilize all 1.500 million gallons of daily capacity allocated to MWD through its treatment and disposal contract with the City of Oceanside.

Rainbow MWD's wastewater service function is anchored by an agreement with the City of Oceanside to treat and dispose raw sewer flow generated within the MWD jurisdictional boundary. This contractual relationship was established in 1973 and most recently renewed in 2002. It presently allocates Rainbow MWD a daily sewer flow allowance of up to 1.500 million gallons for treatment at Oceanside's San Luis Rey Wastewater Treatment Facility (WTF).[61] This allocation equals

[61] The San Luis Ray WTF is an activated sludge treatment facility and provides secondary-level treatment with a current maximum permit capacity of 13.5 million gallons a day. All secondary treated wastewater is conveyed to the Oceanside outfall for discharge.

11.1% of the total 13.500-million-gallon daily capacity at the San Luis Rey WTF and facilitated through a metered intertie between the two agencies collection systems north of Mission Road near the San Luis Rey River. The minimum firm pump capacity of the two lift stations serving Rainbow MWD's trunk line is 1,200 gallons per minute and produces a daily yield of 1.728 million gallons and can accommodate the full allocation from Oceanside.

With respect to financial resources, Rainbow MWD's wastewater services operate entirely as an enterprise fund and intended to be entirely self-supporting through user charges and associated fees. Actual wastewater expenses during the report period have averaged $2.802 million with the most recent year amount totaling $3.630 million. Actual expenses overall have increased by 67.7% and driven therein by sharp rises in transfers into its capital improvement program. The largest actual expense source involves maintenance (non-labor) and accounts for 40.5% of all operating costs during the period. Actual wastewater revenues during the report period have averaged $2.774 million with the most recent year amount totaling $3.280 million. Actual revenues overall have increased by 28.5%.

> Rainbow MWD's actual potable wastewater expenses have increased 67.7% over the report period while actual revenues have increased 28.5%.

Rainbow MWD's wastewater rates during the five-year report period were last updated by the Board in March 2018. and resulted in rate impacts of 2.0% to 6.0%, dependent on two factors involving customer class and meter size. Rate increases aided rate increases by the Districts water wholesaler, as well as funding for pipeline rehabilitation and replacement as part of Rainbow MWD's capital improvement program.

Service Demands

Average annual wastewater demands generated during the five-year report period has been approximately 260.6 million gallons. This amount serves as a macro-overview of system demands and translates into a daily average flow of 0.714 million gallons. It also translates over the report period to an estimated daily average of 323 gallons for every service connection as well as 104 gallons for every resident. Overall, average daily demands have increased by more than one-third from 0.604 million gallons to 0.806 million gallons during the report period.

> Rainbow MWD's average daily wastewater flow generated during the report period has been 0.714 million gallons with an overall change of 33.4%. The per resident measurement – however – has decreased by (22.7%) from 112 to 86 gallons.

Supplementary micro measurements of recent wastewater demands are summarized below and further reflected in the proceeding table.

- Average daily dry-weather wastewater flows over the report period have been 0.702 million gallons. This flow typically is recorded between May and October and assists in measuring household demands in the collection system. Daily dry-weather flows tallied 0.780 million gallons at the end of the report period and produces a net 30.7% change. Measuring daily dry-weather flows by connection and resident show the averages at 318 gallons and 102 gallons, respectively, with both values decreasing at (26.9%) and (24.3%).

- Average daily wet-weather wastewater flows over the report period have been 0.721 million gallons. This flow typically is recorded between November and April and assists in measuring the amount of inflow and infiltration entering the collection system. Daily wet-weather flows tallied 0.823 million gallons at the end of the report period and produces a net 36.7% change. Measuring daily wet-weather flows by connection and resident show the averages at 325 gallons and 105 gallons, respectively, with both values decreasing at (23.5%) and (20.8%).

- Average peak-day wastewater flows over the report period have been 0.795 million gallons and generates a peaking factor of 1.1. Measuring peak-day flows by connection and resident show the averages at 357 gallons and 115 gallons, respectively, with both values decreasing at (20.2%) and (17.4%).

Rainbow MWD
Recent Wastewater Demands
Table 6.2a (Source: Rainbow MWD and SD LAFCO)

Year	Average Daily	Average Dry-Weather	Average Wet-Weather	Recorded Peak-Day
2016	0.604 mgd	0.597 mgd	0.602 mgd	0.647 mgd
2017	0.662 mgd	0.668 mgd	0.658 mgd	0.692 mgd
2018	0.702 mgd	0.716 mgd	0.692 mgd	0.771 mgd
2019	0.796 mgd	0.747 mgd	0.831 mgd	0.942 mgd
2020	0.806 mgd	0.780 mgd	0.823 mgd	0.922 mgd
Average	0.714 mgd	0.702 mgd	0.721 mgd	0.795 mgd
Trend	33.4%	30.7%	36.7%	42.5%

Notes: "mg" refers to million gallons

Service Performance

Rainbow MWD is currently operating with sufficient and excess wastewater capacity in accommodating existing estimated user demands generated during the five-year report period under all measured conditions. This statement is substantiated with average day demands during the report period equaling only 47.6% of the treatment and discharge capacity allocated to Rainbow MWD via the City of Oceanside's San Luis Rey WTF. Capacity consumption is lower in measuring Rainbow MWD's collection system with the average day demands during the report period equaling 41.3%.

> Rainbow MWD's wastewater services is overall operating at 48% of its contractually available treatment and disposal capacity via the City of Oceanside under normal conditions. Peak day flows increase capacity usage only to 53% and suggest – among other items – limited inflow and infiltration is entering the collection system.

With respect to other performance measurements, the following items are noted.

- Rainbow MWD's average peak day demand during the report period is 0.795 million gallons and equals 53.0% of MWD's treatment and disposal capacity. Should the underlying per capita ratio hold, Rainbow MWD's wastewater system can readily accommodate an overall increase in its service population of one-third or 6,136.
- A review of the records maintained by the State Water Quality Control Board shows there have been five violations issued for discharge permit standards to Rainbow MWD during the report period. These violations collectively involved 29,411 gallons with 81.6% – or 24,000 gallons – recovered before reaching surface waters.

7.0 FINANCES

7.1 Budget Information

Rainbow MWD's average total expenses during the five-year report period has been $41.925 million and translates to a per capita or resident amount of $1,940. The total amount represents actual expenses and divides between operating and non-operating costs with the former accounting for 99.7% of the overall sum. Actual expenses have increased overall by 16.4% during the report period. The corresponding per capita expense has separately increased by 10.9% from $1,819 to $2,017.

> Rainbow MWD's average total expenses during the report period has been $41.9 million and reflects an overall change of 16.4%.

Rainbow MWD
Actual Total Expenses
Table 7.1a (Source: Rainbow MWD)

Type	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	Average	Trend
Operating	37,656,124	40,118,054	45,386,976	41,801,635	44,008,413	41,794,240	16.9%
Non-Operating	667,939	(1,572,203)	370,175	570,855	616,775	130,708	0.3%
Total Expense	**$38,324,063**	**$38,545,851**	**$45,757,151**	**$42,372,490**	**$44,625,188**	**$41,924,949**	**16.4%**
Per Capita Expense	**$1,819**	**$1,807**	**$2,119**	**$1,938**	**$2,017**	**$1,940**	**10.9%**

Rainbow MWD's average total revenue during the five-year report period has been $38.651 million and translates to a per capita or resident $1,790. The total amount represents actual revenues and divides between operating and non-operating sources with the former accounting for 96.3% of the overall sum. Actual revenues have increased overall by 3.2% during the report period. The corresponding per capita revenue has separately decreased by (1.8%).

Rainbow MWD's average total revenues during the report period has been $38.7 million and reflects an overall change of 3.2%.

Rainbow MWD
Actual Total Revenues
Table 7.1a (Source: Rainbow MWD)

Type	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	Average	Trend
Operating	35,229,553	36,473,149	41,617,724	36,515,083	36,203,877	37,207,877	2.8%
Non-Operating	1,592,050	595,250	974,053	2,278,672	1,777,907	1,443,586	11.7
Total Revenue	**$36,821,603**	**$37,068,399**	**$42,591,777**	**$38,79,3755**	**$37,981,784**	**$38,651,464**	**3.2%**
Per Capita Revenue	**$1,748**	**$1,738**	**$1,972**	**$1,774**	**$1,716**	**$1,790**	**(1.8%)**

7.2 Financial Statements

Rainbow MWD regularly contracts with an outside accounting firm to prepare an annual report to review the District's financial statements in accordance with established governmental accounting standards. This includes auditing Rainbow MWD's financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing Rainbow MWD's short and long-term fiscal health with specific focus on delivering its activated service functions – i.e., potable water and wastewater. The current outside consultant is Lance, Soll & Lunghard, LLP (Brea) and they have prepared the last four audits on Rainbow MWD.

Most Recent Year-Ending Financial Statements (2019-2020)	
Assets	131,053,253
Liabilities	44,064,524
Deferred Outflow/Inflow	1,179,927
Net Position	**$88,168,656**
Adjusted Net Position…	
(Less retirement liabilities)	$89,321,414

Rainbow MWD's most recently audited financial statements for the five-year report period were issued for 2019-2020. These statements show Rainbow MWD experienced a notable improvement over the prior fiscal year as the overall net position (full accrual basis) increased by 5.5% from $83.6 million to $88.2 million. Adjusting to pre GASB 68 and 75 reporting standards and the listing of an agencies' proportionate share of pension and other post-employment benefit liabilities, Rainbow MWD's net position increases to $89.3 million.[62] The accompanying auditor's report did not identify any material weaknesses or related concerns. A detailing of year-end totals and trends during the report period follows with respect to assets, liabilities, and net position.

Agency Assets

Rainbow MWD's audited assets over the five-year report period increased by 8.4% and primarily tied to investments in new infrastructure and headlined by installing new meters with online connectivity for customers to track real-time usage.

Rainbow MWD's audited assets at the end of 2019-2020 totaled $131.1 million. This amount is 7.0% higher than the average year-end period amount of $122.4 million in total assets and underlies an upwards trajectory. Assets classified as current with the expectation they could be liquidated within a year represented $41.2 million – or 31.4% – with majority of the resources in investments. Assets classified as non-current and not readily liquid make up the remainder and total $89.9 million and involve capital assets tied to property, infrastructure, and equipment. Overall, Rainbow MWD's total audited assets have increased by $10.2 million or 8.4% during the corresponding 60-month period.

Rainbow MWD
Audited Assets
Table 7.2a (Source: Rainbow MWD)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	21,324,767	33,878,794	35,910,134	48,460,270	41,157,401	36,146,273	93.0%
Non-Current	99,601,167	81,717,253	81,135,315	79,088,261	89,895,852	86,287,570	(9.7)%
Total	**$120,925,934**	**$115,596,047**	**$117,045,449**	**$127,548,531**	**$131,053,253**	**$122,433,843**	**8.4%**

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

Agency Liabilities

Rainbow MWD's 2019-2020 audited liabilities totaled $44.1 million. This amount is 15.5% higher than the average year-end period amount of $37.7 million in total liabilities and underlies an upwards trajectory. Liabilities classified as current with the expectation they will become due within a year represented $6.9 million – or 15.7% – and largely tied to accounts payable. Liabilities classified as non-current and considered longer termed debts make up the remainder of the total amount with the largest single obligation tied to notes payable ($22.6 million). Overall, Rainbow MWD's total audited liabilities increased by $15.7 million – or 55.3% – during the corresponding 60-month period.

Rainbow MWD's audited liabilities over the five-year report period increased by 55.3% and primarily tied to new long-term financing involving the lease-to-purchase as well as installment of new water meters in FY2019.

Rainbow MWD
Audited Liabilities
Table 7.2b (Source: Rainbow MWD)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	6,079,417	6,499,958	6,965,292	7,217,595	6,917,942	6,739,641	13.5%
Non-Current	22,273,196	27,702,708	29,370,060	38,445,392	37,146,582	30,987,588	66.8%
Total	**$28,370,613**	**$34,202,666**	**$36,335,352**	**$45,662,987**	**$44,064,524**	**37,727,228**	**55.3%**

Net Position

Rainbow MWD's audited net position or equity at the end of 2019-2020 totaled $88.2 million and represents the difference between the District's total assets and total liabilities along with adjusting for deferred resources (i.e. pension outflows and inflows). This most recent year-end amount is 2.2% higher than the average year-end sum of $86.2 million during the report period and shows an upward trajectory. Most of the net position – $66.9 million – is tied to capital assets. The remainder is largely comprised of restricted monies tied to debt service and capital projects. Overall, Rainbow MWD's audited net position decreased by $5.09 million or (5.5%) over the corresponding 60-month period.

Rainbow MWD's audited net position has decreased over the five-year report period by (5.5%) from $93.3 million to $88.2 million and ties directly to the rate of new liabilities exceeding the rate of new assets by a ratio of 6 to 1.

Adjusting to exclude Rainbow MWD's proportional share of net pension and other-post employment benefits – which are relatively new reporting standards under GASB 68 and 75 – the net position increases by $1.2 million – or 1.3% – to $89.3 million.

Rainbow MWD
Audited Net Position
Table 7.2c (Source: Rainbow MWD)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Capital	84,881,107	65,217,530	65,399,076	63,739,648	66,925,606	69,232,593	(21.2)%
Restricted	6,827,952	894,491	894,491	3,321,531	12,187,215	4,825,136	78.5%
Unrestricted	1,544,992	17,174,049	16,586,411	16,510,984	9,055,835	12,174,454	486.1%
Total	**$93,254,051**	**$83,286,070**	**$82,879,978**	**$83,572,163**	**$88,168,656**	**$86,232,184**	**(5.5)%**
Total Adjusted…	$98,203,525	$84,124,223	$84,039,782	$84,632,371	$89,321,414	**$88,064,263**	**(9.0%)**

"Total Adjusted" excludes GASB 68 and 75 reporting requirements with respect to project pension and other post-employment costs.

Rainbow MWD's unrestricted fund balance less pension and related liabilities at the end of the report period is sufficient to cover 2.8 months of operating expenses.

The unrestricted portion of Rainbow MWD's net position as of the last audited fiscal year totaled $9.1 million. This represents the accrued spendable portion of the fund balance and is only subject to discretionary designations (commitments and assignments). The adjusted amount less pension and related liabilities is $10.2 million and represents a more accurate accounting of available fund balance monies. This adjusted amount equals 2.8 months of Rainbow MWD's operating expenses based on actual operating expenses at the end of the report period.

7.3 Measurements | Liquidity, Capital, and Margin

Standard measurements used to assess the Rainbow MWD's financial standing shows the District overall trended negatively in most categories during the report period and most notably in margin levels.

LAFCO's review of the audited financial statement issuances by Rainbow MWD covering the five-year report period shows the District experienced mostly negative trends all four standard measurement categories – liquidity, capital, margin, and structure – utilized in this document. This sentiment is marked by Rainbow MWD's experiencing negative ratios in both its operating and total margins in each of the five years with the latter measurement averaging (8.5%). Different measurements also show Rainbow MWD's capital levels – i.e., the portion of assets free of financing – also declined over the report period by no less than two-fifths. Specific feedback from Rainbow MWD on this latter topic is footnoted.[63]

[63] "In anticipation of a timely change in water suppliers, over half of the five-year period included a planned freeze on water rates for Rainbow MWD. During this time, rate stabilization funds were budgeted to be utilized. This freeze on rate increases and use of reserves contributed to the negative trends. However, since the application process for the planned reorganization that would decrease water supply costs took longer than Rainbow MWD had anticipated, in July 2021 the Rainbow MWD Board adopted new rates that increased overall revenue by 9%. This change has strengthened Rainbow MWD's financial position significantly." (General Manager Tom Kennedy, November 29, 2021.)

In terms of measurements at the end of the report period, and irrespective of recent trends, liquidity levels via Rainbow MWD's current ratio and days' cash amounts appear sufficient in meeting near-term obligations. This includes the latter category – also known as the burn rate – finishing the period with enough cash to cover nearly one-half year of normal operating expenses. Rainbow MWD's debt levels also remain below the 50% standard threshold and accordingly appear manageable. The operating reserves ratio ended the period above 20% and considered above average. The differences in operating and total margins during the period also show the significance of property taxes in subsidizing the two enterprise functions.

Rainbow MWD
Financial Measurements
Table 7.3 (Source: San Diego LAFCO)

Fiscal Year	Current Ratio	Days' Cash	Debt Ratio	Debt to Net Position	Total Margin	Operating Margin	Operating Reserves Ratio	Equipment Replacement
2015-2016	3.5	209.9	23.6%	24.3%	(4.1)%	(6.9)%	4.1%	23.9
2016-2017	5.2	124.0	29.4%	33.8%	(4.0)%	(10.0)%	42.8%	22.6
2017-2018	5.2	112.0	30.7%	36.0%	(7.4)%	(7.4)%	36.5%	22.4
2018-2019	6.7	274.2	35.6%	46.5%	(9.2)%	(14.5)%	39.5%	23.3
2019-2020	6.0	156.3	33.6%	42.6%	(17.5)%	(21.6)%	20.6%	39.9
Average	5.3	175.2	30.6%	36.6%	(8.5%)	(12.3)%	28.7%	26.4
Change	70.1%	(25.5)%	42.3%	75.5%	328.7%	213.0%	401.5%	66.9%
Trend	Positive	Negative	Negative	Negative	Negative	Negative	Positive	Negative

Current Ratio (Liquidity)
Compares available assets against near-term obligations; means for every dollar in liability the agency has one dollar available to pay.

Days' Cash (Liquidity)
Measures the number of days the agency can fund normal operations without any new cash income.

Debt Ratio (Capital)
Measures the relationship between the agency's total assets and liabilities; the higher the ratio the more susceptible the agency is to long-term cash flow stresses.

Debt to Net Position (Capital)
Measures the amount of long-term debt or borrowing of the agency against its accumulated net worth; an appropriate maximum standard threshold is 50%.

Total Margin (Margin)
Measures the bottom line of the agency with respect to comparing all revenues to all expenses.

Operating Margin (Margin)
Measures the relationship between core operational revenues and expenses and excludes one-time transactions, like grants and loans.

Operating Reserves Ratio (Structure)
Measures the percent of available monies of an agency to cover unforeseen shortfalls; an appropriate maximum threshold is 50%.

Equipment Replacement Ratio (Structure)
Measures the average age of depreciable equipment and facilities; the lower the number the younger the infrastructure with the assumption therein better efficiencies/effectiveness.

7.4 Pension Obligations

Rainbow MWD provides a defined benefit plan to its employees through an investment risk-pool contract with the California Public Employees Retirement System (CalPERS). This pension contract provides employees with specified retirement benefits based on the date of hire and placement in two categories: "Classic Miscellaneous," and "PEPRA Miscellaneous." Additional pension details based on actuarial valuations issued by CalPERS during the five-year report period with respect to formulas, enrollees, contributions, and funded status follows.

Pension Formulas and Enrollees

The annual valuation issued at the end of the five-year report period identifies 170 total participants with Rainbow MWD's pension program with CalPERS. This total represents an overall increase of 26 new enrollees during the 48-month period in which information is readily available dating back to 2016-2017. The total is also divided between enrollee type and includes a net-even active-to-retiree employee ratio of 1.0 to 1.0; i.e., there are an equal number of employees currently contributing to the pension system relative to those that are now drawing pension payments. A summary of benefits follows:

> Rainbow MWD finished the report period with 170 enrollees within its pension program with CalPERS. 80% of all enrollees receive a defined benefit formula of 2.5% at 55.

- Classic employees have start dates before January 1, 2013 and represent the largest portion of the retirement program at 80.1% – or 137 – of total enrollees. These employees receive a defined benefit based on a 2.5% at 55 formula.[64]

- Non classic employees have start dates after January 1, 2013 and represent the smallest portion of the retirement program at 19.9% – or 33 – of total enrollees. These employees receive a defined benefit based on a 2.0% at 62 formula.[65]

[64] An employee with 30 years of employment would be eligible for an annual pension equal to 75% of their highest annual salary starting at age 55.
[65] An employee with 30 years of employment would be eligible for an annual pension equal to 60% of their highest annual salary starting at 62.

Rainbow MWD
Pension Enrollee Information
Table 7.4a (Source: CalPERS and SD LAFCO)

Type	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Active	n/a	50	48	51	57	14.0%
Transferred or Separated	n/a	52	54	58	55	5.8%
Retired		42	47	49	58	38.1%
Total Enrollees	**n/a**	**144**	**149**	**158**	**170**	**18.1%**
Active to Retiree Ratio	**n/a**	**1.2 to 1**	**1.0 to 1**	**1.0 to 1**	**1.0 to 1**	**(20.0%)**

Annual Contributions

Rainbow MWD's total annual pension contribution in the most recent valuation issued at the end of the five-year report period tallies $1.6 million. This contribution amount equals 32.6% of the payroll total for the corresponding fiscal year. The most recent contribution amount also reflects an overall increase to Rainbow MWD of 26.7% during the associated 48-month period.

Rainbow MWD's employer pension contribution at the end of the report period equals 33% of payroll.

Rainbow MWD
Annual Pension Contributions
Table 7.4b (Source: Rainbow MWD and SD LAFCO)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Total Contribution	n/a	$1,080,270	$1,498,224	$1,216,627	$1,622,196	50.2%
Payroll		$4,207,683	$4,150,642	$4,548,810	$4,985,532	18.5%
Percent of Payroll	n/a	25.7%	36.1%	26.8%	32.6%	26.7%

Funding Status

Rainbow MWD's total and composite unfunded liability at the end of the five-year report period tallies ($9.0 million). This amount reflects the accrued pension monies owed to all employees and not covered by assets and translates to a composite funded ratio of 74.0% based on market value. Overall, Rainbow MWD's funded ratio has decreased by (2.0%) during the report period and generated by a net increase of $2.3 million in additional unfunded liability.

Rainbow MWD's combined funded ratio at the end of the report period is 74.0%. This ratio has also decreased by (2.0%).

Rainbow MWD
Pension Funding Status
Table 7.4c (Source: CalPERS)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Pension Assets (MVA)	n/a	$20,686,141	$22,212,128	$23,914,209	$25,594,432	23.7%
Pension Liabilities (AL)	n/a	$27,407,459	$30,007,327	$32,127,448	$34,608,530	26.3%
Unfunded Liability	n/a	($6,721,318)	($7,795,199)	($8,213,239)	($9,014,098)	34.1%
Funded Ratio	n/a	75.5%	74.0%	74.4%	74.0%	(2.0%)

Blank for Photocopying

D. COUNTY SERVICE AREA NO. 81 (FALLBROOK LOCAL PARKS)

1.0 OVERVIEW

Fallbrook Community Center and Park
Fallbrook, California



Photo Credit: Google

The County Service Area (CSA) No. 81 is a dependent special district governed by the County Board of Supervisors formed in 1976. Formation proceedings were initiated by the County of San Diego for the purpose of providing local park maintinence in the unincorporated communities of Fallbrook and Rainbow. The County coordinated the creation of CSA No. 81 with the formation of several other CSAs serving a similar purpose in other unincorporated communities. The jurisdictional boundary spans 122 square miles, entirely unincorporated, and represents 2.7% of all lands in San Diego County. Nearly three-fourths of all jurisdictional acreage is under private ownership with 73.2% of this amount – approximately 22,631 acres – remaining undeveloped and/or unimproved. An appointed seven-member advisory board assists the Board of Supervisors in governing CSA 81's activities with management delegated to the County Parks and Recreation Department.

CSA No. 81 is organized as a limited purpose agency with municipal activities tied to two active and integrated functions – (a) parks and (b) recreation – and underlie the current operation of four local sites.[66] CSA No. 81 is also eligible – subject to LAFCO approval – to provide an expanded range of municipal service functions with the notable exception of land use. CSA No. 81's actual budget expense at the end of the report period in 2019-2020 was $0.509 million and reflects an overall change of 12.9% over the prior 60 months. It also reflects a per capita expense of $10.38. The County's last audited financial statements also cover 2019-2020 and shows the net position for all governmental activities – which includes CSA No. 81 functions – at $3.085 billion with an overall increase of 16.9% during the report period. The net position adjusts to $6.964 billion less pension and related retiree liabilities and equal to covering 11.3 months of recent actual operating expenses.

> CSA No. 81 is presently authorized by LAFCO to provide two related functions: parks and recreation. These two active functions are eligible throughout the jurisdictional boundary.

[66] There are four additional County General Fund Park facilities in the unincorporated community of Fallbrook: Horse Creek Ridge County Park, Live Oak County Park, San Luis Rey River Park Preserve, Santa Margarita County Preserve, and Village View Park. Additionally, the Fallbrook Village Association owns the Jackie Heyneman Park, and the County of San Diego leases the Fallbrook Sports Park – operated by the Fallbrook Sports Association. These parks are not within CSA No. 81's jurisdiction.

LAFCO independently estimates the resident population within CSA No. 81 is 49,085 as of the end of this report period. It is also projected the estimate of fulltime residents represents an overall increase of 1,515 since 2010 – or 290 annually – with a resulting annual growth rate of 0.6%, which falls slightly below the corresponding countywide rate of 0.7%. The estimated population is directly supported by 18,434 housing units, which has increased since 2010 with the construction or otherwise addition of 1,036 new units. The median household income among residents within CSA No. 81 is $73,395 based on the current five-year period average and nearly one-tenth above than the countywide average of $66,529. Residents are currently spending 28.9% of their household income on rent or mortgage payments.

2.0 BACKGROUND

2.1 Community Development

CSA No. 81's primary service area – Fallbrook and Rainbow – began its present-day development in the late 1700s. Similar to the larger region, the genesis of the development ties to the Payomkawichum people – called Luiseños by the Spanish newcomers – establishing permanent villages along the Santa Margarita and San Luis Rey Rivers in conjunction with the construction of nearby Mission San Luis Rey in 1769. These villages generally continued uninterrupted into the next century when rule of California transitioned from Spain to Mexico and Governor Pio Pico granted "Rancho Monserate" to his brother in-law Ysidro Alvarado in 1846. The Rancho Monserate land grant covered close to 13,330 acres and helped to transition the largely unimproved lands in the region towards cultivated agricultural and ranching uses. Outside homesteaders were also drawn to the region following the end of Mexican rule and included Canadian Vital Reche who arrived with his extended family at the end of the 1860's and named their 160-acre ranch "Fall Brook." Reche also was the first to record a townsite. A decade later, a group of outside investors led by James Peebles Marshall Rainbow recorded their own townsite immediately to the east of the rechristen Fallbrook as "Rainbow Valley," which was later abbreviated by locals to "Rainbow."

Reche Family Grove
Fallbrook (1909)



Photo Courtesy of County Parks and Recreation

Live Oak Park
Formerly Reche Grove, Fallbrook (1922)

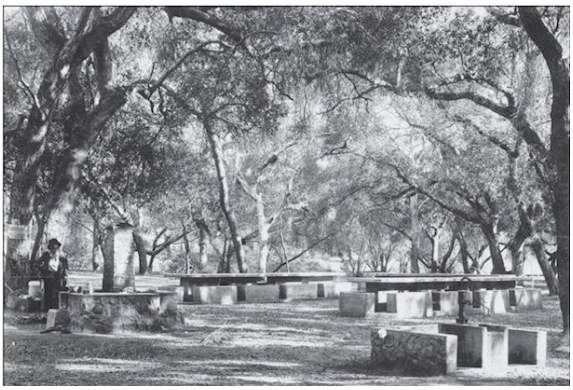


Photo Courtesy of County Parks and Recreation

The Fallbrook-Rainbow area entered the 1900s with a modest population estimated at nearly 1,000 with most households connected – directly or indirectly – to agricultural activities ranging from dairy to crops with the latter highlighted by olives and oranges. At the same time the County of San Diego was in the early process of establishing a regional public park system and began working to acquire lands with interested landowners. The Reche family was one of the first to participate and agreed to donate their "Reche Grove" site in conjunction with the County's commitment to preserve its existing picnic and cultural amenities for all residents to enjoy. The site was renamed Live Oak Park and opened by the County in July 1920.

Live Oak served as the lone public park site within the Fallbrook-Rainbow area over the next several decades and remained the baseline when the County Board of Supervisors adopted the inaugural General Plan in 1975. Among other notable policies, the General Plan provided direction for the County to focus expansions to the park system on developing community parks with local-serving amenities – such as community centers and sport facilities. The County General Plan also – pertinently – stated the expansions in the park system and development of community parks should be self-sufficient through local taxes and related user fees.

2.2 Formation Proceedings

Formation proceedings for CSA No. 81 were initiated by the County of San Diego and done so consistent with the objectives of the newly adopted General Plan in 1975 to develop community parks and local serving recreation through local revenue sources.[67] The proposed boundary for CSA No. 81 was generally set to follow the "Fallbrook Local Park Planning Area" and included – despite protest by the Rainbow Property Owners' Association – the Rainbow community. LAFCO conditionally approved the formation in July 1976 with jurisdiction-wide authorization to provide local park maintenance. The formation was confirmed by election of voters in November 1976.

[67] Parallel CSA formations were also proposed for Lakeside (No. 82) and San Dieguito (No. 83).

2.3 Post Formation Proceedings

A summary of notable activities undertaken by CSA No. 81 and/or affecting the District's service area following formation in 1976 are provided below:

- CSA No. 81 acquires a 7.2-acre site off Heald Land in central Fallbrook next to the La Paloma Elementary School in 1978. This site is subsequently developed into the Fallbrook Park and Community Center and Park and opened to the public in 1981.

- A proposal to incorporate the community of Fallbrook is approved by LAFCO but fails to win majority voter support in November 1980. Approval would have dissolved CSA No. 81 and transferred its park and recreation services to the new city.

- A second proposal to incorporate the community of Fallbrook is approved by LAFCO but fails to win majority voter support in November 1986. This second proposal would have also involved dissolving CSA No. 81 and transferring its park and recreation services to the new city.

- LAFCO establishes a sphere of influence for CSA No. 81 in December 1987 to be coterminous with the District's jurisdictional boundary.

- LAFCO updates the CSA No. 81 sphere of influence with no changes in August 2007.

- LAFCO performs an inaugural municipal service review on CSA No. 81 as part of a countywide study of special districts in April 2013.

3.0 BOUNDARIES

3.1 Jurisdictional Boundary

CSA No. 81's existing boundary spans approximately 122 square miles and covers 78,028 unincorporated acres. The jurisdictional boundary is entirely unincorporated. The unincorporated communities of Fallbrook and Rainbow anchor the CSA jurisdictional boundary along with extending into the community of De-Luz. The jurisdictional boundary equals 2.7% of all San Diego County and characterized by a village setting within Fallbrook with outlying lands consisting of rolling hills covered in avocado and citrus orchards as well as an increasing number of large residential estates. There are 31,303 registered voters in CSA No. 81 at the end of the report period.

> CSA No. 81's jurisdictional boundary spans over 78,028 acres and equals 2.7% of all San Diego County.

The total assessed value (land and structure) within CSA No. 81 totaled $8.27 billion. The period ending amount translates to a per acre value ratio of $0.106 million as well as a per capita value of $0.169 million based on the estimated fulltime population of 49,085. Overall, CSA No. 81 receives 0.39% of the annual 1.0% of property tax collected in the jurisdictional boundary and resulted in $0.288 million in 2019-2020 after adjustments.

Assessed property values in CSA No. 81 finished with a $0.106 million per acre ratio and a per capita value of $0.169 million.

The jurisdictional boundary is currently divided into 19,071 parcels and spans 75,785 acres. Nearly three-fourths – 73.2% – of the parcel acreage is under private ownership with three-fifths of this amount having already been developed or improved to date, albeit not necessarily at the highest density as allowed under zoning. The remaining private acreage in CSA No. 81 is undeveloped and consists of 3,026 vacant parcels that collectively total 22,631 acres.

59.2% of all privately-owned acreage in CSA No. 81 has been developed to date. The remaining 40.8% of the private acreage in CSA No. 81 is undeveloped and totals 22,631 acres.

CSA No. 81
Jurisdictional Boundary Characteristics
Table 3.1a (Source: San Diego LAFCO)

Total Jurisdictional Size	78,028 acres
Total Jurisdictional Parcels and Acreage (less rights-of-ways, etc.)	19,071 parcels totaling 75,785 acres
… Publicly Owned Parcels and Acreage	334 parcels totaling 22,496 acres
… Privately Owned Parcels and Acreage	18,737 parcels totaling 55,532 acres
… Undeveloped Privately-Owned Parcels and Acreage	3,026 parcels totaling 22,631 acres
Total Number of Registered Voters	31,303
Total Assessed Value (Land and Structures)	$8.27 billion

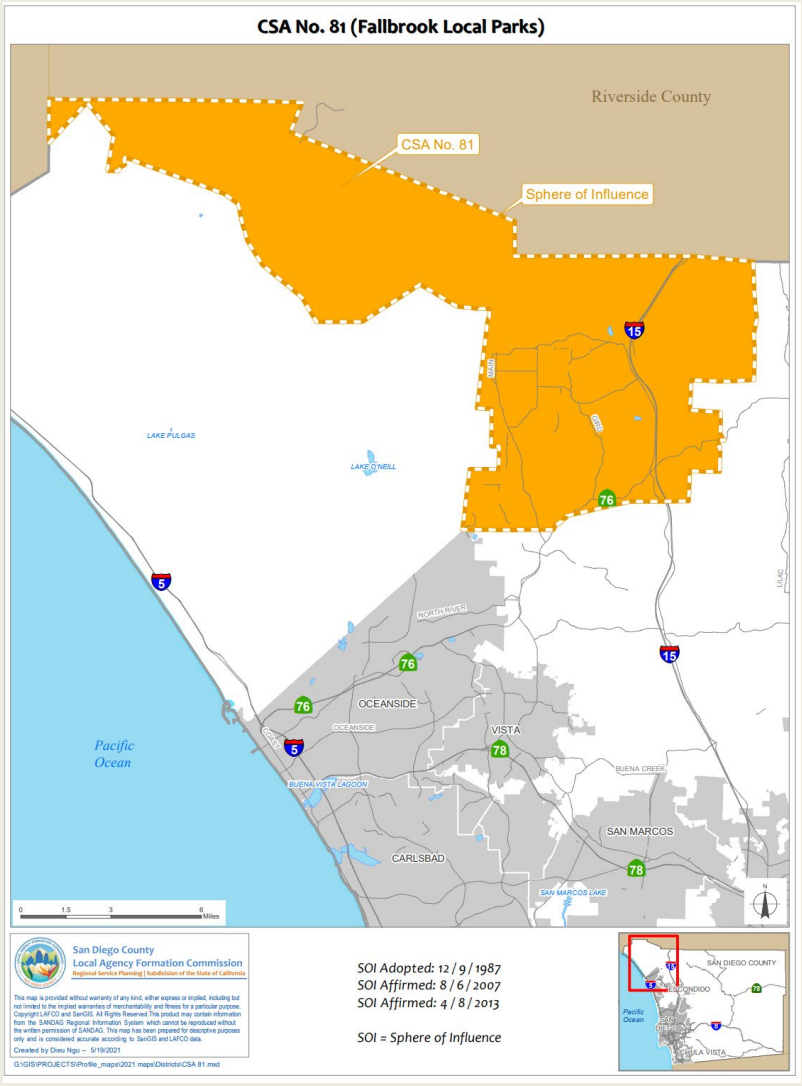
Nearly one-tenth of CSA No. 81's jurisdictional boundary totaling 7,594 acres qualifies as disadvantaged unincorporated community (DUC) lands under San Diego LAFCO policy. This affected area also lies within the sphere of influence and generally overlays the village/downtown Fallbrook area. Additional lands qualifying as disadvantaged unincorporated community lie to the immediate west of both CSA No. 81's jurisdictional boundary and sphere of influence and extends west to include the Marine Corps' Camp Pendleton.

9.7% of CSA No. 81 qualifies as a DUC with the affected households having an annual median household income of less than $54,191.

3.2 Sphere of Influence

CSA No. 81's sphere was established by LAFCO in 1987 and last reviewed and updated in 2013. The sphere is completely coterminous with the jurisdictional boundary, and as such reflects an existing Commission expectation of no boundary changes or outside service extensions are anticipated in the immediate future. There are no special study areas within the District's sphere; 9.7% of the sphere qualifies as disadvantaged unincorporated community lands.

3.3 Current Boundary and Sphere Designations



Quick Facts

Jurisdictional Boundary

122 square miles or 78,028 acres

Divided into 19,071 parcels totaling 75,785 acres

- 18,737 parcels (98.2%) are privately owned and total 55,532 acres (71.2%)

New growth expected

- 41% of the jurisdictional boundary acres are privately owned and remain undeveloped

$8.27 billion in assessed value

9.7% qualifies as DUC

Sphere of Influence

Last updated in 2013

Coterminous with jurisdictional boundary

4.0 DEMOGRAPHICS

4.1 Population and Housing

CSA No. 81's total fulltime resident population within its jurisdictional boundary is independently estimated by LAFCO at 49,085 at the term of the five-year report period. This amount represents 1.0% of the countywide total. It is also estimated the fulltime population has risen overall by 6.3% from 46,189 in 2010 and the last census reset. This translates to an annual change of 289.6 or 0.6%, which is one-eighth lower than the corresponding countywide growth rate of 0.72% over the same period and irrespective of the difference in magnitude. The current estimate produces a population density of 0.63 residents for every one acre and underlies the overall rural character of the jurisdictional boundary. (For context, the population density for the adjacent City of Oceanside at the end of the report period was 6.6 residents for every one acre.) It is projected the current growth rate will continue into the near-term and result in the fulltime population reaching 50,600 by 2025.

It is estimated there are 49,085 fulltime residents in CSA No. 81 at the end of the report period. It is projected the fulltime population will increase consistent with recent trends – or 0.6% annually – and add another 1,515 residents and reach 50,600 by 2025.

CSA No. 81
Resident Population
Table 4.1a (Source: Esri and San Diego LAFCO)

Factor	2010 Estimate	2020 Estimate	Annual Change	2025 Projection
CSA No. 81	46,189	49,085	0.6%	50,600
San Diego County	3,095,264	3,344,136	0.7%	3,429,502

LAFCO separately estimates there are 18,434 residential housing units within CSA No. 81 at the term of the five-year report period. This amount represents an overall increase of 1,036 – or 5.6% – since 2010 for an annual change of 103.6 or 0.58%. With respect to housing characteristics, and based on the most recent five-year average, 63.0% of units are owner-occupied, 28.9% are renter-occupied, and the remaining 8.0% are vacant. The average household size has remained largely fixed and finished the report period at 2.8 residents per every one dwelling unit. The mean monthly housing cost in CSA No. 81 has decreased by (8.6%) based on the most recent five-year average of $1,767 but remains more than one-tenth above the countywide average of $1,578. This housing cost also equals 28.9% of the residents' average household income.

Housing production in CSA No. 81 at the end of the report period totals 18,434 dwelling units with an average monthly housing cost of $1,767. This latter amount is 11% higher than the countywide average and equals 28.9% of residents' average household income.

CSA No. 81
Housing Characteristics
Table 4.1b: (Source: Esri and San Diego LAFCO)

Factor	CSA No. 81	San Diego County
2010 Housing Units	17,398	1,164,766
2020 Housing Units	18,434	1,233,324
… % Annual Change	0.58%	0.65%
Household Size (5-year average 2007-2011)	2.82	2.79
Household Size (5-year average 2012-2016)	2.84	2.87
… % Annual Change	1.00%	0.32%
Monthly Housing Cost (5-year average 2007-2011)	$1,934.94	$1,540.00
Monthly Housing Cost (5-year average 2012-2016)	$1,767.33	$1,578.00
… % Annual Change	(8.66%)	0.27%
2010 Vacancy Rate	7.96%	6.69%
2020 Vacancy Rate	7.96%	5.94%
… % Overall Change	(5.9%)	(1.3%)

4.2 Age Distribution

The median age of residents in CSA No. 81 is 47.9 based on the current five-year period average. This amount shows the population continues to age with the median number experiencing an increase of 2.96% from 46.5 over the preceding five-year period average. The current median age in CSA No. 81 also remains significantly higher than the countywide average of 35.3. Residents in the prime working age group defined as ages 25 to 64 make up slightly less than one-half of the estimated total population at 49.0%.

Residents within CSA No. 81 tend to be significantly older with a median age of 48 relative to the countywide average of 35.

CSA No. 81
Median Age of Residents
Table 4.2a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
CSA No. 81	46.5	47.9	3.0%
San Diego County	34.6	35.3	2.0%

CSA No. 81
Prime Working Age, 25-64
Table 4.2b: (Source: American Community Survey and San Diego LAFCO)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
CSA No. 81	50.3%	49.0%	(2.6%)
San Diego County	53.4%	47.0%	(11.9%)

4.3 Income Characteristics

The median household income in CSA No. 81 is $73,395 based on the current five-year period average. This amount shows fulltime residents are receiving slightly less pay with the median income experiencing an overall decrease of (2.97%) from the preceding five-year period average of $75,642. Despite this recent trend, the current median household income in CSA No. 81 remains relatively high given it is 9.4% above the current countywide median of $66,529. Other related measurements show economic distresses during the report period with the poverty rate in CSA No. 81 doubling from 6.6% to 12.8% and ending just below the countywide average of 14.0%.

CSA No. 81 residents' average median household income – while decreasing during the report period – finished at $73,395 and above the countywide average. However, poverty rates in the jurisdiction more than doubled and now capture 1.6 out of every 5 residents.

CSA No. 81
Median Household Income
Table 4.3a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
CSA No. 81	$75,642	$73,395	(2.97%)
San Diego County	$63,857	$66,529	4.18%

CSA No. 81
Resident Poverty Rates
Table 4.3b (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
CSA No. 81	6.6%	12.8%	92.1%
San Diego County	13.0%	14.0%	7.7%

4.4 Socioeconomic Indicators

Unemployment levels within CSA No. 81 are low at 2.2% based on the current five-year period average. This amount is close to three-fifths – or 56.0% – below the corresponding countywide average rate of 4.9%. Unemployment levels within CSA No. 81 have also decreased by more than two-fifths – (43.1%) – from the previous five-year average of 3.77%. More than one-fourth – or 25.7% – of residents in CSA No. 81 currently collect retirement income, which is close to one-

Approximately one out of every three adults in CSA No. 81 hold four-year college degrees at the end of the report period. This ratio paired with the relatively high median home income in the jurisdiction suggests a blue-collar workforce resides in the CSA.

half higher than the countywide average. Education levels within CSA No. 81 as measured by four-year college graduates, has modestly increased during the report period but remains somewhat low at 33.1% given the relatively high median income levels. The non-English speaking percentage of the population has decreased during this period from 13.1% to 10.1%; an overall difference of (17.8%).

CSA No. 81
Unemployment Levels
Table 4.4a (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
CSA No. 81	3.77%	2.15%	(43.07%)
San Diego County	5.60%	4.90%	(12.50%)

CSA No. 81
Collecting Retirement
Table 4.4b (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
CSA No. 81	24.96%	25.73%	(3.08%)
San Diego County	16.70%	17.70%	5.99%

CSA No. 81
Non-English-Speaking Households
Table 4.4c (Source: SD LAFCO and ESRI)

Category	Past Average 2007-2011 Period	Current Average 2012-2016 Period	Change %
CSA No. 81	13.09%	10.77%	(17.75%)
San Diego County	16.10%	15.00%	(6.83%)

5.0 ORGANIZATION

5.1 Governance

CSA No. 81's governance authority is established under the County Service Area Act and codified under Government Code Sections 25210-25217.4. This principal act was established in 1953 and comprehensively updated in 2009 through the Senate Local Government Committee. The principal act empowers all 58 counties in California with alternative methods to directly finance and/or provide a wide range of municipal service functions in the unincorporated area upon approval by LAFCO. CSAs may also serve incorporated areas with

the adopted written consent of the affected city councils. CSA No. 81 is currently authorized to provide two distinct functions: parks and recreation. All other service functions (or powers) enumerated under the principal act are deemed latent and would need to be formally activated by LAFCO at a noticed public hearing. Similarly, should it ever seek to divest itself of directly providing an active service function, CSA No. 81 would also need to seek LAFCO approval at a noticed public hearing. A list showing CSA No. 81's active and latent service functions and their applicable service classes follow.

Active Service Functions
Parks
Recreation

Latent Service Functions
Airports
Ambulance
Animal Control
Broadband Internet Service
Cemeteries
Emergency Medical Services
Fire Protection
Flood Control and Drainage
Funding for Land Use Planning
Funding Municipal Advisory Council
Geologic Hazard Abatement
Graffiti Abatement
Hazardous Material Response
Libraries
Open Space
Parkways
Pest-Vector Abatement
Police Protection
Recycled Water
Roads, Bridges and Highways
Search and Rescue
Soil Conservation
Solid Waste
Stormwater
Street Cleaning
Street Lighting and Landscaping
Television Services
Transportation
Undergrounding Electrical Lines
Vegetation Management
Wastewater
Weed Abatement

CSA No. 81 is a dependent special district of the County of San Diego with assistance provided by a seven-member appointed advisory committee. The CSA NO. 81 Advisory Committee meets monthly on the third Thursday at the Live Oaks Park Visitors Center. No compensation is provided to the Committee.

Governance of CSA No. 81 is dependently provided by the Board of Supervisors as an extended – albeit legally separate – unit of the County of San Diego. The Board comprises five supervisorial districts with each member representing approximately 0.669 million residents. All of CSA No. 81 lies entirely within Supervisorial District Five. Supervisors receive an annual salary plus standard benefits with the former totaling $195,070 at the end of the report period. The County conducts business for CSA No. 81 as needed and as part of consolidated agendas with the Board of Supervisors. An appointed seven-member advisory committee assists the Board in its decision-making and meets monthly on the third Thursday at 9:00 A.M. at the Live Oak Park Visitors Center at 2746 Reche Road (Fallbrook). Appointments are made by the Board of Supervisors via the nomination of the District Five Supervisor with eligibility to serve limited to persons either residing and/or working within CSA No. 81. The Advisory Committee does not maintain online agendas, minutes, or other documentation of its activities.

A current listing of the Board of Supervisors and the Advisory Committee follows.

CSA No. 81
Current Board of Supervisors
Table 5.1a (Source: County of San Diego)

Member	Position	Years on Board	Background
Nathan Fletcher	District One, Chair	3	Educator
Joel Anderson	District Two	1	Business Owner
Terra Lawson Remer	District Three	1	Educator
Nora Vargas	District Four, Vice Chair	1	Non-Profit Administrator
Jim Desmond	District Five	3	Commercial Airline Pilot
			Average Tenure on the Board: 1.8 Years

CSA No. 81
Current Advisory Committee
Table 5.1b (Source: County of San Diego)

Member	Position	Years on Committee	Background
Stephani Baxter	Director	6	Business Owner
Lance R. Eddy	Member	8	Business Owner
Ricardo Favela	Member	14	Medical Professional
Sean O'Callaghan	Member	3	Logistics
Susan Reed	Member	3	Financial Services
Vacant			
Vacant			
			Average Tenure on the Committee: 6.8 Years

5.2 Administration

The County of San Diego Board of Supervisors delegates the administrative responsibilties of CSA No. 81 to the County's Parks and Recreation Department (DPR) under the Land Use and Environment Group. DPR operates and manages approximately 56,000 acres of parkland and more than 150 facilities that are divided between 24 local park planning areas (LPPAs). Brian Albright has served as DPR Director since 2009. Budgeted staffing at DPR has increased by 37.8% from 180 to 248 fullitme equivlent employees during the five-year report period. DPR operates out of the County Operations Center located in Kearny Mesa at 5500 Overland Avenue, Suite 410. Legal services are presently assigned to Deputy County Counsel Lonnie J. Eldridge.

County of San Diego
Operations Center, Kearny Mesa



Photo Courtesy of Google Maps

County of San Diego
Budgeted Staffing Levels at DPR
Table 5.2a | Source: County of San Diego

Category	FY 2016	FY 2020	Average	Trend
Budgeted Staffing	180	248	214	37.8%
Per 1,000 Residents	3.7	5.05	4.36	36.5%

* Figures represent full-time equivalent (FTE) based on 2,080 hours/year.

6.0 MUNICIPAL SERVICES

CSA No. 81 is currently authorized to provide two distinct municipal service functions – parks and recreation – that are internally organized as one integrated operation. A summary analysis of this integrated service function follows with respect to capacities, demands, and performance as applicable during the five-year report period.

6.1 Integrated Parks and Recreation

CSA No. 81's integrated park and recreation services commenced at the time of the District's formation in 1976 and are activated throughout the jurisdictional boundary. No subset classes for CSA No. 81 have been established by LAFCO.

Service Capacities and Related Resources

CSA No. 81 operates four community park sites through the end of the five-year report period that collectively span 13 acres. All four community parks are open to the public daily from 9:30 A.M. to sunset. Three community park sites are located within Fallbrook with the fourth in Rainbow. There are no community park sites presently in the De Luz community. Operations and maintenance of the four CSA No. 81's park sites are provided by DPR through its North County Operations Division, which is responsible for all County park and recreation amenities that lie generally north of State Highway 56. Staffing for North County Operations includes operating DPR park facilities seven days a week, providing quality parks and recreation experiences, and improving the quality of life for County residents. DPR also provides fiscal oversite, project management, and resource management and protection. Additional services provided to CSA 81 include the professional expertise of a Certified Arborist, Trails Coordinator, and equipment operators and trade skills for facility upkeep. DPR also provides additional staff to assist with special events, park projects and marketing.

A summary of all four CSA No. 81 park sites and their amenities follow.

Clemmens Lane Park

This park site is located at 344 Clemmens Lane near the intersection with South Mission Road in western Fallbrook. The park site spans 0.60 acres and acquired by CSA No. 81 in 2007 and opened to the public in 2009. Notable amenities include two playground areas, two small soccer fields, a picnic area, barbeque stand, covered gazebo, and a water drinking fountain. There is one public restroom and one ADA parking stall despite no dedicated parking lots at Clemmens Lane Park.

Clemmens Lane Park
344 Clemmens Lane, Fallbrook



Don Dussault Park

This park site is located at 832 Alturas Road near the intersection with West Fallbrook Street in western Fallbrook. The park site spans 0.75 acres and acquired by CSA No. 81 in 1973. Notable amenities include two playgrounds, picnic area, covered gazebo, two barbeque stands, and two water drinking fountains. A new fitness station was also

Don Dussault Park
832 Alturas Road, Fallbrook



added during the report period. There are no public restrooms or dedicated parking lots, however there is one dedicated ADA parking stall at Don Dussault Park.

Fallbrook Park and Community Center

This park site is located at 341 Heald Lane near the intersection with East Fallbrook Street in central Fallbrook. It is also immediately adjacent to the La Paloma Elementary School. The park site spans 7.2 acres and acquired by CSA No. 81 in 1978 and opened to the public in 1981. The site is anchored by a community center that contains an auditorium room with a capacity of up to 250 persons along with a commercial grade kitchen. Other notable amenities include a lawn area, four playgrounds, basketball court, tennis courts, sand volleyball court, two covered gazebos, two picnic areas, four barbeque stands, and two water drinking fountains. There are also public restrooms and dedicated parking lots at Fallbrook Park.

Fallbrook Park
341 Heald Lane, Fallbrook



Rainbow Park

This park site is located at 5157 Fifth Street near the intersection with Rainbow Valley Boulevard in Rainbow. It is also immediately adjacent to the Vallecitos Elementary School. The park site spans 4.4 acres and acquired by CSA No. 81 in 1979 and opened to the public in 2003. Notable amenities include a multi-use artificial turf field, basketball courts, tennis court, pickleball courts, a playground structure, covered gazebo, three picnic areas, barbeque stands, and three water drinking fountains. There are also public restrooms and dedicated parking lots at Rainbow Park.

Rainbow Park
5157 Fifth Avenue, Rainbow



All four CSA No. 81's existing community park sites were purchased through the County's Park Lands Dedication Ordinance (PLDO).[68] Funding additional park sites will similarly be sourced through the PLDO, grant opportunities, and general-purpose funds with additional details footnoted.[69]

With respect to ongoing funding resources, CSA No. 81's primary operating revenue is drawn from its allocated share of secured property taxes, which computes to 0.39% of the 1.0% collected within the jurisdictional boundary. Actual property tax revenues have increased by 22.9% over the report period from $0.231 million to $0.288 million. Overall, property taxes have accounted for nearly one-half – or 48.0% – of actual revenues for CSA No. 81 during the report period. Rental fees represent the second primary revenue source and have decreased by (129.2%) from $0.376 million to $0.164 million with additional details on the substantial decrease provided in the succeeding section.

Service Demands

Overall service demands for CSA No. 81's integrated park and recreation services can be measured by new amenities added during the five-year report period and presumably in direct response to community feedback. Accordingly, over the corresponding 60-month period CSA No. 81 has either completed or near completed the following key amenities:

- **Clemmens Lane Park**
  One new restroom structure, one new artificial turf soccer field, and new shade sails installed over two playground structures (2019).

- **Don Dussault Park**
  One new playground structure, one picnic pavilion, one BBQ area, one water drinking fountain, new ADA parking stall and travel path to park amenities (2016).

- **Fallbrook Community Center and Park**
  New flooring and LED lighting throughout entire facility (2017). One ADA outdoor play area, three ADA accessible water drinking fountains, replacement of center roof, and repair to roof drainage system (2018). Installation of new kitchen drainage

[68] The County of San Diego established the PLDO in 1972 and requires - among other items - developers dedicate parkland to meet the standard of 3 acres per 1,000 residents for all new residential development. This policy also includes an in-lieu fee calculated based on the number of dwelling units and includes the cost of acquiring and developing future park and recreation facilities to meet the standard of 3 acres per 1,000 residents. All in lieu fees collected must be spent in one of the 24 park planning areas managed by the County via DPR.

[69] PLDO resources are guided by the Board of Supervisors Policy F-26: Utilization of Park Lands Dedication Ordinance Fees and Interest. Park improvement priorities in CSA No. 81's jurisdiction are driven by CSA 81 Local Parks Advisory Committee and the Fallbrook Community Sponsor Group.

system (2019). New security, fire, and smoke detection system as well as anti-shatter filament added to all windows (2020).

- **Rainbow Park**
  Converted one natural turf field to an artificial sports turf field (2017). One new shade sail installed over existing playground (2018). Renovation of one restroom structure, new ADA accessible picnic and BBQ area, two ADA parking stalls and path of travel to park amenities (2020).

Service Performance

CSA No. 81's 13 acres of parklands represents nearly 0.26 acres for every 1,000 residents. This ratio is nine-tenths – or the equivalent of 134.3 acres – below the minimum standard of 3 acres of parkland for every 1,000-population set in State law (Quimby Act). This amount – separately – falls further below the County's own adopted standard of providing 10 acres of local parks for every 1,000 residents (General Plan COS-21). CSA No. 81 is working with DPR to reduce the park acreage deficit in Fallbrook and primarily through the following three efforts within the timeframe of this report with additional details footnoted.[70]

1. Complete construction and open Village View County Park (6.8 acres).
2. Identify a new west Fallbrook park site and gather public input (2-5 acres).
3. Complete design and develop an active recreation area for San Luis Rey River Park.

7.0 FINANCES

7.1 Budget Information

CSA No. 81's average actual operating expense during the five-year report period has been $0.560 million. This amount represents the combined actual costs within two categories – services/supplies and salary/benefits – that collectively cover day-to-day expenses for CSA No. 81. The actual operating expense at the end of the report period totaled $0.509 million with expenditures for

> CSA No. 81's actual operating expense at the end of the five-year report period is $0.509 million. This amount represents a (12.9)% overall decrease over the 60-month period. The per capita expense similarly decreased from $12 to $10.

70 Additional County regional, local and preserve park sites are located within the Fallbrook region and contribute an additional 383.1 parkland acres in the region; these sites include, Live Oak Park (27 acres), Horse Creek Ridge Park (8.4 acres), Santa Margarita Preserve (220.5 acres), Village View Park (6.8 acres), San Luis Rey River Park (East) (106 acres), Jackie Heyneman (.75 acres), Vince Ross Village Square (.15 acres), and Fallbrook Sports Park (13.5 acres). These park sites and CSA No. 81's park sites total 396.1 acres of parklands and represents 8.07 acres for every 1,000 residents. This amount meets the standard of 3 acres of parkland for every 1,000 residents (Quimby Act). Separately, this amount falls 20% short of the County's adopted standard of providing 10 acres of parklands for every 1,000 residents.

salary/benefits representing slightly more than one-half – or 53.5% – at $0.273 million. Overall, actual operating expenses for CSA No. 81 decreased by (12.9%) or ($0.066 million) over the corresponding 60-month period and attributed to the consolidation of an after-school program at the Fallbrook Community Center and associated loss of user fees.

CSA No. 81
Operating Funds: Actual Expenses
Table 7.1a (Source: CSA No. 81)

Fund Type	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	Average	Trend
Services and Supplies	252,215	256,956	276,280	319,695	236,696	268,368	(6.6)%
Salary and Benefits	322,732	346,859	286,427	232,021	272,580	292,124	(18.4)%
Total	**574,947**	**603,815**	**562,707**	**551,715**	**509,276**	560,492	(12.9)%
Per Capita	**$11.71**	**$12.30**	**$11.46**	**$11.24**	**$10.38**	**$11.42**	**(11.4)%**

CSA No. 81's average actual operating revenue during the five-year report period was $0.558 million. The primary revenue source is generated through property taxes, which accounts for nearly one-half of the period totals.[71] The actual operating revenue at the end of the report period totaled $0.469 with property taxes representing the largest single source at $0.305 million – or 65.1%. Overall, actual operating revenues for CSA No. 81 decreased by (32.4%) – or ($0.152 million) – over the corresponding 60-month period and attributed to the consolidation of an after-school program funded by the school district at the Fallbrook Community Center with additional details footnoted.[72]

CSA No. 81's actual operating revenue at the end of the five-year report period was $0.469 million and represents a (32.4%) overall decrease over the 60-month period. The per capita revenue similarly decreased from $13 to $10.

CSA No. 81
Operating Funds: Actual Revenues
Table 7.1b (Source: CSA No. 81)

Fund Type	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	Average	Trend
Property Taxes	224,816	256,171	269,485	285,061	305,365	268,180	26.4%
Fees and Rents	375,784	414,564	240,929	233,864	163,968	285,822	(129.2)%
Total	**621,600**	**670,735**	**510,414**	**518,925**	**469,333**	558,201	(32.4)%
Per Capita	**$ 12.66**	**$ 13.66**	**$ 10.40**	**$ 10.57**	**$ 9.56**	**$ 11.37**	**(24.5)%**

71 CSA No. 81 receives approximately 0.39% of the 1.0% in property tax collected within its jurisdictional boundary.

72 Revenue in FY's 2016 and 2017 are notably higher and tied to a contract between County Department of Parks and Recreation and the Fallbrook Union Elementary School District (FUESD) to facilitate an after-school program at the Fallbrook Community Center – a CSA No. 81 facility – funded by the San Diego County Office of Education. FUESD elected to consolidate the afterschool program with the Fallbrook Boys and Girls Club at the end of FY 2017 and this change accounts for the decrease in revenue beginning in FY 2018 for the County Department of Parks and Recreation (CSA No. 81) given these operating funds were accounted as revenue for CSA No. 81.

7.2 Financial Statements

The County of San Diego contracts with an outside consultant to audit the County's government-wide financial statements in accordance with established governmental accounting standards.[73] The audit is presented to the Board of Supervisors as part of a Comprehensive Annual Financial Report and attests to the County's overall assets, liabilities, and net position. The government-wide financial statements distinguish County functions between those principally supported by taxes and intergovernmental revenues ("governmental activities") and those from other functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). CSA No. 81 is included in the governmental activities listing. The audited statements provide quantitative measurements in assessing the County's short and long-term fiscal health with specific focus on delivering its activated service functions. The current outside consultant is Macias Gini & O'Connell LLP (San Diego).

The County's most recent audited financial statements for the five-year report period were issued for 2019-2020.[74] These statements specific to governmental activities show the County experienced a sizeable decline over the prior fiscal year as the overall net position (full accrual basis) decreased by (29.1%) from $4.348 billion to $3.085 billion. Adjusting to pre GASB 68 and 75 reporting standards and the listing of an agencies' proportionate share of pension and other post-employment benefit liabilities, the County's net position increases to $6.964 billion. The accompanying auditor's report did not identify any material weaknesses or related concerns. A detailing of year-end totals and trends during the report period follows with respect to assets, liabilities, and net position.

Most Recent Year-Ending Financial Statements (2019-2020)	
Assets	8,632,101,000
Liabilities	6,551,340,000
Deferred Outflow/Inflow	982,992,000
Net Position	**$3,084,550,000**
Adjusted Net Position (Less retirement liabilities)	$6,964,001,000

Agency Assets

The County's audited assets for governmental activities at the end of 2019-2020 totaled $8.632 billion. This amount is 10.8% higher than the average year-end amount of $7.790 billion in total assets documented during the five-year period and underlies the upward track at the end of the period. Assets classified as current with the expectation they could be liquidated within a

> The County's audited assets over the five-year report period increased by 20% and primarily tied to pooled cash and investments and capital assets.

[73] CSA No. 81 has a direct financial relationship with the County and entirely dependent on the Board of Supervisors in setting the annual budget and making all related fiscal decisions.
[74] The audit for 2019-2020 was issued on November 16, 2020.

year represented $4.882 billion – or 55.9% – with three-fourths tied to cash and investments. Assets classified as non-current and not readily liquid make up the remainder and total $3.810 billion with four-fifths tied to capital infrastructure. Overall, total audited assets for the County and its governmental activities have increased by $1.441 billion – or 20.0% – over the corresponding 60-month period.

County of San Diego
Audited Assets | Governmental Activities Only
Table 7.2a (Source: County of San Diego)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	3,693,689,000	3,847,381,000	4,129,712,000	4,333,364,000	4,822,310,000	4,165,291,000	30.6%
Non-Current	3,497,103,000	3,495,506,000	3,621,177,000	3,702,294,000	3,809,791,000	3,625,174,200	8.9%
Total	**7,190,792,000**	**7,342,887,000**	**7,750,889,000**	**8,035,658,000**	**8,632,101,000**	**7,790,465,400**	**20.0%**

Agency Liabilities

The County's audited liabilities over the five-year report period increased by 29% and primarily generated by an increase in current liabilities tied to an 89.0% increase in unearned revenue.

The County's 2019-2020 audited liabilities for governmental activities at the end of 2019-2020 totaled $6.551 billion. This amount is 9.8% higher than the average year-end amount of $5.997 billion in total liabilities documented during the five-year period. Liabilities classified as current with the expectation they will become due within a year represented $943.4 million – or 14.4% – and largely tied to unearned revenue. Liabilities classified as non-current and considered longer termed debts make up the remainder of the total amount with two-thirds tied to pension and post-employment obligations. Overall, the County's total audited liabilities increased by $1.475 billion or 29.0% over the corresponding 60-month period.

County of San Diego
Audited Liabilities | Governmental Activities Only
Table 7.2b (Source: County of San Diego)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Current	597,485,000	573,152,000	670,504,000	635,773,000	943,397,000	684,062,200	57.9%
Non-Current	4,479,203,000	5,830,117,000	5,395,146,000	5,100,066,000	5,607,943,000	5,282,495,000	25.2%
Total	**5,076,688,000**	**6,403,269,000**	**6,065,650,000**	**5,735,839,000**	**6,551,340,000**	**5,966,557,200**	**29.0%**

Net Position

The County's audited net position has increased over the five-year report period by 16.9% from $2.639 billion to $3.085 billion.

The County's audited net position or equity with respect to governmental activities at the end of 2019-2020 totaled $3.085 billion and represents the difference between total assets and total liabilities along with adjusting for deferred resources (i.e., pension outflows and inflows). The most recent year-end amount is 10.8% higher than the average year-end sum of $2.783 billion during the five-year report period and quantifies upward trajectory. Overall, the net position on governmental activities has changed overall by 16.9% during the corresponding 60 months. Adjusting to exclude the County's proportional share of net pension and other-post employment benefits – which are relatively new reporting standards under GASB 68 and 75 – the net position shows an increase of 33.4%.

County of San Diego
Audited Net Position | Governmental Activities Only
Table 7.2c (Source: County of San Diego)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Average	Trend
Capital Invested	3,124,804,000	3,130,429,000	3,229,874,000	3,336,893,000	3,477,320,000	3,259,864,000	11.3%
Restricted	604,917,000	596,862,000	666,597,000	1,012,829,000	1,158,944,000	808,029,800	91.6%
Unrestricted	(1,090,381,000)	(1,151,817,000)	(1,250,068,000)	(1,380,605,000)	(1,551,714,000)	(1,284,917,000)	42.3%
Total	**2,639,340,000**	**2,575,474,000**	**2,646,403,000**	**2,969,117,000**	**3,084,550,000**	**2,782,976,800**	**16.9%**
Total Adjusted…	**5,221,298,000**	**6,550,656,000**	**6,196,636,000**	**6,271,630,000**	**6,964,001,000**	**6,240,844,200**	**33.4%**

"Total Adjusted" excludes GASB 68 and 75 reporting requirements with respect to project pension and other post-employment costs.

The County's unrestricted fund balance less pension and related liabilities at the end of the report period is sufficient to cover 11.3 months of operating expenses.

The unrestricted portion of the County's net position as of the last audited fiscal year totaled ($1.552) billion. This represents the accrued spendable portion of the fund balance and is only subject to discretionary designations (commitments and assignments). The adjusted amount less pension and related liabilities is $2.328 billion and represents a more accurate accounting of available fund balance monies. This adjusted amount equals 11.3 months of the County's operating expenses based on actual operating expenses at the end of the report period. [75]

[75] Actual general fund expenses in 2019-2020 totaled $2.468 billion and translate to a monthly cost of $205.7 million.

7.3 Measurements | Liquidity, Capital, and Margin

> Standard measurements used to assess the County's financial standing shows the County trended negatively in most categories during the report period and most notably in declining margin levels.

LAFCO's review of the audited financial statement issuances – specific to governmental activities – by the County of San Diego covering the five-year report period shows the County experienced downward trends with respect to all measured categories – liquidity, capital, and margin – utilized in this document. The negative trends are marked by the County's margin levels and reflected in an overall decline of three-fifths – or (59.3%) – during the report period. Liquidity levels – specific to the County's current ratio – separately generated an overall decline of nearly one-fifth – or (17.3%).

With respect to measurements at the end of the report period, the total margin remained positive overall with an average of 3.5% over the 60-month period. The County's current ratio also finished the report period relatively healthy with a 5 to 1 ratio representing $5.10 in cash for each $1.00 in near-term obligations. Debt levels – however – finished high.

County of San Diego
Financial Measurements | Governmental Activities Only
Table 7.3 (Source: San Diego LAFCO)

Fiscal Year	Current Ratio	Days' Cash	Debt Ratio	Debt to Net Position	Total Margin	Operating Margin	Operating Reserves Ratio	Equipment Replacement
2015-2016	6.2	n/a	66.7%	177.1%	5.7%	n/a	n/a	13.8
2016-2017	6.7	n/a	71.8%	232.5%	(1.6)%	n/a	n/a	14.2
2017-2018	6.2	n/a	70.4%	212.5%	4.2%	n/a	n/a	14.4
2018-2019	6.8	n/a	66.8%	179.6%	6.6%	n/a	n/a	14.2
2019-2020	5.1	n/a	68.6%	186.6%	2.3%	n/a	n/a	15.4
Average	6.2	n/a	68.9%	197.7%	3.5%	n/a	n/a	14.4
Change	(17.3)%	n/a	2.9%	5.3%	(59.3)%	n/a	n/a	11.7%
Trend	Negative	n/a	Negative	Negative	Negative	n/a	n/a	Negative

Current Ratio (Liquidity)
Compares available assets against near-term obligations; means for every dollar in liability the agency has one dollar available to pay.

Debt Ratio (Capital)
Measures the relationship between the agency's total assets and liabilities; the higher the ratio the more susceptible the agency is to long-term cash flow stresses.

Debt to Net Position (Capital)
Measures the amount of long-term debt or borrowing of the agency against its accumulated net worth; an appropriate maximum standard threshold is 50%.

Total Margin (Margin)
Measures the bottom line of the agency with respect to comparing all revenues to all expenses.

Operating Margin (Margin)
Measures the relationship between core operational revenues and expenses and excludes one-time transactions, like grants and loans.

Equipment Replacement Ratio (Structure)
Measures the average age of depreciable equipment and facilities; the lower the number the younger the infrastructure with the assumption therein better efficiencies/effectiveness.

7.4 Pension Obligations

The County of San Diego provides a defined pension benefit plan to employees through an investment risk-pool contract with the San Diego County Employees' Retirement Association or SDCERA. This pension contract provides County employees with specified retirement benefits based on their classification ("safety" or "general") and date of hire with the latter determining their tier or formula assignment. Additional pension details based on actuarial valuations issued by SDCERA during the five-year report period with respect to formulas, enrollees, contributions, and funded status follows.

Participant Information and Pension Formulas

The annual valuation issued at the end of the five-year report period identifies 45,157 total participants in SDCERA's pension program. This total represents an overall increase in enrollees of 1,127 - or 10.4% - during the 60-month period. The total is also divided between enrollee type and headlined by an ending ratio of 1.0 active employee for every 1.10 retired employee. A summary of participant categories follows.

> The County of San Diego finished the report period with 45,157 enrollees within its pension program with SDCERA. This marks an overall increase of 10.4% over the prior 60 months.

County of San Diego
Participant Information
Table 7.4a (Source: SDCERA and SD LAFCO)

Type	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Active Members	17,768	17,994	17,869	18,173	18,451	3.8%
Inactive Members	5,413	5,659	5,928	6,151	6,410	18.4%
Retired Members	17,734	18,247	19,028	19,706	20,296	14.5%
Total Enrollees	**40,915**	**41,900**	**42,825**	**44,030**	**45,157**	**10.4%**
Active to Retiree Ratio	**0.99 to 1.00**	**0.98 to 1.00**	**0.94 to 1.00**	**0.92 to 1.00**	**0.91 to 1.00**	**(8.1%)**

With respect to pension formulas, the County maintains 11 separate tiers collectively between its general and safety classifications. The County began assigning employees into two or more pension tiers starting in March 2002. The most recent tiers were established in July 2018 with all new general employees receiving a pension formula of 1.62% at 65 years of age or older.[76] The average monthly pension payment made to retirees at the end of the

[76] With regard to a general classified employee under Tier D, after 20 years of service they would be eligible to receive 32.4% of their highest three-year annual salary average beginning at age 65.

report period is $2,018. A summary of all pension tiers follows.

County of San Diego
Pension Formulas
Table 7.4a (Source: SDCERA and SD LAFCO)

Type	Tier 1 Pre 3/2002	Tier A 3/2002 - 7/2009	Tier B 8/2009 - 12/2012	Tier C 1/2013 - 6/2018	Tier D Post 7/2018
Safety Employees	n/a	3.00% @ 55	3.00% @ 55	2.70% @ 57	2.50% @ 57
General Employees	2.62% @ 62	3.00% @ 60	2.62% @ 62	2.50% @ 67	1.62% @ 65

Annual Contributions & Relationship to Payroll

County of San Diego's total annual pension contribution in the most recent valuation issued at the end of the five-year report period tallies $589.2 million. This contribution amount equals 41.1% of the payroll total for the corresponding fiscal year. The most recent contribution percentage also reflects an overall increase of 16.8% during the 60-month period.

> County of San Diego's employer pension contribution at the end of the report period equals 42%

County of San Diego
Annual Pension Contributions
Table 7.4b (Source: County of San Diego and SD LAFCO)

Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
County Contribution	425,306,000	459,236,000	544,124,000	552,718,000	589,203,000	38.5%
Covered Payroll	1,206,941,000	1,253,222,000	1,290,950,000	1,359,312,000	1,431,142,000	18.6%
Percent of Payroll	35.2%	36.6%	42.2%	40.1%	41.1%	16.8%

Funding Status

County of San Diego's total and composite unfunded liability at the end of the five-year report period tallies ($4.8 billion). This amount reflects the accrued pension monies owned to all employees and not covered by assets and translates to a composite funded ratio of 72.9% based on market value. Overall, the County's funded ratio has increased by 1.9% during the report period and generated by a net increase of $727.8 million in additional unfunded liability.

> County of San Diego's combined funded ratio at the end of the report period is 72.9%. This ratio has also increased by 1.9%.

County of San Diego's Pension Funding Status

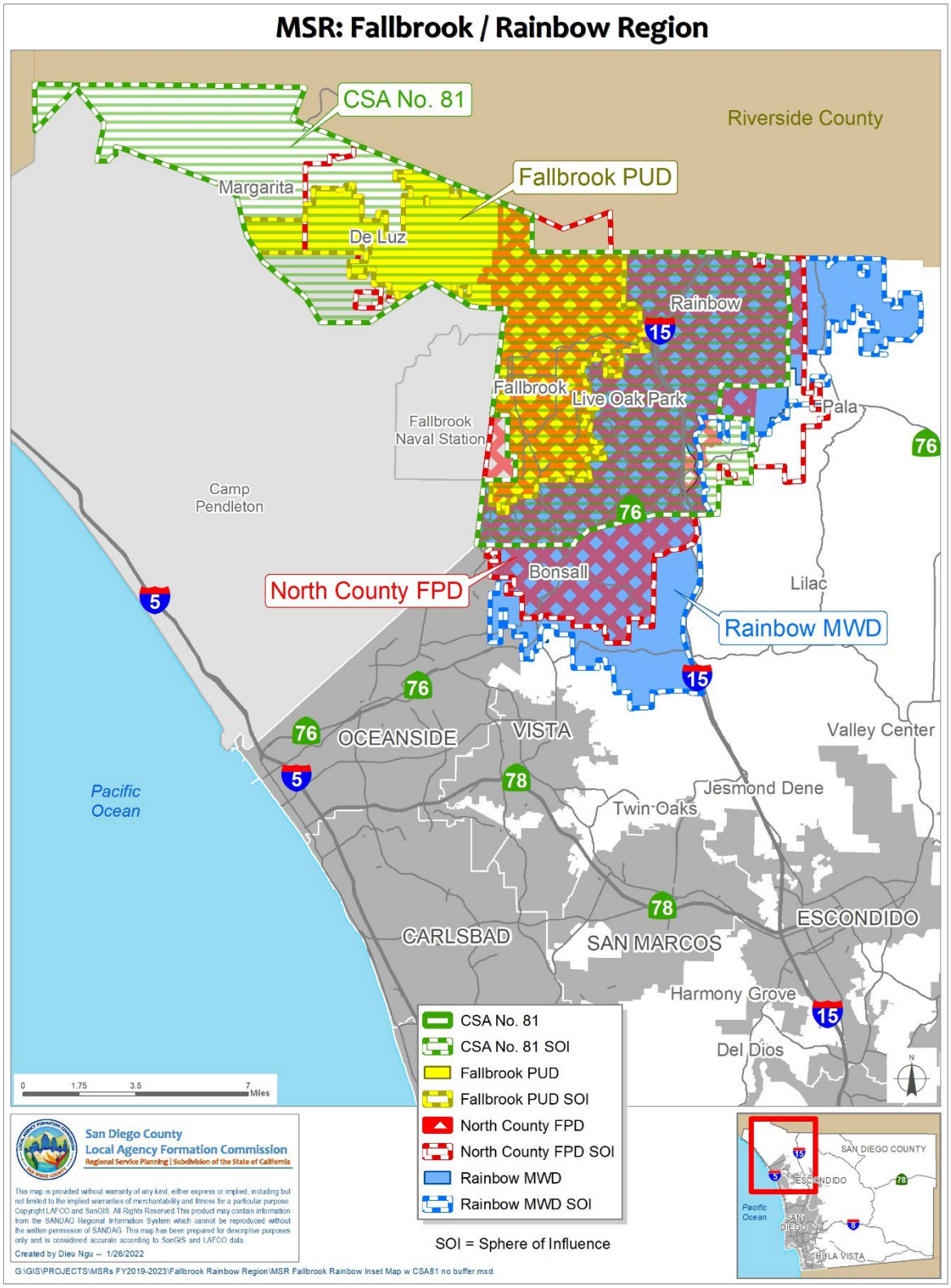
Table 7.4c (Source: SDCERA and SD LAFCO)

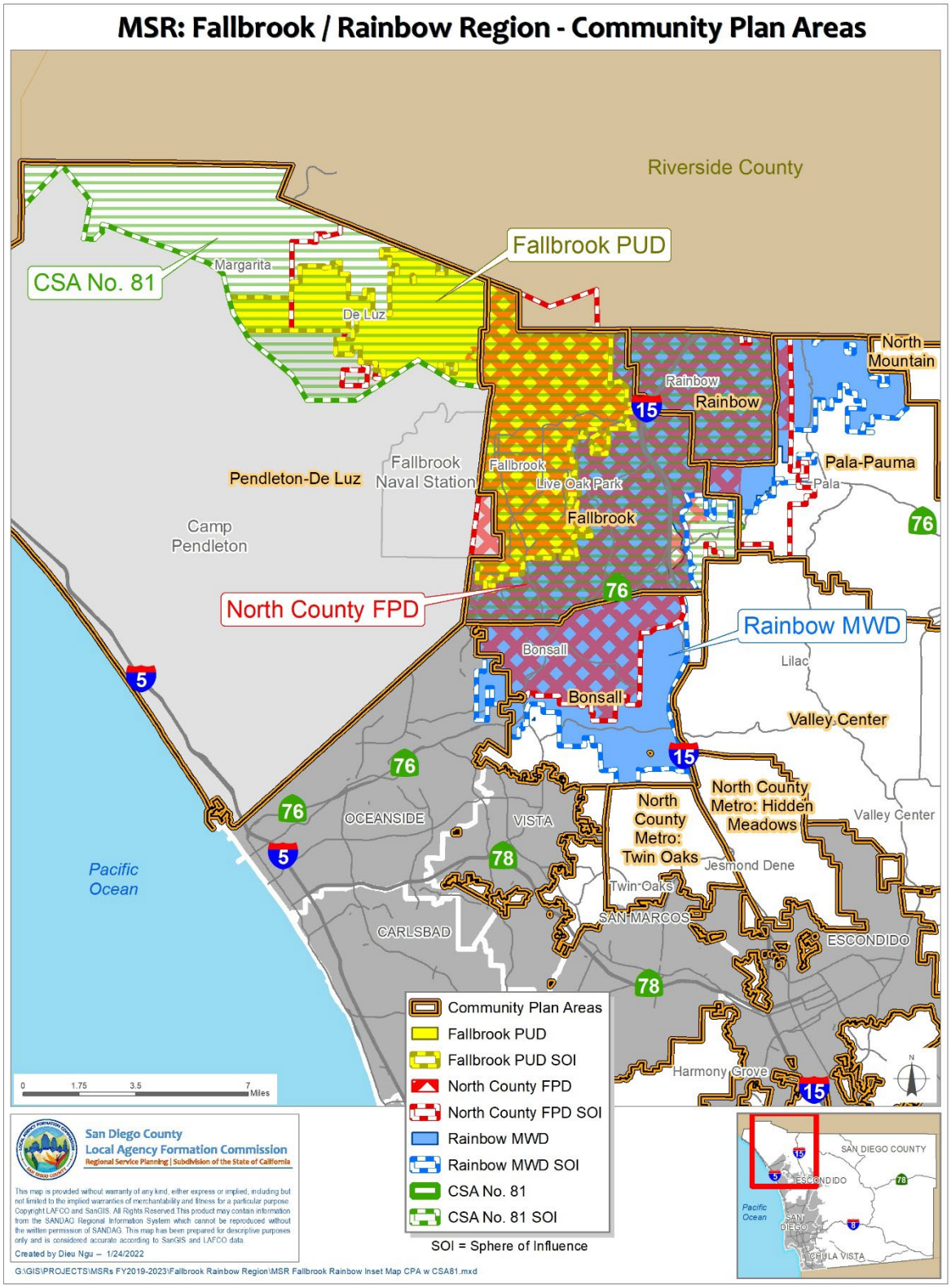
Category	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Trend
Pension Assets (MVA)	10,269,058,000	11,407,678,000	12,288,915,000	12,882,534,000	12,933,356,000	25.9%
Pension Liabilities (AL)	14,349,090,000	14,937,873,000	15,763,237,000	16,955,112,000	17,741,219,000	23.6%
Unfunded Liability	**(4,080,032,000)**	**(3,530,195,000)**	**(3,474,322,000)**	**(4,072,578,000)**	**(4,807,863,000)**	**17.8%**
Funded Ratio	**71.6%**	**76.4%**	**78.0%**	**76.0%**	**72.9%**	**1.9%**

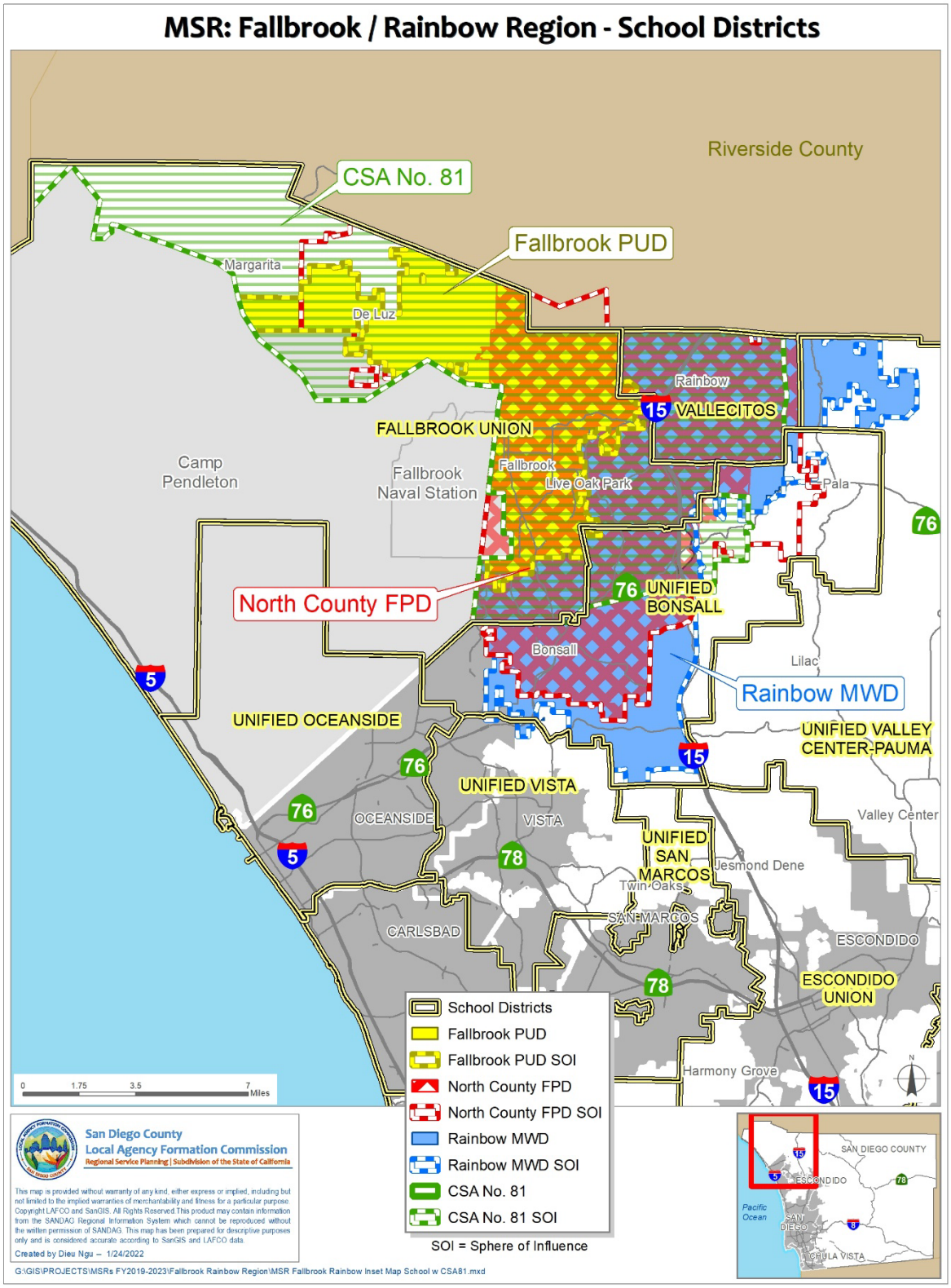
Blank for Photocopying

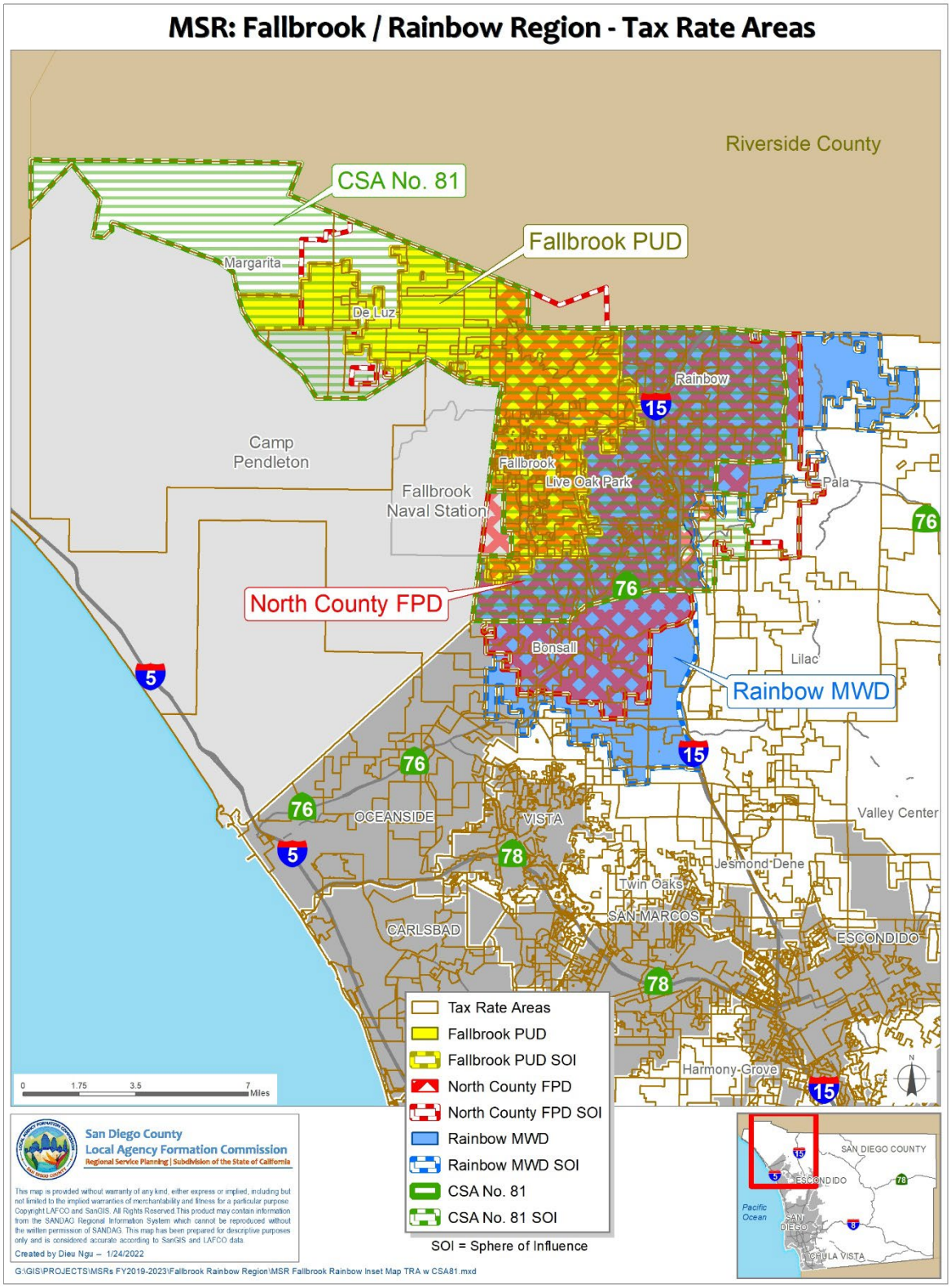
Appendix A
Maps of All Four Affected Agencies in the Fallbrook Region

Blank for Photocopying


MSR: Fallbrook / Rainbow Region
CSA No. 81
Riverside County
Fallbrook PUD
Margarita
De Luz
Rainbow
Fallbrook
Live Oak Park
Pala
Fallbrook Naval Station
Camp Pendleton
North County FPD
Bonsall
Lilac
Rainbow MWD
OCEANSIDE
VISTA
Valley Center
Pacific Ocean
Jesmond Dene
Twin Oaks
CARLSBAD
SAN MARCOS
ESCONDIDO
Harmony Grove
Del Dios
CSA No. 81
CSA No. 81 SOI
Fallbrook PUD
Fallbrook PUD SOI
North County FPD
North County FPD SOI
Rainbow MWD
Rainbow MWD SOI
SOI = Sphere of Influence
San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California
Created by Dieu Ngu – 1/26/2022
SAN DIEGO COUNTY
CHULA VISTA

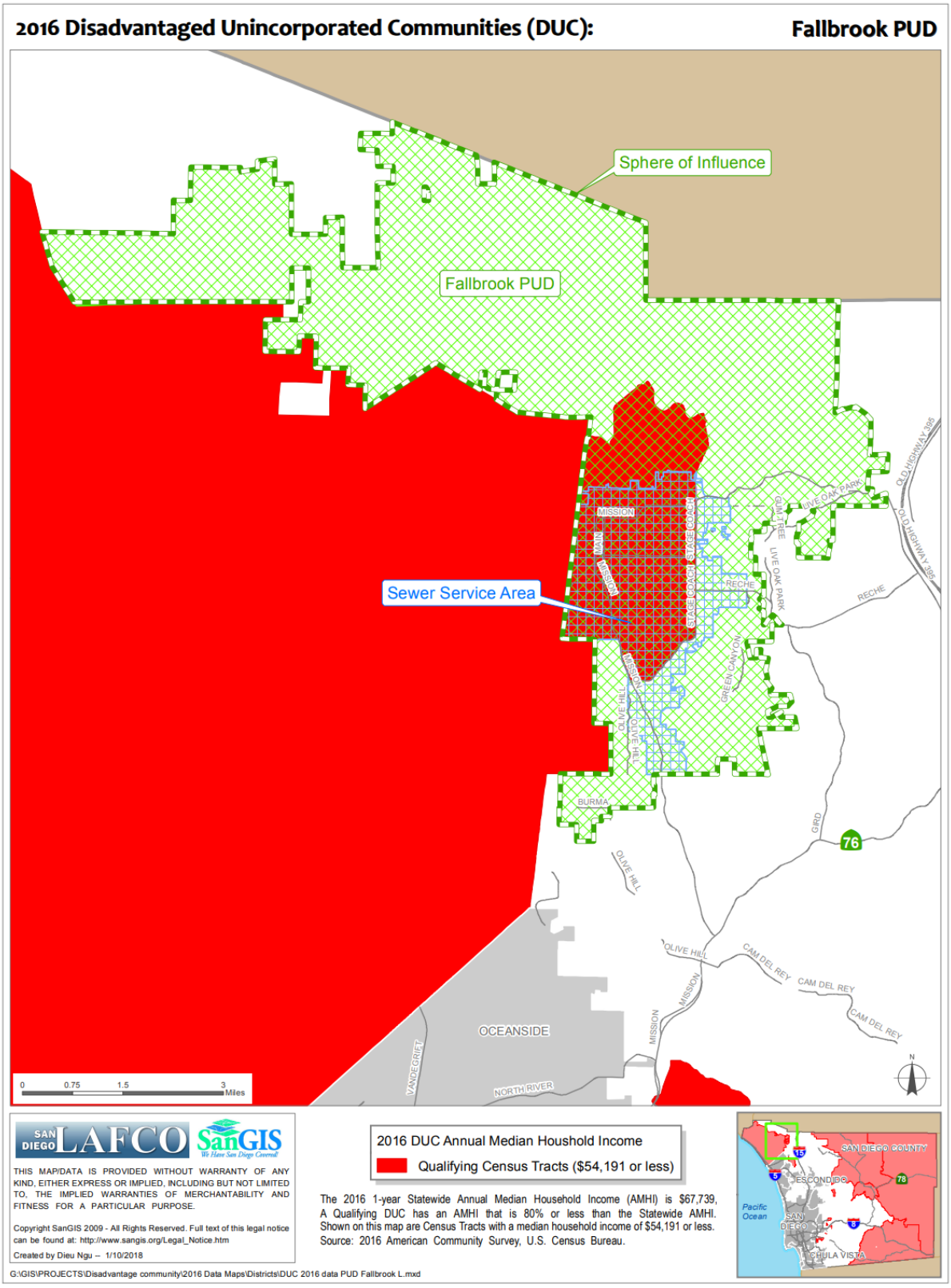

MSR: Fallbrook / Rainbow Region - Community Plan Areas
Riverside County
CSA No. 81
Margarita
De Luz
Fallbrook PUD
North Mountain
Rainbow
Rainbow
Pala-Pauma
Pala
Pendleton-De Luz
Fallbrook Naval Station
Fallbrook
Live Oak Park
Fallbrook
Camp Pendleton
North County FPD
Rainbow MWD
Bonsall
Bonsall
Lilac
Valley Center
OCEANSIDE
VISTA
North County Metro: Hidden Meadows
Valley Center
North County Metro: Twin Oaks
Jesmond Dene
Twin Oaks
SAN MARCOS
CARLSBAD
ESCONDIDO
Harmony Grove
Pacific Ocean
Community Plan Areas
Fallbrook PUD
Fallbrook PUD SOI
North County FPD
North County FPD SOI
Rainbow MWD
Rainbow MWD SOI
CSA No. 81
CSA No. 81 SOI
SOI = Sphere of Influence
0 1.75 3.5 7 Miles
San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California
Created by Dieu Ngu – 1/24/2022
G:\GIS\PROJECTS\MSRs FY2019-2023\Fallbrook Rainbow Region\MSR Fallbrook Rainbow Inset Map CPA w CSA81.mxd
SAN DIEGO COUNTY
ESCONDIDO
Pacific Ocean
SAN DIEGO
CHULA VISTA

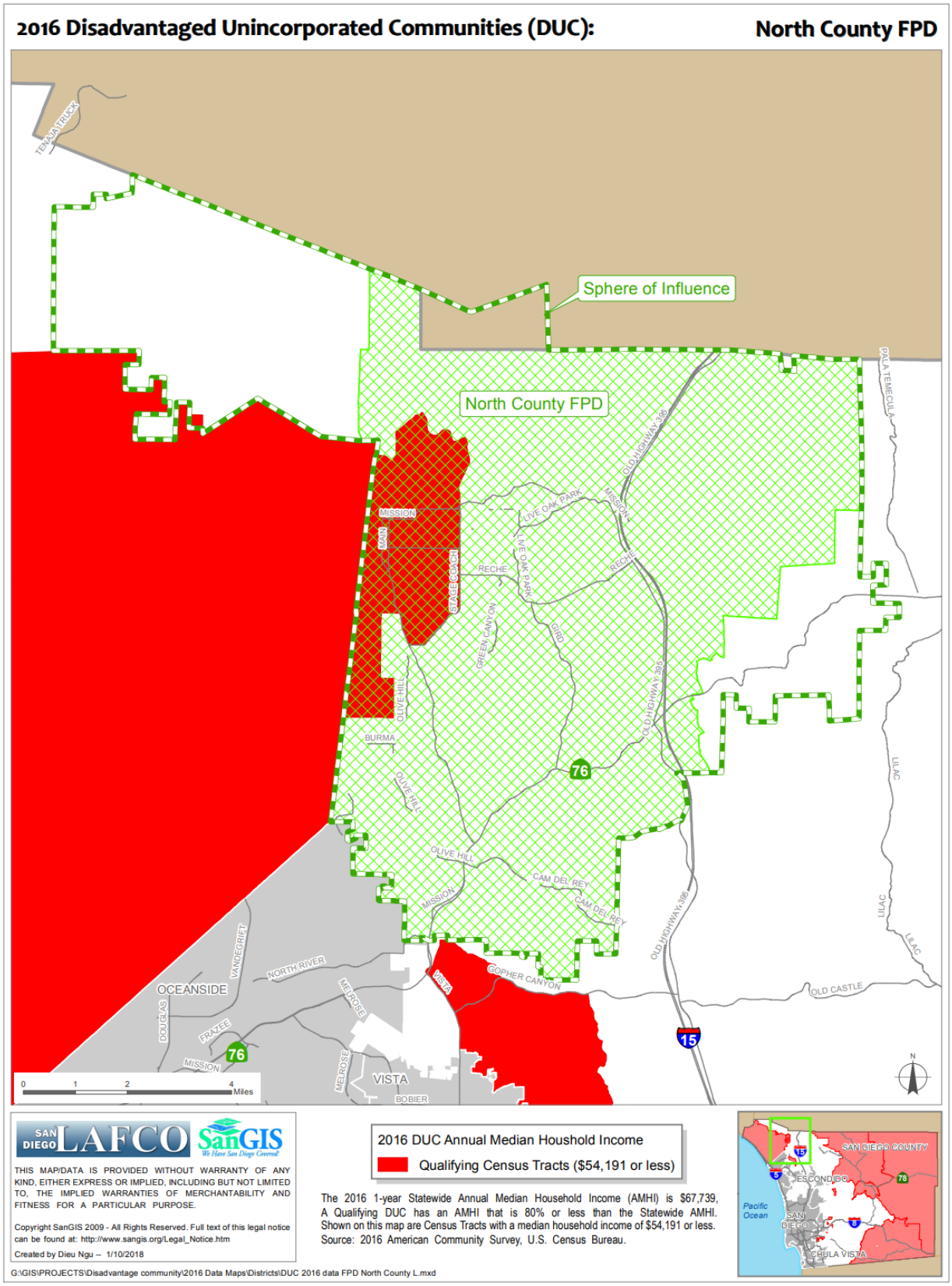

MSR: Fallbrook / Rainbow Region - School Districts
Riverside County
CSA No. 81
Fallbrook PUD
Margarita
De Luz
Rainbow
VALLECITOS
FALLBROOK UNION
Camp Pendleton
Fallbrook Naval Station
Fallbrook
Live Oak Park
Pala
North County FPD
UNIFIED BONSALL
Bonsall
Lilac
Rainbow MWD
UNIFIED OCEANSIDE
UNIFIED VALLEY CENTER-PAUMA
UNIFIED VISTA
OCEANSIDE
VISTA
Valley Center
UNIFIED SAN MARCOS
Jesmond Dene
Twin Oaks
SAN MARCOS
CARLSBAD
ESCONDIDO
ESCONDIDO UNION
Harmony Grove
School Districts
Fallbrook PUD
Fallbrook PUD SOI
North County FPD
North County FPD SOI
Rainbow MWD
Rainbow MWD SOI
CSA No. 81
CSA No. 81 SOI
SOI = Sphere of influence
0 1.75 3.5 7 Miles
San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California
This map is provided without warranty of any kind, either express or implied, including but not limited to the implied warranties of merchantability and fitness for a particular purpose. Copyright LAFCO and SanGIS. All Rights Reserved. This product may contain information from the SANDAG Regional Information System which cannot be reproduced without the written permission of SANDAG. This map has been prepared for descriptive purposes only and is considered accurate according to SanGIS and LAFCO data.
Created by Dieu Ngu – 1/24/2022
G:\GIS\PROJECTS\MSRs FY2019-2023\Fallbrook Rainbow Region\MSR Fallbrook Rainbow Inset Map School w CSA81.mxd
SAN DIEGO COUNTY
ESCONDIDO
Pacific Ocean
SAN DIEGO
CHULA VISTA

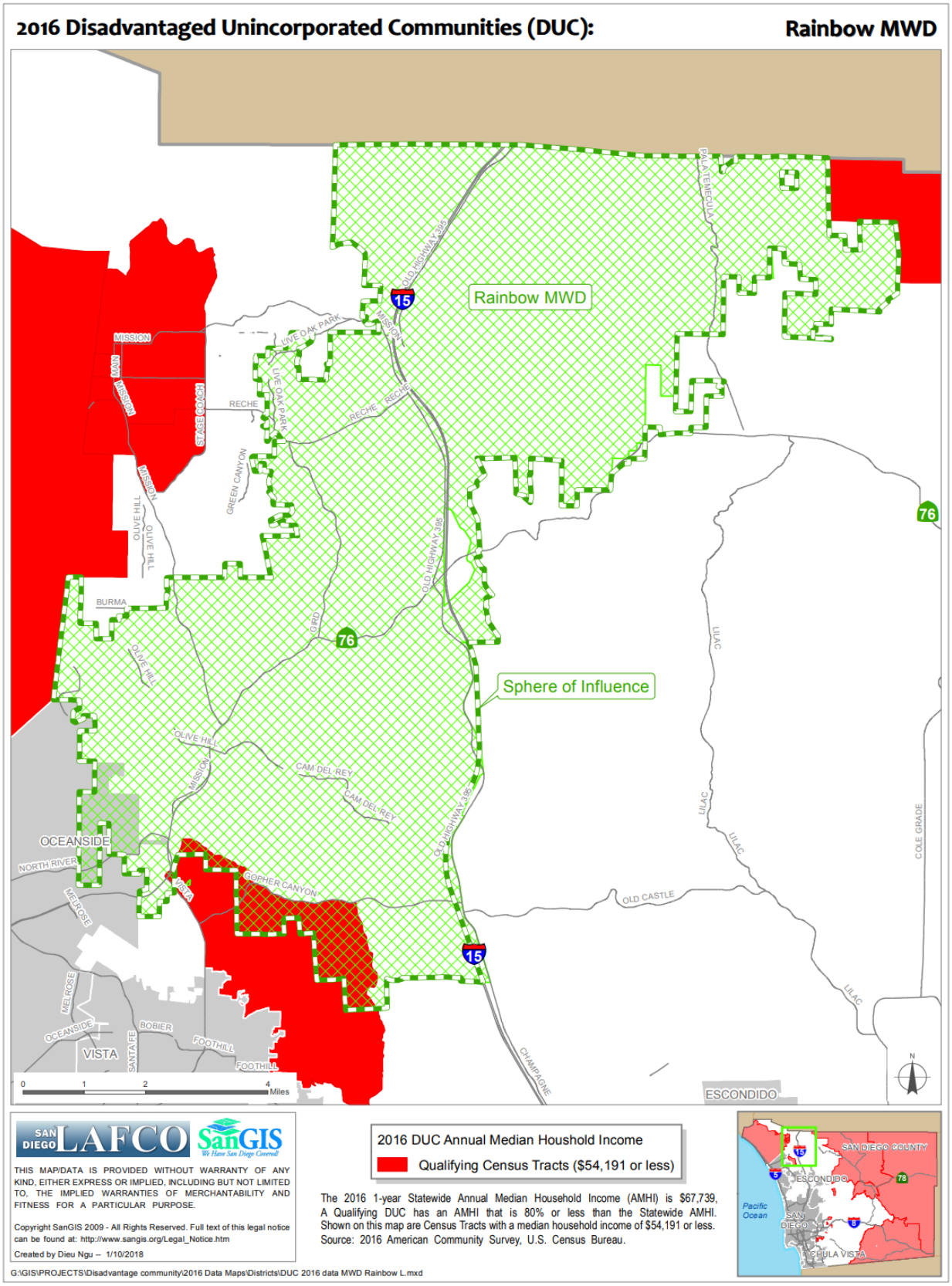

MSR: Fallbrook / Rainbow Region - Tax Rate Areas
Riverside County
CSA No. 81
Fallbrook PUD
Margarita
De Luz
Rainbow
Camp Pendleton
Fallbrook
Live Oak Park
Pala
Fallbrook Naval Station
North County FPD
Bonsall
Lilac
Rainbow MWD
OCEANSIDE
VISTA
Valley Center
Jesmond Dene
Twin Oaks
SAN MARCOS
CARLSBAD
ESCONDIDO
Harmony Grove
Tax Rate Areas
Fallbrook PUD
Fallbrook PUD SOI
North County FPD
North County FPD SOI
Rainbow MWD
Rainbow MWD SOI
CSA No. 81
CSA No. 81 SOI
SOI = Sphere of Influence
0 1.75 3.5 7 Miles
San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California
This map is provided without warranty of any kind, either express or implied, including but not limited to the implied warranties of merchantability and fitness for a particular purpose. Copyright LAFCO and SanGIS. All Rights Reserved. This product may contain information from the SANDAG Regional Information System which cannot be reproduced without the written permission of SANDAG. This map has been prepared for descriptive purposes only and is considered accurate according to SanGIS and LAFCO data.
Created by Dieu Ngu – 1/24/2022
G:\GIS\PROJECTS\MSRs FY2019-2023\Fallbrook Rainbow Region\MSR Fallbrook Rainbow Inset Map TRA w CSA81.mxd
SAN DIEGO COUNTY
ESCONDIDO
Pacific Ocean
SAN DIEGO
CHULA VISTA

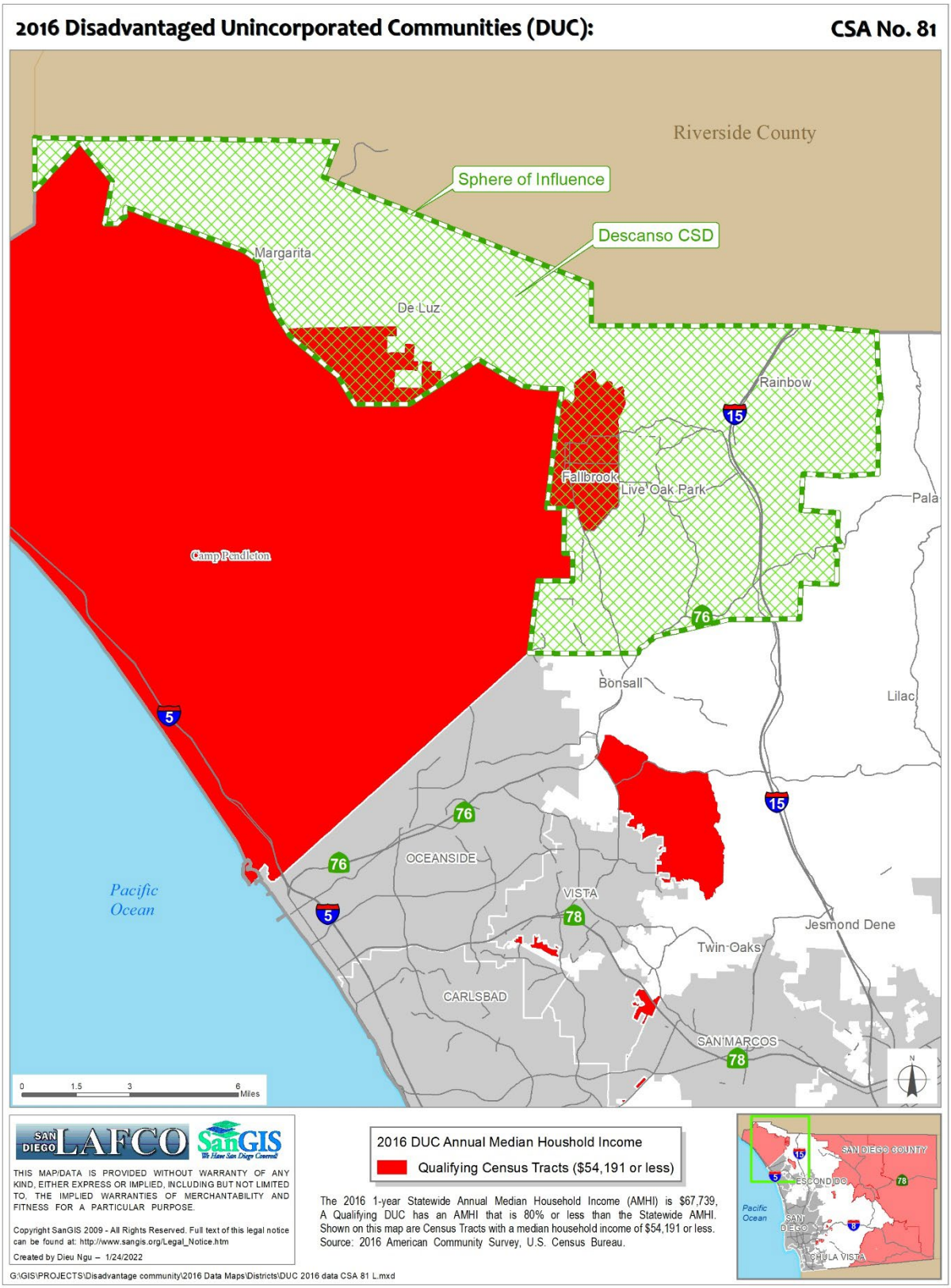
Appendix B
Disadvantaged Unincorporated Communities (DUC) Maps

Blank for Photocopying


2016 Disadvantaged Unincorporated Communities (DUC):
Fallbrook PUD
Sphere of Influence
Fallbrook PUD
Sewer Service Area
MISSION
MAIN
STAGE COACH
RECHE
LIVE OAK PARK
GUM TREE
OLD HIGHWAY 395
GREEN CANYON
OLIVE HILL
BURMA
GRD
76
CAM DEL REY
OCEANSIDE
VANDEGRIFT
NORTH RIVER
0 0.75 1.5 3 Miles
N
SAN DIEGO LAFCO
SanGIS
We Have San Diego Covered!
THIS MAP/DATA IS PROVIDED WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
Copyright SanGIS 2009 - All Rights Reserved. Full text of this legal notice can be found at: http://www.sangis.org/Legal_Notice.htm
Created by Dieu Ngu – 1/10/2018
2016 DUC Annual Median Houshold Income
Qualifying Census Tracts ($54,191 or less)
The 2016 1-year Statewide Annual Median Household Income (AMHI) is $67,739, A Qualifying DUC has an AMHI that is 80% or less than the Statewide AMHI. Shown on this map are Census Tracts with a median household income of $54,191 or less.
Source: 2016 American Community Survey, U.S. Census Bureau.
SAN DIEGO COUNTY
ESCONDIDO
Pacific Ocean
SAN DIEGO
CHULA VISTA
G:\GIS\PROJECTS\Disadvantage community\2016 Data Maps\Districts\DUC 2016 data PUD Fallbrook L.mxd


2016 Disadvantaged Unincorporated Communities (DUC):
North County FPD
Sphere of Influence
North County FPD
OCEANSIDE
VISTA
SAN DIEGO LAFCO
SanGIS
We Have San Diego Covered!
THIS MAP/DATA IS PROVIDED WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
Copyright SanGIS 2009 - All Rights Reserved. Full text of this legal notice can be found at: http://www.sangis.org/Legal_Notice.htm
Created by Dieu Ngu -- 1/10/2018
2016 DUC Annual Median Houshold Income
Qualifying Census Tracts ($54,191 or less)
The 2016 1-year Statewide Annual Median Household Income (AMHI) is $67,739, A Qualifying DUC has an AMHI that is 80% or less than the Statewide AMHI. Shown on this map are Census Tracts with a median household income of $54,191 or less.
Source: 2016 American Community Survey, U.S. Census Bureau.
SAN DIEGO COUNTY
Pacific Ocean
G:\GIS\PROJECTS\Disadvantage community\2016 Data Maps\Districts\DUC 2016 data FPD North County L.mxd


2016 Disadvantaged Unincorporated Communities (DUC):
Rainbow MWD
Rainbow MWD
Sphere of Influence
OCEANSIDE
VISTA
ESCONDIDO
SAN DIEGO LAFCO
SanGIS
We Have San Diego Covered
THIS MAP/DATA IS PROVIDED WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
Copyright SanGIS 2009 - All Rights Reserved. Full text of this legal notice can be found at: http://www.sangis.org/Legal_Notice.htm
Created by Dieu Ngu -- 1/10/2018
2016 DUC Annual Median Houshold Income
Qualifying Census Tracts ($54,191 or less)
The 2016 1-year Statewide Annual Median Household Income (AMHI) is $67,739, A Qualifying DUC has an AMHI that is 80% or less than the Statewide AMHI. Shown on this map are Census Tracts with a median household income of $54,191 or less.
Source: 2016 American Community Survey, U.S. Census Bureau.
SAN DIEGO COUNTY
Pacific Ocean
G:\GIS\PROJECTS\Disadvantage community\2016 Data Maps\Districts\DUC 2016 data MWD Rainbow L.mxd


2016 Disadvantaged Unincorporated Communities (DUC):
CSA No. 81
Riverside County
Sphere of Influence
Descanso CSD
Margarita
De Luz
Rainbow
Fallbrook
Live Oak Park
Pala
Camp Pendleton
Bonsall
Lilac
OCEANSIDE
VISTA
Jesmond Dene
Twin Oaks
CARLSBAD
SAN MARCOS
Pacific Ocean
0 1.5 3 6 Miles
N
SAN DIEGO LAFCO
SanGIS
We Have San Diego Covered
THIS MAP/DATA IS PROVIDED WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
Copyright SanGIS 2009 - All Rights Reserved. Full text of this legal notice can be found at: http://www.sangis.org/Legal_Notice.htm
Created by Dieu Ngu – 1/24/2022
2016 DUC Annual Median Houshold Income
Qualifying Census Tracts ($54,191 or less)
The 2016 1-year Statewide Annual Median Household Income (AMHI) is $67,739, A Qualifying DUC has an AMHI that is 80% or less than the Statewide AMHI. Shown on this map are Census Tracts with a median household income of $54,191 or less.
Source: 2016 American Community Survey, U.S. Census Bureau.
SAN DIEGO COUNTY
ESCONDIDO
Pacific Ocean
SAN DIEGO
CHULA VISTA
G:\GIS\PROJECTS\Disadvantage community\2016 Data Maps\Districts\DUC 2016 data CSA 81 L.mxd

Appendix C

Document Sources

Outside Sources

Bonsall Unified School District
Fallbrook Historical Society
Fallbrook Union Elementary School District
North County Dispatch Joint Powers Authority "North Comm"
San Diego County Auditor and Controller
San Diego County Fire Authority
San Diego County Water Authority
Vallecitos School District

Agency Contacts

San Diego LAFCO
Andy Vanderlaan, Former Fire Chief, North County FPD

Fallbrook Public Utility District
Jack Bebee, General Manager
David Shank, Assistant General Manager
Owni Toma, Chief Plant Operator

Rainbow Municipal Water District
Tom Kennedy, General Manager
Tracy Largent, Finance Manager
Renee Rubio, Senior Accountant

CSA No. 81
Jake Enriquez, Region Manager

North County Fire Protection District
Keith McReynolds, Fire Chief/CEO
Kevin Mahr, Deputy Chief - Operations
Cherie Juul, Finance Manager
Dustin Glasgow, Fire Paramedic/Engineer and GIS Specialist

Websites

American Community Survey / Demographic Information
www.census.gov

California Integrated Water Quality System
www.ciwqs.waterboards.ca.gov

California Public Employees Retirement System / Local Agency Pension Information
www.calpers.ca.gov

Environmental Systems Research Institute
www.esri.com

Fallbrook Public Utility District
https://www.fpud.com/

North County Fire Protection District
https://www.ncfire.org/

Rainbow Municipal Water District
https://www.rainbowmwd.com/

Registrar of Voters
https://rov.sandiegocounty.gov/rov/Eng/Past.html

San Diego County Employees Retirement Association (SDCERA)
https://www.sdcera.org/finance_actuarial.htm

San Diego History Center
https://sandiegohistory.org/

San Diego County Parks
https://www.sdparks.org/

Publications & Documents

County of San Diego General Plan and Adopted Community Plans
County of San Diego Parks Master Plan, December 2020
County of San Diego -- Annual Financial Reports & Budgets 2016 – 2020
Fallbrook Public Utility District -- 2020 Urban Water Management Plan
Fallbrook Public Utility District -- Annual Financial Reports & Budgets 2016 – 2020
Fallbrook Public Utility District -- Facilities Master Plan, February 2020
Fallbrook Public Utility District -- Water and Sewer Fees
North County Fire Protection District -- Annual Financial Reports & Budgets 2016 – 2020

Rainbow Municipal Water District -- 2020 Urban Water Management Plan
Rainbow Municipal Water District -- Annual Financial Reports & Budgets 2016 – 2020
Rainbow Municipal Water District -- Water and Wastewater Master Plan Update, March 2016
Rainbow Municipal Water District -- Water and Sewer Fees
"San Diego County Parks: Over 100 Years." Published by Arcadia Publishing, 2017
San Diego LAFCO Background Files and Agency Questionnaires
San Diego Regional Agricultural Water Management Plan (RAWMP)

A complete source list is available by contacting San Diego LAFCO.

Municipal Service Review on the Fallbrook Region

Blank for Photocopying

Appendix D

Written Comments Received on the Draft Report

Blank for Photocopying

Fire Chief Keith McReynolds, North County Fire Protection District
December 6, 2021

12/6/2021

Good morning Commission,

On behalf of the Board of Directors and, the men and women of the North County Fire Protection District, thank you to the LAFCO staff who worked so diligently to complete our organizations Municipal Service Review.

My name is Keith McReynolds, Fire Chief/CEO for the North County Fire Protection District. As indicated throughout our MSR, the state of our Fire District is strong. The very foundation of our organization are our core values of duty, respect, and integrity. We are redefining the meaning of those words through organizational transparency, collaboration, and development.

Our agency employs some of the most dedicated, hardworking, fire service professionals I have ever known. Our leadership team is focused on moving our organization into the future. In just the last 5 months we have launched an unprecedented effort to strengthen our organization on multiple fronts. We have:

- Hired a firm to develop a 3–5-year strategic plan and, a 20-year Master plan with a Standards of Cover component
- We have multiple facility projects underway including maintenance and construction
- Navigated the election redistricting process using 2020 US Census data
- Leveraged assets to increase our reserves
- Reimagined our Fire Prevention Bureau into a Community Risk Reduction Division
- Launched a Community Outreach Task Force
- Continued strengthening our relationships with our community partners, including the Fallbrook Health District whom we share a JPA with for collaborating emergency care services and emergency medical services

As it pertains to our agency financial analysis in the MSR, I would like to make a few comments.

We appreciate the diligent work the LAFCO staff has done using the audited financial statements and information provided from CalPERS to analyze the five-year period 2016-2020. We believe FY 20 was an unusual year due to the timing of the issuance of the Pension Obligation Bonds and the subsequent payments to CalPERS with the proceeds.

As noted in the MSR, FY 20 had an increase in total liabilities of $35.5 million. The steep increase in non-current liabilities is primarily from the June 2020 issuance of Pension Obligations Bond. The bond proceeds were sent to CalPERS to reduce the Unfunded Actuarial Liability (UAL) in 2020, however the pay down of the UAL debt is not reflected in the District's financial statements until 2021 (following Generally Accepted Accounting Principles). A preliminary analysis of FY 21 has shown a decrease in total liabilities from FY 20 of $17.5 million, reflecting the pay down to CalPERS for UAL debt.

As noted in the Agency Liabilities section of the MSR, all ratios were trending downward as of FY 20. In FY 21, however, this trend turns round and most of the ratios are improved. The Current Ratio increased from FY 20 from 2.4 to 1 to 2.8 to 1. The Days' Cash increased in FY 21 from 62.4 to 173.7. In FY 21 the Debt Ratio also decreased from 278% to 184.3%. Total Margin went from 98.7% to 11.2%, the highest margin over the last five years. And lastly, the Operating Margin improved significantly from 108.0% to 8.4%, also the highest in the last five years.

We are an organization trending financially in the right direction. With continued vigilance and thoughtful oversight, we will continue to be financially stable as we provide exceptional public safety services to the communities of Fallbrook, Bonsall, and Rainbow.

Thank you,

Keith McReynolds | Fire Chief/CEO
North County Fire Protection District | 330 S. Main Ave – Fallbrook, CA 92028
T: (760) 723-2012 - **C:** (760) 497-2568 - **F:** (760) 723-2072
kmcreynolds@ncfire.org | www.ncfire.org

Proudly serving the communities of Fallbrook, Bonsall and Rainbow ~ Duty, Integrity and Respect

Discover North County Fire on social media:
Facebook | Twitter | LinkedIn | YouTube

Jack Bebee, General Manager, Fallbrook Public Utility District
Delivered Electronically: January 25, 2022

Fallbrook Public Utility District

990 East Mission Road
Fallbrook, California
92028-2232
www.fpud.com
(760) 728-1125

Board of Directors

Dave Baxter
Division 1

Ken Endter
Division 2

Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Staff

Jack Bebee
General Manager

David Shank
Assistant General Manager/ Chief Financial Officer

Lauren Eckert
Executive Assistant/ Board Secretary

General Counsel

Paula de Sousa
Best Best & Krieger

January 24, 2022

Pricilla Allen
San Diego Local Agency Formation Commission

Dear Ms. Allen,

The Fallbrook Public Utility District appreciates the opportunity to comment on the Draft Municipal Sphere Review for the Fallbrook Region, which includes the Fallbrook Public Utility District (FPUD). Before providing our detailed comments, we would like to recognize that the overall document is well written and provides a good overview of the transitions that have occurred in the region, such as the continued decline in agriculture and the on-going challenges these trends present to the Fallbrook region special Districts.

Our comments are summarize below

1. Discussion on Agriculture and Future Housing:
   The District strongly supports LAFCOs effort to help preserve agriculture in the region.
   Agriculture is an economic driver for the region and the loss of water demands from agriculture create additional financial stresses on the District. The rising cost of imported water is a key driver on water rates, which have impacted agriculture in our region and specifically high water use crops like avocados. The current factors leading to increasing water rates coupled with the demographic changes and high percentage of Disadvantages Unincorporated Communities in our service area present on-going challenges with water affordability for our ratepayers. The District requests that LAFCO consider adding a statement to identify that challenges that increasing water rates present not just to agriculture but also with the larger customer base given the changing demographic of FPUD including a decrease in median income by 7.6%, a large percentage of fixed income/retirees and a 140% increase in the poverty rate.

   While at a high level given the county-wide housing shortage, the concept of housing replacing agricultural properties that have gone out of production sounds reasonable, the current zoning and access constraints to much of this land needs to be considered. New regulations, such as the proposed Vehicle Miles Traveled (VMT) requirements under consideration by the County Board of Supervisors, also tend to steer development away from many of these agricultural parcels. Additionally, regulations such as Senate Bill 9 (Weiner), that allow lot splitting, also exclude very high fire severity zones. For our District a large segment of the lost avocado groves are in our Deluz service area that are unlikely to see much development of housing.

2. Expansion of Latent Power

The District has submitted an application at the request of many local non-profit groups to expand our latent powers to help support some of the services currently provided by volunteers from these groups. The application fee to LAFCO in large part was funded by donations from these groups as they are struggling to continue to provide these volunteer services for items like tree planting, tree trimming and median maintenance. While the District Board agreed to submit the application to provide some limited additional services, the District Board has expressed no interest in any involvement with any incorporation efforts. There have been two previous efforts by residents of Fallbrook to incorporate and both failed by a fairly substantial margin. The District requests that in the document LAFCO is clear that the District has in no way expressed any interested in being involved in any efforts associated with incorporation of Fallbrook and the current application for expansion of latent powers by the District is not a transitional vehicle to such an effort.

3. Financial Analysis

The District suggests that LAFCO engage with the Special District Advisory group to help review and consider updating the financial metrics used in its analysis for future Special District MSRs. The current metrics may not provide the most accurate representation of the financial position of Special Districts generally, and we do not believe presents an accurate representation of Fallbrook Public Utility District. For example, including depreciation in the analysis of operating costs is not consistent with how many auditors present their summary of financial analysis to agencies to more accurately represent actual operating costs. There may be an opportunity to review and update these parameters to provide a more accurate financial picture. We concur that the District continues to experience financial challenges, but we have been able to slightly improve our financial position and reserves, albeit by having to implement substantial rate increases. The report notes that the agency has had to raise rates by almost 50% over the last five years to address the rising cost of water, which is the District's biggest single expense which increased by over 8% annually over the last decade (however without detail on the main driver for the rising cost of water—increases from the County Water Authority). The report also indicates that the District's operating expenses increased by 19% over the period, but this analysis includes depreciation (the largest of all the MRS's categories of operating expense increases), which is not an actual operating expense. This increase in depreciation expense was largely due to an update to the accounting system completed in 2015-16 and a total review of capital asset valuations rather than an actual change in true operating costs. As shown on page 65 of the MSR, the operating costs for each District department were held fairly flat with the exception of the cost of water. The District requests consideration by LAFCO to add a new row for "Total Operating Expense excluding depreciation" into the table and show the average and trend on this value. The way the data is presented, results in presentation of an incorrect picture because it does not fully reflect the efforts the District made to both pass necessary rate increases and at the same time hold down internal operating costs. Auditors typically show total operating costs excluding depreciation when presenting financial data to governing Boards to reflect true operating costs.

4. Wet Weather Discussion

The language regarding wastewater treatment and wet weather capacity needs some clarification. The Water Reclamation Plant (WRP) is designed around the following design conditions as noted in Chapter 4 of the District's Facilities Master plan available at:

https://www.fpud.com/fpud-facilities-master-plan

Design Conditions	Units	Value
Average Annual Flow	MGD	2.7
Peak Hour Dry Flow	MGD	5.2
Maximum Month Flow	MGD	3.1
Peak Day Wet Weather Flow	MGD	4.7
Peak Hour Wet Weather Flow	MGD	6.2

The facility is designed for an average day dry weather flow of 2.7 mgd and a peak day wet weather flow of 4.7 mgd. **The design peak day to average annual flow ratio was 4.7/2.7 = 1.74. The plant is not** expandable to 4.7 mgd, but rather it is planned to be able to operate and meet all treatment objectives at 4.7 mgd over a 24 hour period in wet weather events. During wet weather events in order to comply with Regional Water Quality Control Board (RWQCB) industrial storm water permit requirements the WRP collects and discharges storm water on site back into the headworks of the WRP. While the District is only required to treat up to the 85th percentile storm it will often continue to treat as long as the plant can meet discharge objectives. This is what occurred in 2019 when the plant treated 5.02 mgd over 24 hours. Given the large size of the WRP site there is a significant amount of water collected and discharged on-site. This makes using the peak day data including on-site storm water difficult to use to draw conclusions on uncontrolled inflow and infiltration (I/I). Looking at peak day flows over just a five year period and drawing conclusions will just identify the years with large rain events and lead to incorrect conclusions about trends. If for example, 2016 was a wet versus dry year then trends would say I/I is decreasing, but this would be a misleading assessment. The District has a sewer relining program that is targeted to reduce I/I and we support LAFCO's conclusion that ongoing reduction of I/I is important, but we request **LAFCO consider modifying it's language about excessive inflow and infiltration threatening** feature and significant spills in the call out text with something similar to what is proposed below:

"Fallbrook PUD's wastewater service is presently operating at 55% of its design dry weather capacity. The system – however has exceeded it's peak day wet-weather capacity once during the reporting and the peak day to average day flow ratio is 2.2, while the design ratio was 1.74, which suggests higher inflow and infiltration than the design conditions, which merit further attention."

5. Livestream of Public Meetings

The Fallbrook Public Utility District provides remote public access to the board meeting for listening or participation via zoom. The meeting audio or video recordings, which are retained in accordance with the District's records retention policy, are available upon request for Board Meetings.
Again, we appreciate the efforts by LAFCO to develop a comprehensive review of the Fallbrook Public Utility District and support the overall report with some suggested modifications for consideration.

Sincerely,



Jack Bebee
General Manager

Sandra Kerl, General Manager, San Diego County Water Authority
Delivered Electronically: February 4, 2022

Our Region's Trusted Water Leader
San Diego County Water Authority

February 4, 2022

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

Keene Simonds, Executive Officer
San Diego LAFCO
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: February 7, 2022 - Commission Regular Meeting Agenda Item 6a: Final Report for the Municipal Service Review on the Fallbrook Region

Dear Mr. Simonds:

The San Diego County Water Authority writes regarding the Draft Municipal Service Review ("MSR") for the Fallbrook Region, which is scheduled for initial consideration at the February 7, 2022, Commission meeting.

We understand that you confirmed with our counsel Claire Collins today that staff will recommend that the Commission table this item for at least one month, thus allowing the findings of LAFCO's independent consultant Dr. Michael Hanemann to be incorporated, and allowing the Detachment Advisory Committee to have the opportunity to review, deliberate, and comment on the MSR as well. We concur with this staff recommendation.

As you are aware, San Diego LAFCO is currently processing the applications of Rainbow Municipal Water District ("Rainbow") and Fallbrook Public Utility District ("Fallbrook") to detach from the Water Authority and join Riverside County's Eastern Municipal Water District ("Eastern") for the purpose of wholesale water supply. In connection with that proceeding, LAFCO established an Advisory Committee which, among other things, is reviewing the LAFCO Hanemann report related to water supply reliability and financial impacts to Rainbow and Fallbrook related to the proposed detachment.

Originally, the LAFCO Hanemann report was to be delivered in December 2021, which aligned with the review period for the MSR and would be discussed by the Advisory Committee in January. However, the LAFCO Hanemann report was ultimately not delivered until Friday, January 14, 2022, and the Advisory Committee meeting scheduled for January was cancelled and postponed until February 17, 2022.

In order to allow the Advisory Committee time to review and deliberate on the MSR at their upcoming February 17th meeting, especially in connection with the recently-released LAFCO Hanemann report, staff's recommendation that the Commission table this item until its March meeting will allow the time for comments to be extended by one month.

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

Mr. Keene Simonds
February 4, 2022
Page 2

We recommend that in the interim the findings included in the LAFCO Hanemann report be incorporated, where appropriate, into the MSR. There are at least four issues in the LAFCO Hanemann report that are relevant to the MSR and should be integrated into that analysis:

- Risk of higher prices and lower reliability of water supplies in the event of a detachment
- Potential impact of those changes on economic growth and residential development in the Fallbrook/Rainbow region
- Potential impact of less reliable water supplies for fire response
- Reasons for the loss of agricultural acreage in the region

The Water Authority has substantive comments on the MSR that it intends to discuss with the Advisory Committee prior to formal submission to LAFCO. Many of those comments arise out of the recently-released LAFCO Hanemann report, and we believe that providing additional time for the stakeholders to review that report in connection with the MSR would be beneficial to the Commission's complete understanding of the local conditions.

I intend to appear at the Commission meeting on Monday and would be happy to answer any questions from the Commission.

Sincerely,

Sandra L. Kerl
General Manager

Sandra Kerl, General Manager, San Diego County Water Authority
Delivered Electronically: March 1, 2022

Our Region's Trusted Water Leader
San Diego County Water Authority

March 1, 2022

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

San Diego LAFCO
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: Comments on Final Report for the Municipal Service Review on the Fallbrook Region – AND REQUEST FOR AMENDMENT OF MSR TO INCORPORATE LAFCO EXPERT REPORT FINDINGS

Dear Mr. Simonds:

The San Diego County Water Authority here provides its formal written comments on the Final Municipal Service Review ("MSR") for the Fallbrook Region, which is scheduled for consideration at the March 7, 2022, commission meeting. The Water Authority appreciates the Commission's one-month continuance on accepting the MSR to allow for consideration by and discussion with the LAFCO Ad Hoc Advisory Committee that conducted its meeting on February 17, 2022.

The Water Authority described in its September 18, 2020 - Combined Response to Reorganization Applications by Fallbrook/Rainbow ("Combined Response") the core issues and relationship of the detachment proceedings to Municipal Service Reviews and Sphere of Influence Updates (pp. 4-9), and the Water Authority's role as a regional planning agency working in coordination with SANDAG to provide a reliable water supply (pp.25-39).

The comments provided here arise in part out of the responsibilities described in the Combined Response and in part out of the recently released LAFCO Hanemann expert report ("LAFCO Expert Report"), which is not yet mentioned in the MSR, presumably due to its delay in release. The Water Authority very much appreciates the additional time that was provided to the parties and public to review the LAFCO Expert Report in connection with the MSR, which was very beneficial.

As you know, MSRs are required to be prepared in connection with any update to a sphere of influence, as is being proposed with the Rainbow and Fallbrook reorganization proposals, which would alter those agencies, as well as the Water Authority's, MWD's, and Eastern MWD's spheres and service areas. (Gov. C. Section 56430) Therefore, this MSR is inextricably linked to the future services to be provided in these areas and is not merely a "snapshot" or "lookback," but is importantly an analytical aid for the future. We hope our comments below will assist in the Commission's understanding of the issues and local conditions.

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

18322459.1

1. Page 15, Calculating Population Estimates and Projections – *Report uses data "generated by Esri and their own mapping analyses of census tracts. This approach differs from past Commission practice to utilize estimates by" SANDAG…"*

   Comment: The MSR does not provide a substantive explanation why LAFCO is no longer using SANDAG projections rather than its own Esri software for population estimates and projections. Since one purpose of the Report is findings to develop buildout estimates specific to each affected agency in the Fallbrook region in coordination with the County and SANDAG, consistency is essential. SANDAG can provide population estimates by Water Authority member agencies' service areas, as they currently do for each Urban Water Management Plan update. As discussed at length in the Water Authority's Combined Response, the Water Authority works closely with SANDAG, its member agencies and other regional planning agencies to plan for and provide a reliable water supply for San Diego County. Moreover, LAFCO Administrative Policy No. A-101 recognizes the interdependent roles of LAFCO and SANDAG, providing in part that *LAFCO will utilize the most recent SANDAG growth forecast for planning purposes* (see Combined Response at pp. 25-39 and p. 27 relating to LAFCO Administrative Policy No. A-101). We believe this is an important issue that warrants further discussion and consideration by LAFCO staff and the Commission.

2. Page 18, 4.1 General Themes and Conclusions – "*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."* Also, *"[m]ore 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."*

   Comment: These "general themes and conclusions" are contrary to the facts detailed in the County of San Diego's 2020 County Crop Statistics and Annual Report. On page 7 of the 2020 Crop Report, it states: "The overall value of commercial agriculture in San Diego County increased 0.8% from 2019 to 2020. This change is mainly due to an 8% increase in the value of the Bedding Plants, Color, Perennials, Cacti & Succulents crops *together with a 9% increase in avocados*." [emphasis added] The 2020 Crop Report can be found online at: https://www.sandiegocounty.gov/content/dam/sdc/awm/docs/2020CropReportSanDiego.pdf This is the most recent published Crop Report for the County.

   In addition, at a more colloquial level, Charlie Wolk, a highly regarded community leader, avocado grower, and a Fallbrook PUD board member, maintains a blog called "Growing Avocados". In a recent article on his blog titled "How to Grow Avocados for Profit", he comments: "I believe avocados to be one of the best investments both for long-term gain and short-term income. The caveat is you have to have the knowledge and resources to farm the crop correctly. Without this condition you can lose a lot of money. Let me know if I can help." (January 14, 2021) Link to blog article: https://avocadogrowing.com/how-to-grow-avocados-for-profit/

   In short, the MSR's "general themes and conclusions" about the future of growing avocados in Fallbrook are unsupported by the available facts (as well as influenced by

many outside market conditions and forces on agricultural products, including Mexico's avocado market, also not discussed in the report but pertinent to its impacts). While the Water Authority agrees with SANDAG's projections that land use transitioning from agricultural to residential use will occur and result in continued population growth in the region, this does not lead to the conclusion that the cost of growing avocados, "has become unsustainable for many local farmers." In fact, this conclusion is contrary to available factual information about the increasing profitability of avocados – up 9% in the last year – and the ongoing effort to continue and add avocados as a crop because of its potential for high revenue generation. This is an especially important fact to include in the MSR, given the unsupported claims to the contrary by Fallbrook and Rainbow in the detachment proceedings. Please add the 2020 Crop Report data and Wolk blog to the MSR in order to provide a more complete and accurate report of these factors to the Commission and public.

3. Page 19, Conclusion No. 2 – "*Fallbrook region has…experienced a significant amount of consolidation in local government in recent history,…"governance agencies reduced by one-half (from 8 to 4)…"community interest in the topic appears limited at this time and materially contributed to the Commission choosing to reject last proposed consolidation in region involving Fallbrook PUD's proposed takeover of Rainbow MWD in Sept 2015.'"*

   Comment: The Water Authority agrees that further consolidation in the region should be considered, as was previously recommended for Fallbrook and Rainbow. This would appear to be a far better solution to address the agencies' financial distress, rather than pursuing a detachment that "gambles" with Fallbrook and Rainbow customers' water supply reliability and rates and which divides and adversely affects the rest of the County.

4. Page 20, Conclusion No. 4 – "*Growth is happening…irrespective of the staying power of avocados and agriculture overall"; "…demand for housing pair with this region's available land supply, more than 2/5 of which is undeveloped."*

   Comment: The Water Authority agrees with the above conclusion and that it presents a more accurate and complete description of the facts than the MSR's "general themes and conclusions," discussed at paragraph 1 above, commenting (inaccurately and incompletely) on the sustainability of avocados and agriculture in the region.

5. Page 20, Conclusion No. 7 – *Fallbrook PUD and Rainbow MWD "have experienced clear and measurable financial stresses during the report period…declines in liquidity… Rainbow MWD finishing with negative average total and operating margins over the corresponding 60 months...the recent trends are noteworthy and merits additional Commission attention going forward."*

   Comment: The Water Authority agrees with the above conclusion and that the situation merits further review by the Commission *now*, including potential consolidations that could provide a real measure of relief for the customers served by these agencies.

6. Page 21, Conclusion 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." [emphasis added]

Comment: Fallbrook and Rainbow customers have paid hundreds of thousands of dollars in order for LAFCO to retain an expert consultant to review the merits of the claims being made by the agencies' General Managers in the two proceedings for detachment from the Water Authority in order to annex to Eastern MWD in Riverside County. The applications present a question of first impression, which to our knowledge, no other LAFCO has ever been asked to approve, namely, the detachment of a retail water supplier from its home county, wholesale water supplier and planning agency. But the MSR does not even mention the LAFCO Expert Report, which not only sheds important light on many of the issues discussed in the MSR but is directly related to Conclusion No.9 *which states expressly that the Commission will draw on this MSR in considering the individual merits of each of the detachment proposals*.

In summary, the LAFCO Expert Report should be referenced, its conclusions should be incorporated throughout the MSR where relevant, and the full LAFCO Expert Report by Dr. Hanemann should be included as an attachment to the MSR. Further, the Commission should direct that LAFCO's Expert Report be made available to all Fallbrook and Rainbow customers, because doing so would provide essential information related to the MSR and potentially negate the need for further detachment proceedings.

7. Page 22, Recommendation No. 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.*

Comment: The historic passage of the Sustainable Groundwater Management Act ("SGMA") in 2014 set forth a statewide framework to help protect California's groundwater resources over the long-term. SGMA is comprised of a three-bill legislative package, including AB 1739 (Dickinson), SB 1168 (Pavley), and SB 1319 (Pavley), and subsequent statewide Regulations.

In signing SGMA, then-Governor Jerry Brown emphasized that "groundwater management in California is best accomplished locally." SGMA mandates that such local actions be taken and includes findings that:

- "integrated management of the state's water resources is essential to meeting its water management goals;
- excessive groundwater extraction can cause overdraft, failed wells, deteriorated water quality, environmental damage, and irreversible land subsidence that damages infrastructure and diminishes the capacity of aquifers to store water for the future;
- groundwater management will not be effective unless local actions to sustainably manage groundwater basins and subbasins are taken;

- sustainable groundwater management in California depends upon creating more opportunities for robust conjunctive management of surface water and groundwater resources; and
- climate change will intensify the need to recalibrate and reconcile surface water and groundwater management strategies."

The passage of SGMA expressed a legislative intent and urgency to address groundwater issues at a local level across California. The groundwater analysis for this MSR is needed *now, not in a future report.* This information is critical not only for the pending MSR and detachment analyses, but also for compliance with state law. The analysis would presumably include reference to the following elements.

First, records review shows that Rainbow Valley has a Groundwater Management Plan. The Water Authority is attempting to secure a copy of the plan.

Second, Fallbrook and Rainbow are part of the Santa Margarita Watershed adjudication finalized in 1963, with modifications in 1966. The adjudication does not quantify groundwater rights but does confer the court jurisdiction to quantify rights in the future.

Third, the Upper San Luis Rey Valley groundwater sub-basin, just west/southwest of Fallbrook, has a *medium priority designation under SGM,)* which thereby requires these local agencies to form a groundwater sustainability agency (GSA) (for the high and medium priority basins). GSAs develop and implement groundwater sustainability plans to avoid undesirable results and mitigate overdraft within 20 years. A GSA was recently formed by its members including the County of San Diego, Pauma Valley Community Services District, Yuima MWD and Upper San Luis Rey Resources Conservation District. A Groundwater Sustainability Plan was submitted in January 2021 which included 38 acres of Rainbow overlying land in the sub-basin.

The MSA report should also account for the Lower San Luis Valley south of Fallbrook. This groundwater sub-basin is currently designated very low priority for SGMA purposes.

One final note based on preliminary review is that Rainbow Creek (surface water) is covered by a TMDL for total nitrogen and phosphorus. The groundwater table is high and Rainbow Creek is a gaining stream, fed by groundwater. Part of the impairment listing included recommendations for a Groundwater Investigation and Characterization work plan and report and onsite sewage treatment system management to control for nitrate contributions. This also warrants inclusion and full discussion in the MSR.

8. Page 22, Recommendation No. 9 - *Opportunities for additional consolidations in the Fallbrook Region appear notionally plausible – and, in some cases, presumable probable.*

Comment: Again, the Water Authority agrees with the above Report recommendation of potential benefits of consolidations within the Fallbrook Region and believes they should be explored now, as extraordinary detachment applications are pending before the Commission, not delayed until the next MSR is due.

9. Page 24, Growth Projections & Related Demographics No. 2 - *San Diego LAFCO independently estimates the annual population growth rate within the affected agencies in the Fallbrook region during the five-year report period as follows:*
(a) 0.4% annual population growth rate within Fallbrook PUD.
(b) 1.4% annual population growth rate within Rainbow MWD.
(c) 0.7% annual population growth rate within North County FPD.

   Comment: The basis of these projections should be described, including the extent to which they do or do not incorporate LAFCO's projection in other parts of the MSR of the pace that residential housing will replace agriculture. The MSR should also describe how, if at all, these numbers have been coordinated with SANDAG's land use and population projections. A statement describing the actions taken by LAFCO that are inconsistent with SANDAG's process and projections should be added to the MSR with an explanation why LAFCO Administrative Policy No. A-101 is not being followed with respect to this MSR.

10. Page 25, Growth Projections & Related Demographics No. 5 - *The Fallbrook region's location near existing transportation corridors (State Route 76 and Interstate 15) and inclusion in the San Diego County Water Authority and Metropolitan Water District of Southern California's wholesale water jurisdictions suggests substantive growth will occur in the future – though not necessarily in the timeframe of this report*. [emphasis added]

    Comment: If the conclusion is that substantive growth will occur in the future for FPUD and Rainbow, then the MSR analysis as written is not sufficient for the Commission to make an informed decision on detachment and its impacts, including the projected demands as well as magnitude in loss of voting rights at Metropolitan Water District that is based on assessed land values.

11. Page 34 - *(c) Fallbrook PUD's actual operating expenses increased by 19% during the five-year report period. This amount is one-third higher than the corresponding 14% increase in actual revenues for Fallbrook PUD and merits revisiting in the next scheduled municipal service review to assess whether the imbalance is structural or temporary.*

    Comment: The increasing disconnect between Fallbrook PUD's operating expenses and revenues demonstrates that this analysis should be performed now in this MSR, not in a future report. This is the only way that the Commission will have all of the information it needs to make an informed decision about the detachment applications now under its consideration. There is no apparent reason for kicking this can down the road at this obvious turning point for Fallbrook and Rainbow customers, especially in light of the findings of the LAFCO Expert Report.

12. Page 26-27, FPUD facilities 1 (a) i-ix - *Deliveries, demands, and GPCD numbers*

    Comment: On Table 4.1a it shows FPUD's estimated 2020 total resident population at 33,986, and on page 27 it states, "LAFCO estimates the population in the potable water service area at the end of the five-year report period at 23,360. This estimate represents 69% of the total estimated District population." Is LAFCO concluding that a full 31% of Fallbrook's population is not on its potable water system? If so, LAFCO should identify

the source of water being used by this population, i.e., is irrigation coming from groundwater wells. If groundwater is being used for irrigation by one-third of the population, this would greatly impact conclusions regarding the amount of water being used for irrigation and the overall cost impacts of detachment, as detachment would not affect the cost of water for this population's water use.

On page 27 it states, "Estimated per capita daily uses have decreased by (21%) over the five-year report period." However, this is based on a 2020 value that reflects wet-year (i.e. lower) potable demands (reported as 7,986 acre feet (AF) in Table 6.1b). Fallbrook's FY 2021 actual potable demand was about 8,900 AF, which would result in only about a 10% decrease in per capita use between 2016 and 2021 (using 2020 population for the 2021 GPCD calculation). Please explain these discrepancies, which would tend to understate the demand for water in Fallbrook.

13. Page 29-30, Rainbow facilities 2 (a) i-ix - *Deliveries, demands, and GPCD numbers*

Comment: On Table 4.1a it shows Rainbow's estimated 2020 total resident population at 22,130, and on page 29 it states, "...population in the potable service area at the end of the five-year report period at 17,003. This estimate represents 77% of the total estimated District population." Again, is LAFCO concluding that a full 23% of Rainbow's population is not on its potable water system? If so, LAFCO should identify the source of water being used by this population. Again, if groundwater is being used for irrigation by over one-fifth of the population, this would greatly impact conclusions regarding the amount of water being used for irrigation and the overall cost impacts of detachment, as detachment would not affect the cost of water for this population's water use.

Demand numbers are stated as "during the five-year report period." However, potable water demands (listed on page 120) are shown only for years 2016-2019. On page 30 it states, "Estimated per capita daily uses have decreased by (29%) over the five-year report period from 1,030 gallons to 728 gallons."

However, this is based on a 2019 value that reflects wet-year (i.e., lower) potable demands (reported as 13,720 AF in Table 6.1b). Rainbow's FY 2021 actual potable demand was about 17,100 AF which would result in only about a 13% decrease in per capita use between 2016 and 2021 (using 2020 population for the 2021 GPCD calculation). Please explain these discrepancies, which would tend to understate the demand for water in Rainbow.

14. Page 38 - *"(a) FPUD and Rainbow MWD maintain mutually beneficial interties with one another as well as with the City of Oceanside to receive and provide potable water in the event of emergency or planned interruptions to the San Diego Aqueduct*"

Comment: Please provide maps/graphics showing the intertie locations and explain how emergency services would be provided under varying conditions. This is an area in which the Water Authority has been seeking information and explanations from Fallbrook and Rainbow for many months, but which has not been forthcoming (see Combined Response at pp.85-90; and February 25, 2022, letter from General Manager Kerl to Adam Wilson at

para. 4, p. 6). The question of emergency service preparedness is essential not only to consideration of these agencies' detachment applications but to the purpose of the MSR review.

15. Page 55, FPUD Potable Water Service – *this section's data reviewed against Water Authority's 2020 Urban Water Management Plan (UWMP) data*

Comment: The Report states: "*The estimated service population at the end of the period is 23,360.*" This value is more in-line with SANDAG's 2020 single-family (SF) household population for FPUD – not total population. Leaving this apparent error aside and leaving aside the agencies' continuing public and media objections to the accuracy of the Water Authority's demand projections, it is notable that there is only a 183 AF variance between Water Authority and FPUD average potable demand (2016 -2020) Table 6.1b – or, not statistically significant.

16. Page 118, Rainbow Potable Water Service – *this section's data reviewed against Water Authority's 2020 UWMP data*

Comment: The Report's footnote on Page 118 states: "*The potable water service area population estimate by LAFCO utilizes the following formula: (number of single-family connections x 2.90) + (number of multifamily connections x 4 x 2.90).*" Does this mean Rainbow's estimated persons per household is 2.9 for single-family and 11.6 for multifamily? As in the case of Fallbrook, comparison of Rainbow's average potable demand (2016 -2019) from Table 6.1b is only a 59 AF variance from Water Authority's UWMP – again, not statistically significant.

Again, the Water Authority appreciates the opportunity and time provided to make these comments. We hope you find the comments helpful and will agree to incorporate the full information into the Final MSR.

Sincerely,

Sandra L. Kerl
General Manager

Cc: LAFCO Ad Hoc Advisory Committee Members
SDCWA Board Members

18322459.1

Tom Kennedy, General Manager, Rainbow Municipal Water District
Delivered Electronically: March 3, 2022

RAINBOW
MUNICIPAL WATER DISTRICT
Committed to Excellence

March 3, 2022

Keene Simonds
Executive Officer
San Diego LAFCO
2550 Fifth Ave, Suite 725
San Diego, CA 92103

VIA EMAIL

Subject: SDCWA Comment Letter on North County MSR

Dear Keene:

While I feel that continuing the ongoing back and forth letter writing campaign that is being sustained by SDCWA legal counsel and staff is not helpful to the process, the contents of the most recent document sent to LAFCO regarding the North County MSRs compelled me to provide this brief response. It is clear that SDCWA is merely attempting to subvert the normal MSR process and conflate the detachment application process with the MSR process. In addition, the topics in the letter could have been sent to LAFCO during the normal comment process. The MSR process is in no way tied to the Hanneman report and it is clear that SDCWA just waited to comment to drag out the MSR approval process. These are separate and normal functions of LAFCO and should be handled that way. In this letter I will address some of SDCWA's confusion over the topics listed in its letter

Population Estimate
During the preparation of the MSR, Rainbow MWD had just completed the analysis of the 2020 census data for our District. These numbers were provided to LAFCO and represent the best actual enumeration of the population of the District at the time of the MSR. Why SDCWA is focused on SANDAG is unclear to me as the actual enumeration of population by the Census process is more accurate than any SANDAG projection.

Ag Impacts
SDCWA goes to great lengths here to somehow conclude that agricultural production is not under severe stress in our region. LAFCO is just presenting the data on the loss of avocado acreage in our service area. The data is the data. The single biggest cost for avocado production is the cost of water and while SDCWA uses a blog from one of FPUD's directors to try and understate the impact of water costs on loss of avocados – the data again is clear. SDCWA cherry picks excerpts from other reports in order to produce a false conclusion here. Come up to our region and look around

3707 Old Highway 395 • Fallbrook, CA 92028
(760) 728-1178 • Fax (760) 728-2575 • www.rainbowmwd.com

Keene Simonds
San Diego LAFCO
March 3, 2022
Page 2

at all the dead groves – the decline of ag (especially avocado) is clear for anyone who wishes to see it. These groves have not been replaced by housing or taken out of production for planned development. The economics of the avocado operations become increasingly financially unviable, mainly due to water costs. The fact that SDCWA does not understand the impact of water costs on agriculture is one of the main reasons we need to switch to a more cost effective water wholesaler in EMWD.

Consolidation
Again, SDCWA somehow feels that LAFCO must again revisit a concept that the Commission itself rejected nearly 7 years ago. Why SDCWA feels that this needs to be revisited is a mystery. Perhaps SDCWA should focus its attention internally to its own issues rather than worry about consolidation in our region. FPUD and RMWD could chose to explore consolidation in the future if they thought it could lead to additional savings, but it does not eliminate the immediate savings the Districts would realize by purchasing water through EMWD instead of SDCWA.

Growth
Growth in our regions will be dictated by the County planning process which, as any observer who pays attention to land use planning for unincorporated areas will tell you, will likely not place any significant development in our region due to the rules surrounding Vehicle Miles Traveled (VMT) and other land use policies. I informed LAFCO staff, during the regular comment process, that I disagreed with the growth projections from SANDAG for our region. Time will tell, of course, but with recent history as a guide, significant new development in this region will be very limited.

Financial Stress
The three significant districts covered by the MSR (FPUD, RMWD and NCFPD) all commented on some aspects in the way the LAFCO financial metrics may not provide a clear assessment of financial conditions. This topic was also discussed at the LAFCO Special District Advisory Committee, which recommended having some review and evaluation of the financial metrics with outside experts for use in future MSRs. The general picture painted by the MSR is accurate that the cost of water has been increasing substantially and this puts financial stress on the agencies. This is exactly why FPUD and RMWD have undertaken their detachment efforts. Even with these challenges, all three agencies are in sound financial condition.

Reorganizations are on the minds of locals
Yes, our communities are very focused on controlling water costs and are concerned about the current cost/benefits ratio associated with being part of SDCWA. As noted above, the reorganization proposals are separate from the MSR process and LAFCO can always do an amendment if necessary.

Keene Simonds
San Diego LAFCO
March 3, 2022
Page 3

SGMA
SDCWA has developed a whole new line of questions now on SGMA but fails to recognize that neither RMWD nor FPUD have outstanding compliance requirements under this statute. FPUD has a groundwater project, but it is already part of a long established, federally adjudicated basin managed by a court appointed Watermaster that exceeds the requirements of SGMA. RMWD has no groundwater resources nor any discharges. The fact that SDCWA even brings up TMDL designations for the Rainbow Creek area displays its complete lack of understanding of not only our Districts operations but the application of law in this regard.

Growth and SDCWA Voting Rights at MWD
SDCWA somehow thinks that growth rates in our region will somehow surpass the rates of growth in other parts of San Diego County or even Riverside County and that somehow this will significantly impact SDCWA voting rights at MWD. First, voting rights at MWD are based on assessed valuation which, the last time we checked, is owned by the property owners in our region, not SDCWA, and only represents 0.2% of the MWD voting entitlement. The CWA Act gives the voters in our region the choice as to who represents them at MWD – not SDCWA. Second, the tiny percentage of the overall MWD vote will change each year as assessed valuations in the whole of Southern California changes. To think that somehow there will be a level of growth in our region that will so greatly surpass that of the seven counties in the MWD service area is fanciful and downright misleading. If you were to project the expected growth of other areas (including Riverside County) as compared to Fallbrook or Rainbow you would see that the 0.2% associated with Fallbrook and Rainbow will be overshadowed by the relative growth rate of other areas in MWD's service area – including the remaining service area of SDCWA.

The remaining comments by SDCWA are irrelevant and do not warrant a specific response. We encourage LAFCO to proceed with the approval of the MSRs and rapidly bring the processing of the detachment applications to conclusion.

Sincerely,

RAINBOW MUNICIPAL WATER DISTRICT

Tom Kennedy
General Manager

Dr. John Simpson, P.E., Director, Water Resources Division, MCIWest/MCB Camp Pendleton
Delivered Electronically: March 4, 2022

From: Simpson CIV John O
Sent: Friday, March 04, 2022 12:21 PM
To: Simonds,Keene
Cc: AllBoard@SDCWAOffice365.onmicrosoft.com; Kerl, Sandy
Subject: [External] [WARNING : MESSAGE ENCRYPTED] Response to the Santa Margarita River Watershed Issues in SDCWA Comment Letter on Final MSR

Mr. Simonds,

I am writing to you as the Director of Water Resources at Camp Pendleton and as a member of the San Diego County Water Authority (SDCWA) Board of Directors. On page 5 of the attached comment letter, our SDCWA General Manager states the following:

"The passage of the SGMA expressed a legislative intent and urgency to address groundwater issues at a local level across California. The groundwater analysis for this MSR is needed *now, not in a future report*. This information is critical not only for the pending MSR and detachment analysis, but also for compliance with state law. The analysis would presumable include reference to the following elements."

"Second, Fallbrook and Rainbow are part of the Santa Margarita Watershed adjudication finalized in 1963, with modification in 1966. The adjudication does not quantify groundwater rights but does confer the court jurisdiction to quantify rights in the future."

Because this letter seeks to implore you to conduct a "groundwater analysis" by implying that there may be issues with "compliance with state law," I need to elaborate on, and clarify a number of facts regarding the "Second" element discussed above.

- Fallbrook and Rainbow are indeed part of the Santa Margarita ***River*** Watershed adjudication
- The Santa Margarita River Watershed (SMRW) adjudication is overseen by a Federal court appointed Watermaster
- Per the requirements of SGMA, the SMRW Watermaster reports the status of all basins within the SMRW via the ***Adjudicated Basins Annual Reporting System***
- The groundwater basin within the SMRW that has any pertinence to any analysis for Fallbrook and Rainbow is called the ***Santa Margarita Valley Basin*** (SMVB) under SGMA
- The SMVB is completely contained on Camp Pendleton
- The Water Resources Division (WRD) at Camp Pendleton is charged with sustainably managing the SMVB by Marine Corps Orders, Department of the Navy Orders and SGMA – water security = national security
- As such, we report the status of the SMVB bi-annually under the ***California Statewide Groundwater Elevation Monitoring (CASGEM) Program*** "to help achieve the goals set out under" SGMA
- While the court did not quantify the water rights of the parties within the SMRW in 1963, there are a number of settlements and cooperative water resource management agreements within the watershed that ***do*** quantify water rights and require *sustainable water resource management*

- ***No*** water is pulled from the SMVB under "groundwater rights," in fact all rights within the SMRW apply to the water within the "younger alluvium" within the watershed because it is the integral link between the surface water and groundwater
- All water pulled from the SMVB and shared under a ***conjunctive use settlement agreement*** with Fallbrook (a project highlighted by the SDCWA as a resounding success and the way to manage water resources) is pulled under Riparian Water Rights granted by the State of California
- Camp Pendleton and Fallbrook from the SMVB under a shared very senior water right to 42,000 AF/yr and Camp Pendleton has an additional perfected license for 4000 AF/yr and a Pre-1914 right to 1100 AF/yr that is stored aboard Camp Pendleton in Lake O'Neill

Thus, I can assure you that any water from the Santa Margarita River Watershed pertinent to Fallbrook and Rainbow as eluded to on page 5 in the "Second" element of the SDCWA's letter requires no urgent "groundwater analysis" as part of your MSR or to determine if it is "in compliance with state law" (SGMA). Even though we are managing the Santa Margarita Valley Basin within an adjudicated watershed, we fully support and execute the mandates of SGMA.

If you do decide to conduct an type of "groundwater analysis" as it pertains to the SMVB, or if you have any questions, please to do not hesitate to call or email me.

Respectfully,

Dr. John Simpson, P.E.,
Director, Water Resources Division
MCIWest/MCB Camp Pendleton
(M): 760-846-2273
(O): 760-725-1059

Brian Albright, Director, County of San Diego, Department of Parks and Recreation
Delivered Electronically: March 7, 2022

County of San Diego
DEPARTMENT OF PARKS AND RECREATION

BRIAN ALBRIGHT
DIRECTOR
(858) 966-1301

5500 OVERLAND AVENUE, SUITE 410, SAN DIEGO, CA 92123
Administrative Office (858) 694-3030
www.sdparks.org

March 3, 2022

Keene Simonds, Executive Officer
San Diego Local Agency Formation Commission (LAFCO)

Dear Mr. Simonds,

The County of San Diego Department of Parks and Recreation (DPR) appreciates the opportunity to participate in and provide content for the 2022 Local Agency Formation Commission (LAFCO) Municipal Service Review (MSR) on the Fallbrook Region. The MSR included a review of services provided by the Fallbrook Public Utility District (FPUD), Rainbow Municipal Water District (RMWD), North County Fire Protection District, and County Service Area No. 81 (CSA No. 81).

The MSR outlines that during the reporting period, three separate reorganization proposals were received by LAFCO. Two of the proposals were separately submitted by the FPUD and the RMWD to detach from the San Diego County Water Authority and annex to the Eastern Metropolitan Water District. The third proposal was submitted by FPUD to activate its latent powers to provide parks and recreation, roads, and street lighting services.

In a January 24, 2022, letter to LAFCO staff, FPUD General Manager Jack Beebe noted, "The District (FPUD) requests that in the document (MSR) LAFCO is clear that the District has in no way expressed any interest in being involved in any efforts associated with incorporation of Fallbrook and the current application for expansion of latent powers by the District is not a transitional vehicle to such an effort." Follow up conversations with Mr. Beebe have clarified that FPUD's proposal is to increase revenue throughout Fallbrook, including additional funds for projects that could include additional parks and park amenities.

DPR wishes to make clear that any efforts towards another district exercising latent powers or pursuing incorporation will not involve CSA No. 81 parks and recreation facilities, nor other County parks and recreation facilities within the CSA No. 81 boundary. Furthermore, the County and DPR will not support reassignment of the 1% property tax assessed for the ongoing operations and maintenance of CSA No. 81 facilities to another agency. DPR is excited about working with FPUD to add amenities to parks, and additional recreation services, for the benefit of the Fallbrook community.

DPR is the longstanding provider of parks and recreation services in the community of Fallbrook and throughout the region. DPR provides a wide variety of parks and recreation facilities and programs through CSA No. 81 and other DPR park facilities in Fallbrook. DPR supplied LAFCO with information during the MSR Public Review on all DPR facilities in Fallbrook that help close the gap on the parkland that is available per 1,000 residents (see details below).

COUNTY SERVICE AREA NO. 81 – FALLBROOK LOCAL PARK FACILITIES:

Facility	Address	Acreage	Amenities
Fallbrook Community Center and Park	341 Heald Lane	7.16	Community Center, Senior Center, 2 playgrounds, 1 restroom structure, 2 picnic pavilions, BBQs, open lawn area, 3 parking lots, 1 host site, tennis and pickleball courts.
Clemmens Lane Park	344 Clemmens Lane	.56	2 playgrounds, 2 practice soccer fields, 1 restroom structure, 1 picnic pavilion, BBQs and 1 ADA parking stall.
Don Dussault Park	832 Alturas Rd	.75	2 playgrounds, 1 picnic pavilion, 2 picnic nodes, BBQs, exercise equipment, shade sails, and 1 ADA parking stall.
Rainbow Park	5157 Fifth Street	4.35	1 synthetic multi-use field, 1 playground, 1 restroom structure, 1 picnic pavilion, basketball courts, walking path, 1 parking lot, and tennis and pickleball courts.

From 1920 to the present, the County and DPR have also provided general fund parks within the CSA No. 81 boundary.

Facility	Address	Acreage	Amenities
Live Oak Park	2746 Reche Rd	27.03	1 Park office with public meeting room, 1 amphitheater, 1 playground, 6 picnic areas, 1 picnic pavilions, 1 soccer field, 1 ballfield, 1 dog park, 1 basketball court, 1 fitness station area, 1 botanical garden, 4 restroom structures and 3 parking lots.
Horse Creek Ridge	210 Gold Palomino Way	8.40	1 playground, 1 ballfield, 1 multi-use field, 1 restroom structure, 2 picnic areas, fitness equipment, and 1 parking lot.
Santa Margarita County Preserve	37385 De Luz Rd	220.53	1 staging area and 1. 5 miles of trail
Village View Park	831 E. Fallbrook St	6.8	This park is in the community input and planning stage. Planned amenities include 1 soccer field, 1 skatepark, 1 dog park, 1 playground structure, 1 restroom structure, exercise equipment, picnic areas, ADA walkways, viewing lookouts and parking space.
San Luis Rey River Park	Bonsall and Fallbrook	716.96	The park concept is a linear river park, including one large active recreation park sites in Fallbrook. The park will also have several miles of multiuse trails.

DPR also supports, and partners, with agencies and non-profit organizations in Fallbrook to provide parks and recreational opportunities. DPR looks forward to continuing to meet the community's parks and recreation needs.

Dave Knopp, Chief of Operations of my staff is available as needed, Dave.Knopp@sdcounty.ca.gov or (858) 966-1371.

Thank you,

Brian Albright Digitally signed by Brian Albright
Date: 2022.03.04 09:23:21 -08'00'

BRIAN ALBRIGHT
Director

Lila MacDonald, CEO, Fallbrook Chamber of Commerce
Delivered Electronically: March 7, 2022

From: Lila MacDonald
Sent: Monday, March 7, 2022 7:51 AM
To: Blom, Erica
Subject: Item 6a meeting 3.7.22

Hello,
In regards to item 6a on agenda:

I have lived in Fallbrook for over 50 years and served as CEO of the Fallbrook Chamber for 8.
I would like to urge your support of approving this item. It is very important to our communities.
Approval of the MSR will allow Fallbrook to move forward with a much needed Community Benefit Program, which will result in a variety of public benefit projects that could include enhancements to parks and playgrounds, new hiking trails, trees and downtown improvements.
Several nonprofits and community leaders raised money for this application that was sent well over two years ago. Even with Covid, this is much too long to sit on this. I am not clear as to why approval of this is item is being held up, when it will greatly help our community.
I ask that you please support staff's recommendation and approve this item without further delay .

Thank you for your time and consideration.

Best to you,
Lila MacDonald

CEO
Fallbrook Chamber of Commerce
111 South Main Avenue
Fallbrook, CA 92028
760.728.5845
lila.macdonald@fallbrookchamberofcommerce.org

Fallbrook
CHAMBER OF COMMERCE
Supporting Business and Building a Better Community

Charley Wolk
Delivered Electronically: March 14, 2022

From: Charley Wolk <bejoca@sbcglobal.net>
Sent: Monday, March 14, 2022 3:34 PM
To: Simonds,Keene <Keene.Simonds@sdcounty.ca.gov>
Cc: Jack Bebee <jackb@fpud.com>
Subject: Avocado growing cost

Keene,
At Monday's meeting I didn't finish the details about why the cost of water is forcing many small growers out of business. LAFCO staff's research as presented in the material verified this situation. SDCWA challenged the position. The reason I support the LAFCO position is to make money growing avocados you have to have the resources to farm it correctly. In today's economy you have to get your avocado operation to high density tree spacing.

The example I gave the totals for was for 10 acres. Here are the details. It cost about $45,000 per acre to get the trees planted to high density spacing. This is for the clearing, irrigation installation/modification, trees, stakes and wraps, and the labor to do all of this. Then you have operating expenses for four years to get the trees to commercial production of about $8,000 per acre. If you have the resources to do this, then you can have a conservative expectation of $7000 per acre net. That is a very attractive return for an ag investment.

The reality is most existing growers don't have access to that king of capital.

If you have any questions, let me know. You can share this with the Commissioners
Thanks,
Charley Wolk

Blank for Photocopying

Appendix E

Supplementary Staff Memo on Final Report

Blank for Photocopying

Supplementary Staff Memo to Final Report (Agenda Item No. 6a) | March 7, 2022
Subject: Comments Received from the San Diego County Water Authority



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

SUPPLEMENT
Agenda Item No. 6a

March 7, 2022

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Priscilla Allen, Analyst I

SUBJECT: **Comments Received from the San Diego County Water Authority**

This supplement addresses written comments received from the San Diego County Water Authority on the final report prepared on the scheduled municipal service review on the Fallbrook region. The comments were received after the agenda packet was posted online and distributed to Commissioners on Monday, February 28th. The comments are attached and directly accompanied by staff responses, which are shown in indented red font. Staff believes most of the comments do not require revisions to the final report or additional analysis either through an addendum or other LAFCO document. Exceptions are noted and staff will be prepared to address these as part of its verbal report at the scheduled hearing on March 7th.

Attachment: as stated

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103-6624
T 619.321.3380 F 619.404.6508
www.sdlafco.org

Joel Anderson, County of San Diego
Chair Jim Desmond, County of San Diego
Nora Vargas, Alt., County of San Diego
Vice Chair Paul McNamara, City of Escondido
Mary Casillas Salas, City of Chula Vista
Kristi Becker, Alt., City of Solona Beach
Chris Cate, 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

San Diego LAFCO
March 7, 2022 Meeting
Supplement for Agenda Item No. 6a | Continued Final Municipal Service Review on the Fallbrook Region

Blank for Photocopying

Our Region's Trusted Water Leader
San Diego County Water Authority

March 1, 2022

San Diego LAFCO
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: Comments on Final Report for the Municipal Service Review on the Fallbrook Region – AND REQUEST FOR AMENDMENT OF MSR TO INCORPORATE LAFCO EXPERT REPORT FINDINGS

Dear Mr. Simonds:

The San Diego County Water Authority here provides its formal written comments on the Final Municipal Service Review ("MSR") for the Fallbrook Region, which is scheduled for consideration at the March 7, 2022, commission meeting. The Water Authority appreciates the Commission's one-month continuance on accepting the MSR to allow for consideration by and discussion with the LAFCO Ad Hoc Advisory Committee that conducted its meeting on February 17, 2022.

The Water Authority described in its September 18, 2020 - Combined Response to Reorganization Applications by Fallbrook/Rainbow ("Combined Response") the core issues and relationship of the detachment proceedings to Municipal Service Reviews and Sphere of Influence Updates (pp. 4-9), and the Water Authority's role as a regional planning agency working in coordination with SANDAG to provide a reliable water supply (pp.25-39).

The comments provided here arise in part out of the responsibilities described in the Combined Response and in part out of the recently released LAFCO Hanemann expert report ("LAFCO Expert Report"), which is not yet mentioned in the MSR, presumably due to its delay in release. The Water Authority very much appreciates the additional time that was provided to the parties and public to review the LAFCO Expert Report in connection with the MSR, which was very beneficial.

As you know, MSRs are required to be prepared in connection with any update to a sphere of influence, as is being proposed with the Rainbow and Fallbrook reorganization proposals, which would alter those agencies, as well as the Water Authority's, MWD's, and Eastern MWD's spheres and service areas. (Gov. C. Section 56430) Therefore, this MSR is inextricably linked to the future services to be provided in these areas and is not merely a "snapshot" or "lookback," but is importantly an analytical aid for the future. We hope our comments below will assist in the Commission's understanding of the issues and local conditions.

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

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

18322459.1

Commissioners and Mr. Simonds
March 1, 2022
Page 2

1. Page 15, Calculating Population Estimates and Projections – *Report uses data "generated by Esri and their own mapping analyses of census tracts. This approach differs from past Commission practice to utilize estimates by" SANDAG…*"

   Comment: The MSR does not provide a substantive explanation why LAFCO is no longer using SANDAG projections rather than its own Esri software for population estimates and projections. Since one purpose of the Report is findings to develop buildout estimates specific to each affected agency in the Fallbrook region in coordination with the County and SANDAG, consistency is essential. SANDAG can provide population estimates by Water Authority member agencies' service areas, as they currently do for each Urban Water Management Plan update. As discussed at length in the Water Authority's Combined Response, the Water Authority works closely with SANDAG, its member agencies and other regional planning agencies to plan for and provide a reliable water supply for San Diego County. Moreover, LAFCO Administrative Policy No. A-101 recognizes the interdependent roles of LAFCO and SANDAG, providing in part that *LAFCO will utilize the most recent SANDAG growth forecast for planning purposes* (see Combined Response at pp. 25-39 and p. 27 relating to LAFCO Administrative Policy No. A-101). We believe this is an important issue that warrants further discussion and consideration by LAFCO staff and the Commission.

   RESPONSE: No revisions to the municipal service review report appear merited. Staff believes a substantive explanation for the comment is provided within the referenced section – Calculating Population Estimates and Projections, Page 15 – in justifying LAFCO's use of Esri software to make associated population projections. The justification ties directly to Esri's ability to readily sync current demographic data to special district boundaries; a service not presently available from SANDAG. This approach has been similarly employed by LAFCO in preparing all other municipal service reviews since 2017.

2. Page 18, 4.1 General Themes and Conclusions – "*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."* Also, *"[m]ore 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."*

   Comment: These "general themes and conclusions" are contrary to the facts detailed in the County of San Diego's 2020 County Crop Statistics and Annual Report. On page 7 of the 2020 Crop Report, it states: "The overall value of commercial agriculture in San Diego County increased 0.8% from 2019 to 2020. This change is mainly due to an 8% increase in the value of the Bedding Plants, Color, Perennials, Cacti & Succulents crops *together with a 9% increase in avocados*." [emphasis added] The 2020 Crop Report can be found online at: https://www.sandiegocounty.gov/content/dam/sdc/awm/docs/2020CropReportSanDiego.pdf This is the most recent published Crop Report for the County.

18322459.1

Commissioners and Mr. Simonds
March 1, 2022
Page 3

In addition, at a more colloquial level, Charlie Wolk, a highly regarded community leader, avocado grower, and a Fallbrook PUD board member, maintains a blog called "Growing Avocados". In a recent article on his blog titled "How to Grow Avocados for Profit", he comments: "I believe avocados to be one of the best investments both for long-term gain and short-term income. The caveat is you have to have the knowledge and resources to farm the crop correctly. Without this condition you can lose a lot of money. Let me know if I can help." (January 14, 2021) Link to blog article: https://avocadogrowing.com/how-to-grow-avocados-for-profit/

In short, the MSR's "general themes and conclusions" about the future of growing avocados in Fallbrook are unsupported by the available facts (as well as influenced bymany outside market conditions and forces on agricultural products, including Mexico's avocado market, also not discussed in the report but pertinent to its impacts). While the Water Authority agrees with SANDAG's projections that land use transitioning from agricultural to residential use will occur and result in continued population growth in the region, this does not lead to the conclusion that the cost of growing avocados, "has become unsustainable for many local farmers." In fact, this conclusion is contrary to available factual information about the increasing profitability of avocados – up 9% in the last year –and the ongoing effort to continue and add avocados as a crop because of its potential for high revenue generation. This is an especially important fact to include in the MSR, given the unsupported claims to the contrary by Fallbrook and Rainbow in the detachment proceedings. Please add the 2020 Crop Report data and Wolk blog to the MSR in order to provide a more complete and accurate report of these factors to the Commission and public.

RESPONSE: No changes to the municipal service review report appear merited. Staff believes the referenced conclusion – No. 3 | Avocados' Influence in the Region, page 20 – is factual in noting a substantive decline in the avocado production in the region is occurring as measured by planted acreage. This statement directly ties to statistics provided in the Ag Commissioner's 2016 and 2020 Crop Reports. The conclusion proceeds to appropriately deduce the decline in planted acreage "suggests the costs of growing avocados in the Avocado Capital of the World is becoming unsustainable…" Incidentally, and specific to the topic of profitability, staff believes it is reasonable – although not an absolute – to assume yields over the long term will decrease in relationship to decreases in planted acreage.

3. Page 19, Conclusion No. 2 – "*Fallbrook region has…experienced a significant amount of consolidation in local government in recent history,…"governance agencies reduced by one-half (from 8 to 4)…"community interest in the topic appears limited at this time and materially contributed to the Commission choosing to reject last proposed consolidation in region involving Fallbrook PUD's proposed takeover of Rainbow MWD in Sept 2015.'"*

Comment: The Water Authority agrees that further consolidation in the region should be considered, as was previously recommended for Fallbrook and Rainbow. This would appear to be a far better solution to address the agencies' financial distress, rather than pursuing a detachment that "gambles" with Fallbrook and Rainbow customers' water supply reliability and rates and which divides and adversely affects the rest of the County.

18322459.1

RESPONSE: Comment acknowledged.

4. Page 20, Conclusion No. 4 – "*Growth is happening…irrespective of the staying power of avocados and agriculture overall"; "…demand for housing pair with this region's available land supply, more than 2/5 of which is undeveloped."*

Comment: The Water Authority agrees with the above conclusion and that it presents a more accurate and complete description of the facts than the MSR's "general themes and conclusions," discussed at paragraph 1 above, commenting (inaccurately and incompletely) on the sustainability of avocados and agriculture in the region.

RESPONSE: Comment acknowledged.

5. Page 20, Conclusion No. 7 – *Fallbrook PUD and Rainbow MWD "have experienced clear and measurable financial stresses during the report period…declines in liquidity… Rainbow MWD finishing with negative average total and operating margins over the corresponding 60 months...the recent trends are noteworthy and merits additional Commission attention going forward."*

Comment: The Water Authority agrees with the above conclusion and that the situation merits further review by the Commission *now*, including potential consolidations that could provide a real measure of relief for the customers served by these agencies.

RESPONSE: Comment acknowledged.

As provided in Conclusion No. 2 | Slow and Steady Consolidation of Local Government on page 19, the consolidation of Fallbrook PUD and Rainbow MWD was considered and disapproved by the Commission in 2015. Staff believes no information in the municipal service review report suggests revisiting consolidation now would substantively change the Commission's baseline assessment from 2015.

6. Page 21, Conclusion 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."* [emphasis added]

Comment: Fallbrook and Rainbow customers have paid hundreds of thousands of dollars in order for LAFCO to retain an expert consultant to review the merits of the claims being made by the agencies' General Managers in the two proceedings for detachment from the Water Authority in order to annex to Eastern MWD in Riverside County. The applications present a question of first impression, which to our knowledge, no other LAFCO has ever

been asked to approve, namely, the detachment of a retail water supplier from its home county, wholesale water supplier and planning agency. But the MSR does not even mention the LAFCO Expert Report, which not only sheds important light on many of the issues discussed in the MSR but is directly related to Conclusion No.9 *which states expressly that the Commission will draw on this MSR in considering the individual merits of each of the detachment proposals*.

In summary, the LAFCO Expert Report should be referenced, its conclusions should be incorporated throughout the MSR where relevant, and the full LAFCO Expert Report by Dr. Hanemann should be included as an attachment to the MSR. Further, the Commission should direct that LAFCO's Expert Report be made available to all Fallbrook and Rainbow customers, because doing so would provide essential information related to the MSR and potentially negate the need for further detachment proceedings.

RESPONSE: No changes to the municipal service report appear merited. The municipal service review and reorganization proposals are statutorily separate activities and marked by the former having been scheduled by the Commission in June 2018 and ahead of the latters' filing in April 2020. Additionally, while the municipal service review serves to directly inform reorganizations over the next five-year period, the opposite does not apply; reorganizations do not directly inform municipal service reviews.

7. Page 22, Recommendation No. 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.*

Comment: The historic passage of the Sustainable Groundwater Management Act ("SGMA") in 2014 set forth a statewide framework to help protect California's groundwater resources over the long-term. SGMA is comprised of a three-bill legislative package, including AB 1739 (Dickinson), SB 1168 (Pavley), and SB 1319 (Pavley), and subsequent statewide Regulations.

In signing SGMA, then-Governor Jerry Brown emphasized that "groundwater management in California is best accomplished locally." SGMA mandates that such local actions be taken and includes findings that:

- "integrated management of the state's water resources is essential to meeting its water management goals;
- excessive groundwater extraction can cause overdraft, failed wells, deteriorated water quality, environmental damage, and irreversible land subsidence that damages infrastructure and diminishes the capacity of aquifers to store water for the future;
- groundwater management will not be effective unless local actions to sustainably manage groundwater basins and subbasins are taken;

- sustainable groundwater management in California depends upon creating more opportunities for robust conjunctive management of surface water and groundwater resources; and
- climate change will intensify the need to recalibrate and reconcile surface water and groundwater management strategies."

The passage of SGMA expressed a legislative intent and urgency to address groundwater issues at a local level across California. The groundwater analysis for this MSR is needed *now, not in a future report.* This information is critical not only for the pending MSR and detachment analyses, but also for compliance with state law. The analysis would presumably include reference to the following elements.

First, records review shows that Rainbow Valley has a Groundwater Management Plan. The Water Authority is attempting to secure a copy of the plan.

Second, Fallbrook and Rainbow are part of the Santa Margarita Watershed adjudication finalized in 1963, with modifications in 1966. The adjudication does not quantify groundwater rights but does confer the court jurisdiction to quantify rights in the future.

Third, the Upper San Luis Rey Valley groundwater sub-basin, just west/southwest of Fallbrook, has a *medium priority designation under SGM,)* which thereby requires these local agencies to form a groundwater sustainability agency (GSA) (for the high and medium priority basins). GSAs develop and implement groundwater sustainability plans to avoid undesirable results and mitigate overdraft within 20 years. A GSA was recently formed by its members including the County of San Diego, Pauma Valley Community Services District, Yuima MWD and Upper San Luis Rey Resources Conservation District. A Groundwater Sustainability Plan was submitted in January 2021 which included 38 acres of Rainbow overlying land in the sub-basin.

The MSA report should also account for the Lower San Luis Valley south of Fallbrook. This groundwater sub-basin is currently designated very low priority for SGMA purposes.

One final note based on preliminary review is that Rainbow Creek (surface water) is covered by a TMDL for total nitrogen and phosphorus. The groundwater table is high and Rainbow Creek is a gaining stream, fed by groundwater. Part of the impairment listing included recommendations for a Groundwater Investigation and Characterization work plan and report and onsite sewage treatment system management to control for nitrate contributions. This also warrants inclusion and full discussion in the MSR.

RESPONSE: This comment merits additional analysis either as part of an addendum to the municipal service review report or other Commission planning document. The focus of the additional analysis relates to the Commission's task to regulate all special districts authorized service functions and classes paired with the need to address Fallbrook PUD and Rainbow MWD's role in groundwater management.

18322459.1

Commissioners and Mr. Simonds
March 1, 2022
Page 7

8. Page 22, Recommendation No. 9 - *Opportunities for additional consolidations in the Fallbrook Region appear notionally plausible – and, in some cases, presumable probable.*

   Comment: Again, the Water Authority agrees with the above Report recommendation of potential benefits of consolidations within the Fallbrook Region and believes they should be explored now, as extraordinary detachment applications are pending before the Commission, not delayed until the next MSR is due.

   RESPONSE: Comment acknowledged.

9. Page 24, Growth Projections & Related Demographics No. 2 - *San Diego LAFCO independently estimates the annual population growth rate within the affected agencies in the Fallbrook region during the five-year report period as follows:*
   (a) 0.4% annual population growth rate within Fallbrook PUD.
   (b) 1.4% annual population growth rate within Rainbow MWD.
   (c) 0.7% annual population growth rate within North County FPD.

   Comment: The basis of these projections should be described, including the extent to which they do or do not incorporate LAFCO's projection in other parts of the MSR of the pace that residential housing will replace agriculture. The MSR should also describe how, if at all, these numbers have been coordinated with SANDAG's land use and population projections. A statement describing the actions taken by LAFCO that are inconsistent with SANDAG's process and projections should be added to the MSR with an explanation why LAFCO Administrative Policy No. A-101 is not being followed with respect to this MSR.

   RESPONSE: No changes to the municipal service review report appear merited. The municipal service review report includes detailed agency profiles for all four affected agencies (Chapter Three) and presents analysis of each's population and demographic characteristics (Sections 4.0). The agency profiles serve as the basis in informing the referenced determinations – Growth Projections and Related Demographics No. 2, page 24 – and draw on data generated by Esri for reasons described in response to Comment No. 1. SANDAG has not produced any recent population or related demographic projections for the affected agencies and therefore no inconsistencies exist.

10. Page 25, Growth Projections & Related Demographics No. 5 - *The Fallbrook region's location near existing transportation corridors (State Route 76 and Interstate 15) and inclusion in the San Diego County Water Authority and Metropolitan Water District of Southern California's wholesale water jurisdictions suggests substantive growth will occur in the future – though not necessarily in the timeframe of this report*. [emphasis added]

    Comment: If the conclusion is that substantive growth will occur in the future for FPUD and Rainbow, then the MSR analysis as written is not sufficient for the Commission to make an informed decision on detachment and its impacts, including the projected demands as well as magnitude in loss of voting rights at Metropolitan Water District that is based on assessed land values.

18322459.1

RESPONSE: No changes to the municipal service review report appear merited. The litmus test for the Commission in determining whether the municipal service review is adequate and/or complete is prescribed under statute and specific to the Commission's discretion in making determinations under Section 56430. Separately, the litmus test for the Commission in making an informed decision on specific jurisdictional changes – such as the proposed reorganization filings by Fallbrook PUD and Rainbow MWD – involves the Commission's discretion in considering factors listed in Section 56668. Staff's analysis of these latter factors will be provided in conjunction with presenting reports on the proposed reorganizations at a future hearing. Further, and at the Water Authority's request, staff's analysis will address potential impacts to voting rights at MET.

11. Page 34 - *(c) Fallbrook PUD's actual operating expenses increased by 19% during the five-year report period. This amount is one-third higher than the corresponding 14% increase in actual revenues for Fallbrook PUD and merits revisiting in the next scheduled municipal service review to assess whether the imbalance is structural or temporary.*

Comment: The increasing disconnect between Fallbrook PUD's operating expenses and revenues demonstrates that this analysis should be performed now in this MSR, not in a future report. This is the only way that the Commission will have all of the information it needs to make an informed decision about the detachment applications now under its consideration. There is no apparent reason for kicking this can down the road at this obvious turning point for Fallbrook and Rainbow customers, especially in light of the findings of the LAFCO Expert Report.

RESPONSE: No changes to the municipal service review report appear merited. The requested analysis is appropriately deferred to consideration of the reorganizations as referenced in response to Comment No. 10. This deferred analysis will appropriately incorporate multiple resources, including the municipal service review and the Hanemann report, in making an informed conclusions on Rainbow MWD and Fallbrook PUD's financial standing and any effects (positive or negative) tied to the two reorganizations as deemed material by the Commission.

12. Page 26-27, FPUD facilities 1 (a) i-ix - *Deliveries, demands, and GPCD numbers*

Comment: On Table 4.1a it shows FPUD's estimated 2020 total resident population at 33,986, and on page 27 it states, "LAFCO estimates the population in the potable water service area at the end of the five-year report period at 23,360. This estimate represents 69% of the total estimated District population." Is LAFCO concluding that a full 31% of Fallbrook's population is not on its potable water system? If so, LAFCO should identify

the source of water being used by this population, i.e., is irrigation coming from groundwater wells. If groundwater is being used for irrigation by one-third of the population, this would greatly impact conclusions regarding the amount of water being used for irrigation and the overall cost impacts of detachment, as detachment would not affect the cost of water for this population's water use.

RESPONSE: No changes to the municipal service review report appear merited. LAFCO assumes – as the comment suggests – the remaining 31% of Fallbrook PUD's estimated overall population is served by groundwater wells and/or other individual available sources. (This distinction ties into the municipal service review's recommendation to coordinate with the County in identifying total number of permitted groundwater wells within the service area.)

On page 27 it states, "Estimated per capita daily uses have decreased by (21%) over the five-year report period." However, this is based on a 2020 value that reflects wet-year (i.e. lower) potable demands (reported as 7,986 acre feet (AF) in Table 6.1b). Fallbrook's FY 2021 actual potable demand was about 8,900 AF, which would result in only about a 10% decrease in per capita use between 2016 and 2021 (using 2020 population for the 2021 GPCD calculation). Please explain these discrepancies, which would tend to understate the demand for water in Fallbrook.

RESPONSE: There are no discrepancies. The municipal service review uniformly draws on demand information generated between 2016 and 2020. Information for subsequent years is outside the data collection period.

13. Page 29-30, Rainbow facilities 2 (a) i-ix - *Deliveries, demands, and GPCD numbers*

Comment: On Table 4.1a it shows Rainbow's estimated 2020 total resident population at 22,130, and on page 29 it states, "...population in the potable service area at the end of the five-year report period at 17,003. This estimate represents 77% of the total estimated District population." Again, is LAFCO concluding that a full 23% of Rainbow's population is not on its potable water system? If so, LAFCO should identify the source of water being used by this population. Again, if groundwater is being used for irrigation by over one-fifth of the population, this would greatly impact conclusions regarding the amount of water being used for irrigation and the overall cost impacts of detachment, as detachment would not affect the cost of water for this population's water use.

RESPONSE: No changes to the municipal service review report appear merited. Please refer to the response provided for Comment No. 12.

Demand numbers are stated as "during the five-year report period." However, potable water demands (listed on page 120) are shown only for years 2016-2019. On page 30 it states, "Estimated per capita daily uses have decreased by (29%) over the five-year report period from 1,030 gallons to 728 gallons." However, this is based on a 2019 value that reflects wet-year (i.e., lower) potable demands(reported as 13,720 AF in Table 6.1b). Rainbow's FY 2021 actual potable demand was about 17,100 AF which would result in only about a 13%

decrease in per capita use between 2016 and 2021 (using 2020 population for the 2021 GPCD calculation). Please explain these discrepancies, which would tend to understate the demand for water in Rainbow.

RESPONSE: A change to the municipal service review report is merited to accurately clarify all written determinations in Chapter Two - Section 5.3 involving Rainbow MWD's potable water demands involve an abbreviated report period (i.e. 2016 to 2019).

14. Page 38 - *"(a) FPUD and Rainbow MWD maintain mutually beneficial interties with one another as well as with the City of Oceanside to receive and provide potable water in the event of emergency or planned interruptions to the San Diego Aqueduct*"

Comment: Please provide maps/graphics showing the intertie locations and explain how emergency services would be provided under varying conditions. This is an area in which the Water Authority has been seeking information and explanations from Fallbrook and Rainbow for many months, but which has not been forthcoming (see Combined Response at pp.85-90; and February 25, 2022, letter from General Manager Kerl to Adam Wilson at para. 4, p. 6). The question of emergency service preparedness is essential not only to consideration of these agencies' detachment applications but to the purpose of the MSR review.

RESPONSE: This comment merits additional analysis as part of an addendum to the municipal service review report or other Commission planning document. The additional analysis is specific to further substantiating information on Fallbrook PUD and Rainbow MWD's collaboration to address interruptions affecting their potable water systems.

15. Page 55, FPUD Potable Water Service – *this section's data reviewed against Water Authority's 2020 Urban Water Management Plan (UWMP) data*

Comment: The Report states: "*The estimated service population at the end of the period is 23,360.*" This value is more in-line with SANDAG's 2020 single-family (SF) household population for FPUD – not total population. Leaving this apparent error aside and leaving aside the agencies' continuing public and media objections to the accuracy of the Water Authority's demand projections, it is notable that there is only a 183 AF variance between Water Authority and FPUD average potable demand (2016 -2020) Table 6.1b – or, not statistically significant.

RESPONSE: Comment acknowledged.

16. Page 118, Rainbow Potable Water Service – *this section's data reviewed against Water Authority's 2020 UWMP data*

Comment: The Report's footnote on Page 118 states: "*The potable water service area population estimate by LAFCO utilizes the following formula: (number of single-family connections x 2.90) + (number of multifamily connections x 4 x 2.90).*" Does this mean Rainbow's estimated persons per household is 2.9 for single-family and 11.6 for multifamily? As in the case of Fallbrook, comparison of Rainbow's average potable

Commissioners and Mr. Simonds
March 1, 2022
Page 11

demand (2016 -2019) from Table 6.1b is only a 59 AF variance from Water Authority's UWMP – again, not statistically significant.

RESPONSE: Comment acknowledged and affirmed.

Again, the Water Authority appreciates the opportunity and time provided to make these comments. We hope you find the comments helpful and will agree to incorporate the full information into the Final MSR.

Sincerely,



Sandra L. Kerl
General Manager

Cc: LAFCO Ad Hoc Advisory Committee Members
SDCWA Board Members